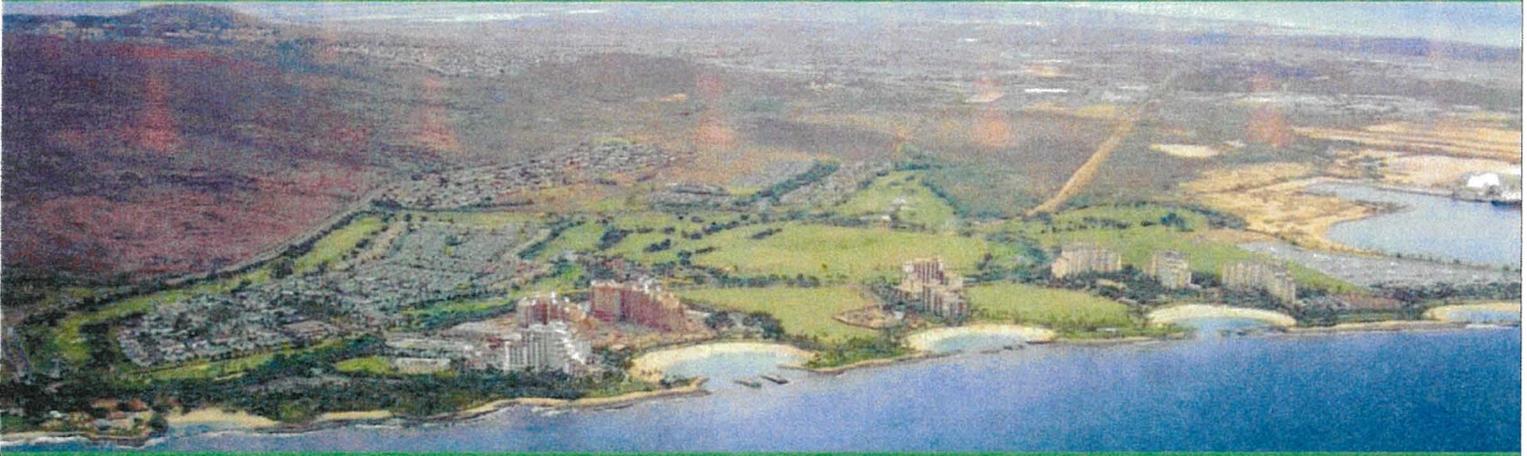


CBRE STRATEGIC CONSULTING



Fiscal & Economic Benefits Analysis

Ko Olina Resort & Marina, Honolulu, HI

Prepared for:
Ko Olina Resort Operators Association ("KORA")

Prepared by:
CBRE Strategic Consulting

January 2011

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Ko Olina Resort & Marina (Ko Olina Resort) is a 642 acre mixed use resort area located in southwest Oahu in the City & County of Honolulu. Current development at the resort area includes resort, commercial, residential, and recreational components. Approximately 443 acres have been entitled for future development. The total density approved for Ko Olina is 9,200 units.

- This report analyzes the economic and fiscal impacts generated by Ko Olina Resort in Honolulu County and the State of Hawaii in 2011 dollars.
 - **Economic impacts** are the expenditures, jobs, spending and corresponding effects upon local and regional economies
 - **Fiscal impacts** are the incremental public revenues generated in the form of taxes and fees
- These are divided into:
 - **Annually recurring impacts**, generated by the ongoing operations of existing and proposed future development at Ko Olina Resort, and
 - **One-time impacts** generated by the construction of the proposed future development

At full buildout the Resort will generate \$1.4 billion in annual economic activity, supporting 8,100 jobs and paying \$138 million in taxes to Honolulu County and State of Hawaii. Construction period spending will generate an additional \$194 million in taxes to the County and State.

	RECURRING ECONOMIC IMPACTS						ONE-TIME ECONOMIC IMPACTS	
	Existing Development		Future Development		TOTAL		Future Development	
	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii
Spending (M)	\$785.4	\$802.3	\$610.8	\$623.9	\$1,396.1	\$1,426.2	\$5,725.3	\$5,791.3
Jobs	4,283	4,341	3,740	3,792	8,023	8,133	43,109	43,679
Personal Income (M)	\$180.7	\$182.2	\$126.8	\$127.8	\$307.5	\$310.0	\$1,893.3	\$1,905.4
Fiscal Impact	\$20.3	\$40.4	\$35.2	\$31.1	\$55.5	\$78.1	\$24.6	\$168.9

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Economic Impact

Annual Operations

- The current annual operations of the Ko Olina Resort generates a \$520 million economic impact in the form of direct spending and provides 2,800 jobs locally.
- In addition, through the multiplier effect, annual operations will also generate indirect and induced economic benefits of \$280 million and 1,500 additional jobs locally and statewide.
- Future development will almost double the benefits generated by existing Ko Olina Resort, generating \$1.4 billion in total annual economic activity and supporting 8,000 jobs.
- The table below summarizes economic impacts associated with existing and future development.

RECURRING ECONOMIC IMPACTS						
	Existing Development		Future Development		TOTAL	
	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii
Spending (M)						
Direct	\$520.3	\$520.3	\$404.7	\$404.7	\$925.0	\$925.0
Indirect and Induced	<u>\$265.0</u>	<u>\$281.9</u>	<u>\$206.1</u>	<u>\$219.3</u>	<u>\$471.1</u>	<u>\$501.2</u>
Total	\$785.4	\$802.3	\$610.8	\$623.9	\$1,396.1	\$1,426.2
Jobs						
Direct	2,811	2,811	2,455	2,455	5,266	5,266
Indirect and Induced	<u>1,471</u>	<u>1,530</u>	<u>1,285</u>	<u>1,336</u>	<u>2,756</u>	<u>2,866</u>
Total	4,283	4,341	3,740	3,792	8,023	8,133
Personal Income (M)						
Direct	\$122.5	\$122.5	\$85.9	\$85.9	\$208.4	\$208.4
Indirect and Induced	<u>\$58.2</u>	<u>\$59.7</u>	<u>\$40.8</u>	<u>\$41.9</u>	<u>\$99.0</u>	<u>\$101.6</u>
Total	\$180.7	\$182.2	\$126.8	\$127.8	\$307.5	\$310.0

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Economic Impact

Construction Period Impacts

- Construction of the hotel, timeshare, commercial and residential components of proposed future development, and sales of timeshare and residential units, at Ko Olina will generate over \$3.7 billion in one time construction period economic impacts, creating 26,700 jobs.
- Through the multiplier effect, expenditures made during the construction and sales period will also generate \$2 billion in indirect and induced economic benefits and 16,900 additional jobs.
- Total one-time economic benefits of \$5.7 B
- The table below summarizes these one-time economic impacts:

ONE-TIME ECONOMIC IMPACTS		
	Future Development	
	Honolulu County	State of Hawaii
Spending (M)		
Direct	\$3,777.9	\$3,777.9
Indirect and Induced	<u>\$1,947.4</u>	<u>\$2,013.4</u>
Total	\$5,725.3	\$5,791.3
Jobs		
Direct	26,742	26,742
Indirect and Induced	<u>16,367</u>	<u>16,937</u>
Total	43,109	43,679
Personal Income (M)		
Direct	\$1,364.1	\$1,364.1
Indirect and Induced	<u>\$529.2</u>	<u>\$541.3</u>
Total	\$1,893.3	\$1,905.4

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Fiscal Impact

Annual Operations

City & County of Honolulu Impacts

- In Fiscal 2008-2009, the City & County of Honolulu General Fund received nearly \$851 million in annual tax revenue from the County's 905,000 residents, 25,000 businesses and 4 million tourists.
 - Existing development at Ko Olina Resort is estimated to generate a total of \$20 million in annual tax revenues for the City & County of Honolulu, representing 2.5% of total annual tax revenues.
 - Proposed future development is expected to generate a total of \$35 million in annual tax revenues for the City & County of Honolulu, representing 4% of total annual tax revenues.

State of Hawaii Impacts

- The State is expected to receive a total of \$40 million in annual tax revenues from existing Ko Olina Resort operations. GET is the largest revenue source followed by TAT, TOT and income tax.
- Revenue from future development is expected to generate \$31 million in GET, TAT and TOT

RECURRING FISCAL IMPACTS (Millions)

	Existing Development		Future Development		TOTAL DEVELOPMENT			Total
	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii	Honolulu County	State of Hawaii	Other Counties*	
TAT	\$2.4	\$6.7	\$1.0	\$2.8	\$3.4	\$9.5	\$4.3	\$17.2
TOT	\$0.8	\$2.2	\$1.1	\$3.1	\$1.9	\$5.3	\$2.4	\$9.5
GET	\$2.8	\$22.7	\$2.0	\$15.8	\$4.8	\$38.4		\$43.2
Car Rental	--	\$1.8	--	\$2.3	--	\$4.2		\$4.2
Utility tax	--	\$0.8	--	\$0.7	--	\$1.5		\$1.5
Property tax	\$14.0	--	\$30.8	--	\$44.9	--		\$44.9
Conveyance Tax	--	\$0.1	--	\$0.2	--	\$0.3		\$0.3
Income Tax	--	\$4.4	--	\$3.9	--	\$8.3		\$8.3
Indirect Impacts	\$0.2	\$1.9	\$0.2	\$2.2	\$0.5	\$4.1		\$4.5
TOTAL	\$20.3	\$40.4	\$35.2	\$31.1	\$55.5	\$71.5	\$6.6	\$133.6

*Total includes 25% of TAT and TOT revenues which are redistributed to other counties.

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Fiscal Impact

Construction of Future Development

- Construction of future development projects at Ko Olina Resort and sales of timeshare and residential units is expected to generate \$193.5 million in one-time tax revenues for the City & County of Honolulu and the State of Hawaii.
- The table below shows a breakdown of one-time fiscal impacts, illustrating the significant impact of the GET revenues.

ONE-TIME FISCAL IMPACTS (Millions)			
	Future Development		
	Honolulu County	State of Hawaii	Total
GET	\$12.7	\$101.9	\$114.7
Property Tax	\$11.2	\$0.0	\$11.2
Conveyance Tax	\$0.0	\$12.8	\$12.8
Income Tax	\$0.0	\$48.5	\$48.5
Indirect Impacts	\$0.6	\$5.6	\$6.2
TOTAL	\$24.6	\$168.9	\$193.5



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Ko Olina Resort & Marina Overview

Hawaii is ranked as one of the top family vacation destinations in the world, hosting nearly 7 million annual visitors. Nearly two-thirds of these visitors travel to Oahu (City & County of Honolulu), Hawaii's third largest island by land area.

Initial Development at Ko Olina and Resort Crash

- Ko Olina Resort & Marina, located in southwestern Oahu, is a 642 acre resort community with a combination of resorts, residential, commercial and recreational uses.
- The Ko Olina Resort & Marina was an underserved resort area since its initial development in the 1980's. Following the Japanese economic crash in the 1990's, the master plan for the resort completely stalled for a decade.

The Resort Group's Turnaround of Ko Olina Resort

- Jeffrey R. Stone and The Resort Group acquired the stalled Ko Olina Resort project, dormant for more than 10 years, in 1998 and imbued it with innovation and vitality.
- Stone spearheaded the development of the state-of-the-art Ko Olina Marina, the first marina to be built in the State of Hawaii in 30 years and the cornerstone of activities at Ko Olina.
- Stone revitalized Ko Olina as a resort destination by attracting and creating building opportunities for Walt Disney Resorts, JW Marriott, Marriott Vacation Club, Brookfield Homes, Centex Homes, Armstrong Builders and others to build at Ko Olina.

Future at Ko Olina Resort

- Ko Olina offers an opportunity to create a multi-island resort destination for Oahu, as Maui has, that compliments Waikiki and offers a different experience.
- The Resort is well-positioned to address the demand for resort and tourism development in Hawaii, offering fully entitled beachfront parcels that have modern underground infrastructure and large privately owned Beach Lagoons.

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Existing Development

▪ Disney is nearing completion of its 21-acre **Aulani Resort and Spa** that includes a 359-key luxury hotel component, as well as a Disney Vacation Club with 460 two-bedroom equivalent timeshare units. The resort will also include several restaurants, 14,500 square feet of meeting space, an 18,000 square foot spa, two event lawns, a kids' club, snorkel lagoon and spa.

▪ **JW Marriott Ihilani Resort** and Spa features 387 guest rooms and 36 suites, as well as four restaurants, a full-service spa, and Oahu's largest covered outdoor venue.

▪ **Marriott's Ko Olina Beach Club** is located on 30 ocean front acres and is the #1 vacation club product in Marriott's Vacation Club system. The Club features 750 villas (500 built-out), three eateries and 3 pools.

▪ The following **six residential communities** contain 1,411 units

- **Kai Lani at Ko Olina (116 units)**
- **Beach Villas at Ko Olina (247 units)**
- **Coconut Plantation (270 units)**
- **Ko Olina Kai Golf Estates & Villas (324 units)**
- **The Fairways at Ko Olina (280 units)**
- **Ko Olina Hillside Villas (174 units)**

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Existing Development (continued)

- Ko Olina also features a mix of **commercial, activity and entertainment** space:
 - **Ko Olina Center & Station** – nearly 60,000 SF of community retail, restaurant, office space and a grocery market
 - **Paradise Cove** – outdoor dining and entertainment venue for Hawaiian cultural shows
 - **Aquaveil Frairs Marina, Ko Olina & Honu Kai Lani Chapels & Reception Facilities** – located at lagoons 1,2 and 4, host 5,000 weddings/ year
 - **Ko Olina Golf Club and Roy's Restaurant** – 18-hole world championship golf course and fine dining
 - **Ko Olina Marina (incl. Shop & Activity Center)** – includes 330 boat slips and a 5,000 SF marina store and beach club

Proposed Development

Proposed Development at the Ko Olina Resort includes hotel, vacation clubs (timeshare), residential and commercial product would be located in five main projects:

- **Parcels 54/55** – 572-unit timeshare resort located on 17.2 acres, located adjacent to Marriott's Ko Olina Beach Club
- **Parcels 19/20/21/25/26** – hotel/timeshare resort featuring 250 hotel rooms and 655 timeshare units, located just south of Disney's Aulani
- **Parcels 44/47/56** – Ko Olina Plantation Town, a mixed-use development focused on dining, recreation and entertainment, located adjacent to the Marina. Features 567 timeshare units, 393 residential units, and 240,000 SF commercial, with the Plantation House, Ko Olina Sunset and Old Sugar Mill as its three anchors.
- **Parcels 42/45/46** – 1,360 residential units located adjacent to the Golf Course and along the Aliinui Drive
- **Parcels 43** – expansion of Marriott's Ko Olina Beach adding 329 timeshare units
- **Parcel 11** – potential expansion of the JW Marriott Hotel adding 213 hotel rooms

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Site Map



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Photos and Conceptual Renderings

JW Marriott Ihaleani Resort & Spa



Aulani, a Disney Resort & Spa



Marriott's Ko Olina Beach Club



Beach Villas at Ko Olina



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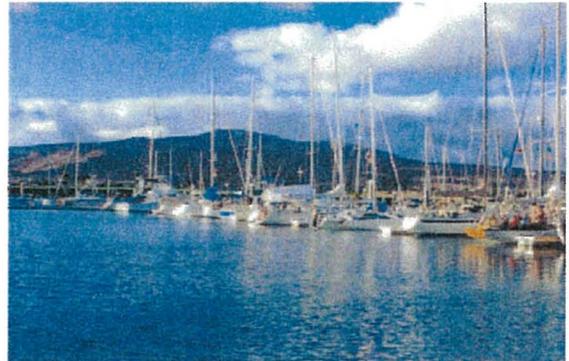
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Photos and Conceptual Renderings

Ko Olina Golf Club



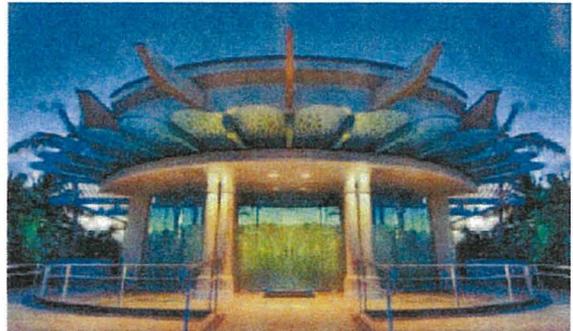
Ko Olina Marina



Ko Olina Center & Station



Aquaveil Chapel



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APPROACH/METHODOLOGY Overview

The results summarized in this report are based on extensive analyses conducted by CBRE Consulting. This report is intended to summarize the economic impact (spending, jobs, and wages) and the fiscal revenue impacts (hotel, general excise, income and property taxes) to the City & County of Honolulu and State of Hawaii.

The analysis presented in this report is considered an economic and fiscal benefit analysis.

The report delineates the fiscal and economic impacts associated with:

- Annual operations of existing development on the site
- Annual operations of proposed future development on the site
- Construction period (one-time impacts)
- Estimates are in 2011 dollars with no provision for inflation

	One-Time Impacts	Annually Recurring Impacts
Existing Development	N/A	Related to Ongoing Operations
Future Development	Related to Construction Period Expenditures	Related to Ongoing Operations

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APPROACH/METHODOLOGY

Definition of Impacts

The analysis divides the impacts into two categories

Direct Onsite Impacts

The amount of...

- Spending
- Jobs
- Personal income
- Fiscal (tax) revenues

...Associated with net new visitors to Oahu resulting from the development and operation of Ko Olina Resort

Direct Offsite Impacts—

The amount of...

- Spending
- Jobs
- Personal income
- Fiscal (tax) revenues

... Associated with net new visitors to Oahu resulting from the development or operation of Ko Olina Resort

Indirect and Induced Impacts

Indirect impacts are the amount of...

- Spending
- Jobs
- Personal income
- Fiscal (tax) revenues

*... Associated with **business-to-business transactions necessary to support the Ko Olina Resort and other businesses that directly cater to the net new visitors to Oahu** resulting from the development or operation of Ko Olina Resort*

Induced impacts are the amount of...

- Spending
- Jobs
- Personal income
- Fiscal (tax) revenues

*... Associated with the **spending of personal income by employees of the businesses that produce the direct and indirect impacts***

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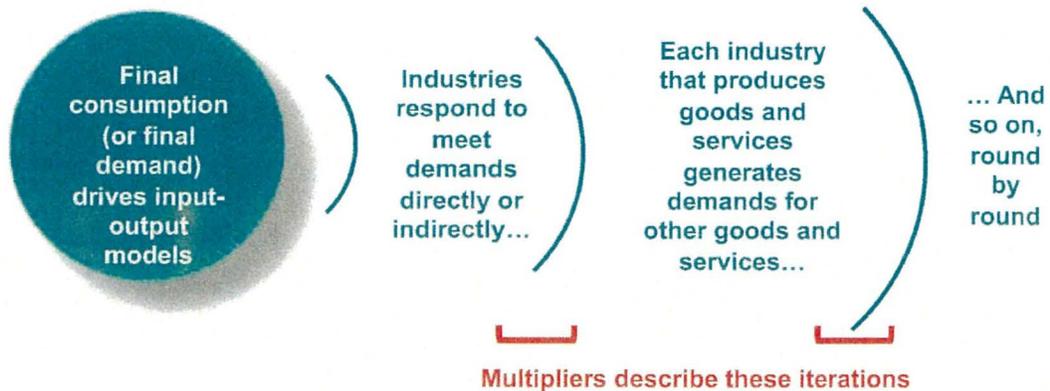
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The IMPLAN MODEL

- IMPLAN is an economic impact assessment modeling system that was developed by researchers for the University of Minnesota in the 1980's and early 1990's. It has been licensed to Minnesota IMPLAN Group Inc. since 1993 and has undergone significant improvements. IMPLAN allows users to estimate the impacts of economic changes in specific geographic areas. Input output analysis, on which the IMPLAN model is based, is a means of examining relationships within an economy both between businesses and final consumers. It captures all monetary market transactions for consumption in a given time period. The IMPLAN factors make it possible to compute the effects of a change in one or more economic activities on an entire economy.



- The IMPLAN Model, which was used for estimating indirect impacts, has been applied to the different major industrial (NAICS) groupings so as to reflect most accurately the different mix of business activities supported by Ko Olina Resort. While this method produces an accurate estimate of overall impacts, the IMPLAN model is not designed to identify jurisdictions any smaller than at a county level. Accordingly, the allocation of these indirect impacts to cities and electoral jurisdictions should be considered only as an approximation.

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OAHU TOURISM BASE INFORMATION

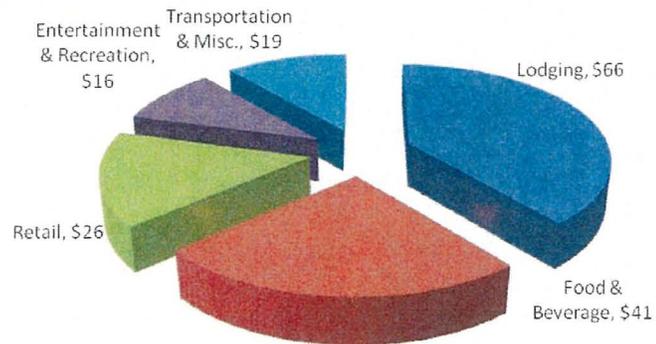
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Visitors, Spending and Lodging Market

- Tourism is a major component of the Hawaii Economy. According to the Hawaii State Department of Business, Economic Development and Tourism (DBEDT):
 - More than 4.5 million annual out-of-state U.S. visitors and 2.3 million annual foreign visitors in 2009
 - Nearly \$10.0 billion in annual visitor spending in 2009 (\$11.4 billion in 2008)
 - Average party size in 2009 was 2.1 people
- Lodging market statistics:
 - Occupancy: 73.3% in 2009. Was 74.9% in 2008 and 76.9% in 2007
 - Average Daily Room Rate: \$150 in 2009. Was \$170 in 2008 and \$169 in 2007
 - 2007-08 numbers, as well as Ko Olina Operators Association estimates, were also taken into consideration for estimating operating income for fiscal impact analysis
- Visitor spending is broken down by major categories as illustrated to the right
- Excluding lodging, daily spending per person totals \$103 for Oahu visitors*

*Allows for rounding

Oahu Tourist Average Daily Spending by Category (2009)



Source: State of Hawaii Department of Business, Economic Development & Tourism (DBEDT)

OAHU TOURISM BASE INFORMATION

Assumptions for Ko Olina

- Implications/Assumptions for Ko Olina Resort

- Given higher share of timeshare units (75% of total hospitality units), which are larger in size than hotel rooms, in existing and proposed development, assume average room (party) size of 3.5 people. Note that the average timeshare unit at Ko Olina is a 2 bedroom/ 2 bath unit that can accommodate 5-6 guests.
- Outside of Ko Olina, the only current major-brand timeshare competition on Oahu is at the Hilton Hawaiian Village. Since buyers of timeshares may have other competing projects to choose from on Oahu, CBRE conservatively assumed cannibalization of 25% (e.g. 25% of Ko Olina guests would have bought elsewhere in Oahu if Ko Olina did not exist). To estimate the net new hotel revenue resulting from future developments at Ko Olina Resort, we netted out 25 percent of gross revenue, which is assumed to be cannibalized business from other Oahu establishments.
 - Assume nightly rates at comparable establishments to be \$290 for traditional hotel rooms and \$550 for larger timeshare rooms.

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ECONOMIC IMPACTS Overview

The Ko Olina Resort is a significant generator of economic activity for the island of Oahu and the State of Hawaii. With 443 acres being marketed for sale for future development, this impact is estimated to increase by 70%.

- Visitors and residents of **Ko Olina's existing development** are estimated to spend over **\$500 million per year** on hotel room rates, timeshare maintenance fees, food, beverage and other retail spending, as well as car rental and excursions. These figures do not include any additional days spent on other islands.
- At stabilized operations, the net new visitors drawn by **future development** at Ko Olina Resort will spend **\$400 million per year** within the resort and Honolulu County.
- The total investment in future construction is estimated at \$5 billion for design, land improvements and facilities, of which 75% will be spent on local construction contracts.
- All this will create \$2 billion in indirect and induced spending impacts to Honolulu County and the State of Hawaii.

Economic impacts measure the effects of economic stimuli or expenditures in the local economy. These impacts include direct, indirect and induced spending (i.e., output), jobs, and personal income that result from the development and operation of Ko Olina Resort. This analysis captures the impacts of spending by Ko Olina Resort patrons and residents at the Resort and off-site, purchases by Ko Olina Resort businesses that supply goods and services to the Resort, and spending by employees of Ko Olina Resort and its suppliers.

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ECONOMIC IMPACTS

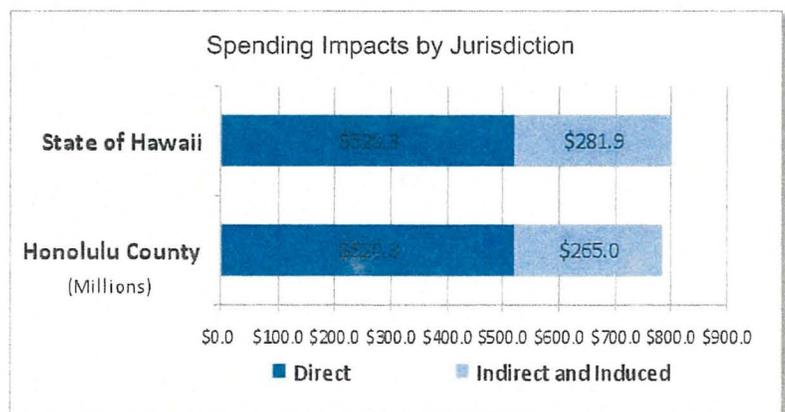
Annual Operations – Existing Development

Hawaii hosts approximately 6.7 million visitors annually, of which 4.2 million visit Oahu.

- In 2009, visitors spent 29.3 million visitor days in Oahu, and 60.8 million in the State of Hawaii, spending a total of \$5.1 billion in Oahu and \$10.0 billion in Hawaii.
- With nearly 2,000 rooms and timeshare units, Ko Olina is estimated to host 614,300 visitor days each year, constituting 2% of total visitor days in Oahu and 1% in Hawaii.

Spending Impacts

- Total annual spending in Hawaii from existing operations at Ko Olina Resort is estimated at \$520 million annually, plus \$280 million in indirect multiplier impact. Spending is comprised of the following:
 - Revenue from nightly room rental (including hotel and timeshare rental pool), F&B, spa and other onsite activity/excursion sales at the J.W. Marriott, Aulani, Ko Olina Beach Villas and Marriott Ko Olina Beach Club
 - Revenue from timeshare maintenance fee collections
 - Revenue from onsite sales and services at Ko Olina Center and Station, the Marina and store, and the Resort's wedding chapels,
 - Ko Olina Resort guests' offsite spending, estimated at \$309 per room per day. Given the large amount of onsite amenities, it is conservatively estimated that guests will spend 10% of expenditures offsite



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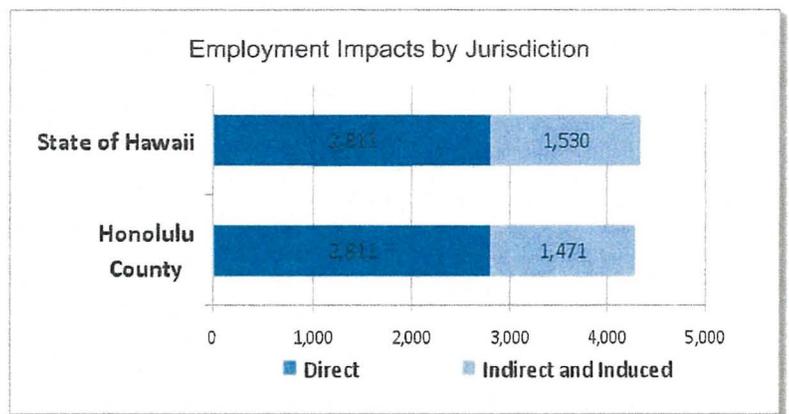
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ECONOMIC IMPACTS

Annual Operations – Existing Development (continued)

Employment Impacts

- Current employment at Ko Olina resort is estimated at 2,800 full-time equivalent jobs each year
- Through indirect and induced impacts, 1,500 additional jobs are expected to be created in Honolulu County and the other islands
- Including direct and indirect total statewide jobs of 4,300.



Personal Income Impacts

- Current direct jobs produce \$122 million in annual personal income and benefits
- Another \$59 million in annual is estimated to be generated for employees in indirect and induced jobs.
- \$182 million in total annual income in Honolulu County and the Hawaiian islands

ECONOMIC IMPACTS

Annual Operations – Future Development

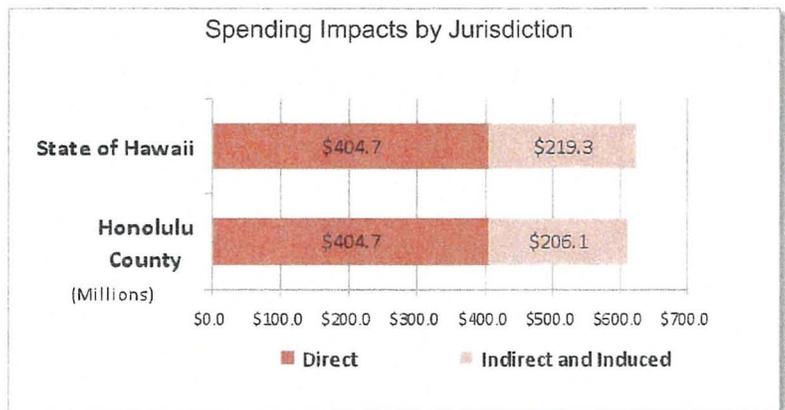
The proposed development at Ko Olina is estimated to add 2,370 hotel rooms and timeshare units and thousands of square feet of commercial space.

- Assuming 25% of new business will be diverted from existing local hotels and businesses, proposed development will generate nearly 740,000 net new visitor days each year.
- Represents 2.5% increase in total visitor days in Oahu and 1.2% in Hawaii. Including existing operations, Ko Olina Resort would represent 4.6% of total 2009 visitor spending on Oahu and 2.2% in Hawaii.

Spending Impacts

Total spending resulting at proposed future operations at Ko Olina Resort is estimated at \$405 million, plus \$19 million in indirect multiplier impact. Spending is comprised of the following:

- Revenue from nightly room rental (including hotel and timeshare rental pool), F&B, spa and other onsite activity/excursion sales at the proposed hotel and timeshare projects
- Revenue from timeshare maintenance fee collections
- Revenue from onsite commercial sales revenues
- Ko Olina Resort guests' offsite spending, estimated at \$309 per room per day.
- Total annual spending at full buildout from existing and new development is \$1.4 billion.**

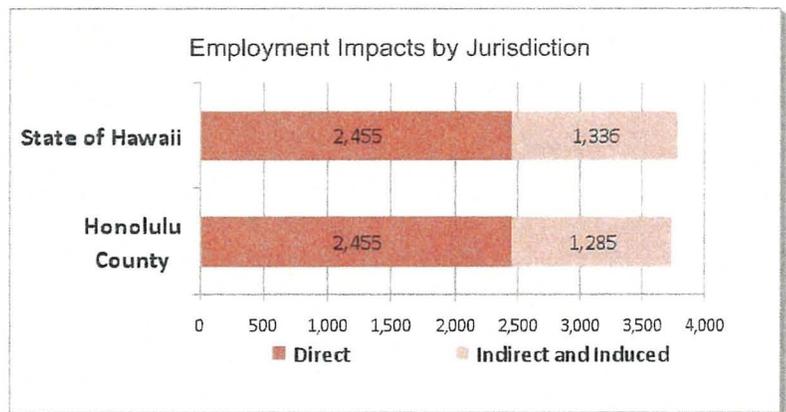


ECONOMIC IMPACTS

Annual Operations – Future Development (continued)

Employment Impacts

- Employment at the proposed hotel, timeshare, and commercial components at Ko Olina Resort is estimated to employ a net new 2,455 full-time equivalent jobs each year.
- 1,330 additional jobs through indirect and induced impacts
- Total job creation impact is approximately 3,800 in County and State



Personal Income Impacts

- The new direct jobs are expected to produce \$86 million in net new annual personal income and benefits
- Employees in indirect and induced jobs will earn another \$42 million annually
- \$128 million in total annual income from the new jobs in Honolulu County and the other islands

ECONOMIC IMPACTS

Construction Period – Future Development

With 443 acres available for new development and nearly \$5 billion in expected development costs, the construction of future projects at Ko Olina Resort will result in substantial economic impacts for Honolulu County and the State of Hawaii.

Spending Impacts

- The construction of future development at Ko Olina Resort will generate over \$3.77 billion in direct local spending on goods and services
- Through the indirect and induced impacts, Honolulu County and the other islands are expected to experience and additional \$2.0 billion in new spending
- This would bring the total state-wide spending associated with the construction of future development at Ko Olina Resort to \$5.7 billion

Spending Impacts By Jurisdiction



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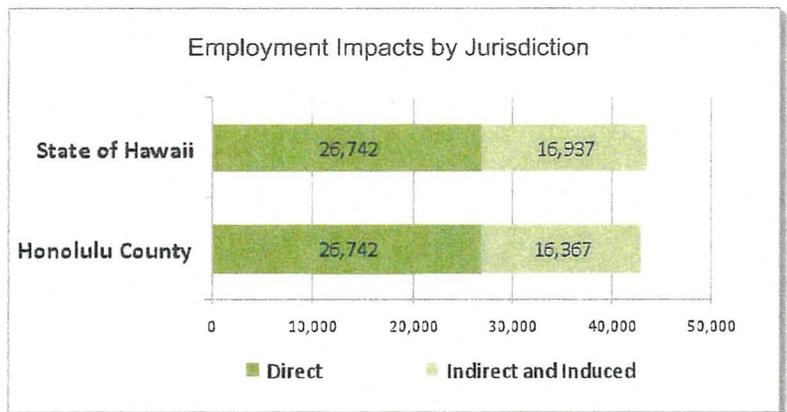
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ECONOMIC IMPACTS

Construction Period – Future Development

Employment Impacts

- The future construction at Ko Olina Resort is expected to generate 26,700 direct one-time jobs in Hawaii
- Through indirect and induced impacts, approximately 17,000 additional one-time jobs are expected to be created in Hawaii
- Total one-time job creation impact is estimated at 43,600 full time equivalent positions



Personal Income Impacts

- The direct one-time jobs are expected to produce \$1.36 billion in personal income for the employees
- Another \$540 million in personal income is expected to be generated for the employees in the one-time indirect and induced jobs
- Total one-time income estimated at \$1.96 billion



FISCAL REVENUE IMPACTS

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FISCAL REVENUE IMPACTS Methodology

The results summarized in this report are based on extensive analyses conducted by CBRE Consulting.

- State and local financial information
- Operating information provided by Ko Olina Resort Operators Association ("KORA")
- Tourist industry market data from DBEDT
- CBRE Consulting's estimate of operational costs and revenues
- Indirect economic activity estimated by the IMPLAN Model was utilized to derive estimates of selected indirect fiscal impacts.

Seven Major Categories of Revenues

Category	State	Honolulu County	Other Counties
Transient Accommodations Tax	55%	20%	25%
Transient Occupancy Tax	55%	20%	25%
General Excise Tax	89%	11%	----
Property Tax	----	100%	----
Income Tax	100%	----	----
Conveyance Tax	100%	----	----
Utility Tax	100%	----	----
Motor Vehicle Fee	100%	----	----

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Revenue Categories

Categories of Revenues

- **Transient Accommodations Taxes (TAT) and Transient Occupancy (TOT) Taxes**
 - TAT of 9.25% on gross revenues from hotel operations.
 - TOT of 7.25% on the fair market rent of units (defined as 50% of timeshare maintenance fees)*
 - State receives approximately 55% of TOT/TAT (allocated to funds such as the Convention Center Fund, the Tourism Special Fund, and the Transient Accommodations Trust). Remainder distributed back to counties. The City & County of Honolulu's share is approximately 20% of total revenues collected.
- **General Excise Taxes (GET)**
 - 4.5% on taxable transactions**
 - 4% of taxable transactions (89% of taxes collected) benefits State of Hawaii
 - 0.5% of taxable transactions (11% of taxes collected) benefits the City & County of Honolulu (for financing light rail system on Oahu)
- **Property Taxes**
 - Levied on the market value (re-assessed each year) of all real property and received by County
 - 1.24% commercial/hotel & resort rate (commercial, hotel, timeshare,
 - 0.34% residential homeowner rate
- **Public Service Company Tax (Utility Taxes)**
 - 5.885% of gross water, electricity, natural gas and telephone bills. 100% of tax revenue to State
- **Rental Motor Vehicle Surcharge Tax (Car Rental Fee)**
 - \$3 per day fee on motor vehicle rentals , all of which is contributed to the State's Highway Fund.
- **Conveyance Taxes**
 - Imposed on all transfers of ownership or interest in real property (includes sale and lease transactions). Ranges from 0.1% on transfers of property valued up to \$600,000, to 1.0% on transfers property valued at \$10 million and greater
- **Income Taxes**
 - State levies income taxes at rates ranging from 1.4% to 8.25% of taxable income

*Hawaii Revised Statute 237D-1.

**Due to business' pass-through of the GET and the State's method of collection, actual amount of GET collected is approximately 4.7% of taxable sales.

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Annual Operations

Existing and future development at Ko Olina Resort will generate \$193.5 million in one-time fiscal benefits for City & County of Honolulu and the State of Hawaii.

- Comprised of General Excise taxes, Income taxes, Conveyance taxes, Property taxes (during multi-year construction and sales period) and Indirect Impacts from local construction activities (estimated using IMPLAN).

- Tax revenues are related to
 - Development costs (including site development, building shell expenses, landscape improvements, equipment, supplies, furnishing and fixtures)
 - Sale of 1,753 total residential units and 2,123 total timeshare units
 - Land leases
 - Resale of residential units

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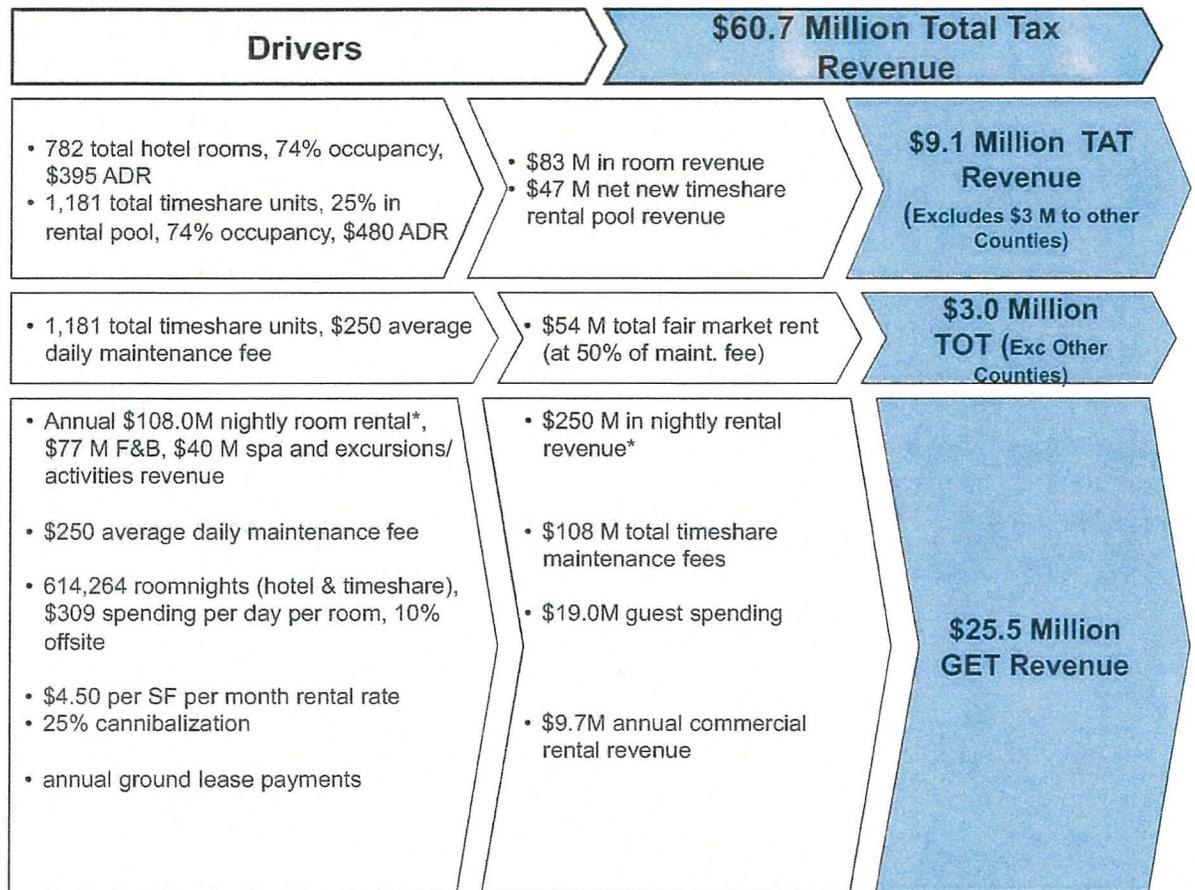
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FISCAL REVENUE IMPACTS

Annual Operations – Existing Development



*Includes hotel room and timeshare rental pool revenue.

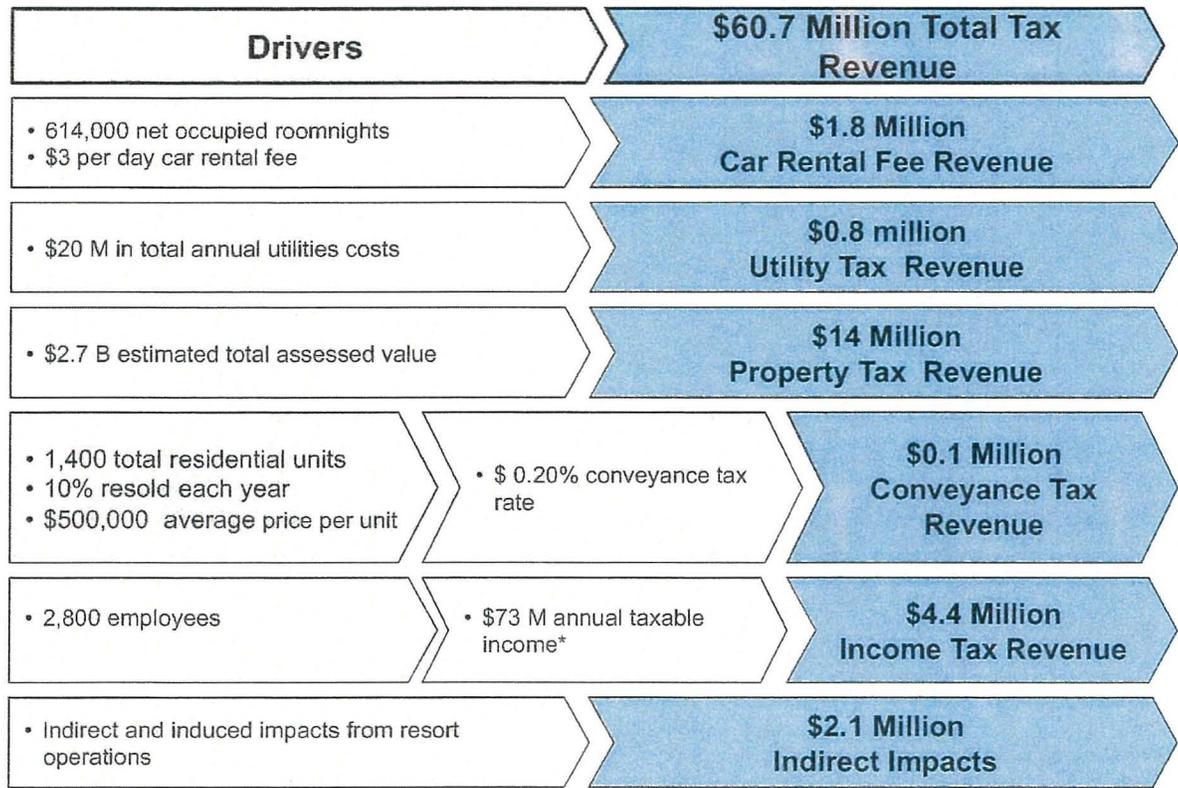
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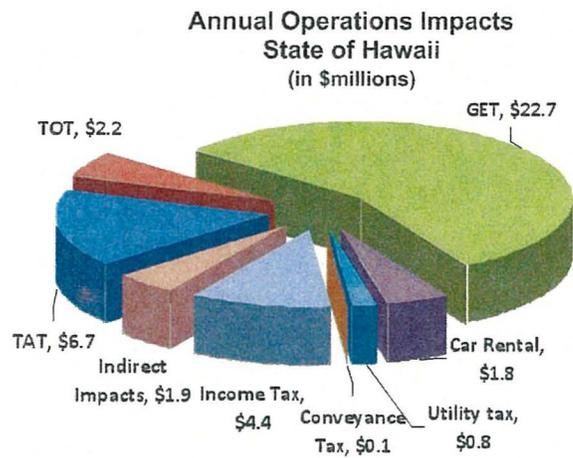
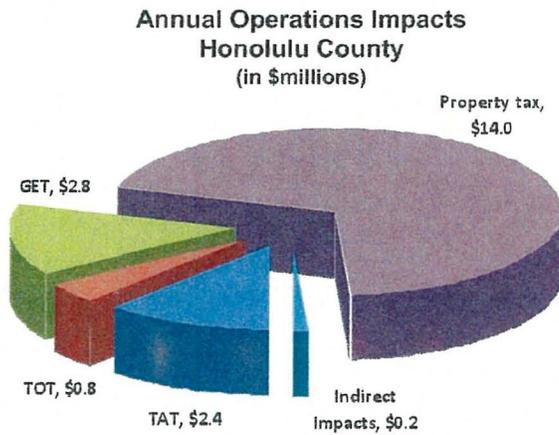
Annual Operations – Existing Development (continued)



*For Income Tax purposes, all taxable income is assumed to be net of 40% deductions and taxed at average rate of 6%

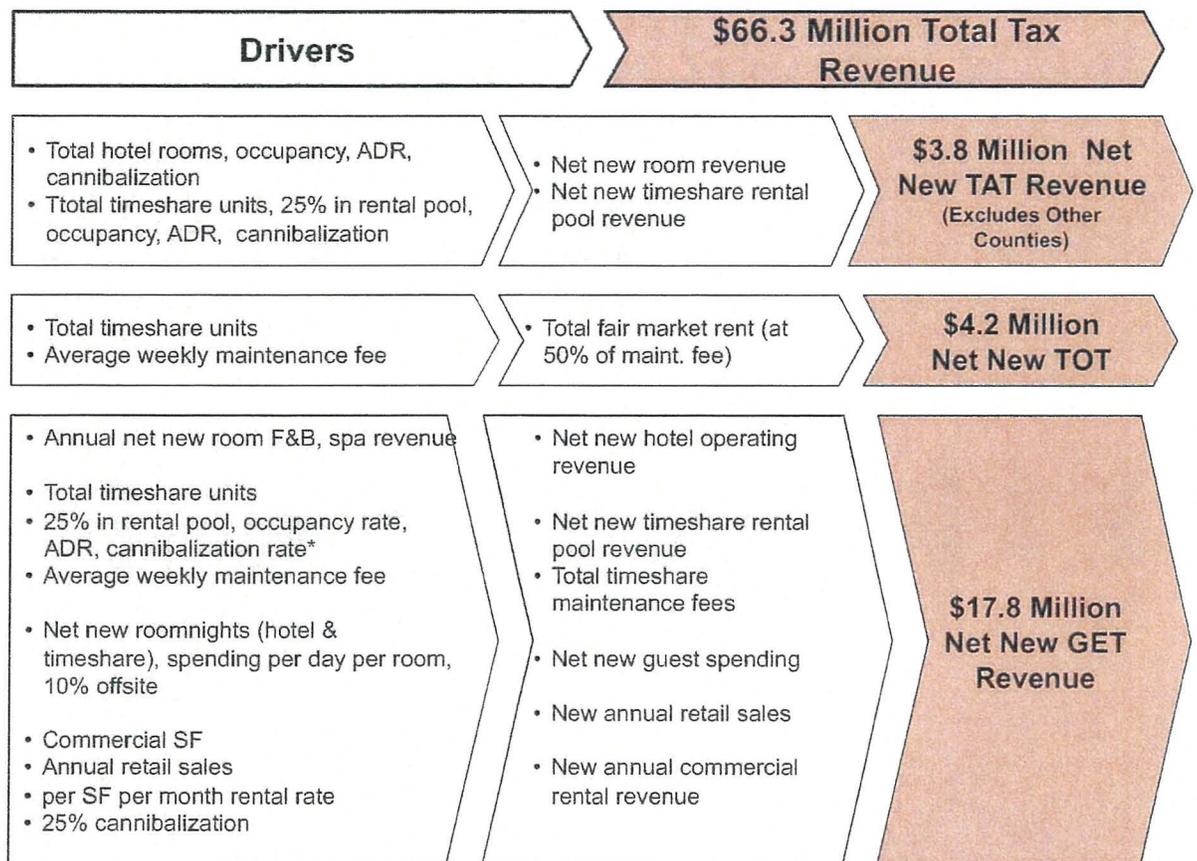
FISCAL REVENUE IMPACTS Annual Operations – Existing Development

- Of total annual operations tax revenues, **\$20.3 million** will accrue to the City & County of Honolulu and **\$40.4 million** to the State of Hawaii.



FISCAL REVENUE IMPACTS

Annual Operations – Future Planned Development Only



*Except when used by timeshare owners (75% of available roomnights).

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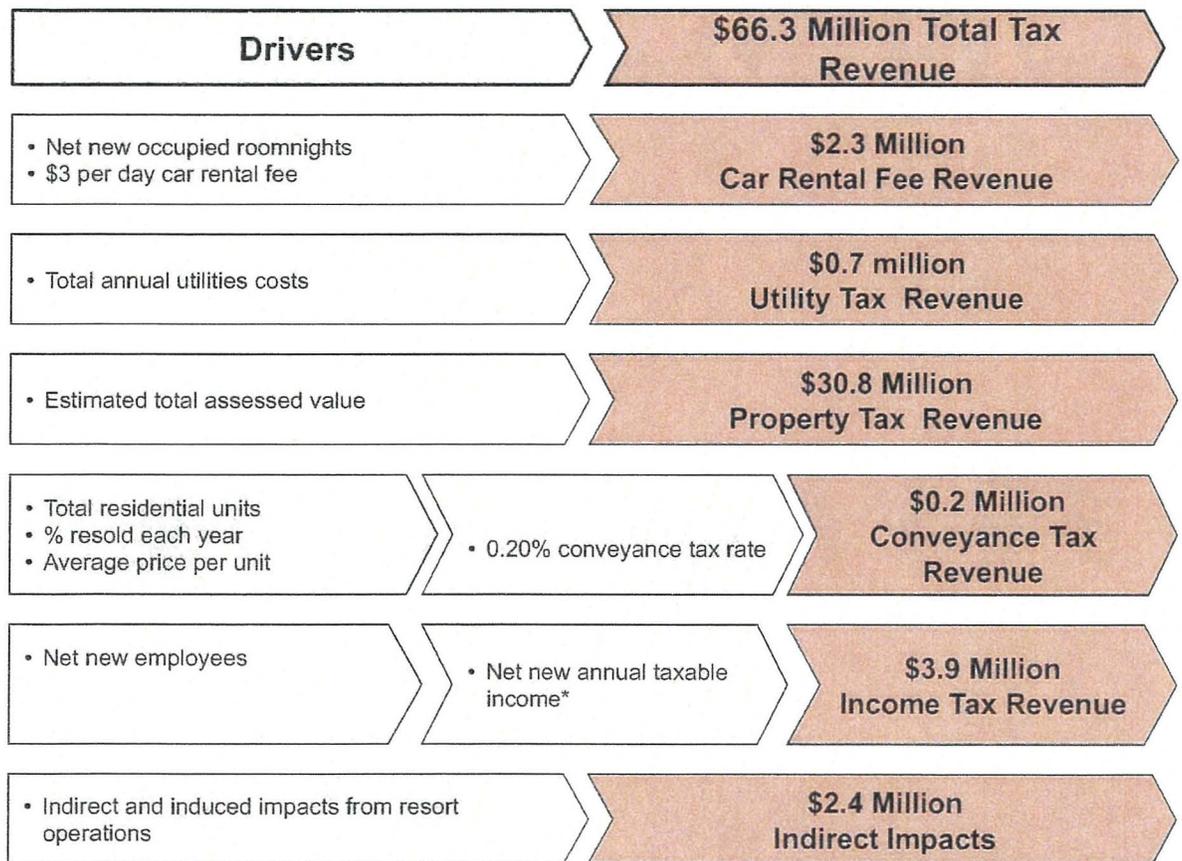
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FISCAL REVENUE IMPACTS

Annual Operations – Future Development (continued)



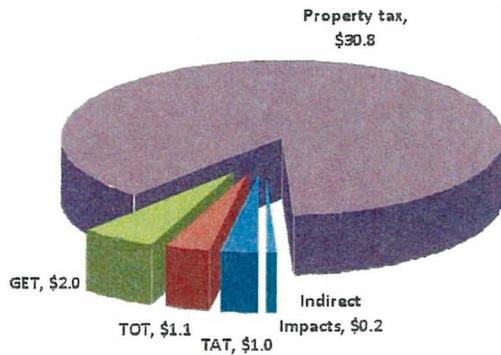
*For Income Tax purposes, all taxable income is assumed to be net of 40% deductions and taxed at average rate of 6%

FISCAL REVENUE IMPACTS

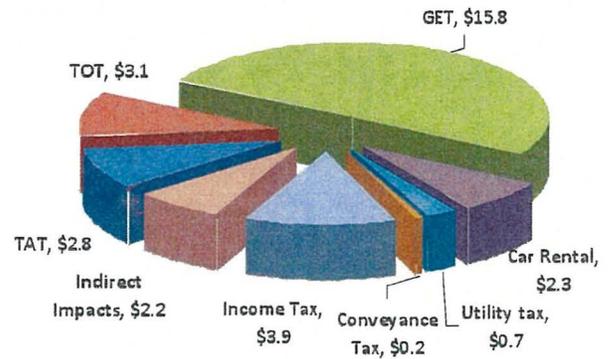
Annual Operations – Future New Development Only

- Of additional future operations tax revenues, **\$35.2 million** will accrue to Honolulu County and **\$31.1 million** to the State of Hawaii.

Annual Operations Impacts
Honolulu County
(in \$millions)



Annual Operations Impacts
State of Hawaii
(in \$millions)



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Construction Period – Future New Development Only

*Future development at Ko Olina Resort is estimated to generate **\$193.5 million** in one-time fiscal benefits for the City & County of Honolulu and the State of Hawaii.*

- Comprised of General Excise taxes, Income taxes, Conveyance taxes, Property taxes (during multi-year construction and sales period) and Indirect Impacts from local construction activities (estimated using IMPLAN)

- Tax revenues are related to
 - Development costs (including site development, building shell expenses, landscape improvements, equipment, supplies, furnishing and fixtures)
 - Sale of 1,753 total residential units and 2,123 total timeshare units
 - Land leases

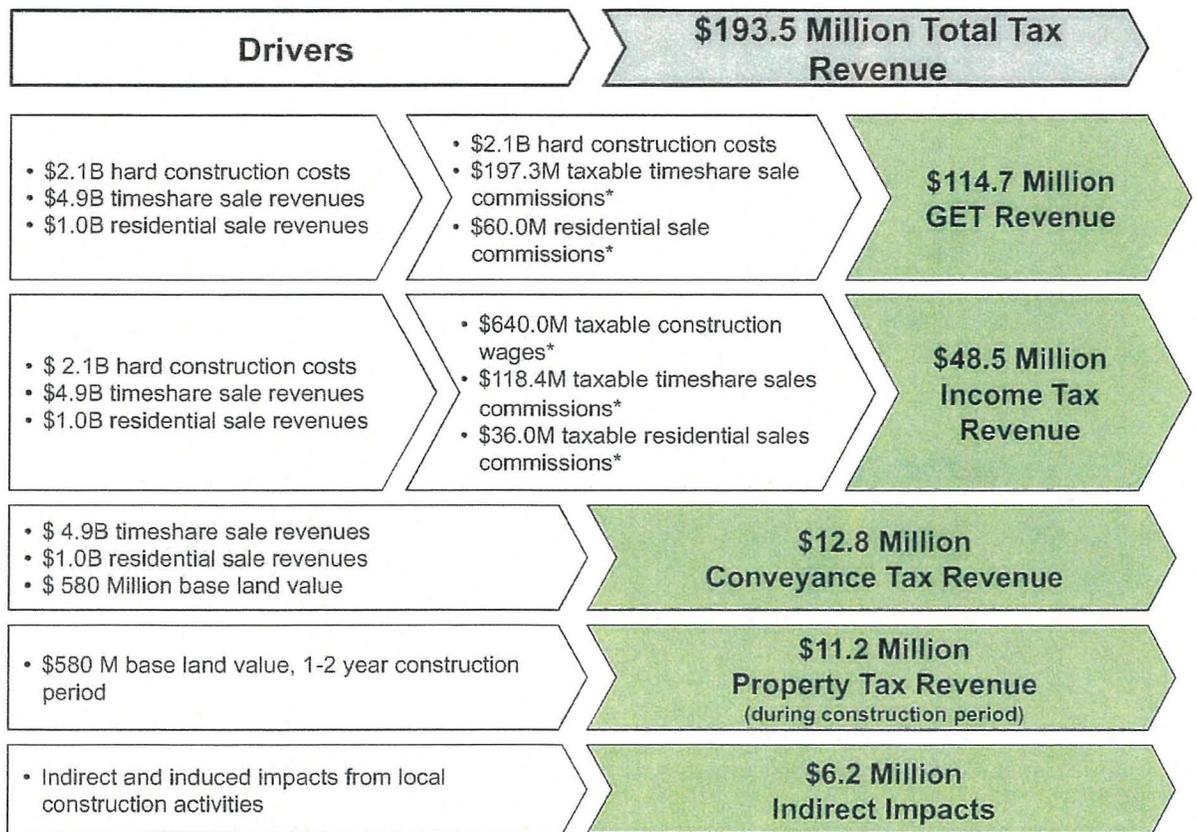
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Construction Period – Future Development



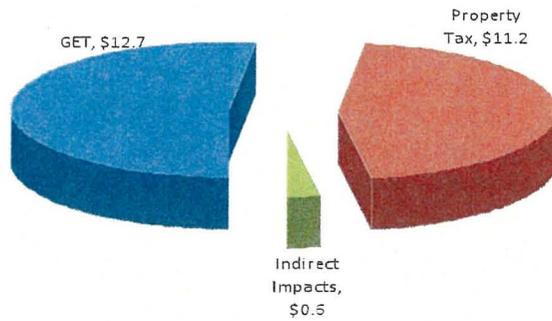
*Construction wages are estimated to total 50% of hard construction costs. Timeshare sales commissions estimated to be 15% of timeshare revenues, with 27% sold in the state of Hawaii and therefore taxable. Residential sales are assumed at 6% of sales price. For Income Tax purposes only, all taxable income is assumed to be net of 40% deductions and taxed at average rate of 6%.

FISCAL REVENUE IMPACTS

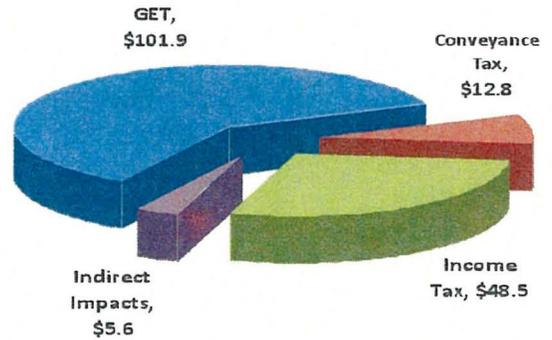
Construction Period – Future Development

- Of total one-time construction tax revenues, **\$24.6 million** will go to Honolulu County and **\$168.9 million** to the State of Hawaii as shown below.

Construction Period Impacts
City & County of Honolulu
(in \$millions)



Construction Period Impacts
State of Hawaii
(in \$millions)





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QUALIFICATIONS

CBRE Consulting

- Founded in 1978 as Sedway Group, CBRE Consulting is a nationwide full-service real estate and urban economics consulting firm. Since 1999, we have been a wholly owned subsidiary of CB Richard Ellis, the world's largest provider of commercial real estate services.
- Our expertise extends to all major land use types – office, retail, residential, industrial, hotel/resort and mixed use – and we are a nationally recognized leader in specialized areas such as redevelopment, economic revitalization, public/private transactions, entertainment retail and transit-oriented development. We provide our clients with market assessments, economic analyses and financial projections based upon our extensive experience with all facets of real estate and its place in the economy.
- Principals of CBRE have done 100+ fiscal impact studies representing both city and county governments, as well as developers.. Most recently we completed the fiscal analysis for the master planning of the 5,000-acre Concord Naval Weapons Station.
- Thomas Jirovsky, Sr. Managing Director at CBRE Consulting, has worked on economic studies for numerous resort facilities including Disney's Aulani, the Disneyland Resort in Anaheim, and Paramount's Great America amusement park.



ASSUMPTIONS AND LIMITING CONDITIONS

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ASSUMPTIONS AND LIMITING CONDITIONS

CBRE Consulting has made extensive efforts to confirm the accuracy of the information contained in this report. While we believe all information within the study is correct, we assume no responsibility for inaccuracies in the information provided by primary and secondary research sources.

Direct impacts are derived from estimated revenues, expenses, wages and spending at Ko Olina Resort. Offsite impacts are estimated based on tourism spending data from the Hawaii DBEDT, and local and State financial reports.

With respect to indirect impacts, an economic computer model, known as IMPLAN, has been used. This is a widely respected model intended for County-wide and State-wide aggregate analysis.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Estimates made in this analysis are based on hypothetical assumptions, current tax policies, and the current economic structure of the region. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid in quantifying Ko Olina Resort's impacts on the Hawaiian economy.

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GLOSSARY

Economic Impacts

- These include jobs, wages and expenditures at local businesses throughout the State of Hawaii resulting from the spending by visitors to Ko Olina Resort.

Fiscal Revenue Impacts

- These include various types of tax revenues generated for local, County, and State government by investment and spending related to the Ko Olina Resort guests. They include property taxes, hotel taxes, general excise taxes, utility taxes, business license taxes etc.

Direct Impacts

- Economic and fiscal impacts generated directly from the investment made to develop Ko Olina Resort or by guest spending at the Resort, e.g., general excise taxes and hotel taxes and property taxes on Ko Olina facilities. The fiscal revenue results reflect gross revenues to the County of Honolulu and State of Hawaii, without any offset for municipal service costs.

Offsite Impacts

- Impacts resulting from spending by Ko Olina guests at non-Ko Olina hotel, retail and other facilities.

Induced and Indirect Impacts

- Multiplied impacts from recycling of all direct and induced expenditures throughout the Hawaii economy, e.g., the jobs, spending and tax impact generated by the re-spending of wages and other income generated by Ko Olina guests and employees.

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