

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR, DBEDT

**APPROVED MINUTES
SPECIAL MEETING 3.22.23
EXECUTIVE SESSION**



BRENNON MORIOKA
VICE CHAIRMAN, STADIUM AUTHORITY

RYAN G. ANDREWS
STADIUM MANAGER

RUSSELL UCHIDA
DEPUTY STADIUM MANAGER

Stadium Authority Special Meeting Executive Session
99-500 Salt Lake Boulevard
Aiea, Hawaii 96701

March 22, 2023

Members Present:

Brennon Morioka, Vice Chair
Kau'i Burgess
John Fink
Eric Fujimoto
David Lassner
Chris Sadayasu
Claire Tamamoto
Michael Yadao

Staff

Ryan Andrews
Russell Uchida
Ebru Yilmaz-Pedro
David Matlin
Dane Wicker
Luis Salaveria
Stephen Lee
Colette May
Samantha Spain

Members Excused

Michael Imanaka
Camille Masutomi, DOE designee

CALL TO ORDER

EXECUTIVE SESSION CONVENED AT 8:46 A.M.

DISCUSSION AND ACTION REGARDING THE NEW ALOHA STADIUM ENTERTAINMENT DISTRICT (NASED) PROCUREMENT

Vice Chair Morioka stated that B&F Director Luis P. Salaveria would review the report provided by PFM Financial Advisors LLC. (See Exhibit A)

Director Salaveria stated he would take the following steps:

- Walk the board through the PFM materials and provide a summary
- Present the situation that the state finds itself in

- Discuss the potential procurement path forward
- Turn discussion over to Director Sadayasu

Presentation

Director Salaveria explained that the report is *not* a study of the P3 model. This is a *study of the use of public funds*. From that standpoint, it is a value cost of money study which is a requirement based upon the method of procurement that the state chose to go into, which was a Hawaii Revised Statutes, Chapter 37-D arrangement (HRS 37-D). An HRS 37-D arrangement is a financing agreement that the state would go into that provides for an exemption but also requires the sign off from the Director of Finance when it comes to fiscal responsibility. This study looked at the value of money that's being proposed over the thirty-year life of this engagement.

Director Salaveria went on to say that when they did the initial analysis, the state was at an impasse. There was much debate regarding the use of money (the intention behind the funds that have been appropriated). This caused confusion and gridlock regarding the execution of the overall project. The original proposed model requiring the use of General Obligation Bonds (GO Bonds) for infrastructure around the stadium was now subject to questioning from one chamber of the legislature. That was what caused this impasse situation, where we had one particular chamber preferring the execution of a public-private-partnership (P3) model, and we had the other chamber in the legislature preferring a straight-forward publicly financed design-build procurement for a stadium-only. When Governor Green came in, he inherited this situation and has worked towards an agreement. The Governor made it abundantly clear that he was committed to a P3 type of arrangement. The P3 arrangement is still the arrangement that is going to go through, it's just going to be a matter of how it's going to be constructed going forward to ensure that we have the approvals in place and a procurement vehicle that will be the state's commitment to a thirty-year engagement with a private concessionaire.

In reviewing the financing for the project, we looked at what the state was committing itself to over the course of thirty years. This included the debt service for the money that was being appropriated, as well as the obligation of the availability payments for the private finance, which includes payments toward the long-term maintenance of the asset. With the availability payments, we looked at the total value of the cash flow and cash outlay over the course of the engagement. We ran that data against a base case scenario of a publicly financed project (without any private finance). We took the two options and based upon the analysis, the current procurement vehicle that is in place right now is essentially an inefficient use of government funds. The Director of Finance stated that from his standpoint, he is not comfortable signing off for fiscal responsibility on the current plan. Therefore, we cannot move forward with the current plan as-is. Given that, the answer was not to move to a purely public financed stadium because the Governor is committed to a form of P3 arrangement. The legislature has indicated there will not be any additional appropriation beyond the \$350M in GO appropriation and the \$49.5M in general funds. So, what we have to spend is \$399.5M. This is our equity position in a public private partnership as well as the land and potential development rights around the stadium.

Director Salaveria directed board members to view the last page of the handout (See Exhibit A) which shows annual cash flows. He said they took the different scenarios and made the different cash flow

projections over the course of thirty years starting from 2024 to 2054 assuming that would be the development/concession period. He said they tried to make everything as realistic as possible, so we took the existing proposal as well as a public delivery option. They did make assumptions that under the public delivery component, maintenance and operation costs would be 10% higher than what a private partner would do. Director Salaveria reminded the board many things have changed since the original P3 vehicle was established, where originally the state had only appropriated \$170M to build the stadium, hence, the only way to proceed was to find outside equity to ensure we could build a stadium that we needed. When the legislature brought the appropriation up to \$350M, the parameters around the value of money changed as well as the parameters around which the Stadium Authority had its equity portion change significantly. This Administration's position is that the Stadium Authority should have the best ability in order to maximize the amount of equity that the state is putting into the project and that's why the proposal right now is to take a look at the existing procurement vehicle and remove the private financing portion out of the existing procurement and replace that with an operating component in order to come up with a much more advantageous arrangement for the Stadium Authority over the next thirty years.

Yes, there will be a delay by changing the procurement, but the Stadium Authority will have to live with whatever model is decided upon for the next thirty years and we want the Stadium Authority to be in the best position to succeed. Everyone is talking about expediting this along, but it's very difficult for the Administration at this point to enter into a procurement vehicle where we don't know if we are going to have the availability of future funds for the project under the existing procurement vehicle (revenues from the real estate portion).

Director Salaveria directed the group to page eight of the handout. He explained that the analysis shows the net present value analysis for the two cases that they reviewed. There has been a little miscommunication, and this is not an analysis of a P3, but rather it's an analysis of the value of money. The total cost of the existing P3 aggregate [total cash outlay] is \$1.489B [this is how much the state would outlay over the course of thirty years]. To be fair, the net present value is based on a discount rate of 5%, which is the current coupon rate of a state GO Bond, and it comes down to a net present value of \$695M. What we assumed under this scenario, under a state delivered program, [to make it comparable] is that we increased the GO Bond obligation to \$440M, we increased the maintenance costs associated with a state-run operation, and we looked at a total aggregate amount of cash outlay over thirty years. With all that, it was just a little over \$1B. To be fair, assuming a larger GO Bond obligation, higher level of debt service, higher level of maintenance cost, it does have a net present value of that \$1B cash outlay over thirty years of \$522M. We know that the answer is not the public delivery option, because we're not going to get \$440M since the legislature has already indicated the \$399.5M is all we the money we will have. So, the question is how do we bring in private equity into the arrangement to get us the stadium that we will all be happy with? Director Salaveria opened for questions.

Discussion

Member Tamamoto asked: Although the last column is state delivered, it's actually not attainable unless we have private sector join in for that money.

Director Salaveria responded that the state delivered a value for money proposition which basically shows that it would cost more. But what we don't have is \$440M of GO Bonds. We only have \$399M. So, in terms of state funding, we are short \$40M so that's why we are in this situation now where we need to look at bringing in a private partner to make up that difference. So much changed when we went from \$170M to \$350M. At \$170M the Stadium Authority had to find a partner, but you would have to pay for that equity that the private partner would bring in. When \$350M came in, then the equity portion changed significantly, so the Stadium Authority's negotiation position with a private partner changed significantly. Therefore, the analysis moved from a design, build, finance and maintain (DBFM) model to a design, build, operate and maintain (DBOM) model.

Member Tamamoto asked when he puts in additional maintenance, it states 10%, and she wanted to know where that comes from.

Director Salaveria explained that they took the maintenance cost that the current RFP is proposing, and they increased it by 10% assuming that the state would be 10% higher than what a private partner would be able to do.

She asked if then the state would maintain it.

Director Salaveria confirmed that yes, in this model, the state would maintain it.

Member Tamamoto asked if the Stadium Authority would have to go back to the legislature for that money.

Director Salaveria responded that it would be based upon the total revenue, and if it's not sufficient, then you would be in a situation of having to go back to the legislature. He stated that under the existing DBFM P3 model, the Stadium Authority might still have to go back to the legislature. If you do not have enough revenue to pay your availability payments, then the Stadium Authority would have to go back to the legislature. The risk position is whether you go back to the legislature because you don't have enough to cover the availability payments, or you go back to the legislature for additional CIP which was about year twenty in the Goldman Sach's analysis. It was built into the model to go back to the legislature for the CIP. But the risk position that the House was concerned about is that if you don't make the revenue on the other portion of it to fund the district liquidity reserve, then you must go back to the legislature earlier, or else you would be in a default position with your concessionaire.

Member Fujimoto asked two questions:

1. Regarding the \$440M of GO Bond funding, his assumption is that it will be treated as a true general obligation, in that it will be paid by the state's revenue and does not come onto the Stadium Authority's income statement.

Director Salaveria confirmed that his assumption is correct, and it is a moral and legal obligation from the taxpayers of the state of Hawaii.

2. We are all focused on the stadium side of the RFP, and he believes there was a misquote in a recent article in the Star Advertiser. He wanted to clarify that the net revenue generated from the real estate project stays on the Stadium Authority side of the income statement and does not go back to the General Fund.

Director Salaveria responded that he is correct, and that any revenue derived from the real estate project will go into the Stadium Development Special Fund and stay with the Stadium Authority. Under the stadium statutory responsibility, the Stadium Authority can decide what to do with that revenue.

AG Nishiyama confirmed that Director Salaveria is correct.

Director Salaveria went on to say that his personal position is that moving into this project differently unlocks the potential revenue generating capabilities of the Stadium Authority going forward.

Director Sadayasu asked AG Nishiyama [based on Member Fujimoto's question] if the legislature has the authority to take those funds (revenues) if necessary?

Ag Nishiyama responded that he is correct, and the legislature always has the authority to raid any special fund.

Member Fink asked a question regarding the lapsing of the existing GO Bond funds.

Director Salaveria responded that the existing authorization for the GO Bonds goes up to next year (June 30, 2024). With the procurement vehicle going forward, that would be enough time to encumber the authorization for those monies.

Vice Chair Morioka disagreed, and he stated that it's his understanding that the Stadium Authority will have to ask the legislature to re-authorize all the appropriations of both the \$350M and the \$49.5M.

Director Salaveria explained that for the \$49.5M there is already a bill being heard that will move the deposit of the general funds into the Stadium Development Special Fund (SDSF). What ended up happening last year was that the \$49.5M that was appropriated was never released by the previous Administration. The new Administration came in and we were faced with this situation, and to no fault of the Stadium Authority, we needed to move that appropriation which was made in fiscal year 2023 to fiscal year 2024 to maintain our Maintenance of Effort Agreement for the DOE for emergency school relief funds that were appropriated in 2019.

Member Fink shared his concerns that given our situation and limited funding, will we end up with a stadium we can be proud of, and will it have the amenities to attract events from Live Nation or professional soccer. He further shared a concern that with the limited funding we may only get something that is barely a step up from Ching Field, in which case he stated that some in the legislature might question the motive to proceed. Member Fink then asked Athletic Director, David Matlin, how the Mountain West will view this?

Mr. Matlin confirmed that there is an expectation from the Mountain West that even 15,000 seats is not a long-term solution. Everyone is investing more in their programs, especially with the College Football Playoff expansion going to twelve teams, there are expectations to have upgraded facilities. He stated that they are very proud of the T.C. Ching stadium, however, it does not meet the requirements for the long run.

Member Fink asked if the new stadium is now slotted for 2028, how will the Mountain West react to another delay?

Mr. Matlin responded that we just need a bona fide plan and a firm date. This is part of the reason we are doing the expansion to 15,000 seats, besides being needed for recruiting, and for our finances, it is because it's showing that we are making a good faith effort of investing in our program. If we weren't doing the expansion, then we would be in a much more difficult position.

Vice Chair Morioka stated that this is a good place to transition and to share what is on the table for what may be proposed as a possible path forward. He shared that there have been several meetings between the Executive Branch and the House and Senate leadership in an attempt to come to a place of agreement.

Director Sadayasu stated that based on all the discussion taking place, whether it's in public by the Governor, or by Director Salaveria in meetings, or via press releases, he thanked everyone for taking time out of their schedules to have this special meeting. He understands that many of the discussions are being played out in the public without the Stadium Authority being involved. He stated that he appreciates this opportunity to bring forward [to the board] what has taken place in terms of discussions with the government stakeholders such as the legislature, the Governor's office, the departments, and the Stadium Authority via the Vice Chair. He added that Vice Chair Morioka has been in several of those meetings. There were two major meetings with the Senate President, House Speaker, the committee chairs for Finance and Ways and Means, together with B&F, and DBEDT representatives over the last few weeks. Director Sadayasu went on to say that we are moving forward with some ideas and want the Stadium Authority to know what's been discussed and get the board's feedback as well.

Vice Chair Morioka went on to summarize the proposed procurement path forward. (See Exhibit B)

Vice Chair Morioka shared that in the past few weeks a lot of education has been taking place and that he's tried to bring a level of practicality and reality to the conversation. He confirmed that the Senate and the House have had different ideas and opinions on how this project should proceed and stated that there seems to be items each party is willing to concede on, as well as some items where they are not willing to concede. He provided a summary of discussion points on Exhibit B for conversation purposes. He stated it summarizes some common areas of agreement and provides some realities into it as well.

Vice Chair Morioka presented the document and provided comments:

Approach

Vice Chair Morioka stated that the approach would be a single procurement and contract with one entity for both the stadium construction and the real estate development. He added that whether we include the entire land or only a portion of the land is to be determined based upon what we think would provide sufficient revenue to enable them to provide funding for the stadium. We would procure the stadium as a design-build-operate-maintain, or DBOM. The developer would demolish the stadium as an immediate first task to show progress. The

developer will build the stadium using both state and private funds. We are limited to the \$400M that has been appropriated. We cannot assume to get any more. Whatever procurement document we put out, while we will say that there is \$400M of state funds to be used, we want to make sure that this contract allows for private funds to be used in order to build the stadium, and for the real estate infrastructure, because the \$400M alone will not get us a 25k seat stadium with the required amenities.

The Senate believes that most of the event revenue comes from a stadium with the luxury suites, club spaces, etc. If you build a 17k ground level bowl only, you will not have any of the amenities that generate revenue.

So, the goal is to build a 25K seat stadium that accommodate a wide range of uses such as football, soccer, rugby, concerts, etc. The developer would operate and maintain it for period of up to 30 years. Operational requirements would include our conceptual agreement to cover up to 9 UH football games, as well as 10 rent free community events, inclusive of high school football, graduations, etc. as determined by the Stadium Authority. We would need to decide this prior to the procurement process.

For the real estate portion, we would give development rights for up to a 99-year lease for defined parcels to the Developer to generate sufficient revenue to cover the necessary private financing for the stadium and infrastructure costs.

We would authorize HCDA to establish a Tax Increment Financing (TIF) for the district. This is a complicated endeavor and requires legislative action as well as a ballot measure for the voters to approve the county to issue a TIF. This concept is still being discussed and will be important, so we can use a portion of property taxes and apply that to the district to fund the necessary infrastructure.

Funding

We are capped at the \$399.5M (\$350M in GO Bonds and \$49.5M in cash). When you carve out the various expenses such as the demolition (approximately \$25M), construction management by the State (approximately \$25M), and contingency (approximately \$30M). The \$30M is a contingency for any owner generated changes only. If the state were doing this on its own, it would need a 25% contingency as a general rule of thumb. So, as an example, to build a stadium that costs \$400M, you would need \$500M in appropriation [to put it in perspective].

Finally, we still need to retain our current procurement consultant, Crawford/WT, to help get us through procurement. I don't know exactly what this cost will be, so there is a placeholder of \$5M.

After subtracting the contingency and construction management and consultant costs, we are left with about \$315M for the actual build of the stadium. This is still far less than what we need to build a 25k seat stadium. For perspective, everyone compares Snapdragon Stadium, which was a \$325M build in 2018 in San Diego. In today's dollars, Snapdragon Stadium would be about \$420M in San Diego. If you were to build that same stadium in Hawaii, it would cost

approximately \$525M - \$550M.

Next, the developer may contribute private finance to go toward design and construction of the stadium, and they will use operational revenues from the stadium and the identified real estate to offset those costs, cover their operational costs, and to cover all maintenance requirements over the life of the O&M agreement, and all site infrastructure needs. The state would not be at risk for any private finance or maintenance costs. Note that there may also be other state or federal funding available for infrastructure because we are looking at the Department of Transportation (DOT), Hawaii Housing Finance Development Corporation (HHFDC), and Federal Housing and Urban Development (HUD), or any other types of funding for infrastructure. We will want to draft the RFP in a way that allows for this type of funding to be included so we can then have a right to the upside since we would be funding this instead of the developer.

Member Fink asked what if the operator and the maintenance partner either go under or have problems - how does the stadium get run?

Vice Chair Morioka responded that this scenario can take place in any procurement. Either way we are on the hook as the owner. We own the asset and would then have to re-procure the O&M contract and go after them with punitive measures.

We will need additional funding for the planning consultant, Crawford/WT, to complete and manage the procurement process while we work to transition the project to DBEDT/HCDA or Stadium Authority. You will see that DAGS will no longer be serving as the delivery agency. They will of course be a part of a transition process. We also need to get all state appropriations extended or re-appropriated beyond the current lapse date of June 30, 2024.

Management

The Department of Accounting and General Services (DAGS) will no longer be involved except for being a part of a transition to the Hawaii Community Development Authority (HCDA). HCDA will be replacing DAGS. We will need to complete the tri-party Memorandum of Agreement (MOA) between Stadium Authority, DBEDT and HCDA. DBEDT would be the financing arm since they have the appropriation, Stadium Authority is the owner and client, and HCDA is the delivery agency. A project oversight group inclusive of executives from Stadium Authority, DBEDT, HCDA and B&F would also be established as this project would be a major priority and this group would help to resolve any obstacles that we may face to keep it on track.

HCDA is requesting to have eight positions to support this project. We need to know the number of positions because the legislature needs to put it into this year's budget and the Senate Ways and Means Committee will consider some of these issues that will be put into the budget.

If this proposed pathway goes forward, we will have to cancel the two existing procurements (Stadium and Real Estate). We would then repackage the RFP/RFQ into a new single best-value

procurement to include a new stadium and real estate development. The best value selection will be based upon innovation of the stadium design, build, operate and maintain (DBOM) proposal based upon what we include in it, such as 25k seats, suites, etc. Of course, if they propose more than what's required, they would get more points. They would also have to propose a real estate master plan and project out the timing and a global revenue proposal in terms of what they would pay the state annually and for the life of the contract – both for the stadium operational revenues as well as the life of the land lease agreement.

Timeline – This is likely going to take 20 -24 months to get to an executed contract. Preparation of the procurement will take approximately 6 months. The RFQ will take 4-6 months. The RFP process including evaluation and contract execution is about 10-12 months. So, we are looking at close to 2 years. The timing on this document is based upon a lot of assumptions, most notably that we have a decision to proceed on a pathway by July 1, 2023. Looking at the timing for construction and assuming no protests or delays, we may be able to have a stadium by the end of 2027 or early 2028.

Vice Chair Morioka made it clear that this document is a work in progress meant to stimulate conversation.

Discussion

Member Fink asked Director Sadayasu and Director Salaveria if they think the legislature will be open to this approach, or if it would raise a whole new set of questions.

Director Sadayasu responded that this is the way forward and he believes we are not far off. This is something that they wanted to see, which is why we provided the white paper to share how this project could be revamped or repositioned from two separate procurements to now only one procurement.

Member Fink cautioned that at some point when this document becomes public, the only thing the public will hear is that the project is changing direction and now it's being delayed for another year or two. To get ahead of that, the lead needs to be, "here's why we are doing what we are doing and yes it will cause a delay, but we are absolutely moving forward." Unfortunately, the public is going to compare this to other projects like the H3 and rail and wonder if they will ever see this project finished. We need to be adequately prepared to proactively talk about this shift, so the public understands. Vice Chair Morioka agreed that the communication piece will be critical

Member Fink asked about the potential for procurement protests and if there is anything we can do now to mitigate any delays caused from a protest.

Director Sadayasu stated that you can't protest until the procurement is out, and we will have to cancel the existing procurements.

Vice Chair Morioka reminded everyone that one of the current short-listed people can protest our cancelation and take us to court. Even that can delay us from putting out a new procurement.

Member Burgess asked Director Salaveria what he meant when he mentioned there would be a delay.

Vice Chair Morioka clarified that he referenced the timeline and delay on the document. To get to the point where we are today with our existing procurement [the RFP stage] it will take at least twelve months to get back to where we currently are today in a procurement process.

Member Fujimoto stated that under the current stadium procurement, with the money that we currently have, under what circumstance could the RFP move forward as it is currently written? Who would have to concede for the stadium RFP to go forward as written?

Vice Chair Morioka stated that it would be the House.

Member Fujimoto wants to acknowledge that his initial position would be that he would like this project to be delivered within a reasonable timeframe that has already been communicated to the community and to the university. He would like to hear the rationale from the House and B&F for delaying the project further. He would be of the position that we should still push for what's reasonable and to try to stay within those parameters.

Member Yadao brought up that the short-listed development teams had all the contractors that were signatory to the basic crafts. Moving forward with a totally different procurement model that brings the real estate and the stadium development into one, is there appetite with the administration for Project Labor Agreement (PLA) language so that we can ensure that the work will be done by local construction? For instance, the City and County of Honolulu has an ordinance that anything over \$200M must have a community work force agreement on it. Kamehameha has signed MOUs with every construction union in the state that all their properties will be built with local construction labor. Member Yadao expressed that he is fearful that in opening this up, we may have another construction firm from the mainland jump in that is not signatory to our local unions.

Director Salaveria responded that he believes the Administration is open to having that discussion.

Vice Chair Morioka stated that he understands Member Yadao's point, and he believes it's up to the Stadium Authority to determine whether we want to enter into a PLA and we would have to do it prior to the procurement going out because when they put their teams together they need to know who will be qualified. It will be important to their team building decisions, so it must be in the procurement if we are going to enter a PLA early on.

Member Tamamoto asked for clarification on merging the real estate and the stadium. As she understands it, there are three teams that are prequalified [or short listed] for the stadium development, and then two for the real estate. Do the two for the real estate have common interest with the three that are involved with the stadium?

Vice Chair Morioka confirmed that the two real estate proposers are also on two of the teams for the stadium.

Member Tamamoto then asked if the idea of attracting a whole other team would probably be very low. If we are looking at [most likely] the same teams, wouldn't we be able to shorten the time frame since a lot of their work is already done?

Vice Chair Morioka explained that now the current teams would have to really look at their business model because now their revenue from the real estate and the timing of their real estate development is going to jive with the expenditure expectations of the maintenance and operations of the stadium. We all know that the operational revenues of the stadium are going to fall short of paying for operations and maintenance of the stadium itself, let alone the infrastructure for the rest of the development.

Member Fink added that in our statement, the public needs to understand that running a stadium on a day-to-day basis is not going to pay what the developers need to make back. For example, the stadium in Allegheny County, which is the home of the Pittsburgh Steelers, brought in \$16M of revenue last year, and they paid out \$61M. My point is that stadiums by themselves do not generate enough revenue to make it work and we need to proactively state this or someone will come out again and say it will lose money like everything else.

Member Tamamoto stated that her concern from the community is that if she were a developer, and she was developing the stadium with the goal of making money to pay back the investors, she would be most concerned about her bottom line. She wouldn't necessarily listen to the community concerns about traffic or noise, but instead she'd be concerned about what will maximize her dollar to pay for the development.

Vice Chair Morioka agreed that these are all valid points and added that therefore there are controls. They must build in accordance with the programmatic master plan that was in the approved EIS. Any deviation from the programmatic master plan would require the Stadium Authority's approval. As part of their proposal, they must put together a more detailed master plan and a timing of that development. Our environmental impact statement (EIS) covers the stadium, but we only have a programmatic EIS on the real estate side, so the selected developer must either do a standalone environmental assessment (EA), or a supplemental EIS for the rest of the development. The EA or the supplemental EIS will have to address traffic and other issues. They must get the Department of Transportation (DOT) to sign off, and the community will have an opportunity to chime in again, and likely multiple times throughout the process.

Any time they will come to the Stadium Authority for approval to proceed on the different parcels, there will be some level of controls in place.

Director Sadayasu added that even if we get HHFDC funding, for example, that is allocated by the legislature, the Board of Directors at HHFDC still must put that to their board for expenditure, so an application must come into them by a developer, or the State of Hawaii, to put to that. There are multiple areas of touchpoints for the community to voice how they feel with respect to this project.

Member Tamamoto wanted to know how HCDA got involved in the project?

Director Sadayasu explained that HCDA is an attached agency to DBEDT. They are part of the team and the financing is part of DBEDT. The Stadium Authority is part of DBEDT so the people in our meeting wanted this to be a DBEDT led project, and with us being able to have that internal team through our one department, it will be much more efficient way to move the project forward.

Vice Chair Morioka explained that HCDA was the compromise between the House and the Senate.

(Director Sadayasu exited the meeting at 9:56 a.m.)

Regardless of who delivers the project other than DAGS, [UH, HCDA, Stadium Authority or DBEDT] none of them are currently set up to run a development project of this scale. They would have to get new positions to deliver this project.

Manager Andrews asked Vice Chair Morioka who will communicate to DAGS that the project is transitioning, and he expressed his concern about it being a smooth transition knowing the positive relationship that DAGS has developed with the community.

Dane Wicker stated [and Vice Chair Morioka agreed] that it should be an executive level conversation and the Governor should be having the conversation with DAGS and HCDA. Once all of this is finalized, the Governor needs to lead that conversation and ensure that there is a smooth transition.

Member Yadao addressed UH President Lassner and asked what his initial reaction is to move to one procurement model.

President Lassner stated that even with losing the 2027 season, if everyone comes to an agreement, then that's a really a good thing. The constant changing of positions has been a real challenge. As the UH President, he doesn't like losing a year, however, as a private citizen of the state, and after listening to B&F Director Salaveria, he believes this a better pathway for the state. He thinks it's a cleaner project for one team (one procurement) to do the whole thing

because then they can stage the work more rationally than having two teams trying to work at the same time in the same area.

President Lassner asked Vice Chair Morioka why all the land would not be made available to the developer.

Vice Chair Morioka responded that that there was some feedback as to relinquishing that amount of control away from the state. He expressed that he doesn't have a predisposition whether it's part of it or all of it, however he's sure it needs to be enough land for them to make it work. He's not sure how much land that would equate to, which is why the original approach was to give the whole seventy acres and let them figure it out.

Member Tamamoto asked Director Salaveria that if we move forward and [since B&F won't sign off on the original plan] we just work with what we have then we are at a standstill again?

Director Salaveria responded that unless there was a reconfiguration of the existing procurement in such a way that would provide for a better value of money proposition, then it's very difficult for him to sign off. He is guided by the statute.

Member Tamamoto asked Vice Chair Morioka why it's necessary to go back to the House.

Vice Chair Morioka explained that based on having availability payments, then we would have to put into our procurement that everything is subject to availability of funds. For a private financier in a P3, that is almost "no-go" language because it will scare them off. What's going to scare them off even more is if one of the legislative bodies comes out publicly and says that they won't authorize any future funds. That will scare everyone off.

Member Yadao stated there seems to be a clearer path now towards delivering a stadium and revenue generating real estate development project that has full support of the university and the legislature - which is not a small feat. He agreed with Member Fink that the communication will need to be ramped up significantly assuming that the stadium, UH, and the Governor's office will be inundated with questions, and he would hate for the story to be that we messed up, changed everything again and there will be another two-year delay.

Manager Andrews stated that knowing that this plan has not gone to the leadership yet, we would not be making any decision today, but by next Thursday we have another board meeting and we can have it lined up before then if there is agreement by the parties involved.

Member Burgess added that if anyone gets inquiries that the statement needs to be there has not been any decisions yet, and that this meeting was strictly informational, and we are not able to discuss what was presented in the executive session.

Director Salaveria thanked the board for their patience and recognized that this is a decision and project of the Authority.

President Lassner asked Vice Chair Morioka if he would have a version of his document for the House and Senate leadership and Governor that perhaps we would have their buy-in by next Thursday?

- Vice Chair Morioka stated that was the current task and goal to have this done by 3/23/23, share it with the Stadium Authority for discussion, and the next steps was to socialize this with the Senate President, Ways and Means Chair, House Speaker, House Finance Chair, and Governor's office and get them to comment. Hopefully it's reflective of what was discussed last week. Vice Chair Morioka expressed that he believes this is a good compromise. He stated the goal is for everyone to come to an agreement by early next week, so we can have a statement by our next board meeting.

Vice Chair Morioka asked AG Nishiyama if following this Executive Session, we can just be general and say that we've been brought up to speed and that we now have more information, and that we understand that additional meetings will be happening between the Administration and other stakeholders so hopefully we will have more updates at our next board meeting. AG Nishiyama confirmed that it was a fair statement.

AT 10:14 A.M. A MOTION WAS MADE BY MEMBER YADAO AND SECONDED BY MEMBER BURGESS TO MOVE OUT OF EXECUTIVE SESSION. THE MOTION WAS UNANIMOUSLY CARRIED.



Brennon Morioka
Vice Chairman

Recorded by: Colette May
Date: April 27, 2023