

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

April 20, 2017

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 April 20, 2017 at the hour of 1:33PM 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 John

Vera Wu

Ernesto Espaldon Jr

Monte Mesa

Larry Toves

Offices or Positions:

Chairman

Vice Chairman

Secretary

Director

Director

RPD Manager, Sitting in for Deputy
Administrator, Mana Silva Tajeron.

Absent and excused was:

George Chiu

Director

Jay Rojas

Administrator

Also present were:

James Servino	Guam Legislature – Office of Senator Regine Biscoe Lee
Lara Ozaki	Glimpses of Guam
Senator Regine Biscoe Lee	34 th Guam Legislature
Angelene Guzman	GEDA
Matthew Baza	GEDA
Mary Camacho	GEDA
John San Nicolas	GEDA
Antoinette Leon Guerrero	GEDA
Therese Ybarra	GEDA
Tria Paulino	GEDA
Mark Mendiola	GEDA
Diego Mendiola	GEDA
Dong Choe	GEDA
Georgette Concepcion	Legal Counsel – Brooks Concepcion Law, PC

Approval of Agenda

§3. The first item considered was approval of the agenda. The motion was made by Vice Chairman John and seconded by Director Espaldon. The motion was unanimously approved.

Approval of Minutes

§4. Approval of minutes from the March 2017 board meeting was next on the agenda for consideration. Motion to approve the minutes was made by Vice Chairman John and seconded by Director Espaldon. The motion was unanimously approved.

Communications

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

Old Business

§6. The next item on the agenda was Old Business. The first item was the JMSH 11, LLC dba Citta de Mare QC Application presented by Industry Specialist, Matthew Baza:

JMSH 11, LLC
999 South Marine Corps Drive
Tamuning, Guam 96913

April 17, 2017

Jay Rojas, Administrator
Guam Economic Development Authority
590 S. Marine Corps Drive
Suite 511 ITC Building
Tamuning, GUAM 96913

Subject: Citta di Mare QC
Re: QC document provisions



Hafa Adai Mr. Rojas,

In our continuing efforts to resolve the language for a Qualifying Certificate that supports your Board's approval for Citta di Mare, we note that the following 5 sections were initially in dispute.

1. Section 1.05 regarding new language that reflects the subject properties as Lot Nos. 5119-2NEW and 5119-2-R11 "or their successor lots".
2. Section 1.08 regarding a \$30,000 cap on our cost for a third-party verification of the hotel's final construction cost.
3. Section 3.04 regarding the project timeline of 72 months.
3. Section 3.09 regarding the initial payment for our five equal annual payments for Community Contributions to coincide with the initiation of construction.
4. Section 5.04 regarding the payment of an annual compliance monitoring fee to commence simultaneously with construction.
5. Section 5.05 regarding Extraordinary Costs and Expenses to be capped at \$5,000.

Through subsequent meetings, particularly on February 07 when you and I met, along with Ed Camacho and Dan Swavely, we have reached agreement on all provisions except for Section 3.04, project timeline.

I now understand through my authorized representative, Dan Swavely, that GEDA is considering three options to resolve the project timeline variance.

Option 1 – Reduce the 72-month timeline we have proposed by approximately 12 months.

Option 2 – Accept the 72-month project timeline but commence the annual payments for Community Contributions to begin in 2018.

Option 3 – Cancel the QC application and have us re-apply at a time closer to project construction.

I will not agree to reducing the 72-month project timeline, because it would be dishonest, as I do not think that's a likely schedule. We foresee 8 months to complete the mitigation for archaeological and environmental issues, then 8 months for the GLUC Tentative Development Plan Application process, then 12 months for design, then 4 months for permitting, then 4 months for bidding, then 36 months for construction (presuming the H-2 labor issue will be resolved by then). That's 72 months. Rest assured that no one is more interested in Citta di Mare's earliest opening than I; and we will do everything possible to reduce this timeline.

I will not agree to initiating the community contributions prior the start of construction, because that would be fiscally irresponsible, inasmuch as QC tax credits would not yet be available.

As for GEDA cancelling the QC application, I have little control over such action. However, if we cannot come to agreement for the Citta di Mare QC then it is unlikely that we will reach consensus for the Yacht Ville QC; so I should I expect that application to be cancelled as well?

I urge GEDA to re-evaluate the current hotel investment landscape on Guam. Public Law 32-233 authorized the special QC for 1,600 new hotel rooms in December 2014. That's 2¼ years ago, yet only one QC is in effect (and that project was likely to be built without the QC) and at this time only my two QC projects are before GEDA. No other active hotel QC interest exists. Clearly, Guam will not have 1,600 new hotel rooms by 2020 whether my applications are approved as requested or cancelled.

In reality, new hotel construction is risky under the best of circumstances, and investment opportunity on Guam must compete with many other destinations which offer enticing development incentives. While a tax credit equaling 10% of construction costs is appealing, other destinations offer much more. Further, it's not really 10%, as 1% must be spent on local arts (which may or may not substitute for some other construction costs) and .5% must be donated back to the community. So, as you know, this QC is more like 8.5%. Then there is the time and cost associated with applying for and negotiating the final QC itself. Note that the Board approved Citta di Mare on January 21, 2016, nearly 15 months ago, and we are still talking QC language.

Rest assured, I do want to develop the Citta di Mare and Yacht Ville hotels with your special hotel QC. Nonetheless, expectations should be managed to better align with the reality of Guam's project development timelines.

I trust this clarifies my position regarding your three options, and I hope for a positive response. Please arrange for your Board to address my response at its meeting on Thursday. Although I must be off-island, Dan Swavely will represent me.

Sincerely,

by direction for Hee K. Cho
Hee K. Cho, President
JMSH 11, LLC
Owner and Developer, Citta di Mare Hotel and Yacht Ville Hotel

The motion to approve the applicant's request for a 72-month timeline to complete the construction of the Citta de Mare Hotel from the effective date of the QC by Director Mesa and seconded by Director Espaldon subject to verification of the legal review of the sunset law. The motion was unanimously approved.

Next on the agenda was the Update on Leasing former Star Press Property, presented by RPD Manager, Larry Toves:

April 20, 2017

To: GEDA Board of Directors

From: Administrator

Re: Former Star Press: Lot Number 7, Block 4, Tract 259 E.T. Calvo Industrial Park, Tamuning, Guam

BACKGROUND

The Star property lease, originally executed in April 1971 and then terminated in March of 2012, has not been occupied to date. In 2010 the building also suffered severe fire damage, which resulted in the building being too hazardous to occupy in its current state. In a previous GEDA Board meeting, staff was instructed to work with adjacent tenants to determine if there would be any interest in amending their lease to include the Star property. At the same time, a Mr. Paul Blas from Transportation Management Group (TMG) also expressed interest in the property however, after subsequent inspections and site visits to the property, he had concluded that due to the costs associated with demolition and construction, his organization no longer had interest in the property.

ANALYSIS

GEDA had issued several competitive RFPs to lease the property however, due to the cost of renovation or demolition of the building along with the relatively small size of the lot, no lease was ever executed. To date, GEDA has still been unable to generate any lease revenues as a result. At the Board's instruction, staff has found that the current and adjacent tenant Tai Fa is interested in amending the Star property into their current land lease with GEDA. Tai Fa has expressed their intent to bear the costs of renovating the building and utilizing it as a store front and/or additional storage space for their current operations. After several unsuccessful RFPs and five years of lost revenue, GEDA staff has determined it would be in GEDA's best interest to accept Tai Fa's offer to utilize the Star Press property for additional revenue under their current lease. This will allow the Star property to finally be cleaned and improved while eliminating a public eye sore and growing liability for the Authority. As well, this will also allow GEDA to generate additional annual lease revenues of \$10,560 as opposed to the property's previous \$1,700 annual revenue from the previous tenant.

RECOMMENDATION

GEDA staff recommends that the Board of Directors authorize the Administrator to execute a Lease Amendment with Tai Fa to include the Star property into their existing lease subject to Legal Counsel’s review and concurrence.

- () Approved
- () Disapproved

EDWARD J. CALVO
Chairman of the Board

Motion to approve was made by Director Mesa and seconded by Director Wu with a note that any permanent improvements made to the property, needs to be approved by the board with current market rates. The motion was unanimously approved.

Last on the agenda was the Update on Memorandum of Understanding (MOU) with DISID, GRТА & CLTC – Pursuant to PL 33-227, presented by RPD Manager, Larry Toves:

April 20, 2017

To: GEDA Board of Directors

From: Administrator

RE: Memorandum of Understanding between the Department of Integrated Services for Individuals with Disabilities (DISID), the Chamorro Land Trust Commission (CLTC) and the Guam Regional Transit Authority (GRTA) and GEDA

BACKGROUND:

Pursuant to PL 33-227 regarding the development of LOT 5138-2-R3 NEW-1-1, LOT 5138-2-R3 NEW-1-R2 and LOT 5138-2-R3 NEW-1-2, commonly known as the former Voc Rehab (Property), located across JFK High School and adjacent to K-Mart, GEDA has been tasked to assist DISID, CLTC and GRTA in developing the Property in order to utilize this asset to construct new facilities and generate revenues for DISID, GRTA and CLTC. In order to comply with PL 33-227, GEDA is to enter into a Memorandum of Understanding (MOU) with these agencies with the intent of

entering a mutually beneficial partnership to capitalize on GEDA's development and management capabilities along with DISID and CLTC's property asset.

ANALYSIS:

Considering DISID's need to better service its clients, it has pursued development of a building on the above mentioned property however, all previous efforts to do so have not been successful for various reasons. As such, PL33-227 was passed to assist DISID in developing new facilities as well as providing a space for a Guam Autism Center by authorizing a lease of the Property for up to Fifty (50) years. GRTA has also partnered with DISID for office space by committing potentially available Federal funding to assist with construction. CLTC will also find benefit in lease revenues as a portion of the Property is within their purview. With even further development of the property, both GEDA and DISID may also find additional revenues to augment respective operations and programs. In collaboration with the above stated agencies, GEDA's 14.3% management fee from the life of lease was negotiated down to 14.3% for first 5 years and 5% thereafter for the life of the lease.

RECOMMENDATION:

GEDA staff recommends that the Board of Directors authorize the Administrator to execute the MOU with DISID, CLTC and GRTA for property development of the former Voc Rehab Property pursuant to PL 33-227 with a goal towards building a facility to house DISID and GRTA, provide additional revenues for CLTC, provide a designated space for a Guam Autism Center, while generating property management fees for GEDA.

() Approved

() Disapproved

EDWARD J. CALVO
Chairman of the Board

Motion to approve was made by Director Mesa and seconded by Director Espaldon. The motion was unanimously approved.

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. No board approval was needed.

Public Comments

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

Adjournment

§10. Having no further items to discuss, on motion to adjourn duly made by Director Mesa and seconded by Director Espaldon at 3:03PM, the meeting was adjourned.

Dated this 10th day of May, 2017



Edward J Calvo, Chairman

ATTEST:



Vera Wu
Secretary