

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

March 26, 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 Monday, March 26, 2018 at the hour of 1:35PM 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

Monte Mesa

Gia Ramos

Jay Rojas

***Absent and excused was:***

George Chiu

Mana Silva Taijeron

***Offices or Positions:***

Chairman

Vice Chairman

Director

Director

Director

Administrator

Director

Deputy Administrator

***Also present were:***

Angelene Guzman	GEDA
Gloria Molo	GEDA
Patrick Guzman	GEDA
Christina Garcia	GEDA
Ed Camacho	GEDA
Bernice Torres	GEDA
Matt Baza	GEDA
John San Nicolas	GEDA
Julius Santos	GEDA
Jennifer Calvo	GEDA
Jo Ann Cruz	GEDA
Tria Paulino	GEDA
Claire Cruz	GEDA
Larry Toves	GEDA
Therese Ybarra	GEDA
Antoinette Leon Guerrero	GEDA
Therese Santos	GEDA
Diego Mendiola	GEDA
Mark Mendiola	GEDA
Mike Cruz	GEDA
Tony Arriola	GEDA
Jha'Aunie Leon Guerrero	GEDA
Daisy Mackwelung	GEDA
Heidi Eugenio	PDN
Senator Regine Biscoe Lee	34th Guam Legislature
John O'Connor	The Guam Daily Post
Terrence Brooks	Legal Counsel – Brooks Concepcion PC

***Approval of Agenda***

**§3.** The first item considered was approval of the agenda. The motion to move Old Business before Communications on the agenda to begin the Opening of Underwriter Proposals submitted in response to RFP 18-003 by the Public Finance Division 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 February 2018 board meeting was next on the agenda for consideration. Motion to approve the minutes was made by Director Espaldon and seconded by Director Mesa. The motion was unanimously approved.

## **Old Business**

**§5.** The next item on the agenda was Old Business. Mr. Larry Toves, the Real Property Division Manager gave an update from the last board meeting on the purchase proposal of the Hakubotan Building.

The intent is to think long term and it is the will of the Board and by recommendation of the management that we make an offer to purchase the Hakubotan Building. The Min's have made it known to us that their asking price is \$6 million. We (GEDA) has an ability to counter off that with some direct financing, through a loan if possible. Larry then asks legal counsel to speak on whether or not we have to procure for financing to purchase the building.

Legal Counsel, Terry Brooks begins by saying that this has already gone through procurement many years ago to enter this lease, so GEDA is not an outsider to this transaction. GEDA is the landlord, this is their property. So, I don't believe that the procurement law is implicated when trying to take the building back. Because of outstanding rent, you can file an action to collect the rent or terminate the lease and it would come back to GEDA, subject to the loan from the bank. Also, because of the amount of the purchase price – the legislature will have to review this any way. So, as part of any legislation – GEDA can get their approval of the transaction. Vice Chairman John asked if this legislative request would have to go through in the form of a Bill. Legal counsel replied with yes and our Administrator added “for financing”. Legal Counsel also mentioned that as part of the loan financing that the legislature will have to okay the transaction. But, this purchase would make a lot of sense, to have in the Governments inventory and save on rent for other places. He also went on to say that he will take a look at it a little more in depth, but at this point – he doesn't see a problem.

Administrator, Jay Rojas said that what GEDA can do is take legal counsels advice and prepare a timeline for the Board to review by the next board meeting. Vice Chairman John also suggested as we are doing that that we also start discussions with the legislature to see if there is an appetite for it, so that we don't have to go and do all the work and then find out that they're not interested in approving this transaction. Jay agreed and then pointed out that GEDA's oversight chair, Senator Regine Biscoe Lee was in attendance and we'll take it up with her office to start the discussion.

The next item on the agenda was the Opening of Underwriter Proposals submitted in response to RFP 18-003 regarding the Guam International Airport Authority. The airport right now is currently without an underwriter, especially in these times where we are looking at negative outlooks and credit watches with the credit agencies – the airport does need some type of underwriters to be able to help them out with marketing the message that the airport finances are still in good condition. GEDA did issue the RFP and has received 7 sets of boxes. The public law does require us to open up the RFP's in front of the board – so if we can get them to start opening up the packets now, and make sure that everything is in compliance. There are some rules as to what would meet minimum qualifications for a respondent and is numbers of copies, electronic copies – so what our team will be doing is opening up the packets, taking inventory of the packets and then reporting back to us by the end of the board meeting as to what we have received and we'll go from there. What is required is that within 15(fifteen) working days from the opening of the RFP's, we need to do our assessment. So, we have interviews

with these underwriters next week that will be taking place in San Francisco. So what we can do is either recess this board meeting, Mr Chair and meet back by the week of April 9 or we can adjourn this meeting with the understanding that the board does need to meet the week of April 9<sup>th</sup>, prior to the end of that week to go over the recommendations from the airport and the GEDA team assessment.

### ***Communications***

**§6.** The next item on the agenda was Communications. Administrator, Jay Rojas wanted to address the QC program and the media coverage that GEDA has had with the QC program and GEDA itself. He has to admit that some of the media coverage that has been going around about our QC program is pretty much based because there is a lack of understanding of our QC program and its intent to stimulate our economy and create jobs. February 7<sup>th</sup> was the date of the legislative hearing that GEDA did appear at and as reported at that hearing – there are 14 active QC's, 4 hotel QC's (2 of which are part of the special hotel QC's), 1 hospital, 1 affordable housing company, 1 tourist attraction, and 7 insurance companies. Over the last 10 years, when GEDA started to track some of the information behind some of the qualifying certificates program through our Compliance Division, 2,068 jobs have been maintained per month. There has been over a billion dollars in labor costs that have been paid out by these qualifying certificate holders, that's not including any benefits. So, health insurance, life insurance, retirement plans, etc. are not included in this number. There has 18.4 million dollars in charitable contributions – please keep in mind that these are charitable contributions by the companies that hold qualifying certificates. Not community contributions that they do have to give in terms of public investment. There's been about \$886,000 in direct local purchases – so in total, what we calculated is about \$2.3 billion dollars in total economic activity on Guam, just based on these QC holders and beneficiaries as it is. That's without the multiplier. From an economic standpoint, we usually use a 2.2-2.3 times multiplier effect, so the actual number will put us up next to \$8 billion dollars in the last 8-10 years. I still stand by that the qualifying certificate program is a beneficial program to be able to stimulate jobs and create economic growth on the island. We're going to continue to see some controversy behind the QC program because the one question that everybody has on the QC's that GEDA does not and will not ever have the answer to is how much in tax rebates and abatements have been given to these companies. Again, that will not change because tax payer information is confidential based on federal law. Vice Chairman John says that since this board has been in place – that was one of the community concerns that kept being brought to us. So, that is why when we did the QC's for the hotels – that we did 2 things, very intentionally. 1) After we came up with our recommendations, we went back to the legislature to have a new law put in place as opposed to drawing regulations within the current QC. That gave everybody a new bite at the apple and if they had any concerns to it – they had a chance to voice those concerns. There was community buy back in, additionally with that there's a time limit with this QC program. 5 years, 2,000 rooms or the China Visa coming in. Again, so that it's not an on going thing is that we couldn't quantify and qualify what the QC's were doing. 2) There is a maximum amount of benefits – based on investment – the upside, if they don't make any money, they won't get that much money. So, we know exactly how much benefits that the community is giving up and we made it so that we can get as many as those dollars to the company, with the shortest span possible for 2 reasons – 1. Once that was freed up, that company became part of the regular community and pay their taxes and 2) if we could front load those benefits – they can see that in future value of money and bring that back into the financing and hopefully say, we're going to get this much tax financing, let's spend a little bit more money on the hotel here or the hotel there. That was

specifically what we did and it's really the only QC that we have been pushing since we've been put in place. Others have come in along the way and we talked about doing this for the insurance industries also but that was a little more controversial. But, I think we should not let this dialogue pass us by. I think we should start a dialogue on what we want to do as a community with these insurance companies going forward. Do we want a QC program and if so, what does it look like. I would like to see that and maybe Claire and I can put our committee back together to go talk about the insurance pieces on the QC and see what we're going to do going forward. Again, I think with the same things in mind. How much maximum benefits and really make sure that the benefits that we're trying to do are really in line with what we're trying to do as an agency. But, the hotel ones that we can try to use to mirror and try to stimulate the Tourism 20/20 program. Unfortunately, what has hurt us when we tried to put it in place is the workers issues that came up – we did have a lot of interest. I think with the insurance QC's it's a little more difficult to quantify. But, we should at least attempt it and go back to the legislature and get another bite at the apple.

Chairman EJ Calvo says that he would like to add in terms of incentives. That in traveling, not even on behalf of GEDA but all of us have been exposed to what other countries, especially in our region are doing with their economic development authorities – to try to attract investments. We haven't done a comparison, maybe we should maybe take a look at that so we can see where we are in comparison to other places. Vice Chairman John mentions that one thing that you always have to remember that when looking at any hotel QC's or QC's in general. The tax piece of it is somewhere between a 7 and a 10. The public seems to think that it's the only reason why a company would come to Guam. No. You have to have everything else in place, the need, good clean government, easy to do business, you have to have labor and force in place and so the reason why we haven't pushed for anymore QC's is because we haven't had any guidance on what other industries we would like to go into.

It's what GEDA has been doing the entire time. We backed up what everyone wanted. There is no reason to look at every industry, but what will work. Chairman mentioned that we also looked and had a lot of momentum with developing the southern end of the island, but now we have a lot of push back. Which goes back to the ease of doing business. There has to be incentive. We seemed to have the south on board with creating more jobs and developing that end of the island. But, I think everyone needs to be on the same page when looking for investors. We also spoke about airlines and ways to increase our airlift – but, yet again another obstacle.

### ***New Business***

§7. The next item on the agenda was New Business. The item on new business is the 90-day furlough notice for GEDA employees. Vice Chairman John motioned to approve and Director Mesa seconded. The board unanimously approved.

### ***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**

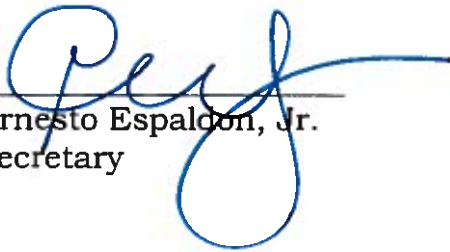
§11. Having no further items to discuss, on motion to adjourn duly made by Director Mesa and seconded by Director Espaldon at 2:17PM, the meeting was adjourned.

Dated this 12th day of April, 2018



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Edward J Calvo, Chairman

ATTEST:



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Ernesto Espaldon, Jr.  
Secretary