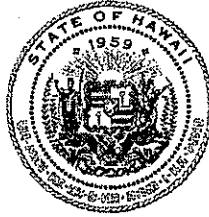


NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the House Committee on
FINANCE**

**Wednesday, March 2, 2011
1:00 PM
State Capitol, Conference Room 308**

**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. 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.

This 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 High Technology Development Corporation 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.
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI
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AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
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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 that created and governs the semiautonomous agency known as the High Technology Development Corporation (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. The 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

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.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON FINANCE
March 2, 2011
1:00 PM
State Capitol, Conference Room 308

In consideration of
HB 526 HD1 RELATING TO HIGH TECHNOLOGY.

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance.

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.