MINUTES

BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES MEETING

JUNE 4, 2020

Note: On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a public health emergency of international concern, subsequently declaring it a pandemic on March 11, 2020. On March 16, 2020, Governor David Y. Ige issued a supplementary proclamation that temporarily suspended Chapter 92, Hawaii Revised Statutes, relating to public meetings and records, "to the extent necessary to enable boards to conduct business in person or through remote technology without holding meetings open to the public."

I. CALL TO ORDER

Chair Moore called the meeting to order at 2:10 p.m. on Thursday, June 4, 2020. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Chair Randy Moore; Vice-Chair Alapaki Nahale-a; Regent Eugene Bal; Regent Wayne Higaki; and Regent Jan Sullivan.

Others in attendance: Regent Simeon Acoba; Regent Kelli Acopan; Regent Michael McEnerney; Michelle Tagorda; Regent Robert Westerman; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Academic Planning and Policy Donald Straney; VP for Research and Innovation Vassilis Syrmos; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH Mānoa (UHM) Provost Michael Bruno; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE MARCH 5, 2020 MEETING

Regent Bal moved to approve the minutes of the March 5, 2020, meeting, seconded by Regent Sullivan, and the motion carried, with all members present voting in the affirmative.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office received written testimony from Mr. Adam Borrello on behalf of the North Shore Community Land Trust in support of preserving and restoring the Waiale‘e property currently owned by the university and referenced in the real property transactions update.

Board Secretary Oishi also stated that one individual, Mr. Peter Forman, had registered to provide oral testimony. Mr. Forman stated that he was in opposition to the recommendation for approval of the resolution authorizing the Hangar 111 abrogation. He remarked that the university could not afford the $11 million necessary to abrogate the deed and that it would be better served by using the property for its intended purpose of operating a flight training program.

IV. AGENDA ITEMS

A. Recommend Adoption of Board of Regents Resolution 20-01 Authorizing Hangar 111 Abrogation, Kalaeloa Airport, Barbers Point, Oʻahu, Hawaiʻi

VP Young provided background information on the methodology by which the university acquired 4.5 acres of surplus federal property located at the former Barbers Point Naval Air Station. This parcel, referred to as Hangar 111, contains a hangar facility consisting of 105,000 square feet of space that includes office space, a small ramp area, and an adjacent parking lot. He noted that the university acquired the property in 2000 from the United States Department of Education (USDOE) through quitclaim deed for the purposes of operating a flight training program through Honolulu Community College (HonCC) that allowed students to earn an Associate of Science in Commercial Aviation degree but that this program was suspended in 2016. While the university has determined that having the flexibility to use the property for other purposes or lease the property to third-party, commercial operators would serve in its best interest, the deed contains restrictive covenants with educational requirements that limit the university's options for these potential uses. As such, the university is requesting authority from the board to abrogate the effectiveness of the restrictive covenants in accordance with terms contained in the deed, including a payment to the USDOE of $11,173,500 using capital improvement project (CIP) funding already appropriated by the Legislature specifically for this purpose.

VP Lacro added that the restrictive covenants on Hangar 111 make it difficult to use the parcel for any purpose other than aviation training or applied research. The absence of these restrictions would allow the university to use the facilities for non-educational programs or other functions of the university, or offer commercial leases to interested third parties. She stated that adoption of the resolution would not preclude the university from continuing aviation training in some capacity but that it simply would provide the university with more opportunities to effectively utilize the parcel.

President Lassner confirmed that Hangar 111 could still potentially be used for aviation training as was done with the flight training program. If the university were to pursue that option, it would be preferable to lease the facilities to a third-party commercial flight training provider which it is currently prohibited from doing under the current deed. This would reduce the potential risks for the university that are associated with operating such a program directly as the university.

Given the location of the parcel and the cost of abrogation as proposed by the administration, Regent McEnerney inquired about the revenue-generating potential of the property, whether the university will be seeking a request for proposals for the parcel, and the estimated amount of revenue the university is anticipating it will generate through leasing of the property. Michael Unebasami, Associate Vice President (AVP) for Administrative Affairs for Community Colleges, replied that the university has received inquiries from interested parties about potentially leasing the parcel. However, as a decision has not yet been made on plans for the parcel and the board has not yet provided authority to abrogate, the university did not want to commit to any action on the parcel. Based upon the inquiries received, there is a potential to generate over $1 million per year in revenue.

In view of the estimated revenue amount and the cost of abrogation, Regent McEnerney expressed his concern that the university will experience revenue loss by this action and inquired as to what would happen if the university would simply walk away from the property. VP Lacro replied that the university would face millions of dollars in fines because it was not compliant with the use of the property as contained in the deed. President Lassner clarified that the $11.2 million being paid to USDOE is CIP money that has already been appropriated by the Legislature for this specific purpose and is not university money. However, abrogation of the restrictive covenants in the deed would allow the university to monetize the parcel.

Regent Acoba asked if the university will own the Hangar 111 property in fee; whether the hangar facility would remain; if the university was certain that the $11.2 million in CIP funding for the abrogation would be available; what the $19.5 million appraisal of the property as noted in the media was based upon; and how comfortable the university was in recovering the $11.2 million in costs in a reasonable amount of time. AVP Unebasami replied that the Hangar 111 property will become the property of the university in fee and that the property was appraised at $19.5 million based upon work performed by the General Services Administration (GSA). He reiterated that the $11.2 million being used for the abrogation of the deed is not university funds but rather CIP funds that have already been appropriated by the Legislature and as such, there are no funds to recover.

Regent Acoba questioned why the property was valued at $19.5 million. AVP Unebasami responded that, to his recollection, GSA valued the parcel at $19.5 million based upon the potential commercial use of the property.

Following-up on Regent Acoba's question, Regent McEnerney asked what the appraisal estimated the income generated by the property would be if it was commercially leased by the university. AVP Unebasami responded that he did not have that information readily available.

Assuming the abrogation is completed, Regent McEnerney inquired if the university had given any thought to using the Hangar 111 parcel for housing purposes. VP Lacro responded that the university has thought about different uses for the property but had not considered the parcel for potential housing. President Lassner added that Hangar 111 was a hangar located on an airfield and probably would not be suitable for housing.

Regent Sullivan asked if the $11.2 million in CIP funding was in the board's CIP budget request. VP Young stated that it was an appropriation request that was initiated by legislators and not by the board.

Regent Sullivan continued by requesting clarification on the university's leasing plans for Hangar 111 stating that the commercial leasing market has been severely impacted by COVID-19 which could affect the parcel's revenue-generating potential. VP Young responded that the university views this as an opportunity since the Legislature provided the funds for the university to acquire the parcel through the abrogation process. Indications are that interest in the parcel remains strong as a number of inquiries for use of the parcel that would not be in compliance with the covenant restrictions have been received by the university over the last few years. While the parcel is a university asset, the university has not finalized plans for its use at this time. In addition to commercialization of the property, the university also has a number of burgeoning programs that could potentially utilize the facility if not for the restrictive covenants being in place. He also mentioned that Hangar 111 could still be used for a flight training program and that the university attempted to do so but could not achieve this because use of a third party to provide educational and training services for the flight training program was prohibited under the deed.

Chair Moore stated that he believed there were three options that could be taken with regard to Hangar 111. First, the university could continue to maintain the parcel as is without abrogating the deed and incur expenses. Second, the university could return the parcel to the federal government. Finally, the university could proceed with the abrogation process with funds that have already been provided by the Legislature and possibly generate revenues.

Regent Sullivan commented that while the CIP funding was not university money, it was State money, and the board still needed to exercise caution and remain fiscally prudent when determining the proper course of action for this parcel. She stated that she would be voting in favor of recommending board adoption of the resolution, should the committee decide to do so, but that her vote at the board meeting would be subject to more information being provided by the administration.

Regent McEnerney requested that the administration provide a map of the location of Hangar 111, information on the zoning for the parcel, and if possible, the appraisal report for the parcel when this issue is brought before the board in June. VP Young stated that the administration can provide available materials to the board for its June meeting.

Regent Bal moved to recommend board adoption of the resolution authorizing the abrogation of Hangar 111, seconded by Vice-Chair Nahale-a, and the motion carried with all members present voting in the affirmative.

B. Impact of COVID-19 on CIP and Repair and Maintenance (R&M) Projects

VP Gouveia reported that, in general, there has been little to no impact on the budgets or schedules of current CIPs as a result of the COVID-19 pandemic although there have been isolated incidents where items such as furniture, fixtures, and equipment experienced delays in delivery or contractors faced travel quarantine issues which caused minor project delays. However, two major CIPs have been affected by COVID-19. The Creative Media project and the PBS relocation project will experience delays of five weeks and six weeks respectively, due to COVID-19-related delays in the manufacturing of equipment necessary for project completion. She noted that the

COVID-19 pandemic has resulted in R&M projects, such as fire alarm and repaving projects, experiencing accelerated project schedules due to minimal campus activity over the past several months. However, a majority of the bids being received for upcoming projects are higher than expected and CIP funds for the current fiscal year have only been partially released due in part to the negative economic impacts of COVID-19.

Regent Acopan arrived at 2:53 p.m.

C. <u>Fiscal Year (FY) 2019-2020 Third Quarter CIP Status Report as of March 31, 2020</u>

VP Gouveia provided a brief report on the status of CIPs through the third quarter of FY 2019-2020 stating that there are currently 27 active construction projects occurring across all ten campuses and that all projects are progressing as planned with no significant issues being experienced. Two projects – the Coconut Island utilities rehabilitation and replacement and the Leeward Community College theater repair and refurbishment – have been completed pending finalization. She highlighted several significant CIP projects that were currently in progress, including the Life Sciences building project which is 99 percent complete with final inspection slated for the end of June. She also spoke on four new CIP projects that have been added to the CIP report including the demolition of Snyder Hall at UHM, with abatement work scheduled to begin this fall and demolition to begin in the summer of 2021; re-roofing and other improvements at Bilger Hall at UHM with bids for this project recently being received; the facilities space utilization study project, which recently surpassed the $1 million threshold for design projects to be included in the CIP quarterly report but is scheduled to be completed for UHM and UHWO in July and for UHH and the community colleges by December 2021; and the renovation of modular buildings at the School of Pharmacy at UHH with a $7 million contract recently being awarded for this project.

VP Gouveia stated that the Campus Center renovation project is not on the quarterly report to date but will be added shortly as it has surpassed the $5 million threshold for inclusion in the report. She noted that this project has been on the administration's CIP list since 2012 and construction on phase 1, with a cost of $3 million, began last year. Recently, the Campus Center Board voted to proceed on an additional phase of the project which includes renovations to update and improve the Campus Center ballrooms and other units in the Campus Center complex using $7 million in student fees and revolving fund monies.

D. <u>University Land-Related Strategic Initiatives and Partnerships Program FY 2019-2020 Third Quarter Update</u>

VP Young presented updates on the UHWO University District, Atherton, NOAA Graduate Housing, and Kaimuki/Leahi Hospital Parcel P3 projects. He noted the following:

- UHWO - University District Project: This project, which is a project that seeks to develop a university village on lands adjacent to the UHWO campus, is currently in limbo. An exclusive negotiations agreement that was signed with Hunt Development Group and Stanford Carr Development expired on August 15, 2019, with negotiations reaching an impasse over terms of a master development agreement. The administration is reevaluating this project and determining how to proceed on a restart of the project.

- Atherton Project: This project, which focuses on innovation space and student housing and is being undertaken under a partnership with the UH Foundation (UHF), is currently in the value-engineering design phase which will scale the project to a budget plan and is moving forward as projected with a target financing date of the end of 2020. The City and County of Honolulu has made a determination that this project is considered a major modification of the entitlement process and the university is working in collaboration with UHF and Hunt Development Group to establish a master development agreement for the property. The university has recently issued an environmental assessment with a finding of no significant impact. While the financing date for this project may be slightly delayed, project completion is still expected to be August 2023.

- NOAA Graduate Student Housing Project: This project, which is a housing project located near the East-West Center, is just beginning. The board approved a limited pre-construction agreement (PCA) with Greystar Development Services, LLC (Greystar) in March 2020, under which the university would agree to reimburse Greystar for pre-construction costs of up to $1.5 million it incurred for architectural, engineering, and other services for the project, if the project failed to proceed. The PCA has been finalized and pre-construction work is anticipated to continue through 2020. A market demand survey is currently being conducted and the results of this survey should become available in a few weeks. The market demand survey will allow the administration to evaluate the feasibility of the project and determine whether it should proceed.

- Kaimuki/Leahi Hospital Parcels Project – This project is currently evaluating the possible disposition of three parcels of university-owned land (6.56 acres) in the Kaimuki area adjacent to Leahi Hospital. Disposition may take the form of a fee-simple sale or long-term ground lease with a developer. The administration contracted CBRE, Inc. to prepare real property appraisals of the fair market value of the fee-simple interests in the parcels which has been determined to be $15 million in the aggregate. The administration will return to the board once a determination has been made regarding the recommended disposition of these three parcels.

Regent Tagorda left at 3:01 p.m.

Regent Higaki left at 3:03 p.m.

E. Real Property Transactions Update

VP Young provided an update on the status of several real property transactions noting the following:

- The Waiale‘e property transfer to the Agribusiness Development Corporation (ADC), which was previously authorized by the board, did not occur as ADC expressed that it was no longer interested in acquiring the property. The administration has been approached by other organizations and community groups on possible uses of the land and is reevaluating the disposition of the property and considering potential alternatives.

- The Kaua‘i Fruit Disinfestation Facility (Facility) property transfer was a conditional requirement of the Legislature for the release of funding to support the College of Tropical Agriculture and Human Resources. Due to the lapse of funding, transfer of the property did not occur. The university has been attempting to transfer the Facility to the Airports Division of the State Department of Transportation which is interested in the property. However, issues with restrictive covenants continue to hamper this transfer. Negotiations to obtain a release from the restrictive covenants are ongoing.

- The St. Francis School property, which is comprised of approximately 11 acres near the UHM campus, has been placed on the real estate market. The university procured an independent appraisal of the property and submitted a letter of intent as an offer to purchase the property. The seller has since requested best and final offers from all interested parties. The university submitted its best and final offer and is awaiting a response from the seller.

- Honolulu Authority for Rapid Transportation (HART) property issues dealing with four rail stations on three university campuses encompass a number of real estate transactions that need to occur between the university and HART including construction rights of entry, grants of easements, relocation of university assets, use and occupancy agreements, and the negotiation of a master use and development agreement. Many of these issues are currently being addressed and negotiations have already begun on a master use and development agreement.

VP Gouveia provided an update on the Green Tariff Program (Program) noting that the board authorized the administration to participate in a Hawaiian Electric Company (HECO) initiated docket with the Public Utilities Commission (PUC) regarding implementation of the Program. Negotiations on the terms of the tariff as well as the terms and conditions of a master service agreement are ongoing and the administration anticipates completion on the agreements in the next two months. It is also expected that HECO will file its docket with the PUC by the end of 2020. She also provided an update on the AES Solar Project at UHWO which is moving forward with no significant issues. AES has issued an EA and is performing its due diligence. Construction on this project is scheduled to begin at the end of 2021.

Regent McEnerney requested that HART be invited to provide a presentation on the anticipated effects of the entire HART system from West O‘ahu to Ala Moana Center, including the effects on the university. VP Young responded that the administration can solicit a presentation from HART.

F. <u>Committee Annual Review</u>

Chair Moore referred members to the committee annual review matrix provided in the materials packet. It was suggested that amendments to better align committee activities with the bylaws and Regent Policies be considered next year. Comments and suggestions were solicited on the committee annual review but no further discussion occurred on this item.

V. ADJOURNMENT

There being no further business, Regent Sullivan moved to adjourn, seconded by Regent Bal, and with all members present voting in the affirmative, the meeting was adjourned at 3:30 p.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents