

HB 526, HD1

EDT



NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
RICHARD C. LIM
Interim Director
Department of Business Economic Development and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, March 23, 2011
1:15 PM
State Capitol, Conference Room 016

in consideration of
HB 526, HD1
RELATING TO HIGH TECHNOLOGY.

Chair Fukunaga, Vice Chair Wakai and Members of the Senate Committee on Economic Development and Technology.

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports HB 526, HD1 which requires DBEDT to work with the Department of Land and Natural Resources (DLNR) to identify appropriate lands for a high technology park on Oahu and to consult with the High Technology Development Corporation to plan for the establishment of the high technology park

This initiative is very much in alignment with Governor Abercrombie's plan. As discussed in his document, "A New Day in Hawaii", building of tech development centers is needed for Hawaii's technologies to mature and to be commercialized. Further, it is in alignment with the four major themes within this document that I have selected to focus DBEDT's efforts:

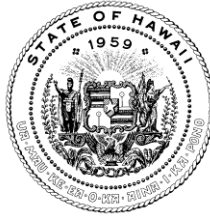
- Energy (Hawaii Clean Energy Initiative)
- The Creative Economy
- Technology and Innovation (with a major focus on a Hawaii Broadband Initiative)
- Small Business and Entrepreneurship (including permit facilitation)

While DBEDT lacks both the financial resources and personnel, we welcome this initiative because it can potentially address all of the areas above.

This bill also identifies HTDC as a key stakeholder. We find it appropriate since HTDC has been leading the charge for the State's tech-based economic development. DBEDT stands behind HTDC to secure an equal or better facility for its incubation mission, should the land lease for Manoa Innovation Center not be renewed.

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

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the Senate Committee on
ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, March 23, 2011

1:15 PM

State Capitol, Conference Room 016

In consideration of
HOUSE BILL 526, HOUSE DRAFT 1
RELATING HIGH TECHNOLOGY

House Bill 526, House Draft 1 requires, among other things, the Department of Land and Natural Resources (Department) to work with the Department of Business, Economic Development, and Tourism (DBEDT) on identifying, securing and acquiring appropriate public or private lands for another technology park¹ on Oahu for the High Technology Development Corporation (HTDC). Although the Department understands the need and supports the high technology industry in Hawaii, the Department must respectfully oppose this measure as it relates to placing obligations and responsibilities upon the Department.

The impact of this bill would divert the Department's limited resources (i.e., manpower and financial) away from its priorities and mission to assist the semiautonomous HTDC in acquiring and developing land on land for an technology park on Oahu. The Department is responsible for managing approximately 1.3 million acres of public lands and the State's natural and cultural resources. The Department continues to face severe budget cutbacks. The Department's general fund appropriations and special fund revenues have dropped significantly over the last several years, and the Department lost more than 10% of its positions over the past two years. The bill imposes duties that would require a substantial amount of specialized staff time and funding. The Department simply does not have the resources or staffing necessary to undertake the additional duties that would be required under this bill.

¹ The High Technology Development Corporation operates a technology incubator park in Manoa on lands under lease with the University of Hawaii.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

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

Meanwhile, we do note that Chapter 206M², Hawaii Revised Statutes, that created and governs the semiautonomous agency known as HTDC already authorizes and empowers HTDC to not only acquire and hold in its own name real and personal property, but also the ability to contract out real estate acquisition services and environmental due services. HTDC also has a special fund where tenant revenues are deposited that can be used to support its programs. Therefore, existing law already empowers HTDC to contract out the specialized services that would be necessary to identify and acquire lands for a high technology park on Oahu.

Based upon all of the foregoing points and authorities, the Department respectfully requests it be removed from the bill.³ As an alternative suggestion, because HTDC currently operates a technology incubator park in Manoa on lands under lease with the University of Hawaii, perhaps the University of Hawaii should be added to the discussion in SECTION 2 of this bill.

² HTDC is also administratively attached to the Department of Business, Economic Development and Tourism (DBEDT), which explains the HTDC/DBEDT connection in this bill.

³ The Department is available to consult with HTDC about possible available public lands on Oahu that may be suitable to HTDC and/or DBEDT; and no bill or law would be required to effectuate such consultation.

**Testimony to the Senate Committee on Economic Development and
Technology**

**Wednesday, March 23, 2011 at 1:15 p.m.
Conference Room 016, State Capitol**

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

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee:

The Chamber of Commerce of Hawaii (“Chamber”) supports HB 526 HD1 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 to work with the department of land and natural resources to identify appropriate lands for a high technology park on Oahu and to consult with the high technology development corporation to plan for the establishment of the high technology park.

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 is 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, Puko'a Scientific**

before the

**Senate Committee on Economic Development and Technology
Wednesday, March 23, 2011 at 1:15 p.m.
Conference Room 016, State Capitol**

In consideration of

HB 526 HD1 RELATING TO HIGH TECHNOLOGY

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee on Economic Development and Technology.

Puko'a Scientific supports this bill. Puko'a 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 ECONOMIC DEVELOPMENT AND TECHNOLOGY

March 23, 2011

1:15 PM

State Capitol, Conference Room 016

In consideration of

HB 526 HD1 RELATING TO HIGH TECHNOLOGY

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee on Economic Development and Technology:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments in strong support of HB 526 HD1 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.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
March 23, 2011
1:15 PM
State Capitol, Conference Room 016

In consideration of
HB 526 HD1 RELATING TO HIGH TECHNOLOGY.

Chair Fukunaga, Vice Chair Wakai, and Members of the Senate Committee on Economic Development and Technology.

The High Technology Development Corporation (HTDC) strongly supports HB 526 HD1 for several reasons, as below. HTDC also recognizes the budgetary limitations to pursue a development of this magnitude. If this measure were deferred for financial reasons, HTDC urges the legislature to at least consider a future home for the Manoa Innovation Center for HTDC to continue to incubate companies and to have a revenue source for its operations.

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.

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. 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 spaces. There is currently no specific areas those companies move out to. They can be found scattered in office spaces downtown or among the warehouse areas around the island able to provide 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 help 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 this type 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 currently is on land assigned to the University of Hawaii (UH). That land lease is set to expire on April 2015. If the land lease is not extended by the UH administration, HTDC will not only require a new location. The arrangement will also need to accommodate a similar business model, 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. **If this measure cannot be addressed fully for financial reasons, the HTDC urges the legislature to scale down the scope to at least consider an**

establishment of an expanded incubation center or a mini park, rather than a full tech park. Such consideration 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, with the legislators' blessing.

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



Written Statement of
LYNN B. WILSON, PhD
Founder & Owner of Webfish Pacific

For
Hawaii Senate Committee on Economic Development and Technology
March 23, 2011 at 1:15pm, State Capitol, Conference Room 016

RE: HB 526 HD1 Relating to High Technology

Aloha Senator Carol Fukunaga, Chair, and Senator Glenn Wakai, Vice Chair!

Webfish Pacific strongly supports HB 526 HD1 because it is a critical time for the state to invest further in clean technologies and high-technology businesses to ensure a sustainable future for Hawaii's generations to come.

Webfish Pacific is a small, Hawaii-based business with a tag line of "New Media for Social Responsibility." We develop high-technology media projects for parent education and professional development related to early childhood to improve outcomes for children while lowering costs to the state.

We have been fortunate to receive federal and state grants for research and development in the past three years. As Webfish Pacific is developing innovative high-technology solutions to social challenges, we are also growing our business. We are convinced that we would not have been able to do this without the comprehensive support of the High Tech Development Corporation.

And the State of Hawaii can do more—needs to do more to develop this nascent industry that holds so much potential for financial stability to our state.

Creating a vibrant and full-service tech park on Oahu could be part of the answer. Fully supporting the High Tech Development Corporation is definitely part of the answer. At a time when the economy is still constricted, it may be tempting to cut budgets related to high technology development across the state, but it is exactly this high technology development that holds so much promise in rebuilding our economy and expanding the state's vision of sustainability.

Thank you for keeping these issues front and center in Hawaii's legislative process and for your efforts to support key development of high technology for years to come.