MINUTES OF THE REGENTS'
COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, January 15, 2004

Place & Time: Campus Center Conference Chamber, Rm. 220
University of Hawai‘i at M‘noa
1:17 p.m.

Committee Members Present: Regents Kurisu (presiding)
Hong
Tanaka
Tatibouet
Yamasato
Lee (ex-officio)

Other Regents Present: Regents Bender
Haynes
Kakuda
Lagareta
Lee
Nunokawa

Others Present: David McClain, Acting President, University of Hawai‘i
Sam Callejo, Chief of Staff
Rose Y. Tseng, Chancellor, University of Hawai‘i at Hilo
Jan Yokota, Director, Office of Capital Improvements
Rodney Sakaguchi, Vice Chancellor for Administration, Finance and Operations
Wayne Y. Fujishige, Director, Auxiliary Enterprises
David Iha, Executive Administrator and Secretary of the Board
Carl Makino, Executive Assistant to the Board

Approval of Committee Meeting Minutes

Regent Yamasato moved to approve the minutes of meetings of the Regents’ Committee on Finance and Facilities held on October 16, 2003. The motion was seconded by Regent Tanaka and unanimously carried.
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Subjects:

1. Lease Agreement for a Portion of the Old Honoka’a Hospital at 45-547 Plumeria
Street, Honoka’a, Hawai’i from Hawai’i Health Systems Corporation

2. Status of Frear Hall Redevelopment Project

3. Appraisal of the University’s Waiakoa Property

4. Status Report - Kulamalu Project, Institute for Astronomy

5. Capital Improvements Project and Repairs and Maintenance Project Contracts for
FY 2003-2004

Status of Frear Hall Redevelopment Project

Director Yokota report that Frear Hall is functionally and physically obsolete and is
used for storage rather than a student dormitory. In August, 2003, a Project Development
Report was completed for the Frear Hall Redevelopment Project, which envisioned the
demolition of Frear Hall and reconstruction as the first of several proposed student housing
projects on the Mānoa campus. If built, Frear Hall would be the first new housing project
on the Mānoa campus in 25 years.

The 2002 Hawai’i State Legislature authorized the issuance of $30,640,000 in
revenue bonds for the redevelopment of Frear Hall. This authorization will lapse on June
30, 2004. The University administration may request the 2004 Legislature to reauthorize
the revenue bonds to provide the financing of the project.

Director Yokota explained that the steps required to proceed toward redevelopment
are: determine scope of project; determine cost of project; determine financing of project
(i.e., all revenue bonds or partial funded by general obligation bonds); determine priority
of project amongst system requirements; seek amendment to Board of Regents’ CIP
Budget for Supplemental Year 2004-2005; secure authorization of project from Governor
and Legislature; and develop financing and planning/design teams.

Regent Hong inquired if there was a maintenance schedule. Director Yokota
reported that there would be a systemwide study of all student housing. Vice Chancellor
Sakaguchi added that a maintenance inventory would be conducted as part of the study.
Further responding to Chairperson Lee, Vice Chancellor Sakaguchi stated that it was a
matter of budget priorities. Often, repair and maintenance was easier to cut from the
budget rather than eliminating filled positions.
Regent Hong stated that he was informed that monies had been borrowed from Student Housing. Vice Chancellor Sakaguchi affirmed this, explaining that $2 million was borrowed from the bond system for a year and a half in order to fund the Banner project.

Regent Haynes asked if there were options off-campus. Vice Chancellor Sakaguchi informed that there was interest from some hotels to provide bed spaces.

Regent Kawakami asked if the residence halls were at full capacity. Vice Chancellor Sakaguchi responded that he thought that most were but that he would confirm this with the Interim Housing Director who was not in attendance. Regent Tatibouet inquired about the total bed spaces. While no one was able to provide an answer, Director Fujishige stated that the dorm was currently occupied at 100% capacity. Chairperson Lee expressed that if that were the case, it seemed odd that 250 students were able to be absorbed within the other residence halls when Student Housing was forced to close Gateway House due to electrical problems.

Regent Kawakami asked if Student Housing was subsidized. Director Fujishige explained that it is supposed to be self-supporting. He added that there was a surplus for the past two years. Regent Yamasato inquired about the surplus reserve funds and why those funds were not used for maintenance. Director Fujishige stated the reserve was used but he felt that more money should have been budgeted for maintenance in past years. To Regent Lagareta’s inquiry, Chief of Staff Callejo informed that in previous years when cuts were needed in the budget it was easier to cut R&M money rather than laying off “warm bodies.”

Mr. Ross Kamakahi, student, testified that, as a long time dorm resident, he had serious concerns about the general condition of the housing facilities and encouraged the Administration to address the problem.

Lease Agreement for a Portion of the Old Honoka’a Hospital at 45-547 Plumeria Street, Honoka’a, Hawai’i from Hawai’i Health Systems Corporation

Chancellor Tseng requested that the Committee authorize the Administration to enter into a long-term, nominal rent lease with the Hawai’i Health Systems Corporation for a portion of the Old Honoka’a Hospital on the Big Island.

The communities of North Hawai’i have an area population of approximately 19,000 residents. It is an area that is presently under-served in terms of access to higher education. Therefore, an education and research center is proposed to meet this need. The area is rich with opportunities to do research, field studies, and student internships in such areas as rural health care, rural nursing, agriculture, Hawaiian history, theater, music, astronomy, ethnic studies, community psychological counseling, geology, botany, marine
science in such unique resources as Waipi‘o Valley, Kawaihae, Puakō, etc., and oral histories of the old plantation and ranching communities of North Hawai‘i.

The proposed University of Hawai‘i at Hilo Education and Research Center in North Hawai‘i will provide opportunities for the expansion of higher education opportunities in the areas of research, field studies and internship partnerships.

The proposed site of this center is the old community hospital in Honoka‘a. This space is presently underused given the development of a new community health facility.

The proposed center, according to Chancellor Tseng, would: offer selected courses via live and distance instruction to an under-served area; create a research center that will serve as a base for research related to North Hawai‘i; enhance community outreach and access to higher education in North Hawai‘i; enhance community service efforts of the University in North Hawai‘i; and facilitate student entry into the University.

The 2002 Legislature appropriated $1.750 million for the renovation of the Old Honoka‘a Hospital for the North Hawai‘i Education and Research Center. Design for the renovation is ongoing and it is anticipated to be in construction by mid-2004.

Regent Hong asked if General Counsel had reviewed the proposed lease. Director Yokota assured that it had been reviewed by counsel, further assuring Regent Hong that the facility would be ADA compliant as part of the agreement and would be incorporated into the contract.

Regent Yamasato asked if this would mean adding staff. Chancellor Tseng responded that for now, no additional staffing is envisioned since only continuing education and distance learning programs would be offered.

Regent Yamasato moved to authorize the administration to enter into a lease agreement with the Hawai‘i Health Systems Corporation for a portion of the Old Honoka‘a Hospital to be used by the proposed North Hawai‘i Education and Research Center. The motion was seconded by Regent Tanaka and unanimously carried.

**Appraisal of the University’s Waiakoa Property**

Director Yokota reported that on July 11, 2003, the Board authorized the administration to enter into an agreement with Kulamalu Science LLC for the development and construction of a research facility for the Institute for Astronomy’s (IfA) Advanced Technology Research Center (ATRC) on M～ui. For about twenty years, this program has operated from a small 80-year old farmhouse in Waiakoa. The purpose of the development transaction is to replace the Waiakoa Laboratory with a new state-of-the art research facility
that could accommodate expanding scientific research and educational partnerships with the National Solar Observatory, NASA, the National Science Foundation, and the Air Force Research laboratories, among others. As part of the authorization, the Board proposed that disposing of the Waiakoa property be considered, subject to receiving an appraisal and plan for the future use of the parcel. A study was suggested to weigh all options for the property.

The Waiakoa property was acquired in fee simple by the University of Hawai‘i in 1962. The property contains approximately 1.95 acres, with approximately 5,704 square feet of office space and storage area. The University contracted with ACM Consultants, Inc. to determine the fee simple market value of the site. A summary of the appraisal of the Waiakoa property which determined the fee simple market value as of November 4, 2003 to be $1,010,000.

The University’s agreement with Kulamalu Science LLC calls for the completion of the Advanced Technology Research Facility in June 2005 and the University will continue to use the Waiakoa property until mid-2005.

Status Report - Kulamalu Project, Institute for Astronomy

Director Yokota reported that following the authorization from the Board in 2003 the real estate transaction agreement between the University of Hawai‘i and the Kulamalu Science LLC was executed on November 18, 2003. This agreement provides that: (1) Kulamalu will plan, develop, and construct a world class office and laboratory facility for the Institute for Astronomy in Kula, Māui; (2) convey the facility and land to the University; and (3) grant the University and option to purchase the adjoining lot for future expansion, subject to additional legislative funding. The building to be constructed is approximately 15,900 square feet. Regent Lagareta expressed that while the scope of the project had changed, IfA should be guaranteed that it would still get what it needed.

The agreement sets a purchase price of about $7.69 million, a reduction of about $180,000 from the original purchase price ($7.87 million). This reflects a reduction in the land price, resulting in a cost that is more than 14% below the appraised value of the property.

As required by the Agreement, the University has since paid 95% of the land purchase price to the developer and has reimbursed development costs incurred to date.

The project is in the schematic design phase. In December, the developer and architect met with the IfA staff to review the schematic design. Changes have been made to address staff concerns and it is hoped that the design can be finalized by early February.
Construction documents should be completed by June, after which the project will be put out to bid. A construction start is planned for early August of this year, with completion scheduled for June 2005. Director Yokota said construction was out to bid. If the bids come in too high, the administration would rebid the project. Regent Hong asked about the University's input during that process. Director Yokota said that she is the representative to the selection committee.

Regent Kurisu asked that the new information being provided by Director Yokota be submitted to the Board in writing.

Chairperson Lee asked if the Haleakala site had been selected. Director Yokota said she was informed that Haleakala is the first choice. There is to be on-site tests by NSF followed by their decision.

Capital Improvements Project and Repairs and Maintenance Project Contracts for FY 2003-2004

Director Yokota stated that in accordance with Board policies she requested that the Board approve capital improvements program (CIP) and repairs and maintenance (R&M) contracts for planning and design consultants and construction projects for the fiscal year 2003-2004.

On September 5, 2003, the Board of Regents authorized the University Administration to enter into consultant and construction contracts for CIP and R&M projects for fiscal year 2003-2004. This request is an addendum to the September 5, 2003 action to include additional projects that meet the criteria of Board of Regents’ Policy Sections 8-1(b) and 8-1(c).

Projects requiring planning and design consultants for CIP and R&M projects that will be undertaken in fiscal year 2003-2004, and a list of construction projects that the University intends to award during fiscal year 2003-2004. Both of these lists provide the location of the project to be undertaken, the project number, project title/description, the estimated cost or appropriated amount, the means of financing, and the estimated contract date or bid opening date.

Regent Tatibouet moved to authorize the University administration to enter into consultant and construction contracts for CIP and R&M projects listed, subject to compliance with applicable Board policies in executing these contracts and with the understanding that any significant changes are to be approved by the Board. The motion was seconded by Regent Tanaka and unanimously carried.
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There being no further business before the Committee, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: January 29, 2004

c: Chairperson Patricia Y. Lee
Members, Committee on Finance and Facilities
President Evan S. Dobelle
Vice President James R. W. Sloane
Chief of Staff Sam Callejo
Director Jan Yokota