

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

January 18, 2018

***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 January 18, 2018 at the hour of 1:53PM 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:***

EJ Calvo

David John

Ernesto Espaldon Jr

George Chiu

Gia Ramos

Jay Rojas

***Offices or Positions:***

Chairman

Vice Chairman

Director

Director

Director

Administrator

***Absent and excused was:***

Monte Mesa

Director

Mana Silva Taijeron

Deputy Administrator

***Also present were:***

Dafnej Shimizu	Staywell, IHIC
Maureen Sablan	Staywell, IHIC
Maria Taitano	Staywell, IHIC
Anthony Mendiola	Staywell, IHIC
Chen Y Mack	Staywell, IHIC
Frank Arriola	Staywell, IHIC
Mike Sablan	Staywell, IHIC
Senator Regine Biscoe Lee	34 <sup>th</sup> Guam Legislature
James Servino	Sen RBL Office
Henry Taitano	CTI
Michael Sablan	Pacific Indemnity Ins. Co
Vincent Duenas	Hunter Speaks
Ashley Rodriguez	Todu Guam Foundation
Wayne Chargualaf	Marianas Business Journal
Therese Ybarra	GEDA
Ed Camacho	GEDA
Tina Garcia	GEDA
Mike Cruz	GEDA
Mark Mendiola	GEDA
Matthew Baza	GEDA
Jha'Aunie Leon Guerrero	GEDA
Jo Ann Cruz	GEDA
Claire Cruz	GEDA
Tria Paulino	GEDA
Mary Camacho	GEDA
Gloria Molo	GDA
Dianne Ollett	GEDA
Bernice Torres	GEDA
Angelene Guzman	GEDA
Terrence Brooks	Legal Counsel – Brooks Concepcion PC

***Approval of Agenda***

**§3.** The first item considered was approval of the agenda. The motion to approve the agenda was made by Vice Chairman John and seconded by Director Chiu pending Bill 230 or the direction of where it is heading, to push Island Home Insurance Company Application for Qualifying Certificate for a Domestic Insurer tabled until next months board meeting. As well as have discussion in GEDA's role in Bill 230, what our role is in putting it together, if any. The motion was unanimously approved.

## ***Approval of Minutes***

**§4.** Approval of minutes from the January 2018 board meeting was next on the agenda for consideration. Motion to approve the minutes was made by Director Chiu and seconded by Director Ramos. The motion was unanimously approved.

## ***Communications***

**§5.** The next item on the agenda was Communications. Administrator, Jay Rojas announced that we did close on both the GPA and GWA financing. Both GWA and GPA's revenue bonds resulted in a little over \$18M in savings, total. GWA's savings is about \$300,000.00 and GPA's is about \$540,000.00 annually. We've reduced GPA's all in TIC to 4.12% and GWA's to 4.06%.

The House and Senate passed the new federal tax bill. We are still reviewing the implications of the tax bill on the Government of Guam's economy. Preliminary numbers right now actually have us looking at a \$100M loss of revenues for FY2019. We are still running some numbers as to what the effect would be for FY2018, but that's what we are looking at for both the loss of revenues because of tax withholding changes as well as deductions that would be included plus earned income tax credit and the doubling of child tax credit as well. The budget is still being prepared right now for FY2019, so we'll have better numbers for FY2019 after the end of the month.

The National Defense Authorization Act approved H2 visa's to be available to military projects – so that actually did pass. The Governor and the Admiral for the Joint Regent Marianas are both looking at a way to be able to look at some of these applications that are going to be coming in. Governor Calvo in Washington, DC will actually address this issue. As you know, in Washington, DC – that's normally the time that the Governors go out for the Winter meeting. So, the Governor, myself and a few key cabinet members will be in Washington, DC to address the H2 issue as well as a couple of other issues in general. Included in this are also discussions with the Offices of Insular Affairs, Assistant Secretary Dominique and Assistant Secretary Zinc on the implications on the tax bill on the territories because we do have those tax codes.

The North Korea threat had a temporary impact on tourism, but, our tourist numbers have almost recovered from the threat in August. Our November ended up being our second highest November of record after November 2016. We're still on track to be able to reach GVB's forecast visitor arrivals, which we know are not going to be as high as 2017 but will not be any lower than they were in 2016. We have been lucky because we've had a lot of military visitors occupying our hotel rooms and taking up some of our rental cars.

Governor Calvo and Governor Torres in June of last year, agreed to start what they call the One Marianas Project or Program - and what this is going to mean is that we are going to try to align ourselves with our CNMI counterparts at the cabinet level. We had a preliminary meeting earlier this week. There will to be meetings on February 1<sup>st</sup> & 2<sup>nd</sup> between Governor Calvo and Governor Torres and key cabinet members, in Saipan to discuss ways that we can partner. Agenda items in this meeting will include economic development, tourism, the cruise industry, labor issues, homeland security issues, etc. Labor and Delivery Ward – I'm sure you all heard the news. Unfortunately, we did have

to cancel the RFP with the respondent from the June RFP for interim financing. We could not come to terms with what is within the legal confines of what we need them to be, for the law that actually authorizes the borrowing of the \$9.2M. USDA did give us a waiver in 2016, something happened in May of 2017 where they did not honor that waiver, so we went out for a 2<sup>nd</sup> RFP. But, this gives us further justification to either honor the first waiver or reissue another waiver for us to be able to move forward with the direct financing from USDA for the labor and delivery ward renovations.

Finally, the Society of the American Military Engineers in cooperation with the Guam Contractors Association and Guam Chamber of Commerce are doing a 2018 Guam Industry Forum – that's going to be held on March 7-9, 2018 the Dusit Thani, GEDA is going to be sending a couple of representatives. I also do want to let you know that our Public Finance Division is also posting this on EMMA which is our investor communications system to be able to invite some of our bond investors to be able to come out to this. Our bond investors, during our investors summit last year – actually mentioned that they don't get a lot of time to be able to speak to the military on some of their projects and since the military is one of our growing economies.

### ***Old Business***

**§6.** The next item on the agenda was Old Business. RPD Manager, Larry Toves presented on the Hokubotan Bldg:

January 18, 2018

To: GEDA Board of Directors

*From: Administrator*

RE: Purchase of the Former Hakubotan Building

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#### **BACKGROUND:**

At a previous board meeting, GEDA's Real Property Division informed the Board that SH Enterprises, Inc. (owner of the former Hakubotan building) was again behind in their lease rent payments by \$36K. As a result, RPD was tasked by the Board to determine whether SH was interested in selling its building to GEDA and its asking price. SH has since advised GEDA that it is willing to sell the building and its leasehold interest in the land for \$6 Million. SH is even further behind in their lease rent payments as they now owe GEDA \$50,321.96.

**ANALYSIS:**

The \$6 Million asking price is based upon an appraisal prepared by Micronesian Appraisal Inc. dated October 2017. The appraiser estimated the value of the building using the Income Capitalization and Cost methodologies. Using the income approach, the resulting value was \$5.9M for the building. The income approach requires the estimation of revenue and the appraiser determined that net operating income of \$444K per year could be generated through the rental of space in the building, escalating at 3% per year. However, the appraisal indicates that SH only makes \$50K/year in rental income. GEDA records indicate that \$22K was collected from tenants in 2017. We are also aware that S&H has had difficulty finding tenants.

The cost approach resulted in an appraised value of the building at \$6.94M including the value of the leasehold interest (\$1.4M).

SH purchased the building and leasehold interest in 2010 at a cost of \$4.5M. The purchase was seller financed at 8.8%. SH finally paid off the purchase price in 2017 after obtaining a loan from a private lending institution (a portion of this loan was guaranteed by GEDA under the SSBCI program). Ironically, \$4.5M at 8.8% over 7 years results in a total payment of just over \$6M, the same amount as the asking price.

As collateral on the loan, the private lending institution has a lien on the building. Should GEDA place SH in default of the lease, it is expected that lending institution would step in to protect its interest. Lease rent would continue to be paid while the lending institution seeks a new owner. Should the lending institution decline to take over the lease, GEDA would obtain ownership based upon the default provisions of the lease. Since GEDA would not spend scarce money on the purchase, there would be less pressure to secure paying tenants at a time when such tenants maybe in short supply.

Presently, GEDA has no plans to use the 53,300 square foot building. GEDA currently uses over 9K square feet at ITC (costing almost \$249K/year) and would have to secure tenants to utilize the facility. Over the years, SH has had significant difficulty renting portions of the building to tenants.

**RECOMMENDATION:**

Staff recommends that GEDA decline to purchase the building and leasehold interest. However, we do recommend that the Board direct legal counsel to proceed with termination of the lease on the basis of nonpayment of rent.

( ) Approved

( ) Disapproved

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**EDWARD J. CALVO**

Chairman of the Board

The board agreed to table this discussion with direction. No vote was made on the subject.

RPD Manager, Larry Toves also brought the following item to the board, on the HotBond Project:

December 18, 2018

To: GEDA Board of Directors

*From: Administrator*

RE: Hot Bond Projects

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**BACKGROUND:**

At the November 2017 Board meeting, Directors approved the reprogramming of \$5M to construct the Palacio in Hagatna and the Memorandum of Agreement (MOA) between GEDA and the Guam Preservation Trust. The MOA would allow GPT to manage the Palacio project.

**ANALYSIS:**

In reviewing the MOA, Guam Preservation Trust Board members wanted an indication of support from various Senators for the project. GEDA and the GPT Chief Program Officer penned a letter to three Senators requesting their support for the project. This letter resulted in the introduction of Bill 225-34 from Vice Speaker Terlaje, which proposed to reprogram \$5M to purchase various equipment for the Guam Memorial Hospital. Although the bill has yet to be heard at the Legislature, the introduction of Bill 225 has led GPT to withhold its approval of the MOA and the Palacio project has stalled.

To restart this project in order to execute the Governor's policy of revitalizing our capital city and to continue the progress made thus far in following this policy through the refurbishment of the Plaza de Espana and the construction of the Guam Museum and the Guam Congress Building, GEDA has worked with the Guam Visitors Bureau which has

expressed interest in pursuing this project as part of their plan to stimulate the visitor industry through cultural heritage tourism.

**RECOMMENDATION**

GEDA staff recommends that the Board of Directors authorize the Administrator to execute the MOA with Guam Visitors Bureau to manage the Palacio project using the \$5M earlier reprogrammed by the Board.

( ) Approved

( ) Disapproved

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**EDWARD J. CALVO**

Chairman of the Board

And the MOA between the Office of the Governor and GEDA:

December 18, 2018

To: GEDA Board of Directors

*From: Administrator*

RE: MOA Amendment between Office of the Governor and GEDA

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**BACKGROUND:**

On June 15, 2011, Governor Calvo and GEDA entered into a Memorandum of Agreement (MOA) in which the Governor directed GEDA to manage the Hot Bond Program and charge a management fee against each of the projects included in Public Law 30-228. On April 12, 2012, the MOA was amended to specify that \$454K was GEDA's fee over a three year period. This three-year period expired on April 11, 2015. At the February 2017 Board meeting, Directors approved Amendment No. 2 to the MOA which covered GEDA fees (\$682K) from April 2015 to December

2017. We currently anticipate that most of the major work on remaining projects will be completed by March 31, 2018.

**ANALYSIS:**

Based upon staff experience under the Hot Bond Program, just over \$105K is needed to cover GEDA management fees to the end of March 2018. Remaining Hot Bond funding can accommodate this cost so GEDA staff propose to execute Amendment No. 3 to the MOA between the Office of the Governor and GEDA for the management of the Hot Bond program.

**RECOMMENDATION:**

GEDA staff recommend that the Board approve Amendment No. 3 to the MOA with the Governor which authorizes GEDA to charge just over \$105K to the Hot Bond program for GEDA fees for the period January 1, 2018 to March 31, 2018.

( ) Approved

( ) Disapproved

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**EDWARD J. CALVO**

Chairman of the Board

Both items were heard and the motion was made by Director Chiu and seconded by Director Ramos. The motion was unanimously approved.

***New Business***

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

***Executive Session***

§8. The next item on the agenda was executive session. No executive session needed.



**Reports**

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

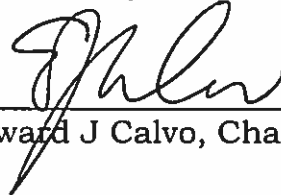
**Public Comments**

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

**Adjournment**

§11. Having no further items to discuss, on motion to adjourn duly made by Director Chiu and seconded by Vice Chairman John at 2:43PM, the meeting was adjourned.

Dated this 28th day of February, 2018



Edward J Calvo, Chairman

ATTEST:



Ernesto Espaldon, Jr.  
Secretary