

DRAFT

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

Date: Thursday, November 1, 2018

Time: 3:00 p.m. – 5:00p.m,

Place: Manoa Innovation Center
2nd floor Board Room
2800 Woodlawn Drive
Honolulu, Hawaii 96822

PRESENT

Derek Lau, Chair
Elijah Yip, 1st Vice Chair
Creighton Arita (left early)
Mary Alice Evans, DBEDT Representative
Isabella Hughes
John Morton
Luis Salaveria, DBEDT Director (left early)
Race Randle
Martin Zorn

EXCUSED:

Mark Anderson
Linda Rosehill

STAFF PRESENT

Robbie Melton, Executive Director & CEO
Ray Gomez, HTDC Controller
Len Higashi, Projects Development Manager
Michelle Rios, HTDC Exec Asst. & Bd. Sec.

COUNSEL:

Dawn Apuna, Deputy Attorney General

1. Meeting called to order by Chairman Derek Lau at 3:09PM.
2. Approval of Minutes – September 6, 2018 HTDC Board meeting
Mary Alice Evans requested a change to Page 3, 1st paragraph, the composition of the Financial Options PIG with “Luis Salaveria (Chair) and add Mary Alice Evans as Staff Resource to the PIG.”

Motion made by Martin Zorn to approve the September 6, 2018 minutes with Mary Alice Evans proposed changes of the HTDC Board meeting and seconded by ***Creighton Arita*** and ***None opposed. Motion passed.***

3. Federal Projects Committee Report
Review of SBIR Budget by Federal Projects Chair, Elijah Yip. The FPC met Oct 17, 2018, considered applicants listed in packet. HTDC has until the end of June 2019 to award all the money. Based on approval of this round, HTDC will have \$200,000.00 left in the fund and HTDC is expecting a 2nd round of applicants. Many applicants had multiple projects. In this

case we decided to recommend only make one award per applicant. The Federal Projects Committee Recommendation to the HTDC Board of Directors is to award a total of \$311,999 to seven applicants. After members individual rankings and follow up discussions, the committee was unanimous in our recommendation.

<i>Applications for Ph I FY 2019 First Round</i>	<i>Recommended by Committee</i>
Tridentis	\$ 55,000.00
Makai Ocean Engineering	\$ 52,000.00
Akabotics	\$ 50,000.00
Navatek	\$ 50,000.00
Smart Yields	\$ 40,000.00
Oceanit (Scanite)	\$ 40,000.00
HNu Photonics (Phoenix)	\$ 24,999.00

	\$311,999.00

Elijah Yip moved “That the Board vote to accept the recommendations of the committee to award \$311,999.00 to the applicants.” ***Race Randle seconded the motion, none opposed. Motion passed.***

4. SBIR Grant Rules

A. HSBIR Phase II and Phase III Administrative Rules (Chapter 15-32) and HONR Alternative Energy Project Grant rules (Chapter 15-34). Board to vote for final approval. Robbie Melton stated that during the last meeting the board voted to approve sending the proposed grant rules to the Governor for his approval to take the draft rules to public hearing. The Governor approved the hearing. On October 30th HTDC held the public hearing for both rules and there were no comments opposing or correcting the rules for HSBIR or the Alternate Energy Research Project. Today HTDC asks the board to approve rules as written so they can go to Governor for Final approval.

Creighton Arita made motion for Board “To accept the rules as written.” Motion seconded by Luis Salaveria. Luis Salaveria asked for clarification of the new HSBIR rule, that applicants can now take private investments. **Robbie Melton** described how private investment works as a match. There was no further discussion. **Motion passed. None opposed.**

B. R & D Tax Rules update

Robbie Melton reported that Staff had met with a committee to write the new R & D Tax grant rules. The committee included experts from DOTAX and staff members from DBEDT Research Economic Analysis Division. The committee helped craft the criteria for selection and other sections of the rule. The rule will allow companies that have been in businesses more than 5 years, and have at least 15 or more employees, and have filed for three Federal R &D tax credits, to qualify for grant funding.

Robbie Melton passed out a draft copy of the new R & D Tax Grant Rules for review. Since the next HTDC Board meeting is not until January 3, 2019, Robbie Melton requested HTDC the board to authorize the ED, pending AG Dawn Apuna's review and acceptance, to forward to the Governor for approval to HTDC to hold the public hearing.

Robbie Melton explained that most of the criteria in the rules were set forth in the legislative bill that was enacted into law. One million dollars was appropriated by the legislature as a non-recurring appropriation and HTDC needs to award the money by June 30, 2019 or the unexpended balance will lapse back to the General Fund. Since HTDC needs to start reviewing applications by April 2019, HTDC needs to expedite the rules process in order to meet this deadline. The Board engaged in a thorough discussion on how to prevent applicants from "double dipping" into this R & D Tax Credit and the State tax credit. Robbie Melton explained the committee also had a thoughtful discussion on this topic and concluded that, based on how the State reported, there is no way to check if an applicant was double dipping. Committee experts advised that HTDC ask applicants to self-certify. **DBEDT Director Luis Salaveria** expressed, and all agreed, that it was imperative that the application require applicants to self-certify. It is expected that applicants would be honorable and truthful on the applications and understand that if an applicant falsified information, they would be ineligible for the grant.

Race Randle asked if there were other items Board wanted to add that are different from our current process. **Elijah Yip** asked if a company could get SBIR Phase I & II award and this grant. **Robbie Melton** said yes, it is possible, but the company could not use funds for the same expenses, e.g. supplies, travel, or equipment.

Motion made by Martin Zorn "It is the intent of the board to authorize the HTDC ED to send the R & D Tax credit rules to Governor for approval to hold a public hearing, pending AG Dawn Apuna's agreement to the rules", **Race Randle seconded None Opposed. Motion Passed**

5. HTDC Funding Permitted Interaction Group (P.I.G.)

Mary Alice Evans reported for PIG Chair Luis Salaveria about the PIG met at 2:30PM, Nov 1, 2018. Mary Alice Evans passed out a current financial report (FY19) and reported that staff worked with Carl Nagasako to give a detailed picture of HTDC's current financial status and proposed budgets for the rest of FY19 and FY 20 and FY21. She explained which funds were restricted grant funds and which funds were available to cover current expenses. Mary Alice explained the *Best and Worst case* scenarios for FY20-21. Under the worst case scenario HTDC will not be able to completely fund payroll in FY21. Under the best case, the 50% special-funded portion of the split-funded positions would be moved to general funds by the Legislature in the Biennium Budget Act. Robbie stated that the HTDC base budget is \$1.1M.

MRTC reserves for operations.

After discussion about all sources of funds available to HTDC, ***Race Randell moved that “The HTDC Board authorizes HTDC staff to make an adjustment to the Colliers property management contract so their management fee can be paid out of the MRTC building reserves. Also, MRTC reserve funds may be moved to HTDC to pay for program expenses for FY19. In addition, HTDC will not request the Governor’s approval for an Emergency Appropriation measure for FY19.” Seconded by Creighton Arita. All in favor, None Opposed. Motion carries.***

After further discussion on HTDC current projects, revenue and expenses and on the Legislative budget process, HTDC Board felt restoring programs for the remainder of FY19 using MRTC reserves and concentrating on requesting a full budget for FY20 was a reasonable course of action for HTDC.

Creighton Arita inquired about what action was needed to take to let Budget & Finance know that the emergency funding bill would not be necessary. Mary Alice Evans noted that no board action is needed to remove the emergency funding request. DBEDT will withdraw the draft bill.

6. Innovation Centers update

A. Sandbox

a. Apaman Investment and lease agreements update. Len Higashi indicated that all parties are fundamentally in agreement on terms. Attorneys from both sides have approved and Apaman will be reviewing the draft agreement next week.

b. Construction progress: Len Higashi reported that construction is on track to finish in Feb 2019.

Mary Alice Evans complimented and thanked Len for his valuable relationship building and communication skills with all involved. The building shell will be done in February, however, additional funds are required to add furnishings and equipment to make the building ready for leasing. The original estimate of construction cost did not include security camera’s/card reader/furniture/phones. The plan is to retrofit these items using funds from the APAMAN Investment and the MIC reserves. HTDC is doing an RFP for a partner to manage co-working and maker space to connect with HTDC’s existing community program. April/ May is the goal to be open.

B. Maui Research and Technology Center (MRTC)

a. MRTC Permitted Interaction Group: The committee, comprised of Martin Zorn and Mary Alice Evans, made an interim report to the board and noted that Collier’s has been very cooperative and helpful. The PIG needs additional information and thus is not ready to make a final report with recommended actions to the board.

- C. The Cube –Robbie Melton told the board that \$40 million in CIP funds has been requested in the budget to build the Cube, but she has heard Legislators that they may prefer HTDC to purchase an existing building.
7. Tech Parks update
- A. First Responder Tech Campus – Robbie Melton reported HTDC is negotiating with a vendor to be the project manager for the FRTC. Staff is waiting for final quote from a well-known company with lots of experience. HTDC is conducting both Advisory Committee and Working Group committee meetings. The first building will likely be an indoor/outdoor firing range.
- B. Hilo Multipurpose Processing Facility – Robbie Melton reported that although DLIR transferred the \$11 million in CIP funds to HTDC, there is a lot of paperwork that needs to be done before HTDC can have access to the funds. Ray Gomez has been working with the DBEDT ASO to get those items completed.
8. 2019 Legislative Session
- A. Robbie Melton noted that the Governor’s Budget Preparation Instructions asked that all funding requests, including grants and Ni3 Program, be requested through the budget, not in separate bills. HTDC submitted its budget based on that policy.
9. HTDC Reports
- A. Chair’s Report – Chair Derek Lau reported he was invited to tour the Oceanit facility by Dr. Patrick Sullivan. Chair Lau recommended that everyone take the tour it was very impressive. Dr. Sullivan suggested that HTDC’s role in helping companies connect with out of state customers could be through mainland conferences. He understands that growing technology businesses in Hawaii is competition for Oceanit, but overall, that is a good thing for Hawaii. Robbie Melton, asked if Dr. Sullivan mentioned his ideas on a new innovation agency. Chair Lau indicated Dr. Sullivan mentioned that the idea was part of SB48, so he foresaw Legislators bringing up SB48 again the 2019 session.
- B. Executive Director’s Report
- HTDC Financial Report – Robbie Melton distributed a financial report to demonstrate how HTDC has reduced its expenditures by 78% and is using HTDC’s special fund account to fund operations. She expressed thank you to the board for the new direction for using the reserve funds for programs. HTDC staff has been tracking expenses very closely. Race Randle asked that staff reforecast this report with fully funded levels through the end of the fiscal year. Robbie Melton indicated it could be done.
- Robbie Melton handed out HCATT Report.
- a. MEP INNOVATE Hawaii will receive an increase in its base funding to \$600,000 per year from NIST in the U.S. Department of Commerce.
- b. Aloha United Way: HTDC staff contributed \$2,849 dollars.
- C. Department of Business, Economic Development & Tourism (DBEDT) Report -No report

- D. Natural Energy Laboratory of Hawaii Authority (NELHA) Report – John Morton
NELHA has completed all recommended actions in the State Audit. There will be an Energy Storage Conference in Kona Dec 5th-6th.
- E. Hawaii Strategic Development Corporation (HSDC) Report – No report.
- F. University of Hawaii (UH) Report – Supreme Court decision on TMT.

10. Next HTDC Board Meeting: January 3, 2019
Chair Lau wished everyone Happy Holidays!

Motion to Adjourn made by John Morton and Seconded by Mary Alice Evans, unanimously passed (7-0).

11. Adjournment at 5:18PM

*An executive session may be called to consider the hire, evaluation, dismissal, or discipline of an officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held pursuant to Section 92-5(a) (2), HRS.

*An executive session may be called to deliberate concerning the authority of persons designated by the board to conduct labor negotiations or to negotiate the acquisition of public property, or during the conduct of such negotiations pursuant to Section 92-5(a) (3), HRS.

The public meeting is accessible for individuals with disabilities. Auxiliary aids and services are available upon request by calling the Hawaii Technology Development Corporation offices at: (808) 539-3615. A request for an auxiliary aid or service should be made no later than FIVE working days prior to the public meeting.