Proposed Kapolei Harborside Center: Economic and Fiscal Impacts

Decision Analysts Hawai'i, Inc.

Exhibit "15"

Proposed Kapolei Harborside Center: Economic and Fiscal Impacts

PREPARED FOR:

Kapolei Property Development

PREPARED BY:

Decision Analysts Hawai'i, Inc.

July 2006

CONTENTS

FIGURES

TABLES

Executive Summary

1. Proposed Development

Kapolei Property Development proposes to develop Kapolei Harborside Center ("the Project"), an industrial park on 344.519 acres in Kapolei, City and County of Honolulu. The Project will offer about 251 acres for industrial development, which translates to about 5.5 million square feet of floor space at full development. The remaining 94 acres will be used for roads, drainage, a wastewater pumping station, and a preservation area to protect sinkholes having scientific value.

Tenants will include companies engaged in light manufacturing, maritime support services, warehousing, and other industrial services.

2. Major Impacts and Benefits

a. Employment

Kapolei Harborside Center will provide the following employment impacts and benefits:

— Development Activities

- Average employment for about 450 construction workers during the 10-year development period, along with a payroll of about $29.6 million per year.
- Average employment of about 640 additional workers dependent on construction activities, along with a payroll of about $24.5 million per year.
- An average of about 710 direct and indirect jobs in the Kapolei/'Ewa Region.

— Industrial Operations at Full Development

- About 3,830 new industrial jobs, along with a payroll of about $176 million per year (versus about 40 jobs for current activities on the property that will relocate).

- About 2,300 additional jobs dependent on the industrial operations, along with a payroll of about $88.4 million per year.
- About 4,630 new jobs in the Kapolei/'Ewa Region.

The new jobs provided by the Project will contribute to the ongoing transformation of 'Ewa from being largely a suburb from which workers commute to jobs outside the region, to being O'ahu's second full-service urban center that provides jobs for those living in the Kapolei/'Ewa region and surrounding communities. Correspondingly, the new jobs provided by the Project will result in less commuting by Kapolei/Ewa residents to jobs outside the region.

b. Fiscal

Kapolei Harborside Center will provide the following fiscal impacts and benefits:

— City

- Revenues of about $6.1 million for transportation improvements generated by the 10 years of development activities.
- Net revenues of about $8 million per year derived from the industrial operations after full development of the Project.

— State

- A net of about $45.1 million in revenues generated by the 10 years of development activities.
- In addition, about $7.9 million for highway improvements generated by development activities.
- Net revenues of at least $8.4 million per year derived from the industrial operations after full development of the Project.

These increases in net revenues will allow the City and State to help fund various government facilities and services that will benefit communities throughout O'ahu and the State.

PROPOSED KAPOLEI HARBORSIDE CENTER:
ECONOMIC AND FISCAL IMPACTS

1. INTRODUCTION

a. Content and Purpose

Kapolei Property Development proposes to develop Kapolei Harborside Center ("the Project"), an industrial park on 344.519 acres in Kapolei, City and County of Honolulu (see Figure 1 at the end of this report for the location of the Project, Figure 2 for the Tax Map Keys (TMKs), and Figure 3 for the proposed development).[1]

The entire Project Area is currently within the State Agricultural District and is zoned Agricultural (Figures 4 and 5). However, the Project site is designated for Industrial development in the City's 'Ewa Development Plan (Figure 6). The Project will require a State Land Use District Boundary Amendment to Urban, and a change in zoning to Industrial.

This report addresses the economic and fiscal impacts of the Project, along with associated benefits. Its purpose is to provide government officials with information relevant to their decisions about State redistricting and City zoning.

The <u>economic impacts</u> cover sales and expenditures, profits, employment, and payroll related to the (1) development activities and (2) industrial operations at full development of the Project. The material also includes the number of residents and homes that will be supported by the development activities and by operations at full development.

<u>Fiscal impacts</u> address the impact of the Project on City and State revenues and expenditures. The material covers the increase in City and State tax revenues, the increase in government support expenditures, and the resulting net revenues to the City and State.

b. Methodology

1) <u>Multipliers</u>

Planned development is translated into economic and fiscal impacts based on a number of multipliers (for example, floor-area ratios (FAR) that give the amount of industrial space as a percentage of the land area, construction costs per square foot of industrial space, sales per square foot, indirect sales per direct sales, jobs per 1,000 square feet of industrial space, indirect jobs per direct jobs, tax rates.

The multipliers used reflect the professional judgment of the consultant, and were derived based on information from the following sources: 'Ewa developers; Hawai'i projects similar to the proposed Project; U.S. Census data for O'ahu and 'Ewa; the *State of Hawai'i Data Book; The Hawai'i Input-Output Study*; employment and labor rates from the State Department of Labor and Industrial Relations (DLIR); research reports on industrial parks; and revenue and expenditure data from the City and the State.[2-7]

2) 2006 Dollars

Throughout the report, dollar amounts are expressed in terms of 2006 purchasing power and market conditions. Values, prices, costs and dollar amounts for prior years are adjusted for inflation to 2006 dollars based on the Honolulu Consumer Price Index (CPI) for Urban Consumers.[4] Dollar amounts after 2006 are not increased to account for inflation, appreciation in property values, changes in labor rates, changes in building costs, or other changes in market conditions.

3) Accuracy of Estimates

Much of the economic analysis contained in this report is quantitative in nature, where numbers are used to help communicate anticipated impacts. However, these numbers should not be interpreted as precise predictions. Rather, they represent the best estimates of what is expected to occur based on available information about future development, market conditions, and tax rates. As a general rule, economic and fiscal impact estimates in this report are accurate within about 20%.

c. Organization of the Report

The material below gives the following information on the Project and the economic environment: the Project's location and surrounding land uses; a description of the Project; evolving changes in Kapolei/'Ewa region; current economic activities within the Project Area; the economic impacts of development activities, the economic impacts of the industrial operations at full development, assistance programs for new workers and businesses; the impact on City revenues and expenditures, the impact on State revenues and expenditures, and a summary of major economic and fiscal impacts and benefits.

The detailed assumptions, multipliers, and calculations are shown in five tables at the end of the report. These tables cover the following:

— Table 1: Proposed Development

— Table 2: Economic Impacts of Development Activities

— Table 3: Economic Impacts of Industrial Operations at Full Development

— Table 4: Impacts on City Revenues and Expenditures

— Table 5: Impacts on State Revenues and Expenditures

Figures in the table that are in **bold** highlight the more significant economic and fiscal impacts.

d. Economic Consultant

The analysis was conducted by Decision Analysts Hawai'i, Inc., a Hawai'i-based economic-consulting firm established in 1979, and specializing in economic development, land and housing economics, feasibility studies, valuations, market analysis, public policy analysis, and the economic and fiscal impacts of projects.

2. LOCATION OF THE PROJECT AND SURROUNDING LAND USES[1]

As shown in Figure 1, Kapolei Harborside Center is located in Kapolei near the southwest corner of O'ahu. And as shown in Figure 2, the Project Area is also defined by four TMK parcels:

— TMK 9-1-014-033 (por), 137.529 acres

— TMK 9-1-014-034 (por), 19.947 acres

— TMK 9-1-014-035 (por), 12.845 acres

— TMK 9-1-015-020 (por), 174.198 acres

The Project Area is bounded on the east, west and south by existing industrial areas and on the north by currently vacant land proposed for the master planned community of Kapolei West.

3. PROJECT DESCRIPTION AND ADVANTAGES[1]

As indicated in Figure 2 and Table 1, Kapolei Harborside Center will offer about 251 acres for industrial development, which translates to about 5.5 million square feet of floor space at full development. The remaining 94 acres will be used for roads, drainage, a wastewater pumping station (WWPS), and a preservation area to protect sinkholes having scientific value.

Tenants will include companies engaged in light manufacturing, maritime support services, warehousing, and other industrial services. The Project will be similar to other industrial parks on O'ahu, and will complement the existing Campbell Industrial Park and Kapolei Business Park.

The Project will offer many advantages, including: (1) a strategic location between Kalaeloa/Barbers Point Harbor, the City of Kapolei, and the existing industrial areas of Campbell Industrial Park and Kapolei Business Park; (2) proximity to a large and growing regional market, (3) a large workforce drawn from a growing population and from workers who now have long commutes to jobs outside the region, and (4) costs for industrial space that are expected to be lower than those near downtown Honolulu.

These advantages will entice a number of new businesses to locate in Kapolei and will also entice a number of existing business to relocate to Kapolei. Such has been the history of many urban areas across the country: to remain competitive, businesses follow the customers and workers to locations that do not require long commutes and offer lower costs for industrial space. As the Kapolei population and business community grow, even more businesses will be attracted there because the market will become sufficiently large to support activities that require large markets and/or need specialized support services. In addition to serving regional markets, industrial companies in Kapolei will increasingly serve island-wide, Statewide and overseas markets. An additional advantage for businesses that locate in Kapolei Harborside Center is that goods can be shipped via nearby Kalaeloa Barbers Point Harbor. This will become an even greater advantage for these businesses as the harbor is improved.

4. EVOLVING CHANGES IN THE KAPOLEI/'EWA REGION

Considerable residential, resort, commercial, industrial, and government development has occurred in the City of Kapolei and the surrounding Kapolei/'Ewa region, and far more is planned.

This large amount and wide variety of development in the Kapolei/'Ewa region reflects a major transformation of 'Ewa from its past role as largely a suburb of Honolulu's Primary Urban Center (PUC), to its current and future role as O'ahu's second full-service urban center.

As a suburb or bedroom community, 'Ewa has been providing workers who commute to jobs in the PUC and elsewhere, and shoppers who purchase many of their goods and services outside 'Ewa.

As a full-service urban center, the City of Kapolei and the Kapolei/'Ewa region will increasingly become a major supplier of (1) jobs for those who live in 'Ewa and surrounding communities, and (2) a full range of goods and services (both private and public) to residents, visitors, and businesses in Kapolei and beyond. When measured by population, the Kapolei/'Ewa region already exceeds the population of Kaua'i County.[8] By about 2025, it will exceed the current population of Maui County and also of Hawai'i County.[9] This transformation is a direct result of City and State economic and population growth policies for 'Ewa and O'ahu.

The Project will contribute to the transformation of Kapolei becoming O'ahu's second full-service urban center. Specifically, the Project will offer additional space for companies that (1) supply industrial goods and services, and (2) provide jobs for the region's growing population.

5. CURRENT ECONOMIC ACTIVITIES

Currently, two agricultural operations lease land within the Project Area: (1) (2) Milo Nursery & Landscape Maintenance, Inc. leases about 32 acres for its nursery operations and (2) Menehune Green, LLC leases about 52 acres for composting green waste.[10] Most of the remaining property is covered by a coral stockpile that was created by the dredging of Barbers Point Harbor. Also, a conveyor belt transports coal from Kalaeloa/Barbers Point Harbor, across the property, to a HECO power plant to the south of the Project site.

The two agricultural companies provide about 40 jobs.[10] Development of the Project will result in the relocation or replacement of the two agricultural activities, but will result in no significant change in the number of agricultural jobs provided on O'ahu.[10]

6. ECONOMIC IMPACTS OF DEVELOPMENT ACTIVITIES

The development of Kapolei Harborside Center will include (1) construction of internal roads, water delivery systems, sewer systems, utilities systems, etc.; (2) sales of improved lots to various industrial companies; and (3) construction of buildings by these companies. Table 2 summarizes the direct and indirect economic impacts of these development activities. The material in the table gives the development period, average annual development, construction expenditures and related sales, profits, employment and payroll, and the number of residents and homes supported by the development activities.

a. Development Period and Average Annual Development

Based on a market study by Robert Charles Lesser and Co., LLC (Lesser), development is expected to occur over a 10-year period starting in about 2009 (Table 2, Section 2.a).[1] Thus, an annual average of about 550,000 sq. ft. of industrial space will be built over the 10 years (Table 2, Section 2.b). However, development in some years may be much higher or lower than the average, depending on market conditions.

b. Expenditures, Sales and Profits

Construction expenditures for infrastructure and building space are estimated at about $600 million, or an average of about $60 million per year (Table 2, Section 2.c).

In addition to construction expenditures, development activities will generate indirect sales associated with supplying goods and services to construction companies and to the families of the employees of these companies. In turn, the companies supplying goods and services, and the families of the employees of these companies will purchase goods and services from other companies, and so on. The indirect sales will include sales by companies that supply building materials (cement, steel, lumber, roofing materials, plumbing equipment, electrical equipment, hardware supplies, lighting, flooring, etc.); rent out construction equipment; repair equipment; provide warehousing services; provide shipping and trucking services; etc. Indirect sales also include sales by grocery stores, drug stores, restaurants, service stations, hair salons; providers of medical services, insurance providers, etc. Based on State economic multipliers, these indirect sales are expected to average about $63 million per year.

Although not estimated, additional development costs include planning, permitting, design, financing, City and State exactions, and marketing and sales (see footnote for Table 2, Section 2.e).

Lot sales, construction expenditures and indirect sales related to development activities are expected to total about $148 million per year during the 10-year development period (Table 2, Section 2.f). About $114.5 million per year will be subject to the 4.5% excise tax on final sales, while about $33.5 million per year will be subject to the 0.5% excise tax on intermediate sales.

Profits on these sales are estimated at about $16.5 million per year (Table 2, Section 2.g).

c. Employment

Construction employment is expected to average about 450 jobs (Table 2, Section 2.h). These jobs will include supervisors, heavy-equipment operators (grading, roads, water mains, sewer lines, etc.), cement workers to lay foundations, metal workers, carpenters, plumbers, electricians, roofers, glass and window installers, cabinet makers, carpet and tile layers, painters, equipment installers, interior decorators, landscapers, etc. Other jobs related to construction will include architects, civil engineers, draftsmen, government inspectors, etc. These jobs will range over a variety of skills, including entry-level, semi-skilled, skilled, management, and professional positions.

As with indirect sales, development activities will generate indirect jobs associated with supplying goods and services to construction companies and to the families of the employees of these companies. In turn, the companies supplying goods and services, and the families of the employees of these companies will purchase goods and services from other companies, and so on. Indirect jobs will include those at companies that supply building materials (cement, steel, lumber, roofing materials, plumbing equipment, electrical equipment, hardware supplies, lighting, flooring, etc.); rent construction equipment; repair equipment; provide warehousing services; provide shipping and trucking services; etc. Other indirect jobs will include those involved with supplying goods and services to employees and their families: grocery workers, store clerks, restaurant workers, service-station workers, beauty technicians, barbers, bankers, druggists, veterinarians, computer technicians, medical workers, accountants attorneys, etc. The jobs will range over a variety of skills, including entry-level, semi-skilled, skilled, and management positions.

Based on State employment multipliers, indirect employment related to Project development is expected to average nearly 640 jobs. Thus, total direct-plus-indirect employment associated with Project development activities will average about 1,090 jobs. It is estimated that about 710 of these jobs will be in the Kapolei/'Ewa region. The actual job count will fluctuate over time, depending on the pace of construction.

Development activities will provide jobs to construction workers and other workers who already live on O'ahu. As other construction projects are completed on the island, O'ahu construction workers will be hired to work on the various components of the Project.

d. Payroll

Development activities are expected to generate a total payroll of about \$54.1 million per year, of which about \$29.6 million will be for construction workers and \$24.5 million for indirect employment (Table 2, Section 2.i). These estimates are based on the average number of direct and indirect jobs that will be supported and average wages as reported to the DLIR.

Wages will range from about $25,000 annually to over $100,000, and are expected to average about $65,000 per year for construction jobs, and about $38,500 for indirect jobs.

e. Population and Housing

During the 10-year development period, jobs provided by the Project development will support about 2,400 residents housed in about 720 homes (Table 2, Sections 2.j and 2.k). About 1,000 residents and 300 homes will be supported by construction jobs, and the remainder will be supported by indirect jobs. Development activities will support the families of many construction workers and other workers who already live on O'ahu.

Most of the residents are expected to live in the Kapolei/'Ewa region: estimated at about 1,490 residents housed in about 450 homes.

7. ECONOMIC IMPACTS OF INDUSTRIAL OPERATIONS AT FULL DEVELOPMENT

Table 3 summarizes the direct and indirect economic impacts of the industrial operations at Kapolei Harborside Center after the Project reaches full development. The material covers sales and rents, profits, employment and payroll, and the number of residents and homes supported by operations.

a. Sales, Rents and Profits

At full development, industrial companies at Kapolei Harborside Center are projected to generate sales revenues of about $683 million per year (Table 3, Section 3.a). In turn, their purchases of goods and services from other companies, along with purchases by the families of their employees, will generate additional sales amounting to about $478 million per year. Thus, direct-plus-indirect sales by the industrial operations at full development are expected to reach about $1.16 billion per year at full development of the Project. Most of the on-site sales will be subject to the 0.5% excise tax on intermediate sales.

A few of the buildings within the Project Area and portions of others will be rented. As indicated in Section 3.a of Table, A-3, total rents are estimated at about $8.2 million per year. These rents will be subject to the 4.5% excise tax on final sales.

As shown in Section 3.b of Table 3, corresponding profits will amount to about $117 million per year at full development of the Project, of which about $69 million per year is estimated for on-site activities and about $48 million per year for off-site activities.

b. Employment

On-site operating employment is expected to total about 3,830 jobs (Table 3, Section 3.c). These jobs will range over a variety of industrial skills, including entry-level, semi-skilled, skilled, management, and professional positions. Indirect employment associated with supplying goods and services to on-site companies and to the families of the employees of these companies is estimated at about 2,300 jobs. Thus, total direct-plus-indirect employment associated with the industrial operations at full development is expected to exceed 6,100 jobs. Over 4,600 of these jobs are expected to be in the Kapolei/'Ewa region.

The new jobs will provide employment to (1) workers who already live in the Kapolei/'Ewa region and nearby communities but who must commute to distant jobs, and (2) workers who will be new residents of the Kapolei/'Ewa region and nearby communities.

c. Payroll

At full development of the Project, the industrial operations are expected to generate a total payroll of over $260 million per year, of which about $176 million will be for on-site industrial workers and $88 million for indirect employment (Table 3, Section 3.d).

Wages will range from about $25,000 annually to over $100,000, and are expected to average about $46,000 per year for industrial jobs, and about $38,500 for indirect jobs.

d. Population and Housing

At full development, direct-plus-indirect jobs provided by the industrial operations will support about 13,470 residents housed in about 4,040 homes (Table 3, Sections 3.e and 3.f). About 8,420 residents and 2,530 homes will be supported by on-site jobs, and the remainder will be supported by indirect jobs.

Most of the residents supported by the Project are expected to live in the Kapolei/'Ewa region: estimated at about 9,180 residents housed in about 2,750 homes.

8. ASSISTANCE PROGRAMS

a. Education, Job-Training and Placement Programs

Job training for construction and industrial workers include formal education and training programs, apprenticeship programs, and on-the-job training. In particular, Honolulu Community College offers a large selection of work-training programs for various trades and professions, including courses in carpentry, electrical installation, cement finishing, tile work, drywall installation, sheet metal work, floor installation, window installation, ironworks, steel fabrication, plastering, plumbing, pipe-fitting, refrigeration and air conditioning, roofing, heavy equipment operation, welding, plastic fabrication, machine operation, power technology, automotive technology, aeronautics technology, drafting, computers, boat fabrication, business, etc.

Since existing programs to increase the number of construction and industrial workers are already in place or can be expanded as needed, special education and job-training programs for construction and industrial workers appear to be warranted.

Job-placement programs for construction and industrial workers are offered by high schools, Honolulu Community College and DLIR. Also, trade unions and informal networks already exist to inform available workers of employment opportunities. Thus, special job placement programs are not warranted.

b. Business Assistance Programs

Some businesses that locate at Kapolei Harborside Center or plan to locate there might benefit from business assistance programs. Public and private organizations offering assistance to businesses are listed below, along with brief descriptions of their programs.

— Alu Like Inc.

> Alu Like helps Hawaiians interested in starting a business or in expanding their current operations. The Entrepreneurship Training Program provides classroom training in general business concepts, business planning, marketing and record keeping. The Management & Technical Assistance Program, underwritten by the Office of Hawaiian Affairs, offers individual consulting services by various specialists.
>
> Alu Like also provides a wide range of office-support services and technical assistance, including bookkeeping and payroll support.

— Business Consulting Resources

Business Consulting Resources provides consulting services on managing businesses.

— Business Information and Counseling Center

The Business Information and Counseling Center combines one-on-one counseling with an up-to-date reference library that includes computer and audio-visual training facilities. Its focus is to guide prospective and present small business owners and managers in researching and preparing business plans, marketing plans, and loan applications. In addition, the Small Business Learning Center introduces business owners to computers and their business applications.

— Chamber of Commerce of Hawaii

The Small Business Center of the Chamber of Commerce in Honolulu provides business information, consulting services, referrals, networking opportunities, seminars, workshops, and training programs to entrepreneurs and established businesses.

— Department of Business, Economic Development and Tourism, State of Hawai'i

The Business Action Center of the Department of Business, Economic Development and Tourism (DBEDT) is a "one-stop" office for obtaining a General Excise Tax (GET) license, registering a new business and/or trade name, registering as an employer, obtaining information on required licenses and permits, and obtaining information on services offered by other organizations.

In addition, DBEDT has a number of programs to help businesses of all types. Programs cover loan guarantees; business loans to assist small businesses that are unable to secure private financing; assistance in applying for grants and loans; marketing assistance; information on Federal, State and County regulations; and referrals.

— Department of Labor and Industrial Relations, State of Hawaii

The Employment and Training Fund Program, administered by DLIR, works with employers to customize training programs to meet the specific needs of employers and of individuals who have become unemployed or are likely to become unemployed. Emphasis is given to jobs where a shortage of skilled workers exists, or where high growth is anticipated.

— Hawaii Business League

The Hawaii Business League interprets and provides information on laws, rules, and regulations that affect small businesses. Other services include business counseling and seminars.

— Hawaii Employers Council

The Hawaii Employers Council in Honolulu offers workshops, seminars and assistance on labor relations, collective bargaining procedures, and labor laws.

— The Immigrant Center

The Immigrant Center's Resource for Enterprise Development Manini program provides business training, loans and technical support for people who would like to start or expand "micro-businesses."

— Management Advisory Services, Inc.

Management Advisory Services, Inc. provides management consulting services to small businesses.

— Maui Community College

Maui Community College offers courses in business, business law, accounting, and entrepreneurship.

— Maui Economic Development Board

The Maui Economic Development Board engages in activities to strengthen existing industry on Maui and to diversify the economy, including a strong emphasis on developing high-technology and technology-related industries. The Board participates in projects to improve education, infrastructure, communications, and workforce development.

— Minority Business Development Center

The Minority Business Development Center in Honolulu provides business consulting and technical assistance to businesses owned by ethnic minorities.

— National Federal of Independent Business

The Hawai'i branch of the National Federation of Independent Business is involved in legislation relating to small business and promoting the positions of its members. Its education and research department prepares studies on special problems of small businesses.

— Office of Hawaiian Affairs

Through its Native Hawaiian Revolving Loan Fund, the Office of Hawaiian Affairs offers low-interest loans for business start-ups or expansion of existing businesses that are owned entirely by native Hawaiians.

— Pacific Business Center Program, UH Manoa

The Pacific Business Center Program, University of Hawaii at Manoa, provides a wide range of business consulting services utilizing faculty and students at the University of Hawaii. The Center also provides workshops, training programs, and management audits.

— Small Business Administration, U.S. Department of Commerce

The Small Business Administration provides loan guarantees, loans, bonding assistance, business counseling, training, workshops, seminars, publications and educational materials.

— Small Business Development Center Network, UH Hilo

The Small Business Development Center Network provides management and technical assistance to small businesses and prospective businesses; consulting in business planning, loan proposals, marketing research, etc.; counseling; referrals; workshops; and management-training seminars. Teams of advanced business students perform management analysis and consultation.

— Small Business Hawaii

Small Business Hawaii in Honolulu provides business advisory and consulting services, seminars, a referral program, and other services.

In view of the many business assistance programs that are available, additional programs appear to be unwarranted.

9. IMPACTS ON CITY REVENUES AND EXPENDITURES

The impact of the Project on City finances is shown in Table 4. This table summarizes: (1) changes in the City's tax and expenditure base that is used to calculate revenues and expenditures, (2) revenues and expenditures related to development activities, and (3) revenues and expenditures related to the industrial operations at full development. The analysis covers only the fiscal impacts of direct on-site activities, and so excludes the impact of indirect off-site activities associated with other projects.

a. Development Activities

Most City revenues derived from Project development activities will come from (1) the City's share of the excise tax on final sales that will be used to fund mass transit, (2) the highway impact fee on projects in the Kapolei/'Ewa region, and (3) other connect changes and user fees for funding infrastructure. The first two items will generate about $610,000 per year in revenues, or about $6.1 million over the 10-year development period (Table 4, Section 4.b).

As with other major projects on O'ahu, the developer and companies that will construct and occupy buildings at Kapolei Harborside Center will provide or finance their fair shares of infrastructure and facilities to support the Project. This will include mass transit, highways, interior roads, water source development, interior water distribution, drainage systems, sewer connections, collector sewers and trunks, a wastewater treatment plant, etc. As indicated in Table 4, Section 4.b, the City's expenditures on mass transit and highways to support the Project are assumed to equal the corresponding excise-tax/mass transit revenues and highway-impact fees generated by the Project development activities.

Construction activities require few on-site services from the City. Furthermore, the services that will be required (security, sanitation, transportation, etc.) will be provided by construction companies.

Thus, Project development activities will have a small impact on City finances.

b. Industrial Operations at Full Development

At full development, the Project will generate increased revenues to the City of about $11.1 million per year (Table 4, Section 4.c). Most of this increase will come from property taxes: an increase of about $9.3 million per year in property taxes over the current $65,500 currently collected on the property.[11] Additional revenues will be derived from the City's share of the excise tax on final sales that will be used to fund mass transit, and from other business-related taxes and user fees which are assumed to be proportional to the number of new jobs. Other revenues include: fuel taxes; motor vehicle weight taxes; water and sewer fees; solid-waste disposal fees; other departmental earnings; public service company taxes; other licenses, permits and fees; and fines, forfeits and penalties.

Expenditures in support of the industrial operations are estimated at about $3 million per year, most of which will be for services. These services, which are assumed to be proportional to the number of new jobs, include: police, fire, road maintenance, bus service, operations and maintenance (O&M) of water delivery, O&M of sewer systems and the wastewater treatment plant, solid waste disposal, etc.

At full development, net revenues to the City are expected to reach about $8 million per year.

10. IMPACTS ON STATE REVENUES AND EXPENDITURES

The impact of the Project on State finances is shown in Table 5. This table summarizes: (1) changes in the State's tax and expenditure base that is used to calculate revenues and expenditures, (2) revenues and expenditures related to development activities, and (3) revenues and expenditures related to operations at full development. The analysis covers only the fiscal impacts of direct on-site activities, and so excludes the impacts of indirect off-site activities associated with other projects.

a. Development Activities

State revenues derived from Project development activities will average about $5.3 million per year, resulting in about $53.1 million collected over the 10-year development period (Table 5, Section 5.b). Most of the revenues will be derived from the highway impact fee for the Kapolei/'Ewa Region, excise taxes on lot sales and construction expenditures, and income taxes.

Based on revenues generated from the highway impact fee, State expenditures on highways to support the Project will be about $7.9 million. Other infrastructure and facilities to support the Project are primarily a City responsibility, with most of the fair share provided or financed by the developer or companies that will occupy buildings at Kapolei Harborside Center.

Construction activities will require few on-site services from the State. Furthermore, most required services will be provided by construction companies.

The State will net an average of about $4.5 million per year from development activities, or about $45.1 million over the 10-year construction period.

b. Industrial Operations at Full Development

At full development of the Project, the industrial operations will generate revenues to the State of at least $12.6 million per year (Table 5, Section 5.c). State revenues will include excise taxes, income taxes, and other revenues which are assumed to be proportional to the number of new jobs. Other revenues include: the public service companies tax; fuel tax; motor vehicle weight tax; charges for various licenses, permits, and services; departmental earnings; etc. The estimate of revenues is low in that all industrial companies within the Project are assumed to pay excise tax at 0.5% on intermediate sales while, in practice, some will pay at 4% on final sales.

Expenditures in support of the industrial operations are estimated at $4.1 million per year. These services, which are assumed to be proportional to the number of new jobs, include highway maintenance, government administration, and other expenditures. This estimate is probably high because it includes "unallocable" expenditures, many of which may not be required to support the industrial operations.

At full development, net revenues to the State are expected to reach at least $8.4 million per year.

11. SUMMARY OF MAJOR IMPACTS AND BENEFITS

a. Employment

Kapolei Harborside Center will provide the follow employment impacts and benefits:

— Development Activities

- Average employment for about 450 construction workers during the 10-year development period, along with a payroll of about $29.6 million per year.
- Average employment of about 640 additional workers dependent on construction activities, along with a payroll of about $24.5 million per year.
- An average of about 710 direct and indirect jobs in the Kapolei/'Ewa Region.

— Industrial Operations at Full Development

- About 3,830 new industrial jobs, along with a payroll of about $176 million per year (versus about 40 jobs for current activities on the property that will relocate).
- About 2,300 additional jobs dependent on the industrial operations, along with a payroll of about $88.4 million per year.
- About 4,630 new jobs in the Kapolei/'Ewa Region.

The new jobs provided by the Project will contribute to the ongoing transformation of 'Ewa from being largely a suburb from which workers commute to jobs outside the region, to being O'ahu's second full-service urban center that provides jobs for those living in the Kapolei/'Ewa region and surrounding communities. Correspondingly, the new jobs provided by the Project will result in less commuting by Kapolei/Ewa residents to jobs outside the region.

b. Fiscal

Kapolei Harborside Center will provide the following fiscal impacts and benefits:

— City

- Revenues of about $6.1 million for transportation improvements generated by the 10 years of development activities.
- Net revenues of about $8 million per year derived from the industrial operations after full development of the Project.

— State

- A net of about $45.1 million in revenues generated by the 10 years of development activities.
- In addition, about $7.9 million for highway improvements generated by development activities.
- Net revenues of at least $8.4 million per year derived from the industrial operations after full development of the Project.

These increases in net revenues will allow the City and State to help fund various government facilities and services that will benefit communities throughout O'ahu and the State.

12. REFERENCES

[1] Group 70. "Kapolei Harborside Center, Environmental Impact Statement Preparation Notice." April 2006.

[2] Decision Analysts Hawai'i, Inc. "'Ewa Development, 2006 to 2025: Economic, Population, and Fiscal Impacts." September 2005.

[3] U.S. Census.

[4] Department of Business, Economic Development & Tourism, State of Hawai'i. *The State of Hawai'i Data Book.* Annual.

[5] Department of Business, Economic Development & Tourism, State of Hawai'i. *The Hawai'i Input-Output Study:* 1997 Benchmark Report. March 2002.

[6] Department of Labor and Industrial Relations, State of Hawai'i. *Employment and Payroll in Hawai'i.* Annual.

[7] Tax Foundation of Hawai'i. "Taxes in Hawai'i." Annual.

[8] U.S. Census.

[9] Decision Analysts Hawai'i, Inc. "'Ewa Development, 2006 to 2025: Economic, Population, and Fiscal Impacts." September 2005.

[10] Decision Analysts Hawai'i, Inc. "Proposed Kapolei Harborside Center: Impact on Agriculture." May 2006.

[11] Real Property Office, City and County of Honolulu. 2006.

FIGURES

Figure 1. Location Map

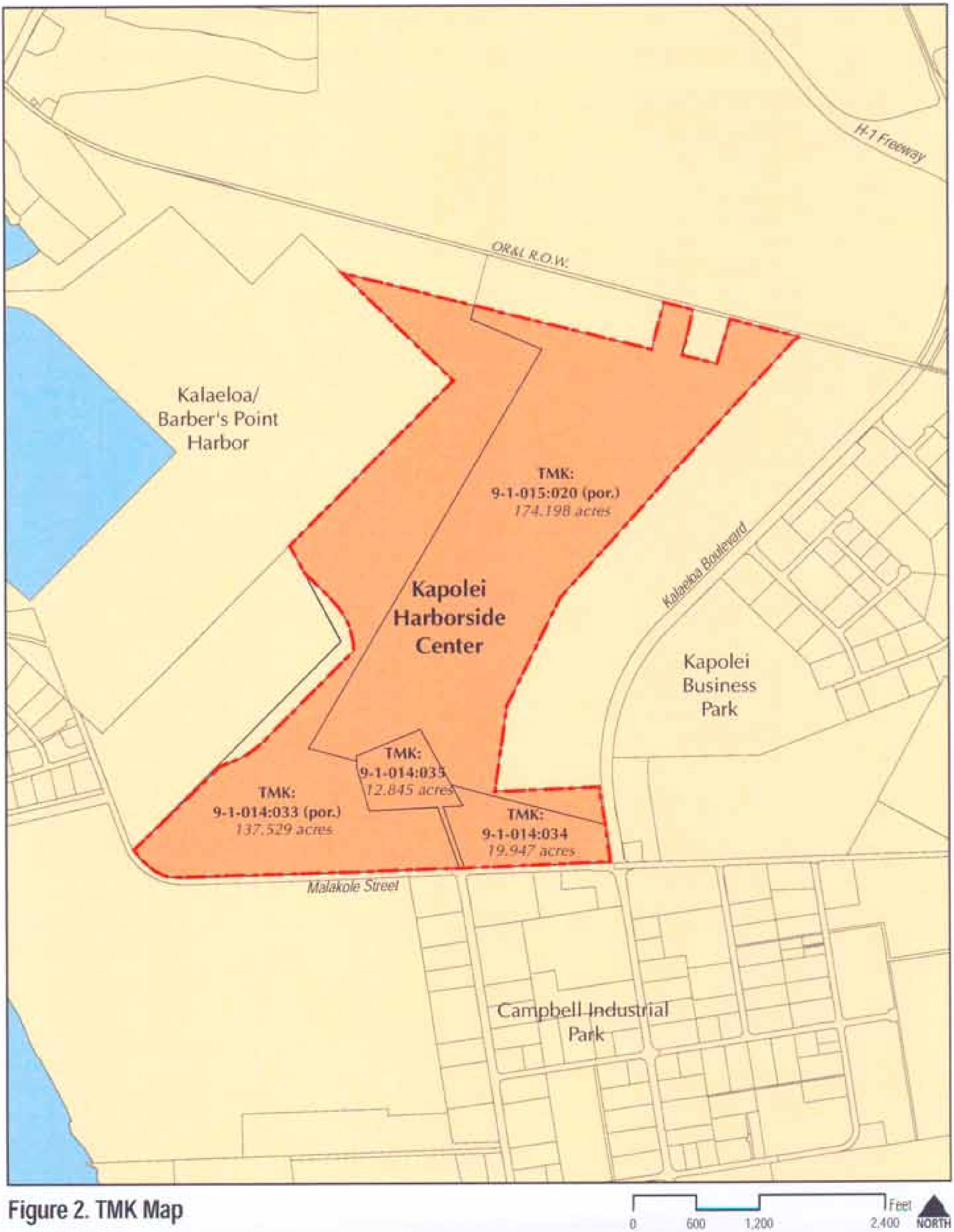
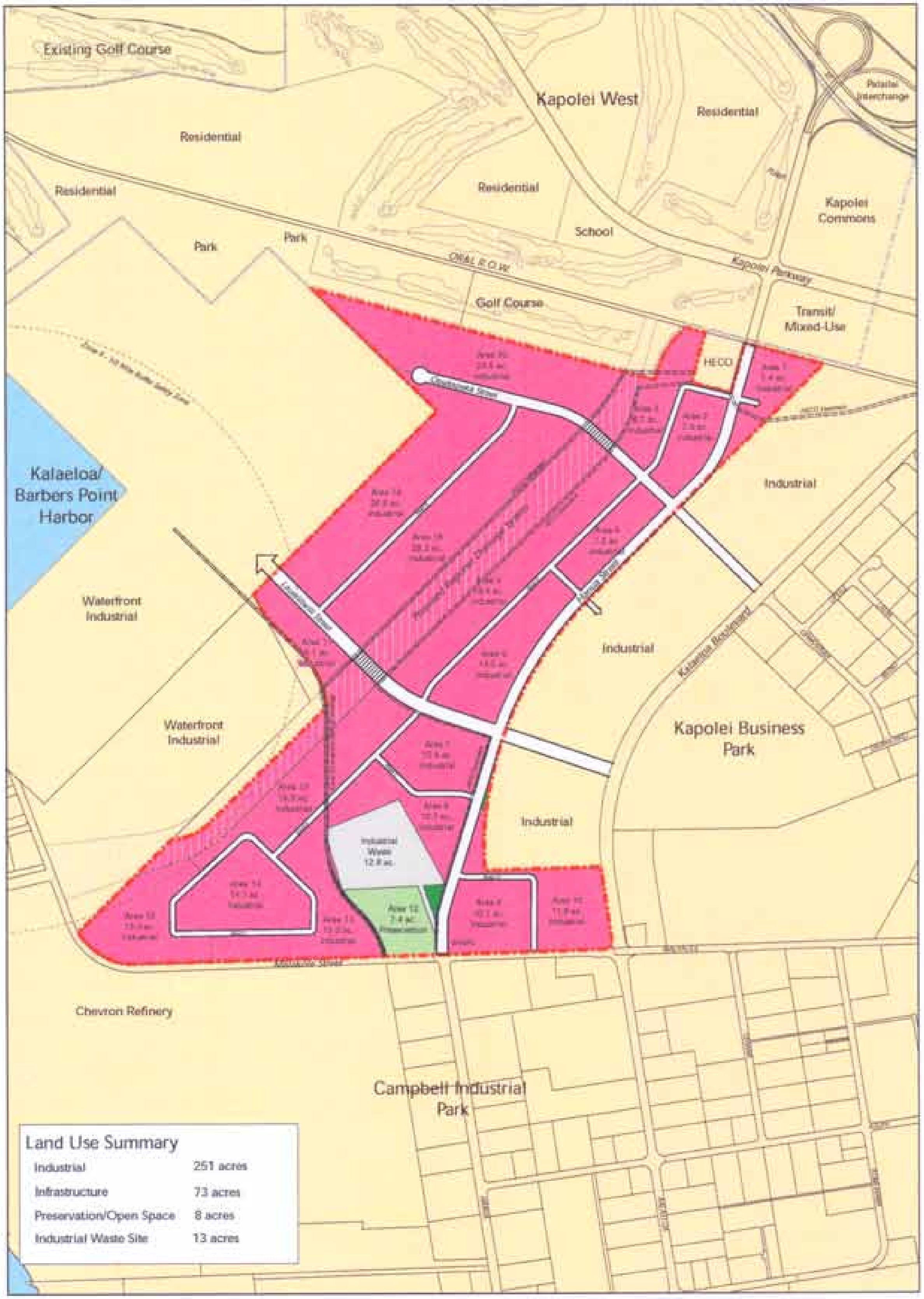


Figure 2. TMK Map



Kapolei Harborside Center
Figure 3. Project Master Plan

Kapolei Property Development LLC

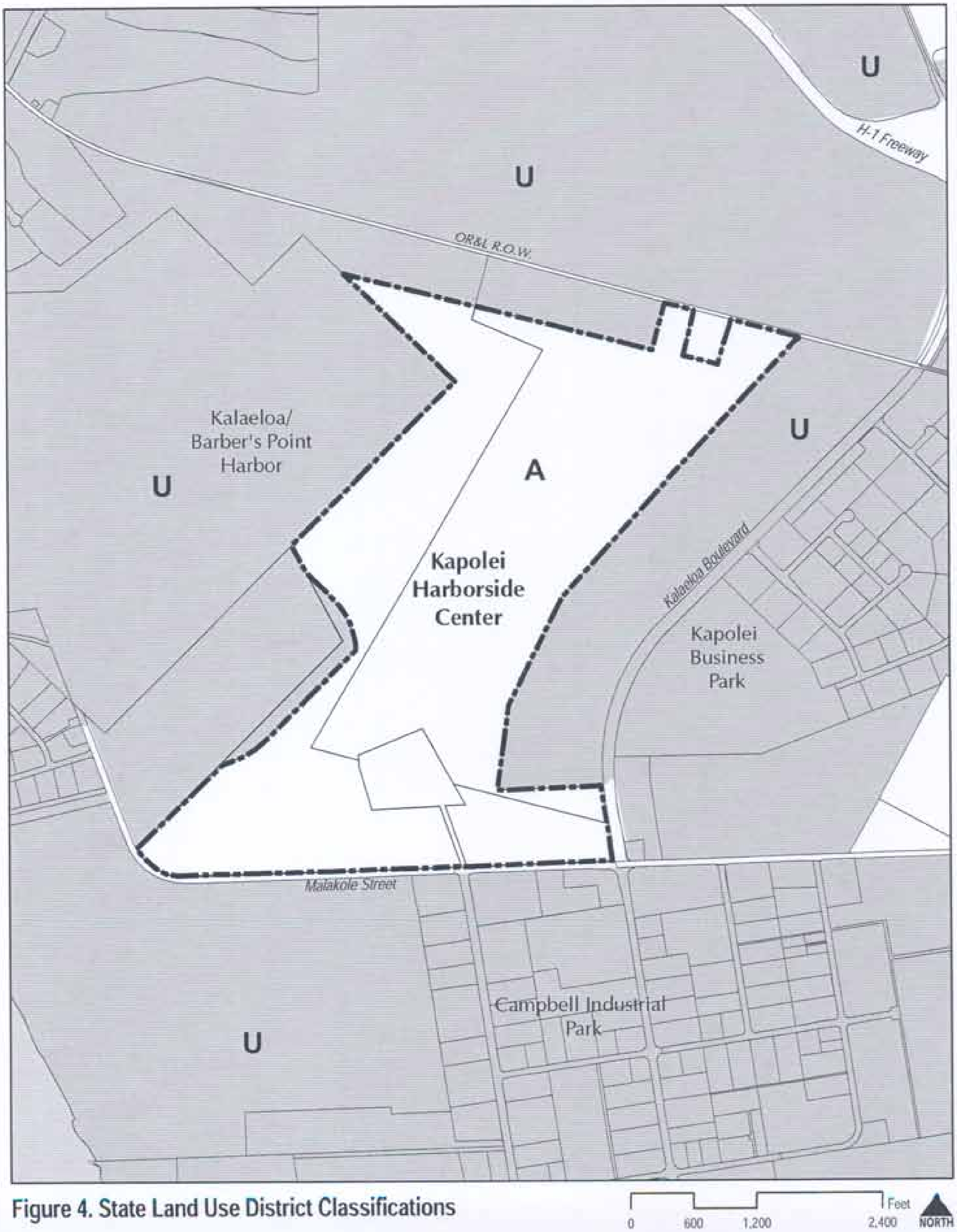


Figure 4. State Land Use District Classifications

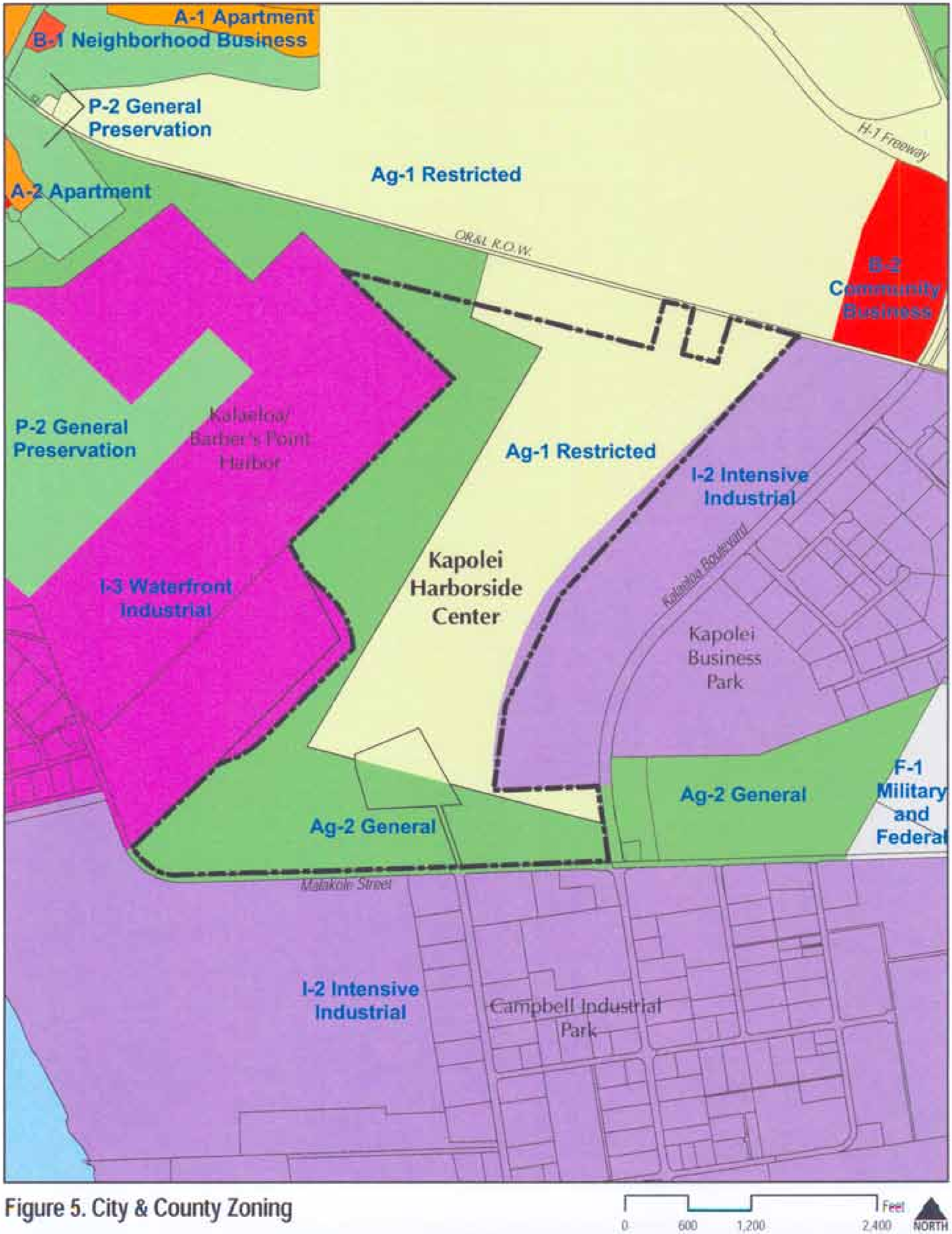


Figure 5. City & County Zoning

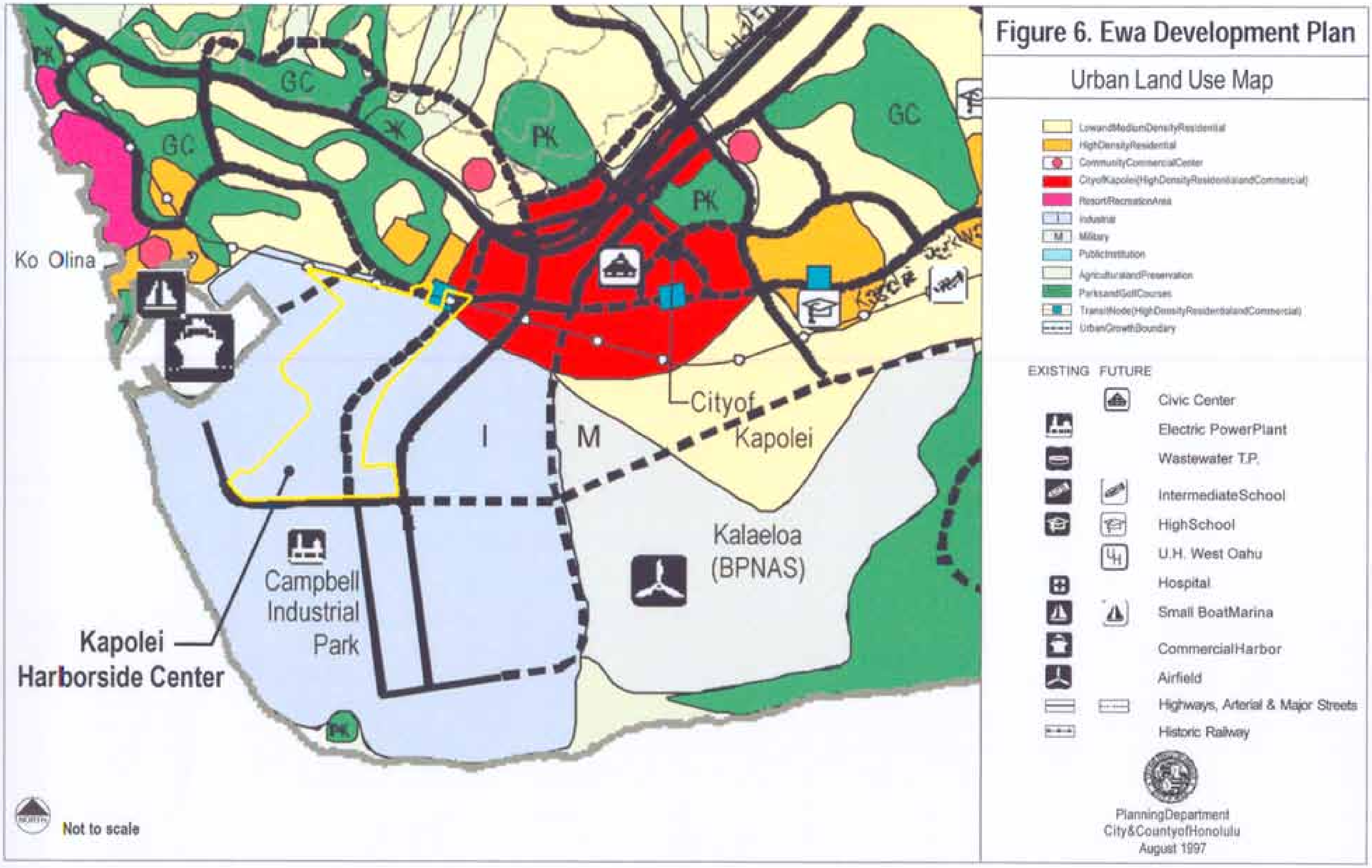


Figure 6. Ewa Development Plan
Urban Land Use Map
Low and Medium Density Residential
High Density Residential
Community Commercial Center
City of Kapolei (High Density Residential and Commercial)
Resort Recreation Area
Industrial
Military
Public Institution
Agricultural and Preservation
Parks and Golf Courses
Transit Node (High Density Residential and Commercial)
Urban Growth Boundary
EXISTING FUTURE
Civic Center
Electric Power Plant
Wastewater T.P.
Intermediate School
High School
U.H. West Oahu
Hospital
Small Boat Marina
Commercial Harbor
Airfield
Highways, Arterial & Major Streets
Historic Railway
Planning Department
City & County of Honolulu
August 1997
Ko Olina
GC
PK
City of Kapolei
I
M
Kalaeloa (BPNAS)
Campbell Industrial Park
Kapolei Harborside Center
Not to scale

TABLES

Table 1. Proposed Development
(Values in 2006 dollars)

Item	Source or Multiplier	Amount at Full Development	Units
1.a. LAND USE			
Light industry	Group 70	**251**	**acres**
Other (infrastructure and preservation)	"	94	"
Total		**345**	**acres**
1.b. INDUSTRIAL SPACE	50% FAR	**5,466,780**	**sq. ft.**

Table 2. Economic Impacts of Development Activities

(Values in 2006 dollars)

Item	Source or Multiplier	Amount or Annual Average	Units
2.a. DEVELOPMENT PERIOD			
First Year of Construction	Group 70	**2009**	**year**
Last Year of Construction	"	2018	"
Duration of Construction	"	**10**	**years**
2.b. AVERAGE ANNUAL DEVELOPMENT, INDUSTRIAL SPACE		**546,678**	**sq. ft. per year**
2.c. CONSTRUCTION EXPENDITURES			
Additional Infrastructure	Campbell Estate	$ 50,000,000	
Interior Roads			
Interior Water Distribution			
Drainage Systems			
Sewer Connections			
Collector Sewers & Trunks			
Buildings	$ 100 per sq. ft.	$ 546,678,000	
Total Construction Expenditures	70% of sales	**$ 596,678,000**	
Average Annual Construction Expenditures		**$ 59,667,800**	**per year**
2.d. INDIRECT SALES GENERATED BY CONSTRUCTION ACTIVITIES	106% of construction expenditures	**$ 63,247,868**	**per year**
2.e. OTHER DEVELOPMENT COSTS [1]		n.e.	
2.f. EXPENDITURES & SALES			
Final Sales (taxed at 4.5%)			
Lot Sales	$ 1,000,000 per acre	**$ 25,100,000**	**per year**
Construction Expenditures	Section 2.c	**$ 59,667,800**	"
Consumption	55% of Payroll Section 2.I	$ 29,754,725	"
Total Final Sales		**$ 114,522,525**	**per year**
Intermediate Sales (taxed at 0.5%)			
Indirect Sales	Section 2.c	**$ 63,247,868**	"
Less Consumption	Section 2.f	$ (29,754,725)	"
Total Intermediate Sales		**$ 33,493,143**	**per year**
Total Sales		**$ 148,015,668**	**per year**

[1] Before realizing profits, developers must pay a number of development-related costs in addition to construction costs. These "Other Development Costs" include planning, permitting, design, financing, City and State exactions, and marketing and sales commissions.

Table 2. Economic Impacts of Development Activities

(Values in 2006 dollars)

(continued)

Item	Source or Multiplier		Amount or Annual Average		Units
2.g. PROFITS					
Lot Sales	12%	of sales	$	3,012,000	per year
Construction	12%	"	$	7,160,136	"
Indirect Sales	10%	"	$	6,324,787	"
Total Profits			**$**	**16,496,923**	per year
2.h. EMPLOYMENT					
Construction Jobs	7.67	x sales/$1 mil		**455**	**jobs**
Indirect Employment	1.40	x direct jobs		**637**	"
Total Employment				**1,092**	**jobs**
In 'Ewa	residual			**710**	"
Outside 'Ewa	60%	of indirect jobs		382	"
2.i. PAYROLL					
Construction	$ 65,000	per job	**$**	**29,575,000**	**per year**
Indirect Employment	$ 38,500	"	**$**	**24,524,500**	"
Total Payroll			**$**	**54,099,500**	**per year**
2.j. POPULATION SUPPORTED BY DEVELOPMENT ACTIVITIES					
Residents					
Supported by Construction Jobs	2.2	per job		**1,001**	**residents**
Supported by Indirect Jobs	2.2	"		1,401	"
Total Residents Supported by Jobs				**2,402**	**residents**
Residents in 'Ewa					
Supported by Construction Jobs	65%			**651**	**residents**
Supported by Indirect Jobs	60%			841	"
Total Residents in 'Ewa				**1,492**	**residents**
2.k. HOUSING FOR SUPPORTED POPULATION					
Homes					
Supported by Construction Jobs	0.3	per resident		**300**	**homes**
Supported by Indirect Jobs	0.3	"		420	"
Total Homes				**720**	**homes**
Homes in 'Ewa					
Supported by Construction Jobs	0.3	per resident		**195**	**homes**
Supported by Indirect Jobs	0.3	"		252	"
Total Homes in 'Ewa				**447**	**homes**

Table 3. Economic Impacts of Industrial Operations at Full Development

(Values in 2006 dollars)

Item	Source or Multiplier	Amount at Full Development	Units
3.a. SALES & RENTS			
Sales (taxed at 0.5%)			
Direct Sales, On-site Activities	$ 125 per sq. ft.	**$ 683,347,500**	**per year**
Indirect Sales, Off-site Activities	0.70 "	**$ 478,343,250**	"
Less Consumption	Section 3.a	$ (145,440,900)	
Total Sales		$ 1,016,249,850	**per year**
Consumption (taxed at 4.5%)	55% of Payroll Section 3.d	$ 145,440,900	"
Total Sales		**$ 1,161,690,750**	**per year**
Rents, on Site (taxed at 4.5%)	$ 10 per sf 15% rented	**$ 8,200,170**	"
3.b. PROFITS			
On-site Activities (Direct Sales and Rents)	10.0% of revenues	$ 69,154,767	per year
Off-site Activities (Indirect Sales)	10.0% "	$ 47,834,325	"
Total Profits		**$ 116,989,092**	**per year**
3.c. EMPLOYMENT AND PAYROLL			
Direct Jobs, On-site	0.7 per 1000 sq. ft.	**3,827**	**jobs**
Indirect Jobs, Off-site	0.6	**2,296**	"
Total Jobs		**6,123**	**jobs**
In 'Ewa	residual	**4,631**	"
Outside 'Ewa	65% of indirect jobs	1,492	"
3.d. PAYROLL			
Direct Jobs, On-site	$ 46,000 per job	**$ 176,042,000**	**per year**
Indirect Jobs, Off-site	$ 38,500 "	**$ 88,396,000**	"
Total Jobs		**$ 264,438,000**	**per year**
3.e. POPULATION SUPPORTED BY OPERATIONS			
Residents			
Supported by Direct Jobs	2.2 per job	**8,419**	**residents**
Supported by Indirect Jobs	2.2 "	5,051	"
Total Residents Supported by Jobs		**13,470**	**residents**
Residents in 'Ewa			
Supported by Direct Jobs	70%	**5,893**	**residents**
Supported by Indirect Jobs	65%	3,283	"
Total Residents in 'Ewa		**9,176**	**residents**

Table 3. Economic Impacts of Industrial Operations at Full Development

(Values in 2006 dollars)

(continued)

Item	Source or Multiplier		Amount at Full Development	Units
3.f. HOUSING FOR SUPPORTED POPULATION				
Homes				
Supported by Direct Jobs	0.3	per resident	**2,526**	**homes**
Supported by Indirect Jobs	0.3	"	1,515	"
Total Homes			**4,041**	**homes**
Homes in 'Ewa				
Supported by Construction Jobs	0.3	per resident	**1,768**	**homes**
Supported by Indirect Jobs	0.3	"	985	"
Total Homes in 'Ewa			**2,753**	**homes**

Table 4. Impacts on City Revenues and Expenditures

(Values in 2006 dollars)

Item	Source or Multiplier		Amount or Annual Average	Units
4.a. TAX & EXPENDITURE BASE				
Development Activities				
Duration	Table 2, Section 2.a		10	years
Industrial Space	Table 2, Section 2.b		546,678	sq. ft. per year
Construction Expenditures	Table 2, Section 2.f		$ 59,667,800	per year
Industrial Operations at Full Development				
Property Value, Industrial Space	$ 150	per sq. ft.	$ 820,017,000	
Rents, Taxed at 4.5%	Table 3, Section 3.a		$ 8,200,170	per year
Employment	Table 3, Section 3.c		$ 3,827	jobs
4.b. DEVELOPMENT ACTIVITIES				
Revenues				
Excise-tax Surcharge (Mass Transit)	0.5%	of final sales	**$ 298,339**	**per year**
Highway Impact Fee, Industrial Space	$ 2,019 28%	per 1000 sq. ft. City Share	**$ 309,048**	"
Other Fees [1]			n.e.	
Total Revenues			**$ 607,387**	**per year**
Cumulative Revenues	10	x annual amt	**$ 6,073,870**	
Expenditures				
Infrastructure				
Mass Transit Fund	Section 4.b		$ (298,339)	per year
Highway Fund	"		$ (309,048)	"
Other Infrastructure [1]				
Interior Roads			n.e.	
Water Source Development			"	
Interior Water Distribution			"	
Drainage Systems			"	
Sewer Connections			"	
Collector Sewers & Trunks			"	
Wastewater Treatment Plant			"	
Services			"	
Total Expenditures			**$ (607,387)**	**per year**
Cumulative Expenditures	10	x annual amt	**$ (6,073,870)**	
Net Revenues			**$ -**	**per year**
Cumulative Net Revenues	10	x annual amt	**$ -**	

[1] Most infrastructure will be built by the developer, or the Project's fair-share will be financed via connect charges and user fees.

Table 4. Impacts on City Revenues and Expenditures

(Values in 2006 dollars)

(continued)

Item	Source or Multiplier	Amount or Annual Average	Units
4.c. INDUSTRIAL OPERATIONS AT FULL DEVELOPMENT			
Revenues			
Property Taxes			
Industrial	$ 11.37 per $1,000	$ 9,323,593	per year
Less Current Taxes	City	$ (65,500)	"
Total Property Taxes		$ 9,258,093	per year
Excise-tax Surcharge (Mass Transit)	0.5% of final sales	$ 41,001	"
Other Revenues	$ 460 per job	$ 1,760,420	"
Total Revenues		**$ 11,059,514**	**per year**
Expenditures			
Mass Transit Fund	Section 4.c	$ (41,001)	per year
Services	$ 780 per job	$ (2,985,060)	"
Total Expenditures		**$ (3,026,061)**	**per year**
Net Revenues		**$ 8,033,453**	**per year**

Table 5. Impacts on State Revenues and Expenditures

(Values in 2006 dollars)

Item	Source or Multiplier	Amount or Annual Average	Units
5.a. TAX & EXPENDITURE BASE			
Development Activities			
Duration	Table 2, Section 2.a	10	years
Industrial Space	Table 2, Section 2.b	546,678	sq. ft. per year
Lot Sales	Table 2, Section 2.f	$ 25,100,000	per year
Construction Expenditures	"	$ 59,667,800	"
Profits, Lot Sales and Construction	Table 2, Section 2.g	$ 10,172,136	"
Payroll, Construction Jobs	Table 2, Section 2.i	$ 29,575,000	"
Industrial Operations at Full Development			
Direct Sales, Taxed at 0.5%	Table 3, Section 3.a	$ 683,347,500	"
Rents, Taxed at 4.5%	"	$ 8,200,170	"
Profits, On-site Activities	Table 3, Section 3.b	$ 69,154,767	"
Jobs, On-site	Table 3, Section 3.c	3,827	
Payroll, Direct Jobs	Table 3, Section 3.d	$ 176,042,000	per year
5.b. DEVELOPMENT ACTIVITIES			
Revenues			
Highway Impact Fee, Industrial Space	$ 2,019 per 1000 sq. ft. 72% State Share	$ 794,695	per year
Conveyance Tax, Lot Sales	0.3% of sales	$ 75,300	"
Excise Tax, State Share			
Lot Sales	4% "	$ 1,004,000	"
Construction Expenditures	4% "	$ 2,386,712	"
Corporate Income Taxes	1.0% of profits	$ 101,721	"
Personal Income Taxes	3.2% of income	$ 946,400	"
Total State Tax Revenues		**$ 5,308,828**	**per year**
Cumulative Revenues	10 x annual amt	**$ 53,088,280**	
Expenditures			
Highway Fund		**$ (794,695)**	**per year**
Services		**n.e.**	
Total Expenditures		**$ (794,695)**	**per year**
Cumulative Expenditures	10 x annual amt	**$ (7,946,950)**	
Net Revenues		**$ 4,514,133**	**per year**
Cumulative Net Revenues	10 x annual amt	**$ 45,141,330**	

Table 5. Impacts on State Revenues and Expenditures

(Values in 2006 dollars)

(continued)

Item	Source or Multiplier			Amount or Annual Average		Units
5.c. INDUSTRIAL OPERATIONS AT FULL DEVELOPMENT				(increase)		
Revenues						
Excise Tax, State Share						
Direct Sales		0.5%	of inter. sales	$	3,416,738	per year
Rents		4.0%	of final sales	$	328,007	"
Corporate Income Tax		1.0%	of profit	$	691,548	"
Personal Income Tax		3.2%	of payroll	$	5,633,344	"
Other Revenues	$	650	per job	$	2,487,550	"
Total Revenues				**$**	**12,557,187**	per year
Expenditures						
Services	$	1,080	per job	**$**	**(4,133,160)**	**per year**
Net Revenues				**$**	**8,424,027**	**per year**

Kapolei Harborside Center: Economic and Fiscal Impacts
Responses to Comments

Prepared by
Decision Analysts Hawai'i, Inc.

October 5, 2006

1. **City & County of Honolulu, Department of Planning and Permitting**

    a. Comment: Housing

    Section 4.16.1 Population and Affordable Housing on page 4-51: Please include the reference/source and basis of the data to support the following statements cited in the DEIS: (a) The 'Ewa Development Plan region "has offered approximately 7% to 10% more affordable housing units for sale than the island as a whole in recent years"; and (2) "the 'Ewa region has been satisfying an increasing share of Oahu's affordable housing needs, well in excess of its 'fair share'." A table summarizing the data supporting these statements would be helpful.

    Response

    The findings on housing are from the report: "'Ewa and O'ahu's Affordable For-sale Housing: Summary of Recent Market Conditions," by Mikiko Corporation, dated September 29, 2005. Relevant data from this report are presented in Table 1.

    The table present housing statistics for 'Ewa and O'ahu for the years 2000 and 2004/05 (8/1/04 to 7/31/05). The material includes: (1) the number of existing homes; (2) the number of home sales by type (multi-family and single-family) and by price affordable to families earning a given percentage of median income; (3) median sales price; and (4) average sales price. Sales reflect Multiple Listings Service (MLS) data. As such, new homes that are sold outside the MLS are not included in the data, while resales of older homes are included. Thus, the statistics on sales reflect the general housing market rather than the market for just new homes or homes that are sold at specified prices designed to satisfy development approvals (i.e., 30% of the new units to be sold at "affordable" prices). Also, the 2004/05 statistics include expensive resort-residential condominiums at Ko

'Olina that are sold largely to wealthy retirees who are new to Hawai'i, and to wealthy buyers of second homes.

In the DPP comment, the quoted statements about the 'Ewa housing market are based on the number of "all homes" sold at prices that are affordable to families earning "80% to 140% of median income"—the relevant row is highlighted in ***bold italics*** in Table 1. In 2000, 57% of the homes sold in 'Ewa were at this price versus 47% for the entire island—a difference of 10%. In 2004/05, 51% of the homes sold in 'Ewa were at this price versus 44% for the entire island—a difference of 7%. This is the basis for the statement: the 'Ewa Development Plan region "has offered approximately 7% to 10% more affordable housing units for sale than the island as a whole in recent years."

In 2000, 18% of the O'ahu homes that sold at prices which were affordable to families earning "80% to 140% of median income" were located in 'Ewa. By 20004/05, this percentage had increased to 22%. These sales percentages were far higher than the percentages of homes that were already built in 'Ewa: 7% in 2000 and 8% in 2005. This is the basis for the statement: "the 'Ewa region has been satisfying an increasing share of Oahu's affordable housing needs, well in excess of its 'fair share'."

2. Department of Business, Economic Development & Tourism

a. Comment: Housing

The proposed project does not intend to provide any housing as part of its development. The DEIS discusses the probable impacts due to direct and indirect employment during both the 10-year development period and at full buildout. During the 10-year development period the study estimated employment due to the project will result in 1,480 persons expected to reside in 440 homes just in the Kapolei/'Ewa region; and at full buildout 9,180 residents in 2,750 homes in the Kapolei/'Ewa region. As stated in the DEIS "... the increase in employment opportunities in the 'Ewa region is likely to encourage more residential growth in the region ..."

The supply of affordable housing to meet the needs of Hawaii's working families is critical to both the State and County. Inasmuch as this project will not supply any housing but will contribute to demand within the region, the final EIS should discuss to what extent anticipated wages for the projected employment, during both the10-year development period and at full buildout, will be sufficient for those employed to afford housing within the region.

Response

Economic impacts of the Project are addressed in the report: "Proposed Kapolei Harborside Center: Economic and Fiscal Impacts, by Decision Analysts Hawai'i, Inc., dated July 2006 (the DAHI report, Appendix D of the DEIS). As noted on pages 5 and 6 of the DAHI report, the Project contributes to the on-going transformation of the Kapolei/'Ewa region from its past role as largely a suburb of Honolulu's Primary Urban Center, to its current and future role as O'ahu's second full-service urban center. As a past suburb of the Primary Urban Center, population and housing growth in the region outpaced employment growth, thereby requiring many residents to commute to jobs outside the region. More balanced growth will require more job creation in the Kapolei/'Ewa region, which is one of the major benefits of the proposed Project.

Regarding the supply of housing in the Kapolei/'Ewa region, nearly 38,000 homes are planned or proposed, of which about 10,000 or more (30% for most projects) of the new homes will be sold at "affordable" prices. This accounting includes the following projects:

Project	Homes
East Kapolei	1,403
Ewa by Gentry	1,950
Franciscan Vistas 'Ewa	328
Ho'opili	12,000
Kapolei Mauka	750
Kapolei Mixed Use	300
Kapolei West	2,370
Ko 'Olina Resort & Marina	3,455
Leihano Senior Living Village	650
Makaiwa Hills	4,100
Mehuna	1,150
Mokulola Vista	70
Ocean Pointe	2,750
Plantation Apartments	330
Schuler Makakilo	453
UH West Oahu	4,041
Villages of Kapolei	1,330
Waikoloi	308

In terms of the general market, 64% of the MLS home sales and resales in the Kapolei/'Ewa region in 2004/05 were at "affordable" prices: 13% of the homes were sold at prices affordable to families earning "less than 80% of median income," and 51% were sold at prices affordable to families earning "80% to 140% of median income" (see Table 1).

For 2006, O'ahu's median family income for a family of four was estimated by the U.S. Department of Housing (HUD) to be about $71,300 per year. This translates into family incomes of about $57,050 per year at 80% of median, and about $99,820 per year at 140% of median. These family incomes indicate two wage-earners for most families, as Oahu's average annual wage was about $38,500 per year in 2006 (based on data from the Hawai'i Department of Labor and Industrial Relations).

Economic impacts related to Project development activity are addressed on pages 5 to 8 and in Table 2 of the DAHI report. As indicated in this table, direct employment is expected to average about 450 construction jobs during the 10-year construction period. In turn, these jobs will support about 1,000 residents living in about 300 homes, of which about 200 homes are expected to be in 'Ewa. While these will be new construction jobs, this does not imply an increase in construction employment since construction workers move from project to project. As stated on page 8 of the DAHI report: "Development activities will support the families of many construction workers and other workers who already live on O'ahu." Thus, development activity is not expected to contribute to significant demand for more housing in 'Ewa or in nearby communities.

Also on page 8, wages of construction workers are expected to average about $65,000 per year. This is nearly 70% higher than the average wage of about $38,500 for all O'ahu jobs. Assuming a second wage-earner at the average O'ahu wage of $38,5000, the family income of construction workers will exceed $100,000 per year. Thus, most construction workers are able to purchase homes that are priced for families earning more than 140% of median family income for a family of four. However, some entry-level construction workers earn less than the average wage, so their initial ability to afford housing will be less.

Economic impacts related to Project operations at full development are addressed on pages 8 and 9 and in Table 3 of the DAHI report. As indicated in this table, operations are expected to provide about 3,830 on-site industrial jobs. In turn, these jobs will support about 8,420 residents living in about 2,530 homes, of which about 1,770 homes are estimated to be in 'Ewa. As stated on page 9 of the DAHI report: "The new jobs will provide employment to (1) workers who already live in the Kapolei/'Ewa region and nearby communities but who must commute to distant jobs, and (2) workers who will be new residents of the Kapolei/'Ewa region and nearby communities." Without the Project, many of these workers would still be attracted to 'Ewa because of the availability of housing at attractive prices, but they would commute to jobs outside the region. With the Project, some additional workers will be enticed to live in 'Ewa instead of some other community on O'ahu.

Also on page 9, wages of industrial workers are expected to average about $46,000 per year. This is nearly 20% higher than the average wage of about $38,500 for all O'ahu jobs. Assuming a second wage-earner at the average O'ahu wage of $38,5000, family income of industrial workers will reach about $84,500 per year. Thus, most industrial workers will be able to purchase homes that are priced for families earning about 118.5% of median family income for a family of four. However, some entry-level workers earn less than the average wage, so their initial ability to afford housing will be less. This assumes that entry-level workers are no longer living with their parents, the spouse does not have a high income, their savings for a down payment are limited, and relatives do not help with a down payment.

b. Comment: Transportation

The Traffic Impact Analysis Report (TIAR) included in the DEIS computes the amount of the anticipated impact fees for highways pursuant to the County's 'Ewa Impact Fee Ordinance (Ordinance 02-52). The figure contained in Table 4, section 4.b., provides a figure of $309,048 based upon a projected total square footage for the Harborside Center of 546,678 square feet. Applying the formula found in the Ordinance's impact fee for industrial uses of $2,019 per 1,000 square feet, the correct figure appears to be approximately $1.1 million (547 x $2,019). The discrepancy appears to be related to a "28% City Share" factor. The final EIS and TIAR should explain the rationale for this apparent discrepancy in the calculation of the highway impact fees anticipated from this project.

Response

The DEIS is based on the the DAHI report, Table 5 (Impact on City Revenues and Expenditures) and Table 6 (Impact on State Revenues and Expenditures). As indicated by the following, there is no discrepancy between this report and the TIAR:

City share of highway impact fee (28%)	$ 309,048
State share of highway impact fee (72%)	$ 794,695
Total highway impact fee (100%)	$ 1,103,743

The percentage split of the highway impact fee is based on the estimated cost of City and State highway improvements in 'Ewa.

3. State of Hawai'i, Land Use Commission

a. Comment: Housing

As we pointed out in or April 4, 2006 letter on the Petition for Land Use District Boundary Amendment, the Land Use Commission (LUC) has required petitioners of industrial developments to complete and submit a housing study to address, among other things, the type of employee/ affordable housing demands that will be created by the proposed use. In light of the LUC's concerns, we suggested that the petitioner address the affordable housing impact of the proposed use upon the low income, low-moderate income, and gap groups, and the potential measures that may be employed to mitigate such impact. Although the manner in which this issue ultimately is addressed was left to the petitioner's discretion, we believe that it would be appropriate to include discussion on this matter in the EIS in the interest of full environmental disclosure.

Response

Housing and related issues are addressed in the response to the first DBEDT comment (Item 2.a). As noted in the response, most of the construction workers who will be employed during the development activity already have homes and, as a result, will not contribute significantly to the demand for more homes in 'Ewa or on O'ahu. Also, their wages are nearly 70% higher than the average wage on O'ahu. Assuming a second wage-earner in the family, most of these workers will be able to afford homes priced for families earning more than 140% of median income for a family of four.

Regarding operations, new industrial jobs will provide employment to some workers who already live in the Kapolei/'Ewa region and nearby communities but who now commute to distant jobs. These workers will not contribute to the demand for more homes. However, a large number of the new industrial jobs will be filled by workers who will be new to the region, and these workers will require new homes in 'Ewa or nearby communities. The anticipated island-wide demand at full development of the Project (in approximately 2018) will total less than 2,500 homes, with less than 1,700 of them being in 'Ewa. With regard to industrial workers being able to afford these homes, on average, they earn nearly 20% above the average wage on O'ahu. Assuming a second wage-earner, most of these workers will be able to afford homes priced for families earning about 18.5% of median family income for a family of four. Furthermore, if they can afford a large down payment on a home—because of selling an existing homes that has appreciated in value, or past savings, or financial help from relatives—then they will be able to afford even more expensive homes.

Unfortunately, data are not readily available on the wage distribution of construction or industrial workers on O'ahu, and how this translates to (1) the distribution of family incomes and (2) the demand for homes at various price levels (i.e., prices that are affordable for low-income families, low-moderate income families, gap-group income families, and higher income families). Nor is there a simple relationship between wages, family incomes, and the ability to afford a given price for a home. For example, a young worker who holds a low-paying entry-level job may live at home until he or she advances to a higher level and higher paying position. In the mean time, this person will not generated demand for an additional home. Also, his or her wages will contribute to family income that may already be high due to two working parents who have advanced careers. When this persons does enter the market for homes, his or her ability to afford housing will reflect higher pay due to career advancement, the income of his or her spouse, savings for a down payment, possible help from parents with the down payment, etc.

As previously noted, the planned and proposed supply of homes in 'Ewa is large: nearly 37,000 new homes, about 10,000 of which will be sold at "affordable" prices.

The primary contribution that the Project will make to affordable housing is jobs that pay higher than average wages, thereby contributing to higher family incomes and greater ability to afford housing. In view of these higher paying jobs and the large supply of new homes at various prices that are planned and proposed for 'Ewa—including homes at "affordable prices"—mitigation measures to improve housing affordability by further increasing incomes or by increasing the supply of homes at "affordable" prices are not recommended.

b. Comment: Expenditure/Revenue Assumptions

In the Economic and Fiscal Impacts study, it is assumed that the excise-tax/mass transit revenues, highway impact fees, and other revenue sources generated by the proposed action, as applicable, will (i) negate the City's expenditures on mass transit and highways; and (ii) far exceed the State's expenditures on highways. The bases upon which these assumptions rest are unclear as there are no data on the specific types of governmental expenditures and their corresponding amounts that will be necessary to support the proposed action. In order to clearly document the economic and fiscal impacts of the proposed action, the information should be provided.

Response

The impacts of the Project on City and State finances are summarized on pages 13 to 16 of the DAHI report, while the detailed analysis is presented in the accompanying Tables 4 and 5. For both development activity and operations at full development, the analysis covers the anticipated changes in the tax and expenditure base, revenues from taxes and fees, support expenditures, and net revenues. The tables also show the multipliers (i.e., assumptions) that were used in the analysis (e.g., applicable tax rates, government support expenditures per job, etc.).

Regarding the City's planned mass transit system, details are not yet available on the final route and transit stops, anticipated capital and operating costs, total ridership, fares, how the system will be financed, etc. Given this lack of information, it was assumed that the length of the route will reflect what the City can afford, with this being based primarily on capital improvements financed from the excise-tax surcharge and from Federal subsidies: the higher the cost per mile the shorter the system, and vice versa. Thus, revenues from the excise tax surcharge should approximately equal the City's share of capital expenditures. And since information is not available on projected ridership associated with the proposed Project, it was assumed that the fair share of the capital cost will equal the amount of the excise-tax surcharge generated by the Project.

Regarding City and State highway improvements, highway impact fees for 'Ewa were established to (1) generate sufficient funds to cover the entire local share of highway improvements in 'Ewa, and (2) have each development pay its fair share based on estimated traffic generated. Thus, highway impact fees generated by the Project should approximately equal City and State expenditures on highway improvements to support the Project. This relationship was assumed for the fiscal analysis. Although not addressed in the DAHI report, it appears that the highway impact fees are set too high, indicating that the Project will actually pay more than its fair-share of highway improvements. This is based on the following estimates (in 2005 dollars): about $400 million for highway improvements in 'Ewa; about $80 million for the local share (20%); about $100 million in impact fees generated by projected development over the next 20 years; resulting in about $20 million collected in excess of the local share of highway costs ($100 million – $80 million).

As indicated in the text of the DAHI report and in Table 4, most support infrastructure is a City responsibility, including roads, delivery of drinking water, drainage, wastewater collection and disposal, etc. However, most of the infrastructure will be built by the developer, or the Project's fair-share will be financed via connect charges and user fees. Furthermore, development activity requires few support services from the City. Thus, the finding in the DAHI report is that the Project's development activity will have a negligible impact on City finances.

However, as shown in Table 4, operations are expected to generate net revenues to the City of about $8 million per year once the Project reaches full development. As indicated in the DAHI report, most of the revenues will come from property taxes. Other revenues (fuel taxes; motor vehicle weight taxes; water and sewer fees; solid-waste disposal fees; other departmental earnings; public service company taxes; other licenses, permits and fees; and fines, forfeits and penalties) and expenditures on support services (police, fire, road maintenance, bus service, water delivery, O&M of sewer systems and the wastewater treatment plant, solid waste disposal, etc.) were assumed to be proportional to the number of new jobs generated by the Project: annual revenues of about $460 per job and annual expenditures of about $780 per job as shown in Table 4 of the DAHI report. These multipliers are based on an analysis of the City budget.

Unlike the City, the State derives substantial revenues from development activity, including conveyance taxes on property sales, excise taxes on lot sales and construction expenditures, and income taxes. However, State services in support of development activity are minor. Thus, as shown in Table 5 of the DAHI report, net revenues to the State during the 10 years of development activity are estimated to average about $4.5 million per year.

As shown in Table 5, operations are expected to generate net revenues to the State of about $8.4 million per year once the Project reaches full development, including excise taxes on sales (mostly taxed at 0.5%), income taxes and other revenues. Other revenues (public service companies tax; fuel tax; motor vehicle weight tax; charges for various licenses, permits, and services; departmental earnings; etc.) and expenditures on support services (highway maintenance, government administration, and other expenditures) were assumed to be proportional to the number of new jobs: annual revenues of about $650 per job and annual expenditures of $1,080 per job as shown in Table 5 of the DAHI report. These multipliers are based on an analysis of the State budget.

4. University of Hawai'i at Manoa, Environmental Center

a. Comment: Expenditure/Revenue Assumptions

On page 3-1, the last paragraph states that the Kapolei Harborside Center "will accommodate future industrial growth by providing additional industrial [space], including maritime related lease space." It would be helpful to know how much industrial development is planned for this area and much of the demand this project will satisfy.

Response

The DAHI report summarizes the nature and competitive advantages of the Project:

> ... Kapolei Harborside Center will offer about 251 acres for industrial development ... Tenants will include companies engaged in light manufacturing, maritime support services, warehousing, and other industrial services. The Project will be similar to other industrial parks on O'ahu, and will complement the existing Campbell Industrial Park and Kapolei Business Park.
>
> The Project will offer many advantages, including: (1) a strategic location between Kalaeloa/Barbers Point Harbor, the City of Kapolei, and the existing industrial areas of Campbell Industrial Park and Kapolei Business Park; (2) proximity to a large and growing regional market, (3) a large workforce drawn from a growing population and from workers who now have long commutes to jobs outside the region, and (4) costs for industrial space that are expected to be lower than those near downtown Honolulu.
>
> These advantages will entice a number of new businesses to locate in Kapolei and will also entice a number of existing business to relocate to Kapolei. Such has been the history of many urban areas across the country: to remain competitive, businesses follow the customers and workers to locations that do not require long commutes and offer lower costs for industrial space. As the Kapolei population and business community grow, even more businesses will be attracted there because the market will become sufficiently large to support activities that require large markets and/or need specialized support services. In addition to serving regional markets, industrial companies in Kapolei will increasingly serve island-wide, Statewide and overseas markets. An additional advantage for businesses that locate in Kapolei Harborside Center is that goods can be shipped via nearby Kalaeloa Barbers Point Harbor. This will become an even greater advantage for these businesses as the harbor is improved.

The industrial market study for the Project by Robert Charles Lesser & Co. (Appendix A of the DEIS) contains the following findings regarding the anticipated market for industrial space:

— Demand for Industrial Land

- Pent-up demand that will restore vacancy rates to 5%: about 73 acres.

- Growth in the island-wide demand for industrial land due to economic growth: about 25 acres per year based on over 5,000 new jobs per year, a low estimate of 80 square feet per worker, and a FAR of 40%.
- Anticipated relocation of tenants from existing industrial areas to West O'ahu: about 11 acres per year.

— Supply of Industrial Land

- Island-wide supply of undeveloped industrial land, 2005: about 729 acres, of which about 485 acres are likely to be developed for industrial users (includes the proposed Project at 240 acres).
- Projected island-wide supply of undeveloped industrial land, year-end 2008: about 729 acres, of which about 338 acres are likely to be developed for industrial users (485 acres – 73 acres of pent-up demand – 3 years of demand at about 25 acres per year + 1 acre adjustment).
- Projected West O'ahu supply of undeveloped industrial land that is likely to be developed for industrial users, year-end 2008: about 294 acres (87% of the total supply of 338 acres).
- Projected supply of undeveloped industrial land to be provided by the Project, year-end 2008: about 240 acres (about 82% of the West O'ahu supply of 294 acres, or about 71% of the island-wide supply of 338 acres).

— Demand for Industrial Land Supplied by the Project

- Pent-up demand for industrial land that will be supplied by the Project: none (by 2009, pent-up demand will be fully absorbed by other industrial parks).
- Demand for industrial land due to island-wide economic growth, and which will be supplied by the Project: about 17 acres per year (based on island-wide growth in demand of about 25 acres per year, of which about 71% will be supplied by the Project, rounded down).
- Demand for industrial land due to the relocation of tenants from other industrial areas, and which will be supplied by the Project: about 9 acres per year (based on demand for about 11 additional acres per year of industrial land in West O'ahu, of which about 82% will be supplied by the Project).
- Total Project demand: about 26 acres per year (17 acres + 9 acres).
- Absorption period for the Project: about 10 years (251 acres ÷ 26 acres/year).

As indicated by the above, the demand for industrial land that will be supplied by the Project is based on percentages of total available land. Given the strong locational advantages of the Project, market absorption could be faster than that estimated in the market study.

Table 1. 'Ewa and O'ahu Housing Statistics: 2000 and 2004/05*

Item	Price Range		'Ewa						O'ahu			
			2000			2004/05			2000		2004/05	
	2000	2004/05	Number	Distribution	% of O'ahu	Number	Distribution	% of O'ahu	Number	Distribution	Number	Distribution
Existing Homes			20,804		7%	25,657		8%	315,988		330,141	
Number of Home Sales by Type and Price Affordable to Families Earning % of Median Income												
Multi-family Homes												
Less than 80% of median income	Below $150,000	Below $200,000	265	21%	15%	308	12%	14%	1,775	21%	2,204	17%
80% to 140% of median income	$150,000 to $320,000	$200,000 to $440,000	229	18%	13%	780	31%	19%	1,818	21%	4,119	32%
140% to 170% of median income	$320,000 to $390,000	$440,000 to $540,000	6	0%	3%	98	4%	15%	198	2%	645	5%
170% to 200% of median income	$390,000 to $470,000	$540,000 to $640,000	-	0%	0%	46	2%	14%	109	1%	319	2%
Over 200% of median income	Over $470,000	Over $640,000	-	0%	0%	83	3%	19%	259	3%	430	3%
Total mf-homes			500	40%	12%	1,315	53%	17%	4,159	49%	7,717	59%
Single-family Homes												
Less than 80% of median income	see above	see above	67	5%	18%	20	1%	14%	368	4%	144	1%
80% to 140% of median income	"	"	483	39%	22%	478	19%	30%	2,183	26%	1,606	12%
140% to 170% of median income	"	"	199	16%	29%	345	14%	32%	679	8%	1,069	8%
170% to 200% of median income	"	"	1	0%	0%	204	8%	25%	456	5%	824	6%
Over 200% of median income	"	"	1	0%	0%	119	5%	7%	705	8%	1,694	13%
Total sf-homes			751	60%	17%	1,166	47%	22%	4,391	51%	5,337	41%
All Homes												
Less than 80% of median income	see above	see above	332	27%	15%	328	13%	14%	2,143	25%	2,348	18%
80% to 140% of median income	"	"	***712***	***57%***	***18%***	***1,258***	***51%***	***22%***	***4,001***	***47%***	***5,725***	***44%***
140% to 170% of median income	"	"	205	16%	23%	443	18%	26%	877	10%	1,714	13%
170% to 200% of median income	"	"	1	0%	0%	250	10%	22%	565	7%	1,143	9%
Over 200% of median income	"	"	1	0%	0%	202	8%	10%	964	11%	2,124	16%
Total Home Sales			1,251	100%	15%	2,481	100%	19%	8,550	100%	13,054	100%
Median Sales Price												
Multi-family Homes			$125,450		74%	$284,466		107%	$170,000		$265,000	
Single-family Homes			$238,100		81%	$460,000		88%	$293,000		$525,000	
All Homes			$199,500		86%	$384,858		104%	$232,000		$369,000	
Average Sales Price												
Multi-family Homes			$144,881		72%	$328,137		103%	$201,548		$317,383	
Single-family Homes			$237,617		64%	$478,403		75%	$369,880		$634,357	
All Homes			$200,552		70%	$398,758		89%	$287,998		$446,975	

* Year 2004/05 = 8/1/04 to 7/31/05

Sources:

Mikiko Corporation. "Ewa and Oahu's Affordable For-sale Housing: Summary of Recent Market Conditions." September 29, 2005.

City & County of Honolulu, 2006.

Kapolei Harborside Center: Economic and Fiscal Impacts

Responses to Comments

Prepared by
Decision Analysts Hawai'i, Inc.

October 5, 2006

1. **City & County of Honolulu, Department of Planning and Permitting**

   a. Comment: Housing

   Section 4.16.1 Population and Affordable Housing on page 4-51: Please include the reference/source and basis of the data to support the following statements cited in the DEIS: (a) The 'Ewa Development Plan region "has offered approximately 7% to 10% more affordable housing units for sale than the island as a whole in recent years"; and (2) "the 'Ewa region has been satisfying an increasing share of Oahu's affordable housing needs, well in excess of its 'fair share'." A table summarizing the data supporting these statements would be helpful.

   Response

   The findings on housing are from the report: "'Ewa and O'ahu's Affordable For-sale Housing: Summary of Recent Market Conditions," by Mikiko Corporation, dated September 29, 2005. Relevant data from this report are presented in Table 1.

   The table present housing statistics for 'Ewa and O'ahu for the years 2000 and 2004/05 (8/1/04 to 7/31/05). The material includes: (1) the number of existing homes; (2) the number of home sales by type (multi-family and single-family) and by price affordable to families earning a given percentage of median income; (3) median sales price; and (4) average sales price. Sales reflect Multiple Listings Service (MLS) data. As such, new homes that are sold outside the MLS are not included in the data, while resales of older homes are included. Thus, the statistics on sales reflect the general housing market rather than the market for just new homes or homes that are sold at specified prices designed to satisfy development approvals (i.e., 30% of the new units to be sold at "affordable" prices). Also, the 2004/05 statistics include expensive resort-residential condominiums at Ko