

Written Statement of
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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.

Williams Aerospace, Inc. (WA) strongly supports HB 526 HD1 for several reasons, as below. WA also recognizes the budgetary limitations to pursue a development of this magnitude. If this measure were deferred for financial reasons, WA urges the legislature to at least consider a future home for the Manoa Innovation Center for Other High Tech companies who are getting started and for companies like HTDC to continue to incubate companies and to have a revenue source for its operations. WA was one of those companies that utilized HTDC and made our first office/address at the Manoa Innovation Center. WA moved to a 4000 sq. ft. space about 5 years ago. We are currently looking for a new space and are

trying to make sure we do not sign a lease that is too long just in case this tech park comes available. MIC was a great place to start our R&D company. We hope that it will be there for other companies like ours for many years to come. R&D brings our bright kids home to have better paying jobs that make them reach to their potential. Being in the MIC and having HTDC close by to help with business opportunities has been a great help and has abled us to build the future of Williams Aerospace for Hawaii.

Reasons for tech park development on Oahu:

Infrastructure and capacity building, which an establishment of a tech park would be, is a clear role for government;

There is currently no tech park on Oahu;

Incubation centers have produced successful industries around the world, and right here in our state;

Investments made to establish incubation centers are considered the most effective in job creation compared to other construction projects; and

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.

WA 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, Williams Aerospace 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.

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