A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

SECTION 1. The chapter established by this part shall be known as The Hawaii Innovations Partnership Act.

SECTION 2. The legislature finds that during this robust economy, long-range planning is essential to ensure that Hawaii's economy is diversified, provides high-paying jobs to retain the best and brightest of its children, and can sustain growth into the future. The legislature also finds that emerging Hawaii-based entrepreneurs in the fields of advanced technology, life sciences, and renewable energy represent the future for Hawaii. These types of enterprises are poised at the earliest stages of product development and need public financial support to move to the next level on the road to commercial success.

The purpose of this part is to aggressively jump-start a new economy in Hawaii based on advanced technology, life sciences, and renewable energy by establishing a $100,000,000 fund to invest in these entrepreneurial ventures.
SECTION 3. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

"CHAPTER
THE HAWAII INNOVATIONS PARTNERSHIP CORPORATION

§ -1 Definitions. As used in this chapter, unless the context requires otherwise:

"Advanced technology" means new and emerging technology in digital media, telecommunications, sensor and optic technology, and information technologies.

"Board" means the board of directors of the Hawaii innovations partnership corporation.

"Corporation" means the Hawaii innovations partnership corporation.

"Direct investment" means an investment by the corporation in qualified securities of an enterprise to provide capital to the enterprise.

"Economic development project" means a commercially viable endeavor related to advanced technology, life sciences, and renewable energy.

"Enterprise" means a person with a primary place of business in Hawaii that is engaged in activities relating to the
commercial development of a product or service in the fields of advanced technology, life sciences, or renewable energy.

"Life sciences" means biology, cancer research, community health care, ocean sciences, agriculture, pharmacology, biotechnology, medical technology, or related fields.

"Person" means a sole proprietorship, partnership, joint venture, corporation, or other association of persons organized for commercial or industrial purposes.

"Professional investor" means any bank, bank holding company, savings institution, trust company, insurance company, investment company registered under the federal Investment Company Act of 1940, financial services loan company, or other financial institution or institutional buyer, licensee under the federal Small Business Investment Act of 1958, or any person, partnership, or other entity, a substantial amount of whose resources is dedicated to investing in securities or debt instruments, and whose net worth exceeds $500,000.

"Qualified security" means any note, stock, treasury stock bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, preorganization certificate of subscription, transferable share, investment contract, certificate of deposit for a security,
certificate of interest or participation in a patent or patent
application, or in royalty or other payments under such a patent
or application, or, in general, any interest or instrument
commonly known as a "security" or any certificate for, receipt
for, or option, warrant, or right to subscribe to or purchase
any of the foregoing.

"Renewable energy" means new and emerging technologies to
produce electrical energy, without the use of fossil fuels, by
wind, solar energy, hydropower, landfill gas, waste to energy,
geothermal resources, ocean thermal energy conversion, wave
energy, biomass, including municipal solid waste, biofuels, or
fuels derived from organic sources, hydrogen fuels derived from
renewable energy, or fuel cells where the fuel is derived from
renewable sources.

"Seed capital" means:

(1) Financing provided for the earliest stage of business
development that enables a project or idea to develop
into a business;

(2) Equity or loan capital provided for a new or existing
business undertaking;
(3) Funding to develop a concept or product idea to the level at which its practical and commercial viability can be assessed; and

(4) Funds invested in new and young companies that have not yet fully established commercial operations.

"Venture capital investment" means any of the following investments in a business:

(1) Common or preferred stock and equity securities without a repurchase requirement for at least five years;

(2) A right to purchase stock or equity securities;

(3) Any debenture or loan, whether or not convertible or having stock purchase rights, which are subordinated, together with security interests against the assets of the borrower, by their terms to all borrowings of the borrower from other institutional lenders, and that is for a term of not less than three years, and that has no part amortized during the first three years; and

(4) General or limited partnership interests.

§ 2 The Hawaii innovations partnership corporation; established; purpose. (a) There is established the Hawaii innovations partnership corporation, which shall be a public
body corporate and politic and an instrumentality and agency of
the State. The corporation shall be placed within the
department of budget and finance for administrative purposes
only.

(b) The purpose of the corporation shall be to:

(1) Stimulate economic development in Hawaii in the fields
of advanced technology, life sciences, and renewable
energy through research and development grants for
commercially viable products and services;

(2) Provide seed capital for entrepreneurial ventures to
assist the enterprise toward commercial success;

(3) Provide business and technical support for funded
enterprises to achieve commercial success and
independent capitalization;

(4) Promote high quality, high-income job opportunities
for Hawaii's residents and graduates of Hawaii's
educational institutions; and

(5) Manage and preserve the Hawaii innovations partnership
special fund to ensure stable funding for projects.

§ -3 Board of directors. (a) The corporation shall be
governed by a board of directors consisting of seven voting
members to be appointed by the governor for staggered terms pursuant to section 26-34 as follows:

(1) Three to be appointed directly by the governor;

(2) Two to be appointed from a list of nominees submitted by the president of the senate; and

(3) Two to be appointed from a list of nominees submitted by the speaker of the house of representatives.

Members shall be selected on the basis of their national academic or industry reputations as experts or industry leaders in the fields of economic diversification and development, venture capital or private equity investing, or technical knowledge in the fields of advanced technology, life sciences, or renewable energy technologies. The director of finance shall serve as an ex officio nonvoting member. No voting member shall be an employee of the State during the member's term of office on the board. All members shall continue in office until their respective successors have been appointed.

(b) The chairperson of the board shall be selected by majority vote of the members.

(c) Members shall serve without compensation but may be reimbursed for expenses, including travel expenses, incurred in the performance of their duties.
(d) The board shall appoint a chief executive officer of the corporation who shall serve at the pleasure of the board and shall be exempt from chapter 76. The board shall set the salary and duties of the chief executive officer.

(e) A member shall not participate in any corporation decision to invest in, purchase from, sell to, borrow from, loan to, contract with, or otherwise deal with any person with whom or entity in which the board member has a substantial financial interest.

(f) Decisions shall be made by majority vote of a quorum; provided that decisions to reject recommendations from technical advisory committees relating to research and development grants shall be made based on a two-thirds majority vote of the board. A quorum shall consist of four members.

§ -4 Funds. There are established the following revolving funds in the state treasury to be administered by the corporation:

(1) The Hawaii innovations partnership special fund. All moneys appropriated by the legislature, received as repayments of loans, earned on investments, received pursuant to a venture agreement, received as royalties, received as premiums or fees charged by the
corporation, or otherwise received by the corporation shall be deposited into the Hawaii innovations partnership special fund, which shall be a revolving fund and shall not be considered part of the general fund. The corporation may expend moneys from this fund for the general operating costs of the corporation and costs for professional investor services, as provided in section -6. The balance of this fund shall not be reduced below $ except by prior authorization of the legislature;

(2) The Hawaii innovations partnership research and development fund. Subject to legislative appropriation, the board may transfer from the Hawaii innovations partnership special fund to the Hawaii innovations partnership research and development fund up to $ for the first year of operation and for each year thereafter an amount not to exceed four per cent of the fiscal year-end balance of the Hawaii innovations partnership special fund. Funds from the Hawaii innovations partnership research and development fund may be expended for:
(A) Research and development grants as provided in the research and development grant program under section -5;

(B) Costs to administer the research and development grant program; and

(C) Costs to provide funded projects with technical business support;

and

(3) The Hawaii innovations partnership investment fund. Subject to legislative appropriation, the board may transfer from the Hawaii innovations partnership special fund to the Hawaii innovations partnership investment fund, which shall be a revolving fund, up to $ for the first two years of operation, and for each year thereafter an amount not to exceed fifty per cent of any new funding appropriated by the legislature to the Hawaii innovations partnership special fund or five per cent of the fiscal year-end balance of the Hawaii innovations partnership special fund, whichever is greater; provided that the balance shall not be reduced below $. Moneys from the
Hawaii innovations partnership investment fund may be expended for:

(A) Investments as provided in the venture capital investment program under section -6;

(B) Costs of administering the venture capital investment program; and

(C) Costs of providing funded projects with technical business support.

§ -5 Research and development grant program. The corporation shall establish a research and development grant program to provide seed capital to develop a commercially viable new idea for a product or service in the fields of advanced technology, life sciences, or renewable energy. Grants shall be awarded to Hawaii-based enterprises through a competitive process and reviewed by technical advisory committees with subject matter expertise. Criteria for the award of grants shall include:

(1) A market need for the product or service;

(2) A commercial viability;

(3) Development timeline;

(4) Ability to receive matching funds from other sources;
(5) Potential to return, within seven years, revenue or
profit sharing, royalties, license fees, or other
income equal to three times the amount of the initial
grant, and to provide high-paying jobs for residents.
The technical advisory committees shall make recommendations to
the board on grant awards, which shall be approved by a majority
vote of a quorum of the board or rejected by a two-thirds
majority of the board. Grants shall not exceed $250,000 for a
project. No additional funding shall be awarded except upon
demonstrated progress toward product development and commercial
success.

§ 6 Venture capital investment program. The
corporation shall establish a venture capital investment program
to fund Hawaii-based enterprises with economic development
projects that require seed capital to achieve commercial
success. The board shall select professional investors who
manage venture capital investment programs through a competitive
process and may use technical advisors to evaluate the
proposals. Criteria for selection of professional investors
shall include:
(1) A demonstrated ability to provide matching funds for venture capital or private equity investments in Hawaii;

(2) Having a principal place of business and substantial operations in Hawaii;

(3) Providing high-paying jobs for Hawaii residents;

(4) The potential to provide significant returns on investments; and

(5) Relevant professional expertise, experience, understanding, and commitment necessary to address the capital formation and funding needs of Hawaii's emerging growth enterprises involved in advanced technology, life sciences, and renewable energy.

§ -7 Duty to invest moneys of the Hawaii innovations partnership special fund. The professional investor selected by the board shall invest and manage the Hawaii innovations partnership special fund. The investments shall be in low-risk qualified securities as described in section 36-21, to preserve the fund while providing a reasonable rate of return on the investments to fund the research and development grant and venture capital investment programs. To the extent possible, the professional investor shall have a principal place of

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business and substantial operations in Hawaii and provide high-
paying jobs to Hawaii's residents.

§ -8 Powers of corporation. (a) The corporation shall have all powers necessary to carry out its purposes, including the power to:

(1) Adopt rules without regard to chapter 91 to carry out the purposes of this chapter;

(2) Adopt an official seal;

(3) Sue and be sued in its own name;

(4) Enter into contracts and other appropriate arrangements to carry out the research and development grant and venture capital investment programs, and to invest moneys in the Hawaii innovations partnership special fund, as well as other operations of the corporation;

(5) Contract with experts who can provide advice and technical, marketing and promotional assistance, and support to enterprises in which investments or grants have been made;

(6) Coordinate the corporation's programs with any education and training program in Hawaii's educational institutions;
(7) Provide and pay for advisory services and technical, managerial, and marketing and promotional assistance and support as may be necessary or desirable to carry out the purposes of this chapter;

(8) Acquire, hold, and sell qualified securities;

(9) Accept donations, grants, bequests, and devises of money, property, service, or other things of value that may be received from the United States or any agency thereof, any governmental agency, or any public or private institution, person, firm, or corporation, to be held, used, or applied for any or all of the purposes specified in this chapter. Receipt of each donation or grant shall be detailed in the annual report of the corporation pursuant to section -13. The report shall include the identity of the donor or lender, the nature of the transaction, and any conditions attaching thereto;

(10) Acquire, own, hold, dispose of, and encumber personal property of any nature or any interest therein;

(11) Enter into agreements or other transactions with any federal, state, or county agency;
(12) Make contracts and execute all instruments necessary or convenient for the carrying on of its business;

(13) Appear in its own behalf before state, county, or federal agencies;

(14) Procure insurance as may be necessary;

(15) Appoint officers, employees, consultants, agents, and advisors, who shall not be subject to chapter 76, and prescribe their duties and fix their compensation within the limitations provided by law;

(16) Appoint technical advisors or advisory committees as deemed necessary; and

(17) Exercise any other powers of a corporation organized under the laws of the State.

(b) The corporation shall not promise to answer for the debts of any other person.

§ 9 Contracts for services necessary for management and operation of corporation. The corporation may contract with others, public or private, for the provision of all or a portion of the services necessary for the management and operation of the corporation. The corporation shall have the power to use all appropriations, grants, contractual reimbursements, and all other funds not appropriated for a designated purpose to pay for
the proper general expenses and to carry out the purposes of the corporation. The corporation shall adopt procedures for competitive selection of contractors as required under this chapter and shall not be subject to the state procurement code under chapter 103D.

§ -10 Meetings of the board. (a) The meetings of the board shall be open to the public as provided in section 92-3; provided that when it is necessary for the board to receive information that is proprietary to a particular enterprise, the disclosure of which might be harmful to the business interests of the enterprise, the board may enter into an executive meeting that is closed to the public.

(b) The board shall be subject to the procedural requirements of section 92-4; provided that this authorization to hold closed meetings in accordance with subsection (a) shall be in addition to the exceptions listed in section 92-5, to enable the corporation to respect the proprietary requirements of enterprises with which it has business dealings.

§ -11 Confidentiality of trade secrets or the like; disclosure of financial information. Notwithstanding chapters 92, 92F, or any other law to the contrary, any documents or data made or received by any member or employee of the corporation,
to the extent that the material or data consist of trade
secrets, commercial or financial information regarding the
operation of any business conducted by an applicant for, or
recipient of, any form of assistance that the corporation is
empowered to render, or regarding the competitive position of
that applicant in a particular field of endeavor, shall not be a
government record; provided that if the corporation purchases a
qualified security from an applicant, the commercial and
financial information, excluding confidential business
information, shall be deemed to become a government record of
the corporation. If the information is made or received by any
member or employee of the corporation after the purchase of the
qualified security, it shall become a government record three
years from the date the information was made or received. Any
discussion or consideration of trade secrets or commercial or
financial information shall be held by the board, or any
subcommittee of the board, in executive sessions closed to the
public; provided that the purpose of any such executive session
shall be set forth in the official minutes of the corporation,
and business that is not related to that purpose shall not be
transacted, nor shall any vote be taken during the executive
sessions.
§ -12 Limitation on liability. Chapters 661 and 662 or any other law to the contrary notwithstanding, nothing in this chapter shall create an obligation, debt, claim, cause of action, claim for relief, charge, or any other liability of any kind whatsoever in favor of any person or entity, without regard to whether that person or entity receives any benefits under this chapter, against the State or its officers and employees. The State and its officers and employees shall not be liable for the results of any investment, purchase of securities, loan, or other assistance provided pursuant to this chapter. Nothing in this chapter shall be construed as authorizing any claim against the corporation in excess of any note, loan, or other specific indebtedness incurred by the corporation or in excess of any insurance policy acquired for the corporation or its employees.

§ -13 Annual report. The corporation shall submit a complete and detailed report of the corporation's activities to the legislature not later than twenty days before the convening of the regular session of 2008, and every year thereafter.

§ -14 Audit. Commencing with the second year of operation, the auditor shall conduct annual audits of the corporation.
SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of the amount equal to one-half of one per cent of the general revenues of the State collected in fiscal year 2007-2008 to be deposited into the Hawaii innovations partnership special fund.

SECTION 5. There is appropriated out of the Hawaii innovations partnership special fund the sum of the amount equal to one-half of one per cent of the general revenues of the State collected in fiscal year 2007-2008 or so much thereof as may be necessary for fiscal year 2007-2008 to be used for the purposes of this part.

The sum appropriated shall be expended by the Hawaii innovations partnership corporation for the purposes of this part.

SECTION 6. There is appropriated out of the general revenues of the State of Hawaii the sum of the amount equal to one-half of one per cent of the general revenues of the State collected in fiscal year 2008-2009 to be deposited into the Hawaii innovations partnership special fund.

SECTION 7. There is appropriated out of the Hawaii innovations partnership special fund the sum of the amount equal to one-half of one per cent of the general revenues of the State collected in fiscal year 2008-2009 to be deposited into the Hawaii innovations partnership special fund.
collected in fiscal year 2008-2009 or so much thereof as may be
necessary for fiscal year 2008-2009 to be used for the purposes
of this part.

The sum appropriated shall be expended by the Hawaii
innovations partnership corporation for the purposes of this
part.

SECTION 8. There is appropriated out of the general
revenues of the State of Hawaii the sum of the amount equal to
one-half of one per cent of the general revenues of the State
collected in fiscal year 2009-2010 to be deposited into the
Hawaii innovations partnership special fund.

SECTION 9. There is appropriated out of the Hawaii
innovations partnership special fund the sum of the amount equal
to one-half of one per cent of the general revenues of the State
collected in fiscal year 2009-2010 to be used for the purposes
of this part.

The sum appropriated shall be expended by the Hawaii
innovations partnership corporation for the purposes of this
part.

SECTION 10. There is appropriated out of the general
revenues of the State of Hawaii the sum of the amount equal to
one-half of one per cent of the general revenues of the State
collected in fiscal year 2010-2011 to be deposited into the Hawaii innovations partnership special fund.

SECTION 11. There is appropriated out of the Hawaii innovations partnership special fund the sum of the amount equal to one-half of one per cent of the general revenues of the State collected in fiscal year 2010-2011 or so much thereof as may be necessary for fiscal year 2010-2011 to be used for the purposes of this part.

The sum appropriated shall be expended by the Hawaii innovations partnership corporation for the purposes of this part.

PART II

SECTION 12. Competing in the global economy will continue to require investment in new technologies and human resources. The traditional measures of success, including growth of the gross domestic product, will continue to be important but will not help the State determine whether or not Hawaii is prepared to compete in the future. To determine how well Hawaii is preparing and using its resources, the legislature recognizes that the State will need to track the effectiveness of training in science, technology, math, engineering, and computer skills. The State will also need to look at levels of investment
capital, research, and innovation. Importantly, assurance is needed that the investments made by the State are productive.

The Hawaii Institute for Policy Affairs in its 2005 Policy Review, recommended that Hawaii set goals and invest in the collection of data needed to track progress in what it called "new economy" areas. In particular, the Hawaii Institute for Policy Affairs recommended, "collection of new data such as service exports, training, and education outside of the traditional school system, the self-sufficiency wage, job creation, and other impacts of business tax credits, and quality of life indicators." Currently, there are no data on service exports, except for tourism. Such data are expensive and difficult to collect through general surveys. A focused effort is needed to build a database of these and other measures of an innovative economy.

Evaluations of economic impacts and growth are the responsibility of the department of business, economic development, and tourism. Economists, whose primary responsibility is the measurement of economic impacts, are a primary resource for conducting economic analyses of existing economic incentive programs.
The purpose of this part is to improve the State's ability to measure the productivity of and progress toward achieving innovation in Hawaii's economy as well as to assess the effectiveness of measures enacted by the legislature to improve Hawaii's economic situation by requiring the department of business, economic development, and tourism to accomplish this purpose.

SECTION 13. Section 201-3, Hawaii Revised Statutes, is amended to read as follows:

"§201-3 Specific research and promotional functions of the department. Without prejudice to its general functions and duties the department of business, economic development, and tourism shall have specific functions in the following areas:

1. Industrial development. The department shall [determine]:

   (A) Determine through technical and economic surveys the profit potential of new or expanded industrial undertakings; [develop]

   (B) Develop through research projects and other means new and improved industrial products and processes; [promote]
(C) Promote studies and surveys to determine consumer preference as to design and quality and to determine the best methods of packaging, transporting, and marketing the State's industrial products; [disseminate]

(D) Disseminate information to assist the present industries of the State, to attract new industries to the State, and to encourage capital investment in present and new industries in the State; [assist]

(E) Assist associations of producers and distributors of industrial products to introduce such products to consumers; and [make]

(F) Make such grants or contracts as may be necessary or advisable to accomplish the foregoing;

(2) Land development. The department shall [encourage]:

(A) Encourage the most productive use of all land in the State in accordance with a general plan developed by the department; [encourage]

(B) Encourage the improvement of land tenure practices on leased private lands; [promote]
(C) Promote an informational program directed to
landowners, producers of agricultural and
industrial commodities, and the general public
regarding the most efficient and most productive
use of the lands in the State; and [make]

(D) Make such grants or contracts as may be necessary
or advisable to accomplish the foregoing;

(3) Credit development. The department shall [conduct];

(A) Conduct a continuing study of agricultural and
industrial credit needs; [encourage]

(B) Encourage the development of additional private
and public credit sources for agricultural and
industrial enterprises; [promote]

(C) Promote an informational program to acquaint
financial institutions with agricultural and
industrial credit needs and the potential for
agricultural and industrial expansion, and inform
producers of agricultural and industrial products
as to the manner in which to qualify for loans;
and [make]

(D) Make such grants or contracts as may be necessary
or advisable to accomplish the foregoing;
(4) Promotion. The department shall disseminate information developed for or by the department pertaining to economic development to:

(A) Assist present industry in the State,

(B) Attract new industry and investments to the State,

(C) Assist new and emerging industry with good growth potential or prospects in jobs, exports, and new products.

The industrial and economic promotional activities of the department may include the use of literature, advertising, demonstrations, displays, market testing, lectures, travel, motion picture and slide films, and such other promotional and publicity devices as may be appropriate;

(5) Tourism research and statistics. The department shall maintain a program of research and statistics for the purpose of:

(A) Measuring and analyzing tourism trends;

(B) Providing information and research to assist in the development and implementation of state tourism policy;
(C) Encouraging and arranging for the conduct of tourism research and information development through voluntary means or through contractual services with qualified agencies, firms, or persons; and

(D) Providing tourism information to policy makers, the public, and the visitor industry. This includes:

(i) Collecting and publishing visitor-related data, including visitor arrivals, visitor characteristics, and expenditures;

(ii) Collecting and publishing hotel-related statistics, including the number of units available, occupancy rates, and room rates;

(iii) Collecting and publishing airline-related data, including seat capacity and number of flights;

(iv) Collecting information and conducting analyses of the economic, social, and physical impacts of tourism on the State;

(v) Conducting periodic studies of the impact of ongoing marketing programs of the Hawaii
tourism authority on Hawaii's tourism industry, employment in Hawaii, state taxes, and the State's lesser known and underutilized destinations; and

(vi) Cooperate with the Hawaii tourism authority and provide it with the above information in a timely manner;

and

(6) Assessing the effectiveness of economic development initiatives, specifically related to the innovation economy proposals in Acts , , and ."

SECTION 14. Section 383-95, Hawaii Revised Statutes, is amended to read as follows:

"§383-95 Disclosure of information. (a) Except as otherwise provided in this chapter, information obtained from any employing unit or individual pursuant to the administration of this chapter and determinations as to the benefit rights of any individual shall be held confidential and shall not be disclosed or be open to public inspection in any manner revealing the individual's or employing unit's identity. Any claimant (or the claimant's legal representative) shall be supplied with information from the records of the department to
the extent necessary for the proper presentation of the
claimant's claim in any proceeding under this chapter. Subject
to such restrictions as the director may by rule prescribe, and
costs incurred in furnishing the information are reimbursed to
the department and all safeguards are established as are
necessary to ensure that information furnished by the department
is used only for authorized purposes, the information and
determinations may be made available to:

(1) Any federal or state agency charged with the
administration of an unemployment compensation law or
the maintenance of a system of public employment
offices;

(2) The Bureau of Internal Revenue of the United States
Department of Treasury;

(3) Any federal, state, or municipal agency charged with
the administration of a fair employment practice or
anti-discrimination law;

(4) Any other federal, state, or municipal agency if the
director deems that the disclosure to the agency
serves the public interest; and

(5) Any federal, state, or municipal agency if the
disclosure is authorized under section 303 of the
Social Security Act and section 3304 of the Internal Revenue Code of 1986, as amended.

(b) Information obtained in connection with the administration of the employment service may be made available to persons or agencies for purposes appropriate to the operation of a public employment service.

(c) Upon requests therefor, the department shall furnish to any agency of the United States charged with the administration of public works or assistance through public employment, and may furnish to any state agency similarly charged, the name, address, ordinary occupation, and employment status of each recipient of benefits and the recipient's rights to further benefits under this chapter.

(d) The department may request the comptroller of the currency of the United States to cause an examination of the correctness of any return or report of any national banking association rendered pursuant to this chapter, and may in connection with the request transmit any of the report or return to the comptroller of the currency of the United States as provided in section 3305(c) of the federal Internal Revenue Code.
(e) The director of business, economic development, and tourism may identify the types of data necessary from the department and required to perform the analyses of innovation economy initiatives as required by section 201-3. Data shall be provided at an aggregate level to prevent compromising the identity of individuals or businesses."

PART III

SECTION 15. Kajima Urban Development International and Phase 3 Properties competitively bid for, and was selected by Kamehameha Schools as the developer of the Asia Pacific International Research Center, a four hundred thousand square foot class 'A' life sciences research complex on 4.98 acres located in Kakaako makai of Ala Moana Boulevard, and adjacent to the University of Hawaii John A. Burns school of medicine.

Kamehameha Schools, Kajima Urban Development International, and Phase 3 Properties are negotiating with the high technology development corporation, an agency of the State, to commit to a ten-year lease agreement secured with a state guaranty for approximately ninety-nine thousand square feet of laboratory and office space on three floors. The high technology development corporation will operate a technology incubator and innovation center, which will support the efforts of the University of
Hawaii's John A. Burns school of medicine, and related bioscience research institutions.

There are local fledgling start-up high technology companies trying to attain required financing. Once they achieve such financing, it is critical that they commit their core capital to research rather than have the core capital tied up in onerous credit enhancement tools, such as security deposits or letters of credit required by the lending community to finance complex and expensive wet laboratory infrastructure developments. A guaranty of the lease agreement by the State for the high technology development corporation to lease a portion of the Asia Pacific International Research Center will reduce the risk and cost of this unique project for these start-up companies and thereby provide the necessary initial boost to Hawaii's life science industry.

The statutory purpose and mission of the corporation is to grow Hawaii's high technology industry, including its fledging life science industry. For the high technology development corporation to grow these technology industries, it must be able to provide incubator and laboratory facilities to qualified start-up companies.
The project allows the State to become proactive in growing incubation and innovation space without the burden or cost of constructing the building.

Kamehameha Schools is committed to redeveloping other buildings in the area to support innovation industries. Phase two of Kamehameha Schools' development more than doubles innovation space in Kakaako for future cluster growth, ultimately resulting in a total of four hundred thousand square feet of laboratory and office space dedicated to the technology industry. The ninety-nine thousand square feet of the Asia Pacific International Research Center represents less than twenty-five per cent of the total Kamehameha Schools development in Kakaako.

The negotiations between the high technology development corporation and the department of budget and finance with Kamehameha Schools or Kajima Urban Development International, or both, and Phase 3 Properties shall consider as a means to reducing cost to the State:

(1) An estimated $80,000,000 in private sector investment;

(2) The reasonable application of amounts that result from a $28,000,000 federal new market tax credit to reduce the State's rental costs;
(3) The replacement of incubation and innovation space when the high technology development corporation land lease agreement with the University of Hawaii for the Manoa innovation center expires in ten years;

(4) The speed at which the private sector is able to construct new projects, particularly wet laboratories;

(5) A monetary contribution in the form of a lease reserve fund by Kamehameha Schools, Kajima Urban Development International, and Phase 3 Properties to reduce the effective cost of the lease agreement to the State for ten years;

(6) Commitments by Kamehameha Schools or Kajima Urban Development International and Phase 3 Properties to pre-lease two-thirds of the space to the State;

(7) Enhancements that accrue or result from this development; and

(8) Any and all other appropriate considerations as determined by the high technology development corporation and department of budget and finance.

SECTION 16. The high technology development corporation, with assistance from the department of business, economic development, and tourism, shall negotiate with the developers, a

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lease agreement on terms acceptable and satisfactory to the
corporation's board of directors and the director of finance,
including a lease guaranty for a period of ten years for
approximately ninety-nine thousand square feet of laboratory and
office space in the Asia Pacific International Research Center
in Kakaako.

SECTION 17. The provisions of this part are not intended
to, nor shall they restrict or constrain the lease negotiations
of the high technology development corporation and the
department of budget and finance with the developers and owners
of the Asia Pacific International Research Center. The use of
the funds shall be for the purposes provided herein, but the
expenditure of the funds shall be at the discretion of the
director of finance.

PART IV

SECTION 18. The legislature finds that the digital media
industry is a fast-growing niche between the film and technology
industries that has begun to emerge in Hawaii as the result of
key natural and invested resources in the State. Hawaii's
environment is especially suited for this low-polluting industry
that creates high-skill, high-paying jobs.
Digital media activities include digital filmmaking and visual effects, television and feature film pre-production and post-production, sound design, interactive video game development, computer animation, creative software design, dynamic web design, and distribution.

This growth industry requires a local incubator facility to provide a cohesive and integrated site for developing Hawaii's digital media infrastructure for film and television productions and interactive game development. This incubator would be a state-of-the-art mixed use facility that combines industry, government, and academic entities. In addition to providing a collaborative learning environment for students, faculty, and professionals in the field, the facility will serve as an incubator for digital media businesses and as a research and development lab for the creation of intellectual property.

SECTION 19. The department of business, economic development, and tourism, in coordination with the University of Hawaii, shall oversee the leasing, operating, and maintenance of a digital media incubator facility. The department may enter into contracts with other government agencies, the county economic development boards, other nonprofit organizations, or for-profit firms for the purpose of the program.
The facility shall be leased to a mix of anchor tenants, virtual tenants, and project-based tenants. The facility should contain a mix of workstations, conference rooms, private offices, a common lounge and kitchen area, a reception area, secure air-conditioned server rooms, and possibly a small soundstage for stop-motion animation, a 3D modeling and printing center, and other more spatially dependent projects.

For the purposes of this section:

"Anchor tenants" means digital media companies with a regular cash flow that need a fixed address and would benefit from sharing a common environment with other digital media companies.

"Project-based tenants" means television and film production teams that need to lease space for a finite amount of time to complete a particular project.

"Virtual tenants" means less developed companies with uneven cash flow that are just starting out and may need a place to do business from time to time.

PART V

SECTION 20. The purpose of this part is to establish at Honolulu community college a support and training system to be known as the music and enterprise learning experience program to
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develop the technical business skills required by Hawaii's artists and music industry.

Hawaii's music industry is a growing segment of Hawaii's creative industries sector, with a growing popularity reaching far beyond the shores of our island state. Full recognition of the merits of Hawaiian music came in 2005 when the National Academy of Recording Arts and Sciences announced the creation of a Hawaiian music category in its annual Grammy Awards, the world's most prestigious music awards program.

It has long been noted that while Hawaii has an unusually high concentration of raw musical talent and industry professionals, it lacks the technical support infrastructure to assist individuals in the progression of their careers and businesses.

Honolulu community college has been working to build alliances with national and local members of the entertainment industry for the music and enterprise learning experience program. The music and enterprise learning experience program combines short-term professional training workshops, songwriter seminars, an associate degree program in music business and production, and a transfer program that allows students to matriculate in Belmont University's music and entertainment
management programs, one of the premier music and entertainment educational programs in the nation.

SECTION 21. There is established at the University of Hawaii's Honolulu community college campus the music and enterprise learning experience program to expand the existing industry capacity, and to create new technological, intercultural, and genre-bending forms of music through creativity and professional business expertise. The music and enterprise learning experience program shall be developed around three primary components: artist creativity, entertainment business expertise, and technical production skills. The program shall collaborate with Belmont University on the joint use of their curriculum, technical facilities and equipment specifications, training, dual credit course offerings, and shall also offer internships in some of the most varied music environments in the world.

The program will be seeded through a title III Developing Institutions grant that has been awarded to Honolulu community college's native Hawaiian center, and shall provide for some basic program development of course offerings in coordination with Belmont University.

PART VI

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SECTION 22. Universities that generate new knowledge and discoveries can be important contributors in developing a state’s technology-based economy. But for a university to make that contribution, there must be effective mechanisms to move innovation into the marketplace. At the University of Hawaii, commercialization assistance is provided by the office of technology transfer and economic development. Activities include securing patents, seeking licensing opportunities, and assisting university researchers to transform ideas and innovations into products ready for commercialization. The office of technology transfer and economic development’s ability to fulfill its mandate would be enhanced by collaboration with commercialization experts and funding from the private sector.

The purpose of this part is to enhance the ability of the office of technology transfer and economic development to increase commercialization of the University of Hawaii’s discoveries by providing funds to the department of business, economic development, and tourism to fund a partnership with a qualified and experienced private-sector entity to work with the office of technology transfer and economic development. This partnership shall provide the University of Hawaii with resources and expertise to increase the number of discoveries.
disclosed and the number of partnerships and arrangements to
commercialize those discoveries. The department of business,
economic development, and tourism, the private-sector partner,
and the University of Hawaii shall contribute to this
commercialization joint venture, and the private-sector partner
and the University of Hawaii shall share in the returns from
their efforts.

PART VII

SECTION 23. There is appropriated out of the general
revenues of the State of Hawaii the sum of $ or so
much thereof as may be necessary for fiscal year 2007-2008 and
the sum of $ or so much thereof as may be necessary
for fiscal year 2008-2009 for the purposes of improving the
State's ability to measure the productivity of and progress
toward achieving innovation in Hawaii's economy as well as to
assess the effectiveness of measures enacted by the legislature
to improve Hawaii's economic situation. Of the sums
appropriated, $ in fiscal year 2007-2008 and $
in fiscal year 2008-2009 shall be for the purpose of hiring two
permanent full-time equivalent economist positions in the
department of business, economic development, and tourism.
The sums appropriated shall be expended by the department of business, economic development, and tourism for the purposes of part II of this Act.

SECTION 24. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2007-2008 and the sum of $ or so much thereof as may be necessary for fiscal year 2008-2009 for the lease agreement and guaranty between the high technology development corporation and the developers or owners of the Asia Pacific International Research Center.

The sums appropriated shall be expended by the high technology development corporation, an agency administratively attached to the department of business, economic development, and tourism for the purposes of part III of this Act.

SECTION 25. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2007-2008 and the sum of $ or so much thereof as may be necessary for fiscal year 2008-2009 for the purpose of facility improvements, equipment purchase, leasing, operating, and maintaining a digital media incubator facility.
Of the sums appropriated:

(1) $ in fiscal year 2007-2008 and $ in fiscal year 2008-2009 shall be expended by the department of business, economic development, and tourism for the purposes of part IV of this Act; and

(2) $ in fiscal year 2007-2008 and $ in fiscal year 2008-2009 shall be expended by the University of Hawaii's Honolulu community college for the purposes of part IV of this Act.

SECTION 26. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2007-2008 and the sum of $ or so much thereof as may be necessary for fiscal year 2008-2009 to carry out the purpose of leasing, operating, and maintaining a music and entertainment business training center.

The sums appropriated shall be expended by the University of Hawaii's Honolulu community college for the purposes of part V of this Act.

SECTION 27. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2007-2008 and
the sum of $ or so much thereof as may be necessary
for fiscal year 2008-2009 for the public-private university research commercialization partnership.

The sums appropriated shall be expended by the department of business, economic development, and tourism for the purposes of part VI of this Act.

SECTION 28. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 29. This Act shall take effect on July 1, 2034.
Report Title:
Innovations Research and Development; Capital Investments

Description:
Establishes the Hawaii innovations partnership corporation to provide research and development grants and to invest in enterprises in advanced technology, life sciences, and renewable energy fields. Improves the State's ability to measure productivity and growth of the economy. Supports the operations and programs of a State operated technology incubator and innovation center in Kakaako. Establishes a local incubator facility for digital media infrastructure for film and TV productions and interactive game development. Establishes a music industry program at Honolulu Community College (MELE). Provides funds which allows the UH Office of Technology Transfer and Economic Development to enter into a partnership with a private sector entity. (HB338 HD2)