

MINUTES

BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES MEETING

MAY 1, 2019

I. CALL TO ORDER

Committee Chair Stanford Yuen called the meeting to order at 8:54 a.m. on Wednesday, May 1, 2019, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Stanford Yuen; Committee Vice Chair Simeon Acoba; Regent Randy Moore; Regent Jan Sullivan; Regent Michelle Tagorda; Regent Ernest Wilson Jr.

Others in attendance: Board Chair Lee Putnam; Board Vice Chair Jeffrey Portnoy; Board Vice Chair Wayne Higaki; Regent Kelli Acopian; Regent Eugene Bal; Regent Ben Kudo; Regent Alapaki Nahale-a; Regent Robert Westerman (ex officio committee members); President David Lassner; Vice President for Administration Jan Gouveia; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning and Policy Donald Straney; Vice President for Budget and Finance/Chief Financial Officer Kalbert Young; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony, and no individuals signed up to provide oral testimony.

III. AGENDA ITEMS

A. Annual Report on Sustainability at the University of Hawai‘i

VP Gouveia explained that in 2015, the board adopted Regents Policy (RP) 4.208, Sustainability Policy, which required the establishment of an Office of Sustainability. Initially there was one employee and now there are two: Matt Lynch, Director of Sustainability Initiatives, and Miles Topping, Director of Energy Management.

Committee Vice Chair Acoba arrived at 8:56 a.m.

Mr. Lynch noted that the UH sustainability team has worked with students on all campuses through direct projects and focus groups to understand their concerns about climate change and deliver an educational experience that is relevant to students. He discussed incorporating sustainability into the curriculum and the growth in interest in the Kapi‘olani Community College (KapCC) Sustainability minor.

Regent Sullivan arrived at 9:03 a.m.

Regent Acopan arrived at 9:09 a.m.

Rebecca Tang, a first-year student at KapCC, shared how her experience in obtaining the sustainability academic subject certificate in sustainability enriched her educational experience, provided a synergy in her courses, and gave her the perspective to be a responsible citizen.

Mr. Lynch also shared efforts UH campuses and students are making to address 4 of the top 10 climate solutions, and highlighted zero food waste initiatives. He emphasized the importance of teaching relevant issues and the benefits of equipping students to actively contribute to solving challenges which benefit our communities.

Committee Chair Yuen asked about sustainability curriculum efforts at other universities across the nation. Mr. Lynch responded that this is not unique to Hawai'i. UH has received requests for assistance with curricular efforts from other universities, and UH is a leader because Hawai'i is an island-state.

Board Chair Putnam suggested that in the future, the board may want to consider a different way to bring forth this information given that sustainability is an overarching topic that reaches multiple committees.

Regent Wilson asked whether incorporating sustainability into the curriculum has caused students to be more aware and involved. Mr. Lynch noted that part of the sustainability-focused courses is on active pedagogy and directly engaging with real-world solutions. He elaborated that a part-time social media strategist was recently hired to help students connect with each other to engage. He referenced the 2015 fossil fuel divestment effort as an example of students working with the board, and there is some indication that students will be looking at the UH Foundation (UHF) endowment, which has not yet divested.

It was noted that several majors on the list of concerns among students by college were lower on the list, such as nursing and dental hygiene and medicine, and business, and public health was not on the list at all. Administration was encouraged to generate conversations and connections with the relevant schools.

Regent Kudo indicated that the majors that fall below 60% on the list of concerns may not include sustainability awareness in their curriculum and suggested that additional coordination may be needed. Mr. Lynch responded that one of their team members reports directly to the VP for Academic Planning and Policy, but noted that curriculum is the domain of faculty. The System office needs to invest in further opportunities around sustainability issues and curriculum. Regent Kudo suggested that the board could draft a resolution encouraging faculty to explore sustainability courses as part of curriculum. Committee Chair Yuen requested that System administration look into drafting a resolution.

Regent Sullivan expressed her belief that sustainability and climate change is the biggest issue facing the planet and the survey indicates its importance among young people. She suggested working with the new UHF CEO to develop a comprehensive

funding initiative to pursue research, support sustainability programs, fund chairs, energize the curriculum, and support the conversion of facilities and operations.

Regent Nahale-a asked whether the university was aligned with some global framework or utilized the United Nations Sustainable Development Goals (SDGs) as a foundational framework for addressing this issue. Mr. Lynch responded that UH has core concepts/issues that were distilled over the past 15 years through faculty peer-to-peer conversations. He referenced the Aloha+ Challenge dashboard and noted that the System office has created a UH directory of sustainability experts that is searchable by issue, keyword, or SDG. Mr. Lynch noted that there is international framework developed by the Association for the Advancement of Sustainability in Higher Education, and the System Office is onboarding nine AmeriCorps Volunteers in Service to America interns that will be placed across the campus to gather data on sustainability progress.

Regent Acopan commented that student governments on different campuses are engaging in their own form of surveys and sustainability efforts, and wondered what was being done for engagement outside of the classrooms and possibilities for collaboration with other organizations. Mr. Lynch responded that the efforts undertaken have happened in partnership with various community organizations and were also a result of educating student leaders at the Annual Sustainability Summit. A small convening of student leaders made possible by private donations will occur this summer to build upon the success of this work. He added that investing in opportunities to convene and developing student leadership on these issues are key to deepening engagement and could lead to opportunities such as internships.

Regent Moore noted how far sustainability efforts have come in the past four years and indicated it is helpful to hire new faculty members with a sustainability perspective. With regard to the divestment issue, he noted that the Associated Students of the University of Hawai'i (ASUH) has refused to divest their endowment from fossil fuel producers and UHF has also been a challenge. Given that sustainability is an issue that crosses silos, he pondered whether board committees should be organized by subject matters or objectives. He added that it would be interesting to survey faculty and see if there is alignment around sustainability issues. Mr. Lynch responded that faculty did respond to last year's [Earth Day Survey](#) and the results can be downloaded.

Committee Chair Yuen noted that sustainability is a priority for regents and requested that administration find a mechanism to keep the board apprised regularly on sustainability efforts.

Mr. Topping provided a net-zero update showing energy consumption and production by campus for fiscal year 2018, estimated production by campus for fiscal year 2020, current and future photovoltaic (PV) projects, and a green tariff project update.

Mr. Topping was asked to provide some context for what a megawatt is and how many megawatts are needed to power the university. VP Gouveia responded that the UHM campus requires approximately 40 megawatts per year, which is the equivalent to providing power for 15,000 to 20,000 residential homes.

Regent Wilson asked what COGEN meant. Mr. Topping explained that COGEN, sometimes referred to as combined heat and power, is when two things are being done with the generator. The byproduct of creating electricity is heat, which could be used for the dual purpose of making hot water, steam for autoclaves for research, or cold water through an absorption chiller. He elaborated that most of our energy usage goes towards air-conditioning, and explained an example of where a giant air conditioning unit could be replaced with an absorption chiller that would lower electricity demand.

Regent Westerman asked if the proposed UH-West O'ahu (UHWO) Mauka lands PV project is for battery storage or generation. Mr. Topping responded that the project includes battery storage. He explained that the university owns the land, which is being leased to AES, the developer. AES has an agreement to sell HECO power. The electricity generated will be stored in batteries, and HECO will take power when they need it from the solar or through the battery storage and only pay for the power they take.

Regent Kudo referred to slide 31 of the materials and asked Mr. Topping to explain the statement, "only the energy charge is replaced with Green Tariff rate." Mr. Topping responded that green tariff is still under development. He explained that HECO bills have two energy charge line items that track the price of oil, which would be replaced with the green tariff rate and it depends on the agreed-upon rate. VP Gouveia noted that administration has been working with HECO who has been challenged with constructing a complex rate structure for the green tariff. The draft language for green tariff is in the final stages and administration is hopeful that HECO will file a green tariff docket within the next six months. She noted that this is not a power purchase agreement and UH will still receive a bill from HECO. There is only one component in the multifactor rate factor that will be replaced, and, therefore, it is difficult to predict the financial impact.

Regent Kudo asked if administration had a contingency plan in place if green tariff does not materialize or it is not economically feasible for the university. VP Gouveia noted the AES agreement has to be signed by August 2019, and it is looking hopeful so far. The green tariff is also looking hopeful, but producing energy offsite that may be used by UHM has been a challenge.

Committee Vice Chair Acoba asked if there was a timeline for achieving the goal of net-zero energy, if the university's only option for the AES agreement was to accept or reject the agreement that HECO and AES are negotiating, and whether the green tariff rate was subject to approval by the Public Utilities Commission (PUC). VP Gouveia responded that green tariff requires PUC approval, and the target is for HECO to file a docket within six months. The AES agreement has to be executed by August 2019. Mr. Topping explained that UHM is modeling the energy savings performance contracting used by community colleges on a portion of the UHM campus. Phase I of the initial project has been bid out and a short list of contractors will bid on the remaining contract in August 2019. Other energy-related renew, improve, and modernize (RIM) projects such as Stan Sheriff chiller plant replacement project and LED replacement of lights at sporting arenas are helping bring the university closer to its net-zero energy goal.

Regent Westerman asked if the AES agreement allowed for the university to purchase the power from AES if they are unable to reach agreement with HECO. VP Gouveia

responded that UHM can use the power, but it is being generated in UHWO, so the question is how to get it from UHWO to here and HECO is the only entity that can transport or wheel it from one location to the other. The financial component has been an important factor in the green tariff discussion.

B. Atherton YMCA Project Status Update (Deferred from April 4, 2019)

VP Young provided a status update on the Atherton YMCA project that included historical information, current status, and next milestones. Hunt Development Group was selected as the developer and administration expects UHF to have an exclusive negotiation agreement in place by the end of May and a design-build kick-off in June 2019.

Regent Westerman inquired about the number of student housing units and estimated cost, and whether the innovation center was for private or public use. VP Young responded that student housing is part of the design concept and the university requested a minimum of 200 bed units. The costs are dependent on the specific project and will be negotiated. VP Young explained that under the current concept, the innovation center will be for UH academic programs in a number of areas. UH has similar programs that involve collaboration with the community and include public and private participation.

Regent Kudo questioned whether another innovation center was needed and if there is flexibility in the RFP to reconsider the innovation center. VP Young responded that there may be some flexibility, but that the innovation center was part of the original program concept. He reiterated that this is a UHF project and UH is only involved because it holds the current lease on the property; UH would be the primary user of the innovation center and the student housing is intended exclusively for UH students. The original concept of standalone student housing did not demonstrate a positive return on investment; the innovation center enhances the housing project and demonstrates favorable economics.

President Lassner explained that the concept of an innovation hub is unlike anything else within UH. The integration of a living, learning, and working environment within an innovation center will attract students who have an interest in innovation and entrepreneurship, and may potentially attract philanthropic investment. President Lassner noted that each project serves a purpose and not every project is intended to generate revenue over expense. Administration's goal was to ensure the university would continue to have influence over this strategically-located property.

Regent Sullivan felt that administration and UHF were being thoughtful about the project and suggested that administration provide the board with background on the concept of the innovation center, how innovation centers have been implemented at other campuses, and how those centers were used to boost enrollment.

Committee Vice Chair Acoba commented that the project has changed since it was first approved by the board and seems to be in search of an objective. He asked whether the master lease contained a provision about how termination would be financed, if UH were to purchase the master lease from UHF, and if not, would UH need to find another funding source. VP Young clarified that the board did not approve this project; rather, it

approved the university leasing the property from UHF with the intended purpose of redeveloping the property for student housing. One area that needs to be addressed with UHF and the developer is to identify the lessee to develop the property. UH is currently the lessee but will not be developing the property, which may result in further lease negotiation. This project meets or exceeds all of the original objectives presented to the board in 2016, including student housing units.

Board Vice Chair Portnoy commented that the project has generated a lot of controversy and criticism, including that the project was presented to the board on short notice without much opportunity to review and discuss the issues. He understood there was competition for the property, but UHF had already purchased the property by the time the project came forward. He hoped lessons have been learned that will enable us to do better collectively in similar situations in the future.

Committee Chair Yuen reiterated the perception that this is a project in search of an objective, even if that is not the case, and suggested that administration keep everyone more informed, including legislators and the higher education committees. VP Young explained that there are many ideas for the property that are not rooted in facts around development. Administration's focus is on the objectives that were presented to the board on student housing within the university's ecosphere, and adjacent property for the university's use and purposes. VP Young emphasized that the university is trying to enhance a project delivery that meets the original objectives presented to and agreed upon by the board when the master lease with UHF was executed. He noted that the university does not have to generate substantial revenue on any project, but it also does not want to lose money.

Committee Vice Chair Acoba expressed that the board is supportive of the success of the project and reiterated the need for the board to be kept informed and provided opportunities for input.

C. Waialeee Livestock Research Station Property Transfer Status Update (Deferred from April 4, 2019)

VP Young provided a status update on the transfer of the Waialeee Livestock Research Station to the Agribusiness Development Corporation (ADC) that included historical information, current status, and next milestones. ADC has wanted the property for several years and UH is waiting for ADC to accept transfer. UH is close to being completely vacated and moving research activities to the Waimānalo Research Station. Administration hopes to have ADC accept transfer of the property or to begin evaluating other alternatives by the end of June 2019 before the legislative appropriation lapses. He noted that the university does not need this property and does not have the resources to adequately utilize the property. Because the regents' authorization was designated specifically to ADC, any alternative action would require board approval.

Questions were raised as to why the transfer to ADC needed to be finalized before the end of the legislative session. VP Young explained that there was a \$6 million appropriation for capital improvement projects (CIP) for the College of Tropical Agriculture and Human Resources in the previous biennium budget which will lapse next year, with a proviso that both the Waialeee and the Kaua'i Tropical Fruit Disinfestation Facility

properties needed to be transferred for the \$6 million to be accessed. The funding logistics will change if ADC does not accept transfer by the end of the legislative session and there are approximately 14 months left of availability of those funds.

**D. Kauai Tropical Fruit Disinfestation Facility Property Transfer Status Update
(Deferred from April 4, 2019)**

VP Young provided a status update on the transfer of the Kaua'i Tropical Fruit Disinfestation Facility to the state Department of Transportation (DOT) that included historical information, current status, and next milestones. This property is not being used and there is no physical presence on the property, and transfer of the property from UH to DOT is mutually agreeable. The university is working with the U.S. Economic Development Administration (EDA) to get approval for release from any covenants and agreement on the transfer. Negotiations to transfer the property continue with the DOT Airports Division, with the goal of executing a quitclaim deed in early 2020.

Regent Acopan departed at 10:58 a.m.

Regent Westerman thanked VP Young for reviewing the Kaua'i Fire Department's (KFD) use of the property. VP Young explained that KFD is interested in using the property and there may be an opportunity for KFD to lease land from DOT after UH transfers the property.

E. Fiscal Year 2019 Third Quarter Capital Improvement Project Status Report as of March 31, 2019

VP Gouveia provided an update for the third quarter of fiscal year 2019 on construction projects over \$5 million and design projects over \$1 million. She noted that approximately \$15 million in future change orders for the Life Sciences Building are expected by the end of the year, but it is not reflected in the March 31, 2019 report because the change orders are in the pricing and processing phase. These change orders are all owner-initiated, primarily by the facilities team, to invest in more efficient HVAC and mechanical systems, including the installation of PV, as well as improve the overall operational efficiency and ongoing maintenance requirements of the building and various sub-systems over its service life.

Committee Vice Chair Acoba departed at 11:16 a.m. Quorum was maintained.

Questions were raised as to how UH's change order average of approximately 15% compared to other state projects outside the university. VP Gouveia responded that she did not know definitively, but that the industry standard is about 10%. Many of the university's projects have a contingency which is used to pay for change orders and the university tries to utilize all contingency funds before they lapse. This aligns with the general practice for state agencies. Committee Chair Yuen commented that he felt the university did a better job than the state because UH has incorporated tools such as design-build and public-private partnerships.

Regent Moore noted the importance of analyzing timing extensions and change orders on projects so the university can make improvements on future projects. He expressed

disappointment that a design-build project was over budget and noted that it is helpful to have the same team on a project from beginning to end. He took issue with the contingency not being reflected because the contractors know the amount of the appropriation, which results in projects being reflected as over budget even though it utilized a budgeted contingency. VP Gouveia explained that the goal is to not switch teams on a project, but in 2015 there was a completely different facilities team. Awareness has been raised around the importance of making the initial investment to add PV and efficiencies at the beginning of a project, which sometimes results in added costs. The facilities team meets weekly to review change orders and ensure the operations and capital teams are communicating.

Board Vice Chair Higaki asked why a PV component was not required on all projects moving forward unless there were restrictions. VP Gouveia responded that cost is the primary reason, although PV and other efficiency modeling is on the checklist for consideration.

Regent Sullivan thanked VP Gouveia for adding the cost to complete to the table summary and asked for clarification on how the figures were derived. VP Gouveia explained that the total estimated cost of a project to the point-in-time of the report is the original construction amount plus the change orders less expenses paid, and the cost to complete is the cost to complete is the amount remaining unspent.

Regent Sullivan noted that the change orders for the UHM Mini Master Plan, Phase 2, exceeded the retention and asked about the source of funding to cover the change orders and project costs. VP Gouveia explained that \$275,000 was the original design amount and was an appropriation provided to UHM in 2007. Nelson Lee, Director of the UH System Office of Project Delivery, explained that the original appropriation amount for this project was \$7.1 million for a new classroom building. The language in the legislation allowed for master planning, plan review use (PRU), environmental assessments, among other things. The funds are being used for a master plan framework for UHM and design of a building. VP Gouveia added that this is a long-range development plan (LRDP) and phase 2 of the UHM mini master plan.

Regent Sullivan recalled a previous \$1 million request to the board for a UHM LRDP, and questioned why that request was submitted if there was money available for this project from the \$7.1 million appropriation. She could not recall if the \$1 million was for the LRDP or the infrastructure master plan, but the contract for that project was cancelled. After the facilities staff was reorganized several years ago, administration reviewed all open contracts, assessed needs going forward, and determined what additional requests for funds might be appropriate.

F. Committee Annual Review

The committee reviewed its duties pursuant to board bylaws, the 2018-2019 committee goals and objectives, and accomplishments. Committee Chair Yuen noted that the committee met all of its duties, goals, and objectives and commended the committee for their dedicated efforts. He acknowledged VP Gouveia and her team for their efforts and the progress made with the procurement process and contract awards.

IV. ADJOURNMENT

There being no further business, Regent Wilson moved to adjourn the meeting, and Regent Moore seconded the motion, and with unanimous approval, the meeting was adjourned at 11:37 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents