

Minutes of Regular Meeting to the Board of Directors of the  
**Guam Economic Development Authority**  
August 22, 2019

***Call to Order***

§1. The regular meeting of the Board of Director of the **Guam Economic Development Authority** (referred to as "GEDA" or the "Authority") was held on Thursday, August 22, 2019 at the hour 1:38 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 David John to consider several items on the agenda.

***Quorum and Attendance***

§2. **Roll call.** As determined by the roll call, the following directors were present:

***Directors:***

David John  
Ernesto Espaldon, Jr.  
Deepak Dewan  
George Chiu  
Siska S. Hutapea

***Offices or Positions:***

Chairman  
Vice Chairman  
Director  
Director  
Director  
  
CEO/Administrator  
Deputy Administrator  
Legal Counsel

***Absent and excused:***

Fe Valencia-Ovalles  
Gia Ramos

Director  
Director

***Also present were:***

Erin Grajek  
Anumita Kaur  
Kevin Kerrigan  
Austin Grant

Office of Senator Ridgell  
Guam Pacific Daily News  
The Guam Daily Post  
GEDA

Larry Toves	GEDA
Claire Cruz	GEDA
Bernice Torres	GEDA
Edward Camacho	GEDA
Antoinette Leon Guerrero	GEDA
Diego Mendiola	GEDA
Jennifer Calvo-Guzman	GEDA
Wayne Chargualaf	Glimpses

### ***Approval of Agenda***

§3. The first item considered was approval of the agenda. Director George Chiu made the motion to approve the meeting agenda. Director Siska Hutapea seconded the motion. The motion was unanimously approved.

### ***Approval of Minutes***

§4. The next item on the agenda was the Approval of Minutes from July 8, 2019. Vice Chairman Ernesto Espaldon moved to approve the minutes. Director Chiu seconded the motion. The motion was unanimously approved.

### ***Chairman's Remarks***

§5. The next item on the agenda was Chairman's Remarks.

Chairman John thanked the GEDA team and stated that team is syncing and continue to make progress. Additionally, Chairman John informed staff that the Board of Directors (BOD) are available for assistance.

Chairman John congratulated and welcomed Director Deepak Dewan to the Guam Economic Development Authority's BOD.

There were no further remarks.

### ***CEO/Administrator's Remarks***

§6. The next item on the agenda was CEO/Administrator's Remarks.

CEO/Administrator Melanie Mendiola stated that most of the meeting's content will be discussed in the committee reports and that it that it has been a very good month for GEDA.

Additionally, Ms. Mendiola mentioned that the final CEDS report is enclosed in the meeting packet. She further informed the BOD that the report has been transmitted to the U.S. Economic Development Administration (USEDA), and that GEDA can now commence applying for grants under the CEDS report.

Relative to the Governor's interest in diversifying our economy in the agriculture, aquaculture, and telecommunications sectors, Ms. Mendiola indicated that there's approximately \$1.7 million worth of funding in those different projects that can go towards those various initiatives in addition to other initiatives that were introduced by other agencies. For example, some projects have been introduced by the Mayor's offices. Additionally, there's a group interested in creating a children's museum. Ms. Mendiola further stated that those projects are identified in the CEDS report. The CEDS report is available on GEDA's website at [www.investguam.com](http://www.investguam.com).

Furthermore, Ms. Mendiola announced that a USED A representative will be on Guam to meet with several agencies to encourage them to apply for grants under the CEDS. He will also be meeting with GEDA. Ms. Mendiola also revealed that the lack of grant applications coming out of Guam has been a major issue. With that, GEDA is looking to put together a working group at the University of Guam to assist applicants with the grant application process. We hope that by coming together and working as a team that we can get more EDA funding towards the diversification of our economy.

In regards to Public Finance, Ms. Mendiola informed the BOD that GEDA's Deputy Director, Artemio "Ricky" Hernandez, Ph.D. has been in discussion with the 35<sup>th</sup> Guam Legislature relative to the Guam International Airport Authority's (GIAA) Bond refinancing. Floor turned over to Deputy Hernandez.

Deputy Hernandez communicated that the GIAA refunding bill could potentially provide the GIAA with \$2.25 million in savings by simply refunding the \$21 million bond. He also stated that the Legislature called on GEDA, GIAA, and BBMR to answer questions related to the terms and details of the bill and the refunding bond.

Moreover, Deputy Hernandez informed the BOD that the Legislature is expected to vote on the bill today, August 22, 2019 at 2:00 p.m. with hopes of a favorable outcome. Deputy Hernandez also acknowledged that amendments were made with regard to transparency and reporting requirements, and advised the BOD that GIAA and GEDA will comply. No further remarks from Deputy Hernandez.

Moving onto Qualifying Certificates (QC), Ms. Mendiola continued her remarks stating that GEDA has been most active with two Qualifying Certificates, (1) Health Insurance QC and (2) Recycling QC.

Ms. Mendiola stated that GEDA has met with insurance companies and Senator Clynton Ridgell to discuss a possible Health Insurance QC that addresses the increasing cost of healthcare. Being able to balance the tax incentives without increasing the cost of healthcare for the people of Guam.

Additionally, Ms. Mendiola stated GEDA has been working with the Center for Island Sustainability and with Peggy Denny from I\*Recycle Guam and have made progress with the Recycling QC. One issue of concern is how to quantify removing waste from the waste stream. Furthermore, Ms. Mendiola stated that GEDA's

existing Recycling QC offers tax abatement and tax rebate for companies moving garbage and waste off of Guam, specifically metals and plastics. However, waste has to be in large amounts. Therefore, GEDA is revisiting the program to potentially look into working with smaller businesses.

Vice Chairman Espaldon asked if any change to modify the QC program would require legislative approval. Ms. Mendiola stated that a positive for GEDA is that the QC already exists, and it's more about looking at the criteria for what qualifies for a Recycling QC.

Furthermore, Ms. Mendiola stated that GEDA was tasked by the Governor's office to assist with a project to release land under federal control to the Government of Guam. GEDA, in conjunction with the Governor's Office, the Guam Buildup Office, and the Guam Ancestral Lands Commission (GALC) is moving this project forward.

Chairman John inquired about GEDA's role with this project and if the acquired land would be available for GEDA to manage. Ms. Mendiola stated that at this point in time, GEDA is mainly the coordinator, guiding and organizing the process as well as assisting Governor Leon Guerrero in the negotiation process.

That concluded the remarks from the CEO/Administrator.

### ***Communications***

§7. The next item on the agenda was Communications.

Mr. Austin Grant gave BOD a GEDA in the Media report. GEDA was featured in two major articles in July and August relative to the Governor Leon Guerrero's initiative to acquire federal lands as well as GEDA's travel.

Relative to Justification of Travel for Chief Advisor Carl Gutierrez, Mr. Grant stated GEDA did resolve an issue with a media outlet. Immediately after the media outlet requested for the information, the Justification of Travel statement was posted on GEDA's website.

Furthermore, Mr. Grant informed BOD that links to the articles are available on the back of the report and can be emailed to them upon request.

Chairman John addressed the media present stating that GEDA wants to continue to have good communication with them.

There were no further remarks.

### ***Committee Reports***

§8. The next item on the agenda was Committee Reports.

## INVESTMENT COMMITTEE

Vice Chairman Espaldon reported.

Key meeting held with Bank of Guam. Discussion points included GEDA's Financial Performance highlighting that GEDA is beating the index that has been provided, although he would like to see other indices from which to compare. Year-to-date return indicates 14.79% versus the index of 13.16% provided. Additionally, the average annualized return since inception (May 2017) is at 7 percent.

Furthermore, Vice Chairman Espaldon stated that GEDA should promote the Guam Development Fund Act (GDFA) to assist those who are interested in starting small businesses or assisting existing businesses. Funds should be circulating within the economy.

Director Chiu suggested removing the two (2) bank declinations required under the GDFA loan program to make the process easier for people with viable business plans. Director Deepak Dewan stated that lending institutions deny loan clients due to lack of sufficient collateral and not based on their business plan. Chairman John asked if there is a way to release GDFA funds and create a new loan program. Vice Chairman Espaldon reiterated the need to promote the program and make the public aware that these funds are available to them. Furthermore, he asked Legal Counsel Attorney Terrance Brooks to look into the specific mandates relative to the GDFA loan program. Mr. Brooks mentioned that it's a federal requirement to obtain two (2) bank declinations. In addition, he stated that GEDA cannot compete with local banks when issuing loans. According to Chairman John, GEDA could participate in other lending practices on the Equity side such as a deferred note.

Furthermore, Ms. Mendiola suggested that the Intermediary Relending Program under USDA could be a potential solution. This program provides 1 percent low-interest loans to local lenders or "intermediaries" that re-lend to businesses to improve economic conditions and create jobs in communities. Under this program, GEDA can borrow at a half percent and lend out the interest rate. In turn, GEDA can match it to the GDFA fund. GEDA would have to pay back this loan. Ms. Mendiola further stated that GEDA can borrow in tranches and pay back what we've drawn down on.

Chairman John stated that we can look into the Intermediary Relending Program as well as equity.

No further comments made.

### Recommendations:

- Promote GDFA program
  - How it is executed?
  - How marketing will play a role?
  - Vice Chairman Espaldon asked Legal counsel to verify aspects of GDFA loan program
- Chairman John recommended changing GEDA's long term funding strategy. Advises committee to explore:
  - How GEDA can create funding sources apart from the Community Contribution funds
  - Find other ways to create long term sustainable funding sources
  - How to get other agencies to help support GEDA's initiatives

- Review returns and provider contracts for the RFPs and investment policies

## **REAL PROPERTY COMMITTEE**

Director Hutapea referred to Mr. Larry Toves, Real Property Division (RPD) Manager to provide the report.

Mr. Toves stated that his team has been meeting with Director Hutapea and are appreciative of the guidance and support she has provided with real estate and MOAs with other agencies. RPD recommended properties to the Chamorro Land Trust Commission (CLTC) to list for lease and development. In addition to larger properties such as Oka Point, there are three (3) smaller properties that RPD is recommending to lease out:

1. Tumon (about an acre)
2. Yigo (Across from Guam Animals In Need)
3. Upper Tumon (Behind Nissan Motors Compound)

RPD continues efforts with the CLTC and the Guam Ancestral Lands Commission (GALC) with regards to P.L 34-99 (the 5-year Law) for any long term leasing of properties. Additionally, a Determination of Need is required. Therefore, RPD is working with the CLTC to place it on their August agenda for approval. Once the Determination of Need is approved, the process will start and a Request for Proposal (RFP) to be issued for about 30 days depending on the size of properties.

**DISID.** RPD continues to work with DISID relative to the property adjacent to Kmart (across JFK). According to Mr. Toves, two (2) RFPs have been issued with the first RFP receiving no response and the second RFP received only one response. It has been determined the proposal isn't feasible. Furthermore, Mr. Toves stated that DISID's Director, Phyllis Leon Guerrero is working with their Board and the Governor on how to best work with the current law requiring GEDA to lease the property for DISID and revenues generated will go to DISID. Part of law requires other stakeholders to be involved such as the Autism Center, to develop a center. RPD continues to work with requirements and intend to issue another RFP.

**Star Press Building.** RPD has been unsuccessful in leasing out the Star Press building. On three (3) separate times, GEDA tried to place the property up for lease. According to Mr. Toves, because of the potential hazard litigation due to Asbestos, it has been a difficult process. Additionally, because demolition could cost as much as renovation, it's challenging to get someone to invest in such a small building and small piece of property. However, Tai Fai Import & Export Company was interested in the property and went through the process with the 5-year Law (P.L 34-99) for the long term property lease. A Determination of Need was submitted but it took over a year for the Legislature to act.

Furthermore, Mr. Toves stated that RPD is working with Director Hutapea to create new legislation exempting GEDA, CLTC, and GALC from the 5-year leasing law citing that it's difficult to market properties if investors have to go before the legislature to defend long term leasing. Mr. Toves further mentioned that there's a caveat in the law that states if the legislature doesn't act within 60 days of submission of lease, that it's deemed approved. However, there's also a part of the law that the Legislature can take up to a year to decide. Law has been cumbersome.

Vice Chairman Espaldon recommended meeting with the Oversight Chair and proposing new legislation. Mr. Toves then stated that GEDA has drafted new legislation and needs to garner support. Director Hutapea stated that there's no way investors can recoup their investment within 5 years. Chairman John added that that provision in the law reduces the value of GEDA properties and advises that GEDA ask the legislature to

change the law. Further, Chairman John indicated that we need to increase the value of assets and consider Opportunity Cost.

Vice Chairman Espaldon sought clarification regarding Determination of Need for GALC properties if leasing will have similar life or different paths. Mr. Toves stated that once again, GEDA is asking the legislature to consider a long-term lease, more than 5 years. Director Hutapea clarified that GALC property leases will be the same life if lease is still limited to the 5 years.

Deputy Hernandez suggested that GEDA seek exemption from the 5-year law for GEDA-only properties as a first step. Show positive progression with GEDA properties such as the Star Press building. Then, ask the Legislature to possibly consider extending the same exemption to CLTC and GALC properties.

**AT&T Building.** Mr. Toves stated GEDA was informed last year that the GALC owned property where the current AT&T Building is located. GEDA is now in charge of efforts to retrieve rental arrears. From 2002 – 2006, AT&T paid rent to the Navy, owners at the time. In 2006, the land was transferred to the GALC. Mr. Toves further stated that there has been no attempt to enter into a lease agreement between AT&T and GALC since then. Right now, there's no lease.

Furthermore, Mr. Toves stated that GEDA submitted a request for \$5.7 million in back rent. Amount is based on RPD's calculation of the fair market rent value and based on the rent of the old Australian Cable Station property on Marine Corps Drive that AT&T is currently renting. AT&T counteroffered with \$1.7 million. However, the GALC is not accepting that offer. Moving forward, GEDA is requesting AT&T to conduct an appraisal. Mr. Toves further stated that the lease agreement between AT&T and the Navy was only for the land. GEDA's position is that since land was transferred to the GALC and the lease agreement between AT&T and the Navy has expired, the government owns the land and building. GEDA's \$5.7 million calculation includes the value on the building and land.

Director Chiu questioned why GEDA is basing the calculation on the building and who built the building. After further discussion, it was determined that the lease agreement between AT&T and the Navy expired in 2006, and according to legal counsel, the law states that anything on the property reverts to the new owners, the government.

Chairman John asked if AT&T disputes that the government now owns the building. Mr. Toves indicated that AT&T doesn't dispute that however their counteroffer of \$1.7 million is based on their current lease with the Australian Cable Station. Director Hutapea suggested that AT&T conduct a fair market rent appraisal and settle it there. Furthermore, she proposed that GEDA give AT&T two to three months to finish the appraisal and then submit to GEDA, and GEDA will find a new lease.

Vice Chairman Espaldon asked if AT&T outlined their \$1.7 million offer. According to Director Hutapea, AT&T based their offer on their \$10,000 monthly rent for the Australian Broadcasting Building which is 5,200 sq. ft. and sits on less than an acre of land and wants to apply the same amount to the Tanguisson building which is over 40,000 sq. ft. and over three acres of land. Chairman John stated that there's plenty of use for the building and indicated that the best case scenario is to negotiate with AT&T.

Furthermore, Mr. Toves stated that the property belongs to the GALC, and it's their call. GEDA's role is serving as the property manager for GALC. The commission would like to work it out with AT&T however, \$1.7 million isn't acceptable. Director Hutapea suggested that AT&T can perform a retrospective appraisal as of a certain date which will be fair for them, for GEDA, and fair for our tenants.

No motion required. It's under oversight of Director Chiu and Director Hutapea.

No further comments made.

Recommendations:

- RPD continues to follow up with AT&T regarding payment of back rent due and lease moving forward. Make recommendation to GALC to negotiate.
- We should consider engaging with GEDA Legislative Oversight Chairman to discuss PL 34-99 (the 5-year Law) and its effect on lease revenue as there have been no new leases since its passage.

**H-2B VISA COMMITTEE**

Chairman John reported that the efforts of Chief Advisor Carl Gutierrez, Mr. Edward Camacho, and the team have been positive. Meeting held and signed off on law. Philippine H-2B workers should be coming to Guam.

Director Chiu stated that although the USCIS has somewhat resolved the issue for projects outside the fence, it still doesn't help the people on Guam who want to build their homes and can't find affordable labor. Chairman John stated that some H-2Bs have been approved that are tied to the One Guam policy such as Tsubaki Tower.

Business and Economic Development (BEDD) Manager, Mr. Camacho clarified the H-2B application fees informing BOD that it cost \$2,100 initially to apply at the USCIS and an additional \$5,000 - \$6,000 a person depending on the classification of the position. Mr. Camacho stated that H-2B applications have been approved for affordable homes and healthcare. However, he further stated that within the past 15 months, no applications have been submitted to non NDAA projects indicating there's nothing for the USCIS to approve or deny. The primary issue is that developers don't want to apply because of the unknown. Mr. Camacho is hoping that retail developers of Don Quixote will apply. Moreover, how can we incentivize developers should they get denied. No one is applying. Ms. Mendiola and Chairman John stated that maybe a tax credit can be offered. Chairman John recommended that the committee find ideas that will encourage developers to apply for H-2B visas and educate people of success stories related to the program.

Furthermore, Mr. Camacho reiterated that the Philippines has been removed from the registry of approved countries, and the committee's efforts in conjunction with the Governor's office is to either come up with a new strategy or continue to promote the current strategy. Also, the committee wants to ensure that the ban is only for one (1) year and should expire on January 18, 2020.

Recommendations:

- Board of Directors should meet with Chief Advisor Carl Gutierrez.

**TELECOM AND UTILITIES COMMITTEE**

Ms. Mendiola reported that within the CEDS report, two (2) projects listed include the Solar Power Data Center Feasibility Study (Power Efficient Data Centers) and Telecom Industry Training Program in corporation with UOG and GCC. She indicated that these are two of the EDA grants that GEDA will apply for with funding of \$500,000 for two years, primarily for staffing. She further stated that funding is necessary to conduct a feasibility study to find information including the cost of power and explore means to lower the power bill.



Director Chiu stated we want the data centers to be based here on Guam but that it takes a great deal of power to run data centers. He questioned the cost of kilowatt of electricity and is concern that the study will be useless if it's not financially feasible. Director Chiu suggested that GEDA consult with a telecommunications company and find out what's the target rate for kilowatts for electricity to run a data system.

## **ASSISTED LIVING COMMITTEE**

Report in binder

There were no further Committee Reports.

### ***Old Business***

§9. The next item on the agenda was Old Business. The first item under Old Business was the Circular Economy experts that visited Guam on August 12th and 13<sup>th</sup>.

Vice Chairman Espaldon requested for any report and information for BOD from event with Dr. Shelton at the University of Guam.

After further discussion, there was no other business.

### ***New Business***

§10. The next item on the agenda was New Business. The first item under New Business was the annual Labor Day Picnic.

Ms. Mendiola informed BOD that GEDA received a letter from the Labor Day Committee and is being requested to share in the sponsorship of the annual Labor Day Picnic at Ypao Beach on Sunday, September, 2019. The committee is asking autonomous agencies for \$10,000 each. Committee isn't soliciting private sector. Money will come from GEDA Reserves, outside of GEDA's Operating Budget.

After further discussion, Director Deepak moved to motion that GEDA sponsor \$1 over the highest sponsorship, but no more than \$10,000 to sponsor the annual Labor Day Picnic festivities. Director Chiu seconded the motion. The motion was unanimously approved.

The next item under New Business was the Community Contribution for Junior Achievement.

Ms. Mendiola stated that the Junior Achievement (JA) organization has been a beneficiary of the Community Contribution fund since 2017 at \$25,000 a year. This year, they are asking for \$30,000. JA is celebrating their anniversary this year and hosting a Regional Conference in March 2020. Money will come out of GRMC 2018 Community Contribution.

After further discussion, Director Siska moved to approve \$30,000 from QC#252 for Junior Achievement. Vice Chairman Espaldon seconded the motion. The motion was unanimously approved.

The next item under New Business was the Community Contribution for the University of Guam's Startup Weekend Micronesia.

Ms. Mendiola stated Startup Weekend Micronesia is being run by the students of the Professional Master of Business Administration Program (PMBA). It's a three-day event that will be held across Micronesia (Guam, Saipan, Chuuk, Pohnpei, Kosrae, Yap, Marshall Islands, and Palau) for students and aspiring entrepreneurs. At the end of the weekend event, students will have pitched a complete business plan to a panel of judges in hopes of opening up a business. Main sponsorship is \$20,000 and \$5,000 for Platinum sponsorship. Money requested will go towards the UOG's PMBA students conducting and facilitating the training for their airfare, hotels, and the cost of running the program. In addition, Ms. Mendiola indicated that students are willing to present GEDA's small cruise ship presentation to all the islands. Furthermore, she stated that Startup Weekend Micronesia is a great opportunity for entrepreneurship in the region. Staff recommendation is to provide \$5,000 from GRMC 2018 Community Contribution fund.

Director Chiu stated that GDA funds should be used for these types of sponsorships as a business incubator. Ms. Mendiola stated that GEDA can identify how much we receive from loan interest and possibly use those funds. Chairman John recommended creating a Community Development Fund concept structure.

After further discussion, Vice Chairman Espaldon moved to approve \$5,000 for QC#252 to support UOG's PMBA Startup Weekend. Director Siska seconded the motion. The motion was unanimously approved.

There was no further business discussed.

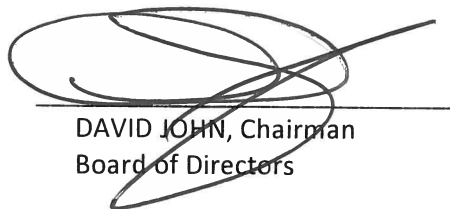
#### ***Public Comments***

§11. The next item on the agenda was Public Comments.


There was no further business discussed.

#### ***Adjournment***

§12. After further discussion there was a recommendation to adjourn the meeting. On motion duly made by Director Chiu and seconded by Director Dewan at 2:56 p.m., the meeting was adjourned.

  
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DAVID JOHN, Chairman  
Board of Directors

ATTEST.

  
\_\_\_\_\_  
GIA RAMOS, Board Secretary  
Board of Directors