



**REGULAR BOARD MEETING
HAWAII TOURISM AUTHORITY**

Thursday, January 29, 2015

**Hawaii Convention Center, Board Room A
1801 Kalakaua Avenue, Honolulu, Hawaii 96815**

MINUTES OF REGULAR BOARD MEETING

MEMBERS PRESENT: Aaron Salā (Chair), Fred Atkins, Jack Corteway, Sean Dee, Donna Domingo, Craig Nakamura, David Rae, Lorrie Stone, Denise Hayashi Yamaguchi

MEMBERS NOT PRESENT: Rick Fried

HTA STAFF PRESENT: Ron Williams, Caroline Anderson, Jadie Goo, Laci Goshi, Michael Story, Brian Lynx, Daniel Nahoopii, Marc Togashi, David Uchiyama, Kelii Wilson, Miki Wakai

GUEST: Zachary Alakai Lum

1. Call to Order

Mr. Salā called the meeting to order at 9:31 a.m. He introduced “Keauhou,” a three-piece musical group that performed at the 2015 Legislative session. Mr. Lum spoke on behalf of Keauhou, which sang two songs that convey a sense of place or “aina” and with the hope that we should not forget Hawaii’s beauty and people. We should realize how fortunate we are to live in Hawai‘i.

2. Pule

Mr. Salā noted the importance of a Pule to reflect a “spiritual grounding” for the HTA. Consequently, the Pule was referenced as a separate agenda item.

3. Approval of Minutes of Prior Board Meetings

Mr. Corteway made a motion to approve the minutes of the Board meeting held on December 18, 2014. Mr. Atkins seconded the motion.

In response to inquiries or “call to action” from the Board made during the last Board meeting, Mr. Williams acknowledged Mr. Uchiyama, who stated that he consulted with the U.S. Border and Patrol regarding an “internal subsidy” from Brand USA to fund additional staffing at the Kona Airport. He was advised that the HTA is currently utilizing the proper process to seek additional staffing at Kona Airport and that staffing cannot be subsidized through Brand USA. In regards to issues or concerns related to the procurement process for goods and services at the Hawaii Convention Center, Mr. Williams stated that staff was able to “work it out within the guidelines” for both AEG and HTA.

All the Board members present without objection or revision unanimously approved the motion.

4. Report of the CEO Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staff’s Current Assessments of the HTA’s Programs

It was noted that a written Report of the CEO was in a folder containing documents related to the agenda items and previously distributed to the Board. The CEO report included for the Board’s discussion, the December 2014 marketing contractors’ report and HTA’s status report on the Auditor’s recommendations.

Mr. Williams acknowledged Mr. Uchiyama to present the Staff’s current assessments of the HTA’s programs. Mr. Uchiyama stated that the presentation to the Board is Staff’s third quarter evaluation of the marketing contractors to determine whether established goals were achieved. A dashboard of key performance indicators reflecting each major marketing contractor performance in a major market area (MMA) during the third quarter was presented to the Board through a PowerPoint presentation.

Ms. Goshi discussed an evaluation of the Hawaii Visitors and Convention Bureau’s (HVCB) performance during the third quarter in the U.S. West market area. She stated that HVCB exceeded its targets for arrivals, visitor days and airlift. Visitor spending remained flat. However, on a year-over-year basis, Ms. Goshi stated there were “increases across the board.” She further noted that arrivals to Maui and Kauai were above targets. However, although arrivals to Lanai and Hawaii Island were below targets, the arrivals for Hawaii Island were up for Hawaii Island on a year-over-year basis.

In regards to the U.S. East market area, Ms. Goshi stated that “we saw an increase in airlift;” that “visitor days remained flat to target;” that although year-over-year daily spend was up, “targets were not met for arrivals and visitor spending; and, that the “contributing factors” for a “slight drop in arrivals year-over-year “was due to fewer convention visitors.” Finally, she noted that similar to U.S. West, arrivals to Lanai and Hawai’i Island were below targets.

In regards to the Canada market area, Ms. Goshi noted the following unfavorable economic factors: stagnant job market, rising inflation, and unfavorable exchange rate. She also stated that “targets were not met for arrivals, visitor spending and visitor days” and these decreases were also reflected in the same categories on a year-over-year basis. Although airlift was up year-over-year, “airlift remained flat to target.” Finally, she stated that “island distribution for the Canadian market continues to show improvement.”

Ms. Goshi discussed the following “programs” and “activities” that were conducted during the third quarter in the North America MMA: national television exposure on “HGTV” (Love It or List It; Travel Tips vignette entitled “Getting In The Aloha Spirit”) and Travel Channel (“30-Second Escape” vignette); and, a new training curriculum for a statewide travel agent certification program.

In regards to airlift, Ms. Goshi stated that “domestic scheduled nonstop air seats were up” and airlift from Canada “was flat to target.” She also discussed a “Fall ‘Condition Based’ RFP” that was presented through the HVCB “travel trade team” and in response to the softening North America market and the “easing hotel rates and airfares.” She identified six “participating partners” in the program to date.

In summary, Ms. Goshi restated the positive visitor data on a year-over-year basis and stated that “HVCB’s communication and relationships with its partners continue to be positive as there continues to be a high amount of participation in their road shows and other industry events.” She expressed the belief that “looking forward, they will continue to focus on sustaining and increasing airlift and neighbor island distribution.”

Ms. Wakai presented Staff’s third quarter evaluation of the performance by Hawai’i Tourism Japan in the Japan MMA. She noted that arrivals dropped; visitor spending was flat; visitor days dropped; and, that although the load factor was up, airlift was down. She expressed the following “reasons for the negative numbers:” that “economic reforms in Japan benefited large corporations, but benefit to the consumers is still lagging;” and, that “the value of the yen” was “unstable” during the third quarter and causing a drop in total outbound travel.

Ms. Wakai discussed the following programs and activities in the Japan MMA during the third quarter by stating: that the “Arashi Blast Hawai’i Concert” resulted in approximately 15,000 Japanese visitors attending the concert and who “contributed 38,000 room nights and generated more than \$20 million in economic benefits,” and that there was “more than \$160 million in advertising value equivalency” resulting in “43.6 impressions; that with the establishment of an education program called the “Aloha Program” to “cultivate groups of people well versed in Hawaiian culture and history,” 610 individuals became “Hawai’i specialists;” and, that Hawai’i Tourism Japan created two additional satellite offices in Nagoya and Hokkaido. In regards to Airlift during the third quarter, Ms. Wakai noted the following: that although load factor was up, airlift was down; Hawaiian Airlines stopped daily service from Fukuoka; JAL switched from a 767 aircraft to a 787 and resulted in a drop in air seat count; and, that there were eight more charter flights for a total of 19.

Ms. Wakai offered the following summary of the third quarter performance by Hawai’i Tourism Japan: all planned programs were executed; the contractor is “well connected in Japan and Hawai’i and has established “great relationships with various partners;” that the contractor “understands the economic situations and knows how to combat the given situations;” and, that “they are familiar with the current trend and know how to use them to market Hawai’i.”

Mr. Story presented Staff’s evaluation of Hawai’i Tourism Oceania’s (“HTO”) performance in Oceania MMA during the third quarter. He stated that “in relation to targets,” the “results have been mixed” in Australia and New Zealand. He added that “HTA needs to work with operators in market to push promotions that will increase visitor length of stay” and to Hawai’i Island. By “pushing a neighbor island component with the operators” the “length of stay and neighbor island KPIs” would improve.

Mr. Story discussed the following programs and activities initiated by HTO during the third quarter: Jetstar Airways “Say Aloha to Hawai’i” campaign; an inaugural Hawai’i MCI event in Melbourne, Australia, that attracted 40 quality clients; different aircraft and additional air service by Qantas airlines, including a codeshare agreement with WestJet.

Mr. Story offered the following summary of the third quarter performance by HTO: that “in relation to targets,” the “results have been mixed” as reflected in an increase in New Zealand visitor arrivals but a decrease in Australian visitors, and a decrease in visitor days but an increase in visitor spending; that “feedback from industry partners” indicate there has been an “increase in inquiries and bookings;” and, although HTO has not varied from its annual tourism marketing plan, an adjustment in the third quarter “would have been beneficial.” He noted the following “unforeseen factors” affecting the key performance indicators for HTO: currency

exchange; adjustments in Australian economy; air seat capacity reallocation; and, the hiring of a new regional director for Australia and New Zealand by Hawaiian Airlines that would result in more attention in the market. Mr. Story would be requesting HTA to review its annual tourism marketing plan for 2015 in response to the “unforeseen factors.”

Ms. Wakai presented Staff’s evaluation of Hawai’i Tourism Korea’s (HTK) performance during the third quarter. She reported that despite an anticipated drop in demand and airlift, the performance of the Korea market “exceeded expectations.” Although daily spend was down, visitor arrivals, spending and visitor days were up. Ms. Wakai discussed the various programs and activities in the Korea market and noted the wedding and honeymoon initiatives being implemented through a partnership between Honeymoon Resort and the Big Island Visitor Bureau and a promotion implemented by the honeymoon division of Hana Tour. In regards to airlift, Ms. Wakai discussed HTA’s efforts to work with Jin Air for travel between Korea and the U.S. She also discussed HTK’s online promotion with Asiana Airlines. In summary, Ms. Wakai stated that “HTK had developed good relationships with all the key accounts and industry partners, both in Korea and Hawai’i,” and has “conducted various sales promotions for the travel trade, consumers, public relations and online to achieve their KPI targets.” She also noted that HTK has worked well with the airline partners to promote Hawai’i.

Ms. Goo presented Staff’s evaluation of the performance by Hawai’i Tourism China (HTC) during the third quarter. Generally, she stated that the China contractor “did well” by referring to the dashboard of key performance indicators during the third quarter that reflected results in arrivals, spending, days, daily spend and airlift being above target. Ms. Goo discussed the partnership with “travel trade” to develop themed products by referring to initiatives with “GZL,” one of the largest tour operators in China, that provided free Hawai’i advertisements on its website, and HH Travel and its “Million Dollar Wedding in Hawai’i.” She noted that “self driving” by China visitors is “starting to get traction” with increasing car rentals. Among the various programs and activities implemented in China, Ms. Goo highlighted the partnerships with various online travel agencies that increased Hawai’i’s online presence through woqu.com, shijiebang.com, and showture.cn. In regards to airlift activity in China, Ms. Goo discussed a partnership with Hawaiian Air for a television program entitled “Traveling Around the World.” HTC is also continuing its work to “push for daily service” by China Eastern and Air China.

In summary, Ms. Goo evaluation of HTC was that “overall” it “did well” by focusing on Hawai’i’s products and expanded the “reach and collaboration with travel trade partners in China.” However, HTC needs to build upon its relationship and cooperation with Hawai’i stakeholders and to enhance HTC’s team knowledge of the destination.

Ms. Goo continued by discussing the contractor's performance in the Taiwan market where it was a "different story." The contractor failed to reach all of its key performance indicators. She noted that when air seats in the Taiwan market had dropped, the market did not recover. Among the program and activity highlights in the Taiwan market, Ms. Goo discussed "B2C programs," such as the "Hawai'i Carnival," which resulted in "50,000 participation," and "Hawai'i Month," when restaurants focused on Hawai'i products. She also discussed a television program entitled "Cooking My Way" by Star TV. In regards to the airlift strategy in Taiwan, she discussed efforts to develop "uniform tours with uniform price" with various travel agencies. In summary, Ms. Goo stated that the contractor made "positive changes" in the market by developing "creative consumer campaigns" and "taking the initiative" to create products to "test the market." However, the contractor needs to gain trust and cooperation from Taiwan agents, and it needs to allocate more time and effort to "rebuild the market interest and demand."

Mr. Salā asked, "what are we doing to prepare for the Chinese visitor." Ms. Goo responded that "we still need to prepare more for the Chinese visitor." Mr. Uchiyama added that Ms. Goo has worked with community colleges to develop a China curriculum, which needs to be more "focused on the property." The curriculum also needs to be shorten from 20 hours. He emphasized that the "China market is very different from other markets." Mr. Williams noted that "language is still a challenge."

Mr. Dee stated that based on his experience, it is "still difficult to recruit workers with knowledge of Chinese language and culture." Mr. Salā asked that HTA "revisit this issue and stay focused on this."

Mr. Corteway asked, "what nation would get the most Chinese visitors?" Ms. Goo responded that approximately 90% of China outbound travel would go to Asia. During a discussion of the average income of the Taiwan visitor, Mr. Uchiyama stated that there is a "potential" for more Taiwan visitors.

Ms. Anderson presented Staff's third quarter evaluation of Hawai'i Tourism Europe ("HTE") in the Europe major market area. She stated that "HTE fell short in meeting their KPI goals." She noted that the Lufthansa airlines strike affected the Europe market. Ms. Anderson discussed the various group FAM trips and a Expedia/Brand USA joint marketing campaign. In summary, she stated that HTE has "implemented its third quarter activities as planned" and that its current activities will impact travel in future months. The "new UK team" needs to build up its destination knowledge, develop relationships, and be trained on HTA procedures and

paperwork. Finally, Ms. Anderson expressed concern that HTE does “not have enough co-op activities in the first half of the year to have helped keep the momentum of the market.

Ms. Anderson also provided Staff’s third quarter evaluation of the Latin America market. She stated that Focus Latam was the new contractor for the market. In regards to the KPIs for the market, arrivals, visitor spending and daily spend were “above targets.” However, daily spend was below target. She discussed the various FAM trips by travel trade and media in the market. As a result of the FAM trips, many products were expanded or enhanced. In summary, Ms. Anderson stated that the contractor is “doing a good job in carrying out their responsibilities and providing destination representation services,” but “will need to continue to learn and develop partnerships with Hawai’i industry partners” and to also acquire more data to provide “better information on the numbers being produced for Hawai’i.” Mr. Williams added that Latin America “has many opportunities.”

Mr. Lynx presented Staff’s third quarter evaluation of Meet Hawai’i, which is responsible for the meetings, conventions and incentive (“MCI”) market. He stated that Meet Hawai’i is a “collaboration” between the Hawai’i Tourism Authority, HVCB, and the Hawai’i Convention Center (AEG) to promote the MCI market in Hawai’i. He noted that the sale of room nights is the primary KPI for the MCI market. He proceeded to discuss the third quarter dashboard for the market by providing the definite and tentative room nights for “citywide” group booking and single property booking. In regards to the 2014 results, Meet Hawai’i has “missed its targeted goals.” Single property production for all of the Hawaiian Islands was down 15% to goal and convention center production achieved 87% of goal. He discussed the various international Meet Hawai’i results and noted favorable results for Korea, China and Oceania.

Mr. Lynx continued his presentation by discussing the performance by AEG from September 2014 to date. He noted that bookings in 2015, 2016, 2019 and 2020 are “looking good.” However, 2017 and 2018 bookings are “a little behind historical pace.” In regards to airlift strategy for the Meet Hawai’i market, he stated that the Meet Hawai’i team is working hard to address the contention that air cost is “one of the major reasons that Hawai’i cannot be considered for group travel.” The strategy is to offer free airfare to meet with the meeting planner and decision maker of key tentative groups. Hawaiian Air has “step up” to assist Meet Hawai’i. In regards to the North America MCI market, Mr. Lynx stated that the third quarter goals were achieved and there has been an increase in potential business. The “IUCN” business was also acquired for September 2016. However, definite room night pace has fallen behind last year’s pace. Among the successful activities and programs for Meet Hawai’i, he noted that it now has a “full team;” a thorough “tentative review” meeting is being conducted every month with all sellers; an international FAM trip is being conducted for MCI marketing

contractors; and, offers to the financial markets (IMEX/FICP) are being made and tracked. He emphasized the success of the 'Elele Program, which assisted in obtaining four new bookings at the convention center; strengthened ties with the University of Hawai'i; and, created a Pacific Rim strategy to increase international scientific meetings in Hawai'i.

Mr. Lynx discussed the MCI performance by the marketing contractors within the Japan, Oceania and other Asia market. In regards to Japan, he noted that due to moderate economic, it is poised for additional growth; the Arashi concert delivered 38,000 room nights; a "Asia Super FAM" is under development for 2015; and, the 'Elele program activities are picking up traction. In regards to the Korea MCI market, he noted that although Korea has a strong desire to travel and there has been 17 small group bookings in September, it has been "slow" to recover from the "ferry disaster" and there is a need for "in-language information," hotel speaking staff, and less "nickel and diming approach."

In regards to China, Mr. Lynx discussed a Hawai'i FAM and sales mission in Beijing and Shanghai. Sales materials were also translated. HTA is assisting with VISA's, which remains a prominent problem with 25%-50% of the visitors not obtaining a VISA. The requested room rates in Hawai'i are ranging from \$100 to \$150. In regards to contractor's performance in Oceania, he noted that a decision was made to not attend the "AIME" at Melbourne in 2015 and to instead support a road show. The contractor is also "capitalizing" on longer lead times and group size. Due to the New Zealand general election, there were slower travel bookings but the pace is expected to "pick-up" in the fourth quarter. Finally, in regards to the contractor's performance in the Taiwan market, Mr. Lynx noted although there has been one significant booking and another potential significant booking, there needs to be more destination knowledge by the new contractor. There is strong competition in Australia, Japan, Dubai, Korea and Thailand caused by lower pricing and "perceived" as better overall product or service. Mr. Lynx stated that Taiwan is a "challenging market" and not getting "big groups." However, we are getting smaller groups that spend more.

Mr. Williams asked "where does China go for MCI?" In response, Mr. Lynx offered "Japan," Mr. Dee offered "Thailand," and Ms. Goo offered "Australia." In response to a question from Mr. Atkins as to the "lag time for booking," Mr. Lynx stated there is a one-year to 18-month lag time for international bookings and three years for domestic bookings.

Mr. Salā requested that Board members should be "more involved" in each market and "using the Board meeting" to be educated. Mr. Corteway concurred and suggested that the Board "needs to spend time with staff." He stated he "found staff to be very helpful."

5. Review of Recent and Upcoming Permitted Interactions

Mr. Dee reported that he and Mr. Salā met at the Beach Walk in Waikiki on January 13, 2015 to inspect and discuss the various cultural products in Waikiki.

The meeting was recessed at 10:25 a.m.

The meeting was reconvened at 10:37 a.m.

6. Discussion and Approval of the HTA Strategic Plan 2015

Mr. Williams referred to a copy of the “HTA Strategic Plan 2015” that he distributed at the Board meeting on December 18, 2014 for the Board’s consideration and deliberation at today’s meeting. Mr. Dee made a motion to approve the HTA Strategic Plan 2015. Ms. Domingo seconded the motion.

Mr. Rae asked “what degree of flexibility “ does HTA have “to address opportunities in the future?” Mr. Williams responded that HTA is “very flexible” and would be able to “come to the Board for any changes” to the budget. He noted that Mr. Uchiyama has been “very proactive in coming forward” with any changes. In response to a question from Ms. Stone, Mr. Williams stated there “is flexibility” in the contracts with contractors. Mr. Uchiyama added that “if need to, we can move money.” Ms. Stone expressed concern that “contractors would say that they are already committed to a program and can’t move money” once it is encumbered. Ms. Stone asked that “we need to review the contracts to confirm our ability to move funds once encumbered.”

In response to a question from Mr. Corteway whether “we have flexibility with a reserve,” Mr. Williams stated, “we have flexibility” but “may have to spend more.” Mr. Atkins asked if there is a contingency maintained by a contractor. Mr. Uchiyama responded that contractors are initially asked to “build their plan” based “on directions” from HTA that may reflect an amount less than there are funds available. Mr. Salā stated, “this is a long term strategic discussion and needs to be further discussed.”

Mr. Atkins asked, “what is HTA position on infrastructure?” He noted the “gridlock” on roads in Kaua’i. Is this a county question or should this be discussed by HTA? Mr. Williams responded that HTA would “love to support infrastructure.” However, this is not within HTA’s strategic plan initiatives at this time unless the Board would like to change it. Mr. Uchiyama added that TAT funds are allocated to the county and, therefore, “the tourism industry does support infrastructure.” Mr. Rae added that HTA’s role could be to “share data to the policy-makers.”

Mr. Williams stated that a “committee” was established to inform the Legislature on how to allocate TAT revenues to the counties.” Ms. Stone added that it would be a “good idea” to communicate or educate the Hawai’i Department of Transportation or the county “when there would be more visitors so that infrastructure burdens could be addressed.” Mr. Rae stated his recollection that during a strategic planning committee meeting, there was a discussion confirming HTA’s “plan to communicate with the counties and state departments, especially now that there is no tourism liaison.”

Upon a request by Mr. Salā for a vote on the motion to approve HTA Strategic Plan for 2015, the Board unanimously approved the motion by all the Board members present without any reservations or objection.

The meeting was recessed at 11:15 a.m.

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

7. Presentation and Discussion on Visitor Statistics

Mr. Nahoopii provided a PowerPoint presentation entitled “Current Visitor Data, December 2014” and dated January 29, 2015. He stated that as of “year-end 2014,” visitors contributed \$14.7 billion to Hawai’i’s economy,” which represented \$40.4 million statewide per day; that visitor expenditures was up 2.3%, which was ahead of the inflation rate; and, that arrivals set a “new record” at 8,282,680, which was .4% over target and 1.3% increase year-over-year. In regards to December 2014, total expenditures were up and arrivals grew with increased from U.S. West and U.S. East that offset a decline in arrivals from Japan. Overall, length of stay was “flat.”

In regards to the statewide actual KPIs year-to-date vs. targets, Mr. Nahoopii stated that “all indicators kept pace with revised targets.” He noted that the actual visitor days was flat because there was a “drop in international markets,” especially the Japan market “which cut back on length of stay.” In regards to the island distribution KPIs year-to-date vs. targets, he stated that travel to Hawai’i Island continue “to underperform.” The island distribution reflects mostly day trips and not overnight stays and that the Japan visitors are staying shorter.

In regards to expenditures, Mr. Nahoopii noted that December expenditures were ahead of target due largely to expenditures by visitors from the developing markets and U.S. East. He again noted a drop in expenditures by Japan visitors because of their shorter length of stay. Growth in statewide visitor expenditures has been at a “steady level” since July 2014. In regards to the categories of personal spending year-to-date, it was noted that lodging increased

across all markets. Although entertainment and recreation increased, lower spending in shopping offset this increase and may have been caused by a drop in the Japan market.

Mr. Nahoopii discussed air seat capacity, which was up 6.9% in December and 3.4% for the year. He expects a 6% and 9% gain in the first and second quarter, respectively. He also expects a 5.8% increase overall in 2015.

The increase in visitor arrivals for December was due to an increase in visitors from “other developing markets,” U.S. West, and U.S. East. Direct cruise ship arrivals have dropped 28% same time last year because large cruise ships do not port every year in Hawaii. The seasonally adjusted arrivals have shown that we have “entered another swell in growth” starting from May 2014. Mr. Nahoopii stated that the December average daily census was up 5.8% and December may appear to be a new peak when the peak was usually in July and August.

Mr. Nahoopii discussed the arrivals from each market in 2014 as follows: U.S. West and U.S. East met 2014 targets; Canada and Japan fell short in 2014; China and Oceania exceeded 2014 targets; Korea and Europe were below expectations; Taiwan arrivals fell short of revised targets; and Latin America arrivals exceeded 2014 target. Hotel occupancy and hotel rates in November were up “2.0 percentage points” and 8.7%, respectively. The average hotel daily rate in 2014 was \$241.

8. Presentation, Discussion and Approval of HTA’s Financial Reports

Mr. Togashi provided a PowerPoint presentation entitled Financial Statement Summary, December 31, 2014. In regards to the HTA Tourism Special Fund (TSF) as of December 31, 2014, he discussed the following: the amount of cash, accounts receivables and investments in the TSF; that due to the effect of “timing,” the December TAT revenues will not be received until January; in comparison to the \$31.7 million in prior year encumbrances at the beginning of the year, there is currently \$5.3 million; and, approximately \$8 million is expected to be in “reserves” by June 2015. Based upon a FY 2015 budget of \$92.3 million, approximately \$35 million has been expended. Spending from the TSF was according to budget.

In regards to the Convention Center Enterprise Special Fund (CCESF) as of December 31, 2014, Mr. Togashi discussed the following: the amount of cash, account receivables, reserves and investments in the CCESF; similar to the TSF, December TAT revenues have not been received; that \$10.9 million in cash is with AEG or DAGS for specific repair and maintenance projects; and, approximately \$2.2 million in prior year encumbrances have not yet been spent. The Convention Center operating loss through December 2014 was \$1.2 million. At this time, it is

projected that there will be a \$3.1 million operating loss in FY 2015 as compared to \$3.5 million budgeted. The decrease in operating loss was due to “cost efficiencies” and strong revenue growth in calendar year 2014. Spending from the CCESF was according to budget.

Mr. Williams acknowledged that a “\$3 million operating loss looks difficult” but the trend is a reduction in the loss. Mr. Togashi stated that funds spent on the convention center “are an investment in the State economy.” He noted a \$14 to \$1 return on investment based on visitor spending and a \$50 to \$1 return on investment if the bond expenditure was excluded.

Ms. Domingo made a motion to approve the HTA financial statements for the TSF and CCESF as of December 31, 2014. Mr. Dee seconded the motion, which was unanimously approved by all the Board members present without reservation or objection.

9. Presentation, Discussion and Approval of HTA Policy Positions for 2015 Legislative Session

Mr. Salā acknowledged Mr. Corteway, who made a motion to approve the HTA Board Resolution 15-01 (“Resolution”) regarding the delegation of authority to present policy positions. (A copy of the Resolution was included in a folder containing documents related to the agenda items and was previously distributed to the Board.) Mr. Atkins seconded the motion. It was noted that Board Resolution 15-01 would authorize HTA’s President and CEO or its Board Chair to present public policy positions provided in the Resolution during calendar year 2015 before all branches of the federal, state and county governments.

Ms. Stone requested clarification on the third “resolved” clause on page 3 of the Resolution regarding the allocation of “[additional] Transient Accommodations Tax from the general fund to continuously enhance and improve the tourism product.” She expressed her uncertainty as to whether this clause would be interpreted as creating a role for HTA to collect funds for the various counties. Ms. Stone also expressed the need for HTA to adopt a specific position on legislative measures or bills relating to transient vacation rental. She further expressed the need for HTA to be more proactive in adopting specific positions on the various policy positions provided in the Resolution.

Mr. Salā stated his understanding of Ms. Stone’s position on the Resolution is that we should “take this further.” Ms. Stone responded that “since we have a different Governor and Legislature,” we should be more specific and proactive in taking positions, especially in legislative measures. In regards to transient vacation rentals, she expressed the belief that the various county mayors would appreciate a specific position adopted by the HTA and that she

would not know “how HTA could address bills on this” if HTA has not yet taken any specific position on it.

Ms. Domingo stated that “the county has a problem with enforcement.” The county is “looking for funds” for enforcement. She further stated that “locals” would not report their neighbors, who are trying to make ends meet. There was a discussion on HTA’s historical role on vacation rentals, which was to provide information to the counties. Mr. Williams stated that the position he would present on vacation rentals on behalf of HTA would be “that everyone would pay its fair share” and that “we need to have safe accommodations for visitors.” He added that he remains willing to “present any position adopted by the Board.”

Mr. Rae stated his belief that there are two issues: “county zoning enforcement” and tax collection by the “Tax Department” for the business being conducted. Ms. Stone added that we also need to discuss the statewide impact vacation rentals has on the tourism industry, such as visitor capacity, and on the general public, such as “affordable housing for locals.” Mr. Atkins expressed his concurrence with the positions presented by Ms. Stone, especially when many of the vacation rentals “are illegal.” Mr. Rae responded that “there are existing laws that needs to be enforced” and that the issue being presented is “how many should there be and where they should be.” These are the issues Ms. Stone is raising and are also county issues.

Mr. Williams discussed a current legislative measure that seeks to define a “transient vacation rental.” He noted that this matter is a “complex issue” and that in the past HTA “has punted.” Mr. Corteway responded that we need to “drive the bus on this issue.”

Ms. Hayashi Yamaguchi acknowledged the need to adopt a position but inquired as to what should be the position adopted by HTA. Mr. Nakamura asked, “how specific should HTA’s position be” when presenting its testimony to the Legislature. Ms. Stone responded that HTA’s position “needs to be put on paper and discussed,” and that the position should reflect a position on a statewide basis and not to just state that the counties should be allowed to regulate. Mr. Salā stated that he would meet with staff to discuss the development of a position and asked whether an investigative committee should be established.

Mr. Atkins discussed the vacation rental issue on Kaua’i and noted that vacation rentals are located in designated areas. He believes there are two issues: “where” and “enforcement.”

Mr. Williams restated his understanding of HTA’s position on vacation rentals is that vacation rentals should “pay TAT” and that there is a concern for the “safety of visitors.” Ms. Domingo

stated that although “short term rentals” are options for visitors, there are “safety issues” and the need to provide a favorable visitor experience while staying at these rentals.

Mr. Nakamura stated that although the Resolution “is broad” enough to give the CEO “the flexibility to adopt positions” on legislative measures, Ms. Stone is requesting specific positions on each measure. Ms. Stone responded that the “legislative process is fluid” and the CEO “could adopt positions as previously authorized with the understanding that” the CEO “should go back to the Board to adopt specific positions moving forward.” Ms. Domingo concurred with Ms. Stone that the Board should “adopt a position on transient vacation rentals.”

Ms. Stone made a motion to adopt the Resolution subject to the Board adopting a specific position on transient vacation rentals and to adopt more specific and proactive positions on the policy statements stated in the Resolution. Mr. Corteway seconded the motion, which was unanimously approved without any objection or reservations. (The previous motion by Mr. Corteway/Atkins was not considered.)

10. Adjournment

Upon a motion made by Ms. Hayashi Yamaguchi, and seconded by Mr. Nakamura, the meeting was adjourned by consensus at 1:52 p.m.

Respectfully submitted,



Winfred Pong