MINUTES

BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES
MEETING

OCTOBER 7, 2021

Note: On August 5, 2021, Governor David Y. Ige issued a proclamation related to the COVID-19 emergency that temporarily suspended Chapter 92, Hawaiʻi Revised Statutes, relating to public meetings and records, “only to the extent necessary to minimize the potential spread of COVID-19 and its variants”.

I. CALL TO ORDER

Vice-Chair Diane Paloma called the meeting to order at 10:07 a.m. on Thursday, October 7, 2021. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Vice-Chair Diane Paloma; Regent Wayne Higaki; Regent Benjamin Kudo; and Regent Robert Westerman.

Committee members excused: Chair Alapaki Nahale-a.

Others in attendance: Board Chair Randy Moore; Regent Simeon Acoba; Regent Kelli Acopan; Regent Eugene Bal; Regent William Haning; and Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH Mānoa (UHM) Provost Michael Bruno; UH Hilo Chancellor Bonnie Irwin; UH West O‘ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES

Regent Westerman moved to approve the minutes of the September 2, 2021, meeting, seconded by Board Chair Moore, and noting the excused absence of Committee Chair Nahale-a, the motion carried with all members present voting in the affirmative.

III. PUBLIC COMMENT PERIOD

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

IV. AGENDA ITEMS

A. Atherton Student Housing and Innovation Center (Center) Project at Tax Map Key No. (1) 2-8-016-001:
1. **Recommend Board Approval of a Sublease between the University of Hawai‘i and UHF RISE Student Housing LLC to allow the University to sublease space in the Center**

2. **Recommend Board Approval of a Student Housing Affiliation Agreement between the University of Hawai‘i and UHF RISE Student Housing LLC to support the Center**

VP Young briefly reviewed background information on the Atherton Project which focuses on the development of innovation space and student housing units, and is being undertaken through a public-private partnership between the University of Hawai‘i Foundation (UHF), which owns the Atherton properties, and the Hunt Development Group. He provided an update to the presentation made to the board at its September 16, 2021, meeting explaining that the non-profit entity with which the university intends to enter into a sublease and student housing affiliation agreement has been identified as UHF RISE Student Housing LLC (UHF RISE). As such, the administration was seeking board approval of both agreements.

In addition to naming UHF RISE as co-signatories to the agreements, VP Young clarified two additional matters specifically related to the affiliation agreement. In response to a request made by Regent Acoba during board discussions on the Atherton Project, UHF has agreed to insert an explicit statement into the agreement to memorialize the connection of the Atherton Project to the university and ensure that use of the Atherton property remains beneficial to the university once the lease expires. It was also clarified that on page 2 of Exhibit B in the materials packet, item 5.c. would be reflected to read, “to cooperate regarding delinquent financial obligations of UH Mānoa student residents related to UH Mānoa Student Housing Facilities and the Student Housing Facility, as permitted by law and UH policy.” The remainder of paragraph c will be deleted as it is simply an example and not a specific term of the agreement.

Noting that the Pacific Asian Center for Entrepreneurship (PACE) does not pay rent for facilities it currently uses within the Shidler College of Business, Regent Wilson asked if this arrangement would continue if PACE relocated to the Atherton Project. VP Syrmos replied that the intent is for PACE to move to the Atherton Project and utilize just under 10,000 square feet of the gross leasable square footage for an innovation center. He stated that PACE would occupy the space rent-free and that their rent, as well as utility costs of the facility, is expected to be subsidized by rental fees charged to third-party entities that sublease space from the university at the innovation center.

Regent Kudo inquired about UHF’s long-term plans for the Atherton property, specifically asking if the intent was to sell the property in the future. Mr. John Han, Chief Operating Officer for UHF, replied that UHF’s goal is to work collaboratively with the university, PACE, and the Office of the Vice President for Research and Innovation to ensure that the Atherton Project is successful while limiting the exposure to potential risks to both UHF and the university. President Lassner added that UHF does not plan to sell the property and that ensuring that the property remains within the university’s sphere of influence was an impetus for inclusion of a specific statement within the
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affiliation agreement asserting both the connection of the Atherton Project and importance of the Atherton property to the university once the lease expires.

Noting that this venture was UHF’s first foray into a partnership with the university with respect to real estate ownership, Regent Kudo asked if this would be a new model for UHF in achieving financial support for the university moving forward. Mr. Han replied that UHF will continue its efforts to encourage private philanthropic support of the university and will support the university with any resources at its disposal. He stated that the success of the Atherton Project opens the possibility of UHF exploring and discussing real estate partnership ventures with the university in the future.

Regent Higaki asked if UHF RISE will be utilizing special purpose revenue bonds (SPRBs) to finance the Atherton Project. VP Young replied that SPRBs will not be used to finance the Project. He explained that financing for the Project will be arranged through the Public Finance Authority, a governmental entity in Wisconsin, which has an agreement with RBC Capital Markets to issue bonds, and reiterated that neither UHF nor the university will be responsible for the bonds or debt service on the Project.

Regent Acoba questioned whether the university should be made an additional insured entity under the insurance policy of the Atherton Project’s landlord to so that any damages suffered by the university in cases such as a structure fire would be covered by the landlord’s insurance. Jesse Souki, Associate General Counsel, replied that additional insured requirements are typical of university contracts and that the university would be looking for this coverage to be included under the landlord’s insurance policy.

Vice-Chair Paloma requested confirmation of her understanding that the bond holder for the Atherton Project is a non-university entity which thereby minimizes the liability risks of UHF and the university. VP Young replied in the affirmative stating that the university does not have any liability risks associated with bond financing or debt service on the bonds and that UHF’s risk is isolated to UHF RISE, the single purpose LLC created by UHF for this Project.

Vice-Chair Paloma asked for clarification on the time-sensitive nature of the administration’s request for approval of the agreements in relation to progress of the Atherton Project. VP Young replied that the next major milestone for the Project will be pursuing and securing bond financing in October and that the agreements are necessary for representing the status of the Project with respect to the university’s involvement to potential bond investors. Vice-Chair Paloma also asked if approval by the committee to forward the agreements to the board for approval at its October meeting allowed enough time for the agreements to move forward. VP Young responded in the affirmative.

Regent Kudo expressed his concerns regarding the Atherton Project stating that he originally supported the acquisition of the Atherton property and the Project as initially conceived, albeit with concerns as well, because of his belief that the parcel had the potential to be a revenue generator for the university due to its close proximity to the Mānoa campus. However, he opined that the present iteration of the Project is centered around high-end dormitories and will neither be a revenue generator for the university
nor self-sustaining. He also believed that creating another innovation center for the university was not in its best interests. For these reasons, Regent Kudo stated that he could not support the Project and would be voting against approval of the agreements.

Regent Higaki stated that he also had concerns with the Atherton Project but would vote in favor of forwarding the agreements to the full board for further deliberation.

Referencing Regent Kudo’s remarks regarding the original intent of the Atherton Project, Vice-Chair Paloma asked if her understanding that the university’s inability or unwillingness to pursue this original concept led to UHF’s involvement in the Project. VP Young replied in the affirmative stating that the original plans to use the Atherton properties solely for student housing was not achievable because the university did not have the capital to complete this project and make it a profitable venture. UHF then acquired the parcels and worked with the university in reimagining the Atherton Project in a way that would still achieve the objective of providing student housing while utilizing private interests to develop and manage an economically viable facility. President Lassner added that the university is in a very different place today than it was in 2016 when the first iteration of the Atherton Project was brought forth. Changes in the strategic direction of the university, as well as increases in the tools available to achieve the financial success and sustainability of the university, has increased the agility of the university to respond to these types of opportunities which it could not do in the past. While the university did not position the Atherton Project to be a large revenue generator for the university and mainly viewed the acquisition of the property as a strategic investment for future activities of UHM, the Office of Strategic Development and Partnership is reviewing other properties with potential real estate revenue-generating opportunities for the university.

Board Chair Moore moved to recommend board approval of the sublease agreement and student housing affiliation agreement between the university and UHF RISE Student Housing LLC, seconded by Regent Westerman, and noting the no vote of Regent Kudo and the excused absence of Chair Nahale-a, the motion carried with all other members present voting in the affirmative.

V. EXECUTIVE SESSION

Vice-Chair Paloma stated that it would not be necessary to convene in executive session.

VI. ADJOURNMENT

There being no further business, Regent Higaki moved to adjourn, seconded by Regent Westerman, and noting the excused absence of Chair Nahale-a, and with all members present voting in the affirmative, the meeting was adjourned at 10:44 a.m.
Respectfully Submitted,

/Sl/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents