

JAN 19 2007

A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Kajima Urban
2 Development International and Phase 3 Properties competitively
3 bid and was selected by Kamehameha Schools Bishop Estate as the
4 developer of the Asia Pacific International Research Center, a
5 four hundred thousand square foot class A life sciences research
6 complex on 4.98 acres located in the Kakaako district of Oahu,
7 makai of Ala Moana Boulevard and adjacent to the University of
8 Hawaii John A. Burns school of medicine.

9 Kamehameha Schools and Bishop Estate and Kajima Urban
10 Development International and Phase 3 Properties are committed
11 to cultivating the high technology industry in Hawaii and have
12 the full support of Enterprise Honolulu and the Hawaii Life
13 Sciences and Technology Council. The Asia Pacific International
14 Research Center will be positioned as a catalyst spawning new
15 international life science collaborations in the Pacific Rim for
16 both the public and private sectors as the only facility with
17 class A wet laboratory space available to the non-institutional
18 market.



1 Kamehameha Schools Bishop Estate and Kajima Urban
2 Development International and Phase 3 Properties are negotiating
3 with the high technology development corporation, an agency of
4 the State, to commit to a ten-year lease agreement secured with
5 a state guaranty for approximately ninety-nine thousand square
6 feet of laboratory and office space on three floors. The high
7 technology development corporation will operate a technology
8 incubator and innovation center, which will support the efforts
9 of the University of Hawaii's school of medicine, Cancer
10 Research Center of Hawaii, and many related bioscience research
11 institutions.

12 Many local fledgling start-up high technology companies are
13 trying to attain financing. Once they achieve such financing,
14 it is critical that they commit their core-capital to research
15 rather than have it tied up in onerous credit enhancement tools,
16 such as security deposits or letters of credit required by the
17 lending community in order to finance complex and expensive wet
18 laboratory infrastructure developments. A guaranty of the lease
19 agreement by the State for the high technology development
20 corporation leased portion of the Asia Pacific International
21 Research Center will reduce the risk and cost of this unique



1 project for these start-up companies and thereby provide the
2 necessary initial boost to Hawaii's life science industry.

3 The statutory purpose and mission of the high technology
4 development corporation is to grow Hawaii's high tech industry
5 and this includes its fledging life science industry. In order
6 for the high technology development corporation to grow these
7 technology industries, the corporation must be able to provide
8 quality incubator and innovation facilities to qualified start-
9 up companies. Kamehameha Schools Bishop Estate and Kajima Urban
10 Development International and Phase 3 Properties believe that
11 there is a significant and exciting opportunity for the high
12 technology development corporation to participate in the
13 development of the Asia Pacific International Research Center.

14 Hawaii needs suitable specialty commercial laboratory space
15 as soon as possible since very little currently exists.
16 Thirteen biotechnology companies did not select Hawaii as a site
17 in the past three years due to the lack of suitable space. The
18 total square footage of these companies' needs was twice as much
19 as the proposed project space and yet additional demand exists.
20 In order to build a life sciences sector, the State will need
21 specialty commercial space.



1 Other states and communities are also very aggressively
2 recruiting technology companies and start-ups. Many offer
3 grants, subsidies, and other incentives to attract high
4 technology companies to develop and grow their businesses. They
5 know that these companies hire the knowledge and concept workers
6 that are attracted by high-paying jobs and the opportunity to
7 collaborate with other scientists and technicians. These other
8 communities know that the technology and life science industries
9 produce quality jobs at all levels, from the beginning
10 technician to the senior researcher, increase the jurisdiction's
11 tax base and, most importantly, provide the critical mass and
12 synergy for a sustainable industry. The most successful states
13 and communities locate their technology companies adjacent to
14 major research institutions, creating a cluster effect. In
15 addition to new and meaningful career pathways for Hawaii's
16 youth and residents, an estimated one thousand new living wage
17 jobs will be created within the facility.

18 Hawaii is well positioned to compete in this market. The
19 recently completed University of Hawaii school of medicine
20 complex will soon be joined by the Cancer Research Center of
21 Hawaii and a Regional Biosafety Laboratory adjacent to the
22 school of medicine. This Asia Pacific International Research



1 Center project is intended to be the catalyst for the
2 development of the life science industry in Hawaii. It is
3 intended to be a place where the private research sector joins
4 with the public research sector to create an exciting place for
5 innovation and entrepreneurship. The facility completely
6 complements the University of Hawaii Kakaako magnet for research
7 on medicine, cancer, and infectious diseases. It makes possible
8 the first level of university and private sector collaboration
9 in the Kakaako core.

10 The project allows the State to take the initiative in
11 growing incubation and innovation space without bearing the cost
12 or burden of construction alone. Many other jurisdictions have
13 undertaken similar efforts to create a life sciences industry in
14 their communities such as San Diego, San Francisco, Boston, and
15 North Carolina. New York uses a two billion dollar initiative
16 fund to lure top tier biotechnology and pharmaceutical
17 companies. The Kobe city government has paid for two-thirds of
18 the development of the Kobe Bio Science Park in Kobe, Japan.
19 The competition to attract high technology companies is intense
20 and governments have had to lend financial support to be a
21 contender in this market. The Asia Pacific International
22 Research Center can act as a magnet to recruit other world-class



1 research companies such as the Centers for Disease Control and
2 Novartis, the global pharmaceutical company.

3 The Kamehameha Schools Bishop Estate and Kajima Urban
4 Development International and Phase 3 Properties project aims to
5 build life sciences cluster dynamics by providing a private
6 sector facility to augment university and research centers.
7 Through this public-private partnership, Kamehameha Schools
8 Bishop Estate is making a considerable investment in innovation
9 infrastructure. Kamehameha Schools Bishop Estate funded the
10 Hawaii Life Sciences Road Map: Competitive Opportunities in the
11 Global Economy (July 2005) at a cost of \$1,000,000 and will
12 commit to the Asia Pacific International Research Center a five-
13 acre parcel, giving up approximately \$20,000,000 in opportunity
14 cost from not pursuing highest and best use of that land.

15 Kamehameha Schools Bishop Estate is committed to
16 redeveloping other buildings in the area to support innovation
17 industries. Phase 2 of Kamehameha Schools Bishop Estate
18 development more than doubles innovation space in Kakaako for
19 future cluster growth, ultimately resulting in a total of four
20 hundred thousand square feet of laboratory and office space
21 dedicated to the high technology industry. The ninety-nine
22 thousand square feet of the Asia Pacific International Research



1 Center represents less than twenty-five per cent of all of
2 Kamehameha Schools Bishop Estate's development in Kakaako.

3 The purpose of this Act is to support the operations and
4 programs of a state-operated technology incubator and innovation
5 center in the Kakaako district of downtown Honolulu.

6 SECTION 2. The high technology development corporation,
7 with assistance from the department of business, economic
8 development, and tourism, shall negotiate with the developers,
9 on terms acceptable and satisfactory to the corporation's board
10 of directors and the director of finance, a lease agreement and
11 lease guaranty for a period of ten years for approximately
12 ninety-nine thousand square feet of laboratory and office space
13 in the Asia Pacific International Research Center in Kakaako.

14 SECTION 3. The negotiations between the high technology
15 development corporation and the department of budget and finance
16 with Kamehameha Schools Bishop Estate and Kajima Urban
17 Development International and Phase 3 Properties shall consider,
18 as a means to reducing cost to the State:

19 (1) Using \$80,000,000 or more in private sector
20 investment;



- 1 (2) The application, in reasonable amounts, from a
2 \$28,000,000 federal new market tax credit, to reduce
3 the State's rental costs;
- 4 (3) The replacement of incubation and innovation space
5 when the high technology development corporation land
6 lease agreement with the University of Hawaii Manoa
7 Innovation Center expires in ten years to alleviate
8 the lack of available state capital improvement funds
9 to construct technology-based economic development
10 projects;
- 11 (4) The speed at which the private sector is able to
12 construct new projects, particularly wet laboratories;
- 13 (5) Monetary contribution in the form of a lease reserve
14 fund by Kamehameha Schools Bishop Estate and Kajima
15 Urban Development International and Phase 3 Properties
16 to reduce the effective cost of the lease agreement to
17 the State for ten years;
- 18 (6) Commitments by Kamehameha Schools Bishop Estate and
19 Kajima Urban Development International and Phase 3
20 Properties to pre-lease two-thirds of the space for
21 the State;



- 1 (7) Enhancements that accrue or result from this
- 2 development; and
- 3 (8) Any and all other appropriate considerations as
- 4 determined by the high technology development
- 5 corporation and the department of budget and finance.

6 SECTION 4. The high technology development corporation is
7 authorized to enter into contracts to support the planning and
8 development of a state-operated high technology incubator and
9 innovation center in the Kakaako district near downtown
10 Honolulu.

11 SECTION 5. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$150,000, or so much
13 thereof as may be necessary for fiscal year 2007-2008, for the
14 purposes of this Act.

15 The sum appropriated shall be expended by the high
16 technology development corporation.

17 SECTION 6. The provisions of this Act are not intended to
18 and shall not restrict or constrain the lease negotiations of
19 the high technology development corporation, the department
20 business, economic development, and tourism, and the department
21 of budget and finance with the developers and owners of the Asia
22 Pacific International Research Center.



1 SECTION 7. This Act shall take effect upon its approval
2 except that section 5 shall take effect on July 1, 2007.
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Report Title:

High Technology; Asia Pacific International Research Center

Description:

Appropriates \$150,000 in FY 2007-2008 to the high technology development corporation to negotiate a 10-year lease guaranty to construct the Asia Pacific International Research Center for high technology in Kakaako.

