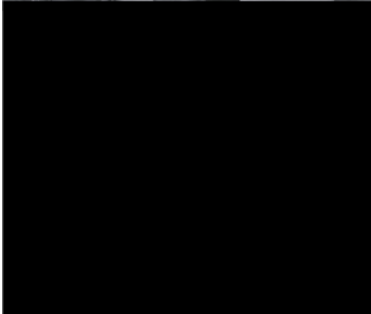
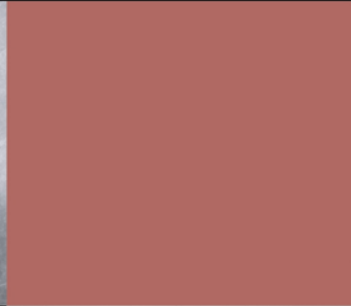


annual report **04**



**DBEDT**

State of Hawaii  
Department of Business, Economic Development & Tourism

# **DBEDT**

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## Director's Message



**Aloha!**

**DBEDT's goal is sustainable growth of Hawaii's economy leading to a higher standard of living for Hawaii's citizens. Our plan to achieve this goal includes energizing Hawaii's existing economic drivers and developing new diversified economic activity.**

**As Governor Linda Lingle said in her 2005 State-of-the-State address, "We are feeling good about ourselves again. But it's more than just a feeling. You can see it in the numbers. Nearly 29,000 new jobs have been created in the last two years. We had the lowest unemployment rate in the nation for much of last year...including being lowest for five months in a row."**

**The Governor duly noted that in 2004 visitor expenditures reached an all-time high of \$10.3 billion. Hawaii's visitor industry ended the year by attracting almost seven million guests to our shores, an 8.3 percent increase over 2003. Investor confidence is also high, and the construction industry is booming. Private building permits authorized during 2004 are estimated to exceed \$2.7 billion, 15 percent higher than 2003, which was previously Hawaii's best year ever.**

**There is, however, a real risk that when economic times are good and expectations become very positive, we as a community start to lose sight of the still-difficult task of putting our economy on the track of real and sustainable economic growth.**

**When times are bad, we know all too well what needs to be done, but do not have the resources to get it done. When times become better, we sometimes forget to channel some of our resources toward making the structural changes that ensure that economic momentum is sustained.**

**An environment of optimism provides the energy and resources that we can channel into solving our most difficult economic problems. DBEDT intends in 2005 to step-up our efforts to focus on improving the environment for doing business in Hawaii.**

**Good economic times are also the best time to position Hawaii as a place to do business, as a place where interesting new and emerging economic sectors are developing and as a place attractive to investment capital. In 2005, DBEDT fully intends to take advantage of the message of the State's strong economic performance to step-up our marketing programs and initiatives.**

**We are planning initiatives to further facilitate the development of emerging sectors in Hawaii of life sciences and biotechnology, ocean and marine sciences, astronomy and “dual use” technologies and film and digital media film production. Together with our business community, these sectors have been identified as one of the knowledge-based “clusters” in which Hawaii has a competitive advantage and which can be developed into growing and thriving sectors with desirable and high-paying jobs.**

**To build a sustainable growing economy, one of DBEDT’s strategies is to deploy or re-deploy Hawaii’s current assets and resources, some of which may be under-utilized, into economic development initiatives and tools. Among the assets and resources that DBEDT has focused on deploying to play a greater role as economic drivers are culture and the arts and our universities.**

**Under the Lingle administration, we have already started programs to develop and foster more university/industry exchange and partnerships, to infuse more entrepreneurship with academia and to encourage and support commercialization of promising research and development (R&D) at the universities.**

**Another undervalued or underutilized asset under the stewardship of the State is the ocean waterfront properties in the Kakaako and Aloha Tower Development districts. The waterfront needs to be developed to achieve its public, community and commercial potential. A properly redeveloped vibrant and attractive waterfront can revitalize the state and provide our citizens with jobs, commerce and economic activity, entertainment, housing and overall civic pride.**

**As Hawaii takes pride in its recent economic recovery and upsurge, we must all be mindful that this strong economic activity has its potentially negative aspects. These include tight labor supply, increased housing costs and inflation. DBEDT will also be working closely with other state agencies to address these issues in the year ahead.**

**Hawaii’s economy is strong. Hawaii’s prospects are strong. And, with proper planning and positioning, we hope to ensure that Hawaii achieves its vital role as the knowledge hub of the Pacific Rim.**



**Theodore E. Liu  
Director**

# Chief Marketing Officer's Message

**With a realistic perspective on our resources and potential, in 2004 DBEDT continued to implement a comprehensive strategic plan for Hawaii economic development based on best practices from the private sector.**

The result has been a more efficient and effective use of the people's money, as well as more focused economic development efforts.

DBEDT's strategic plan for Hawaii's Economy is based on:

**A**ctivating Hawaii's current businesses;

DBEDT has worked hard with Hawaii's small business community to create a more business friendly environment. Our activities included revitalizing the Small Business Regulatory Review Board, establishment of a Small Business Advisory Group, working closely with the Chamber of Commerce, SBA, NFIB and other small business organizations.

DBEDT has also actively sought to recognize niche business sectors such as high tech and diversified agriculture-aquaculture. We are actively promoting their ability to network and to gain capital and visibility.

**B**uilding on our traditional areas of strength;

DBEDT has helped develop the Arts and Culture community in Hawaii as a significant business segment and a driving force in opening new markets for Hawaii goods and services. This new vision of a "Creative Economy" has already served to unify and give strategic direction to Hawaii's arts community. Results range from more exports and business opportunities abroad for Hawaiian music, performers and visual and performing arts to more venues at home.

DBEDT's vision includes developing the film and digital media sector as part of this new Creative Economy. Besides close collaboration with and support for new *Creative Media Academy* at UH, DBEDT successfully landed three television series productions in Hawaii – a level of filming activity unprecedented in any other state – and several motion picture projects. In addition to the over \$100 million in spending

brought into the State, thousands of high-paying jobs were created and production and post-production contracts landed by local companies.

**C**onverting “warm” prospective technology clusters into real growth sectors;

DBEDT successfully launched a business marketing effort through the “Team Hawaii” concept that the department created. Team Hawaii brings together the many economic development agencies across the State, the universities and the private sector to create a more coordinated, focused and cost-effective business development outreach effort to the mainland U.S. and Asia.

By bringing together the public and private sectors in a partnership, duplication was eliminated and, with limited financial resources, a more concentrated and focused effort was made. The focus of DBEDT’s economic development effort has been on the emerging technology sectors in Hawaii that will create better paying, professional jobs in Hawaii that will retain our talented young people home in clusters such as astronomy, optics, digital media, biotech, renewable energy, medical and ocean sciences, high value agricultural research and environmental technology.

**D**eveloping new, longer term economic opportunities which position Hawaii for its future in the Pacific region.

Our ultimate goal is to become a Pacific Center of Excellence in many diverse disciplines. One example is our recent designation by the U.S. Department of Energy as a Center for Energy Assurance, reflecting the best practices of our Energy Division and State Civil Defense.

Our most visible manifestation of that goal is the success of two Asia-Pacific Homeland Security Summits. The last summit in November 2004 brought together representatives of 41 countries and 24 states and territories for a conference unmatched in diversity and breadth of subject-matter.

We believe Hawaii can become a “Knowledge Portal” for many of the challenges of the “Pacific Century” in energy security, medical research, ocean and environmental sciences and other technologies.



**Steve Bretschneider**  
**Chief Marketing Officer**



Marsha Wienert

**Tourism is the core economic engine of Hawaii. Our reputation as a first-class resort destination is the envy of the world. It is the commitment of this administration to keep it that way by giving the industry the tools and the help it needs to give each visitor the best experience possible.**

The Tourism Liaison's goal is to coordinate with all state agencies on tourism industry issues and to assist state agencies in developing programs that address the concerns of tourism and its' continued sustainability. The Office of Tourism Liaison (OTL) was developed to facilitate communications and coordination between the visitor industry, the executive branch and state agencies.

As the Governor's Tourism Liaison, the first priority has been to facilitate the communications process between the many facets of our visitor industry. After that, we began evaluating the needs of the industry, and how best government agencies can meet that need.

This year, the OTL assisted the Hawaii Tourism Authority in creating a Strategic Tourism Plan for Hawaii. The Strategic Plan was a statewide initiative that clearly identified tourism's critical issues, defined the role of state agencies and other stakeholders in tourism's future and recommended strategies to achieve the State's vision for tourism in Hawaii.

The Tourism Liaison has been actively involved in communicating with the Department of Homeland Security (DHS) and its agencies, the visitor industry and state agencies on new rules and regulations, and security programs including new procedures for Visa applicants.





### **Department of Transportation – Airports Division**

A summer travel optimization plan was successfully implemented with cooperation from the Hawaii Tourism Authority and its marketing contractors – as well as the Department of Transportation, Airports Division and the airlines serving Hawaii. The plan's objective was to communicate and educate the public on security screening processes and increase efficiency in processing passengers through our airport systems.

The Tourism Liaison is also working with the Department of Transportation Airports Division on addressing the critical infrastructure and customer satisfaction issues identified in the State Strategic Tourism Plan.

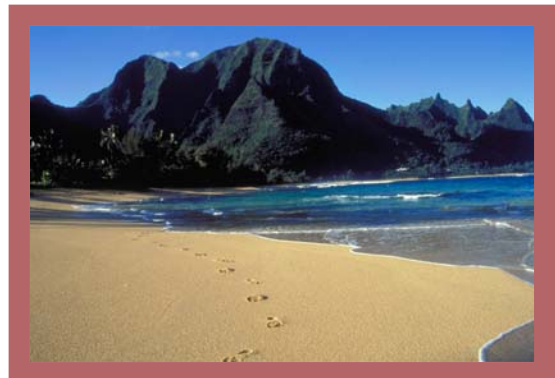
### **Research and Economic Analysis Division, DBEDT**

Visitor research is critical to the visitor industry. Research enables the industry to measure results, gauge satisfaction and identify trends. By increasing communication with the users of the visitor research we were able to identify the type and amount of data needed by the various stakeholders in the visitor industry.

In 2005 the research data will be developed and presented in ways that best provide the type of research needed by tourism stakeholders. Additionally, research questionnaires will be modified slightly in order to obtain additional information.

### **Department of Land and Natural Resources - State Parks**

Hawaii's state parks have been determined to be an integral part of the visitor experience. The Strategic Plan for Tourism identified various critical issues at our state parks that must be addressed in order for tourism to continue to prosper. The OTL is working with DLNR on state park improvements and communicating with the visitor industry on the improvements.



Handwritten signature of Marsha Wienert in black ink.

**Marsha Wienert**  
**Tourism Liaison**

# Strategic Marketing & Support Division

Services Trade Branch - Investment & Business Analysis Branch  
Business & Community Assistance Branch



**The Strategic Marketing and Support Division (SMSD) has a broad and diverse scope of activity designed to both serve the Hawaii business community as well as**

**market the state as a desirable location for business investment, relocation and development. Building on the theme, “Hawaii is Open for Business,” the Division continues to actively facilitate business activity both locally and in foreign markets.**

In 2004, DBEDT’s **Service Trade** group continued its successful “**Team Hawaii**” approach to marketing the “Open for Business” message. By building and leveraging upon the resources, networks, skills and expertise of its partners in the private sector, academia and government, Team Hawaii strategically deployed its coordinated efforts toward major events targeting the life sciences and optical sciences industries.



SMSD’s **Business Action Center** remains the State’s one-stop center for Small Business inquiries and referrals. It assists those interested in starting or expanding their business with their licensing needs.

- The Center provides comprehensive information and referral service to our business resource partners that provide free or low-cost counseling, business-related workshops and alternative financing options.
- The Business Action Center continued to be a key partner in developing "Hawaii Business Express", the state's online one-stop business licensing portal. Patterned after the Business Action Center itself, the Hawaii Business Express will allow businesses to register and obtain their state and federal licenses online. The user will be prompted to enter their business information one time.

The **Community Based Economic Development** program promotes business development in the form of seed grants, in the development of community-based organizations (CBOs) that create opportunities for economic diversification, and in teaching community organizations the entrepreneurial skills they need to conduct independent program activities.

The **Business Advocacy** Program reviews all new and modified statutes, administrative rules and proposed legislation. Comments are provided to both the Governor and the originating agency regarding clear identification and possible reduction of regulatory burdens imposed by rules on business.

The Business Advocate also provides administrative, logistic and technical support to the Small Business Regulatory Review Board.

The **Enterprise Zones Partnership** promotes certain types of business activity and job creation in geographic areas selected by the counties and approved by the Governor according to legislatively mandated eligibility criteria. Eligible firms can qualify for state and county tax and other incentives for up to seven consecutive years. 19 zones now exist statewide, and nearly 250 firms have applied to participate.

DBEDT's **Hawaii Products** program assists Hawaii firms in selected industries grow their share of the local market. It also provides innovative promotional and distribution opportunities for Hawaii manufacturers that expand the overseas markets for Hawaii-made products. It also sponsors the Governor's annual Exporter of the Year program.

The DBEDT **Investment and Business Analysis** group is focused on investment and business attraction efforts aimed at strategic Asia-Pacific markets:

DBEDT organized and coordinated the first-ever integrated Hawaii promotion in China, presided over by Lieutenant Governor James "Duke" Aiona. *The Hawaii Experience at Xintiandi, Shanghai*, July 24 - July 31, 2004, highlighted Hawaii music, culture and arts, Hawaii's products and services - including education, training and specialized tourism expertise – and promoting Hawaii as a travel destination.



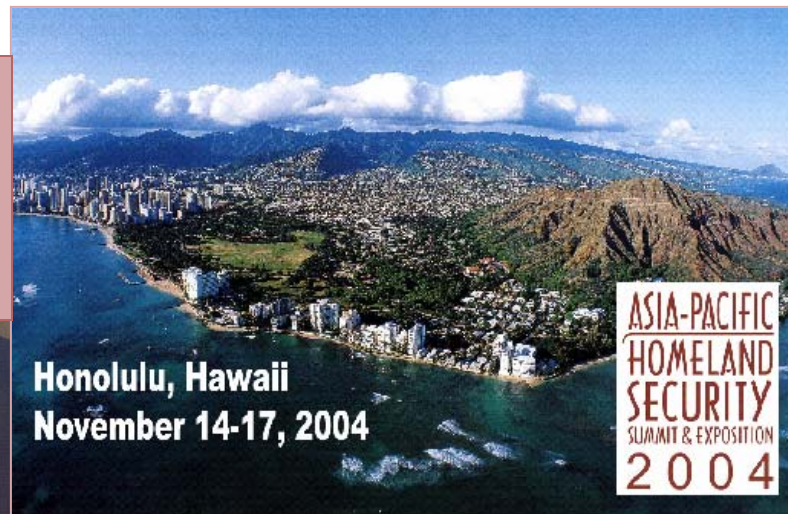
This week-long event was held in the historic Xintiandi district of Shanghai--known for its upscale "lifestyle" restaurants, bars, shops and clubs--where Hawaii music and entertainment drew crowds to the focal point of area, the Atrium. Here 23 Hawaii products and service firms set up displays and met with potential buyers and distributors. In addition to the exposure they received at Xintiandi, DBEDT, working with the China Council for the Promotion of International Trade (CCPIT), conducted a business seminar, and organized a series of one-on-one meetings between the Hawaii firms and potential buyers and distributors from China.

In August 2004 DBEDT received official approval for the establishment of a State of Hawaii Tourism Office in Beijing. This designation—one of only two given to US states-- now allows Hawaii to promote tourism directly to the consumer, as well as through the travel trade.

Since its inception in 1993, the **Hawaii Regional Center Program**, has attracted more than \$35 million in job creating investment in Hawaii—primarily from Taiwan, Japan and Korea.

More than 900 delegates along with 192 exhibitors attended the second Asia Pacific Homeland Security Summit. DBEDT's focus on policy makers and VIP's included sessions on Bio Security, Port Security, Cyber Security and Tourism.

**Homeland Defense Secretary Tom Ridge was the Keynote Speaker at this year's Asia-Pacific Homeland Security Summit.**



# Research & Economic Analysis Division

Economic Research Branch - Statistics & Data Support Branch  
Tourism Research Branch - Economic Information Staff - DBEDT Library

**The goal of the Research and Economic Analysis Division (READ) is to support the economic development planning and decision-making by business and government with data, analyses and technical assistance.**

READ provides a full range of statistics and research on the economy, population and important issues facing Hawaii, ranging from workforce development to sustainable tourism.

The output of the division is substantial. Nearly 70 economic and statistical reports were completed in 2004 including the 13-volume Sustainable Tourism Report to be published in early 2005. In total, more than 2,900 written products were produced by the division in 2004 and READ's vast array of information on the department's website was accessed an estimated 9.3 million times over the year.

READ's DBEDT Library handled 4,500 direct inquiries for information during 2004. The division's Hawaii State Data Center held 10 free, hands-on computer workshops to train business, media and government staff in mining valuable marketing data from the DBEDT and Census Bureau websites.



READ's core projects include short-and long-range economic forecasts, compilation of the State's official tourism statistics and production of the 700-table, *State of Hawaii Data Book*.

But READ also engaged in a number of important special projects during 2004. On behalf of the Department, READ partnered with the UH to secure a National Governor's Association Grant to increase the



Hawaii Chamber of Commerce President, James Tollefson presents the 2004 Small Business Research Advocate award to READ's Division Head, Dr. Pearl Imada Iboshi.

number of low-income working adults seeking to upgrade their skills beyond high school.

READ and the UH assembled a half dozen policymakers from the social services, education, and workforce and economic development sectors to work on this important project to increase the supply of skilled workers to Hawaii's economy. This effort will result in policy recommendations to the Governor and Legislature in 2005.



READ concluded work during 2004 on the project *Planning for Sustainable Tourism*. This

three-year effort examined how Hawaii can reconcile continued tourism growth and maintain a high quality social, economic and physical environment. New modeling techniques were developed that will assist a range of state and county planning efforts in the future.

New economic and population projections for Hawaii through 2030 were developed in 2004 and the first set of county-level Input-Output models for Hawaii was also produced.

In recognition of the division's work, the U.S. Small Business Administration named READ's division head and State Economist, Dr. Pearl Imada Iboshi, as small businesses' top research advocate on Oahu for 2004.

**In 2005**, READ will continue to provide leadership in researching economic issues of importance to Hawaii, as well as producing the full range of statistics and information for which it has become well know and respected.

# Strategic Industries Division

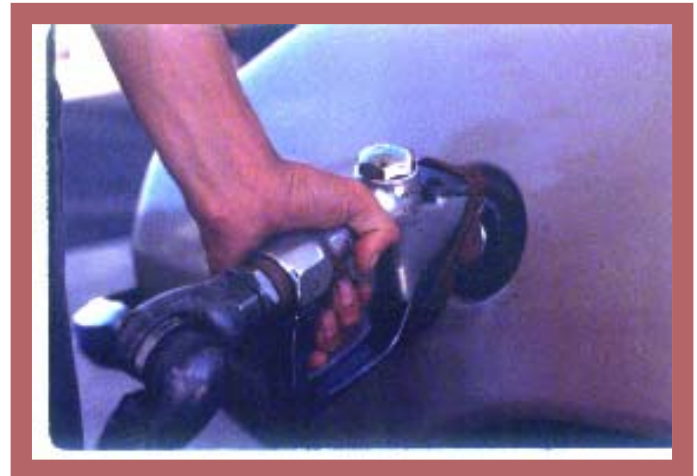
Energy Branch - Strategic Technology & Industry Branch  
Ocean Resources Branch

**The Strategic Industries Division (SID) supports Statewide economic efficiency, productivity, development and diversification by promoting, attracting and facilitating the development of Hawaii-based industries which engage in the sustainable development of Hawaii's energy, environmental, ocean, recyclable, and technological resources.**

Major initiatives in 2004 that involved the SID branch included:

## **Gasoline Price Caps**

The 2004 session of the Hawaii State Legislature passed a gasoline price cap bill that repealed provisions of the gas cap bill passed in 2002, replacing it with controls on the wholesale prices of all grades of gasoline. The caps will be set at different amounts according to eight different zones statewide, and will go into effect on Sept. 1, 2005, unless further revised by the 2005 session of the Legislature.



Governor Lingle indicated that she allowed enactment of the bill without her signature to give the Administration time to work with the Legislature to repeal the law and develop workable alternatives to address high gasoline prices, as recommended by a study performed for DBEDT in 2003.

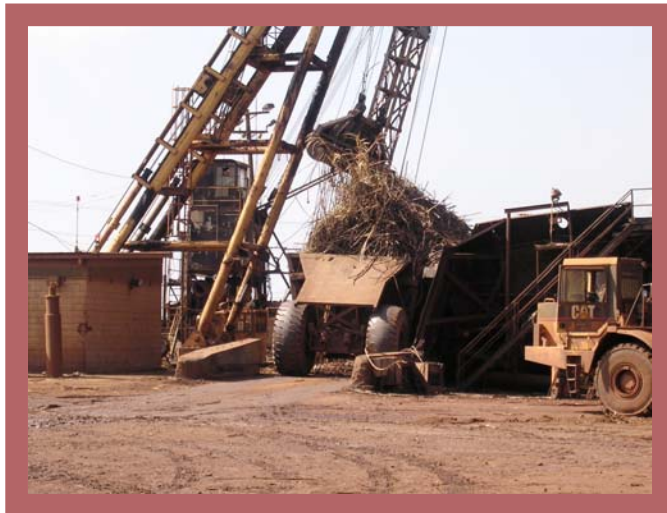
## **Renewable Portfolio Standard**

Hawaii's new Renewable Portfolio Standard requires that 20% of the state's electricity be generated from renewable resources by the end of 2020. Electric utilities are given milestone targets for intervening years. "Renewable energy," according to the law, encompasses not only electricity generated from indigenous resources such as solar, wind and geothermal, but also liquid and gaseous fuels

derived from renewable resources as well as selected energy-saving technologies such as solar water heating, the use of rejected heat in small combined heat and power systems, and seawater district cooling. Existing renewables, about 8.2% of electricity generation statewide in 2003, can be counted in the total.

### **Administrative Rules for Ethanol Fuel**

In 2004, Governor Lingle signed new administrative rules implementing a 10-year-old law mandating that ethanol be added to gasoline sold in Hawaii. The new



regulations call for at least 85% of Hawaii's gasoline to contain 10% ethanol, beginning in April 2006. The rules reflect a long process, coordinated by DBEDT, which involved representatives from all segments of the energy sector, agricultural community, and environmental groups, culminating in a formal public hearing in August 2004. It is estimated that at least 40 million gallons of ethanol per year will be required to

meet the mandate; studies have pegged Hawaii's ethanol production potential at 90 million gallons per year in the short term and over 400 million gallons per year as a mature industry.



# Arts, Film & Entertainment Division

Arts & Culture Development Branch - Hawaii Film Office

**The Arts, Film & Entertainment Division (AFED) was created to develop and promote Hawaii's cultural, entertainment and cinematic assets (i.e. Hawaii's creative economy) as one of the state's strong economic sectors.**

AFED consists of two branches: The Hawaii Film Office and the Arts & Culture Development Branch.

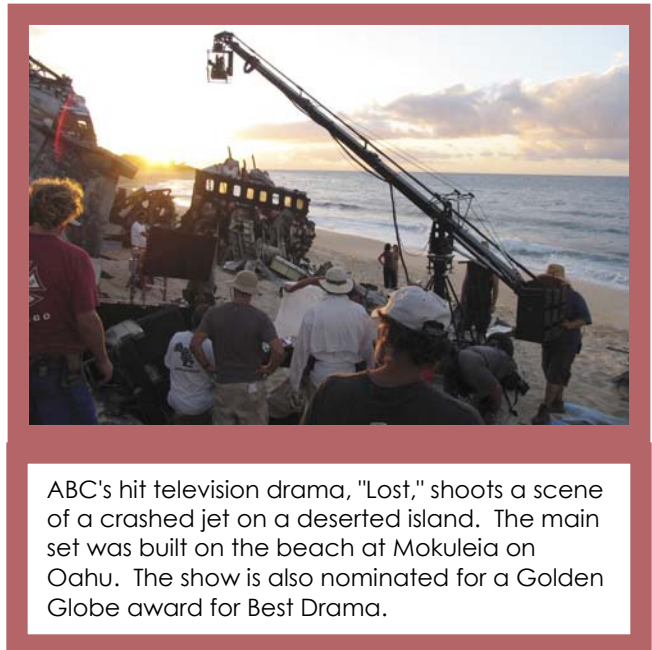
## **Hawaii Film Office Posts Another Banner Year**

Established in 1978, the Hawaii Film Office is the central coordinator for film and photographic use of state-administered parks, beaches, highways, and facilities. The office works closely with state, county, and federal agencies to assist filmmakers with acquiring film permits. The office also provides location and production resource information to filmmakers, manages the Hawaii Film Studio at Diamond Head, and develops and promotes the local film and television industry.

**2004 has been a banner year for film and television in Hawaii, generating an estimated \$145.7M in production expenditures.**

The robust level of production is largely attributable to the state's production tax incentives, including the Act 215 investment credit and the refundable production tax credit, both of which the film office effectively promotes via tradeshow, sponsorships, and existing relationships with production executives.

The state was host to an unprecedented number of concurrently shot network television series: ABC's "Lost," Fox's "North Shore," and NBC's "Hawaii." The film office demonstrated its commitment to supporting these productions by



finding sufficient studio and parking space to meet their needs, and by hiring



Actors Jason Mamo'a and Corey Sevier shoot a scene at Haleiwa Boat Harbor for FOX's hotel drama, "Northshore." The entire lobby set was constructed in the new sound stage at the Hawaii Film Studio near Diamond Head.

additional staff to handle the higher volume of permit requests and activity they generated.

These three series alone created nearly 500 jobs for local film workers, providing fertile training grounds for a new generation of production personnel, and opportunities for local production support,

equipment, and post-production companies to grow.

Additional productions filmed here this year include The WB's "Rocky Point" drama pilot; "Tides of War," the first in a series of four feature-length films to be produced locally by Pacific Films Productions; episodes from twelve different reality television series including "The Osbournes," "American Idol," and "Cowboy U: Molokai;" fifteen major commercials; thirty-one major photo shoots for magazines, catalogs, and print ads; an independent feature film; and seven short films.

Prospects for the coming year include the continuation of ABC's hit series "Lost," the NBC/Discovery Kids TV series "29 Down," and Warner Brothers' feature film based on the hit "Hawaii Five-O" TV series.

## **Arts & Culture Development**

Established in 2003, the Arts & Culture Development Branch works to advance the economic viability of Hawaii's creative economy which covers nine industry sectors including applied arts, performing arts, visual arts, literary arts, film & digital media, heritage and preservation, advocacy and support, ethnic cultural activities, and cultural tourism.

## Hawaii Performing Arts Abroad

In '04, due to efforts launched by DBEDT, Hawaiian musicians & dancers experienced a large burst of activity on a world-wide basis. Tours and concerts were held on the mainland, in Japan, Europe and China, the latter two for the first time since the 1920's.

### China Arts Mission

Utilizing Hawaii's performing arts, culture and music as the "leading edge" to open new markets for Hawaii's products, services, education, destinations and the entertainers themselves, DBEDT took Hawaii performers to China for two trade-related events. The first took place June 6-13, 2004 and supported the Hawaii International Film Festival's sister relationship with the Shanghai International Film Festival while pre-



Above: Grammy Nominees Willie K and Amy Hanai'ai'i Gilliom performing at the ARK on June 7, 2004 in Shanghai, China. Hawaiian music performers helped create new Hawaii-China partnerships in 2004.



Below: Miss Hawaii 2004 Olena Rubin joins Lt. Gov. James "Duke" Aiona and Chinese officials open the "Hawaii Experience" pavilion at the Xintiandi Entertainment District in Shanghai, China.

promoting the second -- a DBEDT trade mission called the "Hawaii Experience at Xintiandi" July 24-31, 2004. Participating artists also performed at the new Tianjin Concert Hall for 2,000 people. The concert performances attracted significant print and television media which was seen by millions of viewers. Planning is underway to further introduce Hawaii arts, culture and performance to larger Chinese audiences during the summer and fall of '05.

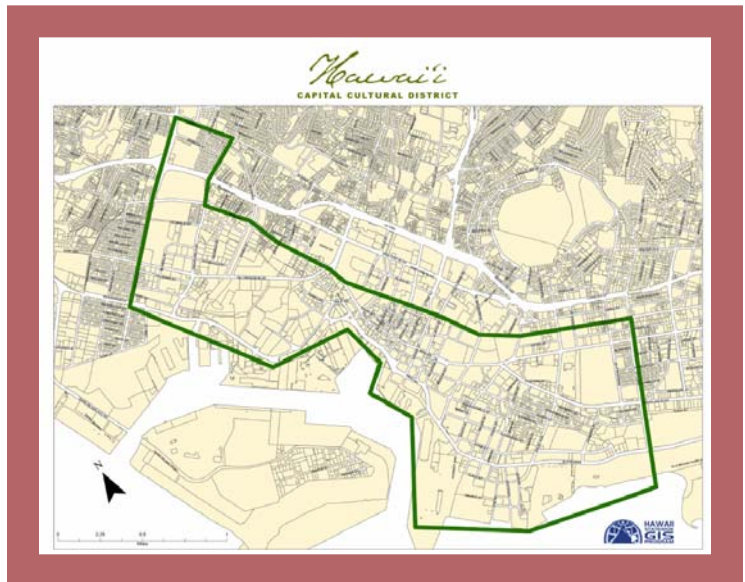
## National Academy of Recording Arts and Sciences Adds Hawaiian Music Grammy Category



Ending a 15-year effort, DBEDT, the Hawaii Academy of Recording Artists and the Pacific Northwest Chapter of the Recording Academy worked together to gain consensus from the trustees of the National Academy of Recording Arts and Sciences (NARAS) to add a new Grammy Award category: “Best Hawaiian Music Album.” Five of Hawaii’s top entertainers were nominated for this coveted title which will be awarded on February 13, 2005. Efforts are afoot to multiply this category into several new Hawaii categories in the future.

## Hawaii Capital Cultural District Coalition Begins Operations

After 35 years of community discussion, DBEDT and the State Foundation on Culture and the Arts joined forces with over 100 stakeholders in the area and spearheaded the creation of the “Hawaii Capital Cultural District” (HCCD). The HCCD will create, operate, and market this highly significant civic, historic and cultural district for our residents, visitors and students. Governor Lingle and Mayor Harris proclaimed the designation of the HCCD in October 2003, as did the Legislature during the ’04 session. The HCCD coalition hired a coordinator and began work on an approved two-year action plan to build partnerships, brand the district, establish a formal organization and raise funds for operations.



# Foreign-Trade Zone Division

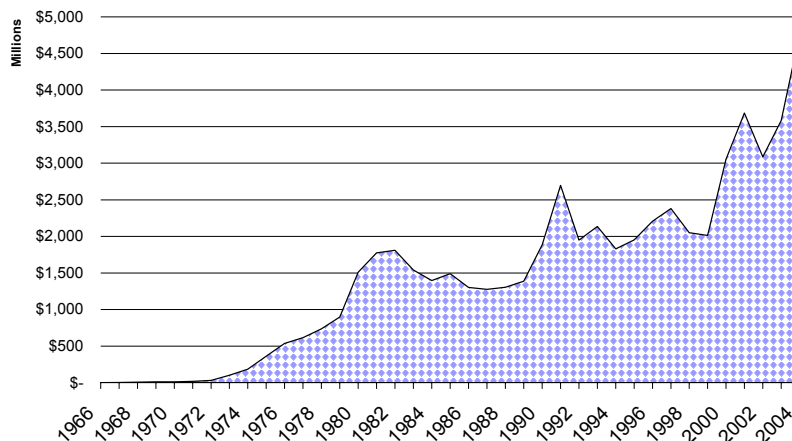
Development Branch - Operations Branch - Business Office

**Foreign-Trade Zones (FTZs) provide special customs procedures to U.S. companies engaged in international trade activities. This federal trade development program can change the Customs environment for merchandise moving in and out of the United States. Simply put, by operating in an FTZ, companies are able to reduce the risks and costs that accompany international trade transactions.**



Use of the FTZ program in Hawaii has a significant impact on the levels of international trade and helps companies compete in national and international markets. In FY 2004, 301 firms used foreign trade zone procedures to handle \$4.7 billion of merchandise (merchandise received + merchandise forwarded). These companies report direct employment of 1,464 employees attributable in part to use of the Zone. Exports from activated FTZ sites totaled \$434 million.

**Value of Merchandise Handled at all FTZ #9 Sites, 1966-2004**  
(Merchandise Received + Merchandise Forwarded)



Other highlights from FY 2004:

- According to a 2004 study by the National Association of Foreign-Trade Zones, 88 percent (by value) of all merchandise exports from Hawaii came from a foreign-

trade zone.

- The combined value of merchandise received and forwarded from all activated FTZ sites increased \$1.1 billion to reach \$4.763 billion.
- The number of first-time FTZ users in FY 2004 was 34 firms.
- The FTZ was able to operate in FY 2004 without any State general fund support.

Key indicators of the value of the FTZ program to Hawaii’s economy over the past five years in terms of employment, merchandise handled (received plus forwarded), and exports as a percentage of foreign merchandise received are shown in the table below.

**Foreign-Trade Zone #9 Program Key Indicators**

	2001	2002	2003	2004
Employment (direct)	1,447	1,423	1,457	1,464
Total merchandise handled, in + out (\$ million)	3,686	3,086	3,584	4,763
Pier 2 merchandise handled, in + out (\$ million)	55.7	60.8	78.1	77.8
Exports (\$ million)	408.5	314.9	336.2	433.8
Capital improvements (\$ millions)	49.9	34.8	45.2	34.5
Exports as percent of foreign merchandise received	30.7%	38.3%	35.15%	30.91%

There are currently 12 sites on Oahu, Maui, and Hawaii that have received FTZ designation. For more information on the Foreign-Trade Zone program, please see our website at [www.ftz9.org](http://www.ftz9.org).



# Attached Agencies



Agencies attached to DBEDT for administrative purposes include:

- Aloha Tower Development Corporation
- Hawaii Community Development Authority
- Hawaii Strategic Development Corporation
- Hawaii Tourism Authority
- High Technology Development Corporation
- Land Use Commission
- Natural Energy Laboratory of Hawaii Authority



Individual annual reports are available from websites or by contacting the agency directly.



# Hawaii Community Development Authority

**The Hawaii Community Development Authority (HCDA) was established by the Legislature in 1976 to plan and implement the timely redevelopment of Community Development Districts throughout the State, as designated by the Legislature.**

It was intended that HCDA, as an entity capable of long-range planning and implementation of improved community development, join the strengths of private enterprise with public development to accomplish its objectives.



HCDA continually re-evaluates and revises the Plans and Rules to adapt to changing economic and social factors. Its major projects in 2004 included:

## **Queen Street Extension (Improvement District 10)**

The Queen Street Extension Project, a new urban roadway that will enhance traffic circulation in a very dynamic and

growing sector of the Kaka‘ako District, was completed and opened in 2004. This new thoroughfare includes an attractively-landscaped 8-foot wide median and 23 metered parking spaces along the street curb. A new neighborhood park, to be developed in the near future, will provide passive recreation space for residents and others in the area.

## **Ahui/Ohe/Olomehani Street Improvements (Improvement District 12)**

Continuing its effort to improve access and traffic circulation in the Kaka‘ako Waterfront and set the stage for private sector investment, the HCDA approved in 2004 infrastructure improvements to a portion of Ahui Street; from Ilalo Street to the Point Panic parking lot; Ohe Street, from Ilalo to Olomehani Streets; and Olomehani Street.



These improvements, which will cost approximately \$15 million, are intended to attract developers to the area. The HCDA plans to start construction work on this Project in the first quarter of 2005. The work is expected to take about 18 months to complete.

### **University of Hawaii John A. Burns School of Medicine (JABSOM)**

The University of Hawaii (UH) continued construction work for its new medical school complex in the Kaka'ako Waterfront during 2004. In addition to enhancing the



UH medical school program, the \$150 million new JABSOM complex is envisioned as an economic engine for the State that will help build a new high-tech/science-based workforce, increase research and stimulate the growth of a biotechnology industry in Hawaii.

The project will include educational and biomedical research facilities on 9.1 acres strategically located in the Kaka'ako Waterfront area. The JABSOM campus is designed as a low-rise complex of buildings that will complement the adjacent Kaka'ako Waterfront Park. At the same time, it will serve as an anchor for the development of a revitalized Kaka'ako Waterfront.



**Hawaii Community Development Authority**  
**677 Ala Moana Blvd, Suite 1001**  
**Honolulu, HI 96813**  
**Phone: 808-587-2870**  
**Fax: 808-587-8150**  
<http://www.hcdaweb.org>

## Hawaii Strategic Development Corporation



**Hawaii Strategic Development Corporation is a State agency created in 1990 to promote economic development and diversification in conjunction with private enterprise.**

The mission of the Hawaii Strategic Development Corporation (HSDC) is to develop a sustainable venture capital industry in Hawaii which will stimulate the growth of new businesses.

HSDC's primary objective is to provide investment capital to businesses in order to stimulate economic growth, employment, and economic diversification. This goal is achieved through the investment of public and private funds in return for equity or ownership positions in private businesses, recognizing that many start-up and early stage companies cannot carry the burden of fixed debt service until they are at a later stage of development.

### **Hawaii Strategic Development Corporation**

**250 S. Hotel St., 5th Floor**

**P.O. Box 2359**

**Honolulu, HI 96804**

**Phone: 808-587-3829**

**Fax: 808-587-3832**

**<http://www.htdc.org/hsdc>**

## Aloha Tower Development Corporation

**The Aloha Tower Development Corporation is charged with overseeing redevelopment within the waterfront area of the Honolulu downtown business district.**



While the jurisdictional boundary includes Piers 5 and 6, and Piers 8 to 23, the development focus so far has been within the area surrounding the Aloha Tower.

The Corporation has the statutory mandate of redeveloping, renovating and/or improving the Aloha Tower Complex to (1) strengthen the international base of the community in trade activities; (2) enhance the beautification of the waterfront; (3) in conjunction with the Department of Transportation, to better serve modern maritime uses; and (4) provide for public access and the efficient use of waterfront property.

### **Aloha Tower Development Corporation**

**P.O. Box 2359**

**Honolulu, HI 96804**

**Phone: 808-586-2530**

**Fax: 808-586-3046**

**<http://www.hawaii.gov/dbedt/atdc>**

## Hawaii Tourism Authority



**To stimulate tourism, Hawaii's primary economic driver, the Hawaii Tourism Authority was created on July 9, 1998.**

The HTA administers a dedicated source of funding for tourism activities. 37.9% of the total revenue from the TAT is earmarked to create a Tourism Special Fund for tourism-related activities.

This fund is estimated to be approximately \$60 million annually. A cabinet-level Executive Board - the HTA - was established to oversee the new tourism fund, create a vision and long-range plan for tourism, and administer tourism from a Statewide perspective. The 13-member board is composed of

public and private sectors and includes representation from each of Hawaii's four counties.

**Hawaii Tourism Authority  
The Hawaii Convention Center  
1801 Kalakaua Avenue  
Honolulu, HI 96815  
Phone: 808-973-2255  
Fax: 808-973-2253  
<http://www.hawaii.gov/tourism>**

# High Technology Development Corporation

**The High Technology Development Corporation (HTDC) was established by the 1983 Legislature to facilitate the growth and development of the commercial high technology industry in Hawaii.**

HTDC's duties include but are not limited to (HRS 206M Amended):

- developing industrial parks as high technology innovation centers and the development of projects within or outside industrial parks;
- providing support and services to Hawaii based high technology companies;
- collecting and analyzing information on the State of commercial high technology activity in Hawaii;
- promoting and marketing Hawaii as a site for commercial high technology activity; and,
- providing advice on policy and planning for technology-based economic development



**High Technology Development Corporation  
Manoa Innovation Center, Suite 100  
2800 Woodlawn Drive  
Honolulu, HI 96822  
Phone: 808-539-3806  
Fax: 808-539-3795  
<http://www.htdc.org>**

## Natural Energy Laboratory of Hawaii Authority



**NELHA's mission statement is "to develop and diversify the Hawaii economy by providing resources and facilities for energy and ocean-related research, education, and commercial activities in an environmentally sound and culturally sensitive manner."**

NELHA is the only location in the world where large quantities of warm surface seawater and cold deep seawater are continuously pumped ashore for use in a wide

variety of aquaculture, marine biotechnology, renewable energy and other economically promising applications. NELHA serves as a laboratory for research and development, as an incubator for innovative technologies and ideas, and as a base for new commercial operations which capitalize on NELHA's unique complement of resources--all towards growing sustainable industries for the 21st century at NELHA.

**Natural Energy Laboratory of Hawaii Authority**

**73-4460 Queen Kaahumanu Highway, #101**

**Kailua-Kona, HI 96740-2637**

**Phone: 808-329-7341**

**Fax: 808-326-3262**

**<http://www.nelha.org>**

## Land Use Commission

**The objectives of the Land Use Commission (LUC) are to preserve, protect, and encourage the development of lands in the State for those uses to which they are best suited for the public welfare, through the implementation of the State Land Use Law, Chapter 205, Hawaii Revised Statutes, as amended.**



The LUC are to processes, reviews, and acts on petitions for district boundary amendments which involve lands over 15 acres in the State Agricultural, Rural, and Urban Districts and all petitions for reclassification of lands in the Conservation District; review and act on applications for special permits in the Agricultural and Rural Districts which are over 15 acres; process motions and boundary interpretation requests; and maintain, update, and disseminate official State land use district maps and land use information.

**Land Use Commission  
Leiopapa A Kamemeha Building  
235 South Beretania Street, Room 406  
P. O. Box 2359  
Honolulu, Hawaii 96804-2359  
Phone: 808-587-3822  
Fax: 808-587-3827  
<http://luc.State.hi.us>**

# Financial Report

**Department of Business, Economic Development & Tourism**  
**Statement of Operating Appropriations, Restrictions, and Expenditures**  
**For the Period July 1, 2003 - June 30, 2004**

	<u>Adjusted Appropriations</u>	<u>Expenditures, Encumbrances &amp; Transfers</u>	<u>Balance</u>
<b><u>General Funds</u></b>			
<u>BED 101 Business Development &amp; Marketing</u> Business Development and Marketing Division	1,655,276	1,509,575	145,701
<u>BED 102 Business Services</u> Business Support Division	1,296,145	1,192,303	103,842
<u>BED 103 Statewide Land Use Management</u> Land Use Commission	426,921	388,219	38,702
<u>BED 120 Energy &amp; Natural Resources</u> Energy Resources & Technology Division	1,160,057	1,022,081	137,976
<u>BED 130 Economic Planning &amp; Research</u> Research and Economic Analysis Division	922,104	880,656	41,448
<u>BED 142 General Support for Econ. Development</u> Office of the Director & Admin. Services Office	2,062,765	2,017,251	45,514
<u>BED 143 High Technology Development Corp.</u> High Technology Development Corporation	1,178,663	1,160,518	18,145
<u>BED 144 Statewide Planning &amp; Coordination</u> Office of Planning	1,531,676	1,530,859	817
<u>BED 146 Natural Energy Laboratory of HI Authority</u> Natural Energy Laboratory of HI Authority	597,510	560,402	37,108
<u>BED 150 Hawaii Community Development Authority</u> Hawaii Community Development Authority	<u>139,537</u>	<u>89,623</u>	<u>49,914</u>
Total General Funds	<u>10,970,654</u>	<u>10,351,487</u>	<u>619,167</u>



	<u>Adjusted Appropriations</u>	<u>Expenditures, Encumbrances &amp; Transfers</u>	<u>Balance</u>
<b><u>Special &amp; Revolving Funds</u></b>			
<u>BED 107 Foreign Trade</u>			
Foreign Trade Zone Special Fund	1,951,051	1,373,373	577,678
<u>BED 113 Tourism</u>			
Tourism Special Fund	61,000,000	60,955,178	44,822
Convention Center Enterprise Special Fund	<u>48,000,000</u>	<u>46,754,824</u>	<u>1,245,176</u>
BED 113 Total	109,000,000	107,710,002	1,289,998
<u>BED 130 Economic Plng. &amp; Research for Econ. Dev.</u>			
Tourism Special Fund - Tourism Research	1,305,904	1,287,161	18,743
<u>BED 143 High Technology Development Corp.</u>			
High Technology Special Fund	2,080,223	870,039	1,210,184
<u>BED 145 Hawaii Strategic Development Corporation</u>			
Hawaii Strategic Development Revolving Fund	427,262	346,644	80,618
<u>BED 146 Natural Energy Laboratory of HI Authority</u>			
Natural Energy Laboratory of HI Authority Special Fund	1,733,766	1,367,897	365,869
<u>BED 150 Hawaii Community Development Authority</u>			
HI Comm. Dev. Authority Assessment Reserve Fund	2,500,000	1,469,793	1,030,207
Kalaeloa Community Development District Special Fund	<u>207,000</u>	<u>53,646</u>	<u>153,354</u>
BED 150 Total	2,707,000	1,523,439	1,183,561
<u>BED 151 Aloha Tower Development Corp.</u>			
Aloha Tower Special Fund	<u>1,525,689</u>	<u>569,614</u>	<u>956,075</u>
Total Special & Revolving Funds	<u>120,730,895</u>	<u>115,048,169</u>	<u>5,682,726</u>
<b>Total Funds (3)</b>	<u>131,701,549</u>	<u>125,399,656</u>	<u>6,301,893</u>

Notes:

- (1) Represents the unrestricted general fund amounts that lapsed at June 30.
- (2) Represents the special fund unexpended appropriation balance at June 30.
- (3) Statement does not include DBEDT's loan revolving funds, the High Technology Revolving Fund, the Brownfield Cleanup Revolving Fund, HCDA's Revolving Fund, and all federal, trust, and capital improvement appropriations.

In mounting a major trade mission to China during the Summer of 2004, DBEDT sought to use Hawaii's performing arts, film, culture, and music as the "leading edge of the wedge" to open new markets for Hawaii's products, services, education, destinations, and entertainment.





## Our core mission is to:

- strengthen and diversify Hawaii's economy,
- lead business development efforts,
- attract new businesses and investment, and
- document Hawaii's economic development.



### Acknowledgements

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