
A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

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

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PART I

SECTION 1. The legislature finds that a four hundred thousand square foot class A life sciences research complex is being developed on 4.98 acres located in the Kakaako district of Oahu, makai of Ala Moana boulevard and adjacent to the University of Hawaii John A. Burns school of medicine. The complex will be positioned as a catalyst spawning new international life science collaborations in the Pacific Rim for both the public and private sectors, and the only facility with class A wet laboratory space available to the non-institutional market.

The high technology development corporation is currently in negotiations with the developer to commit to a 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 school of



1 medicine, Cancer Research Center of Hawaii, and many related
2 bioscience research institutions.

3 Many local fledgling start-up high technology companies are
4 trying to obtain financing. Once they receive such financing,
5 it is critical that they commit their core-capital to research,
6 rather than have it tied up in onerous credit enhancement tools,
7 such as security deposits or letters of credit required by the
8 lending community in order to finance complex and expensive wet
9 laboratory infrastructure developments. A guaranty of the lease
10 agreement by the State for the high technology development
11 corporation leased portion of the new facility will reduce the
12 risk and cost of this unique project for these start-up
13 companies and thereby provide the necessary initial boost to
14 Hawaii's life science industry.

15 The statutory purpose and mission of the high technology
16 development corporation is to grow Hawaii's high technology
17 industry and this includes its fledgling life science industry.
18 To meet this mandate, the corporation must be able to provide
19 quality incubator and innovation facilities to qualified start-
20 up companies. Hawaii needs suitable specialty commercial
21 laboratory space as soon as possible, since very little
22 currently exists. Thirteen biotechnology companies did not



1 select Hawaii as a site in the past three years due to the lack
2 of suitable space. The total square footage of these companies'
3 needs was twice as much as the proposed project space and yet
4 additional demand exists.

5 Other states and communities are also very aggressively
6 recruiting technology companies and start-ups. Many offer
7 grants, subsidies, and other incentives to attract high
8 technology companies to develop and grow their businesses. They
9 know that these companies hire the knowledge and concept workers
10 that are attracted by high-paying jobs and the opportunity to
11 collaborate with other scientists and technicians. These other
12 communities know that the technology and life science industries
13 produce quality jobs at all levels, from the beginning
14 technician to the senior researcher, increase the jurisdiction's
15 tax base and, most importantly, provide the critical mass and
16 synergy for a sustainable industry. The most successful states
17 and communities locate their technology companies adjacent to
18 major research institutions, creating a cluster effect. In
19 addition to new and meaningful career pathways for Hawaii's
20 youth and residents, an estimated one thousand new living wage
21 jobs will be created within the facility.



1 Hawaii is well positioned to compete in this market. The
2 recently completed University of Hawaii school of medicine
3 complex will soon be joined by the Cancer Research Center of
4 Hawaii and a Regional Biosafety Laboratory adjacent to the
5 school of medicine. The life sciences research complex is
6 intended to be the catalyst for the development of the life
7 science industry in Hawaii, and a place where the private
8 research sector joins with the public research sector for
9 innovation and entrepreneurship in the Kakaako core.

10 The project allows the State to take the initiative in
11 growing incubation and innovation space without bearing the cost
12 or burden of construction alone. Many other jurisdictions have
13 undertaken similar efforts to create a life sciences industry in
14 their communities such as San Diego, San Francisco, Boston, and
15 North Carolina. New York uses a \$2,000,000,000 initiative fund
16 to lure top tier biotechnology and pharmaceutical companies.
17 The Kobe city government has paid for two-thirds of the
18 development of the Kobe Bio Science Park in Kobe, Japan. The
19 competition to attract high technology companies is intense and
20 governments have had to lend financial support to be a contender
21 in this market.



1 The life sciences research complex will more than double
2 innovation space in Kakaako for future cluster growth,
3 ultimately resulting in a total of four hundred thousand square
4 feet of laboratory and office space dedicated to the high
5 technology industry. The ninety-nine thousand square feet
6 designated for the high technology development corporation
7 represents less than twenty-five per cent of the additional
8 space.

9 The purpose of this part is to support the operations and
10 programs of a state-operated technology incubator and innovation
11 center in the Kakaako district of downtown Honolulu.

12 SECTION 2. The high technology development corporation,
13 with assistance from the department of business, economic
14 development, and tourism, shall negotiate with the developers,
15 on terms acceptable and satisfactory to the corporation's board
16 of directors and the director of finance, a lease agreement and
17 lease guaranty for a period of years for approximately
18 ninety-nine thousand square feet of laboratory and office space
19 in a life sciences research complex in Kakaako.

20 SECTION 3. The high technology development corporation may
21 enter into contracts to support the planning and development of



1 a state-operated high technology incubator and innovation center
2 in the Kakaako district near downtown Honolulu.

3 SECTION 4. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2007-2008 to
6 carry out the purposes of this part.

7 The sum appropriated shall be expended by the high
8 technology development corporation.

9 SECTION 5. The provisions of this part are not intended to
10 and shall not restrict or constrain the lease negotiations of
11 the high technology development corporation, the department
12 business, economic development, and tourism, and the department
13 of budget and finance with the developers.

14 **PART II**

15 SECTION 6. The purpose of this part is to provide
16 continued support for Hawaii's high technology businesses by
17 extending current funding levels for the Hawaii small business
18 innovation research grant program and the Hawaii small business
19 technology transfer program.

20 SECTION 7. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so
22 much thereof as may be necessary for fiscal year 2007-2008 and



1 the same sum or so much thereof as may be necessary for fiscal
2 year 2008-2009 for the Hawaii small business innovation research
3 grant program and the Hawaii small business technology transfer
4 grant program.

5 The sums appropriated shall be expended by the high
6 technology development corporation for the purposes of this
7 part.

8 PART III

9 SECTION 8. The purpose of this part is to build on the
10 successes of Hawaii's science and technology industries and
11 establish a research and development follow-on funding program
12 for Hawaii-based small businesses that received federal funding
13 through the Hawaii Technology Development Venture or the
14 National Defense Center of Excellence for Research in Ocean
15 Sciences.

16 SECTION 9. (a) Notwithstanding the requirements of
17 chapter 42F, Hawaii Revised Statutes, there is established in
18 the Hawaii strategic development corporation a research and
19 development follow-on funding program for Hawaii-based small
20 businesses that received federal funding through the Hawaii
21 Technology Development Venture or the National Defense Center of
22 Excellence for Research in Ocean Sciences.



1 The purpose of these awards shall be to:

2 (1) Provide accelerated economic development in the fields
3 of science and engineering of defense related dual use
4 technology by providing follow-on funding to
5 successful research and development projects for
6 technology development, transition, and
7 commercialization;

8 (2) Provide capital to sustain high growth new venture
9 company infrastructure development to assist the
10 enterprise toward commercial success;

11 (3) Promote high quality, high income job opportunities
12 for Hawaii's residents and graduates of Hawaii's
13 educational institutions;

14 (4) Reverse the brain drain by allowing talented
15 scientists and engineers to return home to living wage
16 jobs in Hawaii; and

17 (5) Keep the high technology companies in Hawaii by
18 limiting the need to seek out-of-state venture
19 capital, which dilutes local ownership.

20 (b) The corporation shall administer the research and
21 development follow-on funding program. The Hawaii Technology
22 Development Venture and the National Defense Center of



1 Excellence for Research in Ocean Sciences shall subcontract with
2 selected companies and provide program oversight.

3 (c) To receive funding, a Hawaii-based company shall:

4 (1) Show satisfactory performance in any projects funded
5 through the Hawaii Technology Development Venture or
6 the National Defense Center of Excellence for Research
7 in Ocean Sciences;

8 (2) Submit proposals to the Hawaii Technology Development
9 Venture or the National Defense Center of Excellence
10 for Research in Ocean Sciences for follow-on funding
11 in accordance with the respective program
12 requirements; provided that a substantial portion of
13 the work under the award shall be performed in the
14 State;

15 (3) Submit a budget based on parameters set forth by the
16 Hawaii Technology Development Venture or the National
17 Defense Center of Excellence for Research in Ocean
18 Sciences;

19 (4) Execute agreements in accordance with existing Hawaii
20 Technology Development Venture or the National Defense
21 Center of Excellence for Research in Ocean Sciences
22 contracting requirements; and



1 (5) Submit reporting of project progress in accordance
2 with existing Hawaii Technology Development Venture or
3 National Defense Center of Excellence for Research in
4 Ocean Sciences requirements.

5 (d) Moneys for the follow-on funding program shall be
6 allocated as follows:

7 (1) Hawaii Technology Development Venture:

8 (A) For fiscal year 2007-2008, \$ shall be
9 expended for research and development follow-on
10 funding awards; and

11 (B) For fiscal year 2008-2009, \$ shall be
12 expended for research and development follow-on
13 funding awards;

14 provided that in each fiscal year, \$500,000 shall be
15 expended for project oversight of program awardees,
16 and technical and business support services to
17 awardees of both Hawaii Technology Development Venture
18 and National Defense Center of Excellence for Research
19 in Ocean Sciences; and

20 (2) National Defense Center of Excellence for Research in
21 Ocean Sciences:



1 SECTION 10. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2007-2008 and
4 the sum of \$ or so much thereof as may be necessary
5 for fiscal year 2008-2009 for a research and development
6 follow-on funding program for Hawaii-based small businesses that
7 received federal funding through the Hawaii Technology
8 Development Venture or the National Defense Center of Excellence
9 for Research in Ocean Sciences as a grant pursuant to chapter
10 42F, Hawaii Revised Statute; provided that the moneys shall be
11 allocated pursuant to section 9(d) of this part.

12 The sums appropriated shall be expended by the Hawaii
13 strategic development corporation for the purposes of this part.

14 SECTION 11. This Act shall take effect on July 1, 2050.



Report Title:

High Technology; Incubation Center; R&D Funding Program

Description:

Authorizes the high technology development corporation to negotiate a lease agreement and lease guaranty for approximately ninety-nine thousand square feet of laboratory and office space in a life sciences research complex in Kakaako; appropriates funds for the Hawaii small business innovation research grant program and the Hawaii small business technology transfer program; establishes a research and development follow-on funding program for Hawaii-based small businesses that received federal funding through the Hawaii Technology Development Venture or the National Defense Center of Excellence for Research in Ocean Sciences; appropriates an unspecified amount to the Hawaii strategic development corporation. (SD2)

