

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

September 18, 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 September 18, 2014 at the hour of 1:40 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

Monte Mesa

Ernesto V. Espaldon, Jr.

***Absent and excused:***

George Chiu

***Also present were:***

***GEDA Officials:***

Mana Silva Taijeron

***Offices or Positions:***

Chairman

Vice Chairman

Secretary

Director

Director

Director

Acting Administrator

John A. Rios	Acting Deputy Administrator
Thomas J. Fisher	GEDA Legal Counsel Fisher & Associates
Larry Toves Bernice Torres	Real Property Division Manager Administration & Operations Division Manager
Carl Quinata Sheena Black	Industry Development Specialist Commerce & Economic Development Division Manager
Claire Cruz R. Greg Sablan Antoinette Leon Guerrero Diego Mendiola John San Nicolas Mike Cruz Therese Santos Jha' Aunie Leon Guerrero Anisia Terlaje Gloria Molo Steven Dierking	Compliance Division Manager Public Finance Division Assistant Manager Public Finance Officer Real Property Assistant Manager Compliance Supervisor Project Director Executive Assistant Real Property Administrative Assistant Special Assistant Inter-Agency Administrative Services Officer Chief Information/Marketing Manager
Gavin Thomas Glenn Leon Guerrero Amber Leon Guerrero Heather Wyld George Castro Ariel S. Canlas Jasmine Stole	CHA Companies CHA Companies CHA Companies CHA Companies Depo Resources Setiadi Architects Marianas Variety

***Approval of Agenda***

§3. The first item considered was approval of the agenda. Attorney Thomas Fisher recommended for Executive Order to be moved to the top of the agenda. On motion duly made by Vice Chair John and seconded by Director Espaldon, to approve the agenda with the amendment to Executive Order to the top of the agenda. 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 September 18, 2014.

Motion duly made to approve the minutes from the Regular Board Meeting on September 18, 2014 by Director Mesa and seconded by Director Wu, the agenda was unanimously approved.

### ***Communications***

§5. The next item on the agenda was Communications. There were none.

### ***Executive Session***

§6. The next item on the agenda was Executive Session. Upon oral recommendation of counsel, on motion duly made and seconded, the Board recessed to convene Executive Session to discuss the Loan Case #BK-02-00071. After Executive Session, on motion made and seconded, the Board reconvened regular session.

Chairman announced that the Board was back from Executive Session and that the Board was entertaining a motion with the Board regarding the lump sum.

A motion dully made to approve the recommendation from management to settle the debt to be deducted based on the recommendation and settlement approval by Director Mesa and seconded by Director Espaldon. Before the Board voted, Chairman Calvo announced that Vice Chair John recused himself from voting on the motion. The motion was unanimously approved.

### ***Old Business***

§7. The next item on the agenda was Old Business. The first item under Old Business was Special QC for Hotel Development.

Vice Chair John presented to the Board that the QC Committee has been working on an updated QC for Hotel specifically. We are also looking at other industries to strengthen the QC Program.

The goal behind the QC Program was to quantify benefits given so that we could answer legislative questions and know how much we are giving away. We came up with a cap dollar amount, six percentage of the construction cost, we've also made it so that there is a cafeteria approach for the developer so that they can pick and choose which benefit they want to use until their dollar amount is used up. The goal is to get the QC off the books within five to ten years and not twenty, but we will go as long as twenty if needed.

For each QC we would like to obtain a goal, in this particular case the goal is the hotel rooms to bring in more visitors, this is for economic development for tourism industry and create tourist attractions funds, eventually bringing hotels to regular tax paying eventually on our island as quickly as possible. We also want to make sure these QC's are revisited, so every five years the Board should revisit these QC's, make sure there is still a community lead form. This particular one has a cap on it; cap on 1600 rooms or a visa waiver. If the China visa waiver goes through, we probably don't need to be giving tax incentives out of construction.

Also, as opposed to QC's in the past, the QC needs to be applied for and approved prior to the building permit. What we don't want is to have four stories already build and then be giving the QC, the community will see it as a gift and not as an incentive.

The taxes we are looking to give, the idea is to give 10% of the construction cost and give 5 for the following: 50% of business tax for twenty years, and that's as long as there are tax credits available under our Bond obligations. So in certain years if they are used up, they will push those to the right so that they can be carried forward. The 50% of the GRT or DBT, 75% of Income Tax every twenty years, 100% Real Property Tax for ten years, and 100% Used Tax Exemption for property to construct, furnish and equip the facility.

Horwath stated that from the development stand point, Guam's expensive to develop, our labor costs are high, and our utility costs are ridiculous. The one thing we have going for us in addition to land and our great community is that our taxes are not out of hand.

This QC takes care of leveraging the details. There is a dollar amount there and we can tell Legislature what it is. From the community stand point, half a percent of the development cost will be towards the community benefits which will be negotiated between GEDA and the developer.

After further discussion, Vice Chair John informed the Board that the next step for the QC, if it's approved by the Board is to meet with the oversight Chairman, Senator Rodriguez. Senator Rodriguez would like us to move forward with the next QC. The reason why the QC's separate is each type of business benefits the community differently and we need to make sure that each type of QC is tailored to the type of businesses it pertains to.

Motion dully made by Director Espaldon and seconded by Director Mesa to approve with the conditions that the developer does an evaluation of the property and demonstrate the value. The motion was unanimously approved.

§8. The next item on the agenda under Old Business was Improvements & Restoration of Historic Structures – Malesso Bell Tower.

Mr. Larry Toves presented to the Board that based upon Board approval, the Governor approved the contract with Setiadi Architects Inc. in June 2014 to study and design the Malesso Bell Tower and the Magellan Monument under the HOT Bond Program. In approving the contract to work on the Malesso Bell Tower, the Board expressed its concern about the high potential cost for rehabilitating the facility and directed that upon completion of the Structural Assessment and Schematic Design, the project be presented to the board for approval to proceed with 100% design and construction.

The Malesso Bell Tower was listed on the Guam and National Registers of Historic Places in 1975 because it has significant historic value. The structure represents the transition stage in architecture on the island between colonial Spanish architecture and the influx of stateside structures. The materials and methods are reminiscent of previous Spanish structures. The overall massing (shape and size of the building) is a major element of design that is missing in later designs on Guam. The tower was built in 1910 by Father Cristobal de Canals O.F.M. Cap. He also built a church, promoted agriculture, and in general, raised the standard of living in Malesso. The bell tower is an iconic structure representing the village of Malesso.

Setiadi has completed the Historic Structures Report, the Structural Assessment Report and the Schematic Design and for this work, has thus far billed \$28K under the \$81K contract. Based upon the Schematic Design, Setiadi has estimated the cost to restore the facility at \$280K. Should the board allow Setiadi to proceed with 100% design; a more accurate estimate of the cost will be developed. Currently, GEDA has about \$257K available for Malesso (including construction, archaeology, CM if needed).

During the review of the above documents, the Guam Preservation Trust expressed concern about the impact of erosion on the facility and Setiadi's structural engineer recommended the construction of a wall on the seaside of the tower. The design of this wall is not included as part of Setiadi's contract which Setiadi has indicated would cost an additional \$18K, inclusive of a soils study and wall design. The cost of construction is not included in the \$280K construction cost estimate.

Given the historic nature of the bell tower, GEDA believes Setiadi should complete the design and thereafter, GEDA would solicit construction bids. With regard to the additional design cost for the wall and soils study, GEDA and Setiadi have discussed this matter and agree that both the design and construction of the wall could be included in the bid package as a bid option in which the bidder would prepare the design and construct the wall should sufficient funding be available

either through the HOT bond program or other source of funding such as the Guam Preservation Trust.

With us here today is Mr. Ariel Canlas from Setiadi Architects to answer any questions the board may have.

GEDA staff recommends that the Board of Directors authorize the Administrator to issue a Notice to Proceed to Setiadi to prepare the 100% design plan and construction documents for the Malesso Bell Tower and to issue an Invitation for Bid to rehabilitate the facility. Upon receipt of bids, GEDA shall present the bids to the Board for approval.

Motion dully made by Director Espaldon and seconded by Director Mesa to approve to authorize the Administrator to issue a notice to proceed to the vendor to complete the 100% design and construction documents for the Malesso Bell Tower. The motion was unanimously approved.

§9. The next item under Old Business was the contract for Professional Management Services – CHA Companies.

Mr. Mike Cruz presented to the Board that GEDA's contract with CHA to perform Program Management services under the HOT Bond program will expire on October 5, 2014 if GEDA's option to extend the contract is not exercised. Under the contract, GEDA has the discretion to extend the contract for two, two year options.

Knowing that the contract would expire this year and recognizing the reduced need for program management given progress made thus far, GEDA requested CHA to provide its fee for Construction Management services for the projects that have yet to be constructed. Over the months since January, CHA's fee was originally proposed at \$1.9M and since then its fee has been reduced to just over \$1.0M. GEDA staff has extreme difficulty recommending approval of this amount from a budgetary perspective as well as need.

GEDA staff believe that without CHA's assistance in the past, we would not have progressed to where we are today – some projects have been completed, and the remaining projects are in various stages of design and construction. However, the HOT bond program is at a point where the services of a full time technical staff with attendant overhead costs, is no longer needed. What is needed at this time, given the status of projects, staff capabilities and workload, is the services of one engineer over a one year period (with options to extend) to coordinate projects with stakeholders and regulatory agencies to resolve issues, advise GEDA on technical engineering matters, provide services during construction, perform some construction management services (particularly for smaller projects) as needed and generally ensure completion of a quality project within schedule and within budget. The cost

of this service for one year should not exceed \$90K which would be funded under the HOT bond program.

GEDA staff recommends that the Board allow the Administrator to discuss the extension of CHA's contract for an amount not to exceed \$90K. Should CHA agree, the Administrator is authorized to extend the contract for one year for an amount not to exceed \$90K. Should CHA not agree, the Administrator is authorized to execute other expedient options to secure the services of an engineer for the HOT bond program provided that the cost does not exceed \$90K for one year. In addition, should CHA not agree, GEDA staff is directed to prepare and the Chairman is authorized to sign, a Board resolution commending Mr. Gavin Thomas as Project Manager for his exceptional work on and dedication to the HOT bond Program and its component projects.

After some discussion, a motion dully made by Director Espaldon and seconded by Director Mesa to move to approve the recommendation and allow the Administrator for negotiations with the contractor. The motion was unanimously approved.

§10. The next item under Old Business was the MOU between GEDA and the Office of the Governor.

Mr. Larry Toves presented to the Board that in the binders is an attached for the Board's consideration and approval is a Memorandum of Agreement between GEDA and the Office of the Governor in which GEDA will utilize its Consultant, Matrix Design Group, to conduct various studies associated with the military relocation to Guam. These studies are required by the Office of the Governor and the Department of Defense which will pay over \$3 Million to GEDA to fund preparation of the studies to include approximately \$300K (10%) as GEDA's management fee.

The preparation of these reports will assist the Office of the Governor and the Department of Defense in satisfying the requirements of Section 2822(d) of the 2014 National Defense Authorization Act (NDAA) which directs the convening of the Economic Adjustment Committee (EAC) to consider all assistance necessary to support the preferred alternative for the relocation of Marine Corps forces to Guam. EAC must submit a report to Congress no later than the date on which the Navy Supplemental Environmental Impact Record of Decision is issued (Spring 2015).

The GEDA Board of Directors approved the execution of a contract with Matrix Design Group as a result of the issuance of RFP 14-008 on June 19, 2014. The resultant contract allows GEDA to issue task orders for Matrix to perform additional work. At the present time, five task orders will be issued based upon the MOU with the Office of the Governor including:

- A study of Guam's Water and Wastewater Infrastructure;

- A study of the public services impacted by military relocation;
- A study of the Northern Wastewater Treatment System;
- A study of the Guam Cultural Repository; and
- A study of the assistance and support required by the Government of Guam.

The preparation of the above studies is consistent with RFP 14-008 and the contract between GEDA and Matrix Design Group as they involve Research, Planning and Implementation of Economic Development Initiatives and Opportunities. As the military relocation will provide significant economic benefits to the island, GEDA staff believes the MOU and the resultant task orders are consistent with GEDA's mission as established by law.

GEDA staff recommends that the Board of Directors authorize the Administrator to execute the Memorandum of Understanding between the Office of the Governor of Guam and GEDA to prepare these and all other studies required by the OOGG and the Department of Defense provided that the cost of such studies will be paid for by the Office of Economic Adjustment, Department of Defense and/or the Office of the Governor of Guam. GEDA staff further recommends that the Board of Directors authorize the Administrator to execute task orders with Matrix Design Group to prepare the required studies without subsequent Board approval, provided that the scopes of work and resultant fees are consistent with requirements of the Office of the Governor and the Office of Economic Adjustment. The GEDA Administrator shall periodically report to the Board on the nature and status of studies required by OOGG and OEA.

Motion dully made by Director Mesa and seconded by Director Wu to approve the recommendation to finalize the MOU between GEDA and the Office of the Governor with the concurrence of Legal Counsel. The motion was unanimously approved.

§11. The next item under Old Business was Guam Power Authority (GPA) Bond Update.

Mr. R. Gregory Sablan presented that the Guam Power Authority successfully sold \$76 million of its 2014 Series A bonds in the municipal market yesterday. The bonds had a 4.26% interest rate. Bond proceeds will fund GPA's generation, transmission and distribution projects, Supervisory control and Data Acquisition System and Cyber Security and Information Technology.

Closing is scheduled for Tuesday, September 30, 2014.



### ***New Business***

§12. The next item on the agenda was New Business: FY 2015 Budget

Acting Administrator Mana Silva Taijeron requested that GEDA roll over the current budget we are reviewing the revenue projections, considering some bonds and other revenue sources. We should be ready by the next Board meeting to present the budget.

Motion dully made by Director Espaldon and seconded by Director Mesa to approve the request to roll over the current budget until the next Board meeting. The motion was unanimously approved.

### ***Reports***

§13. The next item on the agenda was Reports: Update – Guam Economic Symposium.

Mr. Carl Quinata reported to the Board that all of the speakers except for one have confirmed their attendance to the Economic Symposium. The outstanding speaker is Admiral Bolivar who is awaiting approval from her chain of command. The updated agenda as of September 15, 2014 were distributed to the Board Members. Acting Deputy Taijeron also informed the Board that Esther Kia aina has confirmed, however she is waiting for her final authorization.

Chairman Calvo asked that a Working Session be scheduled to get input from the Board Members on developing content for the GEDA presentation.

Mr. Quinata informed the Board that we are doing pretty well as far as sponsorship is concerned. He also informed the Board Members that there are still options available to the Board, Chairman Calvo, Vice Chair John and Director Chiu have already committed to sponsorship.

Chairman Calvo informed the Board that he met with Chuck Ada with the Guam International Airport Authority, their presentation is part of the agenda and on Friday they want to schedule a tour of the airport. We have a lot of good support from them, both financial and participation. Mr. Quinata informed the Board that Port Authority has also confirmed to present and sponsor. Chairman Calvo added that GVB is also assisting with the planning, content and the Friday tour.

The tours have options it includes Tumon, the airport and ends in Andersen Air Force Base. The land tour takes us to Tumon, Hagåtña and then Leo Palace. The sea tour starts off at the Port Authority then Hagåtña, Tumon and the Duck Tour.

No Board action was needed.


**Public Comments**

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

**Adjournment**

§14. Having no further items to discuss, on motion to adjourn duly made by Director Mesa and seconded by Director Espaldon, at 3:37 p.m., the meeting was adjourned.

Dated this 17<sup>th</sup> day of October, 2014

  
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Edward J. Calvo  
Chairman

ATTEST:

  
Vera Wu  
Secretary  
  
VICE-CHAIRMAN