

## MINUTES

### BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES MEETING

SEPTEMBER 2, 2021

**Note:** On August 5, 2021, Governor David Y. Ige issued a proclamation related to the COVID-19 emergency that temporarily suspended Chapter 92, Hawai'i 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

Chair Alapaki Nahale-a called the meeting to order at 10:19 a.m. on Thursday, September 2, 2021. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Chair Alapaki Nahale-a; Vice-Chair Diane Paloma; Regent Benjamin Kudo; and Regent Robert Westerman.

Committee members excused: Regent Wayne Higaki.

Others in attendance: Board Chair Randy Moore; Regent Simeon Acoba; Regent Eugene Bal; Regent William Haning; 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 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 Provost Michael Bruno; UH Hilo Chancellor Bonnie Irwin; UH West O'ahu (UHWO) 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 June 3, 2021, meeting, seconded by Regent Kudo, and noting the excused absence of Regent Higaki, 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. Committee Work Plan

Chair Nahale-a referenced the Committee Work Plan (Work Plan) noting that it would be used as an outline of the work to be performed by the committee during the coming year and inquired if regents had any comments.

Regent Westerman questioned why a review of university lease agreements only occurred during the first and second quarters of the academic year. Board Secretary Oishi replied that requests for approval of lease agreements could occur at any time during the year and are reviewed by the committee whenever they are brought forth by the administration. She noted that when the Work Plan was initially developed, the Board Office was made aware of the possibility that approval of lease agreements would be sought in the first and second quarters and therefore noted these reviews in the Work Plan. Chair Nahale-a added that the Work Plan was a dynamic document and did not preclude the committee from reviewing and discussing lease agreements throughout the year. It was his understanding that approval of lease agreements often occurred early in the year to allow the university to budget for those agreements.

Board Chair Moore suggested that the Work Plan denote that the opportunity to review lease agreements could potentially occur in each quarter of the academic year. Board Secretary Oishi stated that the Work Plan would be updated accordingly.

**B. Recommend Board Approval of the Fiscal Biennium (FB) 2021-2023 Capital Improvement Project (CIP) Expenditure Plan**

VP Gouveia reviewed the proposed CIP expenditure plan (Plan) for FB 2021-2023, stating that the Plan incorporated the most recent legislative appropriations and actions. She noted that projects contained within the Plan generally fall into four categories, including: major projects, which include complete building renovations or the construction of new facilities; renew, improve, and modernize projects, also known as RIM projects, which address repairs and improvements to campus buildings and infrastructure through modernization efforts; minor projects, which are a subset of RIM projects specific to the community colleges; and planning projects, which are those initiatives that support or deliver long-term development plans for future capital investments. She also stated that appropriations for projects specifically identified by the Legislature must be used for that purpose and noted that CIP funding is sometimes provided for projects that were not requested by the university.

The university was allocated approximately \$203.4 million in general obligation funds and \$8.7 million in American Rescue Plan Act funds for a total of about \$212 million in CIP funding for FY 2021-2022. In FY 2022-2023, the university was allotted approximately \$106.6 million in CIP funding. A summarized breakdown of the various projects being funded by the FB 2021-2023 CIP allocation was presented for each of the major units of the university system.

Regent Wilson questioned why the design-build concept was not used for the wastewater discharge system upgrade project at the Waikīkī Aquarium. VP Gouveia replied that the university requested a total of \$10 million in CIP funding for this project but only received approximately \$1.5 million. Based upon available funding, this project needed to be completed using a more traditional design-bid-build approach.

Referencing an appropriation of \$42.5 million for a Resource and Education Center for the community colleges, Regent Wilson asked what this project entailed. Michael Unebasami, Associate Vice President for Administrative Affairs for Community Colleges, responded that this appropriation was for the planning, design, and construction of a six-story building in Wahiawa to house a new Wahiawa Public Library, to consolidate the Department of Education's Central District Office in one building, and both classroom and lab space for the community colleges. However, as this was not a project requested by the university, the administration did not plan to ask for the release of these funds at this time.

Regent Westerman inquired about the process used by the administration in prioritizing CIP projects. VP Gouveia replied that the administration works closely with each respective campus to prioritize CIP projects and determine projected cost estimates.

Regent Wilson requested that VP Gouveia provide a brief explanation of the design-build process. VP Gouveia stated that the traditional method for executing CIP projects is the design-bid-build process which involves numerous steps from securing funding for the design, planning, and construction phases of the project to seeking construction bids. At best, the design-bid-build process takes an average of six years to complete prior to the start of construction. The design-build process is a more streamlined method of project delivery in which one entity works under a single contract with the project owner to provide design and construction services. She stated that use of the design-build process reduces, to about two years, the time it takes to reach the construction phase of a project. Additionally, greater accountability is often realized when a single entity provides both the design and construction services on a project. Although the design-build process is generally more efficient, not all projects, particularly specialized construction projects, are conducive to this process.

Regent Acoba inquired about the implications of not requesting the release of CIP funds for the Resource and Education Center. VP Gouveia replied that, without these CIP funds, projects will not proceed under the university. However, she stated that efforts are underway to determine if funds can be transferred to other agencies that are in a better position to develop some of the projects and allow those agencies to administer the funds through their own CIP development processes.

Noting that \$1.6 million was appropriated for plans, design, construction, and equipment for the College of Tropical Agriculture and Human Resources (CTAHR) – Waiale'e Research Station (Waiale'e), Regent Acoba questioned the use of these funds since it was his understanding that the parcel was being transferred to the Agribusiness Development Corporation (ADC). VP Gouveia stated that efforts to transfer the Waiale'e property to ADC were unsuccessful. VP Young added that the administration has been working with CTAHR over the last year-and-a-half to remove squatters from the Waiale'e property. The \$1.6 million appropriation is for the purposes of continued clean-up of the property including the removal of the remainder of CTAHR assets. Although CTAHR continues to manage the property, the administration is in the process of leasing the property to two lessees with the overall intent of transferring management of the property to the lessees in the future.

Regent Acoba asked about the status of the development of relevant academic programs for the Wahiawa Value-Added Product Development Center (Center) which was a condition placed upon the administration when the board approved entering into a lease agreement with ADC to create and develop the Center. VP Lacro replied that development of the Center is currently in progress. A systemwide group that includes representatives from UHWO and Leeward Community College has been established and is presently working on determining the specific activities that will occur at the Center and developing relevant academic programming in relation to these activities. Once the work of this group is completed, the administration plans on providing a report to the board on possible programmatic activities that will be provided at the Center.

Regent Westerman moved to recommend board approval of the FB 2021-2023 CIP expenditure plan, seconded by Vice-Chair Paloma, and noting the excused absence of Regent Higaki, the motion carried, with all other members present voting in the affirmative.

**C. Fiscal Year (FY) 2020-2021 Fourth Quarter CIP Status Report as of June 30, 2021**

VP Gouveia provided a report on the status of CIPs through the fourth quarter of FY 2020-2021 specifying that the report includes all design projects over \$1 million and all construction projects in excess of \$5 million. She stated that all projects are moving forward as planned with no significant issues or high-risk projects being identified and highlighted a number of projects that were completed or nearing completion including renovations to Athletic Gyms 1 and 2, renovations to the Clarence T.C. Ching Athletic Complex (Ching Complex), and the demolition of Snyder Hall. She also drew attention to several projects that were added to, removed from, or will be removed from the CIP status report stating that a change from a manual project management system to an electronic project management system resulted in a few active but dated construction projects being added to the report. It was noted that detailed information regarding each of the CIP projects is contained in the committee materials.

Chair Nahale-a commended VP Gouveia and her team for the clear and concise CIP project report provided stating that the report's format made it easy to track and determine the status of each project.

Acknowledging recent criticisms levied against the university with regard to the Ching Complex project, Regent Wilson praised VP Gouveia and her team for their efforts in completing this monumental task in a very short timeframe. He stated that Regents should keep in mind that the university's CIP process has greatly improved and opined that the administration was doing a fantastic job in this regard.

**D. University Land-Related Strategic Initiatives and Partnerships Program FY 2020-2021 Fourth Quarter Update**

VP Young provided an update on the status of several university land-related strategic initiatives through the fourth quarter of FY 2020-2021 stating that more

detailed information is contained in the committee materials. He highlighted the following:

- **UHWO - University District Lands Project:** It was noted that interest has been expressed, and formal discussions are ongoing, concerning the acquisition of portions of this land for a film studio and that the university is obtaining market value appraisals for this property. Use of various parcels for renewable energy production are also under consideration. Additionally, the university is working with the State Department of Transportation on realigning and widening Farrington Highway as this initiative will encroach on UHWO property in the project area but could also elevate the development possibilities for these parcels.
- **Atherton Project:** This project, which focuses on innovation space and student housing, continues to move forward. The Honolulu City Council recently approved a request to modify the university's Plan Review Use permit to include the Atherton Project. Demolition permits for the project have been issued and commercial tenants have vacated the buildings in anticipation of demolition work. Existing leases with the University of Hawai'i Foundation for the property have been terminated and the university continues to negotiate affiliate and sublease agreements for its inclusion in the project. Bond financing for the project is progressing and is anticipated to occur in October 2021.
- **NOAA Graduate Student Housing Project:** This project, which is a family-oriented mixed-use rental housing project located near the East-West Center, continues to proceed forward. The board approved a second amendment to a limited pre-construction agreement with Greystar Development Services, LLC (Greystar) in May 2021, under which the university would agree to reimburse Greystar for an additional \$1 million in pre-construction costs to continue entitlement and design development efforts through April 2022.
- **Kaimuki/Leahi Hospital Parcels Project:** A Phase I environmental site assessment has been completed for three parcels of university-owned land in the Kaimuki area adjacent to Leahi Hospital and the university continues to evaluate the possible disposition of these lands.
- **University Press Parcel Project:** The university continues to evaluate the potential land-monetization opportunities and disposition of university-owned land in Mānoa Valley which was the former location of the University Press. Efforts are underway to procure a market value appraisal of this parcel.
- **Honolulu Authority for Rapid Transportation (HART) Projects:** These projects involve the coordination and partnership with HART for rail development utilizing university campuses or property for rail stations, transit-related facilities, or potential transit-oriented development. A master use and occupancy agreement (MUOA) has been finalized with work on specific details within the MUOA expected to continue into the second quarter of FY 2021-2022. A request from HART for an alternative UHWO property site to locate a 900-stall interim park-and-ride facility is currently being evaluated by the university.

Regent Acoba requested clarification on whether the university owned the property on which the Atherton Project was located, as well as the responsible party for the project's bond financing. VP Young replied that the university does not own the Atherton property and that a private developer will be seeking bond financing for the project. VP Young further clarified that the bonds will not be university revenue bonds, or the responsibility of the university.

VP Young closed by announcing that the Director of the Office of Strategic Development and Partnerships will begin presenting the quarterly strategic initiatives reports with the start of the new fiscal year.

#### **E. Review and Discussion on Continued Improvements in Planning and Managing Processes Relating to University of Hawai'i Projects**

VP Gouveia reviewed the processes for executing CIP projects stating that, in the past, projects experienced lengthy delays and the university received numerous complaints from contractors. It was noted that many of the issues experienced were attributable to a fragmented organization framework for executing CIP projects, manual processing of documents, and a decentralized project management system. To address these issues, the university has developed a centralized organizational framework and electronic procurement process which has resulted in greater efficiency and has led to a reduction of deferred maintenance backlog costs although a backlog of projects still exists. VP Gouveia provided an overview of the centralized organizational framework, electronic procurement process, and electronic project management system stating that the administration is continuously striving to improve the process.

Regent Acoba requested clarification on the impacts the new processes have had on deferred maintenance costs. VP Gouveia explained that, assuming an annual inflation rate of five percent, the administration had projected that the university would be facing deferred maintenance costs of approximately \$1.2 billion in FY 2021 if no changes were made to the methodology for processing CIP projects. However, implementation of the new processes, which began in 2016, had lowered actual costs to \$830 million in FY 2021. The amount of deferred maintenance in FY 2021 would have equated to \$650 million not accounting for inflation.

Chair Nahale-a opined that, if inflation was accounted for, there would have been almost zero growth in deferred maintenance since the new processes were implemented over four years ago. VP Gouveia replied that growth in the deferred maintenance would have been relatively flat as a result of actions taken by the administration if inflation was eliminated from the equation.

#### **V. ADJOURNMENT**

There being no further business, Regent Kudo moved to adjourn, seconded by Regent Westerman, and noting the excused absence Regent Higaki, and with all members present voting in the affirmative, the meeting was adjourned at 11:36 a.m.

Respectfully Submitted,

/S/

Kendra Oishi  
Executive Administrator and Secretary  
of the Board of Regents