



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
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Department of Business, Economic Development, and Tourism

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION
Tuesday, March 18, 2008
1:15 p.m.
State Capitol, Conference Room 224

in consideration of
HB 3358 HD1
RELATING TO HIGH TECHNOLOGY.

Chair Fukunaga, Vice Chair Espero, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 3358, which requires DBEDT to consult with the High Technology Development Corporation (HTDC) to plan for the establishment of a high technology park on the island of Oahu, and work with the department of land and natural resources to identify public or private lands that may be acquired for the park. The bill also would appropriate funds for infrastructure to build the park. There have been many good ideas introduced this legislative session that support the State's economic development goals. We note, however, that this appropriation was not included in the Executive's Supplemental Budget, and request that this appropriation not displace the priorities contained in that budget.

The Administration recognizes that there is a critical need for additional, appropriate infrastructure to support the growth of Hawaii's emerging technology and defense-related industries, which can provide Hawaii with a source of high wage jobs and a way to ensure the State's future prosperity and global competitiveness. We express our unqualified support for this sector and the entrepreneurs and companies in it.

As I noted in my testimony on a similar proposal last year, I am concerned that a State investment should be the right amount and at the right time. If this measure is adopted as a priority of the State and its policymakers, as I believe it should be, then I suggest that the required plan be developed in a partnership that would include other State and federal agencies, non-profits and private sector firms, including developers, in addition to HTDC. The planning process should include the development of a specific business plan (not a mere plan) with siting, sizing, lay-out and design parameters, project budget and financials, cash flows, and project timeline.

I continue to support the concept that private or other non-State general fund sources of financing should be tapped to the fullest extent possible and that the State's support, in cash¹ or in-kind, be the "tipping point" of getting a project built. If there is a "gap" in capital that justifies public funds, the business plan, projections and numbers should make that clear. The Legislature – and the public – would then know the basis of any public subsidy and the basis of appropriating the same in any particular budget year.

On that basis, we suggest that any appropriation for FY 2009 should be for the hiring of consultants or other professional services to assist in the development of the plan, provided, as indicated above that the appropriation does not displace the priorities contained in the Executive Supplemental Budget. General funds, if determined to be necessary, could be appropriated based on the findings in the report.

Thank you for the opportunity to provide these comments.

¹ Should project NOI (net operating income) be sufficient, a state tax exempt revenue or project bond may be a possibility.

Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, March 18, 2008
1:15 PM
State Capitol, Conference Room 224

In consideration of
HB 3358 HD1 RELATING TO HIGH TECHNOLOGY.

Chair Fukunaga, Vice Chair Espero, and Members of the Senate Committee on Economic Development and Taxation.

The High Technology Development Corporation strongly supports HB 3358 HD1 which provides for a technology park on Island of Oahu. There have been many good ideas introduced this legislative session that support the State's economic development goals. We note, however, that this appropriation was not included in the Executive's Supplemental Budget, and request that this appropriation not displace the priorities contained in that budget.

We envision the employment of engineers, life and physical scientists, mathematical specialists, science technicians, and similar technical position counts in the private sector will begin to exceed the numbers currently in State government with initiatives such as HB 3358 HD1. And, the economic opportunities that come with growth of technology parks will contribute to the number of higher paying and sustainable jobs in our local economy.

Oahu is the only island without a technology park and yet it has the largest critical mass needed to support and fill a park. Big Island has two technology parks – one adjacent to the university's Hilo campus and the other at NELHA, in Kihei you have the Maui Research & Technology Park, Kauai has one in Waimea, but Oahu does not. The Big Island's technology parks have utilized local community and natural resources; Maui has succeeded with federal contractors and the Maui Supercomputing Center; and, Kauai with federal contractors and close proximity to the Pacific Missile Range Facility. Oahu has Manoa Innovation Center which is a successful incubation and innovation center, but its land lease with the University of Hawaii will expire in seven (7) years and the Manoa site lacks available adjacent land for expansion into a technology park. The Mililani Technology Park financial structure of selling off fee simple lots is not conducive to developing a technology industry and should not be defined as a technology park.

There already are many national and international studies that support the need for technology parks to contribute to economic competitiveness of regions, states and nations. To quote:

- "A survey of 134 university research parks in the United States and Canada revealed that: More than 300,000 workers in North America work are located in a university research park. Every job in a research park generates an average of 2.57 jobs in the economy resulting in a total employment impact of more than 750,000 jobs."
- "A new model is emerging," said Walter H. Plosila, Vice-President, Battelle TPP. "What we're seeing are strategically planned, mixed-use campuses designed to create an environment that fosters collaboration and innovation and promotes the development, transfer and commercialization of technology," he said. Research parks have become a key element of the technology infrastructure supporting the growth of today's knowledge economy."
- "Research parks are key drivers of regional development," said J. Michael Bowman, President of the Association of University Research Parks (AURP) Board of Directors and Chairman & President, Delaware Technology Park. Research parks were traditionally established to recruit R&D and technology companies to locate near a university in order to build a cluster of high technology companies.
- "Research and technology parks have exhibited a strong ability to attract and retain talent, which in turn, allows us to create a critical mass that can yield high economic opportunities for our regions," said Dale Gann, President of AURP Canada and Vice President-Technology Parks, Vancouver Island Technology Park.

Today, research parks increasingly spur homegrown business startups, retention and expansion with a focus on providing commercialization and business development support in addition to space for talent retention and innovation infrastructure. Technology parks are emerging as strong sources of entrepreneurship, talent and economic competitiveness.

We offer these additional comments: (a) in addition to the Department of Land and Natural Resources, we suggest that all other state departments and agencies assist to facilitate technology parks when it is appropriate and proper given their mission and purpose; (b) it is vital that each community be represented in this initiative because technology projects (incubators, innovation centers, research centers, technology parks, etc.) succeed when there is buy-in and collaboration within the community; and, (c) the Island of Oahu has sufficient critical mass to start a technology park today as a planned incremental development, and current site planning needs to contain growth and expansion needs.

Thank you for the opportunity to submit comments in support of HB 3358 HD1.