



**MEETING MINUTES OF THE  
HAWAII TECHNOLOGY DEVELOPMENT CORPORATION (HTDC)  
BOARD OF DIRECTORS**

**February 2, 2018**

DBEDT, 250 S. Hotel St., Conference Room 436  
Honolulu, Hawaii 96813

**PRESENT**

Derek Lau, Chair  
Elijah Yip, 1<sup>st</sup> Vice Chair  
Fred Delse, Secretary/Treasurer  
Race Randle  
Luis Salaveria, DBEDT  
Mary Alice Evans, HSDC Representative  
Mark Anderson, B& F Alternate Representative

**STAFF PRESENT**

Robbie Melton, Executive Director  
Len Higashi  
Ray Gomez  
Sandy Park  
Erin Furuichi

**EXCUSED**

John Morton, UH Representative  
Kelly King  
Linda Rosehill, NELHA Representative

**GUESTS**

John Williamson, Anthology Group

**COUNSEL**

Dawn Takeuchi Apuna, Deputy Attorney General

1. Meeting called to order by Chair Derek Lau at 11:35 a.m.
2. Approval of Minutes - January 11, 2018 HTDC Regular Board Meeting

**A motion was made by Luis Salaveria** to approve the January 11, 2018 minutes of the HTDC regular Board meeting and seconded by Mary Alice Evans. The motion was unanimously passed, 6-0.

3. HTDC termination of tenancy by University of Hawaii

A. Public Testimony.

Chair Derek Lau asked if anyone from the public was in attendance to give testimony. HTDC Len Higashi responded that Manoa Innovation Center clients submitted written testimony.

**A motion was made by Mary Alice Evans** to accept written public testimony in absence of testifiers, to become part of record and seconded by Luis Salaveria. HTDC distributed 17 testimonies. The motion to accept written public testimony in absence of testifiers unanimously passed, 6-0.

B. Letters from University of Hawaii.

Robbie Melton briefed the members on two letters received from the University of Hawaii regarding the termination of tenancy. HTDC received an initial letter and a second letter from UH detailing next steps as they plan to assume management of the facility on July 1, 2018.

Luis Salaveria reported that he will request a Governor's Budget Message for General Funds to replace the MIC rent revenue, if supported by HTDC Board of Directors.

Robbie Melton reported that Senate Bill 48 was introduced which transfers title and land from the University to HTDC for 10 years. On the House side, Representative Evans will amend a bill to add general funds for HTDC's operational expenses, to cover the special fund short fall resulting from the loss lease rent in FY2019.

Ms. Melton distributed budget sheets which listed staff salaries, operational expenses and CAM at MIC that will need to be replaced, if HTDC accepts UH's offer to remain there. Ms. Melton stated HTDC still owns the Maui Research & Tech Center and the budget needs to include the operating loss subsidy of \$121,000 per year and the MRTC management fee. The total annual expenses are \$1.8 - \$1.9 million. At the end of the year, the reserves are estimated at \$472,000.00.

### ***Discussion:***

Luis Salaveria asked amount of the annual revenue? Robbie responded that it is \$800,000.00 per year. Mary Alice Evans asked if it is from MIC or MRTC. Ms. Melton responded that the amount is only from MIC. Race Randle asked if it is net revenue income and Ms. Melton replied that it is net revenue income.

Luis Salaveria indicated his support of the HTDC program and its employees and noted that DBEDT is concerned for both the MIC tenants and for HTDC employees. It is important that they have assurance their valuable services will continue after July 1<sup>st</sup>.

Luis Salaveria stated that the University is the owner of the property and has now executed on the lease termination which occurred in April 2015 and HTDC is dependent on help from the Legislature to replace the lost rent revenue.

Mark Andersen stated that it would be beneficial if additional general funds are included in the supplemental budget bill instead of an appropriation bill, which would require getting into the budget each year.

Luis Salaveria said it would be beneficial to have the Board's support for DBEDT's request for a Governor's message.

***A motion was made by Mary Alice Evans*** for the board's support for DBEDT's request for a Governor's message for a general fund appropriation to replace payroll and program money for HTDC from July 1<sup>st</sup> and seconded by Race Randle.

### ***Discussion on the motion:***

Luis Salaveria asked for an amount to request?

Robbie Melton provided a budget handout that reflects the Operational Expenses at \$1.897 million paid from special funds. The operating expenses are \$632,000 and the operating subsidy for the MRTC would be \$200,000 per year. Cost for property management by Colliers for MRTC is \$88,000 using MIC funds. MRTC is currently operating at a loss of \$121,000, which is mainly CAM. Len Higashi, from HTDC stated that the current vacancy rate at MRTC is 50%. Last year operating costs were \$470,000 and revenue was \$290,000 which doesn't include the management fee.

Luis Salaveria suggested that the budget needs to be broken out in more detail before submitting to Budget & Finance. Robbie Melton will provide more details. Robbie Melton will work on a defensible number with HTDC Controller Ray Gomez. Luis Salaveria advised to anticipate questions about outcomes, if general funds replace special. Mark Anderson suggested to build up from payroll and maintain payroll.

HTDC's Len Higashi reported that 4 years ago, \$2-3 million was estimated. There followed a discussion of whether the incubator program could continue.

Mark Anderson advised that whatever number is provided, it must be consistent. Robbie Melton stated that the program is very important, but since HTDC won't be managing the MIC facility anymore, it is not clear if HTDC could continue to provide incubator services to the tenants. Prefers Mary Alice's proposal that UH would hire HTDC to run incubator.

Luis Salaveria stated that UH will charge CAM for 2 years and asked if the Board wants HTDC to remain there, or if HTDC should move at some point in time? Robbie Melton remarked that HTDC might move as HTDC may not be serving tenants at MIC.

Luis Salaveria stated that right now UH is taking the role of landlord. All rent revenue will be going to them and DBEDT's plan is to get general funds to do exactly what we're doing now.

Mary Alice Evans suggested that start-up businesses need support services, in addition to a location, and that may be an item for negotiation with UH. Mark Anderson remarked that that would be a big change for the tenants to lose the incubator services.

Mark Anderson stated that moving from Special Funds to General Funds might be too technical of a discussion for today. Luis Salaveria remarked that motion will allow DBEDT to move forward. The number we propose must be defensible.

Race Randle recapped that we want to stay at MIC as a tenant because it's the lowest cost, pay CAM for the next 2 years, continue to serve clients, and negotiate with UH to contract with HTDC to provide incubator services.

Robbie Melton stated that the Ideation Room was paid for with MEP (federal) money and that should be included in HTDC's CAM and space. The furniture in that space was purchased with HTDC money. We need to negotiate with UH on keeping that space. The budgeted CAM does include the Ideation room.

Chair Derek Lau replied that more discussion needs to happen, but the motion is not dependent on that.

**Mary Alice Evans repeats motion:** Motion is that HTDC Board supports DBEDT requesting a Governor's message to put general funds into the supplemental budget that would replace the lost rent revenue and ensure enough for payroll and programs, seconded by Race Randle. The motion unanimously passed, 6-0.

Chair Derek Lau remarked that since nothing is guaranteed, the Board needs to have alternatives because there is a hard deadline of July 1, 2018.

Mark Anderson asked if there were any pre-paid expenses past June. Robbie Melton said that funds have been encumbered by the PR Marketing and Branding contracts. If HTDC continues to provide programs, we require these services as a small part of operational expenses.

Luis Salaveria commented that 13 employees are special/general funded. There are 9 who are federally funded. Robbie Melton mentioned that this situation does impact the MEP program because they are required to have a matching share. Currently, the MAP and SBIR grants serve as the match for their program. Robbie Melton stated they will work to detail the annual expenses.

Chair Derek Lau replied that HTDC and DBEDT should move forward with a meeting with UH.

***Discussion on Senate Bill 48:***

Mary Alice Evans suggested Board not to take a position on this bill. If Board were to support the bill, it would be making it harder for HTDC staff and DBEDT to negotiate a transition process with UH.

Robbie Melton asked about the legality of SB48. AG Dawn Apuna indicated that the Legislature legally does have the power to transfer land between agencies by passing a bill.

***Elijah Yip arrived at 12:06 p.m.***

Mark Anderson remarked that the land was private property before being purchased by the State. He noted that companies will be impacted by this change, and it is important that they participate in the discussions of the future of this agency and the facility. We need to encourage participation in the discussion by the MIC tenant companies and Legislature needs to hear from them too.

UH is meeting with tenants today to talk about their plan. In their letter, they stated they are not asking the tenants to leave and will honor their lease agreements.

Race Randle stated if HTDC's vision is economic development and job creation – the building is built, check the box. Tenants need space. Is UH continuing operations for those types of companies? If not, there needs to be more space added somewhere. With the current high office vacancy rate, there is an argument whether space is even an issue. It is more about the connection of space and programming of space that makes it function well.

Robbie Melton stressed that is what you see in the testimonies. HTDC conducted a Town Hall on Tuesday with their clients. Most said what really helps is the relationship they have with HTDC and working with staff. Race Randle agreed and said to draft a message to tenants along those lines. "Here's your future...our intent is to keep providing service, in the future, same level of program services here or in new location." It could be the Cube.

Elijah Yip stated that when UH takes over management they could cancel the leases. Mary Alice Evans offered that this could be a negotiating item for DBEDT and HTDC to ensure tenants are protected.

Chair Derek Lau asked what is likelihood of the Governor's message and what is the alternative? Mary Alice Evans replied that we will be better able to answer early next week. Luis Salaveria stated that a lot is out of our hands. The Legislature needs to step in with an appropriation. Robbie Melton also added that HTDC has no other means to generate that kind of revenue and is not able to enter into any new leases going forward without UH approval. Len Higashi provided information on 2 companies wanting to

enter program, but was told that until the terms of the transition have been settled, we cannot make any new lease agreements.

Luis Salaveria asked if the 2 companies are looking for services? If HTDC is not providing services, will UH provide it? Is UH in a position to provide services? UH will be motivated to bring in tenants for HTDC incubator services to ensure full occupancy.

Len Higashi shared the written testimonies from the tenants. They expressed concern that UH may take over services (especially from some who came from UH academia), rent stability, conflicts with UH (part of UH who got space outside of UH) no clear delineation between business and UH, becoming part of the UH repair and maintenance backlog, ability to maintain a clean environment. Many of the testimonies came from companies submitting as late as 2 – 3 am last night as they need to attend to their companies. They worked really hard, so that the Board can hear directly from the companies who will be impacted.

Race Randle commented that this is an opportunity to take a leadership position, telling Hawaii what companies need. Creating a list of services about what is needed tells a good story about creating jobs. Is there an indication of desire to negotiate terms?

### **Permitted Action Group**

Mary Alice Evans stated that is a good point, any Board members able to join the first meeting with UH to support the program in negotiating with UH would be welcome. Robbie Melton asked if there was a way without breaking Sunshine Law. AG Dawn Apuna stated the Chair could appoint a permitted inter-action group.

Chair Derek Lau remarked that the testimony is almost a negotiating point. UH should work with HTDC to keep companies there. Does the board want the chair to appoint a permitted action group?

Robbie Melton stated that HTDC will continue services when UH takes over and there would be no need for tenants to leave. Elijah Yip asked if that was a negotiating point when UH said HTDC only pays CAM. Chair Derek Lau responded that it is necessary to talk with UH about what will happen. There are other things to consider; for example the Ideation Room. Do we pay additional CAM for that, do we lease from UH. There are a lot of things to work out.

Mark Anderson discussed the pros and cons of postponing negotiating until we know if HTDC's operating funds are in budget or not. However, we can't wait until Legislature is over.

Mary Alice Evans said that Luis has spoken to the Governor and he supports HTDC.

Race Randle asked who will be handling leasing? Robbie Melton said that UH has already contacted Colliers to continue to be the MIC property manager. Luis Salaveria mentioned that UH has the option of running MIC through their facilities branch and possibly leasing to non-tech companies.

Mary Alice Evans mentioned that the facility will be under the Vice President of Research and Innovation. That gives us an idea that they see it as a part of their innovation program. This is something we want to explore.

Robbie Melton supported the Chair's action to form an Permitted Inter-action Group to allow Board members to attend the UH meeting as it would be good to have members there.

Chair Derek Lau stated that permitted action group should be formed at this meeting, because it may be harder to ask for volunteers later. Mary Alice Evans suggested Craig Nakanishi because Craig has been working with HTDC for some time. The Chair accepted the following volunteers: Elijah Yip, Craig Nakanishi and Luis Salaveria. A motion made by Mary Alice Evans, seconded by Luis Salaveria, passed unanimously.

Luis Salaveria will inform Robbie when the Governor's Message is released and Robbie will inform the Board members.

The UH is meeting with tenants this afternoon and Francisco Dao, HTDC Incubation manager, will attend the meeting and will share a brief of the meeting with the board.

Robbie Melton noted that 2018 is her four-year anniversary with HTDC.

**Chair Derek Lau adjourned the meeting at 12:35 p.m.**