

## 5 | ECONOMIC DEVELOPMENT

Several key economic events have shaped the structure and vitality of Moloka`i's economy, and in turn these also have influenced the population makeup and employment opportunities on the island. Moloka`i has a long history of agriculture, beginning with the cultivation of taro and development of fishponds by the Native Hawaiians. In 1859, Kamehameha IV established a sheep ranch at Kaluako`i which was the origin of Moloka`i Ranch. In the 1920's, the first pineapple plantations were established and the island experienced an influx of immigrant workers. Various other agricultural crops have been commercially produced on Moloka`i including sugar, honey, sweet potatoes, and watermelon. In the late 1970's, the Kaluako`i Hotel along with its golf course and condominiums opened, officially introducing resort tourism to Moloka`i. By the early 1980's, the pineapple operations closed ending plantation agriculture on Moloka`i and triggering a substantial out-migration of the Filipino and other non-Hawaiian population.

In 2000, two biotech seed corn companies, Monsanto and Mycogen Seeds, began operations that are now Moloka`i's first and second largest private employers. In 2001, the Kaluako`i Hotel closed; then in 2008, the island's largest employer at the time, Moloka`i Ranch, closed its operations and laid off 120 employees. This also meant the loss of some important community amenities such as the Kaluako`i golf course, a gas station, a movie theatre complex, and a rodeo arena.

In an effort to find solutions to the island's economic challenges, the Maui Economic Development Board (MEDB) and the Moloka`i Chamber of Commerce surveyed ninety-90 Moloka`i business representatives. The resulting 2009 report concluded that, "... the quality of the labor force and job applicants was a limiting factor for the Moloka`i economy."<sup>1</sup> Education levels, job skills, and a shortage of local managerial talent were cited as contributing factors. In spite of these discouraging findings, MEDB also found that "...entrepreneurship is thriving on Moloka`i and that resourcefulness is inherent in the community."<sup>2</sup>

### A. EXISTING CONDITIONS

Hawaii's economic development efforts face a unique set of challenges including:

- ✓ Limited local market capacity and competition due to the small, isolated population.
- ✓ Higher costs and limited product transportation options.
- ✓ Over-reliance on fossil fuel based imports for energy production and transportation of people, food, and materials.

<sup>1</sup> Maui Economic Development Board, *Entrepreneurship and the Future of Moloka`i* (2009)

<sup>2</sup> Maui Economic Development Board, *MEDB Annual Report On Operations, July 1, 2008 – June 30, 2009*

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1 These economic challenges are magnified on Moloka`i; finding workable solutions will require  
2 thoughtful collaboration between business owners, major landowners, government entities, and the  
3 community.

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5 The USDA awards grant to communities throughout the United States that have high rates of poverty  
6 and Moloka`i has been designated one of these Rural Enterprise Communities for years. Moloka`i is  
7 economically disadvantaged due in part to the lasting combined impacts of the Great Recession and  
8 the shutdown of Moloka`i Ranch. The following [2009-2013 American Community Survey](#) statistics  
9 provide a snapshot of ~~recent~~ economic conditions ~~on~~ Moloka`i<sup>3</sup>:

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11 • Moloka`i has consistently had the state's highest unemployment rate; in November 2014 it was  
12 14.2% versus the statewide average of 4.7%.<sup>4</sup>
- 13 • The 2009-2013 estimated median family income (MFI) for East Moloka`i was of \$51,807 ~~–which~~  
14 ~~was~~ 65% of the \$79,963 statewide MFI; West Moloka`i MFI was \$44,656 ~~which was~~ 56% of the  
15 statewide ~~MFI~~ median.
- 16 • An estimated 21% of people living on Moloka`i had incomes below the poverty level, which was  
17 nearly double the statewide rate of 11%.
- 18 • On Moloka`i, 28% of workers were employed in the government sector compared to 15% on  
19 Maui, and 21% statewide. Alternatively, Moloka`i had the lowest percentage of private-sector  
20 employees at 63% compared to 75% on Maui, and 72% statewide.
- 21 • Moloka`i had the highest percentage of workers employed in the agricultural, forestry, and fishing  
22 industries at 7% compared to Maui at 2.4% and the state average at 1.5%.
- 23 • ~~Since~~ Moloka`i has only one small hotel and 340 total visitor accommodation units that are  
24 mostly condos; ~~and in 2014~~ the island ~~had~~s the lowest percentage of workers employed in the  
25 tourism sector with 15% versus 24% for Maui and 16% statewide.

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27 Standard economic indicators such as unemployment rate, workforce composition, and personal  
28 income levels may signify a community in distress; however, Moloka`i has a significant subsistence  
29 economy which provides a vital and viable substitution for many imported goods. This key sector in  
30 Molokai's hidden economy is important to food sustainability and self-sufficiency.

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32 A number of residents are very protective of their rural and traditional-based lifestyles and have  
33 resisted economic development centered on commercial tourism, real estate development, and in-  
34 migration of new residents; ~~which are~~ all important elements in most of the state's economic  
35 development strategies. Although many Moloka`i residents are willing to accept economic tradeoffs  
36 ~~in order~~ to maintain their traditional lifestyles, others desire a more diversified, resilient, production  
37 and service-based economy. There is considerable community support for agriculture, aquaculture,  
38 and an active community-based tourism sector. Many would like to see small local businesses and

<sup>3</sup> American Community Survey, 2009-13 5-year Estimate (unless otherwise noted).

<sup>4</sup> Hawaii State Department of Labor & Industrial Relations (DLIR), December, 2014

1 entrepreneurs become the primary drivers of Moloka'i's economic renaissance. There is also a  
2 strong community desire to revitalize and reopen the Kaluako'i Hotel, the Maunaloa Lodge, the golf  
3 course, and the other amenities.

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5 There is no longer a direct freight ferry service connection between Moloka'i and Maui, which creates  
6 logistical problems for producers of perishable goods. The Young Brothers freight ferry schedule  
7 makes it difficult to ship perishable goods from Honolulu. Products originating or arriving outside of  
8 Hawaii first arrive in Oahu then move on to Moloka'i. The additional leg of travel increases Moloka'i  
9 shipping costs and shipping times, which can affect spoilage rates for agricultural products.

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14 **B. ISSUES**  
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17 Issue 1: Moloka'i's weak economic base has been unable to provide a sufficient level of  
18 employment to meet the needs of residents.

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20 Issue 2: Transportation between Moloka'i and, the neighbor islands, ~~and the mainland~~ is  
21 costly~~expensive, inconvenient,~~ and ~~not conducive a challenge to~~ for economic  
22 development.

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24 Issue 3: Limited pool of qualified, well trained and reliable workers reduces local employment  
25 potential and makes ~~recruitment of new~~ business more challenging.

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28 **C. GOAL, POLICIES, ACTIONS**  
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30 **GOAL** A stable, diversified, and sustainable economy that is compatible with Moloka'i's  
31 rural island lifestyle.

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34 **Policies**

- 35 1. Support diversification of Moloka'i's economy.  
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37 2. Support improvements in education and training programs at all levels to ensure a well  
38 educated and well trained workforce.  
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40 3. Support the development of ~~scalable sustainable~~ agriculture and value-added  
41 agricultural products.  
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- 4. Support small business assistance and training programs.
- 5. Support expansion of complementary tourism markets including kama`aina, cultural, [religious pilgrimage](#), eco, agricultural, sports, and hunting.
- 6. Support redevelopment ~~of projects such as~~ Kaluako'i Hotel and the Moloka'i Ranch Lodge.
- 7. Support the [limited](#) growth of permitted alternative lodging units [that do not create an adverse impact on the neighborhood](#).~~such as bed and breakfasts, small inns, and guest houses.~~
- 8. [Support increased enforcement of the County's Short-Term Rental Home Ordinance to address the adverse impacts unpermitted rentals have on neighborhoods.](#)
- ~~8-9.~~ Advocate for Moloka'i's [transportation](#) interests ~~with shippers, airlines, and regulators.~~
- ~~9-10.~~ Encourage the State Department of Transportation's implementation of ~~commercial~~ harbor improvements.
- ~~10-11.~~ Encourage the State Department of Transportation to ~~expedite~~ [expansion](#) and improvement of the airport.
- 12. [Create regulations and procedures that will enhance and promote \(not hinder\) economic development.](#)
- 13. [Support the development of permitted home-based businesses.](#)
- 14. [Support economic development in Palaau State Park.](#)

**Actions**

No.	Action	Lead County Agency	Partners
<del>5.01</del>	<del>Create a Rural Communities Economic Development Specialist position to address Moloka'i's economic development challenges and opportunities.</del>	OED	Maui Economic Opportunity (MEO)
5.01 2	Identify, target, and recruit new industries and businesses such as <del>tv/film production/post-production</del> , agricultural operations, aquaculture, and information technology.	OED	-MEO <a href="#">MEDB</a>
5.03	<del>Partner with MEO's Small Business Development Program to provide business education workshops and loan programs on Moloka'i.</del>	OED	-UH Maui College MEO

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5.02 4	Update/implement the Moloka`i Responsible Tourism Initiative.	OED	Maui Visitor's Bureau - Moloka`i chapter <a href="#">KAL-MEC</a>
5.03 5	Assess potential shipping options including utilizing the ferry as a small cargo carrier between Maui and Moloka`i.	OED	Ferry Operators Public Utilities Commission
5.04 6	Work with inter-island airlines to keep airfares affordable and service frequency adequate to accommodate the needs of Moloka`i visitors, residents, and businesses.	OED	Airlines Shippers Public Utilities Commission
5.05 7	Develop a <a href="#">Moloka`i</a> Agriculture Strategic Plan for <del>Moloka`i focusing on</del> both larger agri-businesses and small farms.	OED	University of Hawaii (UH) College of Tropical Agriculture and Human Resources (CTAHR)
5.06 8	Provide business courses to farm owners and agricultural entrepreneurs that include education about State and Federal loan and grant opportunities.	OED	Department of Agriculture Farm Service Agency Hawaii
5.07	<a href="#">Encourage the development of cooperative agricultural development programs between the County and the DHHL to support diversified agricultural pursuits.</a>	<a href="#">OED</a>	<a href="#">DHHL</a>
5.08	<a href="#">Create a survey of the Moloka`i population to determine the reasons for the high rate of "discouraged workers".</a>	<a href="#">OED</a>	<a href="#">MEDB</a> <a href="#">MEO</a>
5.09	<a href="#">Continue and enhance educational opportunities for Moloka`i's students in areas such as STEM education, business management, leadership, agriculture, and vocational training.</a>	<a href="#">OED</a>	<a href="#">MEDB</a> <a href="#">MEO</a> <a href="#">DOE</a> <a href="#">UH</a>
5.10	<a href="#">Assess how environmental impact, invasive species, feral ungulates, natural resources, and other factors will negatively or positively impact Moloka`i's present and future.</a>	<a href="#">OED</a> <a href="#">Mayor's Office – (Environmental Coordinator)</a>	<a href="#">DLNR</a> <a href="#">EPA</a> <a href="#">MEDB</a>
5.11	<a href="#">Develop a farmer's market in Kaunakakai.</a>	<a href="#">OED</a>	<a href="#">MEDB</a>

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