



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 April 19, 2022
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)
Linda Rosehill (Gov. Appointee)
Chung Chang (DBEDT)
Robert Masuda (DLNR)
Douglass Adams (County of Hawaii)
Dr. Vassilis Syrmos (University of Hawaii)
Alan Hilton (RAC Chair)
Dr. Phil Bossert (RAC Secretary)
Neil Sims (Tenant Representative)
Dick Jones (Tenant Representative)

Guests/Staff Present

Greg Barbour (NELHA)
Laurence Sombardier (NELHA)
Keith Olson (NELHA)
John Cole (Deputy AG)

Board Members Not Attending and Excused

None.

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

The meeting was called to order by Chair Mielcke at 10:01 a.m.
Reference to Act 220.

Chair Mielcke asked Executive Director (ED) Barbour for a roll call of Board members and NELHA staff.

- **Item 2a. Discussion and Decision-Making regarding Process to Begin Procurement for the Purchase of a Building at HOST Park to serve as an Office Building and Incubator.**

Chair Mielcke asked ED Barbour to present this agenda item. ED Barbour explained that NELHA is requesting approval to issue a “Request for Proposals” (RFP) from qualified parties (Sellers) to purchase a building and associated facilities to serve as an incubator site for projects at HOST Park. NELHA’s vision for this site and facilities is to provide a site for energy, ocean or blue economy technology short term and early-stage projects. The Sellers shall propose an outright purchase of the building, appurtenances, and any other associated amenities such as utilities, parking, and security fencing.

Director Adams joined the meeting at 10:05 am.

This facility is intended to accommodate short term and early-stage projects. The facility is expected to become part of a world-leading focal-point for state-of-the-art research and development of ocean or blue economy technologies. Some of the technologies will be aimed at addressing the challenges of feeding the global population into the next century as well as reduce human dependence on wild fisheries and stressed ocean ecosystems. Others will be focused on improving monitoring of the worlds’ oceans, ocean energy and ocean conservation. This campus expansion will also become home to the world’s first aquaculture business accelerator program and will provide space and resources to researchers and entrepreneurs focused on developing and demonstrating disruptive technologies in the blue economy sector.

In May 2018 the eruption of Kilauea volcano in the East Rift Zone in Puna destroyed all structures located on the NELHA 4-acre property located in the vicinity of Leilani Estates. NELHA received approximately \$5.0 million for the destruction of these facilities from the US Federal Emergency Management Agency (FEMA) and insurance proceeds. Due to the amount of devastation to the property in Puna, FEMA subsequently agreed to allow NELHA to replace the destroyed Puna assets and relocate them within HOST Park to meet demand for additional office space and incubator facilities.

It is important to note that, last year, NELHA began planning and design of new 6-acre site with office space, incubator facilities and outdoor research space near

the existing Research Campus. However, due to delays associated with the need for additional funds due to construction cost increases, environmental assessment requirements, permitting, and construction the new site is expected to take several more years until it will be ready for occupancy.

It is important to note, that we have already had preliminary discussions with representatives at FEMA and they have indicated that “it should be an eligible alternative” as the intent of the funds are to get back to normal as quickly as possible. They did indicate that “disposing of real property acquired or improved with a federal award and acquiring replacement real property under the same Federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property”.

NELHA requested additional funds from the Legislature this year to complete the new research campus expansion. Unfortunately, we have not been successful and plan to submit a request again to the Legislature next year. Given the timeline for construction of the new campus we feel that there will be ample time to obtain additional funds from the Legislature next year and we would be able to complete the expansion in accordance with our existing timeline.

In the meantime, NELHA’s existing Research Campus is at nearly full capacity and projects are being turned away. As such, NELHA is exploring the potential costs and benefits of using the funds from FEMA as well as insurance proceeds provided to purchase an existing facility, if any such facilities are available, with comparable characteristics to the expansion previously agreed upon with FEMA. Any purchase an existing facility that is suitable and turnkey and will allow NELHA to meet the FEMA deliverables in a timely manner as well as address the current lack of office and incubator space at the Research Campus will be subject to prior FEMA approval.

NELHA has identified the following factors critical to the success of this project:

1. Ability of the property and improvements to meet the minimum FEMA requirements.
2. Ability of the property and improvements to meet the needs of an office and incubator facility NELHA’s desirable characteristics outlined below.
3. How well the proposed price meets existing funding availability.

The facility proposed must be already built out at HOST Park and must be able to be considered “turn-key”. NELHA desired requirements, the facility proposed are:

1. Must be located within HOST park boundaries.
2. Facility must consist of at least one building located on a parcel of land that is at least three acres. The land shall be considered part of the facility proposed.

3. Must be fully constructed and immediately available upon execution of the Sales Agreement.
4. Seller must own all improvements proposed.
5. It is desirable to have at least 20,000 square feet of usable interior area.
6. It is desirable for the facility to include 800 square feet office space, and 100 square feet common/conference air-conditioned space.
7. It is desirable for the facility to include laboratory and wet-room research space.
8. It is desirable for the facility to include at least 10,000 square feet of warehouse space for projects and additional space for a “maker-space” workshop.
9. It is desirable for the facility to include 50,000 square feet of secure outdoor space for outdoor projects. There must be existing access to this outdoor space which may be either graded or paved.
10. Facility must include freshwater, electrical, communications and seawater connections in good working order.
11. Facility must include restrooms and a septic system in accordance with the County of Hawaii (COH) building codes and meet COH standards. Facility must be county permitted and possess a certificate of occupancy.
12. Facility must include a NELHA or Hawaii Department of Health approved seawater return system.
13. Must include an appropriate number of parking stalls.
14. Facility must be secure. Standard security includes a perimeter fence and lockable gates for ingress and egress.
15. Must include environmentally appropriate landscaping.
16. Property must be free of toxic waste, asbestos, known structural defects, leaking roof, or any other major problem.

We anticipate that it will take approximately six months to complete the purchase of a preferred building if available. An estimated timeline is shown below. It is important to note that this approval is to approve of the concept and begin the procurement process only. After we complete our review process of the proposals and due diligence we would come back to the Board for final approval. If a purchase proposal is approved by the Board, we would then go to FEMA for final approval.

Director Sims commended NELHA staff for their innovative proposal and suggested that the restructuring of the 16 characteristics be reconsidered to not preclude some potential proposals. For example, items 1 through 4 could

be considered a “must have” and 10 through 15 be labeled “desirable. Deputy Director Sombardier noted that the version the Board has in front of them is from last week and the committee has since made similar changes as identified by Director Sims and restructured these items into three categories: must have, highly desirable and desirable.

Vice Chair Miyashiro commented she is supportive of the staff efforts to accommodate the needs in the park and had a general structural comment. She mentioned that the State will purchasing buildings on leasehold land and the value of the building decreases the closer you get to the lease expiration and this should be factored into the purchase. It will also impact the appraised value when using an income approach on the remaining term of the underlying lease and wanted to bring this up as a concern.

Director Masuda mentioned that he has concerns like Vice Chair Miyashiro. The future value of the remaining lease is public value. He also commented on the alternatives for procurement and asked if staff explored the sole source option fully as the RFP option could be overly complicated. He questioned whether the sole source option should be reconsidered, but overall, the idea of using the proceeds from the destroyed building for this alternative makes good sense.

Director Hilton asked what are the other possibilities that may be available besides the vacant buildings. ED Barbour mentioned that there could be at least 10 possible options but it’s hard to say if we will get any proposals. ED Barbour also mentioned in regard to Director Masuda’s comments that we need to be in HOST Park as the availability of seawater and the ability to dispose of the seawater is a very important requirement. In addition, a facility near the existing research campus and proposed research campus will provide additional critical mass as an “innovation center”.

Regarding the option of a sole source, ED Barbour noted that this was fully explored, and staff concluded that it could possibly take longer than going out for an RFP and the measure of transparency afforded with an RFP is desirable.

Vice Chair Miyashiro asked if an RFI was explored and an option. DD Sombardier mentioned that an RFP has more structure and restrictions and terms that protect the State. Vice Chair Miyashiro also mentioned that staff should review standard purchase contracts and bring those protections in as well. ED Barbour mentioned that staff feels that those are addressed in the RFP and perhaps even to a greater degree that found in the private sector.

Deputy AG Cole inquired about the NELHA lease terms with DLNR. ED Barbour mentioned that the current lease runs until 2066 and the rent is \$480 annually

plus net operating income.

Director Masuda mentioned that NELHA may want to consider looking and obtaining an Executive Order rather than continue with a general lease from DLNR. NELHA continues to make improvements on the land and it has a highly unique focus. Vice Chair Miyashiro agreed this was a good point especially as you get closer to the lease expiration, the capital improvements are still required but the length of the lease term for lessors gets shorter.

Chair Mielcke entertained a motion to approve the staff recommendation to explore the possibility of purchasing and existing building in HOST Park using FEMA grant award funds and insurance monies through a Request for Proposals process and report back to the Board with recommendations for purchase if any. The motion was made by Director Rosehill and seconded by Vice-Chair Miyashiro. There were no objections, and the motion was approved unanimously (11-0).

- **Item 2b. Discussion and Decision-Making regarding Proposed NELHA Staff Re-organization.**

Chair Mielcke asked ED Barbour to present this agenda item. ED Barbour explained that NELHA has been operational since July 1976 and finds that revisions to some aspects of the current NELHA organizational structure are needed to enhance operations. The DBEDT Director has approved our request to initiate a staffing reorganization plan in March 2022. Several positions would report to different supervisors and some positions will need to be redescribed. In addition, five positions on the current approved organization chart were abolished by Act 88, SLH 2021 and will be deleted.

This proposal makes the organization more “vertical” and adds a new “managerial level” to improve operational efficiencies and effectiveness by reorganizing the authority as follows: eliminate Position Nos 102316, 102525, 102694, 102305 and 98007B which were abolished by the Legislature; redescribe the Chief Science Officer position to a Chief Operations and Science Officer by adding duties currently carried out by the Chief Operations Officer which is currently vacant; redescribe the vacant Chief Operations Officer to an Industrial Technician and assign to the Operations Supervisor; redescribe the Operations Supervisor and add some duties currently carried out by the Chief Operations Officer and assign to the new Chief Operations and Science Officer; redescribe the Water Quality Analyst and add some duties currently carried out by the Chief Science Officer; redescribe the Senior Secretary (currently vacant) to an Administrative Assistant; and,

redescribe the Secretary III (incumbent is retiring on June 30, 2022) to a Marketing Assistant an assigned to the Deputy Director.

In addition, the existing approved functional statement is structured into five sections: Operations; Science and Technical; Development and Project; Tenant Relations; and Fiscal. We will be proposing to streamline this structure somewhat and into four sections: Executive; Operations, Science and Technical; Development and Projects; and, Fiscal.

Expected Accomplishments:

- **Enhance workflow.** Currently, five (5) sections and three support staff report to the Executive Director for a total of eight (8) individuals. The proposed organization will have only three (3) sections and two (2) support staff reporting to the Executive Director for a total of five (5) individuals. The Executive Director is not able to provide adequate attention to each individual. Making the Authority more “vertical” and narrowing the span of supervision of the Executive Director would enhance workflow and enable the Executive Director to focus on higher-level issues.
- **Increase efficiency and effectiveness.** The functional statements for each of the sections is out of date and incorrect. The updated functional statement will clarify the duties and responsibilities of each section. This will make it easy for managers to point to or reference NELHA policies and procedures to provide appropriate training or delegation of tasks.

We do not foresee any overall significant adverse impact on employees or collective bargaining agreement violations in this proposal.

- No demotions for existing personnel in classification are anticipated in proposed re-descriptions of positions.
- There will be no change in NELHA work locations and hours.
- The proposed merging of the Operations and Science and Technical Sections, abolishment of the Tenant Relations Section and the creation of the Executive Section will result in the supervisors taking on additional and related responsibilities.

The proposed reorganization does not require additional resources needed to implement the reorganization. There is a net zero budget impact, and no additional funding, positions, space, or equipment is required.

In terms of timeline, if this proposed reorganization is approved by the NELHA Board of Directors, our next step will be to proceed to discussions with employees and union consultation. As this proposal is cost neutral and does not create, abolish, or change the organizational structure of NELHA it can be approved internally and will not require Department of Budget and Finance nor Governor approval. We anticipate that we can obtain final approval from the DBEDT

Director by the close of this fiscal year on June 30, 2022.

Director Masuda stated that this proposal looks clean and ties up some loose ends. He asked Director Chung for DBEDT's input.

Director Chung mentioned that he agrees that it looks clean and makes sense to use the limited resources available and supports the proposal.

Director Adams stated that span of control is important, and he agrees with the Deputy Director having a supervisory role. If cross-sectional communication is maintained, this looks good.

Chair Mielcke entertained a motion approve the proposed reorganization of NELHA as presented. The motion was made by Director Masuda and seconded by Director Chang. There were no objections, and the motion was approved unanimously as circulated (11-0).

- **Item 3. Announcements.**

Chair Mielcke noted that this is Director Rosehill's last meeting as her term is over as a NELHA Board of Director. He expressed a big mahalo for all her service and contributions on the NELHA Board. Director Rosehill stated that it has been her pleasure serving on the NELHA Board and appreciates all of the support she has received during her term.

Chair Mielcke also noted that our next meeting is scheduled for May 17, 2022.

- **Item 4. Adjournment.**

Chair Mielcke adjourned the meeting at 10:45 a.m.

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