

MINUTES

BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES MEETING

FEBRUARY 7, 2018

I. CALL TO ORDER

Committee Chair Stanford Yuen called the meeting to order at 9:00 a.m. on Wednesday, February 7, 2018, at the University of Hawai'i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2420 Correa Road, Honolulu, Hawai'i 96822.

Committee members in attendance: Committee Chair Stanford Yuen; Committee Vice Chair Ben Kudo; Board Vice Chair Randy Moore; Regent Lee Putnam; Regent Douglas Shinsato.

Committee members excused: Regent Ernest Wilson, Jr.

Others in attendance: Board Chair Jan Sullivan; Regent Eugene Bal; Regent Norma Doctor Sparks; Regent Brandon Marc Higa; Regent Wayne Higaki; Regent Michael McEnerney; Regent Michelle Tagorda (ex officio committee members); President/Interim UH-Mānoa (UHM) Chancellor David Lassner; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning & Policy Donald Straney; Vice President for Research & Innovation Vassilis Syrmos; Vice President for Information Technology/Chief Information Officer Garret Yoshimi; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; Interim UH-Hilo (UHH) Chancellor Marcia Sakai; UH-West O'ahu (UHWO) Chancellor Maenette Benham; UHM Vice Chancellor for Research/Interim Vice Chancellor for Academic Affairs Michael Bruno; Executive Administrator and Secretary to the Board of Regents Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE NOVEMBER 1, 2017 MEETING

Regent Putnam moved to approve the minutes of the November 1, 2017 meeting, seconded by Committee Vice Chair Kudo, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary to the Board Kendra Oishi announced that the Board Office received no written testimony, and no individuals had signed up to give oral testimony.

Regent Shinsato arrived at 9:02 a.m.

IV. AGENDA ITEMS

A. Information & Discussion

1. University of Hawai'i at West O'ahu Mauka Lands Photovoltaic Developer Briefing

Regent Higa arrived at 9:06 a.m.

VP Gouveia provided a briefing on the UHWO Mauka Lands Photovoltaic (PV) Developer that included critical milestones & timeline, and the key terms of a binding letter of intent. Hawaiian Electric Company (HECO) has issued a request for proposals (RFP) from PV providers to develop up to 180 megawatts (MW) PV farm that can tie into HECO's grid. Most PV developers do not own land, so HECO also asked large land owners on O'ahu to identify parcels land that could be available to the PV providers to be packaged as a proposal to HECO. UH is one of approximately 10 to 12 landowners who have offered to partner with PV providers who will put together Power Purchase Agreement (PPA) proposals with established land and construction costs to submit to HECO by the April 13, 2018 deadline. UH has identified approximately 460 acres of UHWO Mauka Lands that could support 64 MW of PV, which is approximately the size of UHM campus. The current RFP may be limited as HECO's nearest existing circuit can only take 18 MW.

UH intends to enter into multiple letters of intent (LOI) with multiple PV providers as it is unknown which provider HECO will select. UH has a March 13, 2018 deadline for PPA providers to submit LOI proposals, any LOI will be brought to the board for approval in March 2018, and if approved will become binding with a 20-year term. HECO will be issuing awards in October 2018. UH does not run the risk of there being more than one successful proposal on the UHWO Mauka Lands parcel. Through this exercise, UH can demonstrate it can be nimble as an institution and enter into agreements in the public-private partnership (P3) arena or with private industry and developers.

Board Chair Sullivan arrived at 9:22 a.m.

Discussions held regarding whether UH would be entering into a lease or a use and occupancy (U&O) agreement with PPA providers; that this transaction is a straight land deal with cash being the only consideration UH will receive as there are no additional terms that offset HECO rates; whether another term would be preferable to "binding letter of intent"; the possibility of doing an easement instead of an LOI; when the final site would be determined; whether the developed area would be common area; if the developer would be responsible for removal of the PV after the 20 years; the possibility of UH self-generating power at some point in the future; the current estimated costs (e.g., legal, feasibility and project management fees); whether track record and financial viability was a criteria for potential partners; whether there was any risk to UH for proceeding with this project; and whether the agricultural lands were being leased and the revenue from those leases; and the advantages of having agricultural activities near the proposed PV project. It was noted that the National Park Service (NPS) acquired the nearby Honouliuli Internment Camp to create a national park, so UH may want to consider coordinating with NPS.

Administration explained that they are working with the Office of General Counsel on a binding letter of intent template, with the preference being to enter into a U&O agreement with the final selected PPA provider. Financial feasibility of the PPA providers will be

taken into consideration, and PPA providers need to put up a 20-year bond and be rated. It would be difficult for UH to enter into an easement given the short time period, as that process usually take a couple of years. Developers must indicate in their proposals to UH the parcel they are interested in and the final developed site that would be considered common area. The developer would be responsible for removal of PV after 20 years if UH does not exercise its option to renew. The risk for UH would be if the selected PPA provider goes out of business and UH is left with their equipment. UH could possibly self-generate power at some point in the distant future, but does not currently have the capital. At this point, the only costs associated with pursuing this project is the time that Miles Topping, Director of Energy Management has spent. Leases historically run through the Department of Land & Natural Resources (DLNR), and DLNR has indicated it does not want to do that anymore. UH took over two nominal leases for small parcels of existing users and administration will provide that information to the committee.

Extensive discussions were held regarding the preliminary green tariff discussions with HECO, which is a separate, distinct, and unrelated transaction from the current HECO RFP. Any sort of green tariff consideration would be in the form of discounted electricity rates for UH. A question was raised regarding whether HECO was receptive to the concept of kilowatt credits per consumption. It was noted that UH should be able to do both the RFP and green tariff opportunity should that ever become a reality.

Concerns were expressed regarding whether any consideration had been given to potential unrelated business income tax (UBIT), general excise tax, or property tax implications, if any.

Administration plans to pass on property tax to the PPA provider, and will work on adding expenses into pro forma to guarantee the base rate schedule makes sense.

The committee reiterated the need to keep the board informed as much as possible during the process but also recognized the need for UH administration to respond quickly given the circumstances.

2. Update on University of Hawai'i at Mānoa Campus Space Utilization Study and Master Physical Plan

VP Gouveia explained that last year the MKThink consulting team came to UH and inventoried space and entered that into a database. The data has been used to help with the planning of the overall UHM Master Physical Plan. Today's presentation will recap the space utilization study and how the data is being utilized. Nate Goore and Josh Jackson of MKThink gave a presentation recapping the UHM space utilization study that showed how the data is being utilized to support university planning processes and provide a foundation for decision making and risk management. Highlights included the total square footage for UHM buildings; inventory by building, administrative/academic unit, and individual room level; scheduling of classrooms and labs; variance of classroom utilization during the course of the week; quantifying the opportunity with improvements in both utilization and occupancy that could yield additional effective classroom space which can be repurposed for other priorities; examples of applicability; examples of College of Engineering projects; faculty survey on facilities results, participation, themes,

collaboration, space priorities, and technology; and master planning general approach, team organization, and timeline.

Questions were raised regarding how UHM's classroom utilization data compares with peer institutions; whether there were exemplars in higher education of high space utilization, and whether UH should aspire to be average or leading edge; the scarcest resource for UH was ineffective utilization of land and not the land itself; the need to obtain input from students, not just faculty; and whether year-round school should be considered at UHM.

MKThink explained that UH space utilization compares very similarly with peers and non-peers in terms of overall distribution of how space is assigned for teaching, academic, office, and support spaces, as are the utilization and occupancy rates. Many universities have gone through a similar shift from large, lecture-based classes to smaller classes and broader range of classes. UH diverges from peers in terms of the time of day and day of the week usage; some universities have chosen to drive usage of the asset harder and made it a teaching requirement for faculty, other universities have planned usage around faculty preferences. Whether UH should aspire to be average or leading edge on classroom utilization is part of the problem that MKThink will be helping to solve in the coming months. The University of California System had a standard of trying to utilize up to 70 hours per week, which was reduced to approximately 60 hours per week. Some campuses have gotten close to achieving the 60 hours per week, but it is more of a prioritization of how important utilization of rooms are relative to other considerations such as student and faculty time, but moving into a higher utilization target is generally a good idea.

The committee requested MKThink provide information on universities that have done year-round school, or different programs in the summer, evenings, and weekends.

3. University of Hawai'i Repair & Maintenance Operating Budget Overview

VP Gouveia gave a presentation on the difference between repair & maintenance (R&M) and capital improvement projects (CIP), and their components; a breakdown of FY18 facilities operating budget (R&M, custodial and grounds) for UHM, UHH, UHWO, and the community colleges, including the FY18 operating budgets for R&M, custodial, and grounds, and facilities operating budget per gross square foot; the FY18 facilities staff coverage rates by campus; the FY18 R&M as percentage of total campus operating budget (general funds and tuition & fees special funds); and FY18 UHM R&M at a glance.

Regent Doctor Sparks arrived at 10:41 a.m.

Discussions held regarding whether the master plan takes into consideration the amount of square footage UH could afford and the need to prioritize R&M.

Administration explained that lack of usable space is a real problem for UH, and a reason is choosing to renew, improve & modernize facilities through efficient space management, consolidation of programs, shared spaces, flexible spaces, and adaptable learning environments, which will result in an agnostic space that will maximize utilization. In the meantime, buildings are deteriorating, so administration needs a multi-pronged

attack of short, mid, and long-term solutions with enrollment numbers playing an important role in determining the long-term vision for space utilization.

4. FY18 Q2 Major Projects Update

Due to time constraints, this item was deferred. There were no objections.

V. ADJOURNMENT

There being no further business, Board Vice Chair Moore moved to adjourn, and Committee Vice Chair Kudo seconded, and with unanimous approval, the meeting was adjourned at 10:54 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
to the Board of Regents