MINUTES

BOARD OF REGENTS’ COMMITTEE ON PLANNING AND FACILITIES MEETING

September 13, 2011

I. CALL TO ORDER

Committee Chair Carl Carlson called the meeting to order at 3:00 p.m. on Tuesday, September 13, 2011, at the University of Hawai‘i, Bachman Hall 113, 2444 Dole Street, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Carl Carlson; Dennis Hirota; Coralie Matayoshi; and Jan Sullivan.

Excused: Committee Vice Chair Michael Dahilig.

Others in attendance: Regents Chair Eric Martinson (ex officio committee member); President M.R.C. Greenwood, Ph.D.; Vice President for Budget & Finance/Chief Financial Officer, Howard Todo; Associate Vice President for Capital Improvements, Brian Minaa; Executive Administrator and Secretary of the Board of Regents, Keith Amemiya, Esq., and others as noted.

Committee Chair Carl Carlson recognized the service of the former members of the committee, Eric Martinson, Mark Fukunaga, James Haynes, and James Lee, and introduced the new members of the committee, Dennis Hirota, Coralie Matayoshi, and Jan Sullivan.

Committee Chair Carlson reviewed the Board of Regents' bylaws regarding the duties of the Committee on Planning and Facilities:

1) Review, study, and make recommendations to the Board relative to the long-range plans for the development of the University, considering academic needs, priorities, and fiscal capabilities of the State.
2) Review, study, and make recommendations to the Board relative to the physical facilities master plans for each campus in the University system and to periodically review approved campus master plans in order to recommend revisions, if necessary, to meet the needs of the University.
3) Review proposals relative to naming of University improvements and facilities and make its recommendations to the Board.
4) Review policies and make recommendations to the Board on matters pertaining to the use of University facilities and ensure an environment that is complementary to the educational mission of this institution.

II. PUBLIC COMMENT PERIOD

Secretary Amemiya announced that no persons submitted written testimony or signed up to testify regarding today's agenda items.
III. AGENDA ITEMS

Update on University of Hawai‘i-West O‘ahu Kapolei Campus Development

UH-West O‘ahu Chancellor, Gene Awakuni, introduced the team of people who are working on the UH-West O‘ahu campus development.

Legal counsel Douglas Ing, of Watanabe Ing LLP, covered significant milestones, beginning in September 1999 when the Land Use Commission reclassified 1,300 acres of land from agriculture to urban for the East Kapolei Master Plan Development Project; to 2002, when the State of Hawai‘i conveyed a 500-acre parcel to UH in fee simple, with certain restrictive covenants; through August 2010, when a notice to proceed was issued to the contractor for the Campus Phase I construction.

Chancellor Awakuni said that the statutes impacting UH-West O‘ahu include HRS 304A-2166 (1996), allowing UH-West O‘ahu to deposit any proceeds from the sale, lease and/or assignment of property into a special fund, with proceeds to be used for the purpose of the development of the Kapolei campus; HRS 171.64.7, HRS 171.64.7, Act 176 (2009), requiring state entities, including the UH System, to obtain two-thirds concurrent resolution approval from the Legislature to sell its lands; and Act 56 (2010), which exempts UH-West O‘ahu from having to abide by Act 176, making it the only state affiliated entity with such authority, and thus allowing UH-West O‘ahu to sell its land without prior Legislative approval.

Legal Counsel Mark Ito, of Schlack Ito, spoke about the Campbell Estate Covenants. Campbell Estate donated the land to the State of Hawai‘i. The state agreed to use at least 200 acres of land in West O‘ahu for “University Purposes”, with a start construction deadline of December 31, 2011. Campbell reached an agreement with UH-West O‘ahu to build a minimum of 150 acres in its current location. “University Purposes" is a defined term, meaning that it can include research, other ancillary uses, and with regard to the Tokai University transaction, other educational purposes.

Planning, landscape architect Grant Murakami, of PBR Hawai‘i, said that there were 16 conditions when UH-West O‘ahu rezoned the land from BMX-3 (community, business, mixed use) to A2 (medium-density apartment), R3 and R5 (residential districts), and P2 (park). Of the 16 conditions, UH-West O‘ahu has fulfilled five, and nine are currently being worked on. Work has not yet started on two of the conditions related to meeting facilities and daycare facilities. Chancellor Awakuni said that they are not obligated to build these facilities, but to merely set aside land for them, which they already have.

Murakami said that to build a campus on a 500-acre property, the city requires a Planned Review Use (PRU) permit, which is required for university uses. UH-West O‘ahu identified an area of 135 acres for the campus. There were 16 conditions; 3 or 4 have not been satisfied yet, but will be dealt with as development progresses. Upon inquiry by Committee Chair Carlson, Chancellor Awakuni said that there are no timing issues regarding compliance.
Chancellor Awakuni and Civil Engineer Craig Arakaki, of Engineering Concepts, Inc., spoke about the campus' infrastructure and water lines.

Project Manager, Larry Sumida, of the Research Corporation of UH, covered the construction of the campus. Phase I completion is expected to be in June 2012, and classes are expected to start at the new campus in August 2012.

Chancellor Awakuni thanked the Regents for their support with the Tokai University partnership. He presented a Plan Review Use (PRU) letter from David K. Tanoue, Director of the City's Dept. of Planning and Permitting (DPP), dated Sept. 9, 2011, that stated that DPP agreed to a minor modification to allow Tokai University to fall under UH-West O'ahu's PRU status as long as the construction is in conjunction with the design guidelines for the campus.

Regent Hirota asked about the housing and dormitories. Chancellor Awakuni responded that within Tokai’s complex, there are some dormitories for students to come on a rotational basis. UH-West O'ahu is not conveying dormitory land; it is under a ground lease, which will still be a part of the campus.

Regent Sullivan said that she questioned the Tokai transaction because it seemed like it was a joint development that was going to build a relationship, making it more than just a land sale. Previously, there were documents that stated that Tokai would utilize UH-West O’ahu housing. However, the Sept. 9, 2011 PRU letter from David K. Tanoue says that Tokai’s facilities would include 45,000 square feet of student housing. Chancellor Awakuni said that those are the dormitories for their junior high and high school program. It is not for their community college students, who would live in residence halls or dormitories along with UH-West O’ahu students. UH-West O’ahu is leasing the property and a third party will design, build, finance, and manage those apartments. Regent Sullivan asked if UH was subsidizing any of those buildings. Chancellor Awakuni said that there won’t be any subsidization.

Regent Sullivan asked if UH-West O’ahu is trying to address the infrastructure issue in a separate agreement with Tokai, and if UH is handling Tokai’s infrastructure requirements. Chancellor Awakuni said that Tokai will have its own team to handle construction, design, and infrastructure. Arakaki said that points of connection for UH-West O’ahu’s infrastructure were identified, and Tokai is responsible for extending utilities to its site. Regent Sullivan asked if the purchase price reflects the infrastructure costs, or if there is a separate agreement. Chancellor Awakuni said that the purchase price is the cost per acre, but that Tokai is handling all of the site work. Regent Sullivan asked about drainage, because the State Land Use Commission condition states that drainage must be addressed for the 1,300 acres. Arakaki said that with the improvements to North South Road, many of the issues were resolved. As far as the drainage, Kaloī Gulch did run through the campus, but engineers re-routed the gulch and provided a detention basin at the bottom. Additionally, another detention basin is being installed by the Department of Hawaiian Home Lands, which additionally reduces the flow through the campus. Regent Sullivan asked if UH-West O’ahu was handling drainage issues related to Tokai, and Arakaki answered affirmatively, because separating it doesn’t make economic sense. However, Tokai will handle its own water quality issues.
Real Estate Appraisal Consultant, Jim Hallstrom, of The Hallstrom Group Inc., said that UH is protected in terms of design guidelines, use restrictions, and limitations on Tokai’s parcel. The 6 acres are “triple restricted” because they are in the PRU, the Campbell Covenants, and the purchaser agreement. In the purchasing/re-sale agreement, UH has the right to buy the property back, Tokai can only be used as a school, and there are design guidelines and density limitations. Typically, use restrictions on a property govern prices. School restrictions on properties typically are a 50% discount. Given those restrictions, $6 million for 6 acres is fair for UH.

Chancellor Awakuni said that UH-West O‘ahu is protecting the architectural definition/design concept of the campus.

Regent Sullivan asked about the master plan for the campus. Chancellor Awakuni said that the plan is not set in stone, but a Long Range Development Plan update was approved by the Board in 2007. The plan is somewhat flexible if new initiatives are given more importance. There is a limited amount of square footage that Kapolei can support. President Greenwood said that an advisory group will be formed to help further develop the campus.

Regent Sullivan said that she believes that there are things happening at the state level that will force UH to justify holding on to its land. Chancellor Awakuni said that they have to be very careful about how they develop the property because it’s UH’s endowment for the future. Committee Chair Carlson pointed out that UH-West O‘ahu is in a unique position because it has the ability to self-finance. Therefore, it must be mindful of how it goes forward on each parcel.

Upon inquiry from Committee Chair Carlson, Chancellor Awakuni said that current enrollment is 1,700. After five years with the new campus, the enrollment would be about 4,000, but the campus can only accommodate 3,850 students. With hybrid or online courses, it should be able to accommodate more students. President Greenwood said that UH-West O‘ahu is playing a lead role in being an anchor campus for a number of online courses and programs.

**Review of UH Supplemental Budget for Fiscal Year July 1, 2012 – June 30, 2013**

Vice President for Budget & Finance/Chief Financial Officer, Howard Todo, said that four items were changed from the budget presented to the Board at its August 25, 2011 meeting. All are Capital Improvement Projects, as explained by Associate Vice President for Capital Improvements, Brian Minaai:

1. Added $40 million in revenue bonds for UH-Mānoa Faculty Housing.
2. Reduced the Hawai‘i Institute of Marine Biology (HIMB) request by $17 million (it was previously counted in two categories).
3. UH-Mānoa withdrew its request for $15 million in revenue bonds for various lighting projects, following the approval of the Edmondson Hall renovation at the August 25 Board meeting under CIP and R&M projects.
4. Adjustment of previous law school request for $6.3 million for design and construction that was changed to $80,000 for design only.

Additionally, HIMB was moved from another category into the Health, Safety, and Code Requirements category. The request was originally approved in the Biennium Budget.

AVP Minnaï explained that UH prioritizes its CIP projects as follows:

1. Health, Safety, and Code Requirements
2. Capital Renewal and Deferred Maintenance (CRDM) (includes the backlog)
3. Minor CIP
4. Project Renovate to Innovate
5. Major CIP Projects – Shovel Ready
6. Financially Leveraged Projects
7. Various Planning and Design Projects

Upon inquiry from Committee Chair Carlson, AVP Minnaï said that his top two priorities at the Legislature are Health, Safety, and Code Requirements, and CRDM. Each campus lobbies for their individual needs. Legislative initiative add-ons also result in money that UH doesn’t ask for (i.e. athletics). Committee Chair Carlson asked if the various campuses participate in setting priorities. AVP Minnaï said that the campuses determine their priorities within their campuses. After UH receives funding, AVP Minnaï’s office will look at backlog requirements and then allocates money to each campus. For Health, Safety, and Code Requirements, and CRDM, the Legislature appropriates money in a lump sum. There is some flexibility. The other categories are line-item appropriations for specific projects.

Committee Chair Carlson said that UH received $4 million less than requested for Health, Safety and Code Requirements in the previous year. He said that it is important that should the Board approve the Supplemental Budget, UH must ensure that every item under Health, Safety, and Code requirements is funded.

Regent Hirota said that UH is essentially losing more money than it is spending. For instance, in regards to Priority No. 4, Project Renovate to Innovate, if UH received this money, it would also receive more Research Training and Revolving Funds (RTRF) money. For every year it isn’t doing Project Renovate to Innovate items, it actually loses money. AVP Minnaï said that at the Legislature, he lobbies for Priorities No. 1 and 2, and President Greenwood, who assumes that AVP Minnaï is lobbying for those items, will lobby for Priority No. 4. Regent Hirota said that in the past, people chose to cut back on maintenance to save money, but the reality is that it resulted in a loss of money. Chair Martinson suggested implementing a communications strategy to convey that point.

Regent Matayoshi asked how much coordination was involved in lobbying efforts. AVP Minnaï said that each Chancellor lobbies for their campus, if the item is approved by the President and Board. At the System level, it lobbies based on the priority list.
AVP Minaai said that last year, the previous Board Chair, Howard Karr, gave certain campuses an "earful" because they received legislative initiatives that were not a part of the Board-approved budget. Chair Martinson said that steps need to be taken to ensure that this doesn't happen again.

Committee Chair Carlson said that the Committee would issue a report summarizing the topics covered in the meeting regarding the Supplemental Budget for the September 29, 2011 Board meeting. The report would include a recommendation of approval of the Supplemental Budget by the Committee.

Prompted by questions and concerns by Regent Sullivan, a brief discussion of the operating portion of the Supplemental Budget, in light of proposed tuition increases, took place.

IV. ADJOURNMENT

There being no further business, on the motion of Regent Hirota and second by Chair Martinson, and with unanimous approval, the meeting was adjourned at 5:27 p.m.

Respectfully Submitted,

[Signature]

Keith Y. Amemiya, Esq.
Executive Administrator and
Secretary of the Board of Regents