



**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
March 23, 2023**

Call to Order

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority (“GEDA” or the “Authority”) was held on Thursday, March 23, 2023 at the hour of 1:40 p.m., at the GEDA conference room, Suite 511, GITC 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:

<i>Directors:</i>	<i>Office or Position:</i>
David J. John	Chairman
Ernesto Espaldon Jr.	Vice Chairman
Siska Hutapea	Secretary/Director
Andrew Park	Director
Dr. Doreen Crisostomo-Muna	Director (via teleconference)
Melanie Mendiola	CEO/Administrator
Carlos P. Bordallo	(Excused absence)
Terrence M. Brooks	Legal Counsel

Also, in attendance were:

Natioshi Hiyama	PPRM Guam
Pejman Gouniai	
Yu Kim	Happy Car Rental
Auce Cuoi	Happy Car Rental
Savana Baza	Office of Congressman James C. Moylan
David Sholing	Guam Daily Post
Johnnie Rosario	Kandit News
Michael Pangelinan	Calvo, Fisher & Jacob
John LG	Eco Inventions
Suzanne Perez	GPO
Danielle Baza	Kandit News

Jennifer Calvo-Guzman	GEDA
Tina Garcia	GEDA
Diego Mendiola	GEDA
Christina Merfalen	GEDA
John San Nicolas	GEDA
Matt Baza	GEDA
Yong Pak	GEDA
Ariana Villaverde	GEDA
Edward Camacho	GEDA
William Kier	GEDA
Steve Limtiaco	Pacific Daily News (via teleconference)

Approval of Agenda

- § 4. Vice Chairman Ernesto Espaldon Jr. requested to modify the agenda to table Resolution Number 23-007 in relation to the Public Investment Funds to Healthcare programs to a later meeting. This program and this decision affects year 2024, so we can handle that later on. Vice Chairman Ernesto Espaldon Jr. also requested to move up to below the Chairman's remarks, Resolution Number 23-011, Relative to the Qualifying Certificate of Pan Pacific Retail Management Company. The motion to modify the agenda was made by Vice Chairman Ernesto Espaldon Jr. The motion was seconded by Director Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 5. Secretary/Director Siska Hutapea made the motion and was seconded by Director Andrew Park to approve the February 23, 2023, board meeting minutes. The Directors then voted, and the motion was unanimously passed.

Chairman's Remarks

- § 6. Chairman David J. John reported the following:
- a. We're nearly halfway through the fiscal year, and I'm happy to see that we have many projects ongoing and good work with all of them. Last month, we discussed Governor Leon Guerrero's support for the additional assistance to tourism related to businesses and shared that the program would likely resemble LEAP in some sort of format with a limited budget. The Guam Tourism and Travel Association, along with the Restaurant Collective, made their case to the legislature, resulting in three pieces of legislation being introduced. We're supportive of all three bills, but we believe that Bill 75-37 introduced by Senator San Augustin, which also contains language concerning the Governor's pledge of support through the American Rescue plan, is the one that will result in greatest level of aid and most flexibility for the program design, so we may serve as many businesses as possible. Governor Leon Guerrero also delivered her State of the Island Address just over a week ago. In her remarks, she stated, "we flatlined debt and increased our ratings." GEDA was key in delivering

on this, and I want to thank the team for all your hard work. She also discussed the 1,200 or so families that will be able to afford childcare, diversification efforts in multiple industries, including Aquaculture and Additive Manufacturing, and startups through the GUMA Incubator Support and the CIS Master Space funded by our QC Community Contribution Grant Program.

- b. One of the hot topics on today's agenda is the Pan Pacific Retail application for qualified certificate. Before we deliberate on this QC, I want to remind the board of some of the heavy lifting done nearly 10 years ago to overhaul the QC program. At that time, even though the QC program was instrumental in the development of the tourism industry, the program was being called into question by both the community as well as investors. From investors, it became clear that some of the tools offered under the program were not necessarily the best tools to entice investment to a point where at least one QC holder returned their QC for lack of benefits. An example of program shortcomings was in the hotel construction where income tax reimbursement was not attractive for capital intensive investments with large depreciation amortization schedules. What's attractive to these types of industries is GRT and use tax, which was not an option under the original QC law. Additionally, the community thought GEDA was giving away the bank with QCs, which certainly was not the case, but image is everything. With this, the GEDA team and the board committed to overhauling the program. We went to the legislature with the following message. In order to help develop industries on Guam, GEDA has been tasked with managing QC programs. Over the years, the project has had mixed successes. However, in order to improve the program and make it more relevant to new investors, GEDA tasked itself with revising the program. We explained to the legislature that the program was run using one master QC program for all industries. However, GEDA recognized that each industry had unique needs and community benefits. With this, we explained our intent to redraft the QC program with industry specific QCs comprised of incentives and community benefits appropriated with specific industries. The scope of the project was twofold. GEDA would develop industry specific QCs for industries that are deemed to be important and relevant at any point in time. If there was not a foreseeable project in the horizon, GEDA would shelve the industry program for a future date. GEDA would create the structure for future industry specific QCs as the need arrived. For QCs to be considered, GEDA believed that it first must meet the following four qualities. It will help create an industry. It will help save and strengthen an existing industry that is having difficulty making money but is deemed important to the island. It provided a needed community benefit, or it helped further develop an industry that provides economic multipliers to the island. When we went to the legislature, we had three industries in mind, hotels, affordable housing, and agriculture. We were ready to go with special QCs for the hotel and asked the legislature in good faith for additional benefits of use tax abatement and GRT abatement to non pledged GRT assets. The legislature did not need to approve the additional benefits, but they did so because we showed them, we had a plan to make the QC programs more effective for all stakeholders.

- c. As we discuss QCs today in today's meeting, I must stress that I believe that the redefined QC requirements and goals were well thought out and in line with the best interests of the stakeholders in Guam and as such should be followed as is until such time that the board and GEDA team makes the concerted effort to change the requirements. I wish to convey my deepest thanks to the Pan Pacific Retail for going through the process. I welcome the board to discuss today on the application.

CEO/Administrator's Remarks

§ 7. Administrator Melanie Mendiola reported the following:

- a. Biba Mes Chamoru. As Chairman John mentioned, there are currently three pieces of legislation in public hearing mode this week. GEDA will be present to provide testimony in support and to field any questions that the legislature may have concerning launching a new program or adding a supplement to an existing program such as LEAP. I was not able to be present at the State of the Island. However, I did manage to watch it online and peruse the text. It's about 18 pages long and GEDA takes up about 10. I believe we should be very proud of all our efforts.
- b. The Department of Treasury announced a long awaited SSBCI Award of just under \$60 million. We have a calendar wherein we will be rolling out that program to prospective applicants. In addition, the Western US Agricultural Trade Association (WUSATA), a USDA funded regional agriculture export organization is currently funding the first delegation of private businesses from the Western region to Palau for a trade mission. WUSATA identified Guam as the potential hub and to pilot this program, they invited Guam businesses to basically dominate this trade mission funded by WUSATA as well as the State Trade Export Program (STEP) through the SBA program.
- c. Public Finance has great news to report as well. During the pandemic, the Guam Airport Authority's outlook was downgraded by Moody's from stable to negative. We returned from a ratings presentation earlier in the month, wherein we discussed the liquidity and solvency of the Government of Guam, the improving tourism situation, and of course, our robust economic indicators. This led to a recent public announcement of the upgrade from negative to stable, and we expect that there will also be positive news concerning the general credit of the Government of Guam. Great work from our public finance team, led by Ms. Tina Garcia, in supporting the airport and the Office of the Governor.

New Business

§ 8. Administrator Mendiola reported the following:

- a. Joining us from the Business Development Department, we have Ed Camacho, Manager, and Matt Baza, Supervisor. So I'll go ahead and kick us off and then Matt and Ed will help me as necessary. The Pan Pacific Retail Management Guam qualifying certificate application was received on November 22nd, 2022. However, the organization had approached GEDA as early as 2019 concerning their project. They also approached GEDA in 2021 concerning their tremendous challenges getting H2B visa labor for the project. In the application, you will see that the project is expected to be \$114 million in investment, would create 300 plus full-time equivalent jobs and also meets the qualifying certificate criteria for general service under tourism and the improvement of real property. In accordance with the law, GEDA held a public hearing on December 28, 2022, which was advertised in the paper prior on December 20, 2022.
- b. The Qualifying Certificate has multiple criteria to consider in deciding whether or not to grant the incentives set forth in the law. The CEO discussed the various criteria. The initial investment was planned to be \$20 million less. But because of pandemic delays, H2B visa challenges, and now a recovering consumer base, this investment was slower out the gate than Pan Pacific Retail Group had originally planned. Yet despite all of this, they stayed the course and persevered to where they are today, which is on the cusp of opening. There has been favor and opposition to the project. At the public hearing, there are testimonies in support by Tatuha Mayor, Louise Rivera, and Pacific Unlimited. Subsequent to the public hearing, there were also letters of opposition sent to GEDA by one letter signed by seven grocery store owners, Senator Tom Fisher, and various tenants of the Guam premiere outlets.
- c. Before articulating the next steps, the CEO discussed what she perceived as widespread misconceptions about the QC program. Today there are nine QCs, active and approved over the last 20 years or so. Sometimes in the media, insinuates that this tool is handed out like candy, and this is inaccurate. It is offensive to the board who weighs in on this important incentive for foreign investment and the hundreds of hours that the team spends managing this program. Opposition has also cited that Pan Pacific may receive BPT abatement and that it is unfair in the competitive marketplace. This is also inaccurate as BPT has never been on the table for any general services QC. A BPT QC applies only to the Special Hotel QC and clearly this isn't a hotel. The following rebates that are currently allowed under the law are; 1) up to a 75 % rebate in corporate income tax for up to 20 years; 2) up to a 75 % rebate in dividend income taxes for up to five years and 3) a 100 % real property tax abatement for 10 years. With the exception of real property, recommendations don't have to be all or nothing. The proposed QC is limited to real property tax abatement.
- d. A qualifying certificate holder is subject to the percentage of the arts for public buildings, which equates to about an \$800,000 investment. Pan Pacific would not be subject to the percentage of the arts if they are not awarded a QC. A QC holder would also be subject to an annual compliance and monitoring and associated fees, including the community contribution, which currently funds our community contribution programs, which has funded over 70 nonprofits island wide over the years.

- e. Moving on, the GEDA credit review committee met on March 15, 2023. The Deputy Administrator and five division heads of GEDA reviewed the application, supporting materials, testimonies in support and opposition, and took part in lengthy discussion about the QC. They also analyzed a number of different options. Matt Baza, Supervisor of BD, as well as Ed Camacho, BD Manager, were available to answer any questions concerning how that process went. The final recommendation was no to an income tax abatement, no to a dividend tax rebate, and a yes recommendation for 100% real property tax abatement for up to 10 years as authorized under the law. The CEO concurred with the recommendation and gave her reasons to the Board.
- f. GEDA board members and representatives from Pan Pacific engaged in a lengthy discussion about the benefits and issues regarding the QC.
- g. The CEO noted the board only makes recommendations for QCs and if it sees that an industry is fully developed it can choose to not recommend QCs for that industry. She noted the benefits that flow to the community and to GEDA should this QC be approved. The employment requirement of 200 FTEs, the community contributions the 1% to the arts will all have positive impacts.
- h. The CEO also acknowledged that there will be indirect economic activity that PPRM. It will be a landlord and will have vendors in there creating indirect employment and paying taxes.
- i. Mr. Natoshi Hiyama addressed the Board. He noted that the complex will have 15 tenants. He noted that PPRM approached a lot of investors all over the world. It will bring DAISO from Japan. Matsuoko Kiyoshi, the largest drugstore chain, Marugame Udon, the largest udon chain in Japan, Kokoichi Curry, the largest curry chain in Japan. PPRM has already attracted a lot of new investors in addition to their won investment. Each tenant should invest at least one million dollars and hire its own staff. Parking space will be huge with 1,100 parking spaces with a total of 900,000 square feet. At the corner, we have a future plan to further invest if the project is successful and maybe can bring new investors. This is PPRM's future plan. If our project is successful, we may invest more. Mr. Hiyama thanked the board and expressed his happiness to be here on Guam.
- j. The CEO noted that if the Board decides to act on this today the Board should consider that it is a little over \$5 million in benefits over 10 years. However, the contribution from their GRT combined, if this is approved the way it is, it probably amounts over a 10-year period between 40 and 50 million dollars. When you take a look at GRT, adding the GRT that they would contribute to our island, as well as whatever corporate income tax rebate was not to be offered. So when you add the two, this is the contribution that they would make to the island. So from the standpoint of the value exchange for the government, it's definitely, I think, protecting the people's interest as well. I think there are other expenses, too, like utilities over a 10 year period, \$34 million. \$16 million, insurance \$2.4 million, security \$6 million. Over a 10 year period, it comes up to \$206 million.. Payroll being \$ 81 million.

- k. A motion to approve Resolution 23-011, and to recommend approving the Qualifying Certificate for Pan Pacific Retail Management for 100% property tax abatement for a period of 10 years was made by Director Park. The motion was seconded by Director Siska. The Directors then voted, and the motion was unanimously passed.

Committee and Standing Reports

- § 9. No Committee Reports.

Old Business

- § 10. Administrator Mendiola reported the following:

- a. Childcare Assistance Program Report. We're starting to wind down our program in Prugrãman Pinilan. The March 31st deadline is looming for our Community Care and After School Program. We've also sent out a number of checks toward the Workforce Retention Grant Program. We graduated another cohort of graduates. One great thing that I've learned throughout this program is there were... Prior to GEDA's involvement in the program, 292 families benefited and received vouchers to pay for childcare, and now 1,500 families receive the child care assistance. So we think this is a resonating success.
- b. Businesses applying for forgiveness. We received 148 applications for \$32 million. Ninety-four for approval for \$21 million. There are about 100 businesses who have not asked for forgiveness at this point in time for the LEAP program.

New Business (Continued)

- § 11. Administrator Mendiola reported the following:

- a. Resolution 23-010 Relative to the Adopting the Standard Operating Procedures for the Payment Acceleration for Invoices Due, also known as the PAID Financing Program. So at the Governor's State of the Island, she did say that vendors are being paid quicker than ever before, and we are in agreement with her. However, there still remains some agencies that are challenged to make timely payments to vendors, and these include specifically the Guam Memorial Hospital and the GDOE. In an effort to increase when businesses have faster liquidity, we believe that they can offer more competitive pricing, more competitive services. In the spirit of that, the team came together and brainstormed an idea for a receivable based lending program. We decided to pilot a program with a million dollars from our existing loan accounts, to go out and potentially look at working with vendors to the Government of Guam. But these are some of the nuances. GEDA is a lender of last resort, so we're not trying to compete with the banks. Having said that, sometimes for example, one business I met with already works with the bank because they're trying to expand their facility. But at the same time, they are having cash flow constraints with regard to their receivables, and they'd like some help with that.

- b. First question would be how GEDA validates what I'm bringing in as a receivable, being actual what both parties agreed to. And second follow up question is how much GEDA lends. GEDA would obtain verification from the government agency to answer the first question. As to how much to lend, GEDA would lend a portion of the invoice amount and it would earn interest on that amount that can be obtained from the full invoice amount. The amount that will be paid to the vendor is 90 % of the value. When the agency does pay the invoice, they should pay GEDA and then GEDA deducts any fee based, again, on a 4 % interest rate annualized And then any remaining will be paid back to the vendor. There will be a service/application fee in the beginning.
- c. GEDA is getting more involved with the hospital project. I think we need, from a key to standpoint, to just keep reminding all players concerned that building a new hospital without fixing what's going on behind the scenes, especially in things like vendor roles. We just can't build a building. We need to make sure that the institution running it is in a position to be paying vendors, the management portion of it is just as important as brick and mortar. GEDA recently received a loan we had written off years ago from.. It was a DOA check, but it was not a GMH agency, but we got paid 15 years after the board wrote it off. And so there's different agencies that find themselves in the hot seat. And so perhaps something we add to the SOP's is a review of the quality of the receivable. We decide which agencies we're going to do this with. And if an agency is going to be doing this with us, then somewhere along the way, we do joint training, SOP, and maybe if they're finding themselves in a deficit area from skill sets or whatever else that we can help tighten them.
- d. Amendment to GEDA's Organizational Chart. The org chart, as you know, changes from time to time. What I did want to share is that we are not adding additional headcount here. In fact, as I mentioned before, our Prugrâman Pinilan, our childcare program is starting to wind down. As such, this area, the furthest to the right is the childcare grant program of limited term employees. That portion is winding down, but the rest of it is our core division. Currently, business and economic development, as you can see, they spend a great deal of time working with our larger investors, including our under qualified certificate applicants. What that does is it, once in a while, we have opportunities with small businesses such as our STEP program and these exploratory projects that we have that don't have the attention that potentially we could pay to it. And so what we'd like to do is propose the creation of a small business division. So similar to a bank, a bank has a commercial lending division, they have a Small Business Division. We'd like to do something like that. The three main programs right now that the governor mentioned that her state of the island is the GUMA program. We've been working with them since 2019, since the start of the administration. The Business Development team has been key working with them, the Guam Product Seal and the STEP program. These are all programs that the Business and Economic Development Division has done a lot of work with as well as, and then our special projects area started to write grants for economic diversification. So

putting these two together, what we have is a lot of work that's specializing into one area. So we're looking at carving out a Small Business Division. What we would look at is the Special Projects Coordinator would be unfunded, and that would move to the Division Manager. And then the supervisor potentially would be from the Business and Economic Development Division. And just basically adding and deleting from the different departments, but primarily BED. I also wanted to say that we were also giving a promotion to our Business and Economic Development Supervisor, Mr. Matthew Baza, will be promoted to Business and Economic Development Assistant Manager. For the most part, all others are lateral. There will be some promotion, but for the most part, it's lateral movement. No new money, no additional monies. We're still tracking under with regard to payroll. Less money, we like less money. Thank you.

- e. A motion to approve the updated Organizational Chart was made by Director Siska Hutapea and was seconded by Director Park. The motion passed unanimously.

Public Comments

§ 12. There were no public comments.

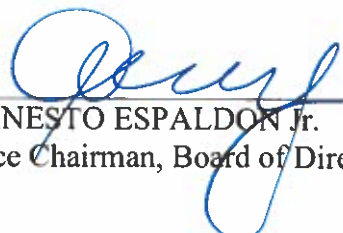
Adjournment

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



DAVID JOHN
Chairman, Board of Directors

Attest:



ERNESTO ESPALDON Jr.
Vice Chairman, Board of Directors