



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, June 27, 2019
Hawaii Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Micah Alameda, David Arakawa, Fred Atkins, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Sherry Menor-McNamara, Benjamin Rafter, Kimi Yuen, Kelly Sanders

MEMBER NOT PRESENT:

Daniel Chun

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Marisa Yamane, Jadie Goo, Kalani Ka'anā'anā, Caroline Anderson, Carole Hagihara, Chris Sadayasu, Chael Kekona, Joseph Patoskie, Laci Goshi, Minh-Chau Chun, Noriko Sloan, Ronald Rodriguez, Minami Aoki, Lawrence Liu

GUESTS:

Representative Richard Onishi, Senator Glenn Wakai, Guy Sibilla, Jon Itomura, Lynn Miyahira, John Monahan, John Knox, Randall Tanaka, Teri Orton, Mari Tait, Lee Conching, Erin Khan, Nathan Kam, Malia Sanders, Roth Puahala, David Baronfeld, Allison Schaefer, Trisha Watson, Brandon Askew

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

HTA Board Chair Richard Fried called the meeting to order at 9:33. Kalani Ka'anā'anā gave an oli to open the meeting. He explained the significance of the lehua plant and its symbolism in Hawaiian chants and poetry. Mr. Ka'anā'anā also shared that HTA funded a film project, in partnership with the Department of Land and Natural Resources (DLNR), University of Hawaii (UH), and SeaHAR, entitled Saving Ōhi'a: Hawaii's Sacred Tree, which won three Emmy

awards. He explained that HTA has funded more than \$200K to support the effort to save the Ohia through research and education. On the Go Hawai'i website, there is also a section to educate visitors on the dangers of Rapid 'Ōhi'a Death and the precautions they can take to help contribute to preventing its spread.

2. Approval of Minutes of the May 30, 2019 Board Meeting

Chair Fried requested a motion to approve the minutes of the May 2019 Board meeting. George Kam made a motion to approve. Benjamin Rafter seconded the motion, which was then unanimously approved by the Board.

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

Chair Fried asked the Board whether there were any permitted interactions to report, and there were none.

Chair Fried thanked Senator Glenn Wakai, Representative Richard Onishi, and Randy Tanaka, the deputy director of the state Department of Business, Economic Development, and Tourism (DBEDT) for attending the meeting.

4. Report Relating to Staff's Implementation of HTA's Programs During May 2019

Chair Fried introduced Guy Sibilla, Executive Director of the Kalihi-Palama Culture and Arts Society, Inc. to give a presentation on the Keiki Hula competition. He discussed how he became involved in the Keiki Hula competition, and how the event has grown. Mr. Ka'anā'anā explained that HTA has been a sponsor of the competition for four years and that the roots of the Keiki Hula competition spread throughout the community. The vision of the competition was to be a pipeline for keiki to develop their cultural, language, and dance skills. Mr. Ka'anā'anā noted that one of the challenges for putting on the event has been space. In the last fiscal year, HTA awarded \$75,000 to the organization.

Mr. Regan noted that he will be visiting various cities in Japan to discuss the upcoming Honolulu Festival. He then acknowledged Caroline Anderson to introduce Lynn Miyahira and Jon Itomura to discuss the 2019 Okinawan Festival. Ms. Anderson explained that the Okinawan Festivals receives support from HTA's Community Enrichment Program (CEP). CEP supports projects which brings together residents and visitor interaction, as well as showcases the many different cultures of Hawai'i. Mr. Itomura is the incoming Executive Director of the Hawai'i United Okinawan Association (HUOA). This year marks the 37th Okinawan Festival. The theme of this year's festival is "Sharing Uchinanchu Aloha" and the goal is to share Okinawan culture with locals and visitors alike. The event began at McCoy Pavillion and has moved to Thomas Square, Kapi'olani Park, and in 2018 to the Hawai'i Convention Center (HCC). Ms. Miyahira discussed the various issues and factors that led to moving the event to HCC. Moving the event to HCC has allowed the festival to expand the types of programs it can

include. The festival will take place on Saturday, August 31st and Sunday, September 1st. Mr. Itomura added that many of the event's 3,000 volunteers stay at hotels during the festival and it also draws visitors from off-island. HUOA received \$15,000 from HTA for the 2019 Okinawan Festival. That money will be going primarily towards marketing and potentially towards transportation for bringing visitors to the festival.

Mr. Atkins noted that the HTA staff could help HUOA market the event to people in HTA's major market areas. Mr. Itomura agreed and said that many other cultural groups come to the Okinawan Festival to learn about how they can host their own events. Kalani noted that, in marketing Hawai'i as a destination, one of the elements is Hawaii's multiculturalism. Chair Fried noted that the funding comes from HTA's community enrichment efforts. Chair Tatum said that 32% of HTA's budget goes to these events, so it is important that the Board knows what these events are and what the budget is going towards.

Chair Fried said that the Mayor's Conference begins on June 28th through July 1st and encouraged Board members to attend some events which are being held throughout the island.

Mr. Tatum said that he recently had an opportunity to go to Hawai'i on the Hill with the Hawai'i Chamber of Commerce. He said that it was a tremendous event and opportunity for tourism and other businesses. Approximately 2,500 people (about 500 more than last year) attended the last night of the event. Mr. Tatum said that the plan is for HTA to invest in the event and be a larger part of it. Sherry Menor-McNamara thanked Mr. Tatum for attending. She said that the purpose of the event is to promote Hawai'i and she is excited about the growth and partnership with HTA moving forward.

Mr. Tatum said that the LA Rams clinic was held in June at 'Iolani School, and the Rams cheerleaders participated in a cheerleading camp. He said that, moving forward, any sporting event has to have a community element.

Mr. Tatum said he recently spent the day on Moloka'i and received feedback that the community wants to do things the right way. Mr. Tatum added that he also spent time on Hilo and got feedback on how HTA can do a good job moving forward on Hawai'i Island. He said that John Knox is working on the 5-Year plan and will be reaching out to the Board and key legislators to get feedback on how the industry and HTA's management are perceived.

Mr. Tatum said that he wants to work on how to continue to bring residents back into Waikiki, and to dispel the misconception that Waikiki is not for the residents. He added that he hopes events like the Okinawan Festival will encourage more residents to visit Waikiki.

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

Chair Fried introduced Minh-Chau Chun to provide a presentation on market insights. For the

first five months of 2019, visitors spent \$7.24 billion, which represents a decrease of 3.1% compared to the first five months of 2018. The State collected \$506.2 million in Transient Accommodations Tax (TAT), which, adjusted to factor in the rate hike, represents an increase of 4.3% from 2018. Total air capacity grew 1.6%. Visitor arrivals by air service and cruise ships grew by 4.6% compared to last year. Visitor spending increased from the US West and Canada, but decreased from US East and Japan. Visitor spending rose slightly on O'ahu, but dropped in Maui, Hawai'i Island, and Kaua'i.

Ms. Chun also noted that the Hawai'i hotel performance report was released last week and RevPAR was flat at \$203, ADR was at \$256, and occupancy was at 79.2%, which is a slight decline compared to last year. Looking at the county level, Maui County led ADR and RevPAR. Hotels on O'ahu showed similar results this May compared to last year, with a small increase in ADR off set by a slight decrease in occupancy. For Kaua'i, there was a decline in RevPAR by 14.2% due to a decrease in both ADR and occupancy. On Hawai'i Island, there was a small decline in RevPAR, ADR was up at 1.1% increase, and occupancy was at 71.7%, down 1.4% from last year.

Mr. Atkins asked if there was a way to track Hilo and Kona separately to compare if both sides are recovering equally. Ms. Chun said that she will provide that information to the Board. She said that she looked at the load factor comparison between May 2018 and 2019, and noted that occupancy increased in Kona from 74% to 80.4% from last year and in Hilo grew from 61.3% to 65.3%.

Rep. Onishi said that he also tracks unemployment on Hawai'i Island and that over the last two months unemployment on Hawai'i Island is 20% lower, compared to last year. Mr. Rafter suggested comparing 2017 through 2019 for all islands so that they can see the two-year trends. Ms. Kimura noted that the decrease in occupancy does not track with visitor arrivals (which in some cases have gone up). Ms. Hughes said that that may be because those visitors are not staying in hotels. Ms. Kimura added that it also appears that there are also shorter visitor stays. Chair Fried said that even though occupancy may be up on the Hilo side, RevPAR is still down. Ms. Kimura noted that she has been seeing Hawai'i images in Japan having a negative effect. For example, McDonald's did a Hawai'i campaign and those images were shown alongside a story about a comedian who was involved with a yakuza scandal. She asked if there were any ways to control that imaging. Ms. Hughes said that she would follow up.

Chair Fried said that the mayor has just signed a bill affecting O'ahu which addresses transient vacation rentals, and noted that they may be seeing the effect of that bill in the coming months.

6. Presentation, Discussion and Action on HTA's Financial Reports for May 2019

Chair Fried recognized Mr. Regan to provide the May financial reports. He said that, because of the close of the fiscal year, the May 2019 is not ready but will be provided at the next meeting with the June 2019 financials.

7. Update on the Status of the 2018 Audit Action Plan

Mr. Regan said that there is nothing new to report from the last meeting except that they continue to review the procedures and the finance and procurement team are working on their sections, which constitute the bulk of the report. He said that some major items should be completed in July, in time to report at the next meeting.

Mr. Fried said asked, if things continue on schedule, that the last item, relating with the evaluation of HTA management and staff performance, would be on schedule for completion in September. Mr. Regan responded that he is confident that they will complete those items before the deadline.

8. Update Relating to the 2019 Legislative Session and Related Bills Relevant to HTA

Mr. Regan thanked Sen. Wakai and Rep. Onishi for their support during the legislative session and helping to pass critical legislation important to HTA. HB420 is currently sitting with Gov. Ige and did not make the intent-to-veto list. Mr. Regan has been in discussion with the Gov.'s office regarding that measure and he is hopeful the Governor will sign it. HB420 removes HCC as the designated location for the Hawaiian Center for Music, and does not designate a replacement location. The Governor has expressed his intent to veto SB1292, which is the short-term rental transient accommodations booking measure. At the City and County of Honolulu, Bills 85 and 89 were sent to Mayor Caldwell. Mayor Caldwell signed Bill 89 into law. That ordinance becomes effective on August 1st. It is expected to have a tremendous impact on illegal vacation rentals on O'ahu and will help address the proliferation of illegal vacation rentals. Chair Fried said that he was at the Governor's office when he signed several traffic safety bills including the red light camera bill.

Mr. Tatum asked Mr. Regan to provide an update on what HTA is doing to prepare for Hurricane Season. In preparation for that, the State held an exercise, Makani Pahili, to prepare for the event of a hurricane. HTA reviewed and updated its Emergency Operations Plan, which guides the agency as it deals with events like hurricanes, updates, and other disasters. Makani Pahili occurred on June 6th, and HTA went through the procedure as though it was actually going through a hurricane. He said there is room for improvement, particularly the "phone tree" process, which was successful but cumbersome. On June 7th, Hawai'i Emergency Management Agency senior leadership exercises were held at HCC to educate leadership and familiarize them with the process involved when they are activated in an emergency. Mr. Tatum and Mr. Regan participated in the executive management section including a tabletop exercise and discussion. Mr. Regan added that, with the start of hurricane system, it is important to check on our supplies and make sure that we are prepared. He said that the National Weather Service is anticipating 7 – 8 named storms this season.

9. Report of the Marketing Standing Committee with the Committee's Recommendations to Support Various Marketing Proposals, for Discussion and Approval by the Board

Chair Friend recognized Mr. Sanders to provide an update on the Marketing Standing Committee. Mr. Sanders discussed the latest updates on the Go Hawai'i website. He said that there was also an update on the emergency marketing funds for Hawai'i Island and that overall there has been a benefit including 85% load factor to Hawai'i Island this summer, which is in line with 2017.

Mr. Sanders said that he was recently in Japan for ten days and saw great promotion and advertising for the State of Hawai'i and Hawai'i Island. The committee also had an update on the new MMAs and the RFP process. Ms. Hughes and her team have worked to make branding more consistent in all of the major markets.

Mr. Sanders said the committee looked at the upcoming Meetings, Conventions, and Incentives (MCI) global RFP and he acknowledged Ms. Hughes to discuss that matter. Ms. Hughes said that they are currently in a Request for Information (RFI) process to determine what entities might qualify based on a comprehensive list of minimum qualifications to accomplish what HTA wants to accomplish within the global MCI market. She said that the center of those qualifications is the right technology, including a CRM tool to keep track of all customer data, send leads out, and track sales and production globally. Next is a central, global team which can coordinate an effort around one central MCI leader who guides strategies with all GMT's around the world. Ms. Hughes said that the role of each market is lead generation, but some will have a larger role based upon market.

Mr. Sanders also said that there was dialogue around how more MCI business actually has less of an impact on Hawai'i's natural resources because those visitors are here primarily for meetings.

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

Chair Fried recognized Teri Orten to provide an update on HCC. For May, HCC had a great deal of activity include American Roentgen Ray Society (ARRS) which held their first event at HCC. That event had more than 2,400 attendees and they have already indicated they would like to return. There were also five other offshore events generating approximately \$3million in state revenue and 23 local events. Food and beverage generated \$881,000 which was \$385,000 coming from offshore business. Flowthrough is at 35% and the reforecast is \$9.6 million, with a flowthrough of about 37%.

Ms. Orten recognized Lee Conching to discuss sales initiatives. Mr. Conching said that most sales initiatives have focused on May Day Lei Day events in Chicago and D.C. He said that they are seeing more European groups interested in visiting Hawai'i. ARRS is planning on returning in 2025 and there was also excitement for the Rotary International Program to visit Hawai'i

next year. They are expecting 22,000 Rotarians to visit in 2020. Ms. Orton pointed out that the Board packet included a list of public relations initiatives.

Ms. Orton recognized Mari Tait to discuss Capital Improvement Project (CIP) updates. Regarding boiler replacement project, the contractor has submitted designs for final review. Regarding the cooling tower, the RFP has been issued, six proposals were received, and meeting and site visits have been conducted, and an award will likely take place shortly.

Regarding the rooftop structural assessment, KAI Hawaii has deemed the rooftop safe in its current condition. Mr. Rafter asked what the next step is for the roof. Mr. Tatum responded that the latest projection of cost between \$50-55 million has been shared with legislators and there have been discussions on what is the best use for HCC moving forward. They are considering how they can be more creative and thoughtful on how they use that rooftop space.

Ms. Tait said that they are also working on facility equipment upgrades. They have received several bids, are reviewing the proposals, and plan to make the award in July. Mr. Regan thanked Ms. Orton and Ms. Tait for their work on these projects.

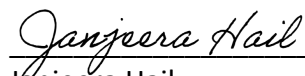
Mr. Tatum asked Ms. Orton about booking pace. Ms. Orton responded that they are at 22%. Mr. Tatum said that they are seeing softening, and it is important that the market knows what is on the books and the pacing going into 2020. Ms. Orton said that the team is focusing on shorter term business and groups that are the right size, in light of the high occupancy in hotels.

Mr. Fried said that there will also be a strategic plan investigative committee meeting to follow the Board meeting.

11. Adjournment

At 11:37 a.m. Chair Fried asked for a motion to adjourn. Mr. Kam made a motion which was seconded by Mr. Atkins. The motion passed unanimously.

Respectfully submitted



Janjeera Hail

Recorder