

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON HIGHER EDUCATION

Tuesday, March 20, 2018

2:10 p.m.

State Capitol, Conference Room 309

in consideration of

SB48, SD3

RELATING TO TECHNOLOGY.

Chair McKelvey, Vice Chair Hashem, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) **supports** SB48, SD3, which appropriates funds to the Hawaii Technology Development Corporation (HTDC) to continue to provide incubation services to businesses in the State and also requests DAGS to locate a new site to which HTDC may relocate to continue to provide incubation services.

On January 22, 2018, UH notified HTDC and DBEDT that management of MIC will transfer to UH on July 1, 2018. The 25-year lease from UH to DBEDT for the land on which MIC sits expired in April 2015. UH informed HTDC and DBEDT that they intended to not extend the lease and take over management of the facility. Since the expiration of the lease, UH has allowed HTDC to stay on a month-to-month basis rent-free and to continue operating the Center and collecting tenants' rents to give HTDC and DBEDT time to plan for this handover.

This handover of management of the Center from HTDC to UH will result in a loss of tenants rents which must be replaced with General Funds in order to avoid terminating HTDC employees and shutting down the program shortly after July 1, 2018.

The HTDC Board of Directors met on February 2, 2018, and voted unanimously to support DBEDT's request for General Funds to continue the HTDC programs that have been funded by revenues collected from the MIC tenants. The Governor has requested in Governor's Message No. 12 for \$970,000 in general funds for the continuation of HTDC staff and operations for the incubation services.

We defer to DAGS on whether they will be able to carry out the duties as prescribed in this measure.

Thank you for the opportunity to testify.



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
Senate Committee on Higher Education
Tuesday, March 20, 2018
2:10 p.m.
State Capitol, Conference Room 309

In consideration of
SB48, SD3
RELATING TO TECHNOLOGY

Chair McKelvey, Vice Chair Hashem, and Members of the Committee on Higher Education.

The Hawaii Technology Development Corporation (HTDC) **supports** SB48, SD3 that appropriates moneys to the Hawaii Technology Development Corporation (HTDC) for its continued operation and requests that the Department of Accounting and General Services locate a site to which the Corporation may relocate.

UH has provided notice to HTDC that it intends to terminate the lease at the Manoa Innovation Center effective June 30, 2018. Termination of the lease threatens the continued existence and operation of HTDC and is a matter of statewide concern. The rent revenue generated through the incubation program at the Manoa Innovation Center funds half of HTDC staff's salary and all of our discretionary program funding. Without the lease or an alternate method of funding, HTDC will not be able to continue operation.

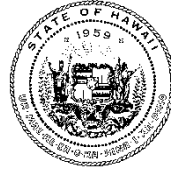
In HTDC's 2016 economic impact survey of clients, 150 companies reported \$389 million of revenue and \$620 million of total economic impact. HTDC programs receive an annual appropriation of just over \$1 million in general funds, \$520,000 of which are passed through as grants to companies. HTDC has leveraged our state funding to secure \$500,000 of annual federal funding for our Innovate Hawaii program and approximately \$20 million over 5 years federal funding for our HCATT program. HTDC takes pride in reporting substantial leverage and return on investment for the state.

The MIC land lease has been a concern for HTDC for many years. Previous attempts to resolve the issue have included overwhelming public testimony for HTDC programs and mission. (https://www.capitol.hawaii.gov/Archives/measure_indiv_Archives.aspx?billtype=HB&billnumber=71&year=2013) HTDC has proven itself as a responsible steward for the upkeep of the facility, active member of the Manoa community, and a valuable resource for the tech community. HTDC has requested funding from the legislature every year to construct a replacement facility but the funds have not been available. HTDC has solicited and received federal grant funding and private sector investment for the construction of the Entrepreneurs Sandbox. However, the facility is only a complement to the Manoa Innovation Center. HTDC continues to seek state, federal, and private sector funding for a replacement for the Manoa Innovation Center.

HTDC remains supportive of UH's innovation agenda as a piece of the bigger goal of growing the State's tech sector. UH has offered for HTDC to stay at the Manoa Innovation Center while paying only for common area maintenance. However, HTDC **would require a consistent annual appropriation** to cover staff salary, federal funding match, programs, and common area maintenance to consider this opportunity. HTDC's more immediate concern is to continue our mission until funding becomes available to construct a replacement facility in Kakaako.

We respectfully request correction of the defective effective date. Thank you for the opportunity to offer these comments.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE ON HIGHER EDUCATION
ON
TUESDAY, MARCH 20, 2018
2:10 P.M.
CONFERENCE ROOM 309

S.B. 48, S.D. 3

RELATING TO TECHNOLOGY.

Chair McKelvey, Vice Chair Hashem, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 48, S.D. 3.

The Department of Accounting and General Services (DAGS) appreciates the intent of this measure, and we offer the following comments:

Hawaii Revised Statutes Section 206M provides the High Technology Development Corporation (HTDC) with broad authorities to acquire, own, lease, hold, clear, improve, and rehabilitate real, personal, or mixed property and assign, exchange, transfer, convey, lease, sublease, or encumber any project, including by way of easements. Hence, as an organization they are fully capable of locating a new site to relocate their offices to in order to continue to provide incubation services to businesses in the State.

However, DAGS is willing to provide guidance to HTDC for the relocation and leasing of their offices.

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



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Higher Education
Tuesday, March 20, 2018 at 2:10 P.M.
Conference Room 309, State Capitol**

LATE

RE: SENATE BILL 48 SD3 RELATING TO TECHNOLOGY

Chair McKelvey, Vice Chair Hashem, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 48 SD3, which appropriates moneys to the Hawaii Technology Development Corporation for its continued operation. Requests that the Department of Accounting and General Services locate a site to which the Corporation may relocate.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Within our State, there are approximately 700 active manufacturers that employ almost 14,000 people and contribute to Hawaii's economy through \$1.06 billion in manufactured goods exported in 2016. Manufacturers in Hawaii help improve the quality of our local economy. In 2016, total output from manufacturing was \$1.78 billion with manufacturers accounting for 2.2 percent of Hawaii's work force. Overall, manufacturers in Hawaii account for 2 percent of the state's total output and has experienced steady growth for more than a decade.

The Hawaii Technology Development Corporation and Innovate Hawaii works with small to medium-sized businesses and is closely allied with Hawaii's manufacturers – serving to understand their needs, meet current challenges, and provide sector-specific support to help these companies grow and prosper in Hawaii. HTDC and Innovate Hawaii have consistently produced an effective range of seminars for the manufacturing industry. Manufacturers have shared a tremendous amount of positive feedback regarding how beneficial these seminars have been in improving their individual businesses and manufacturing in Hawaii, as a whole. This invaluable support has assisted in the cultivation of a more robust local manufacturing sector.

With the University of Hawaii taking over management of the Manoa Innovation Center (MIC), we are concerned where this leaves HTDC and its programs – critical support to our organization and the industry which we serve. It is because of the support of HTDC and its programs that Hawaii has seen an innovation streak of success for start-up companies and medium-sized companies that were able to reach the next level and maintain success. Their programs have provided phenomenal guidance for our members to help them grow their businesses in Hawaii. With the loss of tenant revenue, HTDC requires a consistent annual



Chamber of Commerce HAWAII

The Voice of Business

appropriation to cover staff salaries, federal funding match, and programs to continue operating out of the MIC until funding becomes available to construct a replacement facility in Kakaako.

HTDC and its programs actively support and advocate for the specific needs of Hawaii's technology and manufacturing businesses. We have seen a rising demand from local companies wanting to manufacture here in Hawaii in order to maintain quality control, as well as an increasing desire for 'Made in Hawaii' products from consumers globally, which will continue to economically benefit our state. HTDC and its programs are integral to the growth and success of these companies who seek information and guidance on what it takes to succeed in Hawaii.

Thank you for this opportunity to testify.

SB-48-SD-3

Submitted on: 3/16/2018 4:30:00 PM

Testimony for HED on 3/20/2018 2:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Duke Hartman	Individual	Support	No

Comments:

HTDC has been absolutely instrumental in the success of multiple local tech companies. It is the central hub of Hawaii's tech ecosystem. I strongly support SB48.

SB-48-SD-3

Submitted on: 3/19/2018 1:43:06 PM

Testimony for HED on 3/20/2018 2:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Denise Wigmore	Individual	Support	No

Comments:

SB-48-SD-3

Submitted on: 3/19/2018 2:07:42 PM

Testimony for HED on 3/20/2018 2:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments: