

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

July 17, 2014

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 July 17, 2014 at the hour of 1:34 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 Vice Chairman David John 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:

David J. John

Monte Mesa

George Chiu

Ernesto V. Espaldon, Jr.

Absent and excused:

Edward J. Calvo

Vera Wu

Offices or Positions:

Chairman

Director

Director

Director

Also present were:

GEDA Officials:

John A. Rios	Acting Administrator
Mana Silva Tajeron	Deputy Administrator
Thomas J. Fisher	GEDA Legal Counsel Fisher & Associates
Larry Toves	Real Property Division Manager
Bernice Torres	Administration & Operations Division Manager
Christina D. Garcia	Business Development Division Manager
Henry Cruz	Economist
John San Nicolas	Compliance Supervisor
Nico Fujikawa	Public Finance Officer
Diego Mendiola	Real Property Assistant Manager
Mike Cruz	Project Director
Therese Santos	Executive Assistant
Carl Quinata	Industry Development Specialist
Jha' Aunie Leon Guerrero	Real Property Administrative Assistant
Anthony Arriola	Program Coordinator
Jay R. Merrill	MR&D
Glenn Leon Guerrero	CHA
Dan Roth	CHA
Heather Wyld	CHA
John Camacho	GRRP
Ken Quintanilla	KUAM

Approval of Agenda

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

Approval of Minutes

§4. The next item on the agenda was the approval of the minutes for the Regular Board Meeting on May 15, 2014, Emergency Board Meeting on June 5, 2104, and Regular Board meeting on June 19, 2014.

Motion duly made to approve the minutes from the Regular Board Meeting on May 25, 2014, Emergency Board Meeting on June 5, 2104, and Regular Board meeting on June 19, 2014 by Director Mesa and seconded by Director Chiu, the agenda was unanimously approved.

Communications

§5. The next item on the agenda was Communications: Resignation of Director Arlene P. Bordallo.

Vice Chairman John informed the Board that Director Arlene Bordallo submitted her resignation from the GEDA Board of Directors which leaves an open position for the Secretary.

Motion duly made to nominate Director Vera Wu for the Secretary position as long as she accepts by Director Mesa and seconded by Director Espaldon. The motion was unanimously approved.

Old Business

§6. The next item on the agenda was Old Business. The item under Old Business was GRRP.

Administrator Rios informed the Board that a letter had been sent to Senator Rodriguez advising him that the GEDA Board of Directors were aware of the mediation and the agreement with GRRP. Administrator Rios informed the Board that a letter was received from Mr. Wagdy Guirguis from GRRP, requesting that a resolution be done confirming GEDA's position with respect on the GRRP Waste to Energy project; he also attached a draft resolution. Administrator Rios shared the letter with Legal Counsel Fisher who had not seen the letter.

Vice Chair John recommended that a request be sent to Senator Rodriguez to meet with Legal Counsel and Director Mesa and take care of this issue. Legal Counsel informed the Board that he will review the letter from GRRP and come back to the board with a recommendation.

Administrator Rios asked if there was a deadline in August and Legal Counsel informed him that GEDA's part had been done and it was now for the Legislature to act or not act. That the matter was still pending in the Superior Court of Guam, and that a further proceeding was scheduled in the Superior Court in late August.

Vice Chair John asked if there was any reason why the legislature thinks that GEDA hasn't fulfilled its duties. Legal Counsel mentioned that GEDA had done everything that was required. Attorney Fisher informed the Board he would review the letter that Administrator Rios received from GRRP and advise it.

New Business

§7. The next item on the agenda was New Business. There was none.

Reports

§8. The next item on the agenda was Reports: The first item under Reports was the Economic Symposium Update.

Mrs. Christina Garcia presented to the Board that GEDA has been working for the past few months on the Economic Symposium. "We have been working with a number of investors and trade missions of individual group visits. We felt the need to compile all the information into one event and invite them to join us in Guam to discuss the business opportunities. We have Mr. Jay Merrill who is our event coordinator to give us an update."

Mr. Jay Merrill presented to the Board that the Economic Symposium is going to be quite an event. This is probably going to be in the seminar economic development news and information conference of the year. The event will be the kickoff of what GEDA will be able to pursue as a multiyear venture in stimulating what we believe is the beginning of the most robust period of economic growth in Guam's history.

This conference is based on three specific premises. The first is that Guam's tourism is at the stage where it's now realistic to believe that by 2020, we can attain two million visitors a year. That represents a 40% growth over the existing visitor count, which also means we will need to construct new hotel rooms. Based on that demand, GVB believes that there will be eighteen to twenty hotels that will need to be constructed. Adding the revenue that will come from the additional passengers coming to Guam, with the investments acquired with the hotels, we are looking at more than a billion dollars in economic infusion. And finally, it's believed that the military buildup is going to proceed, it's hoped

that the decision will be issued next year. This year there was five hundred million dollars in investment identified and it's anticipated that we will continue at that pace for the next five to seven years. So we are now looking at over ten billion dollars investment over the next five to seven years that the island is going to enjoy. We never had that level of growth so quickly. That process also creates enormous opportunity to create jobs, bring new business ventures, and new income opportunities to our island and for our region.

So we have a tremendous story to tell, and to tell it we even brought in people from throughout the region of the United States to talk about each of those specific industries. So we have what is necessary for the community to clearly understand what the impact of the growth in tourism and the growth of military expansion.

Finally, we have the PMO from GPA who is assisting in putting together an explanation for the impact especially with infrastructure growth at GPA, GWA and the Port. Both the Port and the Airport have indicated their interest in participating. GVB has (not officially) has indicated that they will contribute \$50,000; we've had positive indications from Guam Airport Authority the same amount. In the meantime there's been good response from the private sector and so we fully anticipate raising an estimate of \$70,000 and sponsorships as well.

Cost of the registration stands at \$1,000 because of the quality of the information that is being provided. We hope, because of recent discovery that our keynote speaker will be United States Secretary for the Treasurer, a Guamanian, Rosa Gumataotao Rios. There won't be promises but there is certainly an interest and I believe it may be possible to bring her out. We have another prominent journalist economist by the name of Joshua Ramo, who is speaking on his concept of the combination and interest of China and the United States in their effort to work together in a new dimension for the next generation.

The registration site will be up next week so we are planning to hold a press conference and early registration is available for \$800 until the 31st of August. The new date for the conference is October 22, 23 & 24, 2014.

Vic Chair John informed Mr. Merrill that if there is anything from the Board that was needed, to let them know.

§9. The next item on the agenda was the China Development Office Update.

Mrs. Christina Garcia presented that in support of what's happening in China, the bulk of worldwide travelers seen in the past decade just in travel alone, they (China) has become the world's biggest source of foreign tours in 2012. At the last Board meeting it was discussed and approved to move forward

on opening a China office. Director George Chiu was appointed to lead in the efforts, and our decision was initially to partner up with the Guam Visitor's Bureau. We have met with GVB and they are in the process of issuing a new RFP, so we are working with them to put in a business side that GEDA will contribute representing the business side of the Guam office. We are looking at a number of locations. GVB has offices in Hong Kong, Beijing and Shanghai. We are looking at the three markets to see where GEDA would be placed. We are waiting for GVB representatives as they are currently off-island, and we will start working with them next week.

Vice Chair John asked if GEDA has a budget for this office. Mrs. Garcia informed him that there an allocated amount of at least \$100,000 and that's from the annual budget and once we go through the RFP process with GVB we will come back and report to the Board.

§10. The next item on the agenda was QC Update:

Vice Chairman John informed the Board that the committee meeting is on hold until we get the study back from Horwath. He further reported that we are pretty much ready to go. We met with Senator Rodriguez, and he's asked us to put a couple more pieces together, but in theory, he's on board with what we have to offer. We just want to make sure that what we bring up publicly is in line with the Horwath study. We hope that by the next Board meeting we'll have something concrete of the first round of the QC.

§11. The next item on the agenda was Real Property Division: HOT Bonds Update:

Mr. Larry Toves informed the Board that he will be presenting an update and that no Board action will be needed. The HOT Bond Program Executive Dashboard was passed out to the Board members and made a note that present at the meeting were Heather Wyld, Project Manager, Dan Roth and Glenn Leon Guererro from CHA. We could just go through the Dashboard and discuss each project.

With respect to the Guam Museum (Guam and Chamorro Educational Facility); since January we've been having issues with the pilings, we are just about done with that. The recommendation to retest the piles were made, this will be at the cost of the contractor. Once the testing is done, shortly after that the contractor will begin the foundation of the facility.

There are three projects so far that have been completed, the Inarajan Community Center, the Plaza de Espana, and just recently we unveiled the first of nineteen Village Monuments. There are eighteen more monuments that need to be installed.

Our next project, we will have a Groundbreaking for the Farmers Coop on August 11th. We are looking forward to that groundbreaking. The contractors are on site, they have already cleared the road and the fence is up.

Shortly after that we will be issuing the Invitation for Bids on the Crosswalk Projects. Those are in Hagåtña, across from Chamorro Village and Tumon, across from the Galleria.

Then we have the Hagåtña Swimming Pool and Tennis Courts, we are still working on the Invitation for Bid to release for the Tennis Courts. That project is \$150,000. The Hagåtña Pool, we will come back to the Board with a recommendation to conduct a study. This is so that we can get an overall picture and extent of damage and what we will be looking at as far as cost. The budget is set aside for \$150,000.

The Malesso Bell Tower Monument is another project. We have a contractor preparing the design, and the scope of study to determine how extensive the damage is.

Vice Chairman John asked; Regards to the Museum, is there anything else that the Board needs to know about? At this time no, we are trying to keep on top it. We are trying, as much as possible to get the cost to stay within budget, but for certain unforeseen circumstance there is a probability we'll have some change orders. Obviously we will have to come to the Board if it comes to that point for approval.

Director Mesa inquired on the exhibit lighting that is behind schedule. Mr. Larry Toves informed the board that the actual contract is going through the process. Legal Counsel is preparing a procurement file that will be going to BBMR, the Attorney General's Office and then once it's signed by the Governor we can execute the contract.

Director Espaldon asked Mr. Toves to give an update on the Ypao Park Lighting Project. There are seven bidders who responded to the IFB and Inland Builders had the lowest bid. Because we had some issues with Inland Builders at the Guam Museum, we are still trying to make certain that the contractor is responsive. Director Espaldon asked if there was a time frame for this project to move forward. Mr. Toves referred the question to Legal Counsel. Attorney Fisher informed the Board that it's as soon as possible but its contingent upon satisfaction in GEDA's part that we have a responsible contractor.

§12. The next item on the agenda was Office Rental.

Mr. Larry Toves presented to the Board that GEDA currently leases 9,976 square feet of office space at the cost of \$2.00/sf/month or \$22,932.12 (excludes Guam Housing Corporation) including utilities and parking. Effective October 1,

2014, GEDA's landlord intends to increase rent to \$2.37/sf/month or \$3,568.56 more per month than currently being paid. Every three years, GEDA is faced with having to decide on the advantages and disadvantages of leasing space at ITC.

On or around the summer of 2010, GEDA Management contemplated moving GEDA offices from its current location at the ITC Building to the Former Tropical Color Center (TCC) property in order to reduce operating costs in terms of office space rental. At the time, GEDA estimated renovations of TCC to be in the neighborhood of \$300K in order to accommodate a staff size of roughly 30 personnel along with equipment. However, with the change in administration at the conclusion of 2010, the decision was for GEDA to remain at ITC.

In 2014's recent months, along with a pending increase in office rental costs, the notion of GEDA relocating its offices has been revived. With this, RPD has been tasked to discuss the various options GEDA has at this juncture with regard to office space with the goal of lowering or minimizing operational costs now and for the long term.

With operational costs steadily increasing and revenues being hard challenged to keep up at the same pace, GEDA is faced with deciding how to maintain (or afford) current operational levels with increasing costs. In particular, due to pending 17% increase in rent here at ITC beginning October 1, 2014, various options might be discussed and considered by the Board, including:

1. Utilizing revenue from the Vacant Lot to offset pending office rental increase;
2. Renovate and occupy an existing building after GEDA lease expiration;
3. Issue an RFP for Office Space;
4. Build a new building on GEDA land where space is available.

The 1st option was attempted on several occasions, GEDA Administrator along with RPD staff met with ITC Management to discuss and negotiate ITC's use of the Vacant Lot to offset GEDA's increase in office rent. ITC has notified GEDA that its office rent, at least for the next 3 years, will be increasing by over \$42K, per year or \$3,500 per month. With its previous tenant, the Vacant Lot generated just over \$40K per year or just over \$3,300 per month. Although RPD staff estimated the Fair Market Value (FMV) of the Vacant Lot closer to roughly \$65K per year \$5,400 per month, which would have more than covered GEDA's increase in rent, ITC remains steadfast in having GEDA pay the additional \$42K per year for office space despite continuing to utilize the Vacant Lot for additional parking space. While GEDA could RFP the Vacant Lot out for lease, current potential interest of the property is still uncertain.

The 2nd option would depend on the timing of a GEDA Tenant's Lease expiration along with the condition of any building at that time. Considering most of GEDA's tenants still have anywhere from 7 to 40 plus years left on their current leases along with the fact that a majority of the property improvements are warehouses, this option would not be reasonable given GEDA's desire to reduce operational costs within the next year. In addition to this, the potential condition of most of these warehouses would require substantial renovation costs.

Option 3 is standard practice for other Gov Guam agencies requiring office space however, GEDA would only be trading one landlord for another with no guarantee of keeping operational costs down in the long term as most commercial leases tend to trend ever upward.

Finally, option 4 only requires GEDA to build a new building. Right off the top, this would provide for a couple of positive things to consider: ownership of its own building which can be mortgaged in the future if needed, no more rental payments to another landlord, potential for additional revenue generation if desired, etc. Although it would cost GEDA to move its operations, this expense would be a one-time instance which could be recovered over time. When analyzing this very scenario late 2010 and early 2012, staff estimated a new building construction of a 2 story, 1,200 total square foot building to be at \$4-5M. With interest rates being much lower now (approximately 4.2% - 5.5%) than they were then (approximately 7% - 9%), it seems that this option may be more feasible. With current interest rates, a loan for \$5M would cost GEDA about \$24,500 per month or \$294K per year. Even though this may present an increase of periodic payments, it would be by a slight factor of roughly \$1,500 per month when compared to GEDA's pending increase in rent from \$2 to \$2.37 per square foot. Considering rent at ITC will most likely continue to increase every 3 years, this option may be more desirable, especially in the long run since this cost will be towards a real asset rather than continue to be an ever increasing liability. With this alternative, GEDA would also have to consider maintenance costs of this asset moving forward.

It is the staff's recommendation that the Board consider the above alternatives and provide direction to staff at the next opportunity.

After further discussion, Vice Chairman John requested to find out what are GEDA's real needs and then we should look at an RFP and make sure we get the best deal and get back to the Board with a recommendation.

§13. The next item on the agenda was the GEDA Tamuning Property (Lot 1, Block 5, Tract 259).

Vice Chairman John requested GEDA staff to put out an IFB for the property and get back to the Board with a recommendation.

§14. The next item on the agenda was the Hagåtña Master Planning.

Mr. Larry Toves presented an update that at the last Board meeting we approved the overall contract with Matrix Design Group Inc. to carry out the services under RFP 14-008 upon final review of the contract by legal counsel, subject to the approval of HRRRA. Should additional task orders under the master contract be contemplated, prior approval by the GEDA Board of Directors will be necessary.

§15. The next item on the agenda was Pending Real Estate Projects.

Mr. Larry Toves informed the Board that this is basically all the MOUs that GEDA has with the Guam Ancestral Lands Commission (GALC) and Chamorro Land Trust Commission (CLTC). We are in the process of trying to develop some properties for CLTC, this is located on Route 15, Fadian Point. We are still in the process of procurement on that.

§16. The next item on the agenda was Compliance Division Update.

Mr. John San Nicolas presented to the Board a quick update regarding five real estate properties in Saipan that GEDA has received in exchange for judgment against principals in this particular case. We are currently researching the properties; we have already received PTRs and will be visiting the site. We will update the Board upon completion of our research.

§17. The next item on the agenda was Public Finance Division – SSBCI Update.

Mr. Nico Fujikawa presented an overview on the State Small Business Credit Initiative. This program has been very successful since it was started in 2012. There are about thirty-three companies with this program, to date, we have \$6.3M that financial institutes have lent out as our partners to start off these businesses and GEDA has guaranteed about \$4.7M. The biggest highlight is the two hundred eighty-five jobs that have been created since 2012. This is by far the best job creation initiatives for the Government of Guam. The program continues to be active and financial institutes are showing interest and would like to get on board with the SSBCI program.

§18. Vice Chairman John mentioned that GEDA staff would need to prepare their proposed budget for next year.


Public Comments

§18. The next item on the agenda was Public comments. There were none.

Adjournment


§19. Having no further items to discuss, on motion to adjourn duly made by Director Chiu and seconded by Director Mesa, at 2:45 p.m., the meeting was adjourned.

Dated this 21 day of AUGUST, 2014



Edward J. Calvo
Chairman

ATTEST:



VERA WU
Director