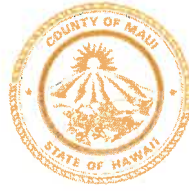


Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director

Kay Fukumoto
Economic Development Director



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OFFICE OF THE MAYOR

OFFICE OF ECONOMIC DEVELOPMENT

COUNTY OF MAUI
2200 MAIN STREET
ONE MAIN PLAZA, SUITE 305
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

March 18, 2019

Honorable Michael P. Victorino
Mayor, County of Maui
200 South High Street
Wailuku, HI 96793

APPROVED FOR TRANSMITTAL

Michael P. Victorino

Mayor

Date

For Transmittal to:

Honorable Riki Hokama
Chair, Healthy Families and Communities Committee
200 South High Street
Wailuku, HI 96793

**RE: PRESENTATION ON OPPORTUNITY ZONES AND
HEALTHY COMMUNITIES (HFC-13(6))**

Dear Chair Hokama:

In order to answer your questions regarding Opportunity Zones, we reached out to and received clarification from Mark Ritchie, Branch Chief, Business Support Division of the Department of Business, Economic Development & Tourism (DBEDT). The following are his responses:

1) How were opportunity zones in Maui County determined?

The Governor of each state and territory nominates the Opportunity Zones, which are based on census tracts, and submits these to the Treasury Department for approval. Since the program is similar to the New Markets Tax Credit program, it uses the same eligibility criteria for determining low-income census tracts, which currently are calculated using the data from the 2011-2015 American Community Survey. DBEDT worked with the counties in selecting the zones – usually it was each county's Mayor's Office of Economic Development, which in turn worked with county planners.

The number of census tracts designated as qualified Opportunity Zones may not exceed 25 percent of the low-income census tracts in a state. Census tracts that are contiguous with low-income communities may also be designated as qualified opportunity zones if they are below

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125% of the medium family of the qualifying census tract. Only 5% of the tracts nominated can be from contiguous tracts.

Hawaii was authorized to designate 25 census tracts as opportunity zones (Hawaii has 99 census tracts that meet the low-income eligibility requirement from which the state can designate not more than 25 percent as qualified opportunity zones according to the program). Honolulu got 13 zones, Hawaii Island got 6 zones, Maui got 4 zones and Kauai got 2 zones.

The Treasury Department, the National Governor's Association and several non-profits involved with opportunity zones offered the states guidance in selecting their zones: Eligible census tracts that have a lot of "investable assets" also assets that could meet the substantial improvement criteria noted in the statute; overlap with other economic and community development programs. DBEDT and the counties considered overlap with:

NMTC (New Market Tax Credits)
Enterprise Zones
State Land Use Designations
Transit Oriented Development (TOD)
County Economic and Community Development Plans

Of note for Maui, in order to get the Kahului census tract designed (which Maui county wanted) we had to also designate the contiguous tract Hali'imaile. Kahului only qualified as a contiguous tract to Hali'imaile, which did qualify (the formula is complicated, but we were only allowed two contiguous tracts statewide that met a formula – Maui got one and Hawaii Island got the other).

2) Can opportunity zones in Maui County be adjusted to consider the inclusion of East Maui and Lanai?

No, the census tracts nominated for Opportunity Zone status have been submitted by the Governor to the Department of the Treasury and approved.

I hope this is helpful. Please feel free to contact me at 270-7224 with any further questions.

Sincerely,



KAY S. FUKUMOTO
Economic Development Director