

HB 526

HD1, SD1

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS
March 30, 2011
9:30 AM
State Capitol, Conference Room 211

In consideration of
HB 526 HD1 SD1 RELATING TO HIGH TECHNOLOGY.

Chair Ige, Vice Chair Kidan, and Members of the Senate Committee on Ways and Means.

The High Technology Development Corporation (HTDC) strongly supports HB 526 HD1 SD1 for several reasons that are listed below. HTDC also appreciates the amendments drafted by the Senate Committee of Economic Development and Technology, which offers the establishment of an expanded incubation space in addition to a larger tech park project. This flexibility allows HTDC to pursue a development of a more affordable magnitude that would be manageable immediately.

The HTDC had been exploring various "Plan Bs" to address the need for expanded incubation space long before my tenure began with HTDC in 2006. The most pragmatic idea may be to locate with the Foreign Trade Zone (FTZ) No. 9 site, and be a part of their Phase II development, which would be established as a 5-story building located where its current parking lot is currently located.

The FTZ has already completed a significant amount of preparation work for their Phase I development, and we can see a benefit of possibly leveraging their expertise in projects development should HTDC and FTZ partner to work on Phase II together, with the blessing of the legislature.

Reasons for tech park development/tech incubation center on Oahu are as follows:

1. Infrastructure and capacity building, which an establishment of a tech park would be, is a clear role for government;
2. There is currently no tech park on Oahu;
3. Incubation centers have produced successful industries around the world, and right here in our state;
4. Investments made to establish incubation centers are considered the most effective in job creation compared to other construction projects; and
5. The Manoa Innovation Center's land lease is set to expire in April 2015.

Infrastructure = Role of Government

As Hawaii takes on the challenges to embrace the knowledge-intensive or innovation economy, many communities are testing out new initiatives waiting to reap the benefits. There seems to be no consensus as to the extent to which the state government must underwrite the cost of research and development (R&D), offer tax incentives, or to provide mentorship to further their innovation goals. However, states focused on innovation economy building have all initiated and supported establishment of tech parks. With land allocation and use, permitting, operation models focused on economic development, community planning, and more, private sector cannot bear the burden alone.

No Tech Park on Oahu

Despite the fact that Oahu boasts the highest concentration of population, R&D activities, and tech companies, Oahu currently does not have a tech park. While the Mililani Tech Park bears the title, it is in name only, as it operates as an industrial park (the tenant list on their website shows only a few tech companies, and no startups, or R&D based companies). On Oahu, the only operation closest to activities one would expect at a tech park, such as tech transfer, entrepreneurship development, flexible leasing of small offices to startups, is the Manoa Innovation Center (MIC) operated by HTDC. MIC is an incubator, meaning it assists startups, and “graduate” them as they develop. Once they achieve financial and/or strategic stability, they move into commercial real estate space. There are currently no specific areas for these companies to move out to. They can be found scattered in office space downtown or among the warehouse areas around the island, in locations that may not be suitable for their specific physical and technical needs. Establishing synergies among the tech companies become harder to achieve once they leave MIC.

Tech Parks and Incubation Centers Lead to Successful Industries

Tech parks are often anchored by State-operated incubation centers. The combination is not just a coincidence. Incubation Centers’ collocation helps produce successful companies who will then become tenants in buildings within the tech park so they can continue to benefit from the synergies among companies within the same sector. Tech parks also allow for industry and community organizations with shared economic development missions to align their efforts better by often locating themselves in the same building within the tech park. Startups do not have to wonder which entity offers what type of support. They simply need to walk the hallways of one building to get all the help they need.

Investments in Incubation Center = Effective Job Creation

It is unclear at this point, how large a tech park Oahu can host, given the limited state lands. If it is a given that an incubation center should anchor the tech park, the legislators will be interested to know that these types of construction projects continue to create jobs even after it’s built. A Grant Thornton study commissioned by the Economic Development Administration (EDA) of the US Department of Commerce showed that business incubation generated the most number of jobs per EDA dollars invested (\$144–216 per job).

Manoa Innovation Center (MIC) May Require a New Home

The only technology incubation center of its kind on Oahu, and the headquarters of HTDC, MIC is now currently located on land assigned to the University of Hawaii (UH) of which HTDC's lease is set to expire on April 2015. If the land lease is not extended by the UH administration, the HTDC will not only require a new location, it will need to accommodate a similar business model at that new location where HTDC's operations can be partially funded by its rent revenues, as it does not receive sufficient general funds to cover all expenses. Regardless of the fate of the land lease, HTDC fields industry feedback of genuine challenges in trying to integrate into our commercial real estate sector used to handling office needs of traditional sectors. A tech park on Oahu would address the future location of MIC, its expanded space, and/or commercial spaces more appropriate for our "graduating" tenants.

HTDC recognizes that establishing of the tech park is an immense financial undertaking for this current fiscal environment. Therefore, HTDC appreciates the amendment made to this House Bill by the Senate Committee of Economic Development and Technology, to offer the technology incubation center option. This amendment would at least ensure the State's tech based economic development (TBED) activities by HTDC beyond April 2015, when its rent-based revenue source from MIC will be completely cut off. Unless an operational facility is established before April 2015, the State's only agency engaged specifically in TBED, will be forced to discontinue its operations shortly thereafter, as all of HTDC's operational/non-personnel expenses are paid out of our rent revenues, and roughly half of the main personnel (excluding federal program staff) salary also comes from rent revenues.

Having been a member of the Association of University Research Park, and a current active member and Hawaii State representative to the State Science and Technology Institute, HTDC is poised to spearhead this project, whatever scope it ends up as, to continue Hawaii's innovation infrastructure building.

Thank you for the opportunity to submit testimony on this bill.



**Comments to the Senate Committee on Ways and Means
Wednesday, March 30, 2011 at 9:30 a.m.
Conference Room 211, State Capitol**

RE: HOUSE BILL NO. 526 HD1 RELATING TO HIGH TECHNOLOGY

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") supports HB 526 HD1 SD1 relating to High Technology and respectfully requests that the committees pass this measure for further discussion.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The measure requires the Department of Business, Economic Development, and Tourism and the high technology development corporation to plan for a high technology park or technology incubator facility on Oahu.

A high tech park is one of the required components of an "innovation ecosystem" that will attract qualified scientists, engineers, entrepreneurs, and research capital necessary to develop and grow a high tech industry in Hawaii. Such a park will tie in with efforts by the University of Hawaii to transform its academic and research culture to produce a generation of highly educated and spirited entrepreneurs in research and development. A recent study by UH proposes to establish a Hawaii Innovation Technology Exchange Institute to accelerate commercialization of university innovations. It is intended that the institute will stimulate, facilitate and foster the exchange of ideas between industry and university innovators and provide the much needed funding.

A high tech park is where mentors and entrepreneurs will seek to innovate and begin the process of commercialization. This would be a public-private partnership aimed at establishing a strong foundation for research and development.

The Chamber is aware of an initiative of the City and County of Honolulu to develop a tech park. It is our understanding that the City recently released an RFP to solicit design proposals for a tech park. It may be appropriate for DBEDT to check with the Economic Development office of the City to discuss the status and details of their project.

The Chamber strongly supports this measure as it will contribute towards growing Hawaii's research and development industry and establishing a strong foundation for innovation and entrepreneurship. This should lead to establishing a viable third pillar to Hawaii's economy, joining tourism and defense.

Thank you for the opportunity to testify.



Written Testimony of

**James P Karins,
President, Pukoa Scientific**

before the

**Senate Committee on Ways and Means
Wednesday, March 30, 2011, 9:30 AM**

In consideration of

HB 526 HD1 SD1 RELATING TO HIGH TECHNOLOGY

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means.

Pukoa Scientific supports this bill. Pukoa Scientific is a small dual-use company located in the Manoa Innovation Center. It has 7 full-time employees working on image processing technologies.

Reasons for tech park development on Oahu:

1. Infrastructure and capacity building, which an establishment of a tech park would be, is a clear role for government;
2. There is currently no tech park on Oahu;
3. Incubation centers have produced successful industries around the world, and right here in our state;
4. Investments made to establish incubation centers are considered the most effective in job creation compared to other construction projects; and
5. The Manoa Innovation Center's land lease is set to expire in April 2015.

Thank you for the opportunity to submit testimony in support of this bill.

Written Statement of

KARL FOOKS

President

Hawaii Strategic Development Corporation

before the

SENATE COMMITTEE ON WAYS AND MEANS

March 30, 2011

9:30 AM

State Capitol, Conference Room 211

In consideration of

HB 526 HD1 SD1 RELATING TO HIGH TECHNOLOGY

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments in strong support of HB 526 HD1 SD1 which requires the Department of Business, Economic Development and Tourism to work with the High Technology Development Corporation (HTDC) and other government entities to plan for a high technology park on Oahu.

An innovation ecosystem requires not only R&D activity and capital formation, but infrastructure and support services to incubate new businesses. A technology park anchored by an incubation facility provides this infrastructure and the ability for companies graduating from the incubation center to locate in the surrounding technology park.

Oahu has a real need for a technology park anchored by an incubation facility to support the continued development of a vibrant technology industry. Despite the fact that Oahu boasts the highest concentration of population, R&D activities, and tech companies, Oahu currently does not have a technology park. The only operation closest to the activities one would expect at a technology park, such as tech transfer, entrepreneurship development, flexible leasing of small offices to startups, is the Manoa Innovation Center (MIC) operated by HTDC.

MIC's land lease is set to expire in 2015 and this is the appropriate time to begin planning for the migration of MIC to a new location. While it may be difficult to appropriate the entire amount to plan and build a technology park in the current budget, sufficient funds can be appropriated to begin the process. In this way, the new facility can be designed and planned to meet industry requirements and the services and support MIC provides to small businesses creating new, high wage jobs in Hawaii can continue without interruption.

Thank you for the opportunity to submit testimony on this bill.