MINUTES

BOARD OF REGENTS’ COMMITTEE ON PLANNING AND FACILITIES MEETING

January 8, 2015

I. CALL TO ORDER

Committee Chair Barry Mizuno called the meeting to order at 12:35 p.m. on Thursday, January 8, 2015 at University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A, 2420 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Barry Mizuno; Committee Vice Chair Jan Sullivan; Regent Ben Kudo, Regent Stanford Yuen.

Committee members excused: Regent Jeffrey Portnoy

Others in attendance: Regents’ Chair Randy Moore, Regent Lee Putnam, Regent Helen Nielsen, Regent Simeon Acoba (ex-officio committee members); President David Lassner; Vice President for Budget and Finance/Chief Financial Officer, Kalbert Young; Vice President for Legal Affairs/University General Counsel, Darolyn Lendio; Vice President for Administration, Jan Gouveia; Interim UH Mānoa Chancellor, Robert Bley-Vroman; UH Hilo Chancellor, Don Straney; and Executive Administrator and Secretary of the Board of Regents, Cynthia Quinn; and others as noted.

II. APPROVAL OF MINUTES OF NOVEMBER 5, 2014 MEETING

Upon motion by Regent Yuen and seconded by Chair Moore, the minutes of November 5, 2014, were unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board of Regents, Cynthia Quinn, announced no written testimony had been received and no one had signed up to provide oral testimony.

IV. AGENDA ITEMS

1. UH Mānoa: Recommend approval of Consultant Contract for the Daniel K. Inouye Center for Democratic Leadership

VP Gouveia noted that at the November board meeting the approval of the $5.7 million design contract for the Daniel K. Inouye Center (DKI) was remanded back to the Planning & Facilities Committee for further discussion. She provided an update and further information on the primary areas of concern including: (1) approving design expenditures for construction monies that have not been appropriated; (2) escalating building costs; and (3) general apprehension about supporting a $50 million project in light of current budget constraints.
VP Gouveia explained that it was standard practice for the Legislature to fund CIP projects after design, and most CIP projects in the state, with the exception of the Department of Education, follow a design, bid, then build format, which inherently combines the project into two separate budget requests. Typically design monies are sought in the first biennium, and construction monies in the subsequent biennium. Another option would be to proceed with a design build program, but that was not the plan for this project. This project was a matter of timing, the Legislature appropriated $10 million for this project, the money cannot be reallocated to something else and will lapse if not used by 2016.

VP Gouveia explained the costs increased because the project originally presented to the Board in 2013 was based on the original scope of construction of $25 million for a 20,000 square foot library with archival and preservation space. The university proceeded with the concept, and at a December 2013 charrette with key members of the Legislature, the Mānoa campus and UH system, the project expanded in scope incorporating three pillars, which included: a community pillar to support a facility that provides programs on public service, leadership, and civil engagement for middle and high school students as well as various activities and programs that advance civic responsibility in emerging local leaders; an academic pillar that included housing existing degree programs from the College of Social Sciences and Public Administration; and an archives and library pillar of museum quality that supported preservation of papers, audio and digital transcripts of the late Senator Inouye. After the charrette, the Legislature funded twice what UH requested. The design consultant completed a conceptual drawing of the expanded vision for the center with $500,000 of private funding. The new design is for a $39 million facility with 38,200 square feet of space. She noted that the first time the board became aware of the expanded scope and price was in the latter part of 2014, and without the benefit of the background information on the charrette. The expanded scope and additional items like design, LEED certification, construction management services, and furniture, fixtures and equipment totals $50.5 million.

VP Gouveia said that administration shares the apprehension over supporting a large project such as this given the economic and organizational constraints. If this project is approved they will ensure that the design consultant contract incorporates value engineering principles and provides a complete and detailed projection of operating and maintenance (O&M) costs for the building. Until this information is received from the consultant, administration is unable to provide more detailed O&M costs. Without this project, If DKI goes forward, Henke Hall would be demolished and the new building would be used as described; without the project going forward, it would be status quo for Henke Hall which houses conversation research and has $1.5 million in deferred maintenance.

Questions were raised regarding the nature, scope, and binding affect, if any, of the charrette that took place; concerns about the timing of spending an appropriation that was based on a smaller building and after already spending $500,000 for the conceptual design; the validity of the moratorium exception that was based on a smaller project; the actual level of legislative support for the larger building when it funded twice the initial request for the smaller building; deferring decision until after the legislative session when appropriations are made to ensure legislative support for the larger project, even though the Legislature doubled the funding request for the smaller project and key legislators participated in the subsequent charrette that resulted in the larger project; ability to limit or
Committee on Planning and Facilities Meeting Minutes of January 8, 2015 – p. 3 of 6

constrain costs to a certain amount and condition to not compete with other priorities, such as strategic directions and other projects.

Administration concurred that the board approved the project as part of the budget request and exempted it from the moratorium issued in 2013. The charette was part of an open and transparent process in designing the space with stakeholder engagement but there was no binding affect. It was a useful tool to bring the stakeholders together to collaborate on the project vision and programming, which resulted in doubling the size and cost. The charette did not consider a certain budget amount within which to plan. Charettes are not typically conducted for UH because of cost; and this charette was privately funded. Interim Chancellor Bley-Vroman added that UHM does not intend to divert funds, and it was important not to lose the opportunity to perform the level of planning and careful design needed to fully understand the costs associated with the project to then be able to budget accordingly.

Committee Chair Mizuno summarized that the current request was to recommend to the board to approve the request to spend $5.7 million for design of the total $10 million already funded by the Legislature and therefore should proceed. There was a placeholder for construction in the current budget request, and administration was required to come back to the board for any project to proceed beyond the design, and by board policy, funds must be secured before construction may begin. Regent Yuen added that moving forward shows that the board was supportive of the project and signals to the Legislature and others who may have other sources to help fund the construction.

Committee Vice Chair Sullivan moved to approve the recommendation but with conditions. Regent Kudo suggested a friendly amendment to the motion which if accepted he would second. He added to the motion that: (1) a vote in support of this motion is not an indication of support for the project moving forward to the construction phase as stated; (2) operations, maintenance, and repair reserves be established with any appropriation from the Legislature so that the building will have a reserve for operations, maintenance and repairs when it needs it; (3) further refinement and discussion to further define the role of the UH with regard to this particular project regarding assumptions of liability, whether for all funding or a portion of funding, or with other groups involved, to provide a better understanding of the funding source for the project; and (4) refinements in design and construction with a mind towards efficient and cost saving measures to lower construction estimates to be part of the process of defining the project, taking into consideration what Mānoa actually needs in terms of programming space for students and faculty, and space for archival areas which are assumed to comprise more than half of the building, energy efficiency, and other factors, in order to provide a more definitive costs estimate, with a mind to reducing possibly the total cost of the project from the current cost estimate of $40 million to $50 million.

Committee Vice Chair Sullivan accepted the friendly amendment. She acknowledged the difficulty of this matter, and noted that it was clear that the board is unified in wanting to address deferred maintenance backlog at UH Mānoa as a priority, and recognized the struggle with getting support from Legislature, working as a community on addressing this problem, and having no control over many things held by different stakeholders. She explained that she supports this proposal because the money was already appropriated which is a clear signal of approval by the Legislature, and cannot be used for anything
else. The bifurcated process is difficult in that it was not possible to get accurate figures without design. To better achieve the things the board wants, funds have to be released to address these issues. No matter the outcome at the board level, the regents are acting in the best interest of the university. Regent Yuen concurred with the amendment and that the project is heading in the right direction and needs to proceed so we can get the answers to the questions.

Regent Putnam noted that she is an ex officio member and therefore cannot vote, and requested a copy of the full motion before the upcoming full board meeting.

Committee Chair Mizuno called for the vote by the committee members. Regents Mizuno, Sullivan, Kudo and Yuen voted aye. Board Chair as an ex-officio voting member voted no. Regent Portnoy was excused. The motion carried.


VP Gouveia said this request seeks recommendation to the full board to approve a consulting contract for elevator modernization, in various buildings on the Mānoa campus. Several years ago the normal 20 to 30 years life of all campus elevators expired, resulting in increased liability, significant inconvenience and safety issues for students, faculty, staff and visitors, yielded emergency service calls, and incurred high repair costs. Mānoa implemented a modernization program that when complete will upgrade 74 elevators over 5 phases at a total estimated cost of $52 million. To date, 13 elevators were upgraded under phase I, 30 elevators and one orchestra lift are in the process of being upgraded under phase II and III. Before the Board for approval is approval for design of phase IV, which addresses 14 elevators. Construction approval of phase IV at an estimated cost of $11 million would be needed in the next few years, and approval of phase V is scheduled for later in 2016.

Concern was raised about the $1 million cost figure. Administration explained estimates are based a percentage of total construction costs, as well as past experiences with the prior complexities of the prior phases that required re-boring of shafts.

Committee Vice Chair Sullivan moved to recommend the board approve the consultant contract for various buildings, elevator modernization, Phase IV - Design, seconded by Regent Yuen, and the motion was unanimously approved.

3. **UH Mānoa: Recommend approval of Harbor Facilities Lease for University Research Pier, Honolulu Harbor**

Interim Vice Chancellor for Research Brian Taylor explained the history of the lease and how in 2006 the Legislature mandated that the University vacate the property and move into two other properties so that the Department of Transportation (DOT) could use the location for harbor expansion. The Land Board will be holding a meeting the next day to discuss this lease. That the Department of Transportation (DOT) had put in major funding of $17 million to renovate piers 34 and 35.
Committee Vice Chair Sullivan asked if there was a reason why the university could not get a lease longer than 35 years and why the state was requiring the university to have liability and environmental pollution insurance. Administration explained that the DOT limited the lease to 35 years and anything longer requires legislative action. The lease was modeled on a standard DOT lease and was nonnegotiable.

Regent Putnam noted this lease would take care of current operations, but asked if it will accommodate the future plans of the Hawai‘i Innovation Initiative (HII). IVC Taylor explained that the lease was part of a two part deal and the current facilities at piers 44 and 45, accommodate big and small boat programs and a number of shore side facilities. Accommodation of all those programs in one space was not possible, so there was an additional 6 acres of land on Sand Island which is the second half of the two part deal, and the lease for that land would be with the current landlord, Department of Land and Natural Resources (DLNR). He noted that this was the most prime harbor-front property the university could reasonably expect the state to provide right now. He indicated the current lease at piers 34 and 35 would accommodate the large research vessels and other visiting academic ships, and was a reasonable accommodation within the constraints of the pressures on the harbors. President Lassner clarified that UH did not want to move in the first place but was forced to split operations into separate places and forced into negotiations of leases that were suboptimal as a result of new container space which is critical to the state. He added that they can look at other space in other sites in the future if necessary, but this was a viable harbor facility, albeit in two pieces.

Regent Kudo noted that this project was specifically exempted from the moratorium.

Committee Vice Chair Sullivan moved to recommend the board approve the Harbor Facilities Lease for University Research Pier, Honolulu, Harbor, seconded by Regent Kudo, and the motion was unanimously approved.

4. **UH Hilo: Recommend approval of Construction Contract for Kawili Street Pedestrian Overpass**

Committee Chair Mizuno that upon administration request, the item was deferred.

5. **Status of student housing proposals for UH Hilo and UH West O‘ahu**

VP Gouveia explained the history of efforts to establish public private partnerships for development of housing and commercial mixed-use space at UH Hilo since 2002. In June 2014, UH Hilo issued a Call for Offers (CFO) for University Village Phase II to develop primarily commercial, mixed-use land into a university village concept that supports a vibrant campus lifestyle. Intents to submit were received September 3, 2014, and on January 5, 2015 a term sheet was received, which is currently under review. The next phase would be a formal development offer in 4 to 6 months.

VP Gouveia said UH West O‘ahu followed a similar path and in March 2014 issued a CFO for student housing. Intents to submit were received April 2014, and the campus has been in preliminary negotiations. A term sheet was received on January 5, 2015, which is currently under review. The next phase would be a formal development offer in 4 to 6 months.
6. **Discussion on process for developing non-educational lands at UH West O'ahu**

VP Gouveia noted that in the latter part of 2014 the board approved the land plan, with the long-term plan being to find a master developer to take on responsibility for all aspects of developing the 168 acres of non-educational, commercial lands into a vibrant and dynamic university district. The first step was to secure a consultant to assist the university in creating a request for proposal (RFP) or CFO to establish required qualifications and criteria for interested developers; set forth a rigorous evaluation and vetting process; help analyze responses, concerns, and risks; and act as the owners’ representation in negotiations. The plan is to take the first step in the next 4 to 6 weeks, and craft a master development RFP or CFO in the next 3 to 6 months after that. She added that they would like to know to what extent the regents want to be updated and if they want to have a task group to follow the process.

Regent Acoba asked what the potential projects were. VP Gouveia responded there was a big range of potential projects. Committee Chair Mizuno said he favors some alternative energy projects on the land. Regent Kudo asked for clarification on the type of assistance needed. VP Gouveia responded that they would need help in evaluating offers to get a complement of different perspectives, and stress testing financial assumptions of the business proposals.

**V. EXECUTIVE SESSION**

Upon motion by Committee Vice Chair Sullivan, seconded by Regent Kudo, the committee unanimously approved convening in executive session, pursuant to HRS §92-5(a)(3). The committee convened in executive session at 2:00 p.m. Following a motion to come out of executive session by Committee Vice Chair Sullivan, seconded by Regent Kudo, which was unanimously approved, executive session was adjourned at 2:08 p.m.

Committee Chair Mizuno said that the regents discussed the acquisition and/or lease of the Joint Astronomy Center at Hilo, Hawai‘i.

**VI. ADJOURNMENT**

There being no further business, on motion by Regent Kudo, seconded by Regent Yuen, and with unanimous approval, the meeting was adjourned at 2:09 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents