



REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY
Thursday, April 25, 2019
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT:

Rick Fried (Chair), Micah Alameda, David Arakawa, Fred Atkins, George Kam, Kyoko Kimura, Ku'uipo Kumukahi, Craig Nakamura, Kelly Sanders, Benjamin Rafter

MEMBER NOT PRESENT:

Sherry Menor-McNamara

HTA STAFF PRESENT:

Chris Tatum, Keith Regan, Karen Hughes, Marc Togashi, Jadie Goo, Jennifer Chun, Caroline Anderson, Carole Hagihara, Chris Sadayasu, Deann Howa, Joseph Patoskie, Laci Goshi, Lawrence Liu, Minh-Chau Chun, Noriko Sloan, Ronald Rodriguez, Sara Maimone, Minami Aoki

GUESTS:

Representative Richard Onishi, Lieutenant Governor Josh Green, John Monahan, Randall Tanaka, Roth Puhala, Allison Schaefer, Jennifer Nakayama, Teri Orton, Mari Tiat, Noelle Liew, Darlene Morikawa, Nathan Kam, Eric Takahata, Mitsue Varley, Julian Anderson, Brandon Askew

LEGAL COUNSEL:

Gregg Kinkley

1. Call to Order and Pule

Presiding Officer Rick Fried called the meeting to order at 9:34 a.m. Ms. Kumukahi gave the pule and discussed the importance of the word aloha. She also described a new program between the Hyatt hotel and I'olani Palace, and sang a song that was written by Queen Kapiolani during her imprisonment.

2. Approval of Minutes of the March 28, 2019 Meeting

Chair Fried requested a motion to approve the minutes of the March, 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.

This meeting was the last meeting for Sean Dee and Craig Nakamura, marking the completion of their terms as Board members. Chair Fried thanked Mr. Dee for his work as the Marketing Committee chair, and Mr. Nakamura as Board vice chair. Mr. Dee and Mr. Nakamura expressed gratitude for being able to serve on the Board.

Mr. Dee said that he has been traveling for work recently, and said that he learned that the number one searched question for people looking for flights on Southwest Airlines was “Is Hawai’i located in the United States?” He said that HTA has a challenge to create awareness about Hawai’i, internationally and even within the United States, and balance sustainability. He thanked the Board members, HTA administration, and HTA staff. Mr. Atkins said that he has learned a lot from Mr. Dee and thanked him for his time, especially on the Marketing Committee.

Chair Fried recognized Representative Richard Onishi, chair of the House Tourism committee, and thanked him for attending.

4. Report Relating to Staff’s Implementation of HTA’s Programs During February 2019

Chair Fried recognized CEO Chris Tatum to provide his report on the staff’s implementation of Hawai’i Tourism Authority (“HTA”)’s Programs during March 2019. Mr. Tatum thanked Mr. Dee for his support and commitment for working on the Board, and noted that being a Board member is an unpaid position.

Mr. Tatum asked Karen Hughes to introduce new staff. Ms. Hughes introduced the new brand manager for Japan and Korea, Minami Aoki. Minami is a graduate from college in Kobe, Japan, and previously worked at ANA Airlines. Mr. Regan introduced Evita Cabrera, who was previously a contractor, as the newest permanent member of the procurement team. Mr. Tatum announced that Marisa Yamane will begin on May 6th, 2019 as the Director of Communications.

Mr. Tatum said that HTA is working on the implementation of the Hawai’i Island efforts through HTJ and HVCB. HTA also recently had a meeting regarding the Polynesian Hall of Fame Game. Mr. Tatum said that, in the past, there was a question whether the event should be characterized as a sporting event or cultural event because the Polynesian Hall of Fame

Game brings a great deal to the table, from a cultural standpoint. He said that this event invites coaches and recruiters from Division II schools, and hosts a skills challenge event for students that are potential Division II players. Mr. Tatum said that every event that HTA talks to now has a requirement to conduct clinics and events on the neighbor islands, and this event will also conduct that type of activity.

Mr. Tatum noted that the Lotte Golf Championship recently took place. He said that, prior to the event, they met with HTA. HTA asked how they were going to engage the community, and they stepped up. A number of high schools were involved in a pro-am event, where students had an opportunity to play with and meet professional golfers. Lotte also put together a grant for those schools. This reflects HTA's ongoing process of requiring a community engagement component. Mr. Tatum added that Hawai'i also recently hosted a cheerleading clinic. He thanked Mufi Hannemann for his efforts.

Mr. Tatum then discussed the LA Rams, who are scheduled to play a preseason game in Hawai'i against the Dallas Cowboys. The Rams and the Cowboys are interested in more community efforts. Mr. Tatum said that John Monahan and Mr. Hannemann are focusing on a community outreach clinic scheduled for June 14 - 15 at I'olani School. The clinic will tie in neighbor island students to participate, with each island having participating teams. Mr. Tatum said that everyone that HTA has engaged with on this community engagement component has expressed enthusiasm about this focus.

Mr. Tatum also met with Dave Matlin from the University of Hawai'i (UH) and HTA is planning on putting money towards implementing a plan to work with UH. Mr. Matlin is putting together a proposal on how best to do that, but HTA is setting aside funding for that effort for the next fiscal year budget. Mr. Tatum emphasized that UH is the state university of Hawai'i, and HTA should do what it can to support UH's efforts. He added that the community should understand the tourism industry is investing into the community, including the University.

Mr. Tatum said that he and Mr. Atkins recently spent time on the North Shore of Kaua'i. he committee there is active and have a plan for addressing the flooding, and HTA's role is support them in what they are trying to accomplish. Their plan is to reduce the number of visitors from 2,000 people per day to 900 visitors per day. HTA supports that position so long as those 900 have a phenomenal experience. They have asked, and HTA has agreed, to set aside \$140,000 in next year's fiscal year budget to support their parking enforcement efforts. This includes staffing a checkpoint to educate visitors about the reality of how long it takes to drive in and out of the park. Mr. Atkins said that the State has to open the road but there are two one-lane bridges which cause great delay. It will officially open on June 4th. Parking fines are also being increased from \$35 to \$200. \$100 will go to the State and \$100 will go to the county to go towards enforcement.

Mr. Tatum said that he and Mr. Regan have been visiting the neighbor islands for stakeholder meetings. He noted that the committee on Kauai was diverse and engaged a range of groups and that he hoped that could be a benchmark as he works through communities. He said that

HTA's role is not to solve problems but to support communities as they address the challenges in front of them. Mr. Tatum stated that real sustainable tourism happens when everyone supports tourism because it is the right thing, feeds families, and supports the future of the islands.

Lastly, Mr. Tatum pointed out that the Board packet includes a preliminary budget for the next fiscal year. He acknowledged that the fiscal year does not begin until July 1st, but said that he wants to get ahead of the game. He explained that there are nine main areas in the budget, and some areas of the budget are more detailed, like marketing. He said that in previous years, the budget was drafted using previous years' numbers, but moving forward for areas like perpetuating culture and community, the numbers are "blocked" and will go up significantly. The marketing area is relatively flat. He stated that the areas that do not have detail will go out for RFP and as they come back HTA will update the Board on the RFPs and the direction HTA is taking. Mr. Tatum added that Ms. Kumukahi should be engaged with Kalani Ka'anā'anā on the culture and community area. He said that more detail will be provided at the next meeting. He encouraged Board members with questions between now and the next meeting to reach out to him and Mr. Regan if there are questions regarding the budget. He added that some of the items in the budget are mandated by statute.

5. Update by Josh Green, Hawai'i's Lieutenant Governor, on the Status of the Homeless Situation and Opioid Problem in Hawai'i

Chair Fried introduced Lt. Gov. Josh Green to provide the Board with a presentation on the status of homeless and opioid issues in Hawai'i. Lt. Gov. Green began by providing information on his background as a physician and legislator. He described the status of homelessness in Hawai'i and its relationship to substance abuse and the healthcare system.

The solution that Lt. Gov. Green proposed is to treat homelessness with housing, and he described the potential health and financial benefits of such a program. He described the Hawai'i Homeless Healthcare Hui (H4) that he founded with Dr. Scott Miscovich. H4 is a private/public partnership to provide a safe, functional environment for those in need to get services and treatment, and alleviate the financial and medical strain on over-taxed emergency rooms. H4 is proposing a facility on Kuwili Street that would have four floors dedicated to humanitarian, housing, healthcare, and hygiene assistance. The hygiene floor is already opened.

Lt. Gov. Green also discussed SB1124 which mandates treatment and involuntary hospitalizations for individuals suffering from severe mental illness, like schizophrenia, by change statutory definitions. He stated that the bill is a tool to help treat people who have been homeless for a long period of time due to mental illness. He stated that Hawai'i's 1115 Waiver has been approved which allows Medicaid funding to be put towards assisting people experience chronic homelessness and mental illness with housing needs. He anticipates that the plans will help put \$300 million back into the budget to go towards helping working-class families.

He asked for the help of the Board to spread the word about his approach, and said that if there are any organizations interested in helping and contributing, to contact him so that they can help accelerate the solutions.

Chair Fried asked whether the thrust of SB1124 was to get help to people who are refusing it. Lt. Gov. Green confirmed and said that he has spoken to the Attorney General and the Director of Health Services about the bill. He said that they will shut down the law if it infringes on civil rights but he believes that this will actually help to restore civil rights, and it is a measure that is being passed across the country.

Mr. Tatum said that when HTA had worked with Lt. Gov. Green on distribution of homelessness funding, one of the people that they had met with was someone regarding human trafficking. He noted that that is an issue very significant for the hotel industry and HTA is working on a proposal for the Board for a training program to help the industry recognize the signs of human trafficking.

Mr. Tatum also asked about the local doctor shortage. Lt. Gov. Green said that the healthcare professional shortage is another initiative he is working on and he can come back on another day to present that to the Board. He said that he is working with JABSOM on a website called "Practice in Paradise" to help facilitate bringing more healthcare professionals to Hawai'i, including providing relocation and loan repayment packages. He said that he is planning on launching it on September 7, 2019. Mr. Tatum said that the visitor industry may be able to help with the relocation and temporary housing component.

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

Chair Fried acknowledged Jennifer Chun to provide an update on current market insights. Ms. Chun directed the Board to the March report in the Board Packet. She said that HTA had, that day, released statistics. In March, the State had \$1.5 million in visitor spending (down 2.3% from last March), an increase in arrivals to 939,000, and spending and increased arrivals for Oahu and from the U.S. West market. TAT tax collection since January 2019 was \$341.5 million which is an increase of 14.4%, or a 3.8% increase factoring increased tax rate. In March, hotel RevPAR was \$227, down 4.3%. ADR and occupancy were also decreased, but compared to other U.S. markets, Hawai'i was at the top for RevPAR, ADR and occupancy.

Kyoko Kimura asked Ms. Hughes about Korea and China markets. Ms. Hughes responded that with Korea, there has been a sluggish economy which is affecting outbound travel, but there is anticipated turnaround after May. In regards to China, she said that she recently met with Brand USA, the destination management organization that markets the US inbound travel, who recently conducted research on China. Their assessment of China is that the US has had decline across the board, primarily from bus tours. She said that the area that should be targeted is those with 10-year visas, who are higher end travelers. Chair Fried said that it was surprising

Hawai'i was hit so hard when there was an increase in outbound travel from Korea. Ms. Hughes said that that Korea was hit especially hard due to what happened on Hawai'i Island, which effected the image of the entire state. Mr. Dee said that he was recently in Korea and had heard the same things. Mr. Tatum said that for the China market, their spending tends to be overall high but not for hotels. A market like Hawai'i has high room rates, so there is a balance for hotels to decide how much of that market they want.

Ms. Kimura asked whether lower spending from Japanese visitors was due to moving to different areas or less expensive accommodations. Ms. Chun responded that there was an approximate 9% decrease in lodging spending so they are staying at cheaper accommodations. She added that time shares have been aggressive in targeting the Japanese market. She also said that there is an approximate 40% decrease in neighbor island flights, which are people making day or short trips to neighbor islands.

Chair Fried recognized Randall Tanaka, the DBEDT deputy director, for attending. He also recognized Ross Puahala, visiting on behalf of the office of Rep. Daniel Holt. At 10:46 a.m., Chair Fried recessed the meeting for a short break. The meeting reconvened at 10:59 a.m.

7. Presentation, Discussion and Action on HTA's Financial Reports for March 2019

Chair Fried recognized Marc Togashi and Keith Regan to provide an update on HTA's financial reports. Mr. Regan also thanked Deputy Director Tanaka from DBEDT for attending. He said that the first page of the budget is a budget utilization document that spells out where HTA is for its expenditures for the month, compared to the budget that has been approved by the Board. Mr. Regan noted that HTA has spent about 74% of the budget, so the budget is on track in terms on what has been provided for and approved by the Board. Mr. Regan also pointed out in the board packet the summary of allocations for the fiscal year, which shows how money has been moved into different categories. He said that \$85.4 million in cash and investments is available, including the cash in emergency funds. He said that that represents a \$1 million decrease, which stems from a decrease in TAT. Mr. Regan requested a motion to accept the financial statements. Mr. Kam made a motion and Ms. Kumukahi seconded the motion, which was unanimously approved.

8. Overview of HTA's Preliminary FY2020 Budget

Mr. Fried then recognized Mr. Regan to provide an overview of the proposed FY2020 budget. He noted that HTA has identified additional funds that it would like to allocate towards Hawaiian culture and natural resources. He said that more details will be provided at the next Board meeting. Mr. Tatum added that some items will not be as detailed because they will be dependent on the outcome of RFPs.

Mr. Regan said that there is an increase in allocation for community aspects, a slight decrease

in branding, and an increase in total marketing spending. Funds have been allocated for sports, safety, and tourism research. There is a slight decrease in administration and a slight increase in overall governance costs. He said that this is due, in part, to reducing the number of contractors in favor of permanent employees. Mr. Tatum said that the drop on the US side does not include Hawai'i Island funds. Emergency funding is going into a marketing opportunity fund.

Mr. Rafter noted that at this point only 50% has been expended for culture and community so far, but that the allocation is increasing next year. He asked how those two notes aligned (the lower expenditure but a higher allocation next year). Mr. Tatum said that they will be focusing on language and utilizing it in hotels. Ms. Kumukahi said that the increase will go towards bolstering the 'Ōlelo Hawai'i program. Mr. Tatum said that there are a number of contracts out and the money does not flow out as quickly as in other areas because of the large number of requirements.

Mr. Dee said that the format of the budget is excellent and transparent. He noted that in previous years the opportunity fund had ballooned to \$18 million, but that the new budget has tightened up the opportunity fund to \$2 million. Mr. Atkins noted that some of the programs are not completed but in the past the Board received ROIs on completed projects, and asked if that would similarly be provided this year. Mr. Regan responded that some information is already provided in the packet but that he will provide more information. Mr. Arakawa said that HTA should be able to work with HPD to get metrics on how much HTA funding is helping with the camera program. He added that, for a lot of these grants, HTA should make sure that our partners provide metrics. Chair Fried noted that this weekend is the PowerShares tennis event on Maui at the Royal Lahaina.

9. Update on Status of the 2018 Audit Action Plan

Chair Fried asked Mr. Regan to provide an update on the 2018 Audit Action Plan. Mr. Regan said that there is not a significant change since the last update. He said that the team is working on the audit action plan, namely the procedures. The completion dates have not changed since the last meeting and Mr. Regan said the team still anticipates meeting those deadlines. He added that the team is actively working to solidify the process on items #20 and #21. Chair Fried said that it looks like it could be completed by Labor Day.

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

Chair Fried asked Mr. Regan to provide a legislative update. Mr. Regan said that sine die will be on May 2nd. He said that session has been active and exciting, and thanked Rep. Onishi for his advice and guidance to the Board and as an advocate for tourism in general. He also thanked Senator Wakai, who was not present.

Mr. Regan noted that Bill 89, a city council bill, deals with transient vacation rentals. He said

Bill 85 and 89 are being taken up by committees and will be heard on Monday, April 29 and invited any interested Board members to attend. He stated that if they are approved in the committee then will be taken up by the full council and then could be passed, then taken to the mayor. Mr. Arakawa said that Bill 85 is more restrictive, but Bill 89 is the bill the administration proposed, and allows for some new vacation rental areas in areas that are already apartment zoned. The bills are very controversial but once they are passed there will be enforcement and increased real property and TAT revenue, depending on which bill is chosen. Mr. Regan noted the bills would impose steep fines.

Mr. Regan stated that HB420, relating to the Hawaiian Center and Museum of Hawaiian Music and Dance, moved out of conference committee as of April 23rd. The House and the Senate will vote on the bill, and it will hopefully be enrolled to the governor. It will allow HTA to move forward with making it a reality. Mr. Regan stated that HB422, which bifurcates the sales and marketing from the management of the Hawai'i Convention Center, has already been enrolled to the governor. HB558, relating to Kekaha State Park, will be heard in conference committee. HB908, relating to the transient accommodations tax, provides funding for homelessness initiatives through HLTA, and is going to the finance committee for approval of the \$1,000,000 appropriation. A minor modification was made to remove the requirement that the State homeless coordinator be a part of that process. HB1375, relating to the State of Hawai'i Museum of Natural and Cultural History, was passed out and will be put to a floor vote. SB1292, relating to transient accommodations, will be heard that evening to discuss house amendments. HB419 has not had further movement so it will likely die. SB380 was signed into law, and it imposes TAT on mandatory resort fees, requiring that those fees be included in gross rental or gross rental proceeds. Mr. Regan pointed out that the legislative update in the Board packet also included a list of the significant bills with no further movement that have "died". Mr. Regan said that this has been a positive legislative session and the team has made positive inroads with the legislators that contributed to the success of the bills that HTA was pushing for.

Chair Fried expressed disappointment that SB666 relating to the Airports Corporation died. Mr. Arakawa said that he believes that stakeholders will be working through the concerns expressed by the legislative committees when session is over. He recommended that HTA keep legislation on the agenda as a running agenda item to keep track of county legislation, even when the State legislature is not in session. Mr. Atkins thanked Rep. Onishi specifically for HB420 and HB422. He asked, in regards to SB1292, whether the version that the senate sent over was supported by HTA. Mr. Regan said that HTA supported it but had not had an opportunity to submit testimony on HD3. Mr. Atkins said that a provision on creating a registry for transparency had been taken out, and that could affect enforcement and transparency. Rep. Onishi responded that SB1292 was an enabling bill for tax collection for the platforms, but it also required anyone doing any advertising to be held liable and to provide reporting to counties. The house position is that the State of Hawai'i is responsible for collecting TAT and GET. Rep. Onishi said the house feels that enforcement is a county issue and if there are issues that surface that deal with their ability to enforce their ordinances at the county level the legislature can help them, but at this time nobody on the county level is

looking at that kind of legislation. He said the first step is to get enforcement in place and then see where their challenges are. The counties that already have ordinances in place and the counties are negotiating with the platforms.

Mr. Atkins said that he agrees that they need the TAT, but there is a housing crisis, and on Kaua'i there are no rentals below \$2,500 or \$3,000. He said that about 20% of the homeless in the state work but cannot afford to find a place to live. Rep. Onishi said that the approximately 4,000 permitted vacation rentals on Hawai'i are probably not in the affordable rental category. Mr. Atkins responded that in the residential areas, people are speculating, buying property because they think they can rent it out for Airbnb, and driving prices up, which displaces local people.

Rep. Onishi said that Bill 419 was proposing to provide \$1 million to help counties with enforcement, but the senate amended the bill by taking out the funding. He added that the counties say they need help but have not enacted legislation that would help themselves, and at this point none of them have proposed legislation requiring regulation of the internet platforms. He said he has asked Kaua'i for an official letter from their corporation counsel saying they cannot enact legislation, and has not received anything. Mr. Arakawa asked whether any states regulate these platforms. Rep. Onishi said that the only one he knows of is Massachusetts. He said that all states have different laws regarding allowing lower jurisdictions to regulate. He added that the attorney general's opinion is that it would be helpful to have state legislation but Rep. Onishi said that the counties do stuff all the time that is not spelled out in law.

Mr. Regan said that, from a county perspective, they are being held back by the Communications Decency Act. He said that a recent 9th Circuit decision filed in March has taken the wind out of that sail and opens the door for counties to explore and enact ordinances to control the platforms. Mr. Dee said that SB1292 legitimizes a certain platform. He noted that VRBO has been operating as a platform for alternative accommodations for years and audits show that they pay taxes and are not promoting illegal units. He said that this other platform, which prides itself on being disruptive, has disrupted the fabric of life in Hawai'i, and the majority of the units are illegal. He said that SB1292 legitimizes Airbnb and requires counties to trust Airbnb, despite the fact that Airbnb has shown they do not care about illegal units. He said that he anticipates that the number of illegal units will grow if SB1292 becomes law. He said that 419 would be a better approach. Mr. Atkins asked whether any other state has passed that kind of law and Mr. Dee responded that that has passed in Massachusetts but that he does not believe that SB1292 will change anything in Hawai'i. He said the industry believes that SB1292, as written, will not discourage Airbnbs.

Chair Fried called a recess at 11:55 a.m. The meeting was resumed at 12:12 p.m.

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

Chair Fried recognized Teri Orton to provide an update on HCC's recent operational activities

and sales initiatives for March. She said that HCC hosted 15 licensed events, three of which generated \$3.6 million in state tax revenue. The events generated \$1.9 million in gross revenue, and a net income of \$423,900, better than what had been planned. Some of positive variance was due to the Society of Gynecological Oncology program, which came in with strong numbers and spent more on food and beverage than anticipated. The 2019 year-end reforecast is now for a net loss of \$2.8 million, primarily due to a cancellation by a group from Asia which is now undergoing a financial investigation in its home country, and Jehovah's Witness selecting multiple cities instead of hosting its event in Hawai'i. Ms. Orton said that they are in talks with Jehovah's Witness to bring their 2024 program to Hawai'i and bring in a smaller program to fill in HCC's "need" years. She said that overall revenue is about \$104.9 million, with ROI of \$19.28 to the State.

Mr. Tatum said that HCC is budgeted on a calendar year, and the calendar year budget was set last year. He noted that if the governor signs the bill that would separate the contracts for HCC operations and sales, the budget will change because a majority of sales will come off of their budget and go onto another budget. He said that a budget for HCC will likely be presented to the Board in July, for a budget beginning January 2020. Mr. Atkins commented that although the numbers for the year are not great, he commended HCC on the March numbers which reflected how HCC was able to keep costs down and maximize revenue for food.

12. Report of Julian Anderson of Rider Levett Bucknall on their Findings and Recommendations of the Condition of Damage of the Rooftop Terrace Deck of the Hawai'i Convention Center

Mr. Nakamura, on behalf of the convention center committee, said that over the past several months the committee has been reporting to the Board on activity regarding HCC maintenance and roof repair. He introduced Julian Anderson to provide a presentation on the status of the roof repair project, which has also been presented to legislators.

Mr. Anderson, of Rider Levett Bucknall (RLB), said that he was involved with the construction of HCC since the site selection phase. He said it was a design-build construction procurement, an effort to get the best value for the State. The winning design was selected by two panels: a technical panel and a community panel. Both panels unanimously recommended the current design by Nordic PCL. As part of the design the public areas were not air conditioned, which was attractive because it could free up money for other things. As part of the criteria, the design had to include a Hawai'i sense of place and have the ability to expand the center on a landlocked site. The selected design met these criteria through the rooftop terrace.

Mr. Anderson said that HCC is a steel structure and the deck is designed as a seven-layer system. In response to the RFP, Nordic PCL was clear that the decktop roofing system would need to be replaced in 15-20 years. The building was opened in 1998. When the top layer concrete slab of the deck was poured it started cracking. It was initially cosmetic. In 2001, RLB did a report on repair options to HTA and DAGS. In 2003, the State and Nordic PCL reached a settlement to install sports court flooring, which solved the cosmetic issue but the cracking

itself continued. By 2011-12, a report from leak experts was conducted and that report recommended repairs that were not carried out. In October 2018, HCC management approached RLB to get an update on the cost of repair based on the 2013 report from RLB.

RLB conducted a new inspection of the roof, the stairwells, and other facilities, and produced a report in February 2019. The report concluded that there was rust in the metal pan layer of the roof, associated with leaks related to drains and plumbing, and water in the slab assembly. The only solution is to take it all out and replace it, or incur increased cost and increased risk. The current cost estimate is \$47-50 million, but could increase depending on the recommendations coming from the detailed investigation of the structure. The cost does not factor in loss of revenue.

Mr. Kam asked how long the rooftop can still be safely used. Mr. Anderson responded that he did not know but that structural engineers should provide that estimate. Mr. Atkins asked whether there were any other areas of concern other than the rooftop. Mr. Anderson responded that the areas of the planters and the glass roof areas showed some issues. Mr. Rafter asked whether there were plans to expand the rooftop. Ms. Orton said that that is an issue they are exploring and they are trying to determine what the ROI would be if they, for example, turned it into "flex space". She added that the issue boils down to cost.

Mr. Dee, who was a member of the convention center committee, asked what the process would be for an alternative design. Ms. Orton said that is the next step to have a discussion about what can be put up there. Mr. Dee asked what the timeline is for looking at those options. Mr. Tatum said that HVS has been engaged to do an analysis of what the best use of the space. Mr. Regan said that the contract has been signed by HVS and HTA and is currently with the AG's office for review. He said that it will have to be a collaborative decision. Mr. Arakawa said that this work would need to be done by mid-September.

Mr. Arakawa asked who is at fault. Mr. Anderson said that the design was the design presented to the State and then executed, but fault is probably an issue for attorneys to determine. Chair Fried said that it is probably too early to say. Randall Tanaka, from DBEDT, said that the rooftop could be reconfigured because the revenue for HCC really comes from food and beverage. The rooftop is also the egress for the ballroom so it would require putting something else there in consideration of that. He noted that they knew the concrete cracks and the problem with the sports court is that it only covers the concrete, but the concrete continues to crack and leak. He added that there is also a grading problem and the water is pocketing underneath, and on hot days it bubbles up. Mr. Tanaka said that they have tried capping it with sealant.

Mr. Anderson said that, from a technical aspect, the water being trapped is warm, salty, corrosive water. Mr. Tanaka said that the building can still be operated, but with restricted access. Chair Fried asked when they realized damage was being caused by the water. Mr. Tanaka said that during the approximately 45 days of rain in 2006, there was water pouring into the stairwell. He said that another issue is getting rid of plants because root intrusion is also causing damage. He stated that, ultimately, the State got a great value for the land, but it

needs to be maintained. Mr. Dee said that, since this is going to be competitively bid, attendees should be mindful about discussing it.

13. Adjournment

At 1:10pm Chair Fried asked for a motion to adjourn. Mr. Kam made a motion which was seconded by Ms. Kumukahi. The motion passed unanimously.

Respectfully submitted



Janjeera Hail
Recorder