



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



**BOARD OF DIRECTORS
MEETING MINUTES
Tuesday, July 20, 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

William Mielcke (Gov. Appointee/Chair)
Cyd Miyashiro (Gov. Appointee/Vice-Chair)
Dr. Gerry Cysewski (Tenant Representative)
Robert Masuda (DLNR)
Dr. Vassilis Syrmos (University of Hawaii)
Douglass Adams (County of Hawaii)
Dr. Phil Bossert (RAC Secretary)
Neil Sims (Tenant Representative)

Guests/Staff Present

Greg Barbour (Executive Director)
Laurence Sombardier (Dep. Director)
Dr. Alex Leonard (NELHA)
Daniel Jacobs (Deputy AG)
Wayne Murphy, (Co-Founder HATCH)
Aldric Ulep, (House Finance)

Board Members Not Attending and Excused

Linda Rosehill (Gov. Appointee)
Chung Chang (DBEDT)
Alan Hilton (RAC Chair)

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

The meeting was called to order by Chair Mielcke at 10:03 a.m. Upon calling the meeting to order, Chair Mielcke requested a roll call of Board members, NELHA staff, and guests in attendance.

- **Item 2. Approval June 8, 2021, NELHA Board of Directors' Meeting Minutes.**

Chair Mielcke entertained a motion to approve the June 8, 2021, minutes. The motion was made by Director Masuda and seconded by Director Bossert. No discussion ensued or corrections were noted. The motion carried unanimously following no objections.

Chair Mielcke announced that as a courtesy to the number of guests waiting, we would like to take Item 4a next and then return to Item 3 the Financial Report.

- **Item 4a. New Business – Discussion and Decision-Making regarding the execution of an agreement between NELHA and Hatch Accelerator Fund LP to continue the aquaculture accelerator program to 2025.**

Deputy Director (DD) Sombardier summarized the past three years of the current aquaculture accelerator initiative.

- Launched August 2019 with HATCH.
- 21 startups (\$100K seed funding each) in 2019 and 2020 cohorts.
- Hatch raised \$8.4M in associated follow-on fund. They have started a 2nd follow-on fund with goal of \$40M.
- 20% of companies are located in Hawaii: Kuehne AgroSystems, Minnowtech, Symbrosia and SeaWarden – approx. 20 new jobs, 4 interns
- Coming up is an Innovation Studio with focus on Hawaii– starting Aug 2.
- HATCH has been very successful in providing Hawaii with access to the global aquaculture network.

Deputy Director (DD) Sombardier stated that NELHA was recently awarded a new grant from the Economic Development Administration. The summary is as follows:

- Island of Hawaii Aquaculture Growth Project: \$3.1M total including cost share (80% federal). \$2.3 M for programmatic work (awarded) and \$820K for construction (in progress).
- Of the \$1.8M federal share for programmatic work, \$1.4M will go to HATCH. HATCH will match with \$352K.
- 4-year goal: develop long-term self-sustaining aquaculture accelerator program at NELHA to benefit global & Hawaii aquaculture.
- Accelerator: 75 companies; Incubator: 25 companies. Increase cohort size from 10 to 20 companies per cohort.
- \$40M associated follow on fund to be raised.

- Ideation workshops to capitalize on local innovation.
- Total jobs over 4 years in Hawaii: approx. 240 jobs.

Anticipated benefits to Hawaii will include:

- Self-sufficient long-term accelerator program based at NELHA which will cover its operating expenses (including rent) by 2026.
- Establish Hawaii/NELHA as a key global player in sustainable aquaculture.
- Increased marketing for NELHA (\$80,000 provided by EDA in year 1).
- Improved facilities at NELHA (lab, instrumentation, tanks, meeting space and mobile fleet).
- Pipeline of new projects to be established at NELHA.
- Diversify, promote entrepreneurship, and increase resiliency of Hawaii's economy and new high-quality jobs.

Next steps include:

- Execute contract with HATCH.
- Work to start October 1, 2021. Project will end September 30, 2025.
- Once construction portion is awarded, complete construction within 1.5 years.

Wayne Murphy gave remarks and indicated they are very excited by this new grant and will be expanding their staff in Hawaii as a result.

He summarized their new Innovation Studio that will start next month. They are seeing a lot of activity in Hawaii, but it is at a very early stage. They would like to encourage and nurture these companies to move into the sector by connecting and exposing them to the global aquaculture network. This Innovation Studio is provided free of charge to the companies, and HATCH does not take an equity position in the companies.

They received approximately 100 applications from 26 countries and approximately 25 percent were from Hawaii. They selected 10 companies to participate in the program and 5 are Hawaii based.

Director Miyashiro asked about how the program will develop long-term corporate partnerships for the long-term funding of the program and if that could be explained further and the feasibility. Mr. Murphy responded that with HATCH's global footprint they are finding more and more corporations wanting to get closer to the start-up culture. HATCH has found this to be the case in other locations around the world and as this initiative will create a vibrant ecosystem and raise the profile and facilities as well as additional companies at NELHA they anticipate we will see an increase in these corporate partnerships.

Director Adams asked if it is a requirement for the companies to be based in Hawaii. Mr. Murphy responded that it is not a requirement, but the initiative is intended to facilitate a pipeline of Hawaii companies and marry that to the space and facilities at NELHA. Also, they would like to attract companies from around the world to base themselves in Hawaii and export the technology globally. Director Adams followed up if potential job opportunities will be made available to Hawaii residents. Mr. Murphy responded that the real goal is to stimulate local innovation and provide jobs in Hawaii by attracting more research dollars to Hawaii. DD Sombardier added that our experience over the last several years has been that 20 percent of the companies have been either Hawaii based or moved to Hawaii, and we expect that this will be the case going forward.

Director Masuda commented the need to be sensitive to the native Hawaiian culture and understanding that as an island we are very cognizant of the “finite resources” and sustainability as opposed to a more “continental” ideology that is much less so. If we are going to seek out and attract native Hawaiian businesses, then we should actively recruit them.

Director Masuda made a motion to approve the staff recommendation, and Director Syrmos seconded the motion.

The Board voted by roll call. Seven directors voted to approve (Director Sims had not yet arrived). The motion to approve the staff recommendation to approve was adopted. Final contract documents will be subject to approval of the NELHA Deputy Attorney General.

- **Item 3. Financial Report: Approval and Decision Making.**

ED Barbour presented and overview and summary the Financial Report in the board packet (Attachment A).

Director Bossert noted that “non-profits” accounting practice is normally to characterize revenues that you receive in one fiscal year that will be expended in the next fiscal year as deferred revenues. This might be something NELHA should look at help line up expenses and revenues.

Chair Mielcke called for a motion to accept the report. Director Bossert made the motion which was seconded by Director Masuda. There being no further discussion or questions concerning the Financial Report, Chair Mielcke thanked NELHA and its staff for its report.

- **Item 4b. New Business – Discussion and Decision-making regarding proposed NELHA Fiscal Year 2022 Budget.**

ED Barbour summarized the proposed budget for this Fiscal Year as shown in Exhibit B.

Director Masuda made a motion, seconded by Director Cysewski to approve the staff recommendation to approve the proposed FY 2022 budget as presented.

Director Sims joined the meeting.

The Board voted by roll call. Seven directors voted to approve, and Director Sims abstained as he had just joined the meeting.

- **Item 4c. New Business – Create a Special Investigative Committee for the purpose of preparing and delivering to the Board the annual performance evaluation for the period July 1, 2020 through June 30, 2021 of the NELHA Executive Director.**

Chair Mielcke proposed that the committee be established consisting of himself, Vice-Chair Miyashiro, Director Chung, and Director Cysewski.

Director Adams made a motion, seconded by Director Syrmos to approve the members of the Special Investigative Committee. A roll call vote was taken, and the motion carried unanimously with eight “yes” votes.

- **Item 4d. New Business – Discussion and Decision-Making regarding Draft Master Plan for New Research Campus.**

ED Barbour stated that WRNS Studio has developed a conceptual plan for this expansion area and we are bringing this to the Board for input, consideration and approval. As shown on Exhibit C, the area is approximately 9 acres. We feel that it is important to formulate an overall conceptual master plan for this area to provide for an efficient placement of infrastructure to allow the area to be developed in an orderly manner. There are two phases shown. Phase 1 would be developed over the next five to ten years and Phase 2 would be developed after that. Phase 2 would be developed using existing funds from FEMA and the insurance companies and include one single story building of approximately 20,000 sf with one-half offices and one-half wet lab space. Also shown is a pedestrian pathway connecting this area to the existing Research Campus (Phase 1). Phase 2a would include two buildings of approximately 30,000 sf and outdoor demonstration area of approximately 65,000 sf. There is adequate setback of 125 ft from the shoreline following NELHA design guidelines and this area also includes a historical site that will be preserved.

Vice-Chair Miyashiro inquired about the kinds of tenants anticipated. ED Barbour indicated that they would be very similar to the kinds of businesses in the existing

campus. The focus is the same as the existing campus. Ocean technology start-ups which include aquaculture and ocean conservation. We have made some adjustments in office based on lessons learned from our existing incubator building and have provided more of the smaller offices in the 200 to 300 sf range. We find these more popular. We envision this area also becoming a home to the aquaculture accelerator currently being operated by HATCH. DD Sombardier commented that we have received interest from the university and as such this area could include basic research as well as entrepreneur start-ups.

Director Sims asked if the Phase 2a graded area could be included in Phase 2? ED Barbour indicated that we will certainly consider it further. Dr. Leonard indicated that we are looking at it from a budgetary constraint and understand that there are economies of scale in grading a larger area.

Director Syrmos left the meeting.

Director Sims made a motion, seconded by Director Masuda to approve the draft master plan for the new research campus. A roll call vote was taken, and the motion carried unanimously with seven “yes” votes.

- **Item 5. Executive Director’s Informational Status Report on ongoing projects including: 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 an overview and summary of NELHA’s major goals and key projects timeline as contained in the Board Packet (Exhibit D) as part of the Executive Director’s Information Status Report.

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

- **Item 6. Announcements.**
The meeting schedule for the period July 2021 through June 2022 was provided to Board members.
- **Item 7. Adjournment.**
Chair Mielcke adjourned the meeting at 11:35 a.m.