

3. ECONOMIC DEVELOPMENT

THE PLAN: GOALS, POLICIES AND IMPLEMENTATION RECOMMENDATIONS



ECONOMIC DEVELOPMENT OVERVIEW

Historically, the island of Maui was the first of the neighbor islands to attract large-scale resort development, as the islands transitioned from an agricultural-based economy to one based on tourism. Maui Island continues to dominate the Neighbor Island tourism market and has consistently led the other counties in the rate of job growth and per capita income.

The *Maui County Tourism Strategic Plan 2006-2015* (Maui County TSP) states that the economy of Maui is the most reliant on tourism among the four counties. Diversifying Maui's economy has been a key, longstanding County policy. In addition to attracting high-technology industries and supporting the expansion of agriculture, recent diversification efforts have focused on potential growth sectors of agri-tourism, sports and recreation, healthcare, film and entertainment and energy production using renewable resources.



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SUMMARY OF ECONOMIC DEVELOPMENT ISSUES

The Island of Maui, like the County as a whole, faces two fundamental challenges in economic development: (1) diversification; and (2) increasing the number and proportion of living wage jobs. There is a subset of more specific challenges, such as the high cost of housing and the need to strengthen public education. These challenges are described in the 2004 Maui County Comprehensive Economic Development Strategy (CEDS) and are summarized below.

- Lack of affordable housing is a barrier to attracting and retaining skilled workers.
- Maui residents require additional training for high-skill jobs and the consequent need to improve the public education system.
- Expanded capacity for the export of products requires additional infrastructure improvements.

Economic diversification is critical for several reasons. Wages in emerging industries such as high technology and knowledge-based industries are high, with an average starting wage around \$50,000. Diversification makes our economy more resilient in the face of an unpredictable future. With a tourism economy that depends on overseas economies and low-cost jet fuel, and a construction industry that depends on available land and low interest rates, it is in our interest to hedge against these uncertainties.

Diversified agriculture, fisheries and aquaculture, and knowledge and innovation-based industries such as high tech, health care, biotechnology, film and digital media are important components of building a sustainable economy. While the private sector and the government have made great strides and investments in these areas, it is vital to sustain and increase these efforts if we are to fundamentally transform our economic equation.

The recommendations of this plan indicate a shift in thinking about economic success. It suggests that we no longer measure economic vitality solely by statistics such as the number of building permits issued or by tax revenue, but by much more balanced sustainability indicators. In the community workshops discussing the General Plan update, residents stressed a desire to keep economic priorities in balance with the environment and community.

The *Hawaii 2050 Sustainability Plan* focuses on the triple bottom line approach. In support of the efforts of the State the plan and for the betterment of Maui, the goals of economic prosperity, social and community well-being, and environmental stewardship should be considered equally important and interdependent.



HARBORS AND AIRPORTS

As a remote island state, Hawaii is dependent on ocean and air transportation for supply of essential commodities.

Maui's commercial harbors are vital to the island's economy because of the support they provide for Maui's major industries. The port system is the island's primary infrastructure sustaining our modern lifestyle. Harbors have been used around the world economic development tools by strategically locating certain industry sectors within close proximity to harbors and by creating gathering areas for recreation and entertainment that benefit from the activity and atmosphere of a harbor area.

Air transportation is the most modern and efficient form of transportation, and is critical to our island economy and way of life. Each day thousands of Hawaii residents travel through our island airports to conduct business, visit family, shop, and vacation. Our leading industry, tourism, and nearly every other economic activity on Maui, relies upon an efficient, dependable, and affordable air transportation system.

SUMMARY OF HARBOR AND AIRPORT ISSUES

- Vulnerability of having only one large commercial harbor for the island
- Conflicts among recreational users and commercial users in the harbor
- Conflicts between the movement of cargo and people at the harbor
- The control of alien species
- Community opposition to airport runway extension
- Limited harbor capacity



GOAL & POLICIES

3.1 Goal: The infrastructure of the island will be appropriate for the development of a diversified economy.

3.1.1 Coordinate with the State Department of Transportation Harbors Division to facilitate the timely provision of needed improvements at Kahului Harbor.

3.1.2 Pursue the identification of potential locations for a contingency commercial harbor facility on Maui in coordination with the State Department of Transportation Harbors Division.

3.1.3 Support Kahului Harbor and oceanfront revitalization incorporating the potential for increased recreation and entertainment uses in accordance with redevelopment and risk assessment studies.

3.1.4 Ensure that any future Kahului Airport expansion will be done in a manner that is consistent with Maui's land use, environmental, and economic development objectives.

3.1.5 Work with supporting agencies to develop appropriate facilities and programs to detect and eliminate the introduction of invasive species through the Kahului Airport and Harbor.



TOURISM

The tourism industry accounts for about 40 percent of economic activity in Maui County. What happens to Maui tourism, good or bad, will dramatically impact the overall economy. The leisure and hospitality sector is comprised of the arts, entertainment, accommodations, and food services industries. Indirectly, activity in these industries tends to create activity and jobs in the real estate and rentals, business services, retail trade, health services and agriculture industries.

- To protect the quality of Maui's visitor industry, and the island lifestyle, the County must carefully manage and control any future expansion of visitor units on Maui Island.
- The diversification of visitor unit types has had profound social, fiscal, and economic implications that need to be understood, monitored, and managed.
- The majority of tourism-related jobs are low-wage.



SUMMARY OF TOURISM SECTOR ISSUES

While tourism has been the driving economic force for the island of Maui, it also has implications on the quality of life of island residents, both positive and negative. Some of the challenges include:

- Welcoming visitors while protecting the natural environment and island lifestyle
- Managing the diversification of visitor units types (eg. *timeshares*, *TVRs*)
- Diversifying within the tourism sector
- Providing affordable housing and/or living wages to employees of the tourism industry

GOAL & POLICIES

3.2 Goal: Maui will welcome visitors to respectfully enjoy the island's natural beauty and culture while protecting the integrity of its neighborhoods and lifestyle.

3.2.1 Provide greater economic contribution from the visitor industry without significantly increasing visitor arrivals.

3.2.2 Limit and manage future visitor unit expansion on Maui.

3.2.3 Mitigate the impact of transient vacation rentals, second homes, and resort condominiums on residential communities, public infrastructure, and community facilities.

3.2.4 Provide for slow, controlled growth in tourism facilities by discouraging new community plan and zoning entitlements for resort and hotel development.



ACTION PLAN

The Office of Economic Development in conjunction with the Planning Department and supporting non-profit agencies (eg., Hawaii Tourism Authority, Maui Economic Development Board) should collaborate to implement the following activities.

3.2-Action-1 Developing linkages with the arts, culture, environment, education and sports to supplement multiple industries on Maui and protect the culture and environment. Particular opportunities appear to occur in agri-tourism, eco-tourism, educational tourism, and health and wellness.

3.2-Action-2 Study the economic impacts of the diversification of visitor units.

3.2-Action-3 Enhance programs that assist small businesses that provide goods and services to the visitor industry.

3.2-Action-4 Develop a comprehensive licensing system for all visitor accommodations on the island.

3.2-Action-5 Establish a cap on the number and type of visitor accommodation units.

AGRICULTURE

Agriculture is an integral element of Maui's economy and community, cultivating a diversity of jobs, generating tax revenues, and producing a variety of crops for different local and export markets. Agriculture on Maui consists of large, land-extensive activities (plantation crops and cattle-grazing) and labor-intensive small farming. Agricultural enterprises range from subsistence farming to corporate-owned plantations. Products include plant crops, livestock products, and aquaculture.

SUMMARY OF AGRICULTURE SECTOR ISSUES

Each agricultural industry confronts its own special challenges and opportunities, which change with market and biological influences. Most of the challenges and opportunities discussed pertain to small farms. The large corporate landowner/agricultural producers confront different sets of challenges and opportunities:



- Competition with overseas markets
- The availability and cost of transportation to markets outside of Maui affects the economic viability of many agricultural enterprises
- Exporters of Maui grown products face rigorous controls to prevent the spread of pests and alien species to mainland and export markets
- Lack of farmer-entrepreneurs and laborers prevents the expansion of the agriculture industry. Affordable housing for the laborers adds to this challenge.
- Lack of an affordable and predictable supply of irrigation water.

GOAL & POLICIES

3.3 Goal: Maui will have a prosperous and diversified agricultural industry contributing to greater economic, food, and energy security.

- 3.3.1** Support infrastructure investments and special projects at Kahului Harbor and Kahului Airport to facilitate the rapid and cost effective transport of island grown products.
- 3.3.2** Support the development of processing facilities in strategic locations to prepare export crops for shipping and to enable island businesses to make value-added products.
- 3.3.3** Support *direct marketing* of the island’s agricultural products through farmers markets, “pick-your-own” farms, and community supported agricultural programs and other methods.
- 3.3.4** Target the expansion of diversified agriculture, aquaculture, and livestock industries on Maui through economic incentives and favorable land and water policies.
- 3.3.5** Encourage the development of affordable long-term rental housing for farm workers within the island’s Country Towns and on legitimate farms.



ACTION PLAN

The Office of Economic Development in conjunction with the Planning Department and supporting non-profit agencies (eg. Farm Bureau, Maui Economic Development Board, etc.) should collaborate to implement the following activities.

- 3.3-Action-1** Streamline zoning and permitting for ag-tourism businesses that supplement the income of farming activities could be one way to encourage growth of this sector.
- 3.3-Action-2** Encourage growing crops that can be processed to generate electrical power or to make fuel will provide agricultural jobs, utilize agricultural lands, and make Maui more self-reliant in energy.
- 3.3-Action-3** Increasing local consumption of Maui agricultural goods is a long-term opportunity for stabilizing and expanding agriculture.

EMERGING INDUSTRIES – HIGH TECHNOLOGY & RENEWABLE ENERGY

High technology is an important industry on Maui and is a key component of economic diversification. Globally, high technology is a strong driving force in the economy, thus it is important for Maui to support and expand its technology sector to be globally competitive and maintain a strong economic base.

The creation and ongoing support of niche clusters is also an important success factor for high technology. Clusters of niche technology industries allow related companies to draw productive advantage from their mutual proximity and connections. The technology sector is composed of three inter-industry growth sectors: 1) research and development (R&D); 2) technology services; and 3) technology manufacturing. Maui has the opportunity to support the growth and development of clusters around key technology niches such as biotechnology, space surveillance, and disaster mitigation. Renewable energy can grow new local industries, provide jobs and income for the people of Maui County, and protect the environment, which is also the basis of Maui's economy.

SUMMARY OF EMERGING INDUSTRY ISSUES

Maui is in a highly strategic location between the mainland U.S. and Asia, creating a natural gateway between these two high technology markets. Maui is highly equipped in this aspect with a diversified network of trans-Pacific high-bandwidth telecommunications and sophisticated satellite communications systems. The Maui Research and Technology Park (MRTP) and Maui High Performance Computing Center (MHPCC) also support the growth of Maui's high technology industry with state of the art infrastructure. Yet, there are challenges to expanding these industries.



- Maui's geographic isolation often increases the cost of doing business and can create challenges in obtaining necessary business supplies and equipment.
- Maui's high cost of living and shortage of affordable housing creates a barrier to attracting and retaining the skilled workforce needed by many high technology industries.

- Maui's lack of a four-year university presents a significant challenge to advancing the high technology industry.
- The cultural implications of utilizing energy from wind, waves, solar and geothermal resources at a utility-scale may be polarizing.

GOAL & POLICIES

3.4 Goal: Maui's high technology and renewable energy industries will be contributing significantly to the island's economy.

- 3.4.1** Support the establishment of an accredited four-year university on Maui.
- 3.4.2** Support the continued expansion of the high technology park in Kihei as an educational, research, and technology center in the Pacific.
- 3.4.3** Increase the economic contribution of the renewable energy industry on Maui, including solar, wind power and biofuel technologies, and include the protection of an adequate supply of land for these industries.
- 3.4.4** Support a sustainable, culturally sensitive, astronomy industry.
- 3.4.5** Facilitate cooperation between Maui's high technology companies and schools (higher education and pre K-12) to introduce Maui's youth to opportunities in high technology and to build a skilled workforce.



ACTION PLAN

The Office of Economic Development should implement the following activities.

- 3.4-Action-1** Work with the State to project the future supply and demand of skilled workers to serve Maui's high technology related needs.
- 3.4-Action-2** Continue to partner with the Maui Economic Development Board to recruit new high-technology business and research and educational institutions to Maui.

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