H.B. NO. 1996

# A BILL FOR AN ACT

RELATING TO THE MAUI FOOD INNOVATION CENTER.

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

SECTION 1. The legislature finds that the State of Hawaii imports an estimated eighty to ninety per cent of its food, at a cost of about \$3,000,000,000 a year. In the event of a major disruption to transportation lines, the State has less than a week of food. Producing more food in Hawaii could add millions to the economy, decrease the threat of invasive species, and preserve cultural traditions and open green space.

8 The legislature further finds that the renovation and 9 equipping of a value-added food production and business 10 incubation facility at the University of Hawaii Maui college 11 (UHMC), known as the Maui food innovation center, would improve 12 the economic stability and capacity of farmers, ranchers, and 13 fishermen; agricultural cooperatives; food entrepreneurs; 14 existing small and midsized food companies; retail and food 15 service establishments; Native Hawaiian cultural agriculture; 16 and community food programs, by providing access to research and 17 development capabilities, food business planning, market 18 research, quality assurance and food safety, product and process

2014-0355 HB SMA.doc

development, and other services not currently available in Maui
 county.

3 The legislature additionally finds that the Maui food 4 innovation center will also build on the Maui culinary academy 5 program at UHMC by providing faculty and students with 6 opportunities for applied research, experiential learning, and 7 workforce development and training within an expanding and 8 evolving food industry. The Maui food innovation center will be 9 incorporated into the northern section of the UHMC Pilina 10 building, No. 2232, the student life building. This section of 11 the building was formerly the UHMC cafeteria kitchen, but is currently unused and requires upgrade. The Maui food innovation 12 center will be adjacent and in close proximity to the Paina 13 14 building, No. 2253, the culinary arts building. The Pilina 15 building will be repurposed with these funds to house shared-use 16 food processing equipment within an environment that will enable 17 small-scale manufacturing under hygienic conditions and under 18 county, United States Food and Drug Administration, and United 19 States Department of Agriculture inspection.

20 The legislature also finds that the Maui food innovation 21 center will serve as a model for other programs in planning 22 stages throughout the University of Hawaii community college 2014-0355 HB SMA.doc

The Maui food innovation center will work with other 1 system. 2 campuses to share its research, best practices, expertise, and 3 resources, thus making an important contribution to a 4 comprehensive and sustainable food production solution 5 throughout the State. These efforts will address Hawaii's 6 dependence on imported food while also promoting Hawaii-grown 7 and Hawaii-made products for local, tourist, and export markets. 8 The legislature further finds that as part of Act 164, the General Appropriations Act of 2011, the governor released 9 10 \$1,255,000, through the department of agriculture to the 11 University of Hawaii Maui college for design, planning, and a 12 portion of the construction costs to transform UHMC's former cafeteria into the new Maui food innovation center. The state 13 14 funds were also used to leverage federal funding by the United 15 States Department of Agriculture to complete a 2013 feasibility 16 study for the Maui food innovation center. In 2012, UHMC 17 received a \$12,700,000 development and training grant from the 18 United States Department of Labor. This grant provides nearly 19 \$800,000 that will be used for curriculum development and 20 training for food manufacture and food safety in rural Hawaii. 21 The legislature notes that to date, \$145,555 has been 22 expended to assess the former cafeteria at UHMC, conduct



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# H.B. NO. 1996

research and analysis, and conduct a site review based on
 initial findings. Design Partners, Inc., has prepared an
 initial estimated cost of \$3,774,607 for the Maui food
 innovation center, an amount that includes renovation and
 equipment costs, of which approximately \$2,695,162 remains to be
 funded.

Accordingly, the purpose of this Act is to appropriate
\$2,700,000 for the completion of the Maui food innovation center
capital improvement project.

SECTION 2. The director of finance is authorized to issue 10 11 general obligation bonds in the sum of \$2,700,000 or so much 12 thereof as may be necessary and the same sum or so much thereof 13 as may be necessary is appropriated for fiscal year 2014-2015 14 for the University of Hawaii Maui college Maui food innovation 15 center, for renovation and equipment for a value-added food 16 production and business incubation facility located in the 17 former campus cafeteria kitchen of the University of Hawaii Maui 18 college, Pilina building, Kahului, Maui.

19 The sum appropriated shall be expended by the University of 20 Hawaii for the purposes of this Act.

21 SECTION 3. The appropriation made for the capital
22 improvement project authorized by this Act shall not lapse at

# 2014-0355 HB SMA.doc

the end of the fiscal biennium for which the appropriation is
 made; provided that all moneys from the appropriation
 unencumbered as of June 30, 2016, shall lapse as of that date.
 SECTION 4. This Act shall take effect on July 1, 2014.

INTRODUCED BY:

Mele Carroll



JAN 1 7 2014



#### Report Title:

Maui Food Innovation Center; University of Hawaii Maui College; Capital Improvement Project; Appropriation

#### Description:

Appropriates funds for the completion of the Maui food innovation center capital improvement project, for renovation and equipment for a value-added food production and business incubation facility located in the former campus cafeteria kitchen of the University of Hawaii Maui college.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





# **UNIVERSITY OF HAWAI'I SYSTEM**

Legislative Testimony

## Written Testimony Presented Before the House Committees on Higher Education and Consumer Protection and Commerce January 30, 2014 at 2:00 p.m. by John Morton Vice President for Community Colleges, University of Hawai'i

HB 1996 – RELATING TO THE MAUI FOOD INNOVATION CENTER

Chairs Choy and McKelvey and Vice Chairs Ichiyama and Kawakami, and Members of the Committees:

The University of Hawai'i Community Colleges (UHCC) and University of Hawai'i Maui College (UHMC) support House Bill 1996, to fund up to \$2,700,000 for the construction and equipping of a food innovation center at the Kahului campus of UHMC.

The issues of food security, food safety, and Hawai'i's fragile agricultural community are well known. Hawai'i now imports 85-90% of its food, according to Hawai'i's Office of Planning.

UHMC believes that it is possible to reverse that statistic through a solution that has successfully addressed similar issues in other states: a food innovation center. This facility assists farmers and food entrepreneurs in developing, testing, and manufacturing food products that use culls and seconds that would otherwise go to waste, bolstering profitability for farmers, and meeting the needs of local residents for more local food options.

Food innovation centers also have the potential to connect local agriculture with schools, prisons, hospitals, and senior meal programs—providing the missing "link" of cost efficiency and food safety requirements that are such a barrier today. Local economies will expand with secondary businesses as well, including hospitality and tourism; transportation, shipping, and storage; and waste management/energy production.

To date UHMC has:

 Collaborated with Maui Farm Bureau and other local and regional organizations, state agencies, and national associations with resources and expertise in agriculture and food manufacture

- Engaged national food innovation expert Lou Cooperhouse to develop a USDA-funded feasibility study with community input:
  - Cooperhouse, President and CEO of Food Spectrum, is a leading national authority on food-related business and product development. He developed and served as Director of the Rutgers Food Innovation Center, which was awarded "Incubator of the Year" by the National Business Incubation Association (NBIA).
- Engaged architectural firm Design Partners, Inc., of Honolulu, to prepare a conceptual design
- Acquired federal funding (\$800,000 from a US DOL TAACCCT grant and \$50K from USDA Rural Development) to develop associated programs and services
- Currently exploring partnerships and collaborations with High Technology Development Corporation (HTDC), Hawai'i Strategic Development Corporation (HSDC), Pacific Business Center, The Kohala Center, Office of Hawaiian Affairs (OHA) and other public/non-profit organizations and private companies with an interest in food production in Hawai'i

This is not a community kitchen project. The Maui Food Innovation Center will meet the highest level of sanitation and certifications (FDA/USDA and GFSI, Global Food Safety Initiative, including Organic, Kosher, Gluten-free, etc.), allowing high-value and specialty products to be produced and sold to retail establishments, even exported internationally. This level of sanitation requires:

- o Special plumbing, drains, and ventilation systems
- Insulated refrigerated rooms
- Waterproof floors, walls, and ceilings
- Special wash-down systems and equipment sanitizers

The food innovation center also includes specialized, high-speed processing equipment that would typically be found only in state-of-the-art food manufacturing plants, and would provide regional clients with the capacity to develop, test, and produce:

- Pasteurized and bottled soups, beverages, jams/jellies, sauces, stews
- Refrigerated/frozen and packaged salad dressings, spreads, salsas, and purees
- Cooked (steamed, fried, roasted grilled and chilled) meats, fruits, vegetables, and nuts
- Raw, chilled, and flash-frozen raw meats, and fresh-cut fruits, and vegetables
- Baked and/dehydrated breads, pastries, fruits and vegetables (including Gluten-free and Organic)
- o Brined and fermented fruits and vegetables
- o Candies, glazed/coated fruits and vegetables, and other novelty items

This center will serve not only small businesses and start-ups, but also medium and large-sized businesses that wish to experiment with new products or processes and target new markets.

# Nothing like this exists on any island in the state of Hawai'i, and it will meet needs that are not currently met by any facility, program, or organization.

The cost of such a facility is high because of the demanding construction specifications and unique equipment. UHMC will work with the architects, vendors, and other organizations to develop this project as cost efficiently as possible, leveraging additional funds where possible.

Operations will be funded through self-generated income, grant funding, and partnerships—imitating successful models developed at campuses in New Jersey, Ohio, and Oregon, and in accordance with recommendations from the National Business Incubation Association. HTDC has already committed to provide business support services to clients of the center through its Innovate Hawai'i program. Additional grants are being sought for further planning and program implementation. UHMC has been conducting client research and outreach for two years; indeed, if the Maui Food Innovation Center opened its doors today, it would have businesses ready to start.

Finally, the Maui Food Innovation Center is not an isolated effort that benefits Maui alone. It will provide the University of Hawai'i system with a working model that can be further adapted to other campuses. Similar planning efforts are underway on Kaua'i and Big Island, and especially on O'ahu. By working together, the UHCC campuses can achieve cost and resource efficiencies that no single island effort—especially the neighbor islands—could support individually. Our long-term vision is to develop a statewide system of innovation centers that respond to Hawai'i's unique geographical challenges and strengths.

The University supports the intent of this bill provided it does not replace or adversely impact priorities as indicated in our Board of Regents Approved Budget.



P.O. Box 148 • Kula, Hawaii 96790 • Phone/Fax: (808) 878-2688 • www.maulcountyfarmbureau.org

January 30, 2014

#### TESTIMONY ON HB 1996 RELATING TO THE MAUI FOOD INNOVATION CENTER Room 309 2:00 PM

Aloha Chair Choy, Chair McKelvey, and Members of the Committees:

My name is Warren Watanabe, Executive Director of the Maui County Farm Bureau, representing commercial farm and ranch families and organizations on the island of Maui. We strongly support this measure authorizing general obligation bonds to be used to complete the Maui Food Innovation Center.

This project continues a vision that was started nearly 5 years ago. As farm challenges increased, MCFB recognized that we needed ways to help our farmers and ranchers increase their revenues. Their costs were consistently rising, yet prices did not. Farmers were wasting too much of their products. Often after a rainfall event, the crops would flush (mature quickly), and two weeks of production would suddenly be ready for harvest in one week. But the marketplace is not willing to accept this variation, forcing farmers to either sell it at a loss by dropping prices or plow them under. Having this happen on a regular basis hurts farmers especially when they already suffer crop losses during other periods due to pests or other problems such as lack of water. For our livestock industry we need to maximize the use of all parts of the animal as we increase local production.

The Chancellor of the then, Maui Community College had challenged Farm Bureau to identify a use of the food services area that was abandoned as their new facility was built. We were fortunate to have community people wanting to support agriculture and needed to take them up on the offer. We felt that this would be a good marriage for our need as we tested new technologies, farmers could also access education in accounting and other critical areas for running a business. The goal was to develop a new product at levels sufficient to do market testing and have the College assist the entrepreneurs in preparing a solid business plan that would qualify for financing for construction of a commercial production facility. At the same time, training in Food Safety, concepts in preparation and other areas that will help them in day to day operations and meet regulatory needs such as testing is part of the program. Larger farmers on Maui have been excited about this opportunity as they currently do not have the data to support their concepts for financing. Agriculture provides a strong base for economic expansion in Hawaii. Value added products could be used for suitcase exports without facing Federal quarantine challenges. We believe this not only helps agriculture but the County and State to increase our viability while expanding our level of self sufficiency and sustainability. This is a version of the Galbraith lands production food hub that is in consideration for Oahu. Your strong support of this neighbor island initiative will be greatly appreciated. If there are any questions, please contact Warren Watanabe at 2819718. Thank you.



Written Statement of

### KARL FOOKS President Hawaii Strategic Development Corporation

## Before the COMMITTEE ON HIGHER EDUCATION

# And the COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

## January 30, 2014 2:00 PM State Capitol, Conference Room 309

## In consideration of HB 1996 RELATING TO THE MAUI FOOD INNOVATION CENTER

Chair Choy, Chair McKelvey, Members of the Committee on Higher Education and Members of the Committee on Consumer Protection and Commerce:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits testimony in **strong support** of HB 1996, legislation appropriating \$2.7 million for the University of Hawaii Maui College's Maui Food Innovation Center, as it aligns with the HI Growth Initiative.

HSDC strongly supports the Maui Food Innovation Center's mission to provide local farmers and food manufacturers with mentorship and access to shared resources to help them build viable global businesses here in Hawaii. Through the HI Growth Initiative, HSDC is working on creating investment funds that would complement the Maui Food Innovation Center's activities by providing investment capital to help their business clients to scale their operations.

Thank you for the opportunity to provide testimony.



#### Written Testimony Presented Before the House Committees on Higher Education and Consumer Protection and Commerce January 30, 2014 by Lou Cooperhouse, President & CEO, Food Spectrum LLC

#### Regarding: HB-1996 and SB-2077 RELATING TO MAUI FOOD INNOVATION CENTER

Chair Choy and Vice Chair Ichiyama, and members of the House Committee on Higher Education; Chair McKelvey, Vice Chair Kawakami, and Members of the House Committee on Consumer Protection and Commerce:

I am writing this letter of support for House Bill 1996 and Senate Bill 2077, to fund up to \$2,700,000 for the construction and equipping of a food innovation center at the Kahului campus of University of Hawai'i Maui College.

I am the author of the feasibility study that describes the critical need for this Maui Food Innovation Center, which is the program that will be developed as a result of this capital appropriation. With the establishment of the Maui Food Innovation Center, local food industry entrepreneurs will now have the ability to develop valueadded and differentiated products without the burden of many of the significant expenses that are associated with new business development.

The new Maui Food Innovation Center will minimize or eliminate many of the hurdles that are associated with food industry entrepreneurship, as it will provide both <u>services</u> and <u>space</u> that are critically needed:

- Services that consist of assistance by industry professionals with business planning, market research, marketing and sales strategy, capital access, corporate governance, regulatory and permitting requirements, legal matters, product and process development, quality assurance and food safety, ingredient and packaging sourcing, nutrition analysis, analytical testing, assessment of distribution channels, entrepreneurial and workforce training, etc.
- Space that consists of a shared-use food processing environment that is fully equipped to meet the many variable needs of clients, while being FDA and USDA inspected and "best in class" in terms of sanitary design, fit and finish, and operating protocol.

Furthermore, food entrepreneurs will now be able to enter the market with far greater expertise, and far greater speed, dramatically enhancing their opportunities for success.

Business incubation is a globally-recognized tool for economic growth, and the National Business Incubation Association (NBIA) estimates that there are over 1,250 business incubators in North America and about 7,000 that exist worldwide. Currently, no comprehensive food business incubation program exists in the entire State of Hawai'i, in which professional services and mentoring, research and development capabilities, and a shared-use food processing facility are provided. Without such facilities, local farmers and food entrepreneurs lack the expertise, equipment, facilities and organizational resources to develop value-added products. With a food business incubation program, industry entrepreneurs can create value by the commercialization of differentiated, niche products that consumers desire. More importantly, they can attain higher profit margins through value-added pricing and longer product shelf life, and may be able to capture value from culls and damaged produce from their commodity-based operations. This ability to create enhanced access to both domestic and international new markets is especially critical on the neighbor islands, where agriculture plays a more significant role in the local economy.

Food Spectrum, LLC 1 East Shore Drive Princeton, NJ 08540 Icooperhouse@foodspectrum.com www.foodspectrum.com (609)737-0077 office, (732)266-3977 cell The agricultural community in Hawai'i and in Maui County is threatened by significant import competition, the nation's highest fuel prices, loss of agricultural land, an aging workforce, high inter-island transportation costs, high labor costs, high costs of inputs, high costs and limited availability of water, and urban development pressures. Furthermore, Maui County's farms are smaller in size, and not able to gain the same yields, costs, efficiencies and critical mass as those of larger farms in Oahu, the Big Island, and on the Mainland. In addition, there exists little utilization of second-grade culls and damaged produce at Maui farms, which could be converted to value-added products should a processing facility and a suitable market and product exist.

The Maui Food Innovation Center can become the catalyst and the missing link that will transform local communities, and a model that can be transferred to every island in the State of Hawai'i. The development of the Maui Food Innovation Center is positioned to become the gateway program to a food industry "cluster" in the State of Hawai'i, as it will create concentrations of interconnected companies, suppliers, service providers, and associated institutions. A cluster-based strategy is critical for the State of Hawai'i, as it allows small and medium-sized enterprises (SMEs) to achieve new competitive advantages by providing a group of skilled professionals who can assist multiple businesses with the many resources and linkages that are critical for success, and who can maximize the economic impact to the State. This network of companies and resources will attract attention from more established companies in the State, as well as professionals from the financing, legal and accounting community, and will also result in the attraction of financial resources and other food businesses from the Mainland, Asia and elsewhere to the State of Hawai'i.

I write this letter of support with great conviction, and based upon the unique experiences and expertise that I have in the business incubation and the prepared food industry. I have served on the Executive Committee and Board of Directors of the National Business Incubation Association (NBIA), Executive Committee and Board of Directors of the Refrigerated Foods Association. President of the New Jersey Business Incubation Network, and as Chairman and President of the New Jersey Food Processors Association. I have also provided expert testimony on business incubation to the US Congress, where I testified on global best practices in business incubation, business cluster formation, and job creation to the House Committee on Small Business. Previously, I served as founding Director of the Rutgers Food Innovation Center, which became internationally recognized for its economic development impacts and was awarded the "Incubator of the Year" by the National Business Incubation Association (NBIA), and was also recognized as an "Agricultural Innovation Center Demonstration Program" by the USDA. Earlier in my career, I served as the President & COO of two food businesses, and have also served in leadership positions at multinational companies that include Campbell's Soup, ConAgra, and Nestlé in the areas of business development, product development, quality assurance, and operations. I have spoken at well over 100 industry conferences during my career, including a series of seminars on Food Business Basics that I have given to aspiring food entrepreneurs in Maui, Molokai, Kauai, Big Island and Oahu over the past year.

I would be happy to be contacted for any further information that may be helpful. Mahalo for your support.

Best regards,

Loy Cooperleouse

H. Louis Cooperhouse President & CEO Food Spectrum, LLC

Contact: Phone: 732-266-3977 Email: LCooperhouse@FoodSpectrum.com

Food Spectrum, LLC 1 East Shore Drive Princeton, NJ 08540 Icooperhouse@foodspectrum.com www.foodspectrum.com (609)737-0077 office, (732)266-3977 cell



Written Statement of LEN HIGASHI Acting Executive Director & CEO High Technology Development Corporation before the HOUSE COMMITTEES ON HIGHER EDUCATION AND CONSUMER PROTECTION AND COMMERCE Thursday, January 30, 2014 2:00 p.m. State Capitol, Conference Room 309 In consideration of

#### HB 1996 RELATING TO THE MAUI FOOD INNOVATION CENTER.

Chairs Choy and McKelvey Vice Chairs Ichiyama and Kawakami, and Members of the Committees on Higher Education and Consumer Protection and Commerce.

The High Technology Development Corporation (HTDC) offers **strong support** for HB1996 relating to the Maui Food Innovation Center. HTDC supports the Maui Food Innovation Center's goal of improving the food production industry and growing Hawaii businesses in this arena through training, workforce development, mentorship and resources. The Maui College has a strong team and presents a clear vision of the business opportunities this resource will provide the community. HTDC's Innovate Hawaii program, supporting Hawaii manufacturers, has been integrally involved in the planning with Maui College and is eagerly anticipating the center's completion to serve as a valuable resource for Hawaii. HTDC has committed to serve as a partner in the center. Thank you for the opportunity to offer these comments.

From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, January 28, 2014 9:47 PM
То:	HEDtestimony
Cc:	legechair@gmail.com
Subject:	Submitted testimony for HB1996 on Jan 30, 2014 14:00PM

#### HB1996

Submitted on: 1/28/2014 Testimony for HED/CPC on Jan 30, 2014 14:00PM in Conference Room 309

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Simon Russell	Hawaii Farmers Union United	Support	No

Comments: Thank you for promoting this measure to help give ore opportunities to the people of Maui to add value to what we grow.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

From:	mailinglist@capitol.hawaii.gov
Sent:	Wednesday, January 29, 2014 11:59 AM
То:	HEDtestimony
Cc:	krobbins@hawaii.edu
Subject:	*Submitted testimony for HB1996 on Jan 30, 2014 14:00PM*

### HB1996

Submitted on: 1/29/2014 Testimony for HED/CPC on Jan 30, 2014 14:00PM in Conference Room 309

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Karen Robbins	UHMC	Support	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Thursday, January 23, 2014 1:03 PM
To:	HEDtestimony
Cc:	lynhowe1946@yahoo.com
Subject:	*Submitted testimony for HB1996 on Jan 30, 2014 14:00PM*

### <u>HB1996</u>

Submitted on: 1/23/2014 Testimony for HED/CPC on Jan 30, 2014 14:00PM in Conference Room 309

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Lyn Howe	Individual	Support	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Wednesday, January 29, 2014 5:08 AM
То:	HEDtestimony
Cc:	ken@mycoffee.net
Subject:	Submitted testimony for HB1996 on Jan 30, 2014 14:00PM

#### HB1996

Submitted on: 1/29/2014 Testimony for HED/CPC on Jan 30, 2014 14:00PM in Conference Room 309

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Ken Love	Individual	Support	No

Comments: The Maui Food Innovation Center will be important to all small farms across the state. It not only stabilizes food safety for products developed by stakeholders but insures continuity throughout the visitor industry. Small farm sustainability across Hawaii will be enhanced once the Maui Food Innovation Center is functional. It is essential that it is developed and supported but the legislature.

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From:	mailinglist@capitol.hawaii.gov
Sent:	Wednesday, January 29, 2014 8:55 AM
То:	HEDtestimony
Cc:	chock808@gmail.com
Subject:	*Submitted testimony for HB1996 on Jan 30, 2014 14:00PM*

### HB1996

Submitted on: 1/29/2014 Testimony for HED/CPC on Jan 30, 2014 14:00PM in Conference Room 309

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
pia chock	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.