



HONOLULU CHAPTER



**SITE VISIT:
PACIFIC SHIPYARDS**

**SEMINAR:
TAX CREDIT & INCENTIVES FOR CONTRACTORS**

Aloha

CFMA MEMBERS

I hope you all are having a productive first half of 2018 and this message finds you doing well while enjoying the beginning of summer.

Thank you to all that have participated in the CFMA activities thus far in 2018. It has been an impressive list including:

- ASU 2014-09 ASC 606 Revenue Recognition Standards; January
- Transactional(Excise) Tax Joint Seminar with GCA; February
- Pacific Shipyards Tour and Harbor Restaurant Pier 38 Pau Hana; February
- 2018 CFMA Installation Banquet; April
- Economic Update by UHERO's Carl Bonham; May

Here are a few events with relevant topics to our industry coming up in the 2nd Half of 2018 Kapiolani Residence Site Visit.

- Surety Nation/Global Construction Industry Update
- Learning session on new pronouncement regarding Operating/Financing Leases
- Learning session on new pronouncement regarding Cash Flow Reporting

- Brown Bag Leadership discussion
- CFMA Annual Golf Outing in October

We will have additional social events and several job site visits mixed in over the next few months. Please look forward to receiving more details as we get closer to the event dates.

There are a variety of ways you can participate to make the CFMA Hawaii chapter a better resource for you. Volunteering on a committee and providing feedback are great ways to ensure your board is aware of activities that are beneficial to you.

On behalf of the CFMA Board have a great Summer and look forward to seeing you at the events.

Mahalo.

Ryan Nobriga

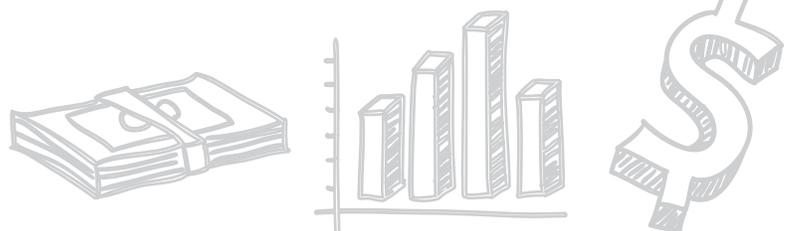
CFMA LUNCHEON

Economic Update

On May 24, 2018 Carl Bonham presented an economic update of the Hawaii economy. Highlights noted included: The three major world economies of the US, Europe and Japan are up Hawaii is in its 9th year of strong tourism growth. Visitor arrivals are up 9% and visitor days are up 7%. Airline seat counts are up 13% from last year. Hotels are at near full occupancy. Avg daily census is more than 20% up for the decade. There are about 700-800 airbnb units on Oahu that absorb some of the tourism growth. Federal interest rate increases are expected in June and September with uncertainty for an increase in December The CPI is within 2% which is not high inflation Oil is up by 50% from last year due to global economic growth, the Iran deal will force them to sell oil on the black market; and fracking is ramping up



Federal government spending in Hawaii is up by almost 12%, State spending by 9.4%. Construction industry has been volatile. Workforce declined by 1600 jobs in 2017. Construction spending is now steady. Residential outlook is flat, non-residential is better. Overall work pipeline is good and jobs should remain near current levels for rest of the decade. Unemployment rate has been steady at 2.1%; Job growth for 2018 to 2019 – about 1-2% Real income growth will be about 2%.



Mr. Carl Bonham, Executive Director and Professor of Economics University of Hawaii Economic Research Organization (UHERO)



Annual **INSTALLATION** **BANQUET**

Our chapter's Annual Installation Banquet was held on April 12th at the Waialae Country Club. Over fifty members and guests joined in recognizing the incoming Board of Directors as well as the addition of three new members, Paul Kennedy of Risk Solution Partners, Tricia Miyashiro of Atlas Insurance and Eddy Conway of Adon Construction. The Board is sad to say goodbye to Raymond Nii, but thankful for his continued support.





A big thank you to Nan Inc. and American Piping for sponsoring gift cards for this event.

We appreciate having this event at Waialae Country Club as we enjoy the beautiful surroundings, delicious food and each other's company.

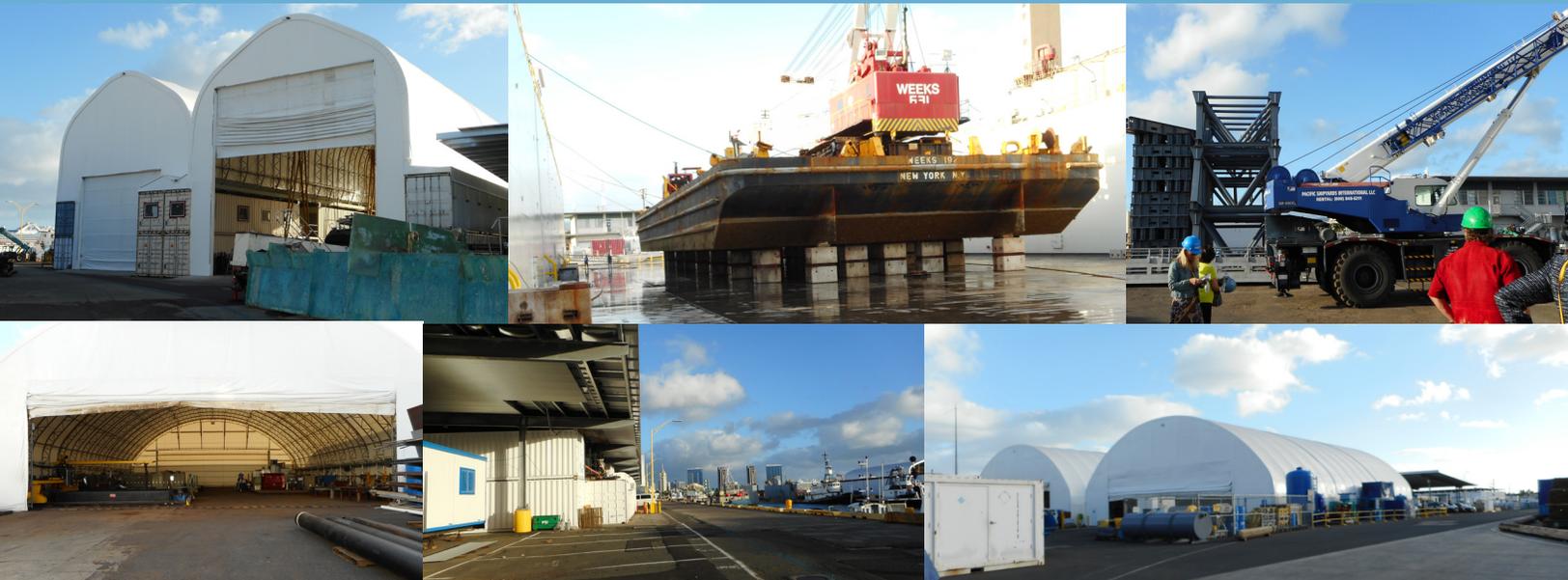




Pacific Shipyards



For more than 70 years, Pier 41 in Honolulu Harbor was home to PSI and its predecessors such as Honolulu Shipyards and Dillingham Shipyards. As part of the Honolulu Harbors redevelopment plan, PSI and its sister company and co-tenant Navatek, knew that it would have to relocate to Piers 24/25 with only 60-days to vacate and clean up Pier 41 to the State's satisfaction. There would be no time allowed to obtain new building permits and to construct any permanent buildings on the new pier site. PSI and Navatek were faced with moving from a 7-acre property with four metal warehouse/office structures to a 3.5 acre site with an adjacent building only for its support staff. With these limitations and access to the site a few months before its new lease was to begin, PSI acquired two-10,000 sf fabric tent structure kits which it put up in less than two months and constructed a 40,000 sf PV solar field that is about 15' above ground on the site before its move. Under the solar field, PSI used about a dozen shipping containers to create its Toolroom shop to hold its inventory of paint, supplies and small equipment

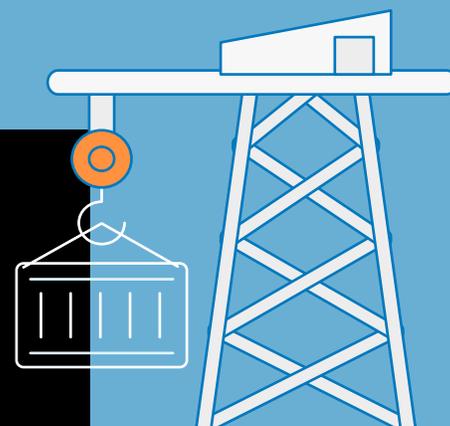


and to use as trailer offices. Navatek put up their own separate tent structures and containers for offices and operational usage.

Once the lease was executed, PSI moved its heavy industrial equipment, some bolted in place, to its new site, its floating drydock, inventory, office machinery, equipment, computers and boxes of records in days and then had to clean up its Pier 41 site. PSI and Navatek is completely off the HECO electrical grid and relies upon its solar field and batteries. It was a monumental task with a monumental capital and operating cost.

The CFMA group also got to tour PSI's new floating drydock that arrived on Thanksgiving day in 2017.

The drydock, Ho'ola I Na Moku means "Healing the Ships". It measures 444' x 144' and can hold most of the ships that are based in Hawaii except for the cruise ships and Navy surface combatant vessels. PSI had it built in China and utilized an external construction management company and regular visits to monitor progress and quality. Ho'ola I Na Moku will help to keep the local maritime vessels in a healthy condition for years to come.



Pau Hana

On Friday February 9th after the fun tour of Pacific Shipyards International at Pier 24 the group headed over to Honolulu Harbor Restaurant at Pier 38 for Pa'u Hana. There was a delicious spread of food and drinks for all. The view, live entertainment and enjoyable company ended the work week on a high note.





CFMA & GCA joint Seminar:

Income Tax credits, incentives and the GET for contractors



Related Tax Credits and Incentives for the Construction, Engineering, and Architecture Industry Presented by Brayn Consulting LLC from California: Brady Bryan, J.D. ; Kevin Sullivan, J.D., Yong Jeon, J.D.

The Construction, Engineering and Architecture Industry has several tax incentives available. The course will focus on how to identify and vet potential opportunities:

- R&D Tax Credit
- Cost Segregation
- Section 179D deduction for Energy Efficient Buildings
- Fuels Excise Tax Recovery

Managing the Hawaii General Excise Tax as a Construction Contractor Presented by Ryan LLC from New York: Douglas DeRito and Greg Piazza.

The Hawaii General Excise Tax is a tax imposed on businesses

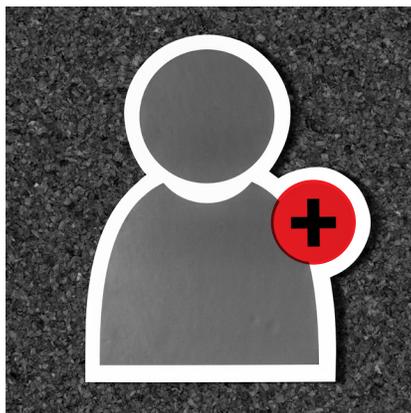


for the privilege of doing business in Hawaii, and is assessed at various percentage rates on the income businesses derived from activity in the State. In addition, businesses may need to pay Hawaii use tax on the value of tangible personal property, services and contracting that are brought into Hawaii from anywhere outside of Hawaii.

While there are very few exemptions for contractors, there is an opportunity to minimize tax payments, and that is

by properly managing transactions that may qualify for the subcontractor deduction. This area of the law can be confusing due to the definition of a “contractor” in Hawaii, as well as the fact that many suppliers do not separately state tax on their invoices. Administratively, it is very difficult to review all transactions to determine if the transaction would qualify for the subcontractor deduction, in addition to the burden of making sure the supplier is registered in Hawaii for GET purposes.





New Board Members Bios

Paul C. Kennedy

His experience includes reinsurance placement; International contract negotiations with clients and owners; Structured surety programs; DIP facilities; Roll-up surety program management; and international concession bonding structures (P3's: Public-Private Partnerships). Paul successfully proposed and project managed the purchase and subsequent integrated Chubb's Argentine surety company acquisition. In the property & casualty insurance arena his experience includes Construction and commercial insurance placement, claims management, contract reviews and OCIP/CCIP program administration as well as OCIP/CCIP reviews for both local, regional and national construction accounts, Captive Insurance account management as well as captive feasibility proposals.

Tricia Miyashiro

has over twenty years of experience in the Construction Insurance and Surety industry. Prior to joining Atlas, she was formerly a Vice President/Account Executive at King & Neel, Inc. and was also an Assistant VP and Surety Manager at Island Insurance where she successfully managed one of the only locally owned surety operations in the state of Hawaii.

Tricia obtained a BA from the University of Hawaii at Manoa. She also holds an Associate in Surety & Fidelity Bonds (AFSB) from the Insurance Institute of America as well as received her CRIS (Construction Risk and Insurance Specialist) Designation from International Risk Management Institute. She has been an active member of the National Association of Surety Bond Producers, Construction Financial Management Association, the General Contractors Association of Hawaii, NAWIC (National Association of Women Construction) and is the President of the Hawaii Surety Association.

Eddy Conway

comes to us after years of experience in hotel and restaurant accounting, and only one year in construction and solar power development. He arrived from San Francisco in 2001. For about 10 years he ran a tutoring service for college students in the subjects physics, calculus, statistics, accounting, and finance. He has been preparing personal and corporate taxes for six years, and he maintains a filing service with the IRS. He did auditing of insurance policies for mainland firms for two years. For Robert Half in Honolulu, he did hotel accounting, and he has been the accountant at bars and grills such as Lola's and Study Hall, on University Avenue. Now working at Adon Construction in Kaneohe, he does project accounting, payroll, general ledger and financial statements for four related firms.

Mahalo to our sponsors



THE CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION, HONOLULU CHAPTER

President: Ryan Nobriga Hawaiian Dredging
Treasurer: Craig Yamasaki Coastal Construction Co. Inc.
Secretary: Thalia Choy Genba Hawaii Inc.

Directors: Eddy Conway Adon Construction
 Paul Kennedy Risk Solution Partners
 Kent Lau First Hawaiian Bank
 Ben Nakaoka Pacific Shipyard
 Stephanie Rae King & Neel Inc.
 James Wong Zelinsky Company
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