

**Kaua'i General Plan Update  
Community Advisory Committee  
Meeting Summary**

November 30, 2015

4444 Rice Street, Lihu'e

Moikeha Building 2A/2B, Planning Commission Room

**MEETING PURPOSE:**

To convene the 7<sup>th</sup> meeting of the Community Advisory Committee for the Kaua'i General Plan (GP) Update project. The topic of the meeting was Economic Development and areas of economic opportunity for Kaua'i.

**CAC MEMBERS PRESENT:**

Kurt Bosshard	Laurie Ho	Mark Oyama
Bev Brody	Brenda Jose	Gary Pacheco
Helen Cox	Sue Kanoho	Barbara Robeson
Luke Evslin	Susan Tai Kaneko	Stacy Sproat-Beck
Randy Francisco	Cammie Matsumoto	

**PROJECT TEAM REPRESENTATIVES:**

County of Kaua'i: Marie Williams, Ruby Pap, Marisa Valenciano, Ben Sullivan

SSFM International: Cheryl Soon, Katia Balassiano, Melissa White

Rising Tide Economics: Lisa Gibson

Speakers and Panelists: George Costa (COK Economic Development), Susan Tai Kaneko (Kaua'i Economic Development Board), Taryn Rodighiero (Kai Kini), Bob Gunter (Kōloa Rum), Ann Hashisaka (Kaua'i Kookie), Mark Perriello (Kaua'i Chamber of Commerce).

**PUBLIC ATTENDEES:**

Diana Butler, Felicia Cowden, Elsie and Tom Godbey, Ann Hashisaka, Mable Hashisaka, Norman Hashisaka, Nancy Kanna, Ken Shimonishi, Tyler Dos Santos-Tam, Gabriela Taylor, Ken Taylor, JoAnn Yukimura

**HANDOUTS:**

The CAC members were given the following materials for inclusion in their binders:

- Meeting agenda
- Meeting presentation

**MEETING SUMMARY:**

Cheryl Soon of SSFM International welcomed the group. The agenda included:

- 1) Objectives of Today's Meeting
- 2) Project Status and Updates
- 3) Presentation: Economic Development in the General Plan (Melissa White, SSFM)
- 4) Presentation: Economic Snapshot of Kaua'i and Areas of Opportunity (Lisa Gibson, Rising Tide & Collaborative Economics)
- 5) CAC Q & A
- 6) Presentation: Economic Development Initiatives for Kaua'i (George Costa, County Office of Economic Development, and Susan Tai Kaneko, Kaua'i Economic Development Board)
- 7) Manufacturing in Kaua'i (Mark Perriello, Kaua'i Chamber of Commerce)
- 8) Maker's Panel (Bob Gunter, Kōloa Rum; Ann Hashisaka, Kaua'i Kookie; Taryn Rodighiero, Kai Kini)
- 9) CAC Discussion
- 10) Public Comment
- 11) Next Activities
  - a. CAC Meeting #8: January 19, 2:30-5:00 pm, Moikeha Building Room 2A & 2B, Planning Commission Room

Each of the presentations is posted online under CAC Meeting 7, at [www.plankauai.com](http://www.plankauai.com).

**MAKERS AND MANUFACTURING:**

Issues that were raised by speakers and panelists during the Maker's Panel and Manufacturing presentations included:

- The business climate on Kaua'i can be improved upon.
- A major challenge for Kaua'i's small businesses is the cost of shipping. Much of that is tied to the Jones Act, which is federal and outside the purview of the GP.
- Infrastructure, housing, zoning, taxes all need to match up with Kaua'i's economic goals.
- Reforms to the tax system can support manufacturing and other industries.
- Affordable housing is key to economic well-being.
- Businesses feel overwhelmed and beat down by regulations and high costs of doing business. Especially for those businesses that are somewhere between "small" and "large".
- Because of the high costs of shipping and doing business here, many businesses find they cannot compete on price and need to compete more on quality and other differentiators.

**COMMENTS RECORDED DURING CAC DISCUSSION:**

The CAC Discussion took place following the various presentations and the Maker's Panel. Comments made by CAC members were recorded on easel pads. These are summarized below.

- Sometimes bringing sectors together works and sometimes not. Identifying puka's in the supply chain is key to successful collaborations between sectors.

- The Collaborative Economics data only goes to 2012. Many changes occurred between 2012-2015, like Safeway! There have been many economic changes too. Food trucks, Kukuiula, etc.
- There is lots of energy around entrepreneurship, but challenges include available land, permitted uses, density. It's a complicated issue, and I'm not sure there's consensus. We have to choose, and regulation needs to be balanced with protecting communities.
- How does the Collaborative Economics data account for the cash economy? It is significant. A: There is no way to account for the cash economy because data on it is not collected.
- Does this data show whether businesses are serving local, domestic, or international markets? A: No.
- It is true that "regional stewards"/local components that are place based, drive triple bottom line. This happens from the bottom up, with collaborative partners.
- What does the younger generation want in terms of economic opportunity and careers? Need to identify that.
- My problem is, how do you get workers, much less pay them a living wage? As a small business we have trouble finding and keeping employees. There are not enough workers available. And covering the costs of employees is a struggle.
- Can we get some more information about the source of the Collaborative Economics Data? A: Yes. (See supplemental information appended to this summary).
- Can we get definitions for some of the terms in the Collaborative Economics presentation? A: Yes. (See supplemental information appended to this summary).
- The cost of living information is scary – how can you live here on one paycheck?
- Ways to improve profitability include: Improve productivity, cut expenses, and expand the market.
- The data being used by Collaborative Economics was during the recession and thus conditions have changed drastically. We need more up to date data.
- In the Fashion/retail sector, lots of people went into e-commerce – is that captured here?
- Architecture and design is only one above GDP, 2% growth. That's troubling. Construction/others can squeeze out other opportunities and raise the cost of living.
- It is important to identify what's endured/what's changed. There should be an emphasis on housing because adequate and affordable housing is tied to everything, including health and wellness.
- We should highlight and integrate social entrepreneurship-its big for Kaua'i.
- How much of each panelists' business is generated from visitors? A:
  - Kōloa Rum-70% within Hawai'i
  - Kaua'i Kookie-60/40
  - Kai Kini – mostly online, so business is from all over the world
- There are a lot of people depending on the visitor industry. It is good to plan for worst case, but wouldn't wish tourism away because it is a benefit.
- There should be more policies that support businesses. They could create a clearinghouse for small businesses to streamline permits and create a small business friendly resource center.

- The tools for small businesses are there but communications and connections should be improved and existing systems and ordinances should be examined. In addition, we should determine how to update and improve inventory existing tools.
- Lots of people are making money virtually - not necessarily on the island. We need to capture this data.
- The retail industry is having a hard time finding employees because people are going to construction and higher paying jobs.
- Look into economic development districts.

**PUBLIC COMMENTS:**

- How do we measure diversification? Employees and housing are key to a healthy economy. Strong schooling/education is the key to a good economy. The average kids will eventually become employees. Where are they going? In thinking about living wages, salary is not only thing of concern, another important facet is the cost of living/housing. Where is GP discussion on housing? There needs to be strong policy on affordable housing.
- We should implement the Multimodal Land Transportation Plan.
- We need to analyze our methods of governance and how we make decisions.
- The GP needs to have an indicator of failure-incarceration/adjudication rate. Should track arrests/convictions. There should be no unnecessary incarceration.
- North/East Kaua'i Stakeholders, Farmers Union, organic farmers, need to be included.
- Access to water is problematic.
- Because everything has to be imported and exported, goods are costly.
- Regarding climate change, recommendations for action should include those involved with local agriculture. The plan should emphasize goals of self-sufficiency. Crop yield losses in other parts of the world due to climate change will drive up costs, and make importing even more expensive. Other climate related impacts should be addressed.
- Economic development is a growth inducer – we need to be careful with that. We must ensure a sustainable rate of resource consumption.
- One idea is to make Ag clusters as big as tourism. Industrial hemp could be grown and processed here, for example. (GC: We are looking at industrial hemp, bamboo, and ulu; diversification means being sustainable without relying on the visitor industry).

**WRITTEN COMMENTS:**

The following written comments were submitted by attendees, and transcribed.

F.C.:

- A robust block of economic development intention in the north-east side is strikingly left out of this general plan and there is not a clear representative of this group on the community advisory committee. (Many young, unemployed people that are well educated and wanting to contribute).

- An additional segment of our income stream on the island which is not reflected is the virtual workforce/entrepreneurship of earning money long distance.
- This is a different demographic than classic “workforce.” Social justice is key.
- There is a strong need for mixed use/light commercial residential.
- Water – particularly surface water is a constraint that is not highlighted in the plan.
- The organic farming community and their unique needs is largely left out of this plan.
- An emerging business structure is not reflected in this plan. This is closest to the “maker” economy. This layer can often feel that their business is somehow less-than-legal due mostly to zoning.
- Profound inclusion of the Hawaiian community is essential and not evident in the plan in a meaningful manner. What is here is appreciated, but it seems little more than a “branding.”
- Increased inter-island airfare is problematic.
- A quality general plan needs to have an indication of the failures. The incarceration rates and population percentage of those adjudicated need to have a metric. A reflection of grants that have requirements measured in arrests and convictions needs to be placed in the study along with a tracking of occupancy rate agreements made in contract with Correctional Corporations of America. Are we incarcerating to achieve contract and grant requirements?  
Adjudication/incarceration impacts multiple generations of the inmate/accused’s family. It is a profound economic drag that is not tracked. Powerful loss occurs in the wake of criminalizing health and poverty crises.

L.H.:

- Lisa Gibson: I like her buzz words: “ECONOMIC ECOSYSTEMS”, “collaborative economics”, and “self-incubation”, “convergence opportunities”.
- Thank you for saying “neighbor” islands.
- Triple bottom line: economy, social justice, and environment. Regional Stewards = loss of “Regional” stewards Big Save and Sueoka stores, striking the balance.
- George Costa: Too much information.
- Susan Kaneko: Good snapshot.
- Mark Perriello: Manufacturing, Jones Act, waiver for Hawai’i, shipping costs, infrastructure, zoning, take a look at housing, informal/formal networking = manufacturing day, Hawai’i on the Hill, High tech development corporations, No handout! Yield to community for feedback!

**Additional Comments:**

- Can we get a summary of community visits in November? A: Yes, this will be posted online and distributed at the next meeting.

THIS SUPPLEMENTAL INFORMATION WAS SUBMITTED BY RISING TIDE ECONOMICS FOLLOWING THE CAC MEETING TO ADDRESS COMMENTS AND QUESTIONS.

## GLOSSARY

**Industry Clusters.** Industry clusters refer to a set of businesses and industries within a geographic area that share characteristics, such as products and services offered, infrastructure, customers and/or workforce. The analysis below examines two main kinds of clusters, which are critical to the growth of the economy.

**Anchor Industries.** Anchor Industries are important components of any economy, and typically serve local clients and local demand. Growth in Anchor Industries is often tied to growth in other parts of the economy or to demographic change. Government services and education are example Anchor Industries.

**Opportunity Industries.** Opportunity industries are clusters in which the economy has been growing rapidly, or are highly specialized. Specialization refers to industries with a high concentration of employment in comparison to the state overall. This is an indicator that these industries have expanded to serve customers beyond the local market, which drives resources into the region and creates an opportunity for higher profitability and higher worker wages. These industries also generate tax revenues and local demand to support anchor industries.

Opportunity Industries can drive economic vitality, generating jobs and wages for residents, and expanding purchases of products and services from local suppliers. Anchor Industries are also important, as they support and enable continued growth in the economy. If these industries are innovative, competitive, and healthy, it will drive the "vital cycle" needed for economic prosperity and community quality of life that benefits Kaua'i residents. Opportunity Industries in particular play a key role in generating large positive ripple effects.

**The Rest of the Economy.** While these two types of clusters encompass the majority of Kaua'i's economy, there are industries that are small employers, are growing slowly or declining and have limited business connection to other parts of the economy. In this analysis, we term these "Rest of the Economy." The Rest of the Economy is largely comprised of local serving industries not classified in other Anchor Industries. This includes Community Services, such as supermarkets, stores, religious organizations, family services, automotive shops. A number of "All Other Support Services" or NAICS code 561990 fall within the Rest of the Economy since this is a catch-all category. Other industries within this cluster include Logistics, Utilities and non-tourism related Real Estate.

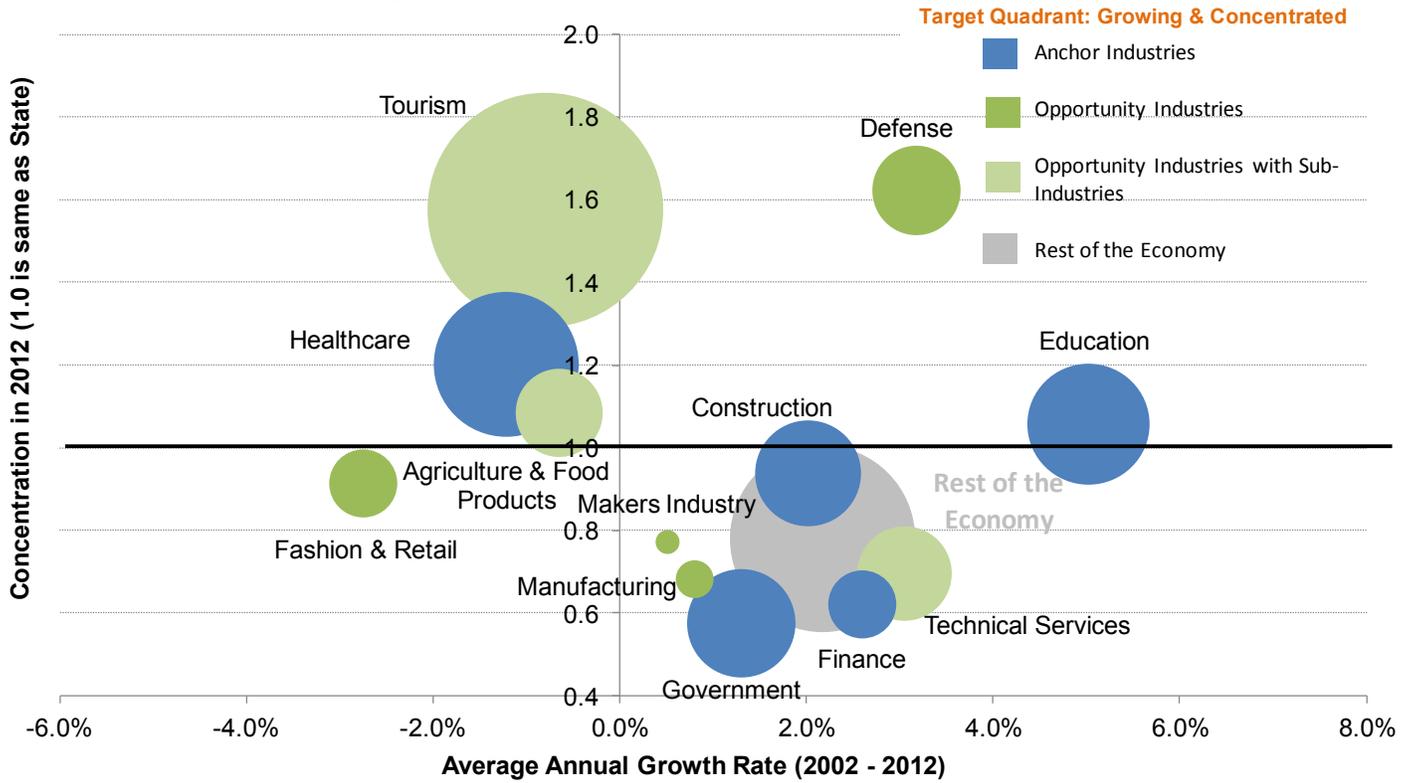
### How To Read Cluster of Opportunity Charts:

The cluster of opportunity charts below provides perspective on three dimensions: the size, growth and employment concentration (see footnote) in a cluster. The x-axis represents the average annual growth rate between 2002 and 2012. The y-axis represents the employment concentration relative to the state of Hawaii in 2012, and the size of the bubble represents the number of jobs in 2012. If an industry cluster is concentrated relative to the rest of the state, it will appear to the right of the y-axis. If it is growing, it will appear above the x-axis.

**Specialization.** This refers to industries with a high concentration of employment in comparison to the state overall. This is an indicator that these industries have expanded to serve customers beyond the local market, which drives resources into the region and creates an opportunity for higher profitability and higher worker wages. These industries also generate tax revenues and local demand to support anchor industries.

Figure 1

### Kaua'i Clusters of Opportunity Average Growth 2002 - 2012, and Concentration 2012



Concentration is calculated as (Kauai Cluster Emp/Kauai Total Emp)/(Hawaii Cluster Emp/Hawaii Total Emp).

Bubble size = Employment size.

The Rest of the Economy is defined as all other employment not displayed in the other bubbles.

Data Source: National Establishment Time-Series Database (NETS)

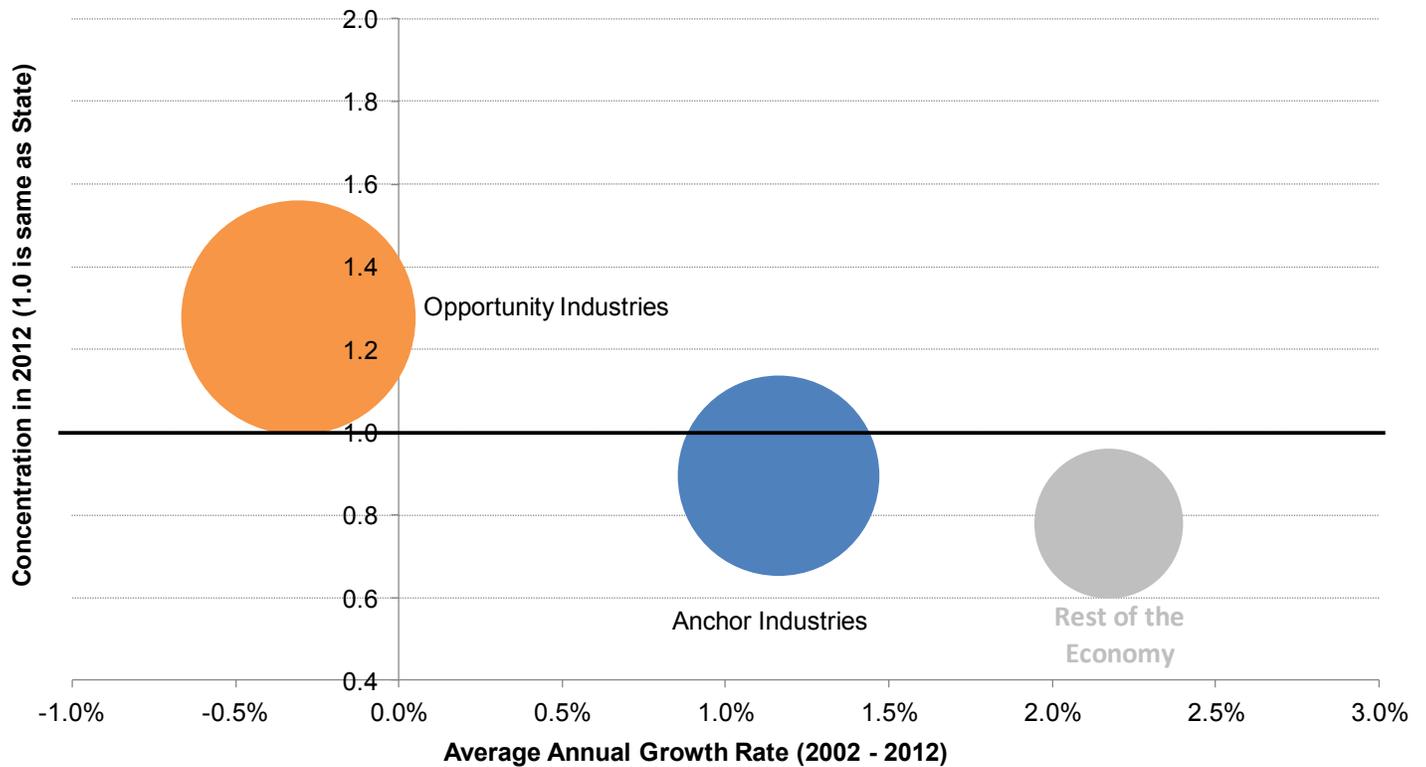
Analysis: Collaborative Economics

Kaua'i Industry Clusters Employment Growth and Concentration		
	Average Annual Growth Rate (2002 - 2012)	Concentration * in 2012 (1.0 is same as State)
Finance	2.6%	0.62
Manufacturing	0.8%	0.68
Education	5.0%	1.06
Agriculture & Food Products	-0.6%	1.08
Healthcare	-1.2%	1.20
Fashion & Retail	-2.7%	0.91
Tourism	-0.8%	1.58
Defense	3.2%	1.62
Construction	2.0%	0.94
Technical Services	3.1%	0.70
Government	1.3%	0.58
Makers Industry	0.5%	0.77
Rest of the Economy	2.2%	0.78

Examining the industries collectively as Opportunity Industries and Anchor Industries, it is clear that Kaua'i has specialization in the Opportunity Industries but that they are not growing nearly as quickly as the Anchor Industries or the Rest of the Economy (Figure 2).

Figure 2

### Opportunity vs. Anchor Industries Average Growth 2002 - 2012, Concentration 2012



Concentration is calculated as (Kauai Cluster Emp/Kauai Total Emp)/(Hawaii Cluster Emp/Hawaii Total Emp).  
 Bubble size = Employment size.  
 The Rest of the Economy is defined as all other employment not displayed in the other bubbles.  
 Data Source: National Establishment Time-Series Database (NETS)  
 Analysis: Collaborative Economics

Kaua'i Industry Clusters			
	Average Annual Growth Rate 2002 - 2012	Concentration 2012 1.0 is same as State	Employment 2012
Anchor Industries	1.2%	0.89	13,240
Opportunity Industries	-0.3%	1.28	18,055
Rest of the Economy	2.2%	0.78	7,274

## NETS DATA EXPLANATION

The National Establishment Time-Series Database (NETS), prepared by Walls & Associates (W&A) using Dun & Bradstreet (D&B) establishment data, was sourced for jobs data and establishment counts. This database provides information on every establishment, or business location, in a region. D&B tracks more than 60 million businesses worldwide through more than 100 million telephone calls, legal and bankruptcy filings, press reports, utilities and more as part of its global credit rating services. W&A turns D&B's archival database into a time-series database, utilizing a unique DUNS number that D&B assigns to every establishment. W&A updates its database on an annual basis, providing a January snapshot (2 year delay).

The value of NETS comes from the fact that the database covers nearly every U.S. business unit including sole-proprietors, small privately-owned firms, farms, nonprofit organizations and public sector establishment. Public data, on the other hand, is based on Unemployment Insurance filings and does not count all of these individuals. Public datasets suppress this information. With NETS individual establishment can be identified and tracked over time through its DUNS number. NETS also measures jobs not workers and includes part and full-time employment, as well as jobs held by undocumented workers and counts all jobs of workers that hold employment at more than one firm. NETS does not collect data on the cash economy.

We utilized traditional NAICS (North American Industry Classification System) codes industry classifications to create initial clusters. We then refined these clusters based on further NAICS code analysis and company review, as well as conversations with the client.

Zip Codes included Kaua'i employment analysis are as follow:

<b>Kaua'i County</b>	<b>Zip Codes</b>
Anahola	96703
Eleele	96705
Hanalei	96714
Hanamaulu	96715
Hanapepe	96716
Princeville	96722
Kalaheo	96741
Kapaa	96746
Kaumakani	96747
Kealia	96751
Kekaha	96752
Kilauea	96754
Koloa	96756
Lawai	96765
Lihue	96766
Makaweli	96769
Waimea	96796