



# 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 January 17, 2023  
1:30 p.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  
DBEDT Conference Room 436  
250 S. Hotel Street  
Honolulu, HI 96813**

**and via Zoom Video Conferencing Software.**

**Members/Designees in Attendance**

Cyd Miyashiro (Gov. Appointee/Chair)  
William Mielcke (Gov. Appointee/Vice Chair)  
Noelani Kalipi (Gov. Appointee)  
Scott Glenn (DBEDT)  
Doug Adams (County of Hawaii)  
Dr. Phil Bossert (RAC Secretary)  
Bernice Glenn (HTDC)  
Alan Hilton (RAC Chair)  
Neil Sims (Tenant Representative)  
Dr. Vassilis Syrmos (University of Hawaii)  
Russell Tsuji (DLNR)

**Guests/Staff Present**

Greg Barbour (NELHA)  
Laurence Sombardier (NELHA)  
Faustine Edge (NELHA)  
John Cole (AG)  
Sandra Gibson, Hawaiian Islands Trading Company  
Jeff Zimpfer, National Park Service

**Board Members Not Attending and Excused**

Dick Jones (Tenant Representative)

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

The meeting was called to order by Chair Cyd Miyashiro at 1:33 p.m. Reference to Act 220. Chair Miyashiro asked Executive Director (ED) Barbour for a roll call of Board members and NELHA staff.

- **Item 2. Approval November 15, 2022, NELHA Board of Directors' Meeting Minutes.**

Chair Miyashiro entertained a motion to approve the November 15, 2022, minutes. The motion was made by Director Hilton and seconded by Director Scott Glenn. There were no objections, and the minutes were approved as circulated (10-0).

- **Item 3. Create a Special Investigative Committee for the purpose of preparing and delivering to the Board the annual performance evaluation of the NELHA Executive Director for the period July 1, 2021 through June 30, 2022.\*\***

Chair Miyashiro explained that the committee is to be formed to review the annual performance of the NELHA Executive Director for the fiscal year 2022 period. Chair Miyashiro proposed herself and Director Kalipi as the Governor appointees to the committee as well as Director Scott Glenn as DBEDT representative. Chair Miyashiro opened the floor for discussion. Deputy Attorney General (Deputy AG), John Cole suggested clarifying the structure of the committee. He reminded the board that Sunshine laws and procedures must be followed. Deputy AG Cole added the committee could be set up as a Permitted Interaction Group (PIG) which wouldn't require meeting notifications. Chair Miyashiro asked for confirmation if last year they used a PIG, and ED Barbour confirmed. Deputy AG Cole further explained that using a PIG, will require addressing at three separate Board meetings: 1) Board to form the PIG and state its duties, 2) after work is complete, PIG to present recommendations to Board, and 3) Board to vote on the recommendations. Director Scott Glenn asked whether the DBEDT Director choose to swap him out in the PIG if the DBEDT Director chose to engage directly since he is the DBEDT Director's designee. Deputy AG Cole replied this is fine as long as Director Scott Glenn is a member of the PIG as the DBEDT Director's designee. Director Scott Glenn then asked if at the third meeting before the vote, and after they present their results, the Board can discuss the recommendations with the PIG in Executive Session. Deputy AG Cole responded because it is a personnel evaluation, an Executive Session is preferred.

Director Sims asked why the performance evaluation process is beginning seven months after the performance period ended in June 2022. He felt we could better plan for it in the future. Chair Miyashiro agreed and committed to addressing it closer to the end of the fiscal year. Chair Miyashiro opened discussion and questions from the public. Hearing none, Director Tsuji motioned to Create a Special Investigative Committee as a Permitted Interaction Group with the proposed members. Director Adams seconded

the motion. There were no objections. (10-0).

- **Item 4. Informational Presentation from HOST Park Clients.**

Deputy Director (DD) Sombardier explained we provide HOST Park presentations regularly as it is helpful to give updates on the various companies at HOST Park. It is timely to hear from Kona Sea Salts CEO, Ms. Sandra Gibson, as that sublease is discussed later in the meeting.

Ms. Gibson began by thanking the board and public for allowing her to present Kona Sea Salt's update. Kona Sea Salts started about two and a half years ago, in July 2020 when they took over the Kona Pa`akai site which had been struggling with sales. This was early during the COVID pandemic and at the beginning of the shutdown for weddings, hotels, restaurants, corporate gifts, conventions almost every area where salt product was sold. Sea Salts took this time to clean-up and complete site build-out, redesign packaging for their nigari product for making tofu and develop a marketing plan. They also leased some of their space and lab to Symbrosia. After seven months, she reached out to Allison Schaefer with the Honolulu Star-Advertiser who wrote a wonderful story about the small salt business trying to stay afloat and make it through COVID. After it was published there was a scout from the show Diners, Drive-Ins with host Guy Fieri who was looking for places to visit. Ms. Gibson told him about HOST Park and the other businesses here. This helped provide revenue at a much needed time.

Last year when the State started opening up, Sea Salts started doing salt farm tours. Ms. Gibson described they do a high quality tour that aligns well with the Hawaii Visitor Industry. The tours teach the tourists and kama`aina the history of the site, the cultural significance of salt harvesting, NELHA and its mission, ocean water deep sea versus surface. They have built out two rooms in their warehouse to be used as education spaces.

They have two small to medium events per week using a beautiful oceanfront space that is westward facing. She hopes they haven't been disruptive, but they seem manageable from a logistics standpoint. At this point, the business is on good footing from a public relations standpoint. They've had nice stories in Conde Nast Traveler, AAA Magazine, and San Francisco Chronicle. They have opened the doors to a lot of locals who didn't know about the site. Over time they've made the investments, repairs and upgrades that were needed, and currently they are putting in a \$170,000 PV system.

Ms. Gibson then presented photos of their site:

- their main building;
- their oceanfront space, where they have weddings. The beachfront is left untouched due to the cultural significance of the site. Kona Salt Farm's Salt Maker, Melanie (Mel) Kelekolio has as a strong personal connection to it;

- Ipolani Morgan is their tour guide and has a strong cultural connection. She is from the Big Island and shares the history and significance of salt farming on the Big Island;
- their new packaging;
- a typical event wedding with streamed lights, bartending services;
- the Moko Nui Room with photos of the Papahānaumokuākea Marine National Monument an organization they supported with 1% of their revenue last year for marine debris cleanup.

Ms. Gibson thanked the board for allowing their business at HOST Park and spoke to the growth of staff from one person to twelve employees. Financially they have quadrupled revenue over the last three years. They have exceeded their expectations.

Chair Miyashiro referenced that with COVID there appears to be a slight pivot to hospitality and tours of the manufacturing of the salt, and asked what is the percentage of revenue from that hospitality part versus manufacture sales of salt? Ms. Gibson answered about one-third of revenue is from tours and onsite retail sales. When they started tours, they expected that sales of salt would be minimal, but average sale of salt from tours is \$40.00 per person, much higher than expected. With Sea Salts of Hawaii, they had an established wholesale business through Whole Foods Market, ABC Stores and hotel stores. Most of their business growth was through tours, retail sales and online sales.

Director Adams had the opportunity to visit the farm and commended Ms. Gibson for what they have set up as well as the product. Ms. Gibson invited the board to visit the farm.

Chair Miyashiro asked for any other questions or discussion. Hearing none and noting there is no Old Business, she asked DD Sombardier to present New Business agenda item.

- **Item 5. Old Business.**

None.

- **Item 6. New Business.**

- a. Discussion and Decision-Making regarding lease extension for Hawaiian Islands Trading Company LLC Sublease K-39. \***

DD Sombardier explained that Hawaiian Islands Trading Company LLC (dba Sea Salts of Hawaii, "Sea Salts") acquired Mera Pharmaceuticals' salt business and facility at HOST Park in 2020. This acquisition took place in the early stages of the COVID pandemic and due to uncertainties related to the pandemic, the term of the sublease was kept to a relatively short term of 5 years. Sublease K-39 was executed in July 2020, and since then, Sea Salts

has been successfully executing on the business plan submitted. Based on this performance, Sea Salts has requested an extension of the sublease term to the standard 30 years.

After acquiring the Mera Pharmaceuticals facility, Sea Salts immediately cleaned, fixed and performed maintenance on the facility basic infrastructure including removal of large amounts of unusable equipment, replacing or tearing down unsightly fences and repairing buildings. Sea Salts built out a show room and tour circuit to share the historical significance of pa'akai (salt) in Hawaii and their current salt production methods. The show room contains a variety of flavored and plain salt products as well as nigari, mineral drops, and spa products. 1% of sales are donated to the Papahānaumokuākea marine debris removal project. The company has hired on 11 new employees for the Kona facility (5 of which are full time) since they took over the facility and revenues are trending upwards. The facility has also proven to be a desirable venue for a variety of special events including mahalo events for Governor Ige and other dignitaries, events showcasing HOST Park, as well as weddings using the salt farm as a backdrop and theme.

Based on the successes to date, Sea Salts plans to continue improving the property infrastructure including the installation of a PV system. With additional capital put into the project, Sea Salts would like to extend their sublease term from 5 years to 30 years total. Sea Salts is in good standing with NELHA, and staff sees no reason to deny the extension request. A draft Supplemental No.1 document has been reviewed by Sea Salts and by NELHA's attorney. The Supplemental language extends the term to 30 years and takes the opportunity to clarify certain paragraphs. In addition, two paragraphs from the boiler plate sublease were adjusted or reinserted. This includes allowing for a rent fee reopening every 10 years, as well as adjusting the percent rent incentive to be utilized over 10 years to match boiler plate language.

The Sea Salt sublease K-39 calls for an annual review of the space that is used for extractive and retail purposes (i.e. salt product and tours/events) and corresponding fee adjustment if appropriate. The space used for these activities has not substantially changed. Symbrosia, a HATCH 2019 cohort company, which obtained approval in concept to expand at the last Board meeting, is currently using some of the Sea Salt property for their R&D until they can build out their own facility. Symbrosia grows seaweed and is therefore considered a productive user.

One last change reflected in the Supplemental No.1 draft document is the removal of the northern most wedge of the original Mera Pharmaceuticals property. An unofficial beach access road has developed in this area over time and the area is not appropriate for development. This removal reduces the gross acreage to 6.535 acres and the net acreage to 5.211 acres.

NELHA operates under a Master Lease with DLNR that goes through July 2066. This extension would increase the Sea Salts sublease term to 2050, well within the 2066

timeline, but we are approaching the time to consider requesting an extension to our Master Lease with DLNR.

Staff recommends that the NELHA Board grant approval to extend the term of Sea Salts Sublease K-39 as well as make the other changes described in this summary. Staff recommends that the Board instruct NELHA Executive Director to work with Sea Salts and NELHA AG to finalize and execute the Supplemental No. 1.

Chair Miyashiro opened to board discussion. Director Adams asked Director Scott Glenn, given his new position, whether there was a need to consider climate impacts on these types of longer term contracts. Director Glenn answered that his primary focus until now was not climate impact. He is just getting back into this area and would have to go back to his team. Listening to Ms. Gibson's presentation, he did not notice any immediate flags.

Director Tsuji asked whether the language in the use paragraph is broad enough to include wedding receptions. DD Sombardier answered the initial business plan did include events although there are perhaps more events now than initially anticipated. These events aren't solely weddings. Governor Ige recently used the site for a Mahalo Event, Hawaii County has also used the site for their visitors. Ms. Gibson added they have had celebrations of life (salt and voyage blessings), events with hospice and the Marine Mammal Center. They also have hosted private tours for schools, visiting Hawai'i chefs, and plan to extend their range to more educational and culinary events. Director Tsuji asked about park hours and Ms. Gibson explained these events are held during off hours mostly at sunset, 5:00 – 6:00 pm. Parties are not large about 50 to 100 people at most, and they have adequate parking so there isn't an issue on that side. ED Barbour added the park closes at 8:00 p.m. daily and we advise for any events they have everything wrapped up and visitors leave the park by 8:00 p.m.

**Director Noe Kalipi joined at 2:05p.m.**

Chair Miyashiro asked the public and board if there were other questions or comments. Hearing none, Director Tsuji motioned to approve the extension of sublease K-39 as well as the other changes as presented, and approval for the NELHA staff and AG's office to finalize and execute Supplement No. 1. Director Hilton seconded the motion. There were no objections, and the motion was approved (11-0).

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

Chair Miyashiro asked ED Barbour to present this agenda item. ED Barbour presented an overview of the first six months of the fiscal year, July 1 through December 31, 2022.

Revenue

- Total revenue was \$2.6M for the first six months of this fiscal year and this represents an increase of \$500,000 or 25 percent for the same period last year. Much of the

increase \$300,000 or 60 percent is due to increasing cost of electricity. Increased rental income is also significant showing an increase of \$125,000 or 25 percent of the total increase in revenue. Of notice for FY23 are the following:

- Overall seawater system revenue is up by \$180,000 or 25 percent. Demand is up slightly (10 percent), but the main increase is due to the surcharge of \$170,000 (500 percent) as electricity rates significantly higher than the same period last year.
- Overall lease rent is up by \$125,000 for the first six months of the year. HOST Park lease base rent (property outside the Makai Research Campus is up 5 percent or \$40,000; Makai Research Campus office space is up 40 percent (40,000) and outside space in the Makai Research Campus increase by 55 percent or \$40,000.
- Percent rent increased by \$15,00 due to payment of arrears.
- Labor services is decreased slightly by \$4,000 for the first six months of the year.
- Reimbursements for electric are up by \$125,000 or 70 percent and due to higher electrical costs. Freshwater reimbursements are also up \$40,000 (125 percent) due to higher costs.

ED Barbour asked if there were any questions on revenue. Hearing none he continued with expenditures.

#### Expenditures

- Total expenses for the first six months of this year were approximately \$2.5M or up slightly by \$50,000 or 2 percent. The one-time contract extension cost for the water well last year was \$220,000 and not included in this year's expenditures. Otherwise, overall expenditures were up mainly due to increase seawater system expenditures and tenant electrical reimbursables. We continue to monitor expenditures very closely. Of note are the following:
  - Seawater system expenditures were up by 70 percent (\$450,000) due to shifting of personnel to focus on upgrades; purchase of parts; and, increased electrical costs (down 20 percent from record levels six months ago).
  - Tenant utilities are up by 60 percent or \$140,000 due to increased HELCO rates.
  - HOST Park security is down by \$12,000 (35%) mainly due to shifting of personnel tasks to the seawater system upgrades.
  - Beach Park maintenance is down by \$15,000 (55%) for the first six months mainly due to shifting of personnel tasks to the seawater system and lower freshwater costs by turning off the irrigation at the beach park.
  - Administrative costs are down by \$140,000 due to shifting of personnel and the new janitorial contract encumbrance pushed to January.
  - OHA ceded lands payment is up by \$25,000 (25%) for the first six months of the year.
  - Special Projects is down by \$330,000 due to the one-time water well contract payment last year and the final payment to Hawaii Natural Energy Institute for the energy analysis.

ED Barbour asked if there were any questions. Hearing none, he continued to Special Funds and Arrears.

Special Fund and Arrears

- Special fund balance is \$850,000 and up slightly by \$175,000 over the first six months.
- Current arrears are \$35,000 and if arrears are collected this will bring the special fund balance close to \$890,000. We continued to get good news we have \$850,000 which up over 200K over the first six months.

ED Barbour closed his Financial Report commenting that we hope to continue to increase revenues and hold on the expenditures, with a \$900K-\$1M special fund balance goal at the end of the fiscal year.

ED Barbour acknowledged that Director Sims of Ocean Era has eliminated that company's arrears. Director Sims thanked the board for their patience as they worked through issues with Federal grants.

Chair Miyashiro asked if there were any questions or comments. Before calling for a motion, Chair Miyashiro added her comment that at the last couple of meetings they had talked about the volatility of energy costs and while it doesn't impact NELHA, it is a burden to the tenants. Chair Miyashiro asked if there are any future energy related projects which we can provide some kind of rate relief or anything that would potentially mitigate the volatility to the tenants. She further explained if we have tenants that are not using as much water because of the cost that does limit the progress and growth objectives of the park. If there are any opportunities for energy projects to bring rates down, she would encourage us to look into it. ED Barbour thanked Chair Miyashiro and noted her comments. He explained further that Hawaii Natural Energy Institute completed an analysis of our renewable energy resources and did come up with a plan which ED Barbour plans to present to the board because it includes a schedule of projects.

Chair Miyashiro asked if there were any comments or questions. Hearing none Director Sims moved to approve the financial report covering July 2022 to December 2022. Director Mielcke seconded the motion. Motion carried as presented (11-0).



- **Item 8. Executive Director's Informational Status Report on ongoing projects including: new leases; seawater system maintenance; offshore deep seawater pipe removal planning and design; regional seawater air conditioning planning and design; new potable water supply update; aquaculture accelerator and investment fund initiative; design of expansion of research campus and visitor center; renewable distributed energy resources initiative for microgrid; and, solar desalination.\***

Chair Miyashiro asked ED Barbour to present this agenda item.

#### **Director Scott Glenn leaves at 2:21pm**

Seawater System: ED Barbour stated that the Seawater System continues to operate with high efficiency. Recently we arranged for the shut-down of the seawater system to de-energize the entire seawater system. ED Barbour doesn't recall this being done since he started at NELHA. We were able to successfully shut down the system and do some work at the 55" Pump Station to get ready for the microgrid. We were also able to do some upgrades at the Makai research campus. We appreciated the opportunity to allow several Hawaii Fire Department stations to use the shutdown for an hour and thirty-minute training on rescuing people who fall into an enclosed area with water. ED Barbour thanked NELHA's Chief Science Officer, Keith Olson for arranging this event successfully.

Offshore Deepwater Pipe Project: There's an error in the timeline showing February-March reporting, as this project was completed in the October-November timeframe. ED Barbour recalled that at the November board meeting, Chief Projects Officer (CPO), Alex Leonard was on the ship for the project. CPO Leonard reported the consultants are working on the final report. ED Barbour explained that the next step is to work with Makai Ocean Engineering on a plan to remove the pipes. He is hopeful to complete this by end of this fiscal year.

Seawater Rate Analysis: We decided not to undertake at this time this because electrical rates are volatile. Also, the microgrid project at 55" pump station is making good progress. 800 kWh of batteries will be commissioned in the next couple weeks, 1/3 of the panel mounts are done, and we hope that the cost of seawater will be dramatically affected beginning 4<sup>th</sup> quarter this fiscal year. We expect to commission that project in the June timeframe.

Desalination Project: Wrapping up Phase 3. CPO Leonard reported Trevi requested a no-cost extension to complete the final report. Trevi's long term plan has been to complete the demonstration project, meet the DOE goals, and if met, look for additional funding to ramp to next level. NELHA and Trevi did have a preliminary meeting with Cyanotech to see if Cyanotech could offtake the water. Cyanotech agreed they would be willing to work with them, but there is no formal agreement. ED Barbour is optimistic that Trevi will be able to get some funding.

Region Seawater Air Conditioning Design Study: Pushed back a little bit, but ED Barbour is expecting it to be completed in the next couple months. We plan to present to the Board after it is completed.

Aquaculture accelerator: Operations contract is going well. Last week, HATCH announced their first incubator program. This is one of the three major programs they will be undertaking. First level is the ideation which are very short-term workshops to support businesses. Next level is the Incubator Project followed by the top-level Accelerator Program they plan to start in May. ED Barbour took this opportunity to announce the good news that Hawaii Technology Development Corporation (HDTC) approved funding of \$5M of Hatch's second fund, the Hawaii fund.

The first fund of \$8.4M was raised in 2019. We own approximately 23% of that fund. The Hawaii Hatch 2 Fund goal is \$15M, and is in good shape with the HDTC \$5M funding to get it past the \$10M mark. This will provide funding for the three new accelerator projects they will undertake over the next three years in addition to the 2023 accelerator project.

ED Barbour also announced the first distribution from the Hatch Hawaii Fund was made last week from a company named CFeed. Hatch originally invested \$200K and exited with \$400K. NELHA's share was \$70K. Overall, very positive.

Research Campus Expansion: We have received the 90% plans, and are completed the final review of these plans. We are requesting CIP funding for that project this year from the legislature. We submitted last Friday an original proposal to Gov. Green's administration for review.

We completed the purchase of the Destiny Building. They had 60 days to clear out the property. DD Sombardier said this morning it looked to be on schedule and close to completion by tomorrow. All heavy equipment had been moved out of the building and now it's a matter of disposing of it. But 80% is already off the property. ED Barbour reported we are starting to get that building ready for occupancy, and developing a conceptual plan to bring to Board for consideration. To date, power is turned on, internet established, and water is on, bringing back to life a building which has been closed for 5-6 years.

Exploratory Water Well: Contested case hearing.

Offshore Freshwater Survey: CPO Leonard confirmed the survey is scheduled for April or May of this year.

HOST Park EIS: Funding has been released beginning the in the procurement process.

Customer Satisfaction Survey: The survey end date was extended because we had a low response rate. Only 23 responded out of the 80 business contacts that received the request. Two years ago, we had 40 responses, and we'd like to increase the response rate.

2023 Legislature: Finance Informational briefing with House Finance last week. They had no questions. Ways and Means Informational briefing this morning but they didn't get to NELHA so he will have to return next week Wednesday to finish DBEDT's briefing.

Chair Miyashiro thanked ED Barbour for his briefing, and everyone in attendance for their time.

- **Item 8. Announcements.**

Chair Miyashiro noted that our next meeting is scheduled for March 21, 2023, at 10:00am.

- **Item 9. Adjournment.**

Chair Miyashiro adjourned the meeting at 2:35 p.m. and again expressed appreciation for everyone attending.

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