MINUTES OF THE REGENTS' COMMITTEE ON BUDGET & LONG-RANGE PLANNING

Date: Thursday, July 15, 2004

Place & Time: Campus Center Conference Room 220
University of Hawai‘i at Mānoa
4:13 p.m.

Committee Members Present: Regents
Tanaka (presiding)
Albano
Bender
Haynes
Kai
Kakuda
Lagareta
Tatibouet
Yamasato
Lee (ex-officio)

Committee Member Excused: Regent Kawakami

Others Present: David McClain, Acting President, University of Hawai‘i
Sam Callejo, Chief of Staff
Linda Johnsrud, Associate Interim Vice President, Office of Planning and Policy
Jan Yokota, Director, Office of Capital Improvements
Carl-Wilhelm Vogel, Director, Cancer Research Center of Hawai‘i
David Iha, Executive Administrator and Secretary of the Board
Carl Makino, Executive Assistant to the Board

Approval of Committee Meeting Minutes

Regent Kakuda moved to approve the minutes of the meeting of the Regents’ Committee on Budget and Long-Range Planning held on April 15, 2004 and Joint Committees on Community Colleges and Budget and Long-Range Planning held on April 15, 2004 and April 16, 2004. The motion was seconded by Regent Yamasato and unanimously carried.
Subjects:


2. 2004 Long-Range Development Plan for University of Hawai‘i - West O‘ahu

3. Proposed Public/Private Partnership for the Development of Phase I of the University of Hawai‘i - West O‘ahu Campus

4. Proposed Public/Private Partnership for the Construction of Dormitories on the University of Hawai‘i at Mānoa Campus

5. Biennium Budget/Stocktaking Process

Conceptual Approval of the Initiation of a Request for Qualifications Process for the Development of a Cancer Research Center on the Kaka'ako Waterfront

Director Vogel requested that the Committee approve, in concept, the initiation of a Request for Qualifications (RFQ) process for the development of a Cancer Research Center on the Kaka'ako waterfront.

A 5.5 acre site on the Kaka'ako waterfront has been identified as an ideal location for a new Cancer Research Center and the University has been granted the right to enter into exclusive negotiations to lease this site. The land is owned by the State of Hawai‘i through the Hawai‘i Community Development Authority (HCDA), which is the agency that oversees redevelopment of Kaka'ako, and the HCDA has conditioned its approval of the exclusive negotiation rights on the approval of the Board of Regents to move forward with the development of the Cancer Research Center, specifically through initiation of a RFQ process.

The University Administration was approached by a number of nationally recognized private developers who have expressed interest in building the Cancer Research Center. While federal and private funding sources are also currently being pursued, this may be an opportunity for the University to leverage the development and financing capabilities of private firms that specialize in the construction of research facilities such as the Cancer Research Center.

To commence this process, Director Vogel proposed that the University issue a RFQ and, possibly, a Request for Proposals (RFP) to private developers for the construction of the Cancer Research Center. Approval of this concept would allow the Administration to begin developing an RFQ document, which would subsequently be brought to the Board for further approval.
The Cancer Research Center has outgrown its current facilities. The existing building does not meet the standards of modern laboratory planning and, in particular, does not meet the Center’s needs for space flexibility and adaptability. Designed and built in 1979, the facility has outlived its originally intended purpose as a research facility. The organization of the structural grid, floor to floor heights, layout of utilities and services distribution are not organized on a modular scheme. This makes it difficult and expensive to renovate and adapt space in the facility to new laboratory layouts.

There is also an overriding need to expand and upgrade research areas. Laboratories are located in inadequate space and disconnected from other related laboratories. Overcrowding is rampant throughout the facility. The current building is “land locked” and there is no space available for expansion of the facility. Major upgrades to the existing facilities would likely be more expensive than the new construction of a modern facility, particularly with the need for additional research and office space.

Several sites had been under consideration for a proposed new facility. For a number of reasons, the 5.5 acre site on the Kaka’ako waterfront is considered to be an ideal location for the development of a new Cancer Research Center.

This site is adjacent to the new University of Hawai‘i John A. Burns School of Medicine campus. The School of Medicine complex will be constructed in two phases and, when completed, will provide 507,561 square feet of educational and research facilities in a setting overlooking the Kaka‘ako Waterfront Park. The first phase will include an Education/Administration Building and a Research Laboratory Building that will house a child care center, a fitness center, and a central mechanical plant. The Education/Administration Building is expected to be completed in April, 2005, with the completion of the Research Building projected for August, 2005.

The proximity to the School of Medicine campus will provide the opportunity to create a positive critical mass of scientists, educators, students and faculty that could stimulate the growth of Hawai‘i’s biomedical and biotechnical industries and help to diversify the State’s economy. It will facilitate the intellectual stimulation and collaborative working relationships found in other centers of excellence in science and research.

The land under both the School of Medicine and the proposed Cancer Research Center is owned by the State of Hawai‘i, through the HCDA, the agency that oversees redevelopment of the Kaka‘ako waterfront and inland areas. In January 2003, the HCDA granted approval to the University of Hawai‘i to enter into exclusive negotiations to lease the site for the development of a comprehensive cancer center for a six-month period. On July 2, 2003, the HCDA granted approval to extend the period of exclusive negotiations for an additional six months and, on January 14, 2004, the HCDA granted a second six month extension. This extension, which expires on July 28, 2004, was approved with the following
conditions of the University: (1) to provide progress updates on the project to the HCDA every two months; and (2) to obtain the approval of the Board of Regents to proceed with a RFQ by the end of the six month period. The University Administration has since provided regular updates on the progress of the project on a monthly or bimonthly basis.

In October 2003, a space programming report was completed for the proposed new facility. The report was the result of a series of meetings conducted by a programming consultant with staff and faculty at the Cancer Research Center.

Based on the space needs identified, a building of approximately 234,000 gross square feet, or 129,000 net square feet, was proposed. About 53,000 net square feet of research and laboratory space and 76,000 net square feet of office and conference spaces and common areas could be housed in this facility.

An initial estimate of the cost of constructing the facility is $100,000,000, with the building cost projected at $80,000,000 and parking and other infrastructure costs at $20,000,000. The building could also house clinical facilities in which medical examinations, clinical trials, and longitudinal and epidemiological studies may be conducted.

In the selection process, emphasis will be placed on the relevant qualifications and financial capability of the applicants. Selection of one developer or a short list of developers would be based on information submitted, possible interviews, financial capacity, review of the applicant’s history and performance in similar projects and other pertinent factors.

If the preference is for a short list of developers, rather than selection of a single developer, a Request for Proposals process would be initiated, wherein each candidate would be requested to submit a detailed development proposal.

Ultimately, a single developer would be selected for exclusive negotiations. During this period, the University and developer would work toward a development agreement and ground lease that would define all terms of the partnership.

Approval of the Board of Regents would be requested at several points in the RFQ or RFQ/RFP process.

Regent Kakuda commented that at one time there had been concerns from the local hospitals that a clinical component would be competing with them. Director Vogel responded that this is no longer an issue since all of the hospitals have agreed on joint efforts. The patient care will be done by the hospitals participating with the Cancer Center. Regent Kakuda asked how much money could the Cancer Center attract. Dr. Vogel
informed the Committee that the Cancer Center currently attracts $40 million annually; however, that amount would increase significantly with a clinical component.

Regent Albano asked if it was already decided that the Cancer Center would be built at a specific location. Director Yokota stated that there was a deadline to respond to HCDA on the use of the sites at Kaka'ako so a decision needs to made. Regent Albano suggested that the Cancer Center produce figures showing true revenues versus costs so that the public can see the real benefit of having the Cancer Center.

Regent Tatibouet moved to approve in concept, the initiation of an RFQ process for the development of the Cancer Research Center at Kakaako. The motion was seconded by Regent Lagareta and unanimously carried.

2004 Long-Range Development Plan for University of Hawai‘i - West O‘ahu

Director Yokota requested that the Committee approve the long-range development plan for the University of Hawai‘i - West O‘ahu prepared by PBR Hawai‘i.

In accordance with Section 4-4 of the Board of Regents’ Policies, it is requested that the Board of Regents approve the Long-Range Development Plan (LRDP) for the University of Hawai‘i–West O‘ahu (UH-West O‘ahu). The LRDP was prepared by planning consultant PBR HAWAI‘I.

The LRDP serves as a guide for the future physical development of the new UH West O‘ahu campus. To assure an orderly and coordinated growth of the campus, the LRDP includes plans, design guidelines, and estimated costs for an initial 1,520 student campus, 2,750 student campus, and ultimate 7,600 student campus. The LRDP for the UH West O‘ahu campus was prepared in consultation with the faculty and staff of the UH West O‘ahu campus and the UH Administration. Preliminary planning studies, along with the mission statement and related University planning policies and documents, served as the foundation for the preparation of this LRDP.

On September 13, 2002, the Board of Regents approved the designation of a 500-acre parcel Makai of the H-1 Freeway in Kapolei as the site for the permanent UH-West O‘ahu campus. Since September 2002, the University has acquired the 500-acre parcel in fee simple from the State Department of Land and Natural Resources and initiated the preparation of a long-range development plan for the campus.

On October 16, 2003, the Regents’ Committee on Budget and Long-Range Planning was briefed on the status of the LRDP planning effort and was provided cost estimates for the development of the campus. The updated construction cost estimates for three student population phases at UH West O‘ahu are:

Phase I – Student Population of 1,520 $88,800,000
Phase II – Student Population of 2,750 $116,600,000
Phase III – Student Population of 7,600 $172,000,000
Total Development Cost $377,400,000

During its October 16, 2003 briefing, Regents raised concerns with respect to the limited availability of State funding for construction and directed the University Administration to pursue the possibility of a public/private partnership for the development of Phase I of the UH West O‘ahu campus. On January 15, 2004, the University Administration briefed the Regents’ Committees on Budget and Long-Range Planning and Finance and Facilities regarding the potential of such a public/private partnership, in which development rights for the non-campus lands located on the 500-acre University parcel would be exchanged for the construction of the Phase I buildings and infrastructure. While the Board has not yet authorized the University Administration to pursue development options with private developers, the UH West O‘ahu LRDP must first be approved in principle to meet the requirements stipulated in Board Policy, Section 4-4.

In summary, according to Director Yokota, Phase I is composed of four buildings and supporting infrastructure for a total of 148,455 gross square feet. The Phase II construction cost includes renovations to Phase I buildings, infrastructure, and eight new buildings, adding 266,490 gross square feet of building space. Phase III, the ultimate build-out phase, includes infrastructure and ten new buildings for an additional 327,900 gross square feet. Upon completion of Phase III, UH West O‘ahu will have a total of 742,845 gross square feet. The non-campus lands include parks, an elementary school, and a mixed-use “University Village” that will provide University housing and commercial spaces.

The LRDP provides a concept for the development of the physical facilities needed for the academic plan proposed for UH West O‘ahu. The LRDP will accommodate the possibility of modifications, e.g., the point at which the campus expands from an upper division to a four year campus, or the need for student housing. Thus, approval of the LRDP in principle is requested. All modifications to the LRDP would be subject to Board of Regents’ approval.

Regent Bender inquired about West Oahu’s current enrollment. Associate Vice President Johnsrud informed that it was about 810 students.

Regent Albano asked if a developer were to offer to help build the campus, would the University agree. Acting President McClain said it would. Regent Albano pointed out that a developer may have his or her own concepts for a new campus. If a developer is willing to invest in the project, the developer would also appreciate significant input in the design and development.

Regent Kakuda moved to approve in principle the 2004 Long-Range Development Plan for the University of Hawai‘i West O‘ahu, as prepared by PBR Hawai‘i with
implementation details subject to Board policies and statutes. The motion was seconded by Regent Haynes followed by discussion.

Regent Lagareta expressed that she wanted the public to understand that this request was to merely look at concepts and not to approve anything formally at this time. Upon call, the motion was carried unanimously.

Proposed Public/Private Partnership for the Development of Phase I of the University of Hawai‘i - West O'ahu Campus

Director Yokota presented a concept for a public/private partnership for the development of the West O'ahu Campus. She explained that through this process the University will seek and negotiate with a developer to construct Phase I buildings and infrastructure on the 500 acre parcel in Kapolei. The process will be initiated by Request for Qualifications (RFQ) and possibly a request for proposal procedure authorized by the Board through which suitable, qualified developers could be identified and development in these agreements negotiated.

The UH West Oahu campus property is located on 500 contiguous acres of land in Kapolei. Approximately 20 miles from UH Mānoa and about 1.5 miles east of the City of Kapolei, the property is adjacent to the Villages of Kapolei and the Kapolei Golf Course to the west, Farrington Highway to the north, the proposed North-South Road to the east, and land owned by the State Department of Hawaiian Home Lands (DHHL) to the south.

The master plan for the 500 acre property focuses on the creation of an integrated sustainable campus community. A key element of this plan is the development of a campus that is open and welcoming to the community - one that fosters and encourages interaction between the University and the residents of the area. To accomplish this, a mixed-use “University Village” will be integrated into the UH West O‘ahu campus to create a seamless transition between the campus and the community. All of the necessary services and activities would be provided within the 500 acres to serve a 7,600 student campus and its future expansion.

Because the ultimate 7,600 student campus requires only 97 acres for development, the Long-Range Development Plan (LRDP) proposes development of the surrounding “non-campus lands” with land uses that would support and enhance the University community and generate income to prospective developers. Of the remaining 403 acres, 150 acres has been reserved for campus expansion. Excluding land set aside for parks, an elementary school, roads, open space and utilities, a balance of 169 acres is available for income generating commercial and residential development. If an RFQ or RFQ/RFP process is pursued, the University could grant the development rights to the 169 acres to
Construction of Phase I of the West O‘ahu campus on about 25 acres would include the construction of certain campus buildings, together with infrastructure appropriately sized to support the campus buildings, and development of the remaining non-campus lands.

The anticipated costs for the Phase I facilities total approximately $88,800,000. The costs include $49 million for buildings, $15 million for the off-site infrastructure and $24.5 million for on-site infrastructure. An additional $31 million would be required for the infrastructure needed to service the “off campus lands”.

Depending on a number of factors, however, Phase I building costs could be as low as $44 million and infrastructure costs could range from $25 to $34 million. The lower estimates are based on the assumption that the University will pay for all design and construction drawings and the possibility that infrastructure costs can be shared with government agencies that own adjacent lands.

The process may take the form of a single step Request for Qualifications process in which interested parties provide a statement of qualifications and the University selects the most qualified developer for further negotiations based on its assessment of the applications submitted.

In reviewing the applications, emphasis would be placed on the relevant qualifications and financial capability of the respondent. The University would select the most qualified developer based on information submitted, possible interviews, financial capacity, review of the respondent’s history and performance in similar projects, and other pertinent factors. Alternatively, according to Director Yokota, the process could be a two-step RFQ/RFP process, wherein a shortlist of qualified candidates would be developed from the RFQ, with each candidate requested to submit a detailed development proposal.

Ultimately, one developer will be selected for exclusive negotiations. During the negotiation period, the University and the developer will work toward a development agreement and ground lease agreement that will define all terms of the public/private partnership.

Regent Albano asked if the developers would obtain entitlements. Director Yokota said that the developers would more than likely want that to be the University’s responsibility.

Regent Tanaka indicated that this seemed like a good concept and that details should be finalized and brought back to the Board. Director Yokota said that she would be able to provide a more definite plan around October.
Proposed Public/Private Partnership for the Construction of Dormitories on the University of Hawai‘i at Mānoa Campus

Director Yokota informed that the University had been approached by a number of developers of student housing who have indicated an interest in participating in an RFQ process. She explained that over the past few years, universities across the country have been increasingly turning to the private development of student housing for several reasons. First, many states are experiencing the worst budget deficits in the last fifty years and these deficits have prevented public schools from undertaking significant capital projects such as building student housing. Second, students’ expectations with respect to their housing and related amenities are undergoing major changes. This trend in student housing development has involved the transfer of responsibility for some or all of the housing-related functions.

In many cases, there is a ground lease arrangement between the University, as ground lessor, and a developer/owner or non-profit corporation, as ground lessee. Land owned by a university is leased for a period of 20 to 40 years to a non-profit corporation or a for-profit corporation. The ground lease imposes a number of requirements governing the use of land and the construction, maintenance and operation of the student housing located on the land. The ground lessee is often part of a team assembled by a developer to undertake the project. The developer who receives a development fee for its services is usually responsible for procuring the project’s financing, and for the oversight and management of the project’s design and construction. The management agent (often an affiliate of the developer) typically will assume responsibility for managing the project after construction completion. In some cases, the management agent will also provide some of the resident life services.

In June 2004, the University Administration commissioned a System-wide Resident Hall Study to assess the level of housing need, prevailing market rents, and desired housing unit configurations on each of the priority campuses identified within the University system. The priority campuses identified to date include: UH-Mānoa, UH-Hilo; and Māui Community College. The preliminary results of this study are expected in late 2004 and can be incorporated within a Request for Qualifications (RFQ) document.

A possible outcome of the System-wide Study could be the recommendation that the University select a single developer to build and renovate, finance and manage all dormitory units on the Mānoa campus. Alternatively, the University could elect to begin with a first phase, which would include only the Frear, Gateway and Johnson Hall dormitories, all located on Dole Street. Johnson Hall currently houses 195 beds, and Gateway has 208 beds. Frear Hall formerly housed 144 beds, although a 2003 study concluded that the site could be redeveloped with as many as 380 beds. The final recommendation will be made at the conclusion of the study. The study would be done in
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the Fall.

Regent Kakuda inquired about plans to accommodate students in Fall. Chancellor Englert said that they would try to accommodate students as much as possible. However they will try to also get an RFP out for some hotels. He said that would be possible once the Board responds to a request to modify the RFP that was sent several weeks prior. Regent Tatibouet informed Chancellor Englert that the proposal was only received by her committee recently. Regent Lagareta commented that the Board was not holding things up as Chancellor Englert implied. She added that he needs to be more sensitive to how the public will perceive such statements.

Regent Albano asked if the other campuses were experiencing similar housing problems. He also informed that his firm had been approached by Geo International. Director Yokota said that Geo was primarily interested in the U.S. China Center at UH-Hilo. Rose Tseng added that Hilo does have a need for additional bed space.

Regent Tatibouet informed the Committee of her meetings with Director Yokota where they had discussed the renovation of Gateway, Johnson Hall, and Frear Hall at the Mānoa Campus and that a fast track approach would be to bundle them into one RFP. Regent Haynes added that some of these initiatives need to be accomplished through creative ways due to the lack of funds. However, he expressed that if the University cannot do a good job in student housing it should look to other means such as privatization. He asked about the situation at Māui Community College. Chancellor Sakamoto informed that Agora, a private developer is building a 400 bed space facility located close to the campus. It is scheduled for completion around Fall of 2006. Regent Lagareta inquired about Kapi'olani Community College’s needs for student housing. Chancellor John Morton informed that Outrigger Hotel had decided not to continue its affiliated housing program. Consequently, Kapiolani currently has no housing program.

Chairperson Lee summarized that student housing is a high priority for the Board and as such, the matter needs to be examined from both a long and short term range standpoint. She asked that the Task Group on Student Housing review the RFP.

Regent Haynes asked for a time line so that the Board can clearly understand what is to be delivered and completed by a certain time.

Biennium Budget/Stocktaking Process

Acting President McClain stated that due to the lack of time, this matter would be taken up as part of the President’s report during the Board meeting the next day. He
requested that the matter be withdrawn. There were no objections.

There being no further business before the Committee, the meeting was adjourned at 5:30 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: August 19, 2004

S: Chairperson Patricia Y. Lee
Members, Committee on Budget and Long-Range Planning
Acting President David McClain
Chief of Staff Sam Callejo
Associate Interim Vice President Linda Johnsrud
Director Jan Yokota