

**Addendum to the Report  
“An Economic Analysis of the  
Hawaii Ocean Plaza Project”,  
Prepared December 2016**

**Prepared for:  
California Investment Regional Center**

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This is an addendum to the Report “An Economic Analysis of the Hawaii Ocean Plaza Project”, prepared by Wright Johnson, LLC in December 2016. California Investment Regional Center (the client) has requested an update, based on revised construction expenditures.

As will be demonstrated in the remainder of this report, **based on EB-5 eligible Residential Hard Construction Costs, Architectural & Engineering (A&E) Services, and FF&E Purchases, the project would create 1,177 permanent new jobs, sufficient for up to 117 alien entrepreneurs to invest EB-5 funds.** Summary results are shown below in Table 1.

<b>Table 1. Summary of Employment and Expenditure Estimates</b>						
Activity	NAICS Codes	Expenditures (mill curr \$)	Expenditures (mill 2013 \$)	Final Demand Multiplier	Total Jobs	Direct Jobs
Hard Construction Costs	2361	112.800	87.345	12.3961	1,082.7	449.0
Architectural & Engineering Svcs	5413	6.000	5.043	14.5322	73.3	28.4
FF&E Purchases *	4232/4234/ 4236	4.000	3.462	6.1007	21.1	0.0
<b>Total</b>					<b>1,177.1</b>	<b>477.4</b>
* Indirect and induced effects only						
All figures calculated from unrounded numbers						

Consistent with the original report, the economic impact calculations are based on 2013 RIMS II multipliers for a Study Region comprised of the state of Hawaii. Thus all figures are deflated to 2013 dollars before applying the multipliers.

As construction of the project is expected to take more than 24 months to complete, direct (as well as indirect and induced) effects are included in the economic impact calculations for Hard Construction Costs and A&E Services. As always, only indirect and induced effects are included for FF&E Purchases.

### **Hard Construction Costs**

As shown below in Table 2, EB-5 eligible Hard Construction Costs are estimated to total \$112.800 million; these figures are taken from Table 3 (in the Appendix). Note that Other Unanticipated Works costs are not included, as contingencies are not considered EB-5 eligible expenditures.

**Table 2. EB-5 Eligible Hard Construction Costs**

<u>Section</u>	<u>Sub-Section</u>	<u>Expense Item</u>	<u>Amount</u>
Cost to Date		Construction	\$1,300,000
		Demolition and Compensation	\$3,500,000
Use of Fund	Reinforced Concrete Structure	Cost of Foundation Works	\$8,000,000
		Parking Structural Engineering	\$20,000,000
		Floor 8-40 Structure Engineering 8-40	\$32,000,000
Use of Fund	Indoor and outdoor decoration Works	Indoor Partition Board Engineering	\$4,000,000
		Interior and Exterior Wall Painting	\$800,000
		Installation of Doors and Windows	\$1,500,000
		Air Conditioning Works	\$3,500,000
		Fire Engineering	\$1,500,000
		Hydropower Engineering	\$9,000,000
		Glass Curtain Wall	\$6,600,000
		Balcony Glass and Care	\$1,200,000
		Network Engineering	\$600,000
		Painting and Decoration of Ceiling	\$1,800,000
		Marble and Tile Flooring	\$1,500,000
		Decoration of Bathroom	\$2,500,000
		Kitchen-related Works	\$4,000,000
		Installation of Carpets or Wooden Floor	\$1,200,000
		Household Appliances	\$1,500,000
		Roof-related Works	\$800,000
Use of Fund	Supporting Engineering	Landscaping	\$600,000
		Swimming Pool	\$1,000,000
		Ground Parking Lot	\$1,000,000
		Elevator Engineering	\$2,500,000
		Decoration Engineering of Community Public Supporting Housing	\$900,000
		<b>Total, EB-5 Eligible Hard Construction Costs</b>	<b>\$112,800,000</b>

As these expenditures are in 2022 dollars – and the RIMS II multipliers are from 2013 – they must be deflated to a 2013-dollars basis. The Producer Price Index (PPI) for construction increased about 2.88% per year from 2013 to 2021; that is assumed to be the forward rate as well. Thus the Hard Costs are deflated by a factor of 1.2914 – which equates to about \$87.345 million in 2013 dollars.

The RIMS II final demand employment multiplier in the Study Region for residential structures is 12.3961, thus the Hard Construction activity would create 1,083 new jobs. Note that residential structure multipliers are used, as the primary use of the building will be condominiums. For context, in the original report, both nonresidential and residential multipliers were used, as the project scope at that time was to build a hotel as well as condominiums.

### ***Architectural & Engineering (A&E) Services***

As shown in Table 3 (in the Appendix) in the Cost to Date section, on the Design Cost line item, EB-5 eligible A&E Services for the project totaled \$6.000 million.

Once again, these expenditures need to be deflated to a 2013-dollars basis before applying the multipliers. The PPI for A&E Services increased about 1.95% per year from 2013 to 2021; that is assumed to be the forward rate as well. Thus the A&E Services of \$6.000 million (in 2022 dollars) equate to \$5.043 million in 2013 dollars.

The RIMS II final demand employment multiplier in the Study Region for architectural, engineering, and related services is 14.5322, thus the A&E activity has created 73 new jobs.

### ***FF&E Purchases***

As shown in Table 3, in the Use of Fund section, in the Supporting Engineering sub-section, on the Equipment and Facilities Rental or Purchase Cost line item, FF&E Purchases are estimated to total \$4.000 million.

For FF&E purchases, the deflator is an average of the PPIs for (a) household furniture, institutional furniture, and kitchen cabinet manufacturing; and (b) audio and video equipment manufacturing. These increased an average of 1.62% per year from 2013 to 2021; that is assumed to be the forward rate as well. Thus the FF&E Purchases of \$4.000 million (in 2022 dollars) equate to \$3.462 million in 2013 dollars.

The RIMS II final demand employment multiplier in the Study Region for wholesale trade (excluding direct effects) is about 6.1007, thus the FF&E activity would create 21 new jobs.

**Conclusion**

**Combining these 3 activities, the project would create a total of 1,177 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 1,177 jobs created by the project, 477 would be direct; the remaining 700 jobs would be indirect and induced.
- The indirect and induced jobs would therefore represent only 59% of the job creation on the project, well below the 90% threshold specified in RIA.

## Appendix

**Table 3. Construction-Related Expenditures**

<b>Cost to Date</b>	
Design Cost	6,000,000.00
Report Fees	500,000.00
Construction	1,300,000.00
Legal & Professional	1,600,000.00
Demolition and Compensation	3,500,000.00
Project Management Fee	6,000,000.00
Operating Cost	2,100,000.00
Land	23,000,000.00
<b>Total</b>	<b>\$ 44,000,000.00</b>
<b>Use of Fund</b>	
Modification of Planning	1,000,000.00
Construction Permit	500,000.00
Government Fees	1,500,000.00
Loan Fees	6,000,000.00
Loan Interest	24,000,000.00
Commission	8,000,000.00
Project Management Fee	7,000,000.00
Other Unforeseen Expenses	8,000,000.00
Construction Cost:	
Reinforced Concrete Structure:	
Cost of Foundation Works	8,000,000.00
Parking Structural Engineering	20,000,000.00
Floor 8-40 Structure Engineering 8-40	32,000,000.00
Indoor and outdoor decoration Works	
Indoor Partition Board Engineering	4,000,000.00
Interior and Exterior Wall Painting	800,000.00
Installation of Doors and Windows	1,500,000.00
Air Conditioning Works	3,500,000.00
Fire Engineering	1,500,000.00
Hydropower Engineering	9,000,000.00
Glass Curtain Wall	6,600,000.00
Balcony Glass and Care	1,200,000.00
Network Engineering	600,000.00
Painting and Decoration of Ceiling	1,800,000.00
Marble and Tile Flooring	1,500,000.00

Decoration of Bathroom	2,500,000.00
Kitchen-related Works	4,000,000.00
Installation of Carpets or Wooden Floor	1,200,000.00
Household Appliances	1,500,000.00
Roof-related Works	800,000.00
Other Unanticipated Works	7,000,000.00
Supporting Engineering	
Landscaping	600,000.00
Swimming Pool	1,000,000.00
Ground Parking Lot	1,000,000.00
Elevator Engineering	2,500,000.00
Decoration Engineering of Community Public Supporting Housing	900,000.00
Equipments and Facilities Rental or Purchase Cost	4,000,000.00
Other Unanticipated Public Supporting Works	1,000,000.00
<b>Total</b>	<b>\$ 176,000,000.00</b>