

**Addendum to the Report
“Economic Impact of the Hawaii City Plaza Project, a
Residential and Commercial Project Located in the
Center of Honolulu, HI, as Part an
EB-5 Regional Center for the State of Hawaii”,
Prepared December 5, 2015**

Prepared for:

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This is an addendum to the report “Economic Impact of the Hawaii City Plaza Project, a Residential and Commercial Project Located in the Center of Honolulu, HI, as Part an EB-5 Regional Center for the State of Hawaii”, prepared December 5, 2015. Hawaii City LP (the “client”) has requested an updated based on actual EB-5 eligible expenditures to-date as well as revised projections for future expenditures.

As will be demonstrated in the remainder of this report, **based on EB-5 eligible Hard Construction Costs and Architectural & Engineering (A&E) Services, the project has already created 222.6 new jobs. Based on forecasted Hard Costs, A&E Services, and Sales Commissions, the project would create an additional 1,417.7 new jobs, for a total of 1,640.3 permanent, new jobs for the project. This amount of job creation would be sufficient for up to 164 alien entrepreneurs to invest EB-5 funds.** Summary results are shown below in Table 1.

Table 1. Summary of Expenditure and Employment Estimates					
<u>JOBS CREATED TO-DATE</u>	Expenditures	Expenditures	Final Demand	Total	Direct
Activity	(mill curr \$)	(mill 2010 \$)	Multiplier	Jobs	Jobs
Hard Construction Costs	7.400	6.581	14.9695	98.5	48.8
Architecture & Engineering Svcs	10.000	9.187	13.5075	124.1	49.6
Total, Jobs Created To-Date				222.6	98.5
<u>JOBS TO BE CREATED</u>	Expenditures	Expenditures	Final Demand	Total	Direct
Activity	(mill curr \$)	(mill 2010 \$)	Multiplier	Jobs	Jobs
Hard Construction Costs	150.000	87.924	14.9695	1,316.2	652.2
Architecture & Engineering Svcs	8.000	6.272	13.5075	84.7	33.9
Sales Commissions *	8.000	4.377	3.8439	16.8	0.0
Total, Jobs To Be Created				1,417.7	686.1
GRAND TOTAL				1,640.3	784.5
* Indirect and Induced effects only					
All figures calculated from unrounded numbers					

Consistent with the original report, the economic impact is calculated using RIMS II multipliers from 2010 for the state of Hawaii (the “Study Region”). Thus all figures are deflated to 2010 dollars before applying the multipliers. The RIMS II multipliers for this study are shown in Table A-2 (in the Appendix).

As construction is projected to take at least 24 months to complete, direct (as well as indirect and induced) effects are included for Hard Construction and A&E activities. Only indirect and induced effects are included for Sales Commissions.

Jobs Created to-Date

Table 2, below, shows the costs already incurred on the project. As described below, much of the \$42 million in expenditures are not considered EB-5 eligible.

Table 2. Expenditures Already Incurred

Land	18,600,000.00
Project Management Fee	6,000,000.00
Operating Cost	2,000,000.00
Design Cost	4,000,000.00
Legal & Professional	2,000,000.00
Report Fees	900,000.00
Demolition and Compensation	1,800,000.00
Construction	5,600,000.00
Property Tax	1,100,000.00
Total	\$ 42,000,000.00

Hard Construction Costs

EB-5 eligible Hard Construction Costs have totaled \$7.400 million – this is the sum of the following line items from Table 2: Demolition and Compensation (\$1.800 million) and Construction (\$5.600 million).

As these expenditures are in 2015 dollars and the RIMS II multipliers are from 2010, they must be deflated to a 2010-dollars basis. The Producer Price Index (PPI) for Construction increased about 12.45% from 2010 to 2015, so these costs are deflated by a factor of 1.1245 – which equates to about \$6.581 million in 2010 dollars.

The RIMS II final demand employment multiplier in the Study Region for construction is 14.9605, so the Hard Construction activity has created 98.5 new jobs.

Architectural & Engineering (A&E) Services

EB-5 eligible A&E Services have totaled \$10.000 million – this is the sum of Project Management Fee (\$6.000 million) and Design Cost (\$4.000 million).

We once again deflate from 2015 to 2010 dollars. The PPI for A&E Services increased about 8.85% from 2010 to 2015, so these costs are deflated by a factor of 1.0885 – which equates to about \$9.187 million in 2010 dollars.

The final demand employment multiplier for architectural, engineering, and related services is 13.5075, so the A&E activity has created 124.1 permanent, new jobs.

Combining these two activities, the project has already created 222.6 permanent, new jobs.

Jobs to be Created

Table 3, below, shows the client's updated projections on expenditures to be incurred in the remainder of the project. These cost projections are in 2022 dollars.

Table 3. Remaining Projected Costs

Project Replanning and Redesign	3,000,000.00
Permit Applications Fee	500,000.00
City Government Related Fees	1,000,000.00
Real Estate Agent Fees	8,000,000.00
Real Estate Attorney Fees and Consultant Fees	500,000.00
Project Management Fee	5,000,000.00
Sales Advertising	1,000,000.00
Contingency	5,000,000.00
Construction	150,000,000.00
Loan Interest and Fees	30,000,000.00
Total	\$ 204,000,000.00

Hard Construction Costs

EB-5 eligible Hard Construction Costs are projected to total an additional \$150.000 million, as shown on the Construction line item in Table 3.

As these costs are in 2022 dollars and the RIMS II multipliers are from 2010, we once again deflate to a 2010-dollars basis. The PPI for Construction increased about 70.60% from 2010 to 2022, so these costs are deflated by a factor of 1.7060 – which equates to about \$87.924 million in 2010 dollars.

The final demand employment multiplier for construction is 14.9605, so the Hard Construction activity would create an additional 1,316.2 new jobs.

Architectural & Engineering (A&E) Services

EB-5 eligible A&E Services are projected to total an additional \$8.000 million; this is the sum of Project Replanning and Redesign (\$3.000 million) and the Project Management Fee (\$5.000 million).

The PPI for A&E Services increased about 27.55% from 2010 to 2022, so these costs are deflated by a factor of 1.2755 – which equates to about \$6.272 million in 2010 dollars.

The final demand employment multiplier for architectural, engineering, and related services is 13.5075, so the A&E activity would create an additional 84.7 new jobs.

Sales Commissions

EB-5 eligible Sales Commissions are projected to total \$8.000 million, as shown on the Real Estate Agent Fees line item in Table 3.

To deflate these expenditures from 2022 to 2010 dollars, we use the PPI for Offices of Real Estate Agents and Brokers; this increased about 82.78% from 2010 to 2022 – so the Sales Commissions are deflated by a factor of 1.8278. Thus Sales Commissions in 2010 dollars are approximately \$4.377 million.

The final demand employment multiplier for real estate (excluding direct effects) is 3.8439, so the Sales Commissions activity would create 16.8 new jobs.

Combining these three activities, the project would create an additional 1,417.7 permanent, new jobs.

Summary

In combining the 222.6 jobs already created and the additional 1,417.7 jobs that would be created, the project would create a total of 1,640.3 permanent, new jobs.

Per the EB-5 Reform and Integrity Act of 2022 (RIA), “The Secretary of Homeland Security shall permit aliens seeking admission under this subparagraph to satisfy only up to 90 percent of the requirement under subparagraph (A)(ii) with jobs that are estimated to be created indirectly through investment under this paragraph.”

- As shown in Table 1, of the 1,640.3 jobs to be created by the project, 784.5 would be direct; the remaining 855.8 jobs would be indirect and induced.
- The indirect and induced jobs would therefore represent only 52% of the job creation on the project, well below the 90% threshold required by RIA.

Appendix

Table A-1 shows the NAICS codes for each type of economic activity. The descriptions are taken from <https://www.census.gov/naics/>.

Table A-1. NAICS Codes for Each Type of Activity

2361	Nonresidential Building Construction
2362	Residential Building Construction
5413	Architectural, Engineering, and Related Services
5312	Offices of Real Estate Agents and Brokers

Table A-2 shows the multipliers used in this study, copied directly from Table 1.5 of the RIMS II multipliers for the state of Hawaii.

Table A-2. Print Screen of RIMS II Multipliers for Hawaii

	(1)	(2)	(3)	(4)	(5)	(6)
230000 Construction	1.9192	0.6553	14.9695	1.0449	1.7007	2.0181
541300 Architectural, engineering, and related services	1.8969	0.6572	13.5075	1.1750	1.7247	2.4995
531000 Real estate	1.4488	0.2625	13.7025	1.0715	1.9064	1.3899

Region Definition: Hawaii

*Includes Government enterprises.

1. Each entry in column 1 represents the total dollar change in output that occurs in all industries for each additional dollar of output delivered to final demand by the industry corresponding to the entry.

2. Each entry in column 2 represents the total dollar change in earnings of households employed by all industries for each additional dollar of output delivered to final demand by the industry corresponding to the entry.

3. Each entry in column 3 represents the total change in number of jobs that occurs in all industries for each additional 1 million dollars of output delivered to final demand by the industry corresponding to the entry. Because the employment multipliers are based on 2010 data, the output delivered to final demand should be in 2010 dollars.

4. Each entry in column 4 represents the total dollar change in value added that occurs in all industries for each additional dollar of output delivered to final demand by the industry corresponding to the entry.

5. Each entry in column 5 represents the total dollar change in earnings of households employed by all industries for each additional dollar of earnings paid directly to households employed by the industry corresponding to the entry.

6. Each entry in column 6 represents the total change in number of jobs in all industries for each additional job in the industry corresponding to the entry.

NOTE.--Multipliers are based on the 2002 Benchmark Input-Output Table for the Nation and 2010 regional data. Industry List A identifies the industries corresponding to the entries.

SOURCE.--Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis.