

FOR INFORMATION AND DISCUSSION

I. SUBJECT

Informational Presentation by the HCDA Staff Regarding Providing Assistance, under Act 252 (SLH, 2025), to the Department of Business Economic Development & Tourism and the Office of Planning and Sustainable Development on the Plan, Design, and Construction of a Sand Stabilization Structure for the Kawehewehe Sector of Waikiki Beach, Honolulu, Hawaii, and the Preparation of a Comprehensive Plan for Waikiki Beach Improvements.

II. BACKGROUND

The tourism industry is an economic driver for the State of Hawaii. Tourism contributes to transient accommodations tax collections, state tax revenues, visitor spending, hotel occupancy, and jobs. See, Exhibit A, Fact Sheet: Benefits of Hawaii’s Tourism Economy, 2025.

About Waikiki Beach, “Waikīkī Beach is a globally recognized icon of Hawai‘i and is the state’s largest tourist destination. . . .” See, Waikiki Beach Special Improvement District Association Website, <https://www.wbsida.org/background>

Waikiki Beach is largely an engineered shoreline. As such, the shoreline has, for decades, been prone to erosion. The impacts of sea level rise have exacerbated erosion. To address the erosion and the receding shoreline, sand replenishment efforts have been undertaken over the years. However, merely replenishing the sand does not stop the underlying cause of the erosion—wave action and sand replenishment must be done periodically.

Permanent beach improvements are needed to reduce or slow down the erosion of sand.

III. DISCUSSION

Permanent beach improvements are being considered. The Waikiki Beach Special Improvement District Association (“WBSIDA”), the Department of Land and Natural Resources (“DLNR”), Department of Business Economic Development & Tourism (“DBEDT”), and the Office of Planning and Sustainable Development (“OPSD”) are collaborating on beach improvements for Waikiki Beach.

A final programmatic environmental impact assessment for the Waikiki Beach improvements, including the sand stabilization structure described below, was accepted by the Governor on December 23, 2024 (“EIS”).

DBEDT and OPSD have requested HCDA's assistance in implementing the following two Waikiki Beach projects:

- One of the four priority Waikiki Beach improvement projects identified in the EIS is to plan, design, permit, and construct a sand stabilization structure in the "Kawehewehe Sector" of Waikiki Beach, and conduct the necessary community engagement. The Kawehewehe Sector describes the area of Waikiki Beach near the location of the Halekulani Hotel (referred to as the "Stabilization Structure Project").
- Completing a comprehensive plan for Waikiki Beach improvements that will provide a long-term and holistic improvement strategy (referred to as the "Comprehensive Plan") (collectively, these two projects the Stabilization Structure Project and the Comprehensive Plan are referred to as the "Project").

OPSD has a \$5 million appropriation for planning and design of the Waikiki SLR Resilience and Adaptation Project Phase II, which will be used to pay for the completion of the Comprehensive Plan. There is also a request for \$7 million in Green Fees to plan, design, and construct the Kawehewehe Sector sand stabilization project, which has been included in the House draft of H.B. 1800 (the State Budget) to the Office of Planning and Sustainable Development (BED 144).

The total cost for the Stabilization Structure Project has not been finalized, but it may cost as much as or more than \$50 million depending on the design. For context, DLNR's engineering consultant suggested both a 10 foot and 8.5-foot backstop wall to protect the shoreline and shoreline properties. The estimated cost of the 10-foot wall was \$49 million and the estimated cost of the 8.5-foot wall was \$47 million. DLNR has rejected those designs and has asked their engineering consultant to create a 30% design concept for: (i) no new walls, and only repairing existing sea walls, or (ii) a new wall that is shorter than 8.5 feet. The estimates for the 10-foot and 8.5-foot backstop walls provide perspective for the cost of planning, designing, permitting, and constructing a sand stabilization structure, which cost will only escalate over time.

OPSD, with the \$5 million appropriation referred to above, will carry out the Comprehensive Plan.

HCDA has been asked to work on the plan, design, and construction of the Stabilization Structure Project.

The review and evaluation of the Stabilization Structure Project is subject to the "Policy and Procedures for Projects Pursuant to Act 252, Session Laws of Hawaii 2025" ("Act 252 Policy") that was approved by the HCDA General Authority Board at its December 2025 regular meeting. The Act 252 Policy established a framework for reviewing and evaluating requests to assist other state agencies.

This item is for information only. No staff recommendation is being made, but depending on the feedback from the board, this item may be brought up for the board's review and action at a later meeting.

The Project is an important undertaking for Waikiki, the tourism and hotel industry, and the State. Resources and staffing will be needed. For the board's information, a completed evaluation criteria matrix, set forth in the Act 252 Policy, is attached hereto as Exhibit B.

Attachments:

Exhibit A – Fact Sheet: Benefits of Hawaii's Tourism Economy, 2025

Exhibit B – Act 252 Project Review and Evaluation Criteria for the Project

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Reviewed By: Garet Sasaki, Chief Financial Officer

Garet Sasaki



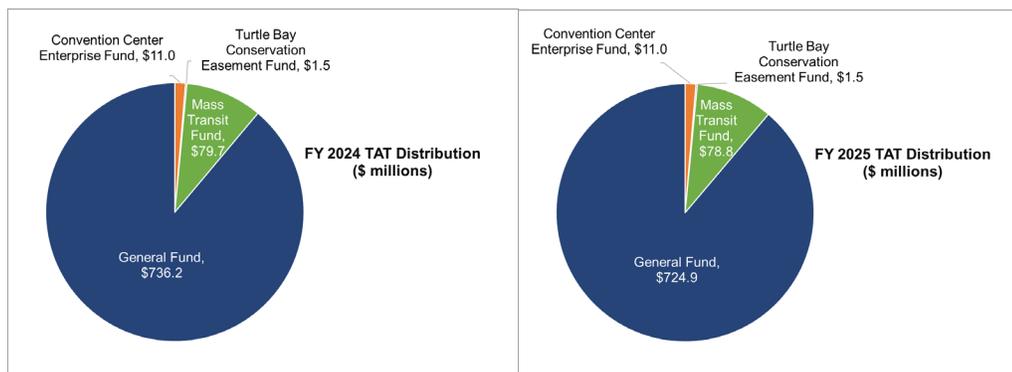
Fact Sheet: Benefits of Hawai'i's Tourism Economy

Hawai'i Tourism Industry in the First Nine Months of 2025:

- **Total Visitor Spending: \$16.17 billion**, an increase compared to the first nine months of 2024 (\$15.42 billion, +4.9%).
- **State Tax Revenue (direct, indirect, and induced)¹: \$2.26 billion**, compared to \$2.16 billion (+4.9%) in the first nine months of 2024.
- **Visitor Arrivals: 7,288,170 visitors**, compared to 7,258,157 visitors (+0.4%) in the first nine months of 2024.
- **Average Daily Census²: 231,964 visitors**, compared to 230,975 visitors (+0.4%) in the first nine months of 2024.
- **Total Air Service: 44,170 transpacific flights with 9,808,866 seats**, compared to 44,946 flights (-1.7%) with 9,984,755 seats (-1.8%) in the first nine months of 2024.

TAT Collections (Fiscal Year)

- FY 2018: The state collected \$554.9 million in TAT; an increase of 9.2 percent compared to FY 2017. (The TAT rate was increased to 10.25 percent, effective January 1, 2018. Tax revenues generated to be allocated to the Mass Transit Special Fund).
- FY 2019: The state collected \$600.3 million in TAT; an increase of 8.2 percent compared to FY 2018.
- FY 2020: The state collected \$564.3 million in TAT, down 6.0 percent compared to FY 2019.
- FY 2021: The state collected \$215.3 million in TAT; a decrease of 61.8 percent compared to FY 2020.
- FY2022: The state collected \$738.7 million in TAT; an increase of 243.1 percent compared to FY 2021.
- FY2023: The state collected \$865.3 million in TAT; an increase of 17.1 percent compared to FY 2022.
- FY2024: The state collected \$828.3 million in TAT; a decrease of 4.3 percent compared to FY 2023.
- FY2025: The state collected \$813.1 million in TAT; a decrease of 1.8 percent compared to FY 2024 (Preliminary data from Dept of Taxation).
- FY2026 (July-September 2025), the state collected \$216.3 million in TAT, compared to \$214.3 in FY 2025 (July-September 2024) (Preliminary data from Dept of Taxation).



¹ State Tax Revenue (direct, indirect and induced) for year-to-date 2025P and year-to-date 2024 were calculated using the new Hawai'i Tourism Input-Output model (October 2025) and are not directly comparable to previous years' calculations.

² Average daily census measures the number of visitors present on any given day.

Hawai'i Tourism Industry in Calendar Year 2024:

- Total Visitor Spending (Air, Cruise and Supplemental Business): \$20.72 billion.
- State Tax Revenue (direct, indirect, and induced): \$2.40 billion.
- Visitor Arrivals (Air and Cruise): 9,701,499 visitors.
- Average Daily Census: 230,918 visitors.
- Jobs supported (direct, indirect, induced): 211,000.
- Total Air Service: 59,787 transpacific flights with 13,274,718 seats.

Hawai'i Tourism Industry in Calendar Year 2023:

- Total Visitor Spending (Air, Cruise and Supplemental Business): \$20.87 billion.
- State Tax Revenue (direct, indirect, and induced): \$2.42 billion.
- Visitor Arrivals (Air and Cruise): 9,657,607 visitors.
- Average Daily Census: 236,784 visitors.
- Jobs supported (direct, indirect, induced): 213,000.
- Total Air Service: 59,725 transpacific flights with 13,118,442 seats.

Hawai'i Tourism Industry in Calendar Year 2022

- Total Visitor Spending (Air, Cruise, and Supplemental Business): \$19.80 billion.
- State Tax Revenue (direct, indirect, and induced): \$2.30 billion.
- Visitor Arrivals (Air and Cruise): 9,233,983 visitors.
- Average Daily Census: 233,534 visitors.
- Jobs supported (direct, indirect, induced): 202,000.
- Total Air Service: 60,153 transpacific flights and 12,745,630 seats.

Hawai'i Tourism Industry in Calendar Year 2021

- Total Visitor Spending (Air, Cruise, and Supplemental Business): \$13.15 billion.
- State Tax Revenue (direct, indirect, and induced): \$1.54 billion.
- Visitor Arrivals (Air and Cruise): 6,777,760 visitors.
- Average Daily Census: 178,938 visitors.
- Jobs supported (direct, indirect, induced): 160,000.
- Total Air Service: 51,904 transpacific flights and 10,735,084 seats.

Hawai'i Tourism Industry in Calendar Year 2020

- Visitor Spending: NA³
- State Tax Revenue (direct, indirect, and induced): NA
- Visitor Arrivals (Air and Cruise): 2,708,258 visitors.
- Average Daily Census: 77,915 visitors.
- Total Air Service: 5,318,667 transpacific seats.

³ Comparative annual 2020 visitor spending statistics were not available, as the Departure Survey could not be conducted between April through October 2020 due to COVID-19 restrictions.

Hawai'i Tourism Industry in Calendar Year 2019

- Visitor Spending (Air, Cruise, and Supplemental Business): \$17.84 billion.
- State Tax Revenue (direct, indirect, and induced): \$2.08 billion.
- Visitor Arrivals (Air and Cruise): 10,386,673 visitors.
- Average Daily Census: 247,564 visitors.
- Jobs supported (direct, indirect, induced): 217,000.
- Total Air Service: 13,619,068 transpacific seats.

Hotel Occupancy Rates:

Occupancy Rate	2019	2020	2021	2022	2023	2024	Year-to-Date September 2025
State	80.7%	37.6%	57.5%	73.6%	74.7%	73.3%	74.2%
O'ahu	84.0%	39.2%	55.6%	75.4%	79.6%	79.8%	79.0%
Maui County	77.7%	34.6%	60.3%	67.6%	66.1%	61.6%	63.7%
Island of Hawai'i	77.0%	39.7%	60.5%	74.9%	70.2%	67.0%	70.8%
Kaua'i	72.5%	33.2%	57.2%	77.7%	74.6%	73.2%	76.7%

Source: STR, Inc.

Historical Visitor Spending and Job Supported data:

Year	Total Daily Expenditures, Includes Sup Business	# of Jobs Supported
2024	\$56.6 million	211,000
2023	\$57.2 million	213,000
2022	\$54.3 million	202,000
2021	\$36.0 million	160,000
2020	NA	NA
2019	\$48.9 million	217,000
2018	\$48.3 million	215,000
2017	\$46.0 million	205,000
2016	\$43.5 million	194,000
2015	\$41 million	177,000
2014	\$41 million	168,000
2013	\$40 million	163,000
2012	\$39 million	161,000

EXHIBIT B

Act 252 Project Review and Evaluation Criteria for the “Project”

Criteria	Description
A. Requestor Preference	<p>Is the requestor an attached agency of DBEDT, a state agency, a county agency, a federal government agency, or a private entity?</p> <p><u>DBEDT and OPSD are the requestors. OPSD is a DBEDT attached agency.</u></p>
B. Project’s Strategic Alignment	<p>Does the project align with the goals and initiatives of DBEDT, HCDA, or other State priorities?</p> <p><u>Yes, with DBEDT’s tourism and economic development goals.</u></p>
C. HCDA Alignment	<p>Does the project and the requestor align with HCDA’s values?</p> <p><u>Yes, the Project and requestor aligns generally with HCDA’s values of helping other state agencies, and constructing infrastructure.</u></p>
D. Transit Oriented Development	<p>Is the project in a Transit-Oriented Development zone and has it been reviewed and recommended for implementation by the Hawaii Interagency Council for Transit Oriented Development?</p> <p><u>No.</u></p>
E. Public Benefit	<p>Does the project provide clear, measurable benefits to the public or address a matter of statewide concern?</p> <p><u>Yes, there are public benefits to Waikiki residents and visitors, and to the State. Waikiki beach is iconic to this visitor destination. Tourism is the main economic driver for the State.</u></p>
F. Staff Resource Availability	<p>Are experienced and appropriate staff and resources available for the project given the level of involvement, duration, and scope of the project?</p> <p><u>There are limited staff resources—a staff member has some experience in overseeing the construction of a stabilization structure. Thus, we will need to supplement the in-house staff with consultants.</u></p>
G. Risk Assessment	<p>What are the risks associated with the project (e.g., compliance, unclear scope, financial, operational, market, environmental, social, or reputational)? Can the risks be mitigated or managed effectively?</p> <p><u>All of the possible risks are not known at this time. We believe that financial risks will be mitigated if funding is available. Environmental risks can be mitigated. The Stabilization Structure Project could be controversial so there could be reputational risks.</u></p>
H. Funding Sources	<p>Is there a budget for the project and a source of funding? Will fees be paid to HCDA, and if so, how will the fees be determined (e.g., hourly rate, fixed price, or other structure)?</p> <p><u>No, not at this time, for the cost of the Stabilization Structure Project.</u></p>
I. Feasibility and Readiness	<p>Is the project ready for implementation, with a realistic schedule, deliverables, and governance structure?</p> <p><u>The Stabilization Structure Project is not ready for implementation. Community outreach, planning, and design have not commenced.</u></p>