

**AOUO THE COLLECTION
BOARD OF DIRECTORS MEETING
DECEMBER 11, 2019
MINUTES**

I. CALL TO ORDER

President Funakoshi called the Special Board of Directors meeting for AOUO The Collection to order at 5:30 PM in the Tower Club Room.

II. ATTENDANCE

Board Members: President Rodney Funakoshi, Vice President Wei-Kung Wang; Secretary Debra Ishihara-Wong, Treasurer Joseph Kraulik and Directors Kevin Kwan and Edison Ting

Excused: Directors Henry Lew, Taylor Nguyen, and Tyler Street

By Invitation: Debi Balmilero, CMCA[®], AMS[®], PCAM[®], Management Executive, Hawaiiana Management Company, Ltd.; Mike Baker, The Collection Management; Wendell Choy, Energy Storage Hawaii, LLC;

Guests: Unit 2803, Steve Shaw; Unit 2806, Sandra Furuike; Unit 3006, Roy Howard; Unit 3910, Darold Wong

(Note: Guests were present only during Regular Session)

III. REPORTS

A. Building, Grounds & Design Review Committee *(Chair Kevin Kwan, Members: Rodney Funakoshi, Wei-Kung Wang, Byron Ho, Cherie Dang, Neal Fujimori, Darold Wong)*

a. Tower Solar Photovoltaic (PV) System *(PV Chair Funakoshi)*

Chair Funakoshi and Wendell Choy provided status and details about the photovoltaic system proposed for installation over the upper level parking for electricity savings for the Tower. A PV Project Update handout was provided (attached) and a preliminary spreadsheet of the financials which will be revised per discussion at the meeting.

A **motion** was made by President Funakoshi and seconded by Treasurer Kraulik to approve the installation of a combined Phase 1 (trellis) and Phase 2 (drive aisles) solar photovoltaic system (PV) with a power purchase agreement (PPA) with Energy Storage Hawaii, LLC subject to: notice to owners of an option for loan assumption after 5 years, final financial data, legal review, and HECO and City approval. The PPA is planned to be in place for five years with the option for the Association to assume the loan or purchase the system at that time. A fact sheet and information details will be available for all owners through the Association website. The motion carried unanimously.

IV. EXECUTIVE SESSION

A **motion** was made by Secretary Ishihara-Wong and seconded by Treasurer Kraulik to adjourn and reconvene in executive session to discuss and vote upon personnel matters. The motion carried unanimously.

President Funakoshi adjourned the regular session into executive session at 6:58 PM and resumed the regular session at 7:35 PM.

A. Personnel Matters

The Board, by unanimous consent, determined the holiday compensation for the staff will be allocated from the Common budget instead of the Tower budget for 2019 and going forward.

V. NEXT MEETING

A regular Board of Directors meeting of AOUO The Collection will be at the call of the Board President or on **Tuesday, January 28, 2020 at 6 PM, Onsite Tower Club Room.**

VI. 2019/2020 MEETING SCHEDULE *(Tower, Club Room, 6 PM)*

February 25, 2020, March 31, 2020, April 28, 2020 *(Annual Meeting 6 PM, Salt Barn)*

VII. ADJOURNMENT

There being no further business, President Funakoshi adjourned the regular Board of Directors' meeting at 7:35 PM.

Approved By:

Recording Secretary:

Debi Balmilero CMCA[®], AMS[®], PCAM[®]
Management Executive
Hawaiiana Management Co., Ltd.

Attachment: PV Project Update for 12/11/19 Meeting

NOT FOR REAL ESTATE/RESALE PURCHASES

TO: The Collection
FROM: Energy Storage Hawaii LLC via Wendell Choy, Member

DATE: 12/10/19

RE: PV PROJECT UPDATE FOR 12/11/19 MEETING

This addresses the key points in the Power Purchase Agreement between The Collection, customer and Energy Storage Hawaii LLC, investor. It is written to the Board members and those who may attend the meeting on December 11.

PPA OVERVIEW:

The goal is to save money for association. This happens in 3 stages. First, there is the 5 years the investors utilize for the tax incentives. Most of these tax incentives are not of value to the association. Further, the investors bear the construction and performance of system risk. Currently the association is paying high 20 cents and the PPA rate is at 16.8.

Second it when the association exercises the LOAN ASSUMPTION option that the GEMS program allows. In the alternative, another lender is willing to allow the same. Upon loan assumption, the investor drops out. The association therefore saves the GET, 20% debt service coverage ratio, bookkeeping, LLC insurance expenses and LLC tax preparation fees. It is expected the loan payment divided by the kWh produced per month will yield a kWh rate at 13-14 cents. In 5-6 years, the HECO rate may be above 30 cents.

Third is when the loan is paid off. Then the operation and maintenance costs may be in the 1 cent per kWh range. The HECO rate will be above 30 cents by then.

The estimated annual production of kWh is above 350,000. Simplistically, if the savings was 10 cents a kWh, this would mean \$35,000.

CONTRACTOR:

The investor hires the design professionals and contractors. In this project electrical and structural engineering are required. The carport is best designed and built by a specialty contractor and the photovoltaic system built by a PV company.

Electrical engineer:	Power System Design & Services LLC	(Cheng Wu Chen)
Structural engineer:	Structural Solar LLC	(Sean Overholt)
Carport Contractor	Structural Solar LLC	(Robert Pegnato)
PV Contractor:	Photonworks Engineering LLP	(Paul Orem)

CONSTRUCTION COST:

As of December 10, 2019, the range is \$1,030,000 to \$1,085,000. There is also a variance depending on the final system size. The goal is to maximize the usable space.

LENDERS:

There are two lenders typically First Hawaiian Bank and Hawaii Green Infrastructure Authority, a State agency also known as GEMS, primary and secondary.

The investor adds a Developer Fee onto the construction cost. This adds to the tax basis for tax incentives. More importantly it reduces the amount of cash equity needed. These two factors are necessary to allow a win win result.

As of December 10, 2019, the tax basis is anticipated to be between \$1,260,000 and \$1,325,000.

The primary lender lends about 25% of the tax basis and the secondary lender is at 50%.

LOANS TERMS:

Both lenders in the past lent at 4.5%. The primary lender was short term at 30 months with a balloon payment then due.

A key component of the PPA structure is a 20 year amortization offered by the GEMS program. The 20 years substantially drops the monthly loan payment as compared to the 7-10 years the traditional banks offered.

BASIC PPA TERMS:

The 3 stages of the PV project and how money is saved are described above. Another way to say this is there is no better way for the association to save on electricity costs and time delay is lost opportunity to save.

Basically the association just pays the investor for the amount of electricity produced at 16.8 cent per kWh.

Investor is responsible for upkeep of the system until the loan assumption occurs. The investor, PV contractor and association should monitor the system performance for stage 1, while the investor owns the system.

After loan assumption, the association owns the system. Assuming the PV contractor is a company the association wants to continue to have a relationship with, the association and PV contractor monitor the system. Association should contract with an entity to clean and/or monitor, such as Pacific Panel Cleaners, and to use the PV contractor for performance issues. The O&M sub-industry for PV is developing so in 6 years, it should be better for the association.