



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committees on Education and Economic Development & Taxation
on
April 14, 2008 at 2:45 p.m.
by
Sam Callejo
Vice President for Administration, University of Hawai'i System

HCR 312 – Urging the University of Hawai'i to Extend its Land Lease with the High Technology Development Corporation to Continue to Operate the Mānoa Innovation Center

Chairs Sakamoto and Fukunaga, Vice Chairs Tokuda and Espero and Members of the Committees:

The University of Hawai'i provides the following comments on HCR 312 which urges the University to extend our current lease with the High Technology Development Corporation (HTDC) for the Mānoa Innovation Center.

The University and HTDC entered into a 25-year lease in good faith in 1990. There are now 7 years left on this lease, which is not an unreasonable amount of time for HTDC to identify and secure a new location, particularly if the Legislature is supportive.

The University notes that our extramural research and training enterprise grew to over \$400 million dollars in 2007, which constitutes a substantial part of our contribution of over \$1.6 billion dollars a year to Hawai'i's economy. Supporting this growth in extramural research has created grave pressure on the University for additional space in close proximity to the UH-Mānoa campus.

For several years HTDC has been seeking other locations to which it could relocate. The fact that none of these initiatives have yet been successful is not a reasonable basis for the premature extension of the current lease.

The University supports the mission of HTDC and looks forward to assisting, as appropriate, in identifying and securing a new long-term home for HTDC. Possibilities include both Kakaako and West O'ahu. HTDC could also play a key role in the development of a Tech Park on O'ahu, as the Legislature is currently considering.

In addition, the University believes that if the Legislature finds the HTDC mission to be worth substantial public support, then the Legislature should consider appropriating funds accordingly rather than ask HTDC to rely on the revenues it receives through leases of the current facilities it manages.

The University is willing to play a supportive role in helping HTDC find a new home by 2015, and respectfully requests that the subject resolutions be deferred.

H2 Technologies, Inc.

73-4347 Malie Place, Kailua-Kona, HI 96740

www.h2-techs.com

DATE: April 10, 2008

TO: Members of the Senate Committee on Economic Development & Taxation
And Members of the Senate Committee on Education
testimony@capital.hawaii.gov

FROM: Guy Toyama, President & COO, H2 Technologies, Inc.

SUBJECT: **House Concurrent Resolution 312 Urging the University of Hawaii to extend its land lease with the High Technology Development Corporation to continue to operate the Manoa Innovation Center.**

As a very satisfied client I would like to express our strong support for House Concurrent Resolution 312 which urges the University of Hawaii to continue the operations of the Manoa Innovation Center by extending the land lease agreement between the University and HTDC until a new center is available to continue these important programs.

The Innovation Centers run by HTDC including the Manoa Innovation Center is extremely important to the economic well being of Hawaii and to continue to give incentive for new high technology companies to locate here thus diversifying our economy.

Thank you for this opportunity to submit testimony in support of HCR 312.

**Guy Toyama
President & COO
H2 Technologies, Inc.
guy@h2-techs.com
808-938-6325**

TECHNICAL RESEARCH ASSOCIATES, INC.

2800 Woodlawn Dr. Suite 149

Honolulu, HI 96822

DATE: April 11, 2008

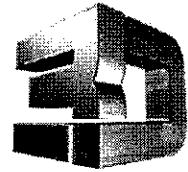
TO: Members of the Senate Committee on Economic Development & Taxation
And Members of the Senate Committee on Education
testimony@capital.hawaii.gov

FROM: Dr. Edwin M. Winter, Vice President, Technical Research Assoc. Inc.

SUBJECT: **House Concurrent Resolution 312 Urging the University of Hawaii to extend its land lease with the High Technology Development Corporation to continue to operate the Manoa Innovation Center.**

Technical Research Associates, Inc. is a current tenant at the Manoa Innovation Center. While the expiration of a lease in 2015 is not of particular concern to our company, I wish to speak for future Hawaii companies who would greatly benefit from the special high tech incubation atmosphere of the MIC. These benefits include tangible ones such as special seminars and intangible ones such as meeting a future business partner at the coffee machine or at a sack lunch seminar. While none of these future companies can testify, their voice should be heeded. As their surrogate, I would like to express my strong support for House Concurrent Resolution 312, which urges the University of Hawaii to continue the operations of the Manoa Innovation Center by extending the land lease agreement between the University and HTDC until a new center is available to continue these important programs.

Thank you for this opportunity to submit testimony in support of HCR 312.



3D Innovations, LLC
2800 Woodlawn Drive, Suite #100
Honolulu, HI 96822
Tel: 808.722.8667
info@3d-innovations.com

DATE: April 13, 2008

TO: Members of the Senate Committee on Economic Development & Taxation
And Members of the Senate Committee on Education

FROM: Collin Kobayashi, President & CEO, 3D Innovations, LLC

SUBJECT: **House Concurrent Resolution 312 Urging the University of Hawaii to extend its land lease with the High Technology Development Corporation to continue to operate the Manoa Innovation Center.**

I would like to express my strong support for House Concurrent Resolution 312 which urges the University of Hawaii to continue operations of the Manoa Innovation Center by extending the land lease agreement between the University and HTDC until a new center is available to continue these important programs.

As a small business owner trying to succeed in Hawaii's economy, HTDC has been instrumental with assisting my business needs by providing access to the Manoa Innovation Center's facilities, networking opportunities, and general start up business expertise. Without their support, operating a small business in the technology sector would prove difficult. Sustaining Hawaii's technology sector is an important facet of the state's economy, and as such small businesses can continue to grow by utilizing HTDC and all of the benefits they offer.

Thank you for this opportunity to submit testimony in support of HCR 312.

Aloha,

Collin Kobayashi
President & CEO
3D Innovations, LLC

Written Statement of
BRIAN GOLDSTEIN
Chairperson
High Technology Development Corporation
before the
**SENATE COMMITTEES ON EDUCATION AND
ECONOMIC DEVELOPMENT AND TAXATION**
Monday April 14, 2008
2:45 PM
State Capitol, Conference Room 225

In consideration of
**HCR 312/HR 260 URGING THE UNIVERSITY OF HAWAII TO EXTEND ITS
LAND LEASE WITH THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION TO
CONTINUE TO OPERATE THE MANOA INNOVATION CENTER.**

Chairs Sakamoto and Fukunaga, Vice Chairs Tokuda and
Espero, and Members of the Senate Committees on Education and
Economic Development and Taxation:

The Board of Directors of the High Technology Development Corporation strongly supports House Concurrent Resolution 312 and House Resolution 260, which urge the University of Hawaii at Manoa to extend the High Technology Development Corporation's land lease for the Manoa Innovation Center (MIC) for a period of time necessary to find and replace or develop and construct a new facility in Manoa to continue the programs and operations of HTDC and the Manoa Innovation Center.

Since 1993, the Manoa Innovation Center has been the only facility on the Island of Oahu to graduate successful technology companies for the State of Hawaii. In seven years, which is the end of the land lease term with the University of Hawaii, if the State were to lose this facility, the State would lose more than business incubation and innovation space for start-up technology-based entrepreneurs.

- (1) The state would lose 16 years of investment growing an industry which has helped to diversify Hawaii's fragile economy. And, the time that would be needed to restart such a facility is approximately 3 to 5 years if funding were available today. MIC is an economic development engine that has been home to Hawaii's successful companies such as Digital Island, Blue Lava Wireless, Hoku Scientific and many more. Since 1993 over a hundred companies have been incubated and of these over 80 percent is either continuing operations, spun-off new companies, acquired or merged operations. As you know, incubators help startup companies by providing an entrepreneurial environment to grow and meet their business development needs while developing their technologies.
- (2) The state would be financially challenged to replace such a facility today with changes in the federal tax laws since MIC was built. Current federal law significantly restricts the amount of funds states can use to finance facilities defined by federal law as containing private activity or private entities (e.g. MIC which is a technology-based economic development project contained private entities).
- (3) Other sources of funds such as private funded projects are possible, but certainly at some cost to the state. Potential exchanges of state land and other combinations with private sector land owners are also possible, but will require state lands and financing which are not currently available.
- (4) As the only innovation center on Oahu co-located to the state's only major research campus (University of Hawaii Manoa Campus), the opportunities for academia, research, and industry (technology commercialization) to collaborate and provide new and better paying jobs in the state will be significantly affected. (Ref: Cyberstates Report 2006 reports the average high tech salary in Hawaii as 2 to 3 times the average salary in the state.) Further, the need to commercialize research has increased with the recent significant increase and expected growth of the university's federal research and development projects. HTDC's role is now more significant to bridge the university commercialization process to industry to realize a truly diversified economy for the State of Hawaii.

- (5) Throughout the years HTDC has been fiscally responsible and is fiscally reliant on the operations of MIC to sustain its statewide programs and half the salaries and benefits of its core program staff. After the first year of operation, MIC was except for CIP costs fiscally self-sustaining. Without MIC land lease, HTDC would not sustain itself and would require general fund appropriations. Typically other states fund tech-based economic development programs out of the general revenues of the state.

Finally, we understand there are efforts under way by the City & County of Honolulu, Enterprise Honolulu, and U.S. Congressional staff to develop a new technology park on Oahu which could begin as early as 3 to 5 years from today. We wholly support new tech parks and facilities which will further add to the state's ability to diversify its economy through growth of new tech centers that build needed critical mass of tech centers beyond the University Manoa Research Campus and the Manoa Innovation Center. While in the beginning it was an experiment for the state we can now say the success of Manoa Innovation Center is a testament to continued growth of the tech industry in the state.

Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
**SENATE COMMITTEES ON EDUCATION AND
ECONOMIC DEVELOPMENT AND TAXATION**
Monday April 14, 2008
2:45 PM
State Capitol, Conference Room 225

In consideration of
**HCR 312/HR 260 URGING THE UNIVERSITY OF HAWAII TO EXTEND ITS LAND
LEASE WITH THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION TO
CONTINUE TO OPERATE THE MANOA INNOVATION CENTER.**

Chairs Sakamoto and Fukunaga, Vice Chairs Tokuda and Espero, and Members of the Senate Committees on Education and Economic Development and Taxation:

The High Technology Development Corporation strongly supports House Concurrent Resolution 312 and House Resolution 260 which urge the University of Hawaii at Manoa to extend the High Technology Development Corporation's land lease for the Manoa Innovation Center (MIC) located at 2800 Woodlawn Drive and adjacent to the university's Manoa Campus for a period of time necessary to find and replace or develop and construct a new facility in Manoa to continue the programs and operations of HTDC and the Manoa Innovation Center.

The following summarizes the importance of this situation:

- (1) Unless we begin to seek a replacement or new facility now we will run out of time. The land lease from the university to HTDC ends 7 years from April of this year. It took approximately five (5) years to receive all the state funding to plan, design, construct, and equip the MIC in the early 1990's using state capital improvement program funding. Typically new state facilities take a minimum of 3-5 years from planning to occupancy.
- (2) Changes in the federal tax laws since MIC was built significantly restrict the amount of funds states can use to finance facilities defined by federal law as containing private activity or private entities. Therefore, economic development projects such as MIC (a

technology-based economic development project) are difficult to develop unless other sources of funds are available. Private funded projects are possible, but certainly at a cost to the state. Potential exchanges of state land and other combinations with private sector land owners are also possible, but will require state land and financing which is not currently available.

- (3) Manoa Innovation Center is the only technology incubator and innovation center on Island of Oahu. Big Island has two technology projects –University of Hawaii at Hilo research campus and the NELHA, in Kihei there is the Maui Research & Technology Center within the Maui Research & Technology Park, Kauai has Waimea Techno-Tourism Center. The Mililani Technology Park financing structure of selling off fee simple lots is not conducive to developing a technology industry, and as such, should not be considered a technology park.
- (4) The close proximity to the University of Hawaii’s Manoa Campus ties higher education, research, and technology commercialization which then spurs more growth in all these areas. The needs of companies developing technologies today will encourage students to learn and engage in research and development. This circle of higher education-research and development-technology commercialization-startup technology companies is key to our success. Close proximity of these sectors is the best way to ensure our long term vision of a healthy and vibrant technology community.
- (5) Unlike other states with technology-based economic development programs, the High Technology Development Corporation is dependent on the revenues and operations of the Manoa Innovation Center to fund its statewide programs and half of the salaries and benefits of its staff. Like other states and communities and until state budget cuts in mid-1990’s, HTDC staff and benefits were funded from general fund revenues of the state. Should the land lease expire without a replacement facility with similar revenue earning capacity, HTDC would be in the unfortunate position of not being able to sustain its programs and half of its staff.
- (6) Probably the most important reason is the loss of a tech-based economic development engine that has been home to Hawaii’s successful companies such as Digital Island, Blue Lava Wireless, Hoku Scientific and many more. Since 1993 over a hundred companies have been incubated and of these over 80 percent are either continuing operations, spun-off new companies, acquired or merged operations. As you know, incubators help startup companies by providing an entrepreneurial environment to grow and meet their business development needs while developing their technologies.

Central to technology infrastructure are research universities, incubators and innovation centers with companies commercializing technologies. With the increase in the research and development funding the University of Hawaii is now commanding the pressure to improve its

research dollars to commercialization opportunities also increases. HTDC's role is now more significant to bridge the university commercialization process to industry to realize a truly diversified economy for the State of Hawaii.

There are many reasons to support technology projects to contribute to economic competitiveness of regions, states and nations:

- A survey of United States and Canadian tech projects revealed that every job in a research community generates an average of 2.57 jobs in the economy.
- A new model is emerging of strategically planned, mixed-use campuses designed to create an environment that fosters collaboration and innovation and promotes the development, transfer and commercialization of technology.
- Research communities have become a key element of the technology infrastructure supporting the growth of today's knowledge economy.
- Research communities are key drivers of regional development traditionally established to recruit research and development and technology companies to locate near a university in order to build a cluster of high technology companies.
- Research communities exhibit 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 region.

Today, research communities 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. These communities are emerging as strong sources of entrepreneurship, talent and economic competitiveness.

Thank you for the opportunity to submit testimony in strong support of HCR 312 and HR 260.

testimony

From: Daniel Leuck [dan@ikayzo.com]
Sent: Friday, April 11, 2008 4:51 PM
To: testimony
Subject: House Concurrent Resolution 312 Urging the University of Hawaii to extend its land lease with the High Technology Development Corporation to continue to operate the Manoa Innovation Center.

Ikayzo inc., as a current tenant of MIC, would like to express our strong support for House Concurrent Resolution 312 which urges the University of Hawaii to continue the operations of the Manoa Innovation Center by extending the land lease agreement between the University and HTDC until a new center is available to continue these important programs. The MIC facilities and services have been invaluable to our company.

We thank the committee for this opportunity to provide testimony in support of this important resolution

Best regards,

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