



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, April 26, 2018
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Fred Atkins, Gerald DeMello, George Kam, Sherry Menor-McNamara, Craig Nakamura, Donna Domingo, Sean Dee

MEMBERS NOT PRESENT:

Denise Yamaguchi, Kelly Sanders, Ku'uipo Kumukahi

HTA STAFF PRESENT:

George Szigeti, Chris Sadayasu, Leslie Dance, Kalani Ka'anā'anā, Jennifer Chun, Carole Hagihara, Chika Miyauchi, Kehau Meyer, Jadie Goo, Laci Goshi, Lauren Fetherston, Minh-Chau Chun, Ronald Rodriguez, Naomi Sjoquist, Adrian Hanner, Victoria Roy

GUESTS:

Rep. Richard Onishi, Teri Orton, Nicole Liew, Lee Conching, Patrick Dugan, Nathan Kam, Pris Texeira, Allison Schaefer, Mari Tait, Mark Owens, Amelia Lim, Mark Woodworth, Peter Honig, Ferd Lewis, Darlene Morikawa

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Chair Rick Fried called the meeting to order at 9:35 a.m. Chair Fried acknowledged Kalani Ka'anā'anā, who offered an Oli.

2. Approval of Minutes from the March 29, 2018 Board Meeting

Chair Fried requested a motion to approve the minutes of the Board meeting held on February

22, 2018. Mr. Kam made a motion. Mr. Dee seconded the motion, which was unanimously approved by all Board members present.

3. Report of Permitted Interactions at an Informational Meeting or Presentation Not Organized by the Board Under HRS section 92-2.5(c)

Mr. Dee, who was unable to attend March 2018 Board meeting, reported that in March 2018, he attended the Aloha Mahalo Reception for the Hawaii Food and Wine Festival with Chair Fried and Ms. Yamaguchi.

Chair Fried then thanked Rep. Onishi for attending the Board meeting and also welcomed Peter Honig, from Ascendant, to the meeting. Mr. Atkins reported that he met with Senate President Kouchi and Chair Fried to discuss legislative matters.

4. Report of the CEO Relating to Staff's Implementation of HTA's Programs During March 2018

Mr. Szigeti began his presentation by stating that the collective hearts of HTA go out to the residents of Kaua'i affected by this month's historic flooding and expressed his appreciation for the community and State coming together to help those affected. Mr. Szigeti thanked the State Legislature for appropriating funds to the recovery efforts and noted that there is still a long way to go in the recovery effort. Mr. Szigeti reported that Ms. Chan and Mr. Ka'anā'anā visited Kaua'i this week to see what HTA can do to assist those affected by the flooding.

Mr. Szigeti then presented the CEO's report for March 2018. Mr. Szigeti reported that there was a blessing on Hawai'i Island for the opening of the Kohala Coast shuttle service, where seven competitors have founded a hui to shuttle Japanese tourists between nine stops around the island. Mr. Szigeti noted that this new shuttle service will help to reduce the number of vehicles on the roads and will help towards the State's goal to reduce carbon emissions.

Mr. Szigeti then reported he joined the Governor and First Lady to welcome seven hundred Hawai'i high school students who attended the ClimbHI program to learn more about careers in Hawai'i's visitor industry. Mr. Szigeti also reported that the LGPA Lotte Championship event at Ko Olina was a huge success for the State.

Mr. Szigeti then reported that the March 2018 hotel statistics were released on April 24 and, for the first quarter of 2017, Hawai'i hotels led the nation in average daily rate (ADR) and revenue per available room (RevPAR), and was third in the nation for occupancy rates.

Mr. Szigeti went on to report the visitor statistics from March 2018: visitors generated \$4.82 billion in spending statewide this quarter, an increase of 10.1% over the same period last year; \$563 million was generated in State tax revenue, also an increase of 10.1% over last year; airlift increased to 3.3 million air seats, an increase of 10.5% over the same period last year.

Mr. Szigeti then announced that Ms. Dance will be leaving HTA and reuniting with her ohana on the mainland. Mr. Szigeti expressed his appreciation for all of her work in making HTA a much better organization than it was when she started. Chair Fried also thanked Ms. Dance for all of her work.

5. Presentation and Discussion of Current Market Insights and Conditions in Key Major Hawai'i Tourism Markets

Chair Fried acknowledged Jennifer Chun, who presented the March 2018 market insights and dashboards. Ms. Chun reported that HTA has added a longer list of competitor destinations to the market insight to help compare how Hawai'i is doing compared to key U.S. and international destination hotel markets.

Ms. Chun then reported that Hawai'i's hotel market is doing very well and is leading the nation in ADR and RevPAR and is ranked third in occupancy. Internationally, Hawai'i is not the most expensive or the most crowded destination, but is very competitive. Ms. Chun concluded her presentation by reporting that HTA has just released the March 2018 visitor numbers which demonstrate a great performance month for all of the islands.

Mr. DeMello noted that there seems to be an influx in visitors traveling to Kona, and shared that he has received feedback from professionals in the tourism industry regarding HTA's marketing efforts targeting millennial visitors. Ms. Dance responded by explaining that HVCB is doing a fine job working to attract the millennial market and that HTA is finalizing the brand management plans for next year. Ms. Dance added that she will ensure that Mr. DeMello's recommendation is included in those plans.

6. Presentation, Discussion of CRBE's Hospitality Industry Outlook Update

Chair Fried acknowledged Mark Woodworth, Senior Managing Director for CBRE Hotels Americas Research, who was accompanied by Mark Owens, Executive Vice President of the Hospitality Capital Markets for CRBE, and Amelia Lim, Vice President of Consulting for CRBE.

Mr. Woodworth began his presentation by reporting CRBE's outlook shows economic growth of zero in the first quarter of 2020. Mr. Woodworth then posited the question that, if this forecast is accurate, how it will impact the choices HTA makes today. Mr. Woodworth further explained that age demographics are shifting as well, which should be taken into HTA's considerations.

Mr. Woodworth then listed five historical events that could affect the current growth of Hawai'i's tourism industry, of which only the second and fifth events he believed to be currently relevant: 1) economy; 2) over building; 3) unpredictable demand shock; 4) oil and energy price increases; and 5) asset price bubble.

Mr. Woodworth also noted that labor, the largest expense in running hotels, is a huge issue for Hawai'i's tourism market. Mr. Woodworth reported that it is becoming harder and to fill open

positions across various industries and added that the projections for the number of people entering the labor pool in 2020 are expected to be the lowest in recorded history.

Mr. Woodworth concluded his presentation by reporting on the sharing economy. While AirBnB's rate of growth has slowed, its Hawai'i market is still very large. Mr. Woodworth added that visitors tend to rent AirBnB lodging in place of traditional lodging based on location and value.

7. Presentation, Discussion and Approval of the Members of Evaluation Committees for the Kūkulu Ola and Aloha 'Aina Programs for Fiscal Year 2019

Chair Fried acknowledged Mr. Ka'anā'anā, who began his presentation by referring the Board members to the proposed evaluation committee members that were circulated to all those in attendance. Mr. Ka'anā'anā requested that the Board approve the proposed members for the two evaluation committees.

Chair Fried asked Mr. Ka'anā'anā how the proposed committee members were chosen. Mr. Ka'anā'anā explained that the proposed members are the same members that have been serving since the inception of the programs; some of the proposed members have served for ten years and have broad institutional knowledge, community engagement, and industry understanding.

Mr. Atkins asked if the members review what the programs complete at the end of the year. Mr. Ka'anā'anā confirmed that the committee members conduct a site visit and review all of the final reports from each project.

Chair Fried requested a motion to approve the list of proposed evaluation committee members. Mr. Kam so moved. Ms. Domingo seconded the motion. The motion was unanimously approved by all the Board members present.

8. Update on the Flooding that hit Kaua'i and O'ahu; Discussion and Possible Board Action Authorizing Funding for Flood Relief

Mr. Ka'anā'anā opened discussion by reporting that he visited Kaua'i with Ms. Chan to see the impact the historic flooding has made on Kaua'i communities. Mr. Ka'anā'anā stated that the damage was as severe as it has been portrayed in the media, if not worse. Mr. Ka'anā'anā noted thought that he was able to witness what the news cameras cannot; communities are coming together in an embodiment of the Aloha spirit and the epitome of the word kahiau, which translates to English as "to give without expectation of repayment."

Mr. Ka'anā'anā reported that the Kaua'i Visitors Bureau's initial assessment of the damage noted five resort properties affected by the floods. Mr. Ka'anā'anā then identified an issue that HTA is uniquely positioned within the State to provide funding to address. Mr. Ka'anā'anā proposed that the Board authorize HTA to help fund a shuttle to transport those people left without access

transportation to and from work and school. The shuttle would operate from Wainiha to Hā'ena and is vital to Kaua'i's recovery. Mr. Ka'anā'anā stated that there is a fully licensed shuttle operator who is ready and willing to assist in the recovery efforts, but is in need of funding. Mr. Ka'anā'anā proposed a twelve month program at \$15,000.00 per month, disbursed quarterly to the operator of the shuttle until transportation routes to affected communities are reestablished.

Chair Fried asked for additional details regarding the shuttle service. Mr. Ka'anā'anā explained that the shuttle service will be free for passengers and will run from 7:00 a.m. to 8:00 p.m. The shuttle is currently running without State funding and the operator is reporting over 120 riders using the shuttle in just one day, so there is a real need for this service.

Mr. Atkins added that the State and county recovery efforts to clear some of the roadways may take up to six months to one year to complete. The repair work will require fixing the roadways to prevent future mudslides. Mr. Atkins suggested that Mr. Ka'anā'anā's proposal ties into the legislative efforts to subject HTA to the procurement code; if HTA were subject to the code, HTA would be unable to assist the Kaua'i communities in need of this shuttle service as the community in Kauai needs the shuttle service now, not in two months.

Chair Fried requested a motion to approve allocation of up to \$180,000.00 for the shuttle service, to be paid quarterly. Mr. DeMello seconded the motion.

Mr. Dee then asked whether the funding will be allocated from HTA's emergency budget. Mr. Atkins stated the funding from the Federal Emergency Management Agency and natural disaster federal relief funds is not guaranteed, but HTA needs to provide relief funding to the right projects to open up visitor and community attractions.

Mr. DeMello asked about the state of Kauai'i's water and electricity transmission services. Mr. Atkins responded that electricity was restored very quickly but he was not sure about the water supply, noting that access has been the biggest impediment to recovery efforts.

Chair Fried then announced that he was going to amend his motion to approve funding for the shuttle service taken from HTA's emergency fund. Mr. Togashi stated that HTA could use its emergency funds but there were also funds available from the current year budget. Mr. Kam added that the nexus between the emergency and emergency fund means that the funding for the should come from the emergency fund.

Mr. Togashi stated that HTA does not need governor approval for this, only the Board's approval to allocated funds for the shuttle service.

Chair Fried then asked for a vote on the seconded motion, which unanimously approved by all the Board members present.

The meeting was recessed at 10:49 a.m.

The meeting was reconvened at 11:02 a.m.

9. Report of the Legislative and Governmental Affairs Investigative Committee relating to the 2018 Legislative Session and Related Bills relevant to HTA

Chair Fried acknowledged Mr. Kam, who began his presentation by reporting that the 2018 legislative session is winding down and the last day for the conference committee is on April 27, 2018 at 6:00 p.m. Mr. Kam then reported that the latest Senate draft of HB2010 is the biggest issue for HTA right now. Mr. Kam added that the Legislative and Governmental Affairs Investigative Committee members are keeping apprised of everything relating to HTA in the current legislative session. Mr. Szigeti added that HB2012, the bill addressing the ongoing homelessness issues in visitor destination areas, is still moving through the legislature.

Chair Fried added his hope cooler heads will prevail and that everyone keeps the best interest of the State in mind when making decisions.

10. Presentation, Discussion and Action on HTA's Financial Reports for January and February 2018

Chair Fried acknowledged Mr. Togashi, noted that the Board's written materials for this meeting include the January 2018 and February 2018 financial reports. Mr. Togashi announced that he will request Board approval of the January 2018 financial report, which was first delivered to the Board last month, at this Board meeting.

There were no questions regarding the January 2018 financial report. Mr. Togashi requested a motion to approve the January 2018 financial report. Mr. Kam so moved and Mr. Dee seconded the motion, which unanimously approved by all the Board members present.

11. Presentation by AEG Regarding an Update of Hawai'i Convention Center Recent Operational Activities and Sales Initiatives

Chair Fried acknowledged Teri Orton from AEG who began her presentation by reporting that March was a busy month for HCC. Ms. Orton reported that the Hawai'i Convention Center (HCC) hosted seventeen events, generating gross revenues of \$1,692,800.00 and a net income of \$118,000.00.

Ms. Orton then reported that HCC's reforecast reflects a projected net loss of \$1.7 million given that two large events for 2018 have been rescheduled for later years.

Ms. Orton reported the food and beverage figures, which increased in March as a result of a number of events. Ms. Orton reported gross revenues of \$1 million, about 60% which came from the Amway Japan event. Some of the local events drew a lot of attendees, but revenues were down as reflected in a cash flow of 32%, down from the typical 45-47% monthly average.

Ms. Orton noted that the State's return on its investment increased to \$16.65 returned on every State dollar spend by HCC. Ms. Orton then provided an HCC sales update: HCC is on pace with its room night goal of 200,000 for 2018; 227,371 tentative room nights are in the pipeline.

Ms. Orton also reported that AEG is currently bringing in someone to fill one of two open sales positions and are waiting on a response to an offer to fill the remaining sales position. Ms. Orton indicated that she hoped to have a full sales team for the next Board meeting.

12. Report of, discussion and request for funding approval of programs recommended by the Marketing Standing Committee

Chair Fried acknowledged Mr. Dee, who reported that the Marketing Standing Committee did not have quorum for its scheduled April meeting and, as such, had nothing to report at the moment.

Mr. Dee then thanked Ms. Dance for all of her hard work, explaining that she has been instrumental to HTA's success over the past three years.


Mr. Atkins added that Ms. Dance had an update regarding the State's proposed fee for the AVP Beach Volleyball tournament. Ms. Dance reported that the Department of Land and Natural Resources ("DLNR") proposed an exorbitant fee far greater than their original projection. Ms. Dance added that she will be meeting with DNLN representatives on April 27 to try to assist in coming up with a better solution.

13. Adjournment

Chair Fried requested a motion to adjourn the meeting. Mr. Atkins so moved and Mr. Lee seconded the motion, which unanimously approved by all the Board members present.

The meeting was adjourned at 11:20 a.m.

Respectfully submitted:



Jacob L. Garner
Recorder