

MINUTES OF THE REGENTS'  
COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, October 21, 2004

Place & Time: University of Hawai'i at Hilo  
University Classroom Building, Room 127  
11:31 a.m.

Committee Members Present: Regents Haynes (presiding  
Albano  
Tanaka  
Yamasato  
Lee (ex-officio)

Committee Member Excused: Regent Tatibouet

Other Regents Present: Regents Bender  
de la Peña  
Kai  
Kakuda  
Lagareta

Others Present: David McClain, Acting President, University of Hawai'i  
Walter S. Kirimistu, Vice President and University  
General Counsel  
Sam Callejo, Chief of Staff  
Peter Englert, Chancellor, University of Hawai'i at Mānoa  
Rockne Freitas, Chancellor, Hawai'i Community College  
Herman Frazier, Director of Athletics, UH-Mānoa  
Jan Yokota, Director, Office of Capital Improvements  
Jean J. Ehrhorn, Associate University Librarian,  
UH-Mānoa  
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 meeting of the Regents' Committee on Finance and Facilities held on September 9, 2004. The motion was seconded by Regent Albano and unanimously carried.

Subjects:

1. Agreement Between the University of Hawai'i at Mānoa and Blackwell's North America, Inc. dba Blackwell's Book Services
2. Courtside Seating for Men's Basketball Games
3. Proposed Revision to the Lease Agreement with Kenneth A. Bansemer and Patricia A. Bansemer in Kealakekua in Support of the University of Hawai'i Center, West Hawai'i
4. Draft Request for Proposals for Student Housing on the University of Hawai'i at Mānoa Campus

Agreement Between the University of Hawai'i at Mānoa and Blackwell's North America, Inc. dba Blackwell's Book Services

Chancellor Englert requested that the Committee approve an agreement by and between the University of Hawai'i at Mānoa (UHM) and Blackwell's North America, Inc. dba Blackwell's Book Services (Blackwell's Book Services) to provide a gathering plan for monographic publications for the Thomas Hale Hamilton Library of the University of Hawai'i at Mānoa (UHM Library) effective November 1, 2004.

The proposed agreement with Blackwell's Book Services will allow the UHM Library to continue to receive scholarly monographic publications appropriate to a university research library. The UHM Library's holdings number more than 3.2 million volumes in all subjects – humanities, social sciences, science and technology, government documents and distinguished collections. The purpose of the agreement would be for the UHM Library to continue its collection building in areas in which the Library has a strong interest.

The services to be provided are referred to in the Agreement as a Gathering Plan for monographic publications received via automatic shipment based on the Library's subject profiles, by orders placed in response to selection slips supplied by Blackwell's Book Services based on the Library's profiles, by firm orders placed by the Library, and by standing orders for monographic series. Blackwell's Book Services, Inc. will provide the publications based on the Library's profiles ready for shelving. There are no additional costs for shipping for any of the publications. In addition to providing the actual publications, Blackwell's Book Services, Inc. will provide the UHM Library with automatic shipments, access to its online database of materials it distributes to determine availability of publications, regular reporting of expenditures on all segments of the UHM Library's ordering, and computer support in which Blackwell's Book Services, Inc.'s database will interface with the UHM Library's Library Management System.

The estimated annual cost for this agreement is approximately \$900,000.00 per year. The agreement will be an initial term of ONE (1) year. Thereafter, UHM has the option of extending the contract from year-to-year for a total of TEN (10) years, upon mutual agreement in writing and subject to availability of funding for subsequent years. In addition, UHM may terminate the agreement at any time upon THIRTY (30) days prior written notice.

The UHM Library has an existing contract with Blackwell's Book Services to provide monographic publications. The existing contract will expire on October 31, 2004. The UHM Library solicited proposals via an advertised request for proposals to provide a gathering plan to furnish monographic publications for the UHM Libraries. A total of TWO (2) proposals were received from Blackwell's Book Services, and Coutts Library Services, Inc. An evaluation committee reviewed each proposal based on a criteria and point system. Blackwell's Book Services, Inc. received the highest average score from the evaluation committee.

Regent Yamasato inquired if Blackwell was the only ones to submit a bid. Ms. Ehrhorn informed that there were two bids although there are other companies throughout the nation that provide this service. Blackwell was rated above the other companies.

Regent Albano moved to approve the recommended Agreement by and between the University of Hawai'i at Mānoa and Blackwell's Book Services for services as described. The motion was seconded by Regent Yamasato and unanimously carried.

#### Courtside Seating for Men's Basketball Games

Director Frazier requested that the Committee approve the recommended rates for courtside seating for UHM Men's Basketball games. He explained that in an effort to better utilize the courtside area during Men's Basketball games and increase revenue for the program, the UHM Athletic Department is proposing to add courtside seats on the floor of the Stan Sheriff Center. The proposed plan would move media, statisticians, officials, and VIPs in order to add forty-four (44) seats to the front row and twenty-four (24) seats to the second row. These seats would be sold to interested high-end donors and corporate sponsors with the funds deposited in the 'Ahahui Koa Anuenue account at the UH Foundation.

The proposed rate of \$5,000 would include two seats in the first row for the entire Men's Basketball season, parking, access to a courtside concession, and tax deductions. Other amenities may be included as the package is developed. The second row of seating would cost \$2,500 and include the same benefits.

Historically, seating on the floor was restricted to only media, officials, VIPs, and team related staff (players, coaches, trainers, equipment personnel, etc). Boosters, marketing sponsors, and donors were given complimentary tickets to floor seating dependent on availability. While not new, courtside seating has been utilized by many Universities and professional teams throughout the country. It provides a revenue stream that was not available in the past and as a voluntary program, would not have a negative effect on anyone.

Creating a permanent section for sale would fill the market need for courtside seating and allow better cultivation for those supporters of the Athletic Department and the University of Hawai'i, M~noa.

Director Frazier added that in accordance with Board policy a public meeting was held to give the public an opportunity for input. Only three individuals were present and there were no objections to the proposal.

Regent Lagareta expressed that she was pleased that the administration had taken the responsibility of consulting with risk management regarding the assumed liabilities. Director Frazier responded that he had incorporated recommendations from the risk manager. Regent Tanaka inquired if everything had been done to minimize liability. Director Frazier said he was comfortable with the measures taken. General Counsel Kirimitsu added that even a waiver printed on the courtside tickets would not completely absolve the University of all liabilities but he was assured with the measures added at the recommendation of risk management.

Chairperson Lee inquired about the potential revenue. Director Frazier estimated that it would be between \$50,000 to \$80,000 annually.

Regent Haynes commented that it was his understanding that there was a legal issue where, by statute, only the Regents can set the actual rates. He asked if the recommended range of \$2,000 to \$8,000 satisfies the intent and spirit of the law. General Counsel Kirimitsu said that it rests with the criteria used to set the specific rates. Regent Haynes asked if this would be, in the opinion of General Counsel legal. General Counsel Kirimitsu said it was.

Regent Kai asked if these courtside seats were annually renewable. Director Frazier responded that they were renewable but would become available only when someone fails to renew.

Chairperson Lee inquired about the players' assumption of risk. General Counsel Kirimitsu said that he would look into that.

Regent Yamasato moved to approve the recommended rates for courtside seating at the Stan Sheriff Arena for UH-Mānoa Men's Basketball Games. The motion was seconded by Regent Albano and unanimously carried.

Proposed Revision to the Lease Agreement with Kenneth A. Bansemer and Patricia A. Bansemer in Kealakekua in Support of the University of Hawai'i Center, West Hawai'i

Chancellor Freitas requested that the Committee approve amendments to the terms and conditions with Kenneth A. Bansemer and Patricia A. Bansemer for classroom and office facilities at the Central Kona Center for the University of Hawai'i Center, West Hawai'i. He explained that there are three lessors involved at the current West Hawai'i site: Kenneth A. and Patricia A. Bansemer, Christa Limberg, and Hawaiian State Enterprises. Leases for all three lessors with the same terms and conditions were approved at the May 2004 Board of Regents meeting. The Christa Limberg and Hawaiian State Enterprises leases have been fully executed. The old Bansemer lease has been extended on a month-to-month basis from July 2004 to October 2004. In the interim, Kenneth and Patricia Bansemer have delegated to their son the authority to act in their behalf. Subsequently, the son reviewed the terms and conditions of the proposed lease and is requesting the revisions.

The revision to the term to one year and eight months commencing on November 1, 2004, to and including June 30, 2006 with the option to extend the term of the leases for two (2) additional one year terms. This option would enable the University to occupy the facilities through June 2008 if necessary.

The revision to the proposed lease is for approximately 7,126 square feet of space in the Central Kona Center. The base rent would be at a monthly rent of \$8,988.57 per month effective November 1, 2004 to June 30, 2005. The base rent for the lease is for approximately \$1.26 per square foot. The base rent is to increase by 3 percent per year. For July 1, 2005 to June 30, 2006, the base rent would be \$9,258.23, at \$1.30 per square foot. For the optional one year terms, the monthly base rent would be \$9,535.98, at \$1.34 per square foot for July 1, 2006 to June 30, 2007 and a monthly base rent of \$9,822.06, at \$1.38 per square foot, for July 1, 2007 to June 30, 2008.

An annual adjustable common area maintenance fee (CAM) is to be instituted at a monthly rate of \$0.22 per square foot per month effective November 1, 2004. The CAM is to be reconciled at the end of each calendar year, which is from January 1 through December 31. The reconciliation will reflect the actual expenses incurred and the settlement of any deficiencies or excess of CAM as applicable.

In the new buildings recently constructed at the shopping center and fully occupied, the rate is \$1.75 per square foot including common area maintenance with the requirement

that the tenant install required improvements. In an older building in the shopping center, an available space of 950 square feet is priced at \$1.65 square foot including common area maintenance excluding an air conditioning unit which the tenant would need to install.

The funding for the lease will be through tuition and fees special fund. The requested revisions to the Bansemer lease would increase the monthly rent by \$1,656.29 per month, including a monthly common area maintenance fee, for the period November 1, 2004 to June 30, 2005. The lease would be approximately \$1.48 per square foot.

Chairperson Lee asked if there was an attempt to negotiate with the landlord. Chancellor Freitas said there was an attempt to negotiate and that this was the result. However, he emphasized that it still appears to be a good deal.

Regent Albano moved to authorize the administration to enter into the proposed revision to the Bansemer lease agreement for space in Kealakekua in support of the University of Hawai'i Center, West Hawai'i. The motion was seconded by Regent Yamasato and unanimously carried.

#### Draft Request for Proposals for Student Housing on the University of Hawai'i at M~noa Campus

Director Yokota explained that this item was for information only. On July 16, 2004, the Board of Regents requested that the University Administration prepare a draft Request for Proposals (RFP) document to initiate a public/private partnership for the development of student housing on the UH-M~noa campus. The objective of the RFP is to select a developer through a two-step process. The first step is to solicit information in the form of a Statement of Qualifications (SOQ) from interested development teams. A short list of the three to five most qualified teams will be invited to participate in the second step, which will require the submission of proposals for design, construction, financing and management.

The University is in the process of completing a master plan for on-campus student housing, which will set forth the program and phasing for new construction and renovation of its existing residential facilities. The initial phase of the master plan will be the construction of student housing for a minimum of 800 students on the site of the current Frear, Gateway and Johnson Halls. At the University's sole discretion, it can negotiate with the selected developer for future phases of the master plan. Once a developer is selected, the scope of services will consist of two phases. The first phase will involve pre-design consulting services, which will help the University finalize the architectural program for the project and the project development budget. If the outcome of the first phase yields a marketable, financially feasible, and sustainable student housing project, the University will enter into an agreement with the developer for a second phase that will include the design, construction, financing, ownership and management of the project. Although it is

anticipated that the University will proceed with the second phase, it will have the option to cancel the relationship rather than proceed with design, construction and financing. If this occurs, the University will have no obligation to reimburse the developer for costs incurred in the first phase.

After completion of the project, the developer will be required to provide all services necessary for the management and operation of the project, including the collection of rents, staffing, administration, maintenance and capital renewal. The University will provide residential program staff and programming functions for the project, which will be paid for by the developer.

The focus of the project is to provide housing for a minimum of 800 students. Infrastructure and site development to accommodate the project are included in the scope of the work. The development program for the project will be based on the preferences and requirements arising from the market analysis, which is being conducted for the student housing master plan.

The proposed structure of the development is predicated on the University's intent to create a self-sustaining residential community that minimizes costs and maximizes value. A ground lease at nominal rent of no more than thirty years is proposed, with title to the leasehold improvements passing to the University no later than at termination of the ground lease or in the event of default.

Regent Tanaka inquired if there was any interest in this RFP. Director Yokota said there were 13 developers who requested for additional information and may be submitting proposals. Chairperson Lee suggested that the Committee be updated by the consultants so that the design of the dorms will not be at a price that would inhibit students from having access. Regent Kai added that the developers would also need to maximize their investment. Regent Yamasato added that it is up to the developer to come up with the optimum design for the housing needs of M~noa. Director Yokota said that she would keep the Committee informed of the progress on this RFP process.

There being no further business before the Committee, the meeting was adjourned at 12:17 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: November 12, 2004

c: Chairperson Patricia Y. Lee  
Members, Committee on Finance and Facilities  
Acting President David McClain