



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism



Draft

BOARD OF DIRECTORS

MEETING MINUTES

Tuesday, March 16, 2021

10:00 a.m.

An Interactive Conference Technology Meeting was held at

**NELHA OceanView Conference Room
Hale Iako Building
73-970 Makako Bay Drive
Kailua-Kona, HI 96740**

and via Zoom Video Conferencing Software.

Members/Designees in Attendance

Linda Rosehill (Gov. Appointee/Chair)
Douglass Adams (County of Hawaii)
Riley Saito (County of Hawaii – Alternate)
Robert Masuda (DLNR)
Chung Chang (DBEDT)
Dr. Gerry Cysewski (Tenant Representative)
Alan Hilton (RAC Chair)
William Mielcke (Gov. Appointee/Vice Chair)
Dr. Vassilis Syrmos (University of Hawaii)
Cyd Miyashiro (Gov. Appointee)
Dr. Phil Bossert (RAC Secretary)
Neil Sims (Tenant Representative)

Guests/Staff Present

Greg Barbour (Executive Director)
Laurence Sombardier (Dep. Director)
Keith Olson (NELHA)
Allon Thompson (NELHA)
Karl von Kries, CEO and Alice Lingerfelt –
(LightManufacturing Inc.)
Jeff Zimpfer (National Park Service)
Adam Woltag, Rochelle Nagata-Wu,
and Karen Lee – (WRNS Studio)
Dr. Joan Salwen, – (Blue Ocean Barns)
Jonathan Scheuer – (NPS and LUC)
Ross, Jason and Chad
Matsuyama – (Mats4 LLC)
Daniel Jacobs (Deputy AG)

Board Members Not Attending and Excused

None.

- **Item 1. Call to Order.**

The meeting was called to order by Chair Rosehill at 10:02 a.m. Upon calling the meeting to order, Chair Rosehill requested a roll call of Board members, NELHA staff, and guests in attendance.

Greg Barbour introduced the new Chief Operations Officer, Mr. Allon Thompson to the Board of Directors.

- **Item 2. Approval September 15, 2020 NELHA Board of Directors' Meeting Minutes.**

Chair Rosehill entertained a motion to approve the November 17, 2020 minutes. The motion was made by Vice-Chair Mielcke and seconded by Director Cysewski. No discussion ensued or corrections were noted. The motion carried unanimously following no objections.

- **Item 3. Approval November 17, 2020 NELHA Board of Directors' Executive Meeting Minutes.**

This item was deferred.

- **Item 4. Informational Briefing on LightManufacturing project at HOST Park.**

As part of an ongoing effort to introduce Board members to some of the newest innovative projects at HOST Park ED Barbour introduced Karl von Kries and Alice Lingerfelt from LightManufacturing Inc. They provided an overview of their company which uses solar thermal energy to mold large plastic forms for items such as large tanks and septic systems. They presented a video online as well.

- **Item 5a. New Business – Execution of an agreement between NELHA and WRNS Studio for professional consulting services to assist in planning and design of a building in a new Innovation Center and a new visitor center for HOST Park – Discussion and Decision-Making.**

ED Barbour summarized the project in which NELHA is requesting approval to hire the architectural firm WRNS Studio (WRNS) to assist with the planning and design of an expansion of HOST Park Research Village to include a new Innovation Center and visitor center at the Wawaloli Beach Park. The result of this work will include the design development of a new office building/innovation complex and new visitor center as well as all associated construction documents, special entitlements, and permits.

NELHA requested approval from the DBEDT Director on November 18, 2021 to form a Professional Services Evaluation and Selection Committee to review and rank vendors who have submitted compliant responses to the Notice to Providers of Professional Services PS-21-01-NELHA issued on July 7, 2020. The committee reviewed a total of 15 submissions that were received in response to our notice.

The submission from the WRNS Studio was ranked the highest. The submission was rated by the committee in accordance with our standard evaluation criteria. The committee members' evaluation results indicate that the submission from WRNS Studio meets the mandatory requirements for this project and rated superior to excellent by all committee members. The selection process was made in accordance with Section 103D-304, Hawaii Revised Statutes and Section 3-122-Subchapter 7, Hawaii Administrative Rules, as amended.

We met with the WRNS team several times in late December 2020 and January 2021 via Zoom to discuss a proposed scope of work that the selection committee developed and provided to WRNS. WRNS presented a final cost proposal on February 3, 2021 with a price of \$999,324 and \$48,000 in reimbursables for a total of \$1,047,324. We issued a formal award letter to them on March 2, 2021.

The architectural and engineering services provided under the contract shall be complete and turnkey – producing shovel-ready, permitted construction documents ready for “Bid-Build” construction contracting. The scope of services for each of the two projects will include five separate phases:

- Phase-1 – Conceptual layout for the proposed site – including site planning allowing for future stages of development (for the Innovation Center), and conceptual layout and design suitable for preliminary review. Hale Wawaloli will only have one stage (7 weeks).
- Phase-2 – Preparation of an environmental assessment to objectively analyze and compare various scenarios for achieving the goals of the development, and to report on their environmental impacts and possible mitigation (32 weeks).
- Phase-3 – Project design – including all architectural and engineering services necessary to conceive, design, prepare plans and construction documents, and the complete permitting required for implementation of the project (16 weeks – can parallel Phase 2).
- Phase-4 – Bidding (8 weeks).
- Phase-5 – Construction administration (52 – 96 weeks).

Adam Woltag, Rochelle Nagata-Wu and Karen Lee provided an overview of their firm, WRNS Studio and some of the more relevant projects they recently completed or are working on now.

A motion was made by Vice-Chair Mielcke and seconded by Director Hilton to approve staff recommendation.

Director Sims requested clarification regarding whether the contract services are to include all of the permits? ED Barbour mentioned that WRNS Studio will complete an EA and SMA permits for both sites as well as County building and grading permits. NELHA has combined the EA and permitting services into one contract to complete the project in a timelier manner as some tasks can be done

in parallel. WRNS Studio indicated they have done these tasks on other recent contracts.

Director Masuda commented that he felt that WRNS Studio has put together a good team of sub-consultants for this project.

The Board voted unanimously by roll call to approve the staff recommendation to approve a contract between NELHA and WRNS Studio to assist NELHA with the planning and design of new facilities in HOST Park. Final contract documents will be subject to approval of the NELHA Deputy Attorney General.

- **Item 5b. New Business – Request Approval in Concept for Blue Ocean Barns Inc for a 10-acre aquaculture lease – Discussion and Decision-Making.**

Deputy Director (DD) Sombardier summarized the proposal from Blue Ocean Barns Inc. (BOB) who currently leases office space and has completed preliminary R&D work through a services agreement with Shrimp Improvement Systems facility. BOB is ready to start commercial operations and seeks approval to build and operate a 10-acre production facility for its *Asparagopsis taxiformis* seaweed.

BOB has provided a clear and well written preliminary proposal as well as a preliminary business plan for the staff and the Board to review. NELHA is an ideal location for growing algae and seaweed due to the seawater assets and solar resources. This project fits perfectly into NELHA's mission of economic development and diversification in the ocean sciences arena.

The company appears to have the resources and expertise to execute on their business plan. The founders have extensive management experience, and they work very closely with collaborators from Scripps Institution of Oceanography and other well renown organizations on the technical side. They have raised seed capital and expect to close on a significant Series A round of funding that will cover capital expenditures and initial operational expenses. BOB does expect to start generating sales revenues shortly after production has started with the company expected to become profitable as soon as 2022. The facility is expected to provide significant employment. At full production, BOB would be employing approximately 40 people.

Additional information will be needed in the final business plan to make sure that the proposed growth systems do not present any issues from the airport operations' perspective with respect to glare, attraction of birds or height restrictions. Staff anticipates that negative aspects can be resolved.

Other details such as proposed facility structures to be built and proposed discharge methods will need to be provided and evaluated during the final review. Staff also wishes to examine whether the compounds produced by the seaweed

grown and dried by BOB might volatilize and produce emissions anyone should be concerned about.

Staff does not anticipate any biosecurity issues. We are not aware of any issue between *Asparagopsis taxiformis* and the type of shrimp cultivated at Moana. Staff has reached out to Moana Technologies which would be the only immediate neighbor to confirm and so far, Moana Technologies has raised no objections.

Director Hilton stated that the NELHA requested a review by the Research Advisory Committee of the proposal from BOB and all seven current RAC members responded. The NELHA staff recommendation for approval-in-concept of the Blue Ocean Barns project proposal is consistently supported by all RAC reviewers. Reviewers found that the proposal is well aligned with the NELHA mission and appropriate use categories, along with an opportunity to promote advancement in an increasing competitive market for new companies poised for success in the global aquaculture and mariculture products market in general, and the commercialization of production and products from *A. taxiformis* macroalgae in particular. RAC reviewers support approval-in-concept of the Blue Ocean Barns proposal for the 10-acre parcel but recommend that the 5-year projection figures get a much more rigorous and transparent treatment in the final proposal, and a close review by NELHA staff and the Board. Also, recommend continued due diligence by NELHA staff in addressing the technical questions noted earlier, especially the grading of the additional four acres without disruption to the neighboring tenant Moana Technologies as the project advances.

Joan Salwen, CEO of BOB was asked to make comments on their proposal. She noted that they have a strong technical, business, and investment team at BOB and have been working on this issue for five years now. We have moved our headquarters from Stanford to HOST Park over a year ago after exiting the Elemental Excellerator. We have begun cultivation on some small parcels at HOST Park and ready to expand to this 10-acre site. We have signed agreements with companies that require a large demand. We are grateful for the support we have received from the State as well as our neighbors at HOST Park.

Vice-Chair Mielcke made a motion, seconded by Director Sims to approve the staff recommendation to grant approval in concept for the BOB proposal to construct and operate a 10-acre seaweed production facility and request a full business plan be submitted for final approval at the next Board meeting. A roll call vote was taken, and the motion was approved unanimously.

- **Item 5c. New Business – Mats4 LLC Request for Consent to Mortgage – Discussion and Decision-Making.**

DD Sombardier summarized this item wherein Mats4 LLC (“Mats4”) is seeking NELHA Board consent for a mortgage in order to obtain approximately \$3.4M in

the form of a business loan through First Hawaiian Bank for partial construction for their new convenience store/fuel dispensing station.

In August 2019 and after receiving final approval, Mats 4 LLC entered into a long-term sublease with NELHA for 1.355 acres at the corner of Kahilili Street and Queen Kaahumanu Highway to operate a convenience store and fuel dispensing station with a focus on sustainable building design, sustainable fuels and offering NELHA sustainable products. Mats 4 is preparing to start construction. Design work is complete, and the permitting process is close to finished.

In accordance with paragraph 36 of the sublease K-36 (Mortgage), BLNR consent will be required as well as NELHA Board consent. The application has already been filled by Mats4. NELHA will submit it to DLNR staff on behalf of Mats4. NELHA approval is required before BLNR approval is sought.

NELHA staff have had multiple conversations with First Hawaiian Bank staff and have reviewed the loan conditions including the draft Security Agreement and the draft Real Property Mortgage and Financing Statement documents. The documents and terms are standard and there are no concerns at this time.

The NELHA AG has reviewed the loan documents and suggested a minor modification to the joint consent to mortgage document. The documents will also be reviewed by DLNR AG before the consent is finalized and executed.

Vice-Chair Mielcke made a motion, seconded by Director Sims to approve staff recommendation for granting approval of mortgage Mats4 for the FHB loan as presented to NELHA and that the NELHA Executive Director work with NELHA AG and Mats4 to produce and execute the relevant consent documents.

Director Adams requested clarification on the details of the “security interest agreement” questioned whether the security interest is in land or something else? DD Sombardier stated that the security agreement mentioned in the FHB letter is between FHB and Mats4 for the improvements on the land which includes buildings, pavement and so forth. This is mentioned as the land is leasehold and not fee-simple and title remains with the State. In the event of loan default, FHB would have ownership in the improvements on the land but would still need to obtain NELHA Board approval for a transfer of the lease to a new owner.

A roll call vote was taken, and the motion carried with 10 “yes” votes and one abstention by Director Masuda.

- **Item 6a. Old Business – NELHA Executive Director Performance Review – Discussion and Decision Making.**

Vice-Chair Mielcke made a motion to go into Executive Session pursuant to section

92-5(a)(2), HRS to consider the evaluation of its executive director where considerations of matters affecting privacy will be involved. Director Hilton seconded the motion; the Board voted unanimously and went into Executive Session at 11:14 am.

The Board exited Executive Session at 11:30 am

- **Item 7. Financial Report: Approval and Decision Making.**

ED Barbour presented and overview and summary the Financial Report in the board packet (Attachment A). Chair Rosehill called for a motion to accept the report. Vice-Chair Mielcke made the motion which was seconded by Director Cysewski. There being no further discussion or questions concerning the Financial Report, Chair Rosehill thanked NELHA and its staff for its report.

- **Item 6. Executive Director's Informational Status Report on ongoing projects including:** 2021 Legislative Session; new leases; seawater system maintenance; new potable water supply update; aquaculture accelerator and investment fund initiative and grant application to extend accelerator for four additional years; renewable distributed energy resources initiative including grant applications and solicitations for microgrids, energy storage, and solar desalination; analysis HOST Park energy system; and, the grant application to the US government for damage to buildings and associated items in Kapoho, Hawaii.

ED Barbour presented and overview and summary of NELHA's major goals and key projects timeline as contained in the Board Packet (Attachment B) as part of the Executive Director's Information Status Report.

Director Syrmos excused himself and left the meeting at 11:55 pm.

Director Sims excused himself and left the meeting at 11:59 pm.

Director Cysewski excused himself and left the meeting at 12:05 pm.

Chair Rosehill asked if there were any questions or comments. Hearing no further questions or comments, the report was accepted unanimously as presented.

- **Item 9. Announcements.**

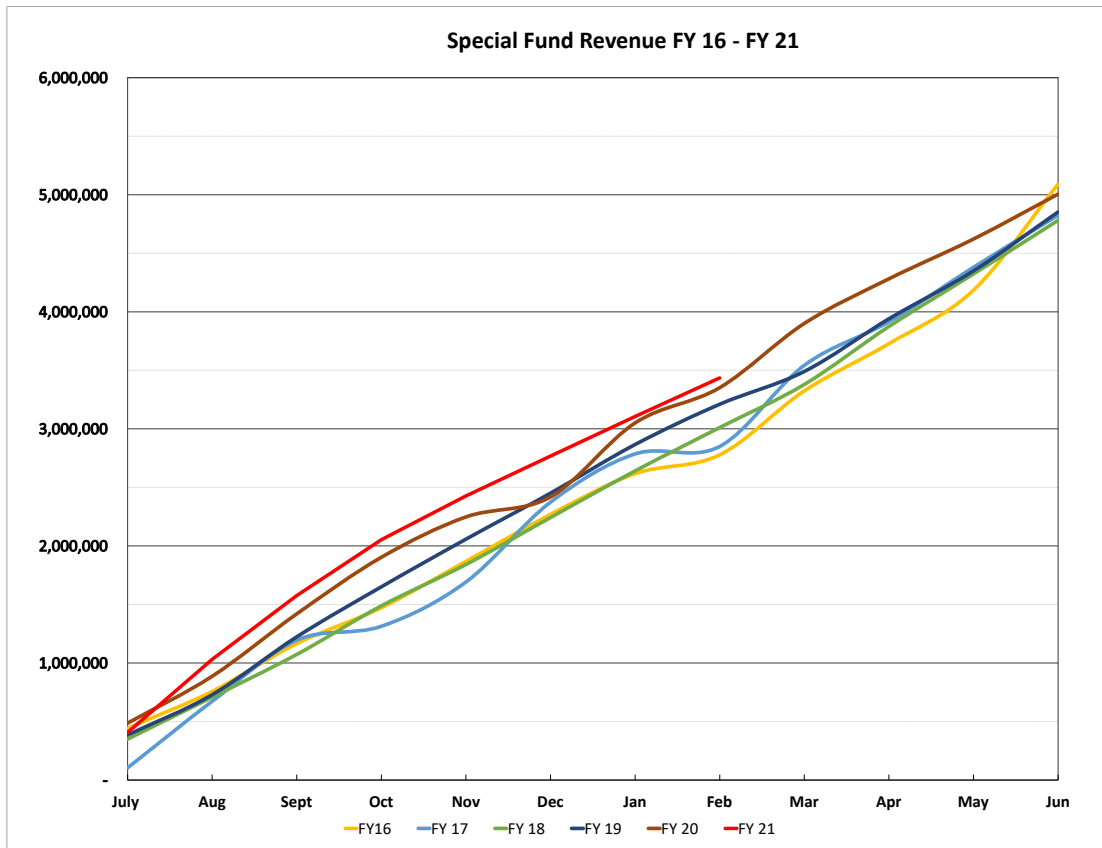
ED Barbour announced that the next scheduled NELHA Board meeting will be Tuesday, May 19, 2021. (Editor's note: The correct date is Tuesday May 18, 2021). There were no other announcements.

- **Item 10. Adjournment.**

Chair Rosehill entertained a motion at this time to adjourn the meeting. The motion was made by Director Masuda. The meeting was adjourned at 12:12 p.m.

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY
Financial Report Summary

July 2020 through February 2021

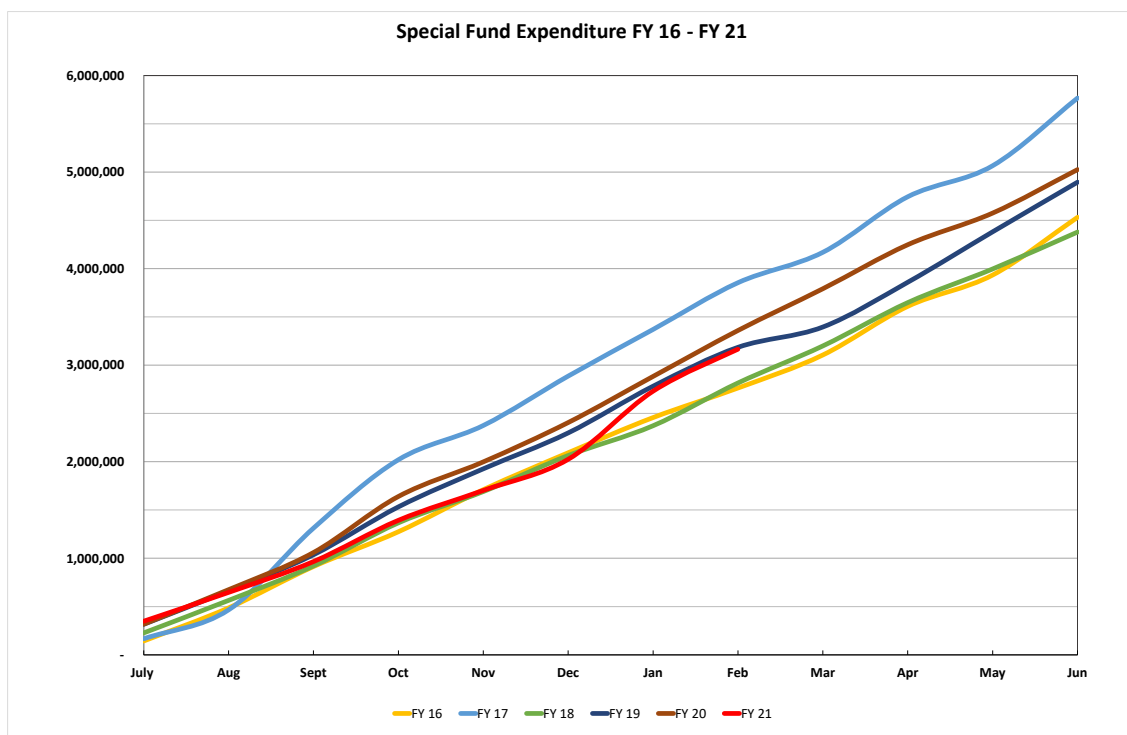


FY 2021 Revenue vs. FY 2020 Revenue

- Total revenue was \$3,440,000 for the first eight months of this fiscal year and this represents an increase of approximately \$80,000 or 2.5 percent above the same period last year. As shown on the chart above, this is the highest over the past six years. In summary, seawater sales, base rent, percent rent, and electric reimbursements were down collectively by almost \$500,000 while the additional funds from EDA for the accelerator, sale of the HDMI, HHFDC transfer and HNEI transfer amounted to an increase of \$550,000. Of notice for FY21 are the following:
- Seawater system revenue is down by about 15 percent due to lower demand and lower cost of electricity.
- Lease base rent is down significantly by \$90,000 or 8 percent, mainly due to collection of arrears last fiscal year of \$100,000 from Cyanotech regarding their purchase of the Cellana property lease.

Attachment A

- For the Research Campus outside space revenue is up almost \$20,000 (40 percent) due to several new companies and office rent is flat despite a decrease in conference room rental of \$8,000 due to COVID-19.
- No percent rent was received in the first eight months of this fiscal year. We received a late payment for the same period last year.
- Labor services continues to increase and is up by over \$6,000 (25 percent) with additional lab services being provided to clients.
- Reimbursements for electric are down by \$110,000 or 35 percent and due to lower use (demand) and lower electrical costs.
- Special projects revenue is up by over \$300,000 with passthrough payments from EDA for the Hatch Accelerator, transfer of \$200,000 from HHFDC and an additional deposit of \$70,000 from HNEI for the hydrogen project.
- Misc. income includes the payment from Blue Ocean Mariculture (\$225,000) for the building they recently purchased.



FY 2021 Expenditure vs. FY 2020 Expenditure

- Total expenses for this fiscal year are down 6 percent or \$200,000 as compared with the same period as last fiscal. We continue to very closely monitor expenditures. Of note are the following:
- Seawater system expenditures are down 14 percent (\$160,000) and is due to a combination of lower demand and lower price of electricity.

Attachment A

- For Tenant Utilities electrical is down mainly due lower demand and the cost per kWh has gone down about 25%.
- NELHA utilities show the electrical costs up by 80 percent as the PPA company is now billing on a regular basis. Large increase in freshwater due a significant leak in one of the distribution lines in the Research Campus that has since been repaired.
- Administrative costs are up 4% or \$40,000 as compared to the same period last year. Mainly due mainly due to allocation of personnel costs amongst other categories and not filling of vacant positions. R&M of buildings is up by 95,000 with the fabrication of new portable buildings in the tan coverall tent. Also, travel related cost are down a collective \$15,000 due to COVID-19 restrictions.
- Ceded land payments are down due to lower rent revenue.
- Service assessments were paid late for last year and show up in this year's expenditures.
- Special projects is down 20% mainly due final payment to Hatch not completed.

Special Fund Account Summary

- All data is as February 28, 2021.
- Special fund balance is \$600,000 and up \$270,00 in the past eight months.
- This includes the pre-payment from HHFDC and HNEI of approximately \$300,000.
- Current arrears are \$120,000 and down slightly from \$125,000 at this time last year.
- If arrears are collected this will bring the special fund balance close to \$725,000.
- We have several obligations that need to be mentioned. We are processing an encumbrance for two major payments totaling approximately \$300,000.

Customer Revenue Report

- Total revenue for the first eight months of this year is up 2 percent. Details are listed below:
- Rental and special projects income is up \$400,000 (25 percent) due to the sale of the HDMI building and transfer funds from HHFDC.
- On the other hand, reimbursable/pass through revenue is down by over \$300,000 or 20 percent.
- Relatively no change for the Water Bottling sector continues to decline and is now below 20% of total revenue.
- Aquaculture sector increased significantly with the payment of arrears.

Arrears Report

- As of February 28, 2021, the arrears totaled approximately \$120,000.
- Destiny Deep Sea Water and Ocean Rider together make up about 80 percent of the total arrears. Both companies are distressed but continue to make monthly payments.
- This is down slightly from February 29, 2020 when the arrears were approximately \$125,000.

ATTACHMENT B
NELHA MAJOR GOALS AND KEY PROJECTS TIMELINE SUMMARY
FISCAL YEAR 2021

MAJOR GOALS AND KEY PROJECTS		STATUS	2020					2021						
			JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Seawater System	MAINTAIN 99.99% UPTIME AND INCREASE EFFICIENCY OF SEAWATER SYSTEM	ONGOING	[Timeline bar from July 2020 to June 2021]											
	SURVEY OF OFFSHORE DEEP WATER PIPE	NEW	[Timeline bar from January 2021 to June 2021]											
	PLANNING/DESIGN OF OFFSHORE DEEP WATER PIPE REMOVAL	NEW	[Timeline bar from December 2020 to June 2021]											
	SECURE OFFSHORE (NEARSHORE) PIPES	ONGOING	[Timeline bar from February 2021 to June 2021]											
	SCADA SYSTEM DEVELOPMENT INCL UPGRADE INSTRUMENTS IN WQL	ONGOING	[Timeline bar from July 2020 to June 2021]											
Advanced Energy Projects	LONG TERM PLAN FOR RENEWABLE ENERGY UPGRADES TO HOST PARK (HNEI)	NEW	[Timeline bar from July 2020 to March 2021]											
	REGIONAL SWAC PLANNING/DESIGN	NEW	[Timeline bar from July 2020 to May 2021]											
	DOE SUNSHOT SOLAR DESALINATION PROJECT	NEW	[Timeline bar from July 2020 to June 2021]											
	DEVELOP RENEWABLE ENERGY AND STORAGE TESTBED FOR ESS AND MICROGRIDS	ONGOING	[Timeline bar from July 2020 to June 2021]											
Aquaculture POC	MANAGE AQUACULTURE ACCELERATOR OPERATIONS CONTRACT	NEW	[Timeline bar from July 2020 to June 2021]											
	MANAGE EDA GRANT FOR AQUACULTURE ACCELERATOR	NEW	[Timeline bar from July 2020 to June 2021]											
	MANAGE AQUACULTURE VENTURE FUND DEVELOPMENT	NEW	[Timeline bar from July 2020 to June 2021]											
	EDA APPLICATION FOR FUNDS TO EXTEND ACCELERATOR	NEW	[Timeline bar from July 2020 to February 2021]											
Development - Build Out	EXTEND DEEPSEA WATER DELIVERY SYSTEM TO NORTH END	NEW	[Timeline bar from July 2020 to November 2020]											
	ENVIRONMENTAL PLANNING AND DESIGN FOR NEW VISITOR CENTER	NEW	[Timeline bar from July 2020 to June 2021]											
	ENVIRONMENTAL PLANNING AND DESIGN FOR INNOVATION VILLAGE	NEW	[Timeline bar from July 2020 to June 2021]											
	POTABLE WATER SUPPLY - EXPLORATORY PHASE	ONGOING	[Timeline bar from July 2020 to June 2021]											
	COMPREHENSIVE OFFSHORE EIS	NEW	[Timeline bar from July 2020 to June 2021]											
Administration	NEW LEASE PROSPECTS FOR UNDER UTILIZED ASSETS TO INCREASE REVENUE	ONGOING	[Timeline bar from July 2020 to June 2021]											
	UPDATE MARKETING PLAN TO ATTRACT NEW CLIENTS	ONGOING	[Timeline bar from September 2020 to June 2021]											
	CONTINUE TO IMPROVE LANDLORD/TENANT RELATIONSHIPS/SATISFACTION SURVEY	ONGOING	[Timeline bar from July 2020 to June 2021]											
	WORK WITH DBEDT ECONOMIC INNOVATION TEAM REGARDING SUSTAINABLE ECONOMY	NEW	[Timeline bar from July 2020 to June 2021]											
	WORK WITH PISCES REGARDING ROBOTIC COMPETITIONS AT HOST PARK	NEW	[Timeline bar from July 2020 to June 2021]											
	UPDATE MASTER PLAN	NEW	[Timeline bar from November 2020 to June 2021]											
	ANNUAL REPORTS	ONGOING	[Timeline bar from July 2020 to December 2020]											
	2021 LEGISLATURE	ONGOING	[Timeline bar from January 2021 to May 2021]											
	GLOBAL PANDEMIC	ONGOING	[Timeline bar from July 2020 to June 2021]											