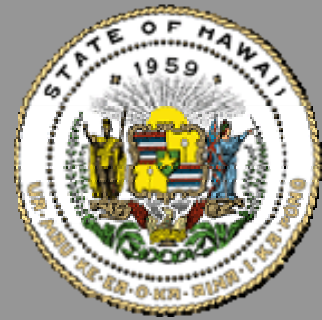




Annual Report 2005



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DBEDT

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Theodore E. Liu
Director, DBEDT

DIRECTOR'S MESSAGE

Hawaii has entered a period of growth and prosperity that has not been seen since the 1980s. Moreover, we have the opportunity over the next few years to transform this current economic momentum into a new era of economic growth led by a group of emerging industries the state and counties are working to expand.

First let's look at our current economic situation.

Currently, we are certainly enjoying substantial short term growth based on tourism and construction, which as made both 2004 and 2005 two of best years for the state's economy in many years.

We have seen higher-than-expected rates of growth in employment, personal income, and tax collections that indicate a reinvigoration of Hawaii's economy. The rate of construction permitting bodes well for investment activity over the next year or more. Visitor arrivals and average daily visitor census are both up and federal spending remains strong.

The total number of visitors arriving by air was up 6.9 percent during first 11 months of 2005, total arrivals is expected to be 7.4 million for the whole year of 2005, first time ever we welcomed over 7 million visitors a year.

This growth propelled personal income to a 7.5 percent during the first three quarters of 2005 from the same period one year before.

Nearly 617,000 people were employed in Hawaii during the first 11 months of 2005, a strong, 3.6 percent increase from the same 2004 period. This represented the highest rate of growth in employment in Hawaii in fifteen years.

According to the U.S. Bureau of Labor Statistics, Hawaii had the lowest unemployment rate in the nation during the first 11 months of 2005 at 2.8 percent.

Public sector revenues were marked by a number of double-digit increases. Tax revenues distributed to the State general fund increased 16.3 percent to \$4.25 billion for the calendar year 2005 compared to the calendar year 2004.

Year over year revenues from the General Excise and Use Tax increased 13.7 percent, net individual income tax collections increased 17.2 percent, and net corporate income taxes increased 76.4 percent. Transient Accommodations Tax (TAT) revenues increased 9.2 percent for the calendar year 2005.

DBEDT continues to anticipate solid growth for tourism, personal income, and wage and salary employment for 2006. Projections of economic growth for the Mainland U.S., Hawaii's primary visitor market, are reasonably strong, while Japan is projected to grow, but at a slower pace.

Prospects for all three main supports of Hawaii's economy continue to be positive. The visitor industry, federal spending, and private construction will all see healthy growth in the next couple of years. Current building permit levels are still averaging well over \$200 million per month, which should mean a healthy construction sector for the foreseeable future.

Visitor expenditures for 2005 are expected to show a 6.9 percent gain when final figures are tallied. In 2006, visitor days and visitor arrivals are expected to increase by 2.9 percent each, with visitor expenditures showing a 5.8 percent.

Wage and salary jobs grow an estimated 2.7 percent in 2005. Job growth in 2006 is expected to ease a bit to 1.5 percent, relieving some pressure on a very tight labor market.

Average consumer prices in Hawaii probably increased by 3.4 percent in 2005 and will show a similar rate of 3.3 percent in 2006. The recent housing and energy price pressures felt both in Hawaii and the nation as a whole are a major factor in price increases the basis for these increases.

Beyond the good news for Hawaii's economic indicators in 2005, we are very optimistic about the prospects for long term transformations in the economy towards knowledge and technology-led growth.

There are two major "drivers" that will propel this transformation:

The first is the development of centers of excellence around our regional competitive advantages. We believe that business can and must leverage Hawaii's natural competitive advantages, be it they geographic advantage or a scientific or natural resource advantages.

In a globally interconnected and interdependent economy, to be competitive, each community needs to search for the areas of expertise or competitive niches where "Centers of Innovation or Center of Excellence" can be developed.

For Hawaii, we see these centers developing around certain life sciences niches -- ocean sciences, renewable energy, and other high tech enterprises. All of these opportunities are based on competitive advantages we currently possess.

The second driver is Hawaii as a place for innovative activity to thrive and to grow because it is a place where smart, entrepreneurial people want to be.

In the 21st Century, location is relevant only if you *want* to be there. In the current interrelated global economy, financial capital, human capital, ideas and intellectual property, and even institutions all are all mobile and less tied to "places."

OFFICE OF TOURISM LIAISON



Marsha Wienert
Tourism Liaison

The Tourism Liaison coordinates with state agencies, the Hawaii Tourism Authority (HTA), visitor industry businesses, organizations, national and international agencies on all tourism related matters, on behalf of the Executive Branch, to ensure a positive visitor experience and further tourism's growth within the state. Our objectives are:

- To coordinate and communicate with the visitor industry on all tourism related issues.
- To communicate and coordinate with all state agencies on tourism industry issues and assist state agencies in developing programs that will address the concerns of tourism and stimulate tourism's growth.
- To coordinate with the Hawaii Tourism Authority on all tourism issues and participate on the HTA Board of Directors.
- To communicate and coordinate with the Department of Homeland Security and its agencies on safety, security and customs and immigration rules and regulations.
- To coordinate with the airline industry and assist in developing initiatives that addresses their concerns.

Accomplishments:

- Worked with the U.S. Embassy in Seoul Korea, the Hawaii Tourism Authority and Korean travel agencies in implementing the 'Aloha Korean Honeymoon' campaign which accelerated the visa application process for honeymooners to travel to Hawaii.
- Worked cooperatively with state agencies on initiatives identified in the State Strategic Plan for Tourism as critical to the visitor industry.
- Increased communications between the visitor industry, executive branch and state agencies.
- Participated in the county advisory groups established by the Hawaii Tourism Authority to develop individual county tourism plans.
- Worked cooperatively with the island visitor bureaus, Hawaii Tourism Authority contractors, the Transportation Security Administration, and Department of Transportation Airports Division in implementing optimization plans for our airports during heavy volume times of the year.

- Worked cooperatively with Customs and Border Protection and the Department of Transportation Airports Division to increase customer satisfaction and decrease wait times in the Customs and the Border Protection facility.
- Worked cooperatively with the Department of Homeland Security, U.S. Visit division and Department of Transportation, Airports Division and airlines on the U.S. Visit outbound process and infrastructure needs at Honolulu and Kona International airports.
- Assisted the Department of Transportation Airports Division in developing a long range plan for Hawaii's airports and worked cooperatively with them on all airline and airport issues.
- Assisted in successfully implementing the 2005 Governor's Mission to China and Korea, the International Women's Conference and assisted other state agencies with conferences.



RESEARCH & ECONOMIC ANALYSIS DIVISION

The goal of the Research and Economic Analysis Division (READ) is to support the economic development planning and decision-making of 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;

READ develops and provides statistical and analytical information and conducts special research on Hawaii's visitor industry that will aid state marketing efforts, industry planning, tourism policymaking, and facilitate sustainable tourism.

READ develops, maintains and uses state-of-the-art-economic analysis tools to provide better understanding of Hawaii's economic situation, the challenges and opportunities in particular industries, analyses of economic policy options, and development of projections for future economic and population growth.

READ assists in the technical coordination of interdepartmental and inter agency efforts to better align economic development, workforce development and education policies to support Hawaii's emerging economy.

Accomplishments

- Compiled and Published the *State of Hawaii Data Book 2004*, containing more than 700 tables of key data widely used by government, business and residents.
- Published monthly visitor arrival and characteristic reports, expenditure reports and created new surveys on cruise ship spending.
- Produced four issues of the web-based publication, *Quarterly Statistical and Economic Report*.
- Produced four, quarterly projections and assessments of Hawaii's economy for use by business, policy makers and the public.
- Conducted free public workshops on the 2002 Economic Census.
- Published the first Hawaii "Inter-County" Input-Output Study, which permits economists to track the impacts of economic activity throughout the state.
- Prepared special economic reports such as a recent review of Hawaii's changing wage and employment structure.
- Provided staff and research support for the Governor's Economic Momentum Task Force, which developed a number of ideas designed to maintain Hawaii's current economic prosperity.

- Participated, on behalf of the department and the state's economic development sector, in the strategic policy planning of the Governor's Workforce Development Council.
- Completed work on the National Governor's Association grant Project "Pathways to Advancement" aimed at increasing the number of low income adult workers enrolling in post-secondary training and education, in order to increase skill levels and incomes
- Responded to nearly 4,000 reference requests through the DBEDT Library, and made 29 presentations to agencies, community & professional groups.



DBEDT research data and economic reports are available at www.hawaii.gov/dbedt.

STRATEGIC MARKETING & SUPPORT DIVISION

The Strategic Marketing & Support Division (SMSD) promotes industry development and economic diversification by supporting:

- Existing and emerging industries through the attraction of new investment; increase in exports of Hawaii products and services; expansion of Hawaii's participation in global trade and commerce, and
- New and existing businesses through licensing and permit information and referral, business advocacy, planning and coordination of programs and projects aimed at specific business sectors or economically-distressed areas, including rural areas and areas affected by natural disaster.

Accomplishments

- Organized a multi-sector mission to China and Korea, June 2005. Sectors included: Hawaii product exporters; tourism and destination related firms; education and training institutions; music, film, arts and culture-related activities; technology; companies seeking sourcing opportunities and tourism development. Initial assessments indicate that Hawaii firms achieved the following:
 - A company selling environmental and cleaning products received orders in excess of \$ 5 million.
 - A Hawaii shipping company estimates it initial orders for carrying cargo between China and the US to be in excess of \$100 million.
- DBEDT's Beijing Office received formal approval to serve Hawaii's tourism promotion needs, and to serve as the official liaison with the China National Tourism Administration on furthering Hawaii's efforts to become an approved destination.
- In its continuing efforts to export Hawaii's specialized services, the Integrated Development Group (IDG)—a public-private partnership coalesced by DBEDT—accomplished the following:
 - conducted a series of seminars on tourism development in Hawaii, Taiwan and China. Ten speakers from Hawaii made presentations to an audience of approximately 100 tourism planners, policy

makers and promoters. This effort has thus far resulted in two contracts for Hawaii firms, worth \$40k, with more in various stages of discussion.

- signed a Memorandum of Understanding with the World Trade Center, Hong Kong to plan and develop a resort in Lhasa, Tibet. As soon as development rights are obtained (expected in Nov '05) work will begin on the first phase of planning, worth about \$300,000, but is expected to generate in excess of \$1million within the next two years.
 - hosted tourism officials from 16 countries, in a week-long program on sustainable destination development, sponsored by the Asian Productivity Organization. IDG also conducted a series of sustainable tourism seminars in Beijing, Shanghai and Guangzhou, China.
 - was commissioned to plan and develop a resort in Belize, South America. Initial billings are in excess of \$75,000.
 - signed an MOU with the Guangdong Provincial Tourism Administration to provide services that could include: a revision of their provincial tourism master plan; training in sustainable destination development; and management of coastal zone tourism.
 - assisted a Hawaii firm that specializes in Deep Ocean Water (DOW) pipeline technology to partner with a Taiwan conglomerate that plans to develop a DOW technology park and adjacent resort complex—in Taiwan. The value of the contracts to Hawaii firms could be several million dollars, when implemented.
- In partnership with the University of Hawaii, Hawaii Pacific University, Brigham Young University Hawaii, and private sector firms, organized events to promote Hawaii as a center for professional, vocational and executive education. Conducted workshops and small group meetings in Taiwan and China.
 - In collaboration with the Hong Kong Business Association of Hawaii, conducted a series of workshops entitled Chasing the China Dream: The Myths and Realities of Doing Business with China.
 - Through DBEDT's facilitation and support, DFS secured a contract with Hainan Airlines' subsidiary company, Meilan Airports, to operate the duty free

concessions at Sanya and Haikou airports in China. This contract is estimated to be worth at least \$10 million dollars, over a five-year period.

- Coordinated a visit by 36 Chinese business persons exploring investment opportunities in Hawaii.
- In cooperation with the Strategic Industries Division, organized the participation of UH and numerous private companies and local economic development boards at the BIO 2005 Annual International Convention in Philadelphia, Pennsylvania, June 19–June 22, which this year attracted over 18,000 attendees. Hawaii's delegation consisted of 36 individuals representing 19 organizations and programs from the private sector, state agencies and the University of Hawaii. Some significant outcomes included a planned meeting between Hawaii Biotech and a Japanese company to take place at BioJapan in September; two companies considering expanding their operations to Hawaii; and possible license of UH technology.
- Organized Hawaii's participation at the 2005 SPIE Optics & Photonics Conference & Exhibition held in San Diego, August 2-4, 2005. A record 5,900 people attended. Hawaii's delegation consisted of 22 individuals representing 12 public and private organizations. Our participation resulted in over 100 shared leads, 27 qualified sales leads for three companies, and two contracts for one Hawaii company.
- Organized Hawaii's participation in BioJapan 2005. Twenty one executives and professionals participated in this industry promotion project that included exhibiting at the BioJapan trade show for three days and producing the Hawaii Life Sciences Symposium attended by 90 high level industry representatives. Results from Hawaii's participation included securing a trade mission to Hawaii from Japan of 13 bio-tech executives to attend the Pacific Rim Summit on Industrial Biotechnology and Bioenergy and to site visit and meet with Hawaii science and bio-tech firms for partnerships and alliances.
- JETRO Seminar on the Japan Life Sciences Market. Generated participation from 75 individuals representing business, government and academia. Facilitated individual business appointments for three Japanese companies that led to follow-up activities for these firms with interest market expansion to Japan.
- Attracted a Japanese aquaculture firm from Nagoya to locate in Mililani, Hawaii.

- As a result of Hawaii's improved economy, attracted television program from Nikkei-CNBC to showcase Hawaii during two twenty-minute broadcasts on Hawaii's expanded and diversifying economy.
- Participated in the Korea-U.S. Pacific States Economic Conference in 2004 in Seoul and 2005 in Seattle. Presentations on Hawaii's Investment Opportunities and Hawaii's Energy Industry Opportunities were made.
- Worked with financial institutions, businesses and individuals on loan assistance after the Governor issued a disaster proclamation resulting from the rains and floods of December 7, 2003, through April 12, 2004. The division also participated in another disaster relief effort when heavy rains and flooding caused extensive damages in the areas of Manoa on Oahu during the period beginning October 30, 2004, to November 7, 2004.
- Pursuant to Act 229, SLH 2004, that allowed for loans to businesses threatened by military base realignment and closures, the division worked closely with the community and businesses whose revenues declined due to the deployment of troops.
- Provided \$171,295 in community economic development "seed grants to 12 community-based organizations.
- The Community Based Economic Development's (CBED) financial planning assistance was responsible for the community of Hookena on the Big Island receiving \$886,000 in Federal funds (USDA) to implement a community-run eco-tourism project involving the creation of several small businesses in their community.
- The CBED Program's technical assistance initiatives in FY 2005, intended to increase a community's capacity to successfully implement their community economic development projects, co-sponsored 29 one and two-day community-based organizational training workshops and conferences. Over 700 individuals representing more than 250 community organizations and agencies from all major islands attended training sessions and conferences that helped increase economic literacy.
- Enrolled 15 new and existing businesses in the EZ Program.
- The EZ Program provided training and worked with all four county EZ Coordinators to develop a strategic plan for the Enterprise Zone Partnership Program.

- Worked with county coordinators to initiate pro-active marketing of the EZ program in their respective counties.
- Supported the “Small Business Bill of Rights” at the legislature.
- Recommended the implementation of an efficient process for posting of proposed administrative rules to the Office of the Lieutenant Governor’s website, to which the Office of the Lieutenant Governor responded by creating a hyper text link to redirect internet users to state agencies rule changes.



Governor Lingle and Jeju Province Governor T ae-Hwan Kim at the signing ceremony to reaffirm the 19-year sister-state/province agreement between Hawaii and Jeju Province, Korea.



DBEDT partnered with the University of Hawaii and several Hawaii companies to promote life sciences research and capabilities at the annual BioJapan in Yokohama, Japan.

STRATEGIC INDUSTRIES DIVISION

The mission of the Strategic Industries Division (SID) is to support statewide economic efficiency, productivity, development and diversification by promoting, attracting and facilitating the sustainable development of Hawaii-based energy, environmental, ocean, and technology industries.

The legal basis for support of Hawaii's energy program is cited in HRS Chapter 226 (Hawaii State Planning Act), Section 18, which requires the state to achieve energy self-sufficiency.

This act is supplemented by Chapter 196, and Chapter 226-18, HRS, requiring state energy planning and project activities in energy efficiency, renewable energy and clean fossil fuel energy, and Chapter 26-18(a), HRS, which provides that DBEDT: [S]hall . . . *encourage the development and promotion of industry and international commerce through programs established by law*. SID achieves these statutory policy aims through the following goals and objectives:

The department's authority related to ocean resource-based development is found in Chapter 201-13, HRS, which describes DBEDT's powers and duties related to marine affairs.

In addition, Sections 226-10(b)(1) and (7) of the Hawaii State Planning Act include policies for the growth of the economy in areas that have potential and increasing research and development of ocean-related activities.

The department's responsibilities for developing science and technology-related industries are found in Chapter 213, HRS, which provides for a research and development industry promotion program.

In addition, the department has a role in developing Hawaii's aerospace industry as provided for in Chapter 201-71, 72 and 73, HRS.

Goals

- Goal 1.** Increase the economic contribution of technology-based industry sectors by supporting technology development, facilitating technology transfer and providing marketing assistance.
- Goal 2.** Increase economic efficiency and productivity and competitiveness by promoting and facilitating resource conservation and efficiency.

- Goal 3.** Increase the productivity and robustness of Hawaii's economy by developing cost-competitive indigenous sources of energy.
- Goal 4.** Increase energy security for the state by developing comprehensive plans to effectively deal with energy crises.
- Goal 5.** Increase non-state funding support for technology and resource-based economic development.

Accomplishments

- Organized the participation of UH and numerous private companies and local economic development boards at BIO 2005 in Philadelphia to promote Hawaii's life science assets.
- Participated in a statewide private-sector effort to develop a Hawaii Life Sciences Roadmap to guide growth and development of this industry cluster. Provided support for the Hawaii Life Science Council, an industry trade association.
- Collaborated with the Biotechnology Industry Organization (BIO), the international trade association for life sciences, to organize the Pacific Rim Summit on Industrial Biotechnology and Bioenergy to be held in Honolulu in January 2006. Coordinated the local organizing committee and developed promotional materials to attract participation.
- Coordinated the 15th Annual Workshop of the Japan-U.S. Science, Technology & Space Applications Program (JUSTSAP) held on the Island of Hawaii, November 11-14, 2004 to continue to develop collaboration opportunities for Japan and the United States.
- Initiated a program to strengthen collaboration between DBEDT and the University of Hawaii to facilitate the role of UH as an economic engine for the State. Specific actions included:
 - Led DBEDT's successful effort to obtain State matching funds for a second three-year Experimental Program to Stimulate Competitive Research (EPSCoR) Research Infrastructure Improvement grant from the National Science Foundation. State matching funds will strengthen public-private partnerships in workforce development of critical technology skills, nurture an entrepreneurial culture at UH, and boost tech transfer to the private sector. Increased DBEDT participation in EPSCoR with election of CTO to position of co-director.
 - Collaborated with UH to inaugurate a series of university-industry forums to foster partnerships to target education and training in strategic technologies. The initial forum in December 2004 focused

- o on establishing an Applied Optics program at UH and resulted in a series of industry presentations to UH faculty and staff.
 - o Assisted UH in developing a successful proposal to the National Institutes for Health to provide \$25 million for the construction of a biosafety laboratory that would enhance Hawaii's research infrastructure and ability to respond to infectious disease threats.
 - o Worked with UH to address issues and inform legislators about bioprospecting.
- Published “A Cost Comparison of Various Methods of Retrieving Derelict Fishing Gear” in the 2005 PACON Journal. The article makes a case for retrieving “ghost net” from the North Pacific and burning it to produce electricity. The Journal is read throughout the Pacific Basin.
- “Senator Daniel Inouye introduced Senate Bill 362, *The Marine Debris, Research and Prevention Act* that would appropriate \$15 million to carry out many of the article’s recommendations. It passed the Senate and is currently before the House. In addition to securing two previous awards, DBEDT successfully sponsored Hawaii Metal Recycling (HMR) as “Environmental Industrialist of the Year” at the annual meeting of Hawaii’s Living Reef, an umbrella environmental organization. HMR contributed well over \$50,000 in time and machinery use to the net-recycling program. The publicity secured HMR additional sources of metals for recycling. DBEDT initially approached HMR about program involvement.
- DBEDT was selected as a semi-finalist in Harvard University’s *Innovations in American Government* program for its part in the ghost net retrieval program.”Supported the Kauai Resource Center’s program to produce exportable items from recycled glass.
- Facilitated participation by three Hawaii solar companies out of a total of eight participating U.S. firms in a National Renewable Energy Laboratories' (NREL) China Business Development Mission/Renewable Energy Study Tour and Village Power Workshop in China. Federally-funded grants paid for all of the in-country expenses.
- Organized the participation of Hawaii companies at the Oceans '04/TechnoOcean '04 conference and exhibition in Kobe, Japan to promote the sale of Hawaii ocean science & technology products and services.
- Published the online *Hawaii Ocean Science & Technology Magazine & Directory* to support industry growth by showcasing research, technology developments and industry accomplishments.
- Coordinated State and private sector presentations to a visiting delegation of government and academic representatives of Yi-Lan County, Taiwan interested in developing deep ocean water resources and coastal tourism. There have been follow-up visits to Taiwan by the private company and a

- request for a tourism development-scoping visit has been referred to SMSD.
- Conducted the annual survey of revenues and employment in the ocean science and technology industry. Revenues for 2004 were \$176 million, a 13.5% increase over 2003.
 - Maintained the export trade development *Platinum Key Service* (PKS) agreement between the U.S. Commercial Service — Beijing and DBEDT for the provision of specific project information and business development assistance to Hawaii energy, engineering, environmental and planning firms.
 - Facilitated Environmental Technology business meetings in Shanghai and Beijing for Governor Lingle's China Mission.
 - Partnered with Strategic Marketing and Support Division (SMSD) in support of the Department's on-going environmental export initiatives in Asia, under Team DBEDT's overall Asia Pacific-focused export development activities by cooperative initiatives for development and joint use of targeted promotional and marketing materials for trade missions and outreach
 - Completed The Energy Benchmarking Study for State Facilities on Oahu. The study characterizes electrical energy usage and presents data for each State agency by end use distribution. The report identifies Energy Conservation Measures (ECMs) that would help reduce the State's electrical consumption and quantifies their energy savings potential and the associated construction costs for implementation. The study shows that the 11 ECMs identified by the study could save up to 14.2 percent of State facilities' annual energy use on Oahu. Estimated energy cost savings for these ECMs would be \$10.7 million; estimated construction cost would be \$78.3 million.
 - Continued activities of the Rebuild Hawaii Consortium, a statewide information sharing group of 200 members from federal, local, state government, utilities, non-profits, private sector. Overall impact of this program includes \$67 million investment in energy efficiency projects, \$9 million annual energy savings to statewide facilities, 851 jobs created. Continued technical assistance to a variety of State and County facilities to reduce energy consumption.
 - A \$1.4 million Judiciary Lighting Energy Performance Contract and air-conditioning retrofit was completed in five Judiciary buildings on Oahu and Maui. These retrofits are saving the Judiciary over 3 million kilowatt hours annually, reducing demand by 600 kilowatts, and saving approximately \$342,000 on utility bills.
 - UH-Hilo, the pilot energy performance project of DBEDT, has reported a successful fifth year for the UH-Hilo performance contract. For the period July 1, 2002, to June 30, 2004, the project provided \$764,253 in energy

- and operational savings, exceeding the guaranteed savings by \$58,289. Since the start of the contract in 1996, the University has saved \$4,282,820. Cost of the contract was \$2.9 million.
- A series of eight sustainability workshops included commissioning, advanced building design, daylighting, advanced daylighting, photovoltaics in buildings, Energy Management/DDS systems, building energy simulation, indoor air quality. There were an aggregate of 496 attendees at all workshops and 293 participants overall. Sixteen percent of the participants were architects, seventeen percent, engineers; thirty-one percent, federal, state, and local government. The solar industry and utilities made up twenty-two percent of participants.
 - A Seminar on Measurement and Verification of Energy Savings for government energy managers was held in October. There were twenty participants from federal and state government, gas and electric utilities who learned about the latest developments in this technical area of energy performance.
 - Six staff from three state agencies participated in training and peer exchanges through the Rebuild Hawaii Peer Exchange Program.
 - Coordinated with private sector building suppliers and the Department of Education to commence a pilot passive cooling project on portable classrooms. Project includes installing solar fans and high-reflectance roofs. Students in science classes are conducting before and after temperature measurements to determine the cooling effects of the technologies.
 - Co-sponsored presentations on the “Costs and Benefits of Green Building” by Greg Kats of Capital E, on Oahu and at the PCEA Conference and Expo at the Hilton Waikoloa on the Big Island in September 2005. Attendees included representatives from State of Hawaii, County, federal and private sector entities.
 - Co-sponsored webcasts and in person training sessions on the ENERGY STAR Program and U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) Program with local utility and other partners.
 - Developed case studies, fact sheets, and a Guide on Environmentally Preferable Products for the State of Hawaii. The two case study projects were State of Hawaii facilities: Waipahu Intermediate School Cafeteria and the John A. Burns School of Medicine. Fact sheets focused on the federal executive orders and State of Hawaii statutes that relate to the procurement of environmentally preferable products.
 - Developed a Management Action Plan for the State of Hawaii to improve the purchasing of environmentally preferable products with support from the U.S. Environmental Protection Agency.

- Provided technical assistance to the Department of Health and the State of Hawaii's Procurement Office related to environmentally preferable purchasing and the 2005 survey of State of Hawaii agencies on recycled product purchased.
- Co-sponsored with the U.S. Department of Energy, the ENERGY STAR Dorm Room project that featured ENERGY STAR products in the University of Hawaii at Manoa's Wainani Student Apartments.
- Co-sponsored Sustainable Design Charrettes on Brownfields sites at: Kanuikapono Learning Center (a charter school) in Anahola, Kauai under a cooperative agreement with the US Environmental Protection Agency, Brownfields Pilot Project.
- Co-sponsored workshops on Greening Affordable Housing with US Housing and Urban Development, the Enterprise Foundation's Green Communities Initiative, and Rural Community Assistance Corporation in Fall 2005.
- Completed numerous workshops and conferences to promote the construction of "green buildings," high efficiency technologies, sustainable practices for the visitor industry, and training for architects, engineers, and builders.
- Maui County adopted an energy building code on April 25, 2005. DBEDT actively served as an early and strong advocate for the measure. The code is based on the national ASHRAE 90.1-1999 standard, with significant limits on lighting and HVAC systems and is expected to result in substantial energy savings.
- Presented information on residential energy efficiency to design and building professionals, Realtors, homeowners and others through conferences, professional seminars, community presentations, informative newspaper articles, and interpretive displays.
- Co-sponsored the Building Industry Association of Hawaii's "Home Building & Remodeling Show" and manned a booth Feb. 3-6, 2005. Conducted a seminar on the Hawaii BuiltGreen™ Home program and how to save money through energy efficient appliances and features. Discussed with visitors and distributed information on DBEDT/BIA's Hawaii BuiltGreen™ Home Program and other energy efficiency subjects. About 22,000 people attended and 4,000 publications were distributed.
- Co-sponsored the Building Industry Association of Hawaii's "Remodel It Right!" seminars at four community venues. Conducted one seminar on the Hawaii BuiltGreen™ program and how to save money with energy efficient equipment and design features. Energy efficient home design, solar water heaters, insulation, proper windows, and air conditioning were some of the topics discussed. About 300 people attended and 1,000 energy-related publications were distributed.

- Participated in the Pacific Home & Garden Show with the DCCA Division of Consumer Advocacy in June 2005. Conducted three seminars on money saving strategies for Hawaii homeowners, such as solar water heaters, insulation, ceiling fans, and Energy Star® appliances. About 200 people attended and 500 energy-related publications were distributed.
- Participated in the Building Industry Association of Hawaii's "Parade of Homes" and made site visits to the homes in October 2005. We discussed building practices with builder representatives and reviewed energy efficiency features of the homes,
- Co-sponsored Hawaiian Electric Company's "Energy Awareness Month Expo" in October 2005. About 5,000 people attended and about 6,000 energy-related publications and peripheral items were distributed.
- Installed an interactive educational display featuring elements of low-energy residential design, including solar water heating and photovoltaics as well as passive construction techniques, at NELHA's Gateway Center.
- In conjunction with MECO's Solar for Molokai program, conducted six classes for over 150 Molokai residents on energy-efficient technologies for the home.
- Organized and conducted the 2005 International Illuminating Design Awards (IIDA) program. Five nominations were submitted and all received awards. The nominees demonstrated successful lighting conversions resulting in energy savings of between 48% and 83% while improving lighting conditions. The Awards were presented at the July 2005 Rebuild Hawaii meeting
- Organized and conducted a workshop on residential air conditioning. Attended by 80 professionals from the private sector, the utilities and government, the workshop stressed the need to avoid oversizing residential AC systems. Oversizing is a major cause of rapidly rising demand for electricity.
- Addressed the National Fenestration Rating Council's Technical Review Committee on the envelope section of Hawaii's energy code. Reviewed the best options for upgrading fenestration requirements in Hawaii.
- Co-sponsored Hawaii Green Hotel Forums at the Fairmont Orchid, the Hilton Waikoloa, the Hawaii Prince and the Kauai Hyatt Regency Resorts. Energy and resource efficiency as well as renewable energy and green purchasing projects were featured during the forums.
- Presented at local workshops and meetings and national (National Environmental Performance Summit and NACO) conferences on ENERGY STAR, Green Building and the Hawaii Green Business Programs.

- Participated in and co-sponsored sustainable design charrettes on brownfields sites in Hawaii that promoted energy efficient and renewable energy features in site and building designs.
- Participated in the Hawaii Built Green Executive and Steering Committees to promote green building design and construction in public and private residential projects in the State of Hawaii.
- Provided support for a sustainable design workshop for the Construction Training Center of the Pacific Project on the Building Industry Association of Hawaii's brownfield site in Kalihi.
- Monitored advances in ocean wave technology and provided advice regarding a proposed demonstration by HECO and EPRI. Responded to inquiries by developers of wave power devices interested in demonstrating installations in Hawaii.
- Supported construction and program development for the USDOE funded Hawaii Gateway Energy Resource Center at NELHA in Kona, Hawaii. Participated in the Renewable Hydrogen Consortium being formed with the University of Hawaii, national labs, Sentech, and other partners to support the mission of the Center.
- Provided technical assistance via the *Pacific Regional Biomass Energy Program* to promote biodiesel, landfill gas, and biomass resource assessments.
- Supported efforts to enact Act 95, SLH 2004, establishing a renewable portfolio standard for the state that requires Hawaii electric utilities to obtain 20 % of their energy from renewable sources by 2020.
- In conjunction with the National Renewable Energy Laboratory (NREL) and HECO, published and distributed updated wind resource maps for individual counties in the state; developed and distributed a "Hawaii Consumer's Guide to Small Wind Electric Systems;" developed wind energy display.
- Developed and distributed informational materials in preparation for implementation of the E10 Unleaded requirement for gasoline to contain 10 percent ethanol beginning April 2, 2006.
- Met with a number of private company representatives to learn about their products and services; directed representatives to public and private entities for further contacts.
- Established a Working Group to assess the potential of non-electric uses of geothermal energy in Hawaii County and conducted informational meetings for businesses, agriculturalists and the general public. Presented a paper on several options for geothermal direct use development at the 2005 Geothermal Resources Council annual meeting. Worked with the County of Hawaii to select a consultant for a direct use feasibility study. Developed a map of existing water and geothermal wells in the Kapoho area of Puna District for public reference.

- Installed an interactive educational display on the production of hydrogen with solar energy and the uses of hydrogen fuel at NELHA's Gateway Center.
- Completed an assessment of the cost of photovoltaic-generated electricity in Hawaii. Completed Phase 1 of the USDOE funded Hawaii Hydrogen Power Park Project, with the University of Hawaii's Hawaii Natural Energy Institute as implementing partner. The project enabled Hawaii to gain valuable expertise in the design, installation, and testing of fuel cell and hydrogen production and storage systems at the Hawaii Fuel Cell Test Facility.
- Coordinated preparations for the staging of the 2006 Fuel Cell Seminar, the premier fuel cell industry event, in Honolulu in November, 2006. Hawaii will be featured as an ideal site for advanced energy technology demonstrations to the 2,500 national and international participants.
- Awarded funds for Hawaii's Bioenergy Program under the USDOE's Pacific Regional Biomass Energy Program, one of five regional partnerships that work to advance the use of bioenergy and bioproducts.
- Continued to provide technical support under the Pacific Regional Biomass Energy Program to the County of Hawaii for a biodiesel education and promotion program, the County of Kauai for a landfill methane gas quality analysis of the Kekaha Landfill, and to the City and County of Honolulu for a methane gas model update and the resumption of operations solicitation proposal for the Kapa'a landfill.
- Continued analysis of chemical, physical, and fuel properties of select Hawaii biomass resources in cooperation with the University of Hawaii to support industry use of agriculture and forestry residues for bioenergy.
- Worked with the County of Hawaii to educate the Big Island community on the potential for geothermal direct use.
- Completed the "Assessment of Energy Reserves and Costs of Geothermal Resources in Hawaii," a study that presents scenarios for the development of geothermal electrical potential through 2025, under a grant from the USDOE.
- Supported the Economic Momentum Commission's "Upgrade Infrastructure and Review Our Master Planning Process" Committee through development of cost-effective "good ideas" energy solutions.
- Supported the Public Utilities Commission (PUC) to implement Hawaii's Renewable Portfolio Standard (RPS) (Act 95, Session Laws of Hawaii 2004).
- Initiated development of Integrated Energy Strategy for Hawaii.
- Participated in electric utility Integrated Resource Planning (IRP) Advisory Groups.

- Initiated work to assist the Department of Land and Natural Resources (DLNR) in developing a catalog of potential sites for renewable energy development as required by §196-41, Hawaii Revised Statutes (HRS).
- Completed initial report on DBEDT's program to maximize the use of renewable energy and cost-effective conservation measures by state government agencies and on work with federal agencies to develop funding and technical assistance to support Hawaii in its efforts to achieve its RPS as required by §196-41, HRS.
- Provided financial and staff assistance to the University of Hawaii's Hawaii Energy Policy Forum, a group of energy stakeholders seeking to increase the sustainability of Hawaii's energy system.
- Organized quarterly meetings and chaired the Hawaii Energy Council, the public-private energy emergency coordinating organization.
- Supported the Public Utilities Commission in the implementation of the gasoline price cap law with crucial data acquisition and analyses.
- Coordinated Energy Security meetings to facilitate Hawaii's energy industry and Federal, State, and County emergency officials' mutual understanding of private energy sector needs and procedures for federal emergency resources "sharing", and cost reimbursement for critical energy infrastructure companies. Meetings provided comprehensive information on current Federal and State-level government and industry critical infrastructure protection and energy assurance plans and programs to assist Hawaii Energy Council member companies and agencies to better prepare for energy emergencies.
- Updated statewide assessment and database of minimum emergency back-up power generator needs for emergency & essential service facilities -- identifies and prioritizes emergency generator support for large lifeline and essential service facilities. Integrated into Statewide Geographic Information System platform.
- Organized Hawaii State Energy Council participation in Hawaii State Civil Defense's *Makani Pahili 2005* Annual Statewide Hurricane Exercise in support of the Statewide Response Plan's Emergency Support Function-12 (combined energy sector).
- Managed comprehensive project to update the State of Hawaii Energy Emergency Preparedness (EEP) Program and Plans to address the current EEP planning and energy security situation and incorporate security planning initiatives and recognition of the current EEP planning situation.
- Prepared Draft Interim Update of State of Hawaii Energy Emergency Preparedness (EEP) Program Implementation Guides to ensure currency of State's Guide to Four-Phased Implementation of 1) the EEP Program and Plan, 2) the EEP Public Information Program, and 3) the State Fuel Set-Aside Program.

- Sponsored and participated in the 2005 Asia-Pacific Homeland Security Summit & Exposition – a regional forum that provided insight into and perspective on shared security challenges and concerns for *Homeland Security*.
- Organized and participated in a U.S. Department of Energy, Strategic Petroleum Reserve (SPR) *Eagle-III* exercise of Hawaii's non-competitive guaranteed access to and priority loading of crude oil from the SPR in the event of a Presidential Drawdown in coordination with Hawaii oil refiners.
- Organized joint meetings of the Governor's Energy Emergency Preparedness Advisory Committee (GEEPAC) and the Hawaii State Energy Council (HSEC) to discuss preparations for potential adverse impacts due to implementation of wholesale gasoline price caps.
- Monitored Hawaii's petroleum market in an effort to gauge the effects of the wholesale gasoline price caps.
- In cooperation with the Strategic Marketing and Support Division, organized the participation of UH and numerous private companies and local economic development boards at BIO 2005 in Philadelphia to promote Hawaii's life science assets.
- Obtained a U.S. Department of Energy Grant in the amount of \$149,986 to develop a Tropical Energy Code for Hawaii, Guam, the Marianas Islands, Puerto Rico and the US Virgin Islands. It will be matched by \$95,944 in in-kind matching services.
- Presented two papers describing proposed grant actions at the 2005 Energy Codes Workshop, sponsored by the U.S. Department of Energy at Austin, Texas. Served as the speaker at the Fall Meeting of the Construction Specifications Institute-(CSI) Hawaii, describing how Tropical Code grant actions might impact Hawaii's building industry.
- Obtained a U.S. Department of Energy grant in the amount of \$100,000 to conduct a feasibility study and educational outreach activities relating to geothermal direct use in Hawaii County.

ARTS, FILM & ENTERTAINMENT DIVISION

The DBEDT Arts Film & Entertainment Division (AFED) was created to promote the growth of, and to work as a business advocate for film, video and digital media production industry; the diverse creative and cultural businesses of Hawaii; as well as Hawaii-made products.



Judy Drosd
Chief Officer,
Arts, Film & Entertainment

AFED supports and implements programs, projects, and activities that result in:

- An internationally recognized and self-sustaining cinema, television and digital arts industry;
- A creative economy that is a vibrant and sustainable sector of Hawaii's economy; and
- The development and expansion of domestic and foreign markets for Hawaii's products.

Accomplishments

Arts & Culture Development

2005 was a seminal year for the Arts & Culture Development Branch. In addition to numerous projects supporting creative industry development, critical groundwork was laid for programs that will provide a platform from which all our future efforts can flourish.

Secured partnership with the Hawaii Community Foundation to together launch the Economic Plan for the Creative Economy, a multi-part strategic planning effort to encompass the nine creative industry sectors under our purview (film & digital media, visual arts, performing arts, literary arts, applied design, advocacy and support, heritage and preservation, festivals and cultural tourism, and arts education). Launched a database development project to gather information about Hawaii's creative economy which includes the spectrum of artistic and cultural for-profit and non-profit activities. The database will consist of contact information,

- industry classification, marketing and product/service descriptions, and economic data regarding job count and income estimates that are essential to both tracking and monitoring industry development and assisting companies in marketing themselves. The public benefit will be a Web-based searchable database to help Hawaii businesses and non-profits market their products and services globally.
- Co-sponsored a National Academy of Recording Arts and Sciences (NARAS) professional educational forum on May 4, 2005 to inform Hawaii's music industry about the nomination and voting process for the 2006 Grammy awards, and the deadlines for submitting albums for consideration in the Best Hawaiian Music Album category. In addition, presented a performance of Hawaii's young up and coming artists at the NARAS Board of Trustees' annual meeting on May 24, 2005 to demonstrate the scope and range of Hawaiian music. This included Jake, Makana and Raiatea Helm who was subsequently nominated for a Grammy Award this past December.
 - Implemented a public relations campaign to promote Hawaiian Music internationally using the new Grammy Award category for Best Hawaiian Music Album as the driver. The objectives of the campaign were to generate local, national, and international recognition for the inaugural award and for Hawaiian music in general; inform the local community about the Grammy nomination and voting process; and support the future growth of this new award category. The project produced extensive local and national media coverage for Hawaii's music industry, including including a front page article in The Arts section in the New York Times, a front page article in the Sunday LA Times, articles in newspapers across the country including Seattle Times, San Francisco Chronicle, Cleveland Plain Dealer, etc. as well as significant radio coverage including a series on National Public Radio and international coverage on BBC and Voice of America".
 - Continued to coordinate the organizational development activities (coalition is now a formal non-profit) and marketing of the Hawaii Capital Cultural District (HCCD) to positively impact the economic well-being of the businesses in the district by attracting more visitors to the area. The HCCD area encompasses many businesses, culture and art venues, historic sites and attractions, museums, and educational and government institutions and will become a model for the creation of other heritage and cultural districts throughout the State.

- Signed a Letter of Intent with the Shanghai Media and Entertainment Group (SMEG), a large-scale multi-industry media and culture group (e.g. TV broadcasting, movie production, performance, art, entertainment, sports, and tourism), and launched a cooperative effort to develop mutually beneficial opportunities for Shanghai artists and Hawaii artists. Future planned activities will allow artists from Hawaii and Shanghai to perform, teach, learn and grow through cultural exchange and to enhance cultural and business trade between Shanghai. First steps under the LOI included meetings between SMEG and Hawaii leading arts organizations during a March 2005 visit by SMEG's Vice Chairman and the reverse when Hawaii creative companies visited Shanghai during the Governor's business mission in June (see below). Discussions are underway regarding the next steps.
- Supported the Governor's China/Korea 2005 Trade Mission on June 8-19, 2005. Coordinated and managed meetings, tours and activities for business people with interests in film and digital media, performing arts, and visual arts in Shanghai, Beijing, Guangzhou and Seoul. Worked with Events International, Worldsound and the Polynesian Cultural Center to produce a number of concerts in China reintroducing Hawaiian music and dance after a 70 year hiatus. Performance highlights included concerts at Xintiandi in Shanghai, the Great Hall of the People in Beijing and a cultural exchange celebration concert at the Sun Yat-Sen Memorial Hall in Guangzhou.
- Produced the e-newsletter *Hawaii Books Quarterly*, in coordination with the Hawaii Book Publishers Association, which highlights the latest releases in books from Hawaii and provides links to industry/company web sites.
- Monitored the grant-in-aid for the design and construction for the restoration and maintenance of the Hawaii Theatre in downtown Honolulu.
- Finalized a contract with The Chamber of Commerce of Hawaii to implement the New Economy Transition (NET) Program that assisted local businesses to participate in the information-technology revolution.
- Sponsored the 7th Annual Governor's Exporter of the Year Awards Program that acknowledged the achievements of successful Hawaii exporters in various categories.

Hawaii Film Office

The film office is very proud of its accomplishments this year. Beginning with the 2005 Legislative session, we were able to gather the local film industry together, foster a sense of community among them, and give them a collective and unified political voice. The degree of consensus and cooperation among local film industry stakeholders was unprecedented. Members of the local film community have praised us for our efforts to coalesce them at the Legislature this year, and have been inspired by this camaraderie to form a local industry professional association.

We are also proud of our ability to handle the ever-growing influx of inquiries and permit requests, sparked by the level of publicity the state has gotten from ABC's "Lost," Fox's "North Shore," and NBC's "Hawaii." We are happy that the long-awaited CIP renovation of the film studio has finally begun, and will be completed in early March 2006. And we are glad to have revised our Film Industry Roadmap and some of our marketing materials.

The film office is creative and resourceful, and has already saved the state a large amount of money. For example, we have used our production, camera, and editing skills to create new clip reels and begin creating a new marketing DVD (saving at least \$50,000); we have used our production and art department expertise to sort through the film studio's props and set dressing in preparation for our CIP renovation (saving at least \$25,000); we have used our Internet technology skills to create a blog that does a good job of reaching out to the public and creating a sense of a cohesive local film community (saving at least \$1,500 per month); and we have created all of our ads and publicity materials (graphics and writing) in-house (saving at least \$10,000 this year).

We've had a great year, and are proud of our complementary skills and spirit of teamwork. Our specific accomplishments this year were:

- Supported full seasons of ABC's "Lost," A&E's "Dog the Bounty Hunter," Fox's "North Shore," NBC/Discovery Kids' "Flight 29 Down," plus "Tides of War" feature film, several episodes of "Hawaii," and numerous commercials. Support included processing all shooting permits, seeking facilities and parking, managing Fox's tenancy at studio, and on-location support.
- Processed 607 film permits and approximately 150 annual permits.
- Updated Film Industry Roadmap, the film office's strategic plan in the form of a Powerpoint presentation.

- Broke ground on \$7.3M CIP renovation of the Hawaii Film Studio. Film office staff sorted, organized, and inventoried set dressing and props.
- Actualized the first “Cultural Films Initiative” grant program to support local filmmaking in partnership with the Hawaii Tourism Authority.
- Generated unprecedented support from the local and offshore film industries, administration, and labor unions for a legislative initiative to incent growth of Hawaii's film industry. As a result, we have laid the groundwork for a more unified voice from a more cohesive industry.
- Created blog as an informational resource for the local film and television community, and as a way for non-Hawaii industry executives to keep track of legislation and the latest news in/about Hawaii.
- Increased our distribution of the Hawaii Media Index + Magazine to include local schools such as ACM, LCC, UH Pacific New Media, hotels, and advertising agencies. We now have 959 local and 424 non-local "subscribers."
- Sponsored 3 local film festivals: HIFF, Maui Film Festival, and Cinema Paradise.
- Began new sponsorship relationship with the Pacifika /New York Hawaiian Film Festival, which offers the opportunity to network with and market to New York-based commercial producers and filmmakers.
- Revised marketing materials and forms, including press kit, clip reel, white paper on tax incentives, and guidelines for claiming Motion Picture and Film Production Tax Credit.
- Shot all new footage for new marketing DVD, and converted existing film clip footage to DV.
- Began master-planning effort of the Hawaii Film Studio in conjunction with the University of Hawaii's Academy for Creative Media, with the help of an EDA technical assistance grant to ascertain if and how a portion can be used to create a digital media incubator and teaching facility.

FOREIGN-TRADE ZONE DIVISION

The Foreign-Trade Zone (FTZ) Division of the Department of Business, Economic Development & Tourism administers the federal grant, issued in 1965 to the State of Hawaii, for the Foreign-Trade Zone No. 9 (FTZ #9). There are currently 13 sites on the islands of Oahu, Maui, and Hawaii that have received a foreign-trade zone designation of which three general-purpose zone and four special-purpose subzone sites are activated. As the grantee, the FTZ #9 staff is responsible for ensuring that U.S. Customs and Foreign-Trade Zones Board regulations are followed by the operators of the subzones at these sites.

The FTZ Division's primary responsibility is to administer the FTZ program in Hawaii. In addition, the FTZ Division provides advice and direction to potential users of the program and operates a general-purpose zone at Pier 2. Any company that imports and exports merchandise can take advantage of the benefits of the Foreign-Trade Zone program at this Pier 2 incubation-type, shared-use facility. The FTZ also provides important port services to the Department of Homeland Security's U.S. Customs and Border Protection.

FTZ No. 9 seeks to increase the amount of international trading activity in Hawaii, to encourage value-added activities, stimulate capital investment and generate employment opportunities by using a federal trade development program to reduce the costs associated with international trade.

Objectives and Initiatives

Specific program objectives include:

- Oversee the implementation of the FTZ program on a statewide basis to make the advantages of the FTZ program available to as many qualifying firms as possible.
- Operate the FTZ public warehouse facility at Pier 2; provide office, exhibit, warehouse, and industrial space to qualified individual businesses.
- Provide information to local, national, and international firms to explain the advantages of doing business in Hawaii under the auspices of the FTZ program.
- Partner with both private and public sector entities to encourage greater participation in the FTZ program and attract new economic activity to Hawaii.
- Continue operating the program in a self-sustaining manner without the use of general funds.

- Implement information technology to reduce the transaction costs of complying with federal regulations.
- Plan for the expansion of services and facilities to meet the needs of businesses that qualify for FTZ utilization.

To accomplish these objectives the FTZ Division will operate a general-purpose zone at Pier 2, and, as grantee, administrator will oversee the compliance of the 13 designated sites on the islands of Oahu, Maui, and Hawaii. Marketing efforts will be designed to target firms that are importing and exporting dutiable merchandise, firms who may import and export dutiable merchandise, and companies that can manufacture products for export.

The FTZ Division has six initiatives that will lead to greater use of the foreign-trade zone program:

- 1) Enhance marketing efforts directed toward small businesses that currently import or export dutiable merchandise.
- 2) Investigate and update Hawaii companies on how FTZ procedures are being used in manufacturing and value-added operations by companies on the U.S. mainland.
- 3) Work with Natural Energy Laboratory of Hawaii Authority and prepare application for General Purpose FTZ for submission to the Foreign-Trade Zones Board in Washington, D.C.
- 4) Improve our method of operations at Pier 2.
- 5) Invest in facility improvements at Pier 2.
- 6) Rebrand the FTZ as the place where exports 'happen.'

Accomplishments

- The combined value of merchandise received and delivered from all activated FTZ sites increased by \$1.7 billion to reach \$6.474 billion in FY 2005.
- The combined value of merchandise received and delivered from only activated FTZ subzone sites was \$5.047 billion in FY 2005.
- The combined value of merchandise received and delivered from only activated FTZ general-purpose zone sites was \$1,427,468,532 in FY 2005.
- The combined value of merchandise received and delivered from only the Pier 2 general-purpose zone was \$62,418,869 in FY 2005.
- Exports to foreign countries were \$632 million in FY 2005.
- The number of first-time Foreign-Trade Zone users in FY 2005 was 38.
- The number of activated subzone sites remained the same at four sites.

- Use of the FTZ program has a significant impact on the levels of international trade in Hawaii and helps Hawaii companies compete in national and international markets.
- In FY 2005, 274 firms used the FTZ No. 9 and with direct employment of 1,275 employees attributable in part to use of the Zone.

The FTZ focuses on outputs to gauge the FTZ program's performance. Generally, an increase in value and level of activity means a more effective FTZ program. The FTZ uses data generated by Foreign-Trade Zone use in Hawaii to measure a number of key indicators. 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	2005
Employment (direct)	447 ^{1,}	548 ^{1,}	457 ^{1,}	370 ^{1,}	201 ^{1,}
Total merchandise handled, in + out (\$ million)	686 ^{3,}	086 ^{3,}	584 ^{3,}	763 ^{4,}	474 ^{6,}
Pier 2 merchandise handled, in + out (\$ million)	.7 ⁵⁵	.8 ⁶⁰	.1 ⁷⁸	.8 ⁷⁷	.4 ⁶²
Exports (\$ million)	8.5 ⁴⁰	3.9 ³⁰	6.2 ³³	2.4 ⁴³	2.0 ⁶³
Capital improvements (\$ millions)	.9 ⁴⁹	.8 ³⁴	.2 ⁴⁵	.0 ²¹	.8 ²⁷
Exports as percent of foreign merchandise received	.9 ³⁵	.0 ²⁹	.2 ³⁵	.8 ³⁰	.3 ²⁸

The FTZ will continue to invest in information technology to reduce the transaction costs for using the general-purpose zone at Pier 2. In addition, an enhanced marketing program will be used to recruit additional users of the program.

In addition, our Pier 2 improvement plans are moving forward. We completed a \$3.15 million CIP project in August, 2005. We gained 12,500 square feet of additional rentable office space and 5,000 square feet of additional temperature-controlled warehouse space. We have strong interest by members of the maritime community to rent this space at our facility. In this regard, our effort to reposition the Pier 2 facility as "a place where international trade happens" continues to gain momentum. The idea is that the FTZ benefit will be joined with other benefits, using an incubator model, to help small businesses participate in

international trade. We now have many of the required elements in place: office space, access to customs brokers and shipping agents, complete warehousing facilities and the benefit of having both the Bureau of Customs and Border Protection and the U.S. Department of Commerce's Export Assistance Center at our facility.

Our hope is that this synergy and interaction will result in more trade moving through our port. Members of the public looking to participate in trade will know where to go. We also expect better coordination among the parties engaged in international trade in Hawaii because they will be able to walk down the hall and work issues out. For example, a customs broker can walk down the hall and talk with a Customs agent or a shipping agent on behalf of a client.



Acting FT Z Administrator Greg Barbour with Governor Linda Lingle after the grand opening of the Zone's new wing.

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.



Daniel Dinell
Executive Director, HCDA

Since its creation, HCDA has:

- Provided 1,388 affordable housing units where there none prior to the Authority's existence;
- Expanded park space in densely populated Kakaako from 1.7 acres to 47 acres with more on the way; and
- Built \$203 million infrastructure improvements – 25% of which were paid by private landowners and private utilities – that has led to \$2 billion in private sector investment.

HCDA seeks to stimulate the economic development of specific community districts by planning and implementing community development programs and facilitating capital investment. Currently, HCDA is in the planning stage for the 3,698-acre Kalaeloa Community Development District (Kalaeloa), and the plan implementation stage of the 670-acre Kakaako Community Development District (Kakaako).

In the past fiscal year, in fulfillment of its vision to make Kakaako the *most desirable and sustainable urban place in Hawaii to work, live, visit, learn, and play*, HCDA has:

- Completed a \$7.5 million improvement district project, and initiated two more valued at over \$30 million;
- Selected a master developer to design, finance, construct, and operate/maintain/manage, a contemporary pedestrian-oriented urban village "gathering place" for local people that complies with Act 231 (SLH 2005) in the Kakaako Waterfront;
- Helped build a new high-tech/science-based workforce, attract off-shore investment, and stimulate the growth of a biotechnology industry in Hawaii by leasing lands to the University of Hawaii's \$150 million John A. Burns School of Medicine, which opened its doors in March 2005;

- Entered into exclusive negotiations with the University of Hawaii for establishment of the Cancer Research Center of Hawaii on HCDA lands adjacent to the new medical school;
- Spruced up the historic Ala Moana Pump Station by using volunteer labor and donated in-kind services and initiated a community-based planning process to shape the future of this site and other developable lands in the Ewa portion of the Waterfront area; and
- Permitted over \$500 million dollars of current, and planned, private sector construction activity.

In the past fiscal year, in fulfillment of its vision to position Kalaeloa (formerly known as the Barbers Point Naval Air Station) as a “Center for Excellence” or *Wahi Ho’okela* within the Ewa District of Oahu, HCDA has:

- Completed a 5-year Kalaeloa Strategic Plan that is founded on core values aimed at striving for excellence in multiple disciplines, respect for the past and environment, creating social and economic value, and the necessity for community involvement;
- Developed and commenced implementation of a Master Plan that articulates optimum land use relationships, site physical characteristics, vehicular and pedestrian circulation, basic infrastructure improvements, open space, design guidelines, and HCDA policy directions;
- Demolished the dilapidated former Guard Shack at the Fort Barrette Gate; and
- Increased government and community consultation regarding Kalaeloa and began implementation of Act 188 (SLH 2004) that requires HCDA to serve as an ombudsman for information and issues of concern within Kalaeloa.

A full recap of HCDA’s activities for the fiscal year can be found at:

<http://www.hcdaweb.org>.

Hawaii Community Development Authority

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ALOHA TOWER DEVELOPMENT CORPORATION

The Aloha Tower Development Corporation (ATDC) was established in 1981 to redevelop lands surrounding the Aloha Tower. The boundaries of the project area, called the Aloha Tower Complex, include land areas makai of Nimitz Highway from Piers 4 through 6, Piers 8 through 23, and portions of Nimitz Highway and Iwilei.



Sandra Pfund
Acting Administrator, ATDC

The goals and objectives of ATDC are:

- Strengthen the international economic base of the community in trade activities;
- Enhance the beautification of the waterfront;
- Improve modern maritime uses in concert with the Department of Transportation; and
- Provide for public access and use of the waterfront property.

In addition to performance of its statutory responsibilities, the ATDC is undertaking a number of major initiatives. These initiatives include:

- Continuing to pursue public/private partnerships to further development of the Aloha Tower Project Area;
- Updating of Hawaii Administrative Rules pertaining to the Aloha Tower Project Complex and other operating administrative rules;
- Completion of development of the New World Divers facility;
- Continuing with priority waterfront redevelopment projects in Honolulu Harbor in partnership with the Department of Transportation under the Hawaii Harbors Task Force Project.

For further detailed information regarding the ATDC, please refer to the 2005 Annual Report posted on its website at <http://www.hawaii.gov/dbedt/atdc>



HAWAII STRATEGIC DEVELOPMENT CORPORATION

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



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

Hawaii Strategic Development Corporation

250 S. Hotel St., 5th Floor

P.O. Box 2359

Honolulu, HI 96804

Phone: 808-587-3829

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<http://www.htdc.org/hfdc>



HSDC provides investment to launch new Hawaii technology firms such as Hoku Scientific, which successfully undertook a public stock listing on NASDAQ in 2005 allowing further expansion of its hydrogen fuel cell membrane and MEA technology.

HAWAII TOURISM AUTHORITY

In October 2004, the Hawaii Tourism Authority (HTA), with assistance from the industry, community and other government agencies, prepared the *Hawaii Tourism Strategic Plan: 2005-2015 (Hawaii TSP)*. This 10-year plan identifies a shared vision for Hawaii tourism in the year 2015 by Hawaii's tourism stakeholders and provides a roadmap – nine strategic initiatives as well as responsible and supporting partners – for achieving that vision.

The *Hawaii TSP* recognizes that achieving a successful tourism industry cannot be accomplished by any one agency or group. As such, this document provides the overall umbrella under which other stakeholders should develop their respective action plans. Therefore, in addition to this document, the HTA creates its own Action Plan, utilizing the framework of the *Hawaii TSP*. And though implementation of the plan may be creative and flexible from year-to-year, the HTA's mission remains constant:



While the *Hawaii TSP* identifies four high level measurements – *Report on Tax Receipts*, *Visitor Spending*, *Visitor Satisfaction* and *Resident Sentiment* – that provide indicators of the overall health of Hawaii's visitor industry, HTA, in concert with its industry and community partners, develops targets for Hawaii's visitor industry for CY 2005 (as listed below):

- Visitor Spending. \$11.2 billion in visitor spending for the State of Hawaii.
- Visitor Days. 65,772,618 visitor days for the State of Hawaii.
- Tax Receipts. A positive increase in transient accommodations tax (TAT) collections over CY 2004.

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 mission of the High Technology Development Corporation (HTDC) is to facilitate the growth and development of high technology as a viable industry sector in Hawaii's economy. HTDC is an agency of the State of Hawaii and is administratively attached to the Department of Business, Economic Development and Tourism (DBEDT). Created by the State Legislature in 1983, HTDC takes advantage of local, national and international resources to fulfill its statutory duties to:

- develop industrial parks and high technology innovation centers;
- provide managerial, administrative, financial and support services for high technology companies starting up or moving into the State;
- promote and market Hawaii as a desirable location for high technology R&D and business activities;
- collect and analyze information on new and evolving commercial high technology activities; and
- make recommendations on policy and plans for new technology-based economic development.

Accomplishments during 2005 relative to these strategic objectives:

- (1) Blue Lava Wireless graduates from Manoa Innovation Center (MIC) after being sold for \$137 million to Jamdat;
- (2) Oceanit, a former MIC and current Maui incubator tenant and Hawaii SBIR Grant Program recipient, receives federal SBIR Phase III contract commercialization award of \$50 million from the US Air Force.
- (3) HTDC opens its Representative Office in China and executes reciprocal Memorandum of Agreements with international technology incubators in Beijing and Shanghai technology parks.
- (4) HTDC is again selected by US Dept of Commerce, National Institute of Standards & Technology to manage the Hawaii Manufacturing Extension Partnership (MEP) consulting services program, and by the Kauffman Foundation as the Hawaii training center for the FastTrac Entrepreneurship Training Program.

(5) HTDC's Hawaii Center for Advanced Transportation Technologies (HCATT) receives Dept of Defense funding of \$3,096,070 to continue development and evaluation of alternative fuel vehicle technologies for the National Demonstration Center at Hickam Air Force Base.

(6) HTDC's Hawaii Small Business Innovation Research (SBIR) Grant Program awarded 13 grants to 9 local technology companies totaling \$260,000 in funding. The state's program thus far has assisted Hawaii small businesses in attracting \$54.5 million in federal funding and an additional \$57 million in commercial and follow on funding.

(7) HTDC developed new marketing materials and published them in English, Japanese and Chinese.

(8) HTDC expands its Professional Service Providers Program and the new Virtual Incubation Program for start-up tech businesses in the State.

High Technology Development Corporation
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Phone: 808-539-3806
Fax: 808-539-3795
<http://www.htdc.org>



STATE LAND USE COMMISSION

The objectives of the Land Use Commission (LUC) are to:

- Administer the State Land Use Law within the parameters specified in statute and administrative rule; ensure the due process rights of parties before the Commission are maintained; and
- Maintain or enhance the efficiency of its processes. Operationally, the LUC will continue to process, review and act on district boundary amendment petitions and special permit applications in accordance with statutory timeframes.
- Staff also continues to accommodate a stream of requests for boundary interpretations, maps and information.

Besides performance of its statutory responsibilities, the Commission will be undertaking a number of significant initiatives. These initiatives include:

The Land Use Commission continues to process, review and act on district boundary amendment petitions and special permit applications in accordance with statutory timeframes.

Staff also continues to accommodate a stream of requests for boundary interpretations, maps and information. In responding to 1165 requests for boundary interpretations in the past year, Commission staff has and will continue to seek to provide preliminary findings within two weeks of the request.

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>

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.



Goals & Objectives

- To achieve NELHA's mission statement through marketing, managing and operating facilities that provide sites and resources for the development of research, aquaculture and commercial businesses and technologies that utilize the natural resources available such as cold deep seawater, warm surface seawater, and high solar energy.
- To enhance economic development and diversification through the management and operation of state owned facilities, leasing land and providing services for projects involved in research, development, demonstration and commercialization utilizing natural resources and other compatible scientific, technological and educational activities. NELHA's facilities are located at Keahole Point in Kona on the Island of Hawaii.
- To continue serving as the laboratory for research and development of alternative energies, as an incubator facility for developing innovative new technologies and businesses, and as a base for commercial operations that utilize and/or are related to the use of the natural and logistical resources available, including deep ocean water at Keahole. NELHA is the only location in the world where large quantities of warm surface and cold deep seawater

are consistently pumped ashore for use in aquaculture, marine biotechnology, energy, and other related technologies.

- To continue aggressively moving into areas of alternative energy research and development, while continuing to be recognized as the world leader in research on Ocean Thermal Energy Conversion (OTEC). OTEC is receiving renewed interest as a viable and sustainable source of energy due to the high prices of fossil fuels.
- To increase the number of new tenants locating at NELHA and continue to support our current tenants expanding their activities.
- Continue to increase our revenues in both an effort to become self-sustaining as well as to better support our tenants, increase the amount of land in use at NELHA, diversify economic development opportunities, and to increase the amount of cumulative State, Federal and Private Sector capital improvement investment at NELHA facilities.

NELHA continues to work closely with the Legislature and others to ensure that NELHA's transition to self-sufficiency and related objectives are met successfully. By examining expense structures and increasing efficiency of operations, NELHA was able to reduce operating expenses as well as significantly enhance the revenue stream by implementing new seawater rates, royalty rates for water bottling companies and other fees for services.

However, the high cost of electricity needed to run the seawater pumping system, combined with a mandate to gradually increase the seawater price to tenants, is causing NELHA to lose money and is jeopardizing its future viability. Currently NELHA is in the process of drafting a proposed reorganization with the purpose of creating more efficient workflow and to updating and re-describing certain positions according to current needs of the organization.

In all planning and review, the NELHA Board and staff are cognizant of the role that NELHA has in the broader context. Consideration is given to issues that impact the community, including and not limited to, traffic, import and export infrastructure, support services, workforce availability, workforce development, and public acceptance. Considerable efforts are undertaken in public outreach for both receiving and disseminating information. An example of review in a broader context includes NELHA's success in securing \$500,000 through a

Congressional appropriation to design, plan, and engineer a connector road between NELHA and the Kona International Airport. NELHA is working with both federal and state agencies to implement this project as part of the State

Transportation Improvement Projects (STIP) program. This connection is vital to security at the airport as well as opening access to new land for the continued development of NELHA.

NELHA continues to work with the Hawaii Foreign Trade Zone to complete applications for NELHA to obtain FTZ designation. FTZ waived all application costs for those tenants who have expressed interest to for designation, and provided staff support to coordinate the application process.

The NELHA Board of Directors and staff are also in the process of updating its master plan to address issues including and not limited to, land use and resource management; infrastructure needs; and identification of opportunities for revenue enhancement and leveraging of resources with adjacent landholders. NELHA recently has gone through successful testing and opening of the 55-inch Distribution System. It was built at a cost of \$19.9 million. The 55 inch pipe line provides tenants with 3,000 feet deep sea water for commercial and aquaculture use.

Existing and emerging projects at NELHA include facilities for premium abalone production, specialty agar production, shrimp and finfish operations, desalination of deep seawater and bottling for boutique beverages, health supplements, and federally funded NELHA Gateway facility for energy research, education, and outreach. Production of algae for biopharmaceutical purposes has begun signaling the start of an exciting new industry as potential new tenants at NELHA. NELHA continues to be highly involved in marketing and promotion of its resources to attract additional tenants.

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>



NATIONAL DEFENSE CENTER OF EXCELLENCE FOR RESEARCH IN OCEAN SCIENCES (CEROS)

CEROS seeks to:

- Solicit and support innovative technologies for national maritime military applications and sustained technology-based economic development in Hawaii.
- To develop and demonstrate state-of-the-art ocean technologies to address Department of Defense requirements and build residual benefit for the State.
- To establish a Hawaii-based program to accelerate benthic habitat mapping and classification in the water of the Hawaiian Islands and the surrounding Exclusive Economic Zone in accordance with the mapping implementation strategy of the United States Coral Reef Task Force.



OFFICE OF PLANNING

The Office of Planning exists to guide the development of the State through comprehensive, long-range and strategic planning to meet the physical, economic, and social needs of Hawaii's people and provide for the use and conservation of Hawaii's resources.

The Office of Planning's Objectives include:

- To administer a State land use program that reflects public policies and concerns and presents guidance and recommendations before the Land Use Commission (LUC) as bases for land use decisions affecting the development and growth of the State pursuant to Chapter 205, HRS.
- To assure that the lands of the State are developed to those uses to which they are best suited for the public welfare while ensuring that important agricultural and natural resources are protected and the socio-economic needs of residents are met.
- To conduct statewide planning activities to promote the orderly future growth and development of the State pursuant to Chapter 225M, HRS.
- To administer a comprehensive system of public planning on a Statewide basis to enhance the overall effectiveness of the Hawaii State Planning Act, Chapter 226, HRS.
- To carry out lead agency responsibilities for the Hawaii Coastal Zone Management program as specified in Chapter 205A, HRS.
- To administer the Statewide Planning and Geographic Information System program under Chapter 225M, HRS.
- To administer the Brownfields Cleanup Revolving Loan Fund and Brownfields site assessment grant programs.

Accomplishments

Land Use Planning/Regulation: The Office of Planning (OP) continues to represent the State's case before the LUC and meet all statutory deadlines to ensure that petitions are reviewed and decided upon in a timely manner. The LUC has upheld all of OP's positions on boundary amendment petitions. In FY05, the LUC acted on seven petitions affecting 944.503 acres.

Important Agricultural Lands and Rural Land Use Policy: As one of the members of the Agricultural Working Group, OP provided testimony on bills relating to important agricultural lands and rural land use policy during the 2005

session. In 2005, the Legislature passed and the Governor signed into law, legislation to identify and protect important agricultural lands as required by the 1978 Constitutional Convention.

Legislation was also enacted for the counties and State to examine rural land use issues and make recommendations for better use of the State Rural Land Use District.

Community and Economic Diversification Planning: The Hawaii Comprehensive Economic Development Strategy (CEDS) was prepared by OP, the Neighbor Island Economic Development Boards and Enterprise Honolulu with the cooperation of County economic development agencies and the assistance of the Economic Development Alliance of Hawaii. This project was groundbreaking effort to coordinate economic strategy throughout the State. It was a collaborative effort between the key State and County governmental and non-governmental economic development organizations throughout the State. The project involved hundreds of people statewide from the urban center of Honolulu to remote rural communities on the Neighbor Islands. It resulted in the first statewide CEDS for Hawaii. Prior to this there were County CEDS but no statewide strategy. The CEDS is required for receipt of funds under certain U.S. Economic Development Administration (EDA) programs.

Planning Assistance for CEDS Projects: OP has received a follow up grant from EDA to provide planning assistance for 3 or 4 top ranked projects in the CEDS in order to support the implementation of the economic strategy.

Master Plan for Film and Digital Media Center: In partnership with DBEDT's Arts, Film and Entertainment Division, OP and the Department of Accounting and General Services submitted an application to EDA for a planning grant to master plan a film and digital media center. EDA approved a \$160,000 grant which was matched by the University of Hawaii for total project funding of \$320,000. Work has commenced. This project supports the CEDS since film and digital media is identified as a targeted cluster industry.

2004 International Planning Conference: OP organized the September 2004 Hawaii Congress of Planning Officials first International Conference in conjunction with the Hawaii Chapter of the American Planning Association. Speakers from Australia, New Zealand and other national and international scholars and planners explored the theme of "Planning in the New Pacific Era- Emerging Issues and Innovations".

Honolulu Power Plant Initiative: OP staffed a working group to identify sites to relocate the Honolulu Power Plant in order to redevelop the Honolulu Waterfront.

OP completed a report which evaluated various sites and presented recommendations.

Brownfields Cleanup Revolving Loan Fund: Work plan developed and approved by EPA. Rules have been adopted. OP has developed a memorandum of agreement (MOA) with DOH and County coalition members to formalize program roles and responsibilities. The project is accepting applications for loans.

Brownfields Site Assessment: OP was awarded \$400,000 from EPA for community-wide assessments of hazardous materials and petroleum sites. The project will contract with an environmental engineering firm to do at least four Phase 1 environmental site assessments.

Special Projects: Participates in Oahu Metropolitan Planning Organization Technical Advisory and Oahu Regional Transportation Plan Task Force meetings, Humpback Whale National Marine Sanctuary Advisory committee, the Natural Area Reserves Commission, and provided staff support to the Energy program to monitor the impacts of the gas cap. Provided staff support to the Economic Momentum Commission.

Policy/Legislation: Prepared testimony on approximately 52 bills and resolutions pertaining to agricultural lands, incentives for agriculture, land use, shoreline certification and setbacks, coastal issues, and other topics.

Planning and Geographic Information System: Continued data acquisition and partnership projects including membership in the Pacific Islands IKONOS Data Purchase Consortium and purchase of Quickbird satellite and LIDAR imagery. The acquisition of the Quickbird satellite imagery provides a higher resolution for more detailed land analysis. The LIDAR acquisition will be used for a number of applications including the development of flood hazard and tsunami inundation zone maps. Participated in GIS Day, an event for school children. A two-year strategic plan outlining targeted activities was completed.

Coastal Hazard Initiative: Funding and staff support has resulted in the completion of the following work products -- Earthquake Hazards and Estimated Losses in the County of Hawaii, Tsunami: The Great Waves (revised), and Improved Building Code Policies as a Hazard Mitigation Tool for Hawaii County. Participated in the following events (exhibits, organization, presentations, sponsorships): NOAA Panel on State Efforts in Tsunami Mitigation, Earthquake Hazard Briefing to County of Hawaii Officials, Solutions to Coastal Disasters 2005, the 2005 Pacific Risk Management Ohana Meeting, the Asia Pacific All

Hazards Workshop, and the Third Annual Asia Pacific Homeland Security Summit.

Cumulative and Secondary Impacts: Completed the Waianae Ecological Characterization and continued work on the Waianae Ahupuaa Management project.

Ocean Resources Management: Began preparation and organization for the October 26, 2005 Ocean Resources Management Plan (ORMP) Workshop as part of the update of the ORMP. Participated in the Hawaii Ocean and Coastal Council meetings. Met with environmental groups and small and large business ocean users on the update of the ORMP.

Nonpoint Source Pollution Control: Continued to work to meet NOAA and EPA conditions placed on Hawaii's nonpoint source pollution control plan to bring about full approval.

Special Management Area (SMA) Permit System Project: Completed the Assessment Report on SMA permitting and processing. Prepared educational materials to aid planners and decision-makers in administering the SMA permit.

Coral Reef Initiative: Administered community-based grants under the Coral Reef Initiative.

Federal Consistency, Special Management Area (SMA) Permits and Shoreline Setback Variances (SSV): Conducted 77 Federal Consistency reviews. Reviewed and approved SMA's and SSV's in Kakaako.

Outreach and Education: Developed coastal zone management related outreach and education materials; participated in informational fairs such as Earth Day, Molokai; Marine Conservation Evening, Hawaii, Earthday, Oahu-Mother Earth for You a Lei; and Earth Day Hawaii Community College; sponsored workshops and conferences such as Dive into Education and DOE Student Watershed Symposium; and participated in Get the Drift and Bag It. The CZM Program also provided thousands of copies of various program outreach and educational material to the State Library's Summer Reading Program.

Monitoring and Compliance: Monitored the actions of State, County and federal agencies that affect Hawaii's coastal zone.

Marine and Coastal Zone Management Advocacy Group (MACZAC):

Provided staff support to MACZAC and its committees. In particular, the issue of shoreline certification was examined.

Grant Administration: Administer Coastal Zone Management grants, including grants to the Counties to administer Special Management Area (SMA) permits and Shoreline Setback Variances (SSV's).



ANNUAL FINANCIAL REPORT

**Department of Business, Economic Development & Tourism
Statement of Operating Appropriations, Restrictions, and Expenditures
For the Period July 1, 2004 - June 30, 2005**

	<u>Adjusted Appropriations</u>	<u>Restrictions</u>	<u>Expenditures, Encumbrances & Transfers</u>	<u>Balance</u>
<u>General Funds</u>				
<u>BED 101 Business Development & Marketing</u>				
Strategic Marketing and Support Division	2,051,627	14,323	1,984,693	52,611
<u>BED 102 Business Services</u>				
Arts, Film, & Entertainment Division	1,085,791	-	1,035,469	50,322
<u>BED 103 Statewide Land Use Management</u>				
Land Use Commission	441,894	5,003	428,393	8,498
<u>BED 120 Energy & Natural Resources</u>				
Strategic Industries Division	1,133,795	206,196	908,530	19,069
<u>BED 130 Economic Planning & Research</u>				
Research and Economic Analysis Division	954,603	9,221	943,822	1,560
<u>BED 142 General Support for Econ. Development</u>				
Office of the Director & Admin. Services Office	2,221,078	19,217	2,185,000	16,861
<u>BED 143 High Technology Development Corp.</u>				
High Technology Development Corporation	1,060,512	28,717	965,365	66,430
<u>BED 144 Statewide Planning & Coordination</u>				
Office of Planning	1,574,134	16,018	1,557,527	589
<u>BED 145 Hawaii Strategic Development Corp.</u>				
Hawaii Strategic Development Corporation	156,145	14,830	132,209	9,106
<u>BED 146 Natural Energy Laboratory of HI Authority</u>				
Natural Energy Laboratory of HI Authority	368,714	16,864	351,813	37
<u>BED 150 Hawaii Community Development Authority</u>				
Hawaii Community Development Authority	143,263	1,396	140,975	892
Total General Funds	<u>11,191,556</u>	<u>331,785</u>	<u>10,633,796</u>	<u>225,975</u> (1)

	Adjusted Appropriations	Restrictions	Expenditures, Encumbrances & Transfers	Balance
<u>Special & Revolving Funds</u>				
<u>BED 107 Foreign Trade</u>				
Foreign Trade Zone Special Fund	1,912,068	-	1,593,758	318,310
<u>BED 113 Tourism</u>				
Tourism Special Fund	61,029,746		61,029,712	34
Convention Center Enterprise Special Fund	<u>48,002,863</u>	-	<u>46,477,399</u>	<u>1,525,464</u>
BED 113 Total	109,032,609	-	107,507,111	1,525,498
<u>BED 130 Economic Plng. & Research for Econ. Dev.</u>				
Tourism Special Fund - Tourism Research	1,310,189	-	1,238,973	71,216
<u>BED 143 High Technology Development Corp.</u>				
High Technology Special Fund	2,227,094	-	942,705	1,284,389
<u>BED 146 Natural Energy Laboratory of HI Authority</u>				
Natural Energy Laboratory of HI Authority Special Fund	3,640,132	-	2,089,720	1,550,412
<u>BED 150 Hawaii Community Development Authority</u>				
HI Comm. Dev. Authority Assessment Reserve Fund	2,500,000		2,257,624	242,376
Kalaeloa Community Development District Special Fund	<u>221,554</u>	-	<u>61,403</u>	<u>160,151</u>
BED 150 Total	2,721,554	-	2,319,027	402,527
<u>BED 151 Aloha Tower Development Corp.</u>				
Aloha Tower Special Fund	<u>1,531,131</u>	-	<u>815,317</u>	<u>715,814</u>
Total Special & Revolving Funds	<u>122,374,777</u>	-	<u>116,506,611</u>	<u>5,868,166</u> (2)
Total Funds (3)	<u>133,566,333</u>	<u>331,785</u>	<u>127,140,407</u>	<u>6,094,141</u>



A my Hanaialii Gilliom and Polynesian Culture Center dancers performed in the Great Hall of the People in Beijing, China.



Governor Lingle and Dr. Yingqi Xia, deputy director, Zhongguancun Science Park Administrative Committee, sign an agreement between Zhongguancun International Incubator.



Governor Lingle and Guangdong Province Governor Huang Hua Hua reaffirm the 20-year sister-state/province relationship between Hawaii and Guangdong Province.



Hawaii Pavilion at the SPIE (International Society for Optical Engineering) Optics & Photonics Conference & Exhibition showcases Hawaii's applied optics research and capabilities.



Hawaii's life sciences industry was featured at a Hawaii Pavilion at BIO 2005 (conference) in Philadelphia.



DBEDT