

Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
January 10, 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, January 10, 2019 at the hour of 1:37 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 Vice 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
Monte Mesa
Gia Ramos

Offices or Positions:

Vice Chairman
Director
Director
Director

Acting CEO/Administrator
Legal Counsel

Artemio Hernandez
Terry Brooks

Absent and excused:

George Chiu Director

Also present were:

Claire Cruz GEDA
Matthew Baza GEDA
Mary Camacho GEDA
Jha' Aunie Leon Guerrero GEDA
Tina Garcia GEDA

Tria Paulino	GEDA
Mel Mendiola	GEDA
Austin Grant	GEDA
Diego Mendiola	GEDA
Mike Cruz	GEDA
Jo Ann Cruz	GEDA
Bernice Torres	GEDA
Ed Camacho	GEDA
Raeann Lefever	GEDA
Sheena Mitchell	GEDA
Therese Santos	GEDA
Tara Murakami	GEDA
Anumita Kaur	PDN
Larry Toves	GEDA

Approval of Agenda

§3. The first item considered was approval of the agenda. Director Ernesto Espaldon made the motion to approve the agenda with the amendment to move New Business before Communications. On the motion duly made by Director Espaldon, Director Monte Mesa seconded. The motion was unanimously approved.

New Business

§4. The first item on New Business for discussion was Election of the Board.

Vice Chairman David John mentioned to the Board that Chairman EJ Calvo has resigned, leaving the position of Board Chairman vacant.

Director Gia Ramos made a motion to appoint Vice Chairman David John to the position of Board Chairman. On the motion made by Director Ramos, Director Monte Mesa seconded. The motion was unanimously approved.

Director Mesa made a motion to appoint Director Ernesto “Jun” Espaldon to the position of Board Vice Chairman. On the motion made by Director Mesa, Director Ramos seconded. The motion was unanimously approved.

Chairman David John recognized Senator Clynton Ridgell, GEDA oversight chairman and expressed the excitement for the partnership.

The next item for discussion under New Business was the Nomination for CEO/Administrator.

Director Mesa made a motion to appoint Melanie R. Mendiola to the position of CEO/Administrator of the Guam Economic Development Authority. On the motion made by Director Mesa, Vice Chairman Espaldon seconded. The motion was unanimously approved.

Acting CEO/Administrator Melanie Mendiola joined the Board of Directors at the table.

The next item for discussion under New Business was the Approval of Organizational Chart.

Ms. Mendiola recommended to the Board that GEDA's organizational chart be revert to the chart approved prior to the amendments that were made on October 18, 2018 during the Regular GEDA Board of Directors Meeting.

Furthermore, Ms. Mendiola stated that by reverting to the organizational chart prior to October 18, 2018 GEDA would be focusing on the cost centers of the agency and the divisions set forth would reflect the agency's mission.

Vice Chairman Espaldon made the motion to approve the proposed organizational chart. On the motion made by Vice Chairman Espaldan, Director Mesa seconded. The motion was unanimously approved.

The next item for discussion under New Business was the Approval of Accountable Officers.

Deputy Artemio Hernandez requested the Boards approval of the official signatories for GEDA.

Director Mesa asked if Board Secretaries were not listed as authorized check signers and signers for investments in previous years. Bernice Torres, Manager mentioned that the Board Secretary was not listed as an authorized signer during the previous administration. Furthermore, it is in the Board's authority to approve the officials as desired.

Director Mesa stated that in other Boards he served on, Board Secretaries assisted with signing official business.

Director Espaldon made the motion to approve the authorized Accountable Officers with amendment to include the Board Secretary as an authorized signer for Approving Officers, Check Signers of all accounts and Signers for Investment Accounts. On the motion duly made by Director Espaldon, Director Mesa seconded. The motion was unanimously approved.

There were no further businesses to discuss.

Communications

§5. The next item on the agenda was communications.

Acting CEO/Administration Melanie Mendiola made opening remarks and thanked the Board for their dedication support to GEDA.

Ms. Mendiola mentioned key points, priorities and projects discussed with Governor Leon Guerrero and her team during a briefing on Wednesday, January 9, 2019.

- Revenue center approach toward GEDA's budgeting
- Launch of "GEDA in the Community" campaign
- Research and improvement of bond servicing fees
- Impact of H2B Visa on Guam
- Improvement of Qualifying Certificate program
- Improvement on Bond Ratings
- Focus on Opportunity Zones
- Enhancement of agriculture and aquaculture

Ms. Mendiola recommended that the Board form committees at a later time to oversee the projects and priorities of GEDA. The Board was in agreement of the recommendation.

Chairman David John mentioned to Senator Clynton Ridgell that GEDA would reach out to the Legislature to identify steady revenue for the agency. Ms. Mendiola stated that GEDA would work to provide a proposal within 30 day.

Director Gia Ramos stated that revenues cannot be controlled but the agency can control expenses.

Furthermore, Chairman David John stated that GEDA needs to decrease travel expenses by focusing on travel primarily on conferences dealing with economic development and bond ratings. Mr. John stated that travel should be planned, budgeted and revisited quarterly for the Board's review.

After further discussion, communications regarding the briefing with Governor Leon Guerrero concluded.

Chairman John opened discussion regarding the ratings issued by S&P. He stated that Guam has been downgraded on a number of issuances. Christina Garcia, Manager stated that in a report issued on December 27, 2018 the Hotel Occupancy Tax, Business Privilege Tax Bond and the Section 30 Tax Bond, the ratings were initially given an A rating but were changed to a Double B rating due to "the tie to the general government." Ms. Garcia mentioned that GEDA issued a statement to investors stating that there was no change in the economy, no change in the strength of the credit, collectability or debt service coverage and was strictly on the rating criteria of S&P. Furthermore, the underwriters have been tracking the trades and discovered that most investors understand the matter and have no effect on the holders of bonds.

After further discussion, there was no further communications.

Old Business

§7. The next item on the agenda was old business.

The first item under Old Business was the Hakubotan Update. Mr. Larry Toves, Manager spoke on that matter. Mr. Toves informed the board that in the October 2018 Meeting, the Board instructed staff and Legal Counsel to examine remedies to allow approval of SH Enterprise's sublease mortgage with Mrs. Anna Kao as well as its sub-sublease to the Guam Police Department (GPD). Subsequently, during the December board meeting, the board directed RPD staff to determine if the tenant's current monthly rent is at fair market value as a condition to GEDA's approval of the assignment of sublease with Mrs. Kao and GPD's lease for office space within the building.

Furthermore, Legal Counsel prepared a notice of lease violation regarding the above matters to which the Mins informed staff that the loan from Mrs. Kao had allowed them to cure all of SH Enterprise's financial liabilities, including their bank loan as well as all lease arrears for the land due to GEDA. In addition, the loan also stabilized their company's financial position. Mr. and Mrs. Min expressed that while they have subleased a portion of the property in response to GPD's bid for office space, it was never their intent to violate the lease with regard to first seeking prior approval of GEDA for these matters. Thus, Legal Counsel prepared a Waiver and Consent to remedy these actions for the record. SH's next 5-year lease option is due in July 2019, at which point, SH's lease payments will be subject to Fair Market Value Appraisal pursuant to the terms of the lease agreement. SH is paying \$1.47/sm/month. FMV at 8% Cap Rate for the land is \$1.57/sm/month. If GEDA's 3% share of SH's subtenants are factored in, SH is actually paying GEDA a grand total of \$1.64/sm/month.

Vice Chairman John expressed concern in the client's ability to meet payment deadlines. Mr. John asked if GEDA could structure a formal agreement with SH Enterprises for GPD to pay rent directly to GEDA should the client fall behind in payment. Mr. Toves informed the Board that GEDA is working to confirm an agreement with SH Enterprise to assign GPD sublease payments to GEDA in the event of any future lease defaults. Overall, SH has been current with payments for the past few months.

After further discussion, Mr. Toves stated that staff recommends that the Board authorize the Administrator to execute the Waiver and Consent prepared by Legal Counsel to convey approval of SH's actions taken to cure lease defaults. Approval will allow SH essentially stabilizing its financial footing and supporting a long time tenant in its efforts to continue being a contributive small business. As well, this approval will be conditioned on SH's agreement to assign GPD sublease payments to GEDA in the event of any future lease default(s).

Director Mesa made a motion to approve the updated market rate and to assign GPD sublease payments to GEDA in the event of any future lease default(s). On the motion duly made Director Mesa, Director Espaldon seconded. The motion was unanimously approved.

The next item under New Business was the FY2019 Comprehensive Economic Development Strategy. Mr. Henry Cruz, Economic spoke on the matter. Mr. Cruz stated that the CEDS report is a document frequently used by the federal government when agencies are seeking federal funding. The comprehensive report includes

developments and projects that economically enhance Guam. Mr. Cruz also stated that non-governmental parties are welcomed to submit projects or plans to be included in the report. The last CEDS report created was in 2011. Mr. Cruz informed the Board CEDS reports are typically drafted every three to five years.

Mr. Cruz stated that public comment ended late December 2018 with little feedback from the community.

Ms. Mendiola stated that Deputy Administrator Hernandez and herself reviewed the CEDS report. Editorial changes and project additions need to be addressed. Ms. Mendiola mentioned that it is recommended to have the report reflect the vision of the current administration and other agencies. Furthermore, the report needs

1. To be a multi-functional asset for GEDA with various part
2. To add to complexity to the current projects outlined
3. To include projects that can enhancement of agriculture and aquaculture on Guam

Ms. Mendiola stated that GEDA would schedule a teleconference with the USEDPA to discuss extending the deadline and repurposing funds.

Chairman John recommends that once the report is finalized, the report should be shared with various organizations and agencies that would benefit from the information gathered.

Director Mesa recommended that the report include a plan for regional cruise ship expeditions on Guam, specifically in relation to the Port of Authority of Guam's development master plan.

Director Ramos asked if the report includes a chart illustrating Guam's GDP. Furthermore, Director Ramos suggested that a pie chart be included to reflect GDP in percentage for an investor's standpoint.

After further discussion, there was no further business discussed.

Reports

§9. The next item on the agenda was Reports.

Director Monte discussed Special Hotel Qualifying Certificate (QC) status update as of December 31, 2018. Director Monte recommend that the Board move forward to secure more QC applicants and stressed the H2B Visa Issue.

Mr. Ed Camacho, Manager informed the Board that the Business Development division will be meeting with Guam EB-5 Hotel Developers, LLC to follow up on the QC application.

Matthew Baza, Industry Development Specialist IV stated that if City Hill Company (Guam Plaza Hotel) were to perform a substantial change in business, City Hill Company would have to apply under the provision of the law. If the Board approves, the original QC will be revoked then issued a new QC with the modification.

Director Monte discussed the HOT Bond Projects. Mr. Mesa asked if the balance of the HOT Bonds continue to be directed toward projects in Hagatna, especially the Palasyo. Mr. Larry Toves stated that GEDA entered an MOU with GVB, which manage the project. GEDA only authorizes funding.

Mr. Ed Camacho provided an update on the CoreTech QC. The QC application was sent to Legislature and GEDA assumes it was then transmitted to the Governor's Office. Chairman David John requested that GEDA work to locate the application and continue to seek guidance from the Attorney General.

After further discussion, there were no more reports.

Public Comments

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

There were no public comments.

Adjournment

§11. After further discussion there was a recommendation to adjourn the meeting. On motion duly made by Director Monte Mesa and seconded by Director Gia Ramos at 3:19 p.m., the meeting was adjourned.


DAVID JOHN, Chairman
Board of Directors

ATTEST:


ERNESTO ESPALDON, Vice Chairman
Board of Directors