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Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING
HAWAIʻI TOURISM AUTHORITY
Wednesday, February 21, 2023, at 9:30 a.m.
Virtual Meeting

MINUTES OF THE BUDGET, FINANCE & CONVENTION CENTER STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Ben Rafter (Chair), Mike White (Vice-Chair), George Kam, Dylan Ching, James McCully, David Arakawa, Mahina Paishon-Duarte
MEMBER NOT PRESENT:	
HTA STAFF PRESENT:	John De Fries, Marc Togashi, Kalani Kaʻanāʻanā, Ilihia Gionson, Maka Casson-Fisher, Caroline Anderson, Daniel Nāhoʻopiʻi
GUESTS:	Anthony Davis, Brian Harris, Tom Hazinski, Teri Orton, Mari Tait
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair Rafter called the meeting to order at 9:34 a.m. Mr. Casson-Fisher did the opening protocol.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Gionson did the roll call. All confirmed in attendance and that they were alone.

3. Approval of the Minutes of the January 25, 2023, Committee Meeting

Chair Rafter asked for a motion to approve the January 25, 2023 minutes. Mr. White made a motion, and Mr. Kam seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

4. Presentation, Discussion, and Action on the HTA's January 2023 Financial Report

Chair Rafter gave the floor to Mr. Togashi. Mr. Togashi said the meeting packet had all the details of the HTA's financial position and related transactions covered across multiple documents, including balance sheets, statements of revenue and expenditures, budget statement summary, budget detail, budget reallocations, and the executive summary capturing all the information as of January 2023.

He started on page 21 of the PDF. He spoke about the HTA's financial position for all the major funds supported by the various balance sheets included in the meeting packets. He said they have six main funds. As of January 31, the HTA has access to $24.7 million in the FY2022 TFF (Tourism Federal Fund), a $4.3 million decrease from December, primarily due to program and operating expenditures disbursements. Of the $24.7 million, $15.8 million is encumbered, and $8.9 million is unencumbered.

The FY2023 ARPA funds were approved in November 2022. $8.7 million is encumbered in FY2023 ARPA funds. In previous months he had briefed them on a multi-step process for releasing ARPA funds. It included governor approval and paperwork to BNF detailing the planned expenditures and procurement using ARPA funds. They submitted their paperwork for the release of the $35 million in FY23 funds. However, BNF significantly streamlined the process and eliminated the need for a lot of paperwork. They expect to record the release of the $35 million in FY2023 funds in the February financials. The HTA TSF (Tourism Special Fund) has $25.2 million in cash, consistent with December. It includes the $5 million in emergency funds the HTA maintains by statute, which is invested primarily in U.S. treasury notes, that are laddered in three-month intervals. $14.9 million is encumbered to contracts, $5 million represents emergency funds, and $5.4 million is unencumbered. They anticipate the $5.4 of unencumbered could increase as savings from certain encumbered contracts are realized. The $5.4 million represents the funds available to return to the state's general fund with the TSF sunset. For the 2022 CCFF (Convention Center Federal Fund) $10.2 million is available, most of which has been encumbered.

Mr. Togashi pointed out that they do not have any expenditures to report out of the fund as they go through a process prior to making payment to ASM. There is a process to review receipts for the cost reimbursement contract which includes working with ASM staff to select and review samples of those receipts for reimbursement. He recently asked ASM for access to the financial systems to see the receipts. In the coming months there will be more activity to report from the fund. The CCESF has approximately $34.9 million in cash, consistent with December. Of that $34.9 million cash amount, $5.9 million is encumbered towards contracts. The remaining $29 million of unencumbered funds will be stored as a Repair and Maintenance (R&M) reserve for future deployment to support the six-year R&M plan when the appropriation expenditure ceiling is restored through the 2023 legislative process. Within the $5.9 million of encumbered funds there are some funds they should be able to release for R&M purposes that he previously earmarked as a reserve for facility operations while they get the appropriation expenditure ceiling restored with the legislature. They encumbered funds for the coming years and operational reserves should they need to tap into those funds. Once they can access the reserve funds, they can take funds from the EEG contract and redeploy them for other purposes.

Mr. White asked what expenditure ceiling was in place. Mr. Togashi said there is no expenditure ceiling for the CCESF. They have $29 million that is frozen. Until they get the funds unlocked through the legislature, they cannot use it. Mr. Kam asked if Mr. Togashi was still requesting $28.5 million as the ceiling cap, and Mr. Togashi confirmed that as correct.

Mr. Kam asked about the $5.4 million returned to general funds. He asked what other options the HTA could explore. Mr. Togashi said that the funds have not yet been returned to the general fund, but the funds remain available for return upon calling by the legislature. He said the HTA has an opportunity as they work with the respective tourism committee chairs for them to legislate that.

Mr. Rafter asked if they could not use those funds until they were transferred elsewhere. Mr. Togashi said the funds are similar to the CCESF. Both funds require an appropriation from the legislation to use the funds, so they cannot currently access those funds. Mr. White asked about the $15 million set aside for the HCC repairs and where those funds are. Mr. Togashi said the funds are the CIP funds for the temporary fix of the HCC's rooftop terrace deck. He said they do not have those funds yet, and it is not in a particular fund. They have submitted paperwork, which is currently with the Department of Budget and Finance for review. The funds do not reside with the HTA.

Mr. Togashi spoke about the budget section. On pages 51 and 53, there is a budget statement for FY2023 funds and a second one for FY2022 funds. For FY2023 funds and all related programs, their budget statement shows the HTAs budget of $35 million and encumbrances, and approximately $8.7 million cumulatively for the year. He said that $8.73 million was recorded in January for Canada, Japan, and China MMAs and the island chapters contract. For FY2022 funds, the budget statement shows the HTAs budget for the full $60 million and the cumulative amount of $42.2 million encumbered against that amount. He mentioned the $14.9 million they encumbered in FY2023. There were no reallocations to report in February. He said the committee must note that in January, they requested and received extensions from BNF to allow the HTA to use FY2022 and FY2023 ARPA funds through December 2023, which was previously extended only through the period of June 2023.

There was a question from an online attendee. Peter Young asked if the $60 million requested for the HCC repairs is partially inclusive. Mr. Togashi said he might be referring to the $64 million request for the rooftop repairs the HTA made in the 2022 legislative session. He said they do not have a formal request in the current year for the HCC rooftop, but they are working with the $15 million temporary rooftop repair funds that were appropriated. They are in discussions with legislators about the rooftop terrace repair.

Chair Rafter asked if the temporary rooftop repairs do nothing to advance the broader rooftop repairs, and Mr. Togashi confirmed this. Chair Rafter asked for clarification that the repairs they are currently doing include the $64 million, such as the stairwells, planters, etc. Mr. Togashi confirmed that as correct and said there were other enhancements, including the trellis, etc. Mr. Togashi said the $64 million is in addition to operational funding the HTA seeks as part of its 2023 legislative ask. Chair Rafter asked about the temporary repair contributing to the permanent fix. Mr. De Fries said the $15 million is a three-to-five-year band-aid to prevent water from entering the structure. It does not deal with water that is already inside the structure.

Peter Young asked a follow-up question about the tour the legislators had a few weeks ago and asked what the purpose of it was. Mr. De Fries said it was a senate request from the EET committee. Ms. Orton had conducted a site tour and a visual representation of the damage they were dealing with. The Senate committee left with a sense that the larger repair was urgent, and they have a request with the house tourism committee to pay a visit to see if they can come up with larger funding to deal with a permanent fix. The House committee tour has not been scheduled yet. It will be scheduled after Thursday's recess.

Ms. Orton came online. Ms. Orton reiterated that the temporary repair only applies to savings and demolition. The demolition of the rooftop will take place with the temporary repair, so there will be some savings. Mr. Kam asked about the $15 million CIP and if it could be combined for the permanent repair. Ms. Orton said in the RFP that they would add a portion of additional funding, possibly moving it from temporary repair to permanent repair, with a timeline added. She said that would be in the planning stages, so they can map it out for the construction portion, as it is a big difference between the temporary and permanent repair construction. There were no further questions.

Chair Rafter asked for a motion to approve the agenda item. Mr. Kam made a motion, and Mr. White seconded. Mr. Gionson did the roll call, and the motion passed unanimously.

5. Presentation, Discussion, and/or Action for Funding of United States Major Market Area Brand Marketing and Destination Stewardship Requests for Proposals***

Mr. Ka‘anā‘anā said ultimately there were no changes required or requested, based on what the Board approved at the December meeting, so all the funding amounts they previously approved remained the same. There were no budget allocations required or requested. For added detail, all of that was funded out of BLI321.

Mr. Togashi asked Mr. Gionson to pull up a slide showing what they previously shared regarding the U.S. MMA RFP with the Board. Mr. Ka‘anā‘anā showed the slide on the base funding and elaborated on the figures.

Chair Rafter asked about the second RFP. Mr. Togashi added an important aspect of the U.S. RFP. At HTA's option, there will be up to $12.9 million in incremental funding, that is, $1.25 million for the July to December 2023 period, $5.65 million for the calendar year 2024 period, and $6 million for the calendar year 2025 period. It will be funded by the respective fiscal years. It is subject to the availability of funds. Mr. Kam asked what the total would be if they got the incremental funding. Mr. Ka‘anā‘anā said it is $51,250,000 in total, so a base of $38,350,000, and $12.9 to make up the total.

Mr. Kam asked about January 25, when the amount would increase to $24 million. Mr. Ka‘anā‘anā said that when the base is added, the back half of January could go as high as nine and a quarter. The calendar year 2024 goes to $20 million as the maximum, and the calendar year 2025 goes to $22 million maximum if they do receive the funds and if they choose to exercise the option to their fullest extent. There were no further questions.

Ms. Anderson spoke about the RFP for support services for destination stewardship. The RFP they are going after is broken up into two contract periods. Period one is being funded by FY2022, 2023 and 2024 budgets for $17.465 million. The contract period one is for activity from May 2023 through December 2024. The second contract period is for activity from January 2025 through December 2025, coming from FY2025 funding, and is $10.6 million. The total base contract is $28.065 million. Should the HTA get additional funding, they are looking at getting $2 million from FY2024 and in FY2025, an additional $4 million. It will go into contract periods one and two, respectively, with a total of $6 million. The Board approved it at the last Board meeting.

Chair Rafter asked Mr. De Fries if they needed to go into executive session as he wanted updates on the selection committee and the timing of the committee engagement. He said he believes that is confidential, and Mr. Cole confirmed that. Mr. Togashi added that the staff identified the budget lines from which they intend to fund the RFP. They could also discuss that in the executive session.

Chair Rafter asked for a motion to go into the executive session to identify the budget line items identified to fund the RFP and discuss the selection committee's progress. Mr. Togashi clarified that the purpose of the executive session discussion on the budget line items is to inform the Board of the budget lines they intend to fund the RFP. They do not want that in public discussion as they would not want it to be perceived as the HTA stating how they want the proposals to come in. Mr. Cole mentioned the statutes they need to cite, Chapter 92, sections 5A, 4, and 8, and HTA statute 201B, 4A2. Mr. Kam motioned to go into executive session, and Mr. White seconded. The motion passed unanimously.

Chair Rafter asked if there was action needed on agenda item number 5. Mr. Togashi said they need to take action to approve the funding and the breakdowns in the respective budget lines as presented. Mr. White made a motion, and Mr. Kam seconded. Mr. Arakawa repeated his request for a breakdown of the annual cost between the first, second, third, and fourth RFP, which involved branding, marketing, destination stewardship, and destination management. He said he had an explanation from the staff but would like to see it in writing, so he abstained from voting. Chair Rafter asked Mr. Togashi if it could be produced in writing. Mr. Togashi said they would have to work through their deputy AG on identifying what they can disclose publicly versus in an executive session. Chair Rafter asked Mr. Togashi to follow up with that and let them know. Mr. Gionson did the roll call. Only Mr. Arakawa abstained, but the motion carried.

6. Presentation, Discussion, and/or Action to Approve Funding for International Markets

Chair Rafter asked to defer this agenda item to the Board meeting, and all were approved.

7. Presentation, Discussion, and Action on the Hawaiʻi Convention Center

a. Presentation, Discussion, and Action on the Hawaiʻi Convention Center January 2023 Financial Reports

Chair Rafter gave the floor to Ms. Orton. During January 2023, the HCC budgeted for 13 events, including the two city-wide offshore events. They lost the two city-wide events associated with $1.2 million in revenue earlier in the fiscal year. Despite that loss, the financial results for January were better than planned, with a net loss of $252,000. This was $57,000 better than expected in their budget. The reason for this was due to great pick-up business, including the

Sony Open gala dinner that took place in January. Thanks to Mr. Reyes and the team, they also picked up a new volleyball championship, Hawaiʻi Pop Con, and 12 other events. In addition, the January financial status was also increased to a better position. There was a change in their company policy with accrued vacation, so they posted a credit of $130,000 for exempt employees, which brought the fiscal year-end date net loss to $2.1 million.

Ms. Orton noted that for the full fiscal year, the re-forecast reflects $12.7 million in facility gross revenues, and facility net loss of $5.3 million, just under budget by $40,000. She reported that where they once chased in facility gross income, at a loss of $1.2 million due to the two city-wide cancellations, they have picked up one city-wide in sports and a few local events. They are only chasing $326,700 in facility revenue to get them back in line with their original budget. It has been a big pick-up for them in the last six months. She said they are pushing the local sales team to make up that revenue loss. They are considering making expense adjustments to get as close to the budget as possible before June 30. For the facility operating subsidy for the total year, they forecast a positive $39,000 to what was budgeted in prior years. The total ROI for the HCC is about $4.75 for every dollar the HCC returns. Pre-COVID, the ROI was between $23 to $25 annually, but because there are not as many city-wides on the books. They have two city-wide events remaining on the books to service. They fall into April and May. She noted that the tax generation and return to the state is $77.5 million, and the TAT generation is $9 million annually.

Ms. Orton highlighted recent events at the HCC, namely the Pacific Water Conference, a huge conference. It took place in February. She spoke about upcoming and local city-wide events, such as Honolulu Festival in March and Kawaii Kon. She updated on the trees planted to date for the carbon offset program.

Chair Rafter asked if she had seen any increase in filling the gap present in future years with non-local meetings. Ms. Orton said Mr. Reyes and his team have been making wins. She said they have picked up a few groups currently in license status. Short-term sales are still a concern, but Mr. Reyes is working on that.

Mr. Arakawa asked if Mr. Reyes would be giving a pace report. Ms. Orton said that would be for the Branding Standing meeting, but he will also provide an update at the Board meeting. Mr. Arakawa said it is important to fill the short-term sales position. Ms. Orton said that Mr. Reyes has a good team. Ms. Orton mentioned that they had three rooms taken out of order on the third floor due to the rains. The center concourse area above the even overhand of the fourth floor has also had some drywall falling. They have groups needing the floors in March, so they will use band-aid repairs to prepare the rooms for event status for the upcoming groups. She said they are also doing moisture remediation before putting in drywall replacement and ceiling tiles.

b. Update and Discussion on the Hawaiʻi Convention Center's 6-Year CIP Plan

She gave the floor to Ms. Tait. Mr. Arakawa said previously in the Board meeting there was a contract that was supposed to be signed by a project manager for the $50 million roof repair budget from the previous year. He asked if the contract was signed and if they had started on the repairs. Ms. Tait said the HTA approved it, but said all the signatures are not on the contract yet, but the legal team has started to look at it before the award. It should be finalized in the next week or two.

Ms. Tait spoke about the 6-year plan for priority projects. She said they made progress, including getting the PMC for the rooftop approved. They also awarded the contract for replacing the four chillers and the jockey chiller, which completes the major upgrade with HVAC equipment, with a decent line of savings for utilities. They are moving forward with the kitchen repairs for the kitchen hood, replacing the control panel, and upgrading the fire suppression system. This puts them ahead of the proposed changes. They are moving forward with the upgrade of the exterior cameras, which were damaged by vandalism. The installation will start in March 2023. The lobby glass panel is being realigned. The lobby sail repairs have also been completed. The loading dock gate replacement damaged by a client is being installed in the current week. The escalator handrail will also be changed. They are close to closing the RPF for four projects replacing the ADA lift in the theatre, parallel repairs, ballroom wallpaper replacement, and slate tile repair. They are issuing RFPs this week to procure additional forklifts, cleaning equipment, and water remediation in a different part of the building because of leaking. They are also working with the project manager Cumming Group, and on HCC-managed seven projects in the planning stage, so they can go out with the RFP in the next couple of months.

Ms. Tait spoke about the projects that have been assigned to project management companies. Rider Levett Bucknall is the most recent one. They will be helping with the temporary repair of the rooftop terrace deck. They upgraded the ADA ramps for event stages, and that was completed in February 2023. There were no questions.

c. Presentation, Discussion, and/or Action on the Hawaiʻi Convention Center Futures Study

Mr. Hazinski said there were three members from HVS present in the meeting. In the original Futures Study, he said they recommended a hotel adjacent to the HCC on a site that was then available. In a later study in 2019, they looked at the potential for developing a hotel on the HCC. They asked a few engineering firms if this was feasible. They came back saying that it could be accomplished, but would be expensive. Most recently, Mr. Togashi asked them to update the Futures Study. The updated study looks at more current data on the performance at the HCC, the performance of the hotel market, and other developments that may or may not have happened adjacent to it. The scope of all the studies was to look at what opportunities the HCC could have and whether adding a hotel adjacent to it or on it made sense. They also looked at the district around it and what would benefit the HCC in improving the HCC. They went through understanding how the HCC has been operating, understanding the respective markets, and making recommendations.

Mr. Hazinski gave a summary of the conclusions. Mr. Davis was also on the call and would speak about the HCC demand and financials. Mr. Harris, the HVS senior consultant and expert on hotel marketing was also on the call. Mr. Harris was involved in all stages of the study.

Mr. Hazinski gave some highlights. He said the HCC is a building in crisis because of the roof issues. It is beginning to affect the marketability of the HCC, and is a barrier to adding a hotel. The general conclusion of the study is that the HCC serves an important goal of attracting group events. The HCC could also continue to serve the local community as a venue for consumer and entertainment events, as well as a disaster relief center. They are recommending the development of a hotel on the site and based on engineering studies, the construction of a hotel on the HCC is physically feasible, albeit expensive. The site provides a unique opportunity for hotel development in Honolulu, which has limited.

Adding a hotel with approximately 600 rooms would have the following impacts: Increase the level of group demand and utilization of HCC function space, provide an income-producing asset on site that maximizes the value of the land, and help solve the roof repair issue. The financing of the hotel would not be feasible without significant public support. A public-private partnership or public financing are two possible approaches. Development within the district should be master planned to create a more walkable and inviting destination.

Mr. Harris spoke about the finances and demand projections. COVID undercut the industry nationwide for 2020 and 2021. He showed an estimated schedule of construction where the hotel would open in 2027 when they will see the impact and an increase in events. It would take three to four years for demand to stabilize. Planners are generally a little weary of entering a new hotel or building before committing to their events. They projected demand to increase from 225 to over 300 events and the level of attendance to increase from 350,000 to 500,000 across all event types, including conventions, conferences, smaller meetings, and banquets. He showed the financial parameters with estimates of how much the facility would get per event, etc. When he applied the revenue parameters, he saw a net income loss of $4.4 million. Going to 2029, assuming the hotel was online, that loss would drop to $160,000, in inflated dollars, and the revenue would increase by $12 million while operating expenses would increase by about $7 million. The building would go from generating a significant operating loss to breaking even, a considerable market improvement. He anticipates that the HCC is very capable of breaking even.

Mr. Harris showed a graphic representation of the 10-year pro-forma. From 2023 to 2026, the financials would stay even, with a loss, and hotel demand would increase as the facility opened. The total revenue would increase to outpace the total operating expense. He gave the floor to Mr. Harris to talk about the hotel market.

Mr. Harris showed a basic layout of the proposed hotel, with 600 rooms, including a restaurant, lounge, and coffee shop. A total of 30,000 square feet of meeting space, of which 24,000 square feet comes from existing facilities within the HCC. There will be amenities and infrastructure. They must have a shared parking agreement with the HCC for a minimum of 200 spaces. The hotel would likely develop a public-private partnership size to meet the needs of the HCC and increase its competitiveness and utilization. They would need permanent roof repair, and a pedestal would need to be developed on the fourth floor to support the proposed hotel. The hotel would need long-term leases for the land, meeting spaces, and parking for financing purposes. He showed a list of competitive hotels in the market near the ocean, except for Hilton Hawaiian Village, as it provides rooms to the HCC and is near the HCC.

Mr. Harris spoke about the long-term view of the market from 2009 through 2021, and year-to-date through October. In 2020 the market was significantly impacted by COVID, recovered in 2021, and continued recovering strongly in 2022, hitting all-time highs for ADR. He spoke about hotels that are being developed, e.g. Mandarin Oriental Hotel etc. He said about the proposed hotel during the market opening in 2027. A ramp-up to 85% occupancy will be split between group meetings and transient. A room block agreement would be needed between the HCC and the proposed hotel to ensure the HCC has room nights allocated as needed. He spoke about projected ADR and occupancy. Because the hotel would be new and room sizes would be larger than many in the market, he anticipates they will have a strong ADR. He spoke about proposed hotel stabilization supported by revenues, food and beverages, and resort fees. Labor costs are high, impacting the overall profitability, especially on food and beverage, as well as high import food costs. An alternate development option would be for a brand-managed property. That would make the investor in the property passive as they could not actively control the property but could potentially reduce the franchise management cost and improve the bottom line.

Mr. Hazinski touched on the HCC district analysis. He compared the proximity of amenities around the HCC. He showed maps of other cities with successful convention centers and the intensity of hotel supply around the convention centers. Leisure demand led the recovery and is taking a larger share of hotel rooms and commercial and group demand, so there is a lot of competition. He showed the slide comparing amenities, arts and entertainment, and retail. Honolulu has good walkable amenities, but not as many as other cities. In terms of planning and working with the state, there could be a lot of initiatives that would improve the neighborhood as a convention destination. They did case studies of other cities, and having a linear park would make a difference. He said they must go back to the crisis they are currently facing. He reiterated that the water issue must be solved, and it must be a priority before anything else is done.

Chair Rafter asked if the HCCs problem is about hotel rooms, in that it is relatively small and that the HCC is six to eight hours away for most potential clients. Mr. Hazinski said the original conception of the HCC was based on a continental model. The mix of space may not be optimal as it is apparent that not all businesses will come to the HCC. It has to focus more on associations that are willing to travel, pacific rim associations. The events want quality hotel rooms. San Francisco, San Diego, and Nashville are different markets, but it is a matter of expanding the HCC with the right facilities to reach the different markets.

Chair Rafter asked about the public subsidy needed. He asked about the scope thereof. Mr. Hazinski said there are two parts to that question. One is getting a fix on the cost, so the only estimated cost they could come up with, is a comparable hotel development and adjustment to that, but it would not be very accurate as they are building on an existing site. To answer the cost side of the question would require some additional exploration. The other part of the question is about the market conditions and how they would approach the financing of it, whether public-private partnership or public. They would have to work with an architect to work on the cost and then work on different scenarios. They would need a more significant portion of equity as well. It would take a lot of work to answer Chair Rafter's question well. He said they looked at other centers and hotels and the public share investment in them, and there was quite a wide range. The average was 30% to 40% that was publicly financed.

Mr. Harris said there might be a private partner more interested than expected because there is an existing site and the ability to enter into an agreement with a cost-effective site, meeting space, and parking. It is a tough market for someone to enter, but it might be an opportunity for someone who needs a presence there. Mr. Hazinski said in some of the stakeholder interviews that the public partnership has a bad name, so it would take a lot of planning to ensure all went well. One alternative would be to take control, publicly finance it, and hire a fee developer to complete the project. That would provide the lowest cost in debt but maybe more risk. Mr. Harris said the significant savings would be that they could issue tax on the debt instead of taxing the debt required for a private partner. The other issue may be able to present finance at a greater percentage of the project reducing the need for high-cost equity. It would also have to include some pledge in addition to the property that would make investors more comfortable that they would get their money paid back.

Mr. Arakawa asked about Hawaii's differences and the predicted events. He asked if the events were city-wide events or local events. Mr. Davis said it included local events as well. Mr. Arakawa asked if he could see the city-wide events increasing had they fixed the roof. Mr. Hazinski speculated and said that the best-case scenario would be that they return to pre-pandemic levels possibly. He said the industry would come back. The constraint is more about supply and surrounding amenities. Mr. Arakawa asked how many city-wide events they could predict if they fixed the roof and built the hotel. Mr. Hazinski said that in the report, they broke it down per event type. Mr. Harris said they have the conventions increasing from nine to twelve, then fourteen conferences increasing to forty. The main difference between the two is that conventions have that exhibit piece. Out of the 52 predicted numbers for events, they estimated that 30 could potentially be city-wide events and that market share will grow with the hotel.

Mr. Arakawa asked if the area increases meeting space. Mr. Hazinski said they envisioned taking 24,000 square feet of the meeting breakout space, and giving that to the hotel; then they would build 6,000 square feet of new function space to give to the 30,000 total. Mr. Arakawa suggested putting the sweet spot into the report for lowering the square footage of the exhibition meeting space versus being able to compete with the larger conferences or conferences that would want to come to Hawaiʻi. Mr. Hazinski was not too concerned about the loss of space as a constraint, as they analyzed the percentage of occupancy they would have, and it was low in pre-pandemic times. He said they felt they would not compromise the ability to market to those conventions and conferences by reducing the space. He said the expansion would not achieve new demand. Mr. Arakawa asked about public financing and how many major top 15 convention centers were publicly financed. Chair Rafter noted that they are the 56th largest MSA, so they should probably refer to the top 70 MSAs. Mr. Hazinski said he did not know that answer. He said when a hotel is publicly financed and uses tax-exempt debt, it requires public ownership, and 100% of the hotel is publicly financed. When they mentioned the 40% figure, it applied to public-private partnerships with a mix of private debt, equity, and public incentive. Incentives come in many ways, e.g., land, tax abatements, debt issuance, etc. He mentioned a few that are publicly financed: Columbus, Baltimore, Chicago, etc. He said there are about 30 hotels publicly financed.

Mr. Arakawa asked about the ROI. Mr. Hazinski said the ROI involves a calculation of not just the internal and external benefits, so it is a different metric. Mr. Arakawa asked for clarification on the cost of the study. Was it the $30,000 or $500,000? Mr. Hazinski said it is the $30,000 study. Mr. Togashi clarified that it is $50,000. He said the $500,000 study was funded by funds appropriated to DBEDT. DBEDT is welcome to look at the study and leverage it in ways they can, but that is outside this scope. Mr. Arakawa asked who would be in charge. The hotel or the HCC? Mr. Hazinski said it would be a partnership between the HCC and the hotel. Peter Young asked if the overall daily cost of staying in Hawaiʻi, Oʻahu, including transportation, hotel room rates, food, and support personnel, will ever be a significant inhibitor to the HCC. Mr. Davis said the impact is that certain types of conferences do not go to Hawaiʻi, as those are more budget sensitive. Government-oriented companies' places that do not like expensive trips are more hesitant to go to Hawaiʻi, but the technology, medical, and pharmaceutical companies have no issue. They would much rather pay the extra money to be in a location such as Hawaiʻi, than go to Denver, etc. Mr. Hazinski said they recently analyzed the top 20 markets, and Honolulu was in there, but historically New York had the highest city room rate. Post-COVID, Phoenix took over. Mr. Harris said Orlando, Florida, was the most expensive destination in the world because of the cost of Disney World, etc.

Chair Rafter requested a motion to approve agenda items 7a and 7b. Mr. Kam made a motion, and Mr. David seconded. Mr. Gionson did the roll call, and the motion passed unanimously. Mr. Arakawa asked what the status is of the ask for the HCC repairs. Mr. De Fries said they had the visit by the senate, and they extended the invitation to the house tourism committee, and the chair said it has to wait until after the five-day recess, which begins on Thursday, so there is no specific date. Mr. Arakawa suggested checking with Mr. Cole on the procedures for requesting the $65 million for roof repairs, as it was not in the governor's original request.

8. Adjournment

Chair Rafter adjourned the meeting at 12:47 p.m.

Respectfully submitted,

Sheillane Reyes
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Sheillane Reyes
Recorder