



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
February 26, 2021 at 9:30 a.m.

by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
and
Jan Gouveia
Vice President for Administration
University of Hawai'i System

SB 962 SD1 – RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to submit testimony on SB 962 SD1. The University of Hawai'i (UH) supports this measure which transfers to the Natural Energy Laboratory of Hawai'i Authority (NELHA) operational authority over the makai research pier located at the southeast corner of O'ahu. This bill also authorizes the Director of Budget and Finance to issue general obligation bonds for the NELHA to repair and upgrade the makai research pier.

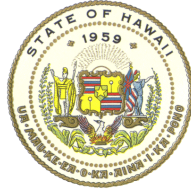
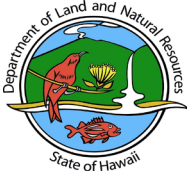
The UH currently has a lease from the Board of Land and Natural Resources (BLNR) for use of the makai research pier. In the past, the UH has conducted research activity at the pier and has also sub-leased facilities at the pier to private research partners. For several years now, the level of research utilizing the makai research pier by the UH has waned. The pier facility is currently used mostly by a sub-lease tenant.

The UH understands that NELHA is desirous of overseeing the makai research pier as an asset. The UH also believes that any of its future research activity that could entail using the makai research pier could be accommodated under the auspices of NELHA. The UH and NELHA have partnered on other research and projects. If NELHA is amenable to operating the makai research pier, the UH is supportive and would collaborate to effectuate transfer of the BLNR lease.

The UH supports the SB 962 SD1 appropriation of \$5,000,000 in capital funding to NELHA for repairs and upgrades to the makai research pier. The bill also includes language in Section 3 providing that existing leases of tenants would be preserved with the transition of pier to NELHA. The UH does not object to this provision, but would note that lessees are currently utilizing the pier as holdover month-to-month tenants and would defer to NELHA whether they would agree that the terms and conditions of a UH lease would meet suitability of their agency.

Thank you for the opportunity to testify in support of SB 962 SD1.

DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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HONOLULU, HAWAII 96809

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
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CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**Friday, February 26, 2021
9:30 AM**

State Capitol, Via Videoconference, Conference Room 211

**In consideration of
SENATE BILL 962, SENATE DRAFT 1
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY**

Senate Bill 962, Senate Draft 1 proposes to transfer to the Natural Energy Laboratory of Hawaii operational authority over the Makai Research Pier located at the southeast corner of Oahu. Additionally, Senate Bill 962 authorizes the Director of Finance to issue general obligation bonds for the Natural Energy Laboratory of Hawaii to repair and upgrade the Makai Research Pier. Senate Draft 1 of the measure includes the following amendments: (i) provides a section transferring the lease obligations of the Makai Research Pier from the University of Hawaii to the Natural Energy Laboratory of Hawaii; (ii) provides current tenants the first right to long-term lease extensions; and (iii) makes technical, non-substantive amendments for purposes of clarity, consistency, and style. **The Department of Land and Natural Resources (Department) supports this bill and offers the following comments.**

The Department notes that Makai Research Pier is under a lease to the University of Hawaii on the Department's land and submerged land. The Department respectfully requests both the University of Hawaii and the Natural Energy Laboratory of Hawaii seek the consent of the Board of Land and Natural Resources on the transfer of interest pursuant to the above-mentioned lease, any subleases as well as extensions of subleases. Additionally, the Department notes that the terms of any subleases cannot extend beyond the term of the master lease between the Department and the University of Hawaii.

Thank you for the opportunity to comment on this measure.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



Written Statement of
Gregory P. Barbour
Executive Director

Natural Energy Laboratory of Hawaii Authority
before the

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 26, 2021
9:30 am
State Capitol, Conference Room 211

in consideration of
SB 962 S.D.1

RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

The Natural Energy Laboratory of Hawaii Authority (NELHA) is strongly opposed to S.B. 962 S.D.1 which transfers operational authority over the Makai Research Pier on Oahu to NELHA; “grandfathers” in the existing tenants; and appropriates \$5 million of general obligation bonds for the repair and upgrade of the pier.

Section 3 of this measure would require NELHA to accept leases that were negotiated over 25 years ago and are currently on a month-to-month basis. It is our understanding that the current leases are being re-negotiated but we have no idea of the new terms and conditions. As a self-sufficient agency that receives no general funds for our operations, this requirement would severely hamstring NELHA in developing a business plan to sustain operations at this facility and grow the ocean technology sector.

Thank you for the opportunity to offer these comments.



Statement of
Hermann Kugeler
Business Development Manager
Makai Ocean Engineering, Inc.
before the
Senate Committee on Water & Land
Friday, February 26, 2021
9:30am
In consideration of
SB962 SD1
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII
AUTHORITY.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee

Makai Ocean Engineering, Inc. **SUPPORTS SB962** and requests an amendment to SD1 to remove Section 3 per discussions with Nelha.

Makai is a locally-owned and operated technology company based in Hawai`i, located on the Makai Research Pier for over 48 years. Makai is at the forefront of R&D and engineering services on a variety of growing ocean technology programs, including autonomous underwater vehicles, next-generation machine learning controls and navigation, submarine and subsea cable systems, offshore deep water wind, ocean thermal energy conversion (OTEC) and seawater air conditioning (SWAC) systems, and a Department of Energy project to grow and harvest macroalgae offshore in Hawaiian waters for food and future energy products.

Makai has called the Makai Research Pier home since our formation in 1973, and since then, has continued to grow and expand the ocean-based industry here in Hawai`i. Makai currently has 36 employees, with offices at the Makai Research Pier supporting 21 full-time on-site employees and up to 5 University of Hawaii College of Engineering interns. Makai's reputation in key areas of the growing "Blue Economy" creates a strong position and outlook for steady growth well into the future. The Makai Research Pier is a significant factor, providing a critical resource and key differentiator for our business, and by extension, the growth of a diversified workforce in the marine industry in Hawai`i.

The pier needs immediate repairs on the order of \$500,000 and urgent repairs overall totaling an estimated \$5,000,000. The pier has sustained structural damage over the years that requires these significant repairs to be made in order to maintain operational condition. This bill will allow those repairs to be made before the damage worsens to a point that the pier is no longer usable or recoverable.

Makai has been successful in bringing in tens of millions of dollars in funds from federal, commercial, and international sponsors to Hawai`i, due in large part to our offices located on the Makai Research Pier. A majority of Makai's services and products are exported out of state with recent clients being Department of Defense (DoD) programs in the Office of Naval Research



(ONR), NAVFAC, NAVAIR, NAVSEA, Army, United States Air Force (USAF), Defense Advanced Research Projects Agency (DARPA); Department of Energy (DoE) programs in Advanced Research Projects Agency – Energy (ARPA-E); and a commercial business network around the world including Lockheed Martin, AT&T, Prysmian Group, IT Telecom, Orascom, DEME, and many others.

The pier provides us with a location to rapidly prototype hardware, and easily access the ocean waters where we can test these systems. This ocean water access that the pier facility provides allows Makai to save our clients time and money throughout the development process. Without the appropriated funds to repair the pier, the damage to the pier will soon worsen to a point that it is no longer safe to operate on the pier and the tenants like Makai must leave, along with it the existing jobs and the potential future growth. It is our opinion that, due to a number of circumstances, a pier of similar capability for marine research and operations would never be constructed in Hawai'i again within our lifetimes. Loss of the pier would not only impact Makai and current pier tenants, it would be a permanent and irreplaceable loss to the State for any future marine industry and research.

The Makai Research Pier and Makai's work have helped to stem the tide of "brain drain" of talented kama'aina kids going to the mainland. The Makai Research Pier facilities have allowed Makai to make a strong economic impact in terms of high paying jobs, and demonstrated success in commercializing R&D, which has increased taxable revenue for the state, and brought home kama'aina scientists and engineers.

This bill would allow the Makai Research Pier to remain operational and allow the Pier's tenants like Makai to continue to strongly compete and win against mainland peers in high quality federal R&D projects. Without the valuable resource that the pier provides, Makai and other pier tenants would lose our competitive advantage to mainland competitors that are closer to the clients, and the State of Hawai'i would lose an anchor to national and international ocean technology opportunities. The pier has allowed companies like Makai and other tenants to expand and diversify Hawaii's economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

This is why we **SUPPORT SB962**, which authorizes the director of finance to issue general obligation bonds for the natural energy laboratory of Hawaii authority to repair and upgrade the makai research pier, and allow the pier to remain operational.