



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Economic Development & Tourism, State of Hawaii



DRAFT

**NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY
BOARD OF DIRECTORS
MEETING MINUTES
TUESDAY, MARCH 24, 2020
10:30AM**

(All participants via Teleconference)

Members/Designees

Linda Rosehill (Gov. Appointee)
William Mielcke (Gov Appointee)
Cyd Miyashiro (Gov. Appointee)
Dr. Gerry Cysewski (Tenant Representative)
Dr. Vassilis Syrmos (UH)
Riley Sato (County of Hawaii)
Chung Chang (DBEDT)
Neil Sims (Tenant Representative)
Dr. Philip Bossert (RAC Secretary)
Alan Hilton (RAC Chair)

Staff

Gregory Barbour (Executive Director, NELHA)
Laurence Sombardier (Deputy Director, NELHA)
Jan War (NELHA Chief Operations Officer)
Alex Leonard (NELHA Chief Projects Officer)
Daniel Jacob (Deputy AG)

Visitors

Robin Coonen (Blue Ocean Mariculture)

1. Call to Order.

The teleconference meeting was called to order by Chair Rosehill at 10:30 a.m.

Chair Rosehill suggested to the Board that, due to circumstances related to the current COVID-19 situation, that everything on the agenda be deferred except for New Business item 5b. and item 7, the Executive Director's Report as it pertains to COVID19. Chair Rosehill then confirmed with AG Jacob that a motion to defer the agenda was at the prerogative of the Board not necessary.

NELHA Executive Director Barbour recommended that a roll call be taken of board members, NELHA staff and members of the public. Chair Rosehill proceeded with the recommended roll call. All Board members were present with the exception of Director Masuda.

5. New Business.

5b. Discussion and Decision-Making regarding the sale of the building previously owned by Hawaii Deep Marine Incorporated and lease of the 4.5 acre property to Blue Ocean Mariculture (BOM).

NELHA Deputy Director Sombardier indicated that in January 2020, the Board approved the concept of turning the 4.5 acre HDMI facility into a shared Business Park. The objective at that time was to provide small steppingstone/incubation sites within the former HDMI property and building to companies graduating out of the Research Campus and the HATCH aquaculture accelerator. Two companies were approved to move into this new Business Park: Symbrosia Inc. and Kanaloa Octopus Farms. NELHA's preference continued to be to sell the HDMI property.

NELHA has subsequently been approached and received a proposal from Blue Ocean Mariculture, who has expressed strong interest in the property. The proposal is to obtain a long-term lease for the property and an offer to purchase the building. BOM desires to repurpose that facility in the next nine months into a finfish processing facility to primarily process Kampachi harvested from their offshore cages. Deep seawater will be used to develop new chill and frozen storage area improvements. BOM will not need warm, surface seawater.

NELHA Staff believes that the proposed project and a single tenant use of the property will provide the best use of the 4.5-acre facility given its location and lack of surface seawater. Although this site, if utilized as a business park and assuming a high occupancy, could possibly provide a larger revenue stream, NELHA believes that the sale of the property is the best option. NELHA would enter into a separate sublease for this additional BOM property. It is unclear at this stage whether the lease would be with BOM or with an affiliate. Full details are expected once BOM submits a full business plan.

With the acquisition of the HDMI facility, BOM is considering returning the area they are leasing formerly called King Ocean Farms. They have asked for some additional time to consider returning this 4-acre facility. Should this property be returned to NELHA, it would be another possible site to create a small business park. The King Ocean Farms property is similar in size to the HDMI site, has a small building on it and already has both surface and deep-sea water

infrastructure. Since this property is at a lower elevation, the cost to deliver seawater to this property would also be lower. There are significant advantages to moving the business park from the HDMI property to the former King Ocean Farms property.

BOM has requested a 40-year sublease. The lease structure will be in line with other leases at NELHA who have built processing facilities on their property. As with mixed uses at other tenant facilities, the rent would be split; \$1,800 per acre per month will be paid for 2 acres of the property that will be used manufacturing. The remaining 2.5-acre portion would be the same as their current facility rate of \$533 per acre per month.

NELHA staff has negotiated a deal with BOM for sale of the building at \$1.5M. We requested a deposit corresponding to 10% of the building purchase value. NELHA received the \$150,000 deposit from BOM on March 9, 2020. This deposit is nonrefundable unless the Board denies approval in concept of this project. In addition to the down payment, a \$600,000 payment would be made upon final Board approval. The remainder of the amount due (\$750,000) would be financed by NELHA at prime rate plus 1% over a 5-year term. The additional lease payments would generate approximately \$20,000 monthly for NELHA and \$240,000 annually over the next 5 years.

Staff recommends that the NELHA Board vote to approve this project in concept, accept the offer to purchase the building and negotiate a long-term sublease of the 4.5-acre facility previously leased to Hawaii Deep Maine Incorporated. Time is of the essence for this project and we would hope to be able to provide a full business plan to the Board for review at the next meeting.

After thanking DD Sombardier for her presentation, Chair Rosehill asked Robin Coonen, the Vice President of Finance for BOM if she had anything to add. Ms. Coonen indicated that the information presented by DD Sombardier was excellent and proceeded to thank everyone for scheduling the meeting so BOM could continue to move forward with the development of this project. Ms. Coonen went on to indicate that BOM is very committed to this project as it will allow them to become more independent and more fully integrated.

Chair Rosehill then entertained a motion of this matter. A motion was made by Director Mielcke for approval in concept for a sublease of the 4-5 acre facility to Blue Ocean Mariculture. The motion was seconded by Director Hilton.

At this point in the meeting, NELHA ED Barbour mentioned that provisions were made in the agenda to receive written testimony from the public by yesterday (March 23rd). No written testimony was received by this deadline.

Before taking a vote, Chair Rosehill asked if there were any board members who needed to recuse themselves. Tenant representative Director Cysewski indicated that he needed to recuse himself, as did tenant representative Director Sims. Director Sims indicated that this measure is

an admirable move forward and the ability for aquaculture operations to be able to process and freeze their product is going to allow for scale up.

In consideration of the interactive structure of the meeting from numerous participant locations, Chair Rosehill then asked for a roll call vote on the motion. With the exception of recusals from Directors Cysewski and Sims, and Director Masuda who was not present, all board members voted to approve motion. There being no further discussion, the motion was approved by the Board.

Director Masuda, called in to join the meeting just after the vote was taken. He mentioned that was in another meeting at DLNR.

7. Executive Director's Informational Status Report

NELHA ED Barbour presented the latest information concerning the operational changes at HOST Park concerning the COVID-19 situation. All staff began working and telecommunicating from home beginning March 19th. Each of the five NELHA Bargaining Unit 1 union members is taking turns to report on a different day of the week (Monday through Friday) to the NELHA site to patrol and monitor operations. Although we initially made no changes to our gate opening policy, the Konahanaiki beach park to the south of NELHA closed and they asked us to close our gate as well. We have not received any objections or negative comments since agreeing to take this measure.

NELHA took measures to close the public beach park restrooms and to allow access to Hale Iako bathrooms only to research campus clients. Five portable toilets were installed for the public's use, three at the beach park and two at the Research Campus. The public continues to enter the facility in small groups during normal hours. NELHA has installed signs along the roadway and shoreline indicating the beach park is closed and encouraging people to remove their own trash. So far, all of these measures appear to be working smoothly.

There was an initial concern by several tenants that their staff would not be considered essential. Cyanotech Corporation contacted several tenants and collectively sent a message to Governor Ige and Mayor Kim expressing this concern. The Governor's recent announcement included aquaculture falls under the essential services category.

We will continue to closely monitor rent payments and will keep the Board apprised. The NELHA managers are continuing to meet online every other day to stay informed and make progress reports. We have two staff always on call in case of emergencies and have continued support from our contract security services company. The seawater system continues to provide 99.999% availability and continuous electronic monitoring.

We have reached out to all of our customers and at this time have personally contacted over 70% of them to make sure they understand that we are here for them, will keep an open

communication with them and are asking if they have any special requirements. NELHA has also contacted companies such as Cyanotech and Koyo USA to request their support should NELHA staff become sick and not be able to maintain the seawater system.

NELHA ED Barbour concluded his report by indicating that he would send a weekly news flash to the Board to keep them closely apprised of any changes and how things are going.

Chair Rosehill asked if anyone had any questions of NELHA ED Barbour. Hearing none, it was announced that the next board meeting might be scheduled after Blue Ocean Mariculture (BOM) submits a final business plan.

Adjournment

There being no other business, Chair Rosehill at this time entertained a motion to adjourn. Director Mielcke made the motion, which was seconded by Director Bossert. The meeting was adjourned at 10:47 a.m.