

SB 2415

EDT-EDU



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Education
and
Senate Committee on Economic Development & Technology
February 13, 2012 at 1:15 pm
by
James R. Gaines
Vice President for Research, University of Hawai'i System

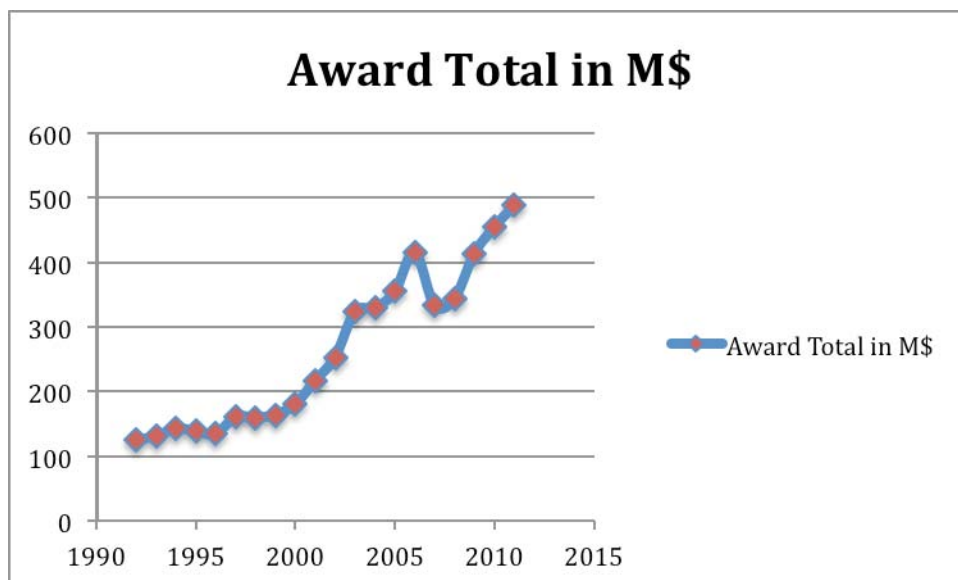
SB 2415 - RELATED TO HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Chairs Tokuda and Fukunaga, Vice Chairs Kidani and Wakai and members of the committees:

The University strongly OPPOSES this bill.

In 1990 the University of Hawai'i (UH) entered into an agreement under which the (then) new Mānoa Innovation Center (MIC), constructed on University land, was to be leased to the High Technology Development Corporation (HTDC) for a 25-year term, after which the facility was to revert to UH. All parties agreed, in writing, to this arrangement.

Since beginning of the current lease, University research awards have doubled in **each** of the past decades as shown by the graph below.



It is the goal of the University, in research, *to double the annual awards once more in the coming decade*. In order to accomplish this, new and remodeled facilities are essential and an expanded MIC will play an important role in achieving that goal. It is important to emphasize the commitment of UH to the development of a robust research and technology industry in Hawai'i. Last year UH President Greenwood convened a blue ribbon task force to recommend key changes in how the University develops this research industry. Participants at our recently completed *E Kamakani Noi'i* conference further focused our ideas on what it will take to build a 21st century economy in Hawai'i.

We are still in the formative stages of defining exactly what form and structure will best support this needed innovation agenda. However, we expect that these activities will be based at the Mānoa Innovation Center, which is already a significant site for the University's research enterprise. In fact, UH and our related programs are already the single largest set of tenants in the facility and we are paying the largest portion of the rent, which goes to support HTDC operations. We could occupy all the existing space at MIC, with UH programs that are renting facilities elsewhere, immediately.

President Greenwood and UH leadership held preliminary discussions with the HTDC Executive Director and some of the HTDC board members. UH emphasized our willingness to let HTDC remain in the MIC facility after 2015 if they so choose. Our discussions further explored a range of possibilities, including HTDC playing a role in implementing the University's innovation agenda. These discussions are continuing and we will be happy to keep the Legislature informed of our progress.

The University does support the development of a technology park on O'ahu, the only island without such a capability. However, the Mānoa Innovation Center is not large enough to house the activities normally found within a technology park, so another venue should be found to provide full support for emerging technology businesses. HTDC would be the natural organization to lead such an initiative and UH would support them.

We believe this is an opportune time for the State to invest in the development of high technology to diversify and strengthen our economy. But this should not be done at the expense of research growth and the new innovation agenda being developed by UH.

We urge you to reject this bill and, at the very least, preserve the agreement made with UH at the time MIC was constructed.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT & TECHNOLOGY
AND EDUCATION**
Monday, February 13, 2012
1:15 PM
State Capitol, Conference Room 016

In consideration of
SB 2415 RELATED TO HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chairs Fukunaga and Tokuda, Vice Chairs Wakai and Kidani, and Members of the Senate Committees on Economic Development & Technology and Education:

The High Technology Development Corporation (HTDC) strongly supports SB 2415 which transfers title of the land under the Manoa Innovation Center (MIC) from the University of Hawaii (UH) to the HTDC.

HTDC was formed by the State Legislature in 1983 to forward innovation and technology as a critical economic component of Hawaii, a mission consistent with both Governor Abercrombie's A New Day in Hawaii plan, and the University of Hawaii Innovation Council Recommendation. The HTDC manages the incubation facility at the MIC which was built by the State on land purchased by the UH under an agreement which expires in April 2015. The MIC incubation model provides a sustainable fund for a majority of the HTDC operation. If it is lost, the program nor the agency will survive without an alternate revenue stream or additional state G-funds. Therefore, with the contract set to expire, HTDC have been and continue to expend considerable amount of its resources to develop viable alternatives to ensure its future. UH has made clear that they intend to reclaim and repurpose the building in 2015 to build on their own research and innovation agenda.

The MIC facility is a highly desirable location for its proximity to UH faculty and students. Its separation from downtown also offers some strategic advantages for startups looking to keep a lower profile while they raise capital and develop their products. The facility is configured with a dense range of small offices which makes it cost efficient for a business startup. The small offices and flexible lease we offer allows a business to grow and shrink to meet its needs. HTDC has leveraged some of the larger offices into coworking spaces to allow more businesses to take advantage of our services, workshops, and programs.

While transferring the title of the land to HTDC would be the most economical and simplest solution for the State, HTDC is supportive of UH's innovation agenda, technology transfer efforts, and workforce development initiatives. We continue to work with UH and legislators to find a sustainable resolution. Thank you for the opportunity to submit testimony on this bill.

Written Statement of

William M. Bass

President

Bill Bass & Associates, LLC

E Mail: bassw001@hawaii.rr.com Eel. (808)623-7262

before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012

State Capitol, Conference Room 016

1:15 PM

In consideration of

SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT CORPORATION

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

I strongly support SB 2415 and urge your favorable consideration. This bill would transfer the land upon which the Manoa innovation Center stands from the University of Hawaii to the High Technology Development Corporation (HTDC).

As the first Executive Director of HTDC, I conceived the Manoa Innovation Center, Hawaii's first high technology business incubator, and secured the support of the Administration and Legislature to bring the project to fruition. It was and remains today a very important element of the statewide strategy for high technology growth.

While much effort had been expended to attract technology enterprises from other areas, the Manoa Innovation Center and Maui Research and Technology Center were developed to support and nurture local high tech entrepreneurship so that our start-up high tech companies could succeed, prosper and contribute to the growth of high technology in our state.

When the project was conceived, the University of Hawaii agreed to permit HTDC to develop the Center on land that it owned while requiring the land and Center to revert to the University after an agreed upon length of time. The time of reversion is rapidly approaching. I suspect that the reason for this condition was that HTDC at the time was a relatively new organization, the business incubator concept was in its infancy, and the University wanted to ensure that in the event of failure, the land would not be abandoned.

Now, HTDC and the Manoa Innovation Center have a solid track record of over a quarter of a century of successful operation. While the University was and continues to be a valuable partner in the work of the Manoa Innovation Center, for more than 25 years

HTDC has developed and improved the management skills necessary to assist small technology firms to succeed and grow. I do not know how the University intends to use the building if it reverts, but I do know that the loss of the building and land that accommodate the Manoa Innovation Center would adversely impact the work of HTDC and the success of its high technology programs.

Therefore, I again ask the Committee's support of this important legislation.

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

fukunaga2 - Ashley-Jane

From: EDU Testimony
Sent: Friday, February 10, 2012 11:10 AM
To: EDTTestimony
Subject: FW: Testimony for SB2415 on 2/13/2012 1:15:00 PM

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Friday, February 10, 2012 11:06 AM
To: EDU Testimony
Cc: bytemarks@gmail.com
Subject: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Testimony for EDU/EDT 2/13/2012 1:15:00 PM SB2415

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Burt Lum
Organization: Bytemarks
E-mail: bytemarks@gmail.com
Submitted on: 2/10/2012

Comments:

STRONG SUPPORT OF SB 2415

I strongly support SB2415 for the following reasons:

1. It provides financial and location stability for the Manoa Innovation Center.
2. With this stability the companies there can continue to develop their business and receive the support they get from HTDC.
3. HTDC will continue to be a leading voice for technology in Hawaii.
4. The current location in Manoa is centrally located and provides easy access for UH and metro Honolulu.
5. The synergy and interaction amongst the companies at MIC contributes to the growth of the tech economy in Hawaii.

Thank you for giving me the opportunity to submit testimony in support of SB2415.

Aloha,
Burt

Written Statement of

David G. Watumull
President and CEO, Cardax Pharmaceuticals, Inc.
2800 Woodlawn Dr. Suite 129
Honolulu, HI 96822
(808) 457-1375
dwatumull@cardaxpharma.com

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012
State Capitol, Conference Room 016
1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

Cardax Pharmaceuticals, Inc. strongly supports SB 2415.

My name is **David G. Watumull, President and CEO.**

We are in strong support of the SB 2415. As tenants of MIC, we have first-hand knowledge of the benefits this building and indeed all of HTDC's efforts bring to the local tech community.

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

Written Statement of

**<David Laeha
President>
<CFO Hawaii LLC>
<dlaeha@cfohawaii.com>**

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012
State Capitol, Conference Room 016
1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

David Laeha, President of CFO Hawaii LLC supports SB 2415.

My name is David Laeha and I'm in support of the transference of title to the land under the MIC from the University of Hawaii to the HTDC. This transference will provide the independence and financial resources needed by HTDC to support the many firms which are currently in the facility and those which are yet to come to the facility.

HTDC provides an important service to the state, the many start-up firms operating from the facility, and the other firms who benefit from the seminars and thought leadership which comes from the HTDC staff and the professionals they bring to help the tenants and outside business owners.

My only concern is how the HTDC budget would be affected by this change in ownership and their ability to continue to provide these important services. The state needs to get serious about providing not just a facility and cheap rent but to do more with technical assistance needed for these firms struggling to grow their businesses rapidly. The state either needs to do more to facilitate financing of the business start-ups or providing the technical assistance or other core support needed to get the business profitable enough to attract additional capital to fund its rapid growth.

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

Written Statement of

Guy Toyama
President and CEO
H2 Technologies, Inc.
(808) 938-6325
guy@h2-techs.com

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012
State Capitol, Conference Room 016
1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

H2 Technologies STRONGLY SUPPORTS SB 2415.

My name is Guy Toyama of H2 Technologies, Inc. a tenant at the Manoa Innovation Center.

The work done by HTDC is crucial to the success of our business. From assistance on SBIR grants to production of a promotional video, it is key that this organization be given much more support including the revenue stream from rents.

For these reasons and many more, I strongly support this bill.

Thank you for the opportunity to offer testimony.

Mahalo,
Guy Toyama
President and CEO
H2 Technologies, Inc.
73-4460 Queen Kaahumanu Hwy #131
Kailua-Kona, HI 96740

Written Statement of

BRUCE KIM
President
Inovaware Corporation
bruce.kim@inovaware.com
(808) 561-1888

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012
State Capitol, Conference Room 016
1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

Inovaware Corporation supports SB 2415.

My name is Bruce Kim, President, Inovaware Corporation.

I support SB 2415 since it will help to ensure the future of HTDC so that they will be able to continue to provide services and assistance to other entrepreneurs like myself.

When my partner and I founded Inovaware Corporation in 1996 it was HTDC that provided our initial office space and business guidance. Without the small business-friendly terms offered by HTDC (discounted rent, no long term commitment), it is very likely we would not have been able to make the transition from working from home into a viable business able to take on employees. HTDC was instrumental in Inovaware reaching about fifty employees with worldwide sales and successfully transitioning out of MIC into our own office space.

HTDC does an excellent job of providing services to the MIC tenants and maintaining the facilities. The MIC environment is perfect for tech startups – it is clean, calm, and conducive to creativity and productivity.

It is critical that we support the future of HTDC and the future of tech entrepreneurs in Hawaii. Especially with all the handicaps that entrepreneurs face in Hawaii (lack of capital, distance from markets, cost of goods and services) we need to do everything we can to assist them so they will be able to compete on the world market.

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

fukunaga2 - Ashley-Jane

From: EDU Testimony
Sent: Friday, February 10, 2012 10:15 AM
To: EDTTestimony
Subject: FW: Testimony for SB2415 on 2/13/2012 1:15:00 PM

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Friday, February 10, 2012 10:07 AM
To: EDU Testimony
Cc: dan@ikayzo.com
Subject: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Testimony for EDU/EDT 2/13/2012 1:15:00 PM SB2415

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Daniel Leuck
Organization: Ikayzo, inc.
E-mail: dan@ikayzo.com
Submitted on: 2/10/2012

Comments:

We strongly support this bill. As a tenant of the Manoa Innovation Center we have benefited greatly from the facility and the services of HTDC. I know this to be true of our neighbor companies as well.

The current location near the UH Manoa campus is ideal because many MIC companies have collaborations with the university. The shuttle between MIC and the campus makes it easy to provide internship opportunities to students.

Finally, it is a beautiful and inspiring space ideally suited for innovative start-ups.

Written Statement of

Syd Kraul

Owner

Pacific Planktonics

73-998 Ahikawa St.

Kailua-Kona, HI 96740-9407 USA

Tel (808)326-1180 daytime

email kraul@hawaiiantel.net

before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012

State Capitol, Conference Room 016

1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

Pacific Planktonics supports SB 2415.

My name is Syd Kraul, Owner, Pacific Planktonics

I support SB2415 because I want HTDC to continue doing good things for Hawaii, and to do this they say they need the income that SB2415 will provide via rental of MIC.

HTDC has been vital to my successful efforts to win federal grants, bringing in outside income to Hawaii, and allowing me to develop methods for aquaculture. My research is still under way, but it might make tuna aquaculture possible, and it might provide an alternative (cultured) source of marine aquarium fish, lessening the fishing pressure on our reefs.

I often recommend HTDC to my colleagues as a helpful way to get started with grants. HTDC holds very useful workshops for this purpose on Hawaii island, making it easier for those of us not on Oahu. HTDC also provides matching funds for grants, which is very helpful because federal funds take time to access at the beginning of a grant, and the federal funds are reimbursed, so the HTDC funds help pay for startup until the feds reimburse us.

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

Written Statement of

Dr. Edwin M. Winter
Technical Research Associates, Inc.
edwinter@tracam.com

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Monday, February 13, 2012
State Capitol, Conference Room 016
1:15 PM

In consideration of

**SB 2415 RELATING TO HIGH TECHNOLOGY DEVELOPMENT
CORPORATION**

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

Technical Research Associates, Inc., a small business based in Honolulu supports the passage of SB 2415. My name is Dr. Edwin M. Winter, President. HTDC is critical to the success of Hawaii-based businesses in the Defense, Energy and other technical areas. The HTDC has helped our company through HiSBIR grants that were in support of our successful Phase I SBIR wins. These grants helped us have an effective marketing strategy even though we are 5000 miles away from the funding agencies. We also participated in HTDC led seminars and SBIR workshops over the years and have been tenants at the Manoa Innovation Center. A recent example of the work of the HTDC is the highly successful SBIR conference that brought in Federal program managers for both technical sessions and on-on-one sessions. The Manoa Innovation Center has been maintained both physically and as an effective incubator of technology companies. HTDC has done an excellent job of the physical maintenance of the MIC, along with providing facilities such as conference rooms, copying and a central mail location. I feel that HTDC's continued management and occupancy of the building at 2800 Woodlawn is an important continuing asset to Hawaii's high technology industry.

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

fukunaga2 - Ashley-Jane

From: EDU Testimony
Sent: Tuesday, February 07, 2012 1:16 PM
To: EDTTestimony
Subject: FW: Testimony for SB2415 on 2/13/2012 1:15:00 PM

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Tuesday, February 07, 2012 1:12 PM
To: EDU Testimony
Cc: Kealii8@hotmail.com
Subject: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Testimony for EDU/EDT 2/13/2012 1:15:00 PM SB2415

Conference room: 016
Testifier position: Oppose
Testifier will be present: No
Submitted by: Kealii Makekau
Organization: Individual
E-mail: Kealii8@hotmail.com
Submitted on: 2/7/2012

Comments:

fukunaga2 - Ashley-Jane

From: EDU Testimony
Sent: Friday, February 10, 2012 12:42 PM
To: EDTTestimony
Subject: FW: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Aloha,

Erin Conner

Community Liaison, Senator Jill N. Tokuda Senate District 24 * Kaneohe * Kailua * Enchanted
Lake Hawaii State Capitol, Room 218
Phone: 587-7215 * Fax: 587-7220

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Friday, February 10, 2012 12:02 PM
To: EDU Testimony
Cc: kcheung@oceanit.com
Subject: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Testimony for EDU/EDT 2/13/2012 1:15:00 PM SB2415

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Ken Cheung
Organization: Individual
E-mail: kcheung@oceanit.com
Submitted on: 2/10/2012

Comments:

fukunaga2 - Ashley-Jane

From: EDU Testimony
Sent: Friday, February 10, 2012 10:58 AM
To: EDTTestimony
Subject: FW: Testimony for SB2415 on 2/13/2012 1:15:00 PM

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Friday, February 10, 2012 10:52 AM
To: EDU Testimony
Cc: rubyjedi@gmail.com
Subject: Testimony for SB2415 on 2/13/2012 1:15:00 PM

Testimony for EDU/EDT 2/13/2012 1:15:00 PM SB2415

Conference room: 016
Testifier position: Oppose
Testifier will be present: No
Submitted by: Laurence Lee
Organization: Individual
E-mail: rubyjedi@gmail.com
Submitted on: 2/10/2012

Comments:

At a time when the students of UH Manoa are facing skyrocketing tuition rates in an uncertain economy, it is unconscionable to simply "give" the real estate rights away to HTDC (no matter how noble the cause).

The Manoa Innovation Center is a "Technology Incubator" founded upon some of the most expensive land in the islands. While the effort is noble, I question why such taxpayer-funded charity continues on some of the most expensive real estate in the island?

I would prefer to see the Manoa Innovation Center relocated to a less expensive location to operate, such as UH West / Kapolei; with the real estate and facilities remaining an asset of UH Manoa.

If a transfer of assets is truly necessary, the existing facilities and property should be sold at fair market value, with the proceeds of the sale benefiting the University.