



**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
June 23, 2022**

Call to Order

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority was held on Thursday, June 23, 2022 at the hour of 1:30 p.m., at the GEDA conference room, Suite 511, ITC Building, Tamuning, Guam. The meeting was called to order by Chairman David J. John to consider items on the Agenda.

Inifresi

- § 2. GEDA Board of Directors and all others in attendance recited the *Inifresi*.

Quorum and Attendance

- § 3. **Roll call.** As determined by the roll call made by Chairman David J. John the following individuals were present:

Directors:

David J. John
Ernesto V. Espaldon, Jr.
Siska Hutapea
Andrew Park
Melanie Mendiola
Ed Camacho
Terrence M. Brooks

Office or Position:

Chairman
Vice Chairman (via teleconference)
Secretary
Director (via teleconference)
CEO/Administrator
Acting Deputy Administrator
Legal Counsel

Also, in attendance were:

Cedrick Castillon
Jayden Mendoza
Aika Kanekatsu
Yong Pak
Diego Mendiola
Claire Cruz
Melvin Tabilas
Ariana Villaverde
Mike Carlson
Morgan Legal

GEDA
GEDA (Intern)
GEDA (Intern)
GEDA
GEDA
GEDA
GEDA
GEDA
GEDA
Office of Sen. Ridgell
Glimpse of Guam



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| Mark Baldysa | Baldyga Group |
| Joon Lee | Baldyga Group |
| Robert Peredo | Baldyga Group |
| Patrick Sherman | Baldyga Group |

Absent (Excused):

| | |
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| Fe Valencia-Ovalles | Director |
|---------------------|----------|

Approval of Agenda

- § 4. Director and Secretary Siska Hutapea requested, since Mr. Baldyga is present, to move the agenda of listening to the QC application of BG Place, LLC., up after the approval of the agenda. The motion was made and was seconded by Vice Chairman Ernesto V. Espaldon. The Directors then voted, and the motion was unanimously passed.

New Business

- § 5. BG Place Application by Acting Deputy Administrator Ed Camacho and BG Place CEO Mark Baldyga.
- a. On April 29, GEDA received an application from BG Place, LLC for a QC. A public hearing was held on June 8, 2022, and the applicant was of attendance. The shareholders for BG Place are Sandcastle, Inc. and BG Entertainment; both wholly owned by Mr. Mark Baldyga. The applicant plans to completely renovate and overhaul the existing Sandcastle facility with new state of the art theatre as well as new and expanded dining, nightlife and other services with a goal of creating world class entertainment and dining venue. The tax benefit requested is based on the QC is 75% of income tax rebate for a period of twenty (20) years and 100% of real property tax abatement for ten (10) years. The eligibility criteria have been met which are tourism and services. BG Place plans to invest \$10.5 million for construction and acquisition, FF&E and other cost. The location will be at the current Sandcastle property and the Sandcastle parking lot across the street. The application also indicates that Sandcastle will employ one hundred and thirty-eight (138) employees; eighty-seven (87) will be full time and fifty-one (51) will be part time. Payroll amounts for the first-year equals \$3.2 million excluding benefits, costs and tips. The employee count does not include contract employees for the show, which is approximately fifty (50) contractors and there are also payroll expenses associated with that. There are findings within the QC application that applicant will create employment, improvement of a facility, and creation of economic activity valued to Guam. The government of Guam continues to place importance on projects that fosters Guam's post-COVID economic recovery. In regard to tourism, there is a desire to adjust Guam's visitors based on high yield visitors that will spend more money on island. The project is making a significant investment in the tourism industry at a time where swift and robust recovery is crucial to the economic health of Guam.



- b. It is recommended from the credit review is that the tax benefit is 75% as requested for an income tax rebate for twenty (20) years, 75% income tax rebate for LLC members (it is not requested but part of the law) for BG Place for twenty (20) years, and 100% real property tax abatement for ten (10) years. The total benefit GEDA would want to place a cap of 60% total investment and it will be trued up in the end as a benefit for BG Place. The QC program had past criticism regarding open ended, unquantifiable nature of tax benefits authorized. In response, a special hotel QC program, which placed a cap on tax benefits based on the percentage of the investment. Based on the review on the BG Place application, a cap of 60% of audited investment cost is fair based on the scope and investment of the project. BG Place will hold at least a hundred (100) employees, full time, throughout the duration of the QC. Negotiations regarding the Public Investment are ongoing. GEDA is recommending either a twenty-five thousand dollar (\$25,000.00) annually from the effective date of the QC to 2030 and then fifty thousand dollars (\$50,000.00) until the end of the term of the contract or in-kind benefits such as the use of the facility to which Mr. Baldyga will express in his presentation. Acting Deputy Administrator Camacho informed the Board that Mr. Baldyga is informed of the Credit Review Recommendation and was able to review it himself.
- c. Mr. Mark Baldyga is proud and excited to present the proposal to the Board and believes that this is a single, most important moment in Guam's fifty (50) year history of tourism. Before COVID, tourism represented 60% of the island's business revenue and that economic engine has shut down for three years. We are all fortunate and well blessed to have the economic stimulus of federal relief funds and military construction, however, sooner or later it will come to an end. How long it will take to build back tourism and where the market ends up are critical issues for the island and the employment of the people. Competition for visitors from the sources markets is fiercer than ever. The market share from Japan and South Korea used to be 6% however it shrunk by half to 3.5% due to increase competition and lack of new activities. Two weeks ago, Guam had their first returning travel agency study and they have bluntly warned that "Guam is a monotonous tourist spot with no night tours and nothing new". There is a risk that it will take years to return or that Guam will never reach to the former numbers. There is an opportunity to regain not only the 3.5% quickly but build back to the former 6% if there are attractions to offer. The small difference alone between 3% and 6% represents 1.5 billion dollars per year in revenue and one hundred and fifty million dollars (\$150,000,000.00) in tax revenue per year. In the actions that are taken within the next twelve (12) months could well determine Guam's market position for the next decade. Respectfully, the reopening of the new hotels will not create demand as GVB knows very well that only a major attraction can do this. BG has hosted six (6) million guests through their properties since 1990. BG has invested fifty million dollars (\$50,000,000.00) in Guam and paid over one hundred million dollars (\$100,000,000.00) on payroll to the fellow Guamanians. Unlike hotels who were fortunate enough to get some quarantine and military business, most tourist attractions have had zero (0) revenue for three (3) years. The bank accounts have been drained and have lost a lifetime of savings. Therefore, Mr. Baldyga is especially proud to propose onto redeveloping the theatre property to create one hundred and eighty-eight (188) jobs including one hundred and twenty (120) full time equivalent positions plus performers. A new and original island theme show will replace the magic show and old fashion dinner scene after thirty (30) years. The island theme show will be on a scale that has never been presented anywhere in the world. BG is proposing fifty (50) performers including forty (40) local dancers on a stage that is larger than any stage on Broadway, using the best designers in the world, a million dollars' worth of video equipment, a screen as large as IMAX, and a show on a scale of the largest shows in Las Vegas. The project is more than just the theatre, it is a multi-outlet entertainment complex. Sandcastle is rebranding and the name of the theatre will stay the same. The name of the complex will be BG Garden: A Multi-Outlet Entertainment Complex. There will be a luxury restaurant. It is both indoor and outdoor. It will serve breakfast, lunch, dinner and late-night dining as well. High-quality late-night dining is what world



class destination has that Guam does not have. There will be a digital waterfall just like the one in New York City, however, three stories higher than the one in New York. The waterfall will be the entrance of the nightclub. The club, that was formally known as The Globe, will be now called Zoh which means “life” in Greek. Everything will be state of the art and high quality just like the top clubs in Las Vegas. What was formally known as The Manhattan will be become a secret bar; it is open to the public, but one would have to know that it is there. The style of the bar would be like a private apartment of a famous fashion photographer. The name of the bar will be Moi Muse which means My Muse. The heart and the soul of the project is the renovation of Sandcastle Theatre. There will be five hundred (500) seats with stages in the audience area. Without the stages in the audience, it would have been seven or eight hundred (700 or 800) seats. The ceiling has been torn out and will make the structure to be fifty (50) feet high. Originally, the ceiling would be only twenty-five (25) feet high. With the new ceiling, an IMAX sized video screen will be able to fit, which is about fifty-five (55) feet high by eighty (80) feet wide. The building is forty-seven (47) feet high by one hundred (100) feet wide. Side stages will be built into the side walls. In addition, a MICE Conference facility will be built in the middle of Tumon, next to the Dusit Thani. Mr. Baldyga then presented a short preview on how the island theme show will be to the Board of Directors. The project connects directly with GEDA and BGP’s goals: quality attractions, promoting local culture, improving and assessing the arrivals, driving a higher quality customer, establishing a new MICE facility, and helping to extend the average length of stay by offering more things to do. There will be a dance training program, for free, due to the fact that there are forty (40) performers in Sandcastle and thirty (30) at TaoTao Tasi adding up to be seventy (70) full time dance positions on an island that has one hundred fifty thousand (150,000) people. More dancers will be needed for this project. The facility can also be used for charity organizations as well as fundraisers. There will also be a rotational art gallery for local artists at the back of the new club. Mr. Baldyga made it clear that he will be doing this project with or without GEDA’s help because he feels like it is the right thing to do. BG will also be investing and improving on public sidewalks to stop the flood water from draining the customers, at least in front of the property. A statue of the first Maga’haga which was found inside of Sandcastle’s property thirty (30) years ago and called her the Princess of Tumon, who was buried in a canoe. She is very special which is why she will be placed front and center where the kiosk is currently at in front of the Sandcastle building and next to the cross walk. The direct benefits are very clear, however, what is not as clear are the benefits on tourism on driving the economy back. With or without the QC, BG Place will receive no tax due for the next seven (7) or ten (10) years. Tourist attractions are not hotels. Mr. Baldyga respectfully requests that going forward on QCs having GRTs for tourist attractions on however GEDA wants it set up on a level playing field. Mr. Baldyga is very excited and passionate for the project and that this becomes the must-see attraction in Guam.

- d. Director and Secretary Hutapea mentioned that Mr. Baldyga had done this project at the best time due to the fact that there needs to be new attractions to the market to bring back tourism. Director Hutapea also thanks Mr. Baldyga for his dedication. She then asked when will the product be available to the market? When does he think he will open the show as well as when does he think the tourist level will go back up considering the timeframe in the relation of the capping that was suggested by management? Mr. Baldyga answered that once they open, they’ll stay open despite the power bill going up. With how aggressive they have been with construction; they are planning to be done by the first quarter of next year. The club and the restaurant, however, will be open within the next few months. The theatre and the show will be open February of next year. Mr. Baldyga continued by stating that timing is important and so he and his team has taken the risk of going down this path. When the tourist will be back, Mr. Baldyga admitted that he does not know; no one knows. The consumer patterns are changing. For North America and Europe, it should not take long, and Southeast Asia is starting to get there. North Asia e.g., China, Japan and Korea are Guam’s four markets and no



one really knows. Mr. Baldgya's staff expects that they should be somewhere between 30 to 50% percent of normal by the end of the year. The highest would be at, hopefully, is 70%. Beyond that, Mr. Baldgya guessed with thirty (30) years of business experience in Guam, Japanese tourist tend to operate on an April fiscal year. New tour packages come out at or around that time. April 2023 is what Mr. Baldgya would guess that things will really start to pick up past 70% or maybe during the summer of next year. The problem is that, like most tourist attractions, there is really high fix cost and very low variable cost. He compared it to an airplane ticket. Guam needs 70% of normal to break even and then the profit will come in. Overall, Mr. Baldgya and his staff does not know exactly when the tourists will be fully back. Director Hutapea asked a follow up question which was about the MICE Conference and where it would be located. Mr. Baldgya informed that the MICE Conference is the theatre during the day and will be a theatre during the night. Vice Chairman Espaldon wanted a few clarifications on the percentages and would like their financial person to speak on the matter. The show will show profit, however, the carry forward on the loses would go for until what year. Mr. Baldgya answered 2029. Vice Chairman Espaldon then asked that from year 2026 to 2030, what does cash flow projection apply and what kind of cash would be generated in this period of time. Mr. Baldgya then answered by saying that the debt services are about one million dollars (\$1,000,000.00) a year. It'll be 1.9 million in 2023, minus a million it will be nine hundred thousand (\$900,000.00) for net cash. Director Andrew Park then asked if Mr. Baldgya could explain his head office fee to which Mr. Baldgya began to explain due to the fact that it was also a GEDA question as well. Sandcastle's head office has built its accounting, sales and marketing, HR and head office executives. They are all employed by Sandcastle. However, when the beach bar, dinner cruise and other entities started to form, there was no need to find another control or another sales person so Sandcastle provided those services for the other entities. At the end of each year, they take the revenue from each entity on a percentage basis and hand that percentage to the head office to get reimbursed. It does not affect the taxable income or the rebate amount. Director Hutapea mentioned that management suggested the 60% cap and as a director, for them to make an informed decision, they would like to know the background on how the 60% is arrived at? Administrator Melanie Mendiola answered by saying that with all qualifying certificates, in addition to a public hearing, much like a lone there is a credit review committee, and the credit review committee is made up of all the managers who goes over the documentation, the application and supporting documents associated. With regard to this qualifying certificate, GEDA started with the yeses and nos. An example of these questions is: are they eligible to receive a QC? To which the answer here is yes. After that comes the level of tax benefit and the most generous benefit can come over to a period of twenty (20) years with no cap associated with it, rebate on income taxes as well as a real property tax abatement. There is no BPT abatement on the general qualifying certificate. There is also a determination that GEDA can make or recommend in regard to community contribution benefits. There was a discussion on whether or not to give a hundred percent (100%), seventy five percent (75%), sixty percent (60%) or fifty percent (50%) and leave it uncapped for the duration of the QC. Another discussion came up on whether or not Mr. Baldgya to capture as much tax savings as possible and as early as possible. To have the company be able to utilize whichever percent, in this case seventy-five percent (75%), to give it a more generous time for when Mr. Baldgya could derive profit. As for the cap, there have been auditor commentary about the nature of all qualifying certificate of all tax credit and abate tax credit (abatement and rebate programs) and that there was feedback that GEDA would need to quantify the risk over the course of a period of time. Hence the thought process of assigning a cap to it and what shall the cap become. The cap for special hotel qualifying QC is 10%. Tsubaki Tower, for example, is a one hundred and fifty million (\$150,000,000.00) investment and the cap is fifteen million (\$15,000,000.00). The situation here, Baldgya's group is different from a hotel. It is a riskier investment for many reasons. However, it offers something. GEDA does not think that ten percent (10%) and matching it to the special hotel QC would be fair. Adding on how risky it is, GEDA bumped it up to sixty percent (60%). Administrator Mendiola commented on something that was not



articulated in the application with the numbers was the investment made in the dance and cultural ecosystem of the island of Guam. One thing that was made clear in the presentation is that Mr. Baldgya is not only creating a dance but also a nonprofit dance academy. As a qualifying certificate community contribution, in lieu of a cash contribution to GEDA for purposes such as the QC Grant, the offer was that they will establish a nonprofit dance academy, which will not only be a training ground but also an apprenticeship and job placement program for the local artists. Paid jobs for local artists are hard to come by. So many of local artists, dancers especially, are gig individuals and can only survive as long as someone is willing to book them. GEDA does feel like there should be a cap and the Directors will decide if they want to be more generous on the cap for the QC.

- e. Chairman David John then added to the discussion by explaining the hotel QC and how it is different from the QC that Baldgya's team is asking for/ Chairman John then voted for lifting the cap and keeping the seventy five percent (75%) tax abatement. Chairman John had the chance to walk on the floors of Sandcastle and admits that this is not just a repaint, it is like a shell, and they are ripping it out and then putting it all back together. Vice Chairman Espaldon comments that the cap is something that should be discussed and that it should be discussed on a going forward basis if GEDA would also need to have the Legislature involved as well as the auditors. Everything that the Directors are deciding today will be the parameters that will be set. A motion to approve the QC application for BG Place at 75% income tax rebate for a period of twenty (20) years, 100% real property tax for ten (10) years without a cap was made by Director and Secretary Hutapea and seconded by Director Park. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 6. Vice Chairman Espaldon made the motion and was seconded by Director Park to approve the May 26, 2022, board meeting minutes. The Directors then voted, and the motion was unanimously passed.

Chairman Remarks

- § 7. Chairman David J. John reported the following.
 - a. GEDA continues to wrap up the many pandemic related programs. The LEAP program funds are out, and the GEDA team has rolled our various childcare industry programs over the last couple of months. The most recent programs in the childcare program to be rolled out is called the community car program which will offer fifty thousand (\$50,000) dollars to providers on after school care, summer camp as well as other youth activities such as Jujitsu and dance classes. The process is quite similar to the process of the qualifying certificate contribution program, which is currently seeking applications for nonprofits. The key difference is that the childcare programs are non-competitive while the QCCC is competitive.
 - b. To accommodate all the increase demands on the childcare program, GEDA has some new team members. There are also twenty (20) or so summer interns joining GEDA from the Department of Affairs Summer Program for the next three months and a half.



- c. In new business, there is a new QC application that has been went over earlier today. It shows that Guam is open for business.
- d. Governor Lou Leon Guerrero and GEDA were honored for the work that was done on the LEAP program by the Guam Travel and Tourism Association at the meeting on June 7, 2022. GEDA thanks GTTA for the participation along with other industry partners including the Guam Chamber of Commerce, Woman's Chamber of Commerce, Chinese Chamber of Commerce, Korea Chamber of Commerce and GHRA which were all in the stakeholder meetings that lead to the program. The Governor has been very inclusive with designing these programs for the business grants bringing in all state holders to make sure that GEDA did not miss anything and that comradery and working together paid off.
- e. GEDA was also visited by the Department of Interior this month to discuss grant opportunities. GEDA is getting ready to officially submit an upgraded and comprehensive economic strategy also known as CESD document this summer. GEDA also updated the 2019 document with COVID 19 economic impact narratives attached.
- f. GEDA has exponentially increased amount of funding for programs over the years. GEDA is happy to see the budget augmented to this regard but also more funding flow to the business community.

CEO's/Administrator's Remarks

§ 8. Administrator Melanie Mendiola reported the following:

- a. Governor Leon Guerrero provided her speech to the island last night and GEDA was mentioned more than once. GEDA is very grateful for that. She mentioned the money that she pumped out through programs like LEAP and the Pandemic Assistance Grants. She also gave love to the economic diversification working groups and the work that has been done to diversify the economy outside of two industries. She discussed Prugrãman i Pinilan and how it could save working families up to six hundred and seventy-five dollars (\$675) per month if they qualify. She also mentioned mortgage tax credit which GEDA is assisting Guam Housing in getting the program more attraction on. The distinct difference is mortgage tax credit is primarily aimed at first time home buyers who has a larger tax liability than buyers under the affordable home profile. GEDA sees this as a program that could benefit some households today. This is a growing population especially when the economy is more diversified. It is also relevant today because of the rising interest rate environment where purchasing power could affect by the prices of goods.

Committee and Standing Reports / Old Business

§ 9. Administrator Mendiola suggested that all the Committee and Standing Reports as well as Old Business could be tabled in the interest of time. The Directors all agreed and moved on to the next topic in the agenda.



New Business

- § 10. Resolution no. 22-013 Relative to Approving Qualifying Certificates relevant to Suspension and Extension of Hotel Qualifying Certificate for Two Properties reported by Compliance Manager Claire Cruz.
- a. COVID severely impacted tourism; in particular, the hotels. There are two hotels who are current clients of GEDA under the qualifying certificate program. In order for GEDA to assist them, the compliance department had discussed with Administrator Mendiola if it is possible to do two things: (1) a QC to be suspended for two years which will give the hotels time to recover and (2) the QC to continue for two years so that the hotels do not lose any benefits or opportunity of benefits. The years that it will cover are 2021 and 2022, calendar year. Right now, the compliance department is currently doing the compliance for 2021 and it is not looking good. 2022 is going to be the same. Administrator Mendiola chimed in by stating that there is a packet of the resolution made by the compliance department and was reviewed by Legal Counsel and it is a resolution to approve the temporary suspension and extension of qualifying certificates for the Regal Royal Resort formally known as the Sheraton and City Hill Company. A motion to approve Resolution 22-013 was made by Vice Chairman Espaldon and was seconded by Director and Secretary Hutapea. The Directors then voted, and the motion was unanimously passed.
- § 11. RFP 22-001 The Propose Financing from any Banks, Banking Syndicates, Commercial Lending Institutions, or Investment Funds to provide a loan to the University of Guam's Efficiency Project with a total not to exceed \$4,500,000 reported by Public Finance Manager Tina Garcia.
- a. GEDA received a request from UOG to issue the procurement to fund their energy efficiency project. GEDA issued RFP 22-001 on Friday, April 28, 2022, with a deadline to submit the proposals on May 31, 2022, at 4 p.m. Three responses were received: Bank of Guam, First Hawaiian Bank and Siemens Financial Services. When opening the proposals, there was also a recommendation for an evaluation team to include Randall Wiegand, Vice President of Administration, Ariana Villaverde, Administrative Services Manager in GEDA, and Tina Garcia, Public Finance Manager in GEDA. The evaluation committee reviewed the proposals and conducted the final evaluation on June 6, 2022. After the analysis of the proposals, the committee granted the proposals as follows: (1) Bank of Guam, (2) First Hawaiian Bank, and (3) Siemens Financial Services. The evaluation team respectfully requests to commence negotiations with the chief executive officer and administrator of GEDA and to authorize her to award the contract based on the best qualified offer for the required services upon completion. It will be reported back to the board on next month's meeting for the final selection. UOG is hoping to commence the projects before the end of the year for negotiations are still being worked on.
- § 12. Resolution No. 22-014 Relative to Qualifying Certificate Beneficiary Guam Healthcare Development Inc, dba Guam Regional Medical City Community Contribution to Healthcare Programs reported by Administrator Melanie Mendiola.
- a. During TakeCare's qualifying certificate period, they were giving two (2) QC community contribution of a hundred thousand dollars (\$100,000) – one to GCC and one to UOG – for the purpose of strengthening healthcare capacity; specifically, the workforce. The TakeCare QC contribution expired a few years ago. Dr. Hattori as well as GCC measured efforts to seek external funding. It has been somewhat successful, but not consistent. They have reached out to GEDA if it is possible to continue the community contribution that was made by TakeCare through the GRMC QC. It will be one hundred thousand dollars (\$100,000) each – one to UOG and the other to GCC. This would normally be routed through the healthcare committee chairman and former director George Chiu. Because Director Chiu is no longer in GEDA, it brought



directly to the board. Compliance Manager Cruz chimed in by stating that GEDA has received one million dollars (\$1,000,000) each year from GRMC and it is to be used for community contributions. A motion to pass the resolution was made by Director and Secretary Hutapea and seconded by Vice Chairman Espaldon. The Directors then voted, and the motion was unanimously passed.

Public Comments

§ 13. There were no public comments.

Adjournment

§ 14. A motion for the meeting to be adjourned was moved by Director and Secretary Hutapea and it was seconded by Director Park. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:



Ernesto V. Espaldon, Jr.
Vice Chairman, Board of Directors