

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF
THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY

February 19, 2015

Call to Order

§1. The regular meeting of the Board of Directors of the **Guam Economic Development Authority** (referred to as “GEDA” or the “Authority”) was held on February 19, 2015 at the hour of 1:39 p.m. at the Guam Economic Development Authority conference room, Fifth Floor Suite 511, ITC Building, Tamuning, Guam. The meeting was called to order by Chairman Edward J. Calvo to consider several items on the agenda.

Attendance and Quorum

§2. Roll Call. As determined by the roll call, the following directors were present:

Directors:

Edward J. Calvo

David J. John

Vera Wu

George Chiu

Monte Mesa

Ernesto V. Espaldon, Jr.

Also present were:

GEDA Officials:

John A. Rios

Offices or Positions:

Chairman

Vice Chairman

Secretary

Director

Director

Director

GEDA Administrator

Mana Silva Taijeron	GEDA Deputy Administrator
Terry Brooks	GEDA Legal Counsel Terrence M. Brooks P.C.
Christina Garcia	Business Development Manager
Claire Cruz	Compliance Division Manager
Larry Toves	Real Property Manager
Bernice Torres	Administrative Services Manager
Diego Mendiola	Real Property Assistant Manager
Mike Cruz	Project Director
Jha' Aunie Leon Guerrero	Real Property Administrative Assistant
Sheena Black	CEDDS Manager
Gloria Molo	Administrative Services Officer
Carl Quinata	Industry Development Specialist
Matt Sgro	Industry Development Specialist
Matthew Baza	Commerce & Economic Specialist
John San Nicolas	Compliance Supervisor
Nico Fujikawa	Industry Development Specialist
Thomas Paulino	Public Finance Officer
Brianna Benito	Industry Development Specialist
Tara Rivera	Loan Servicing Specialist
Therese Santos	Executive Assistant
Mike Benito	Manhita Guam
John Limtiaco	Manhita Guam
John Borja	Department of Agriculture
Mark Francis Hamoy	Philippine Consulate

Approval of Agenda

§3. The first item considered was approval of the agenda. On motion duly made by Director Espaldon and seconded by Director Mesa, to approve the agenda. The agenda was unanimously approved.

Approval of Minutes

§4. The next item on the agenda was the approval of minutes from the Regular Board of Directors Meeting on January 22, 2015.

Motion duly made to approve the minutes from the Regular Board Meeting on January 22, 2015 by Director Chiu and seconded by Director Mesa. The minutes were unanimously approved.

Communications

§5. The next item on the agenda was Communications.

Administrator, John Rios, mentioned to the Board that Bill No. 34-33 was introduced by the legislature, the bill is for the refunding of the 2007 Series A Bond. The savings was estimated to be between the amounts of \$10 to \$12 Million Dollars to the Government of Guam and will increase our debt capacity about \$5 Million Dollars. The Public Hearing for the bill has not been scheduled as of today's meeting.

No Board action was required.

Old Business

§6. The next item on the agenda was Old Business. The first item under Old Business was the Yigo Property Offer.

Mrs. Claire Cruz presented to the Board that on February 11, 2015, GEDA concluded its negotiations with Manhita Guam, Inc. for the purchase of GEDA's leasehold interest in Lot 10154-4 Yigo. This property was obtained by GEDA through foreclosure related to a loan made to Kusan America. The targeted recovery amount was \$333,126. The following are the negotiated terms:

Purchase price: \$300,000, \$200,000 in cash at closing. Manhita to execute a promissory note secured by a first leasehold mortgage in favor of GEDA for \$100,000 over 10 years @ 4% payable at \$1,012.45 per month beginning January 1.2016. Total principal & interest paid at maturity will be \$121,494.25.

Other Terms:

1. Close of escrow to take place within 60 days of acceptance and GEDA Board approval. Manhita and GEDA to pay escrow fees 50/50. GEDA to provide Manhita with a copy of current Ownership & Encumbrance report upon acceptance.
2. GEDA to pay for a licensed surveyor to locate and identify the property boundary points based on L. M. Check No. 276 FY 86. Surveyor will provide buyer with certification sketch with As Built within 45 days.
3. GEDA will Provide Manhita with a written calculation of leasehold rent based on Manhita's initial dollar investment amount. Manhita understands that if investment is less than \$1million then it will result in lease payments to Department of Agriculture.

GEDA respectfully requests that the Board of Directors approve the negotiated price, terms and conditions between GEDA as seller and Manhita Guam, Inc. as buyer of the purchase of Lot 10154-4 Yigo.

Mr. Mike Benito from Manhita Guam addressed the Board and informed the members that the company plans to do. Their goal is to have 120,000 laying hens which will produce 2.6 million dozens of eggs per year (Does not meet local demand.). The facility will be completely automated and 10 fulltime jobs will be created. A lot of economic activity will be generated. The feed for the hens will be a mixture of local corn and tangantangan. Compost will also be generated from the hen manure.

Mr. Benito thanked the Board for their time and asked for their support on the decision.

After some discussion, a motion duly made by Vice Chair John and seconded by Director Chiu to approve the negotiated price, terms and conditions between GEDA as seller and Manhita Guam, Inc. as buyer of the purchase of Lot 10154-4 Yigo. The motion was unanimously approved.

§7. The next item under Old Business was the Assignment of Sublease Agreement – Fred Chao, Inc.

Mr. Larry Toves presented to the board that at a previous board meeting, GEDA staff recommended the Board approve the assignment of lease from Fred Chao to Tai Fa for Lots 5, 6 and 8 Block 4, Tract 159 E.T. Calvo Memorial Industrial Park with certain conditions. However, the board tabled the request to allow staff to obtain more information and to discuss the matter further with the parties.

Since March 2014, GEDA staff and Tai Fa have held numerous meetings on the matter. We have reached agreement on an increase in monthly rent from \$2,033.90 to \$2,400. In addition to this, the tenant has or will invest over \$310K in improvements on property. Only 17 years remain on the lease which is a short amount of time to recover investments.

In the interest of moving this matter forward, GEDA staff recommends that the Board of Directors approve the assignment of the lease to Tai Fa; the increase in rent from \$2,033.90/month to \$2,400/month effective on the date of Governor's approval; and that rent for the next option periods in 2017 and beyond, be based upon a 10% increase, as was previously done for past option periods.

A motion duly made by Vice Chair John and seconded by Director Espaldon to approve the assignment of the lease to Tai Fa. The motion was unanimously approved.

§8. The next item under Old Business was Hon Tai Lease Amendment.

Mr. Diego Mendiola presented to the Board that Hon Tai Corp. (Tenant) has requested for a modification in the language of their lease to allow for a broader use.

At present, the lease only allows for iron works. However, Tenant has requested this language to be modified to allow “those activities consistent within an M1 Zone”. In addition to this, the tenant is also requesting to allow for the leasehold to be assignable as well as approval for subleasing to Johndel International, Inc. Over the life of the lease to date, Tenant has been current with its Lease rent.

Since the previous Board meeting in Dec 2014, Staff has negotiated lease rates and escalations with the tenant and has been able to come extremely close to mutually agreeable levels. The tenant has agreed to increase its lease rate and subsequent escalations much closer to Fair Market Value (FMV) effective on the date of the Governor’s approval. The tenant has also indicated plans to make significant investments and improvements in the property in the amounts of \$270K to include renovating the current building as well as constructing an additional warehouse. As the tenant has indicated, and staff concurs, this will result in increased economic activity on the property as well as stimulate employment as has always been GEDA’s mission with the industrial parks.

As negotiations are extremely close to raising the current and future lease rates closer to FMV, and in the interest of moving this matter forward without delay, GEDA staff recommends that the Board of Directors authorize the Administrator to conclude negotiations and execute the respective lease amendments as indicated above, provided that rent upon execution would be, at minimum, \$920.00 per month, with escalations for options at 50% of FMV in 2021, and 100% FMV in 2031, and 100% FMV for each option period thereafter based on appraisals commissioned by the tenant. These amendments would then require Land Management, AG’s and Governor’s approval.

After further discussion, a motion duly made by Director Espaldon and seconded by Director Chiu to authorize the Administrator to conclude negotiations and execute the respective lease amendments as indicated above, provided that rent upon execution would be, at minimum, \$920.00 per month, with escalations for options at 50% of FMV in 2021, and 100% FMV in 2031, and 100% FMV for each option period thereafter based on appraisals commissioned by the tenant.. The motion was unanimously approved.

New Business

§9.- The next item on the agenda was New Business. The first item under New Business was IFB 15-001 Design and Construction of Improvements to Hagåtña Pool.

Mr. Larry Toves informed the Board that on October 2014, CHA completed a comprehensive assessment of the conditions of the Hagåtña Pool. The study indicated that \$880K to \$1.5M is needed to perform required repairs. The study was provided to the Department of Parks and Recreation for its use in securing funding

for the facility. In addition, the study identified emergent repairs that could be implemented within the budget under the Hot Bond program. On January 23, 2015, GEDA issued IFB 15-001 to solicit bids for the project. Bids are due tomorrow, February 20, 2015.

Since the award process involves a relatively straightforward determination of the lowest, most responsible and responsive bidder, GEDA staff believe that time could be saved if approval is received from the board to award the construction contract to the lowest, most responsible and responsive bidder.

Normally, GEDA staff also recommends a not to exceed amount for the award of the contract. However, identifying a not to exceed amount prior to the submission of bids is not advisable in a public meeting.

GEDA staff recommends that the Board of Directors authorize the Administrator to award a contract for the Design and Construction of Improvements to Hagåtña Pool to the lowest, most responsible and responsive bidder in an amount not to exceed the available budget. Legal counsel review of the contract and approval from Bureau of Budget and Management Research, the Attorney General and the Governor is also necessary.

After some discussion, a motion duly made by Director Espaldon and seconded by Director Mesa to authorize the Administrator to award a contract for the Design and Construction of Improvements to Hagåtña Pool to the lowest, most responsible and responsive bidder in an amount not to exceed the available budget. The motion was unanimously approved.

Reports

§8. The next item on the agenda was Reports. Chairman informed the Board that there will be an update given on the HOT Bond projects, specifically the Museum. Mr. Larry Toves presented an update on the progress of the Museum and the status of some of the other ongoing projects. No board action was required.

Public Comments

§9. The next item on the agenda was Public comments.

Adjournment

§10. Having no further items to discuss, on motion to adjourn duly made by Director Mesa and seconded by Director Wu, at 2:24 p.m., the meeting was adjourned.

Dated this 19th day of March, 2015



Edward J. Calvo
Chairman

ATTEST:



Vera Wu
Secretary