



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

July 6, 2022
Entrepreneurs Sandbox – Large Classroom
643 Ilalo St. Honolulu, HI 96813

Present

Craig Nakanishi, Chairperson (Chair)
Edward Barnabas, Member-At-Large (Mr. Barnabas)
Sandra Fujiyama, Member-At-Large (Ms. Fujiyama)
Bernice Glenn, Member-At-Large (Ms. Glenn)
Susan Hirai, Department of Business, Economic Development
And Tourism (DBEDT), alternate ex-Officio Member (Ms. Hirai)
Gregory Kim, Member-At-Large (Mr. Kim)
(arrived meeting at 3:09 pm)
Vincent Kimura, Member-At-Large (Mr. Kimura)
Vassilis Syrmos, University of Hawaii (UH),
Ex-Officio Member (Mr. Syrmos)
Rick Volner Jr., Member-At-Large (Mr. Volner Jr.)

Counsel Present

Elise Amemiya, Deputy Attorney General
(Ms. Amemiya)

Guest(s) Present

Gwen Yamamoto-Lau, Hawaii Green Infrastructure
Authority (HGIA), Executive Director (Ms. Yamamoto-Lau)
Pono Chong, Pono Consulting LLC (Mr. Chong)
Mike McCartney, Department of Business, Economic Development
and Tourism (DBEDT), (Mr. McCartney) (arrived meeting at 4:45 pm)

Staff Present

Len Higashi, Acting Executive
Director (Mr. Higashi)
Wayne Inouye, MEP Center Director
(Mr. Inouye)
Sandi Kanemori, Contracts Manager
(Ms. Kanemori)
Wayne Layugan, Senior Project
Manager (Mr. Layugan)
Dave Molinaro, HCATT Manager
(Mr. Molinaro)
Stephanie Yuu-Sato, Fiscal and Contracts
Specialist (Ms. Yuu-Sato)

Guest(s) Present, Virtually

Robert Harris, Hawaii State Ethics
Commission, Executive Director
(Mr. Harris)
Susan Yoza, Hawaii State Ethics
Commission, Associate Director
(Ms. Yoza)

1. Call to Order.

Chair called the meeting to order at 3:00 p.m.

2. Roll Call

Mr. Higashi conducted a roll call of the Board.



Roll call: Chair, Mr. Volner, Mr. Kimura, Mr. Barnabas, Ms. Glenn, Ms. Fujiyama, Mr. Syrmos, Ms. Hirai acknowledged attendance. Notated Mr. Kim arrived at 3:09 p.m. and Mr. McCartney arrived at 4:45 p.m.

3. Approval of June 15, 2022 Minutes

Chair called for a motion to approve the June 15, 2022 Minutes

Motion to approve made by: Mr. Kimura / Second by: Mr. Volner Jr.

Vote: Approved, 8-0

4. Hawaii State Ethics Commission – Board Training

Mr. Harris briefly reiterated that it is now required by the State that all Board members take the State Ethics training and encourages the Board to take either a self-directed training or a monthly Zoom training. Should members have questions they would like to ask, other options available are the Hawaii State Ethics website as well as an “attorney of the day” to answer questions by phone or email within 24 hours.

The Board received an overview of what conflicts of interests are generally. The Board was encouraged to contact the Ethics Commission for advice regarding specific facts and circumstances.

Ms. Yoza briefly explained they are always available to explain the ethic laws to the board members and that board members have the option to recuse themselves to avoid the appearance or question of a conflict of interest even though technically there is no conflict of interest involved.

Mr. Barnabas asks regarding his employment with Booze Allen Hamilton and working with small companies assisting the Department of Defense and if that is a conflict of interest.

Mr. Harris explains that you can make recommendations beneficial for the industry at large but not recommendations that impact Booze Allen Hamilton directly.

Ms. Yoza states that this is a good example of a situation where a Board member should consult the Ethics Commission to help determine if there is a conflict of interest.

Ms. Glenn asks the best way to contact the State Ethics Commission ahead of time.



Mr. Harris encourages email to ethics@hawaiiethics.org to reach their attorney of the day who is specifically there to respond to email.

Mr. Higashi comments that the HTDC staff is also available to take questions and direct them to the State Ethics on their behalf.

5. Hawaii Small Business Capital Program (HI-CAP) Collateral and Loan Program

Mr. Higashi introduces Ms. Yamamoto-Lau, Executive Director of Hawaii Green Infrastructure Authority (HGIA) who will be presenting information on the HI-CAP Collateral and Loan Program that they are administering for HTDC.

Ms. Yamamoto-Lau provides the Board an overview about herself and HGIA. The HI-CAP Collateral Program is scheduled to launch a lender training next week Tuesday, July 12, 2022. Allocated is \$6.5 million which will be blended with private capital. Any lender that gets a loan from a small business who finds themselves short on collateral can apply which HGIA will then provide the lesser of 20% of the loan amount or up to \$1 million in cash collateral to support the loan. This helps businesses access capital at more reasonable rate. Due to current real estate market rates, lenders are finding it difficult to find collateral because appraisals fall short due to commercial market value being based on replacement value and income. The HI-CAP Collateral Program was allocated 1/3 of the first tranche, \$6.5 million which will be blended and leveraged with private capital with participating lenders.

The HI-CAP Loan Program is to provide below market loan capital to kick start strategic industries or initiatives. Financing can be in the form of a direct loan, participation loan or a subordinate loan. A subset of the program is a Community Development Financial Institutions (CDFI) loan pool. The CDFI loan will receive \$1.5 million during the first tranche. HI-CAP Loans will loan non-depository CDFI capital to lend. These CDFI will blend our capital with 50% of their capital. We will be lending at 3%-4% while they will be lending out at 12%. This is a requirement of the Treasury, to incorporate CDFI. The risk tolerance for CDFI is higher than a bank. The HI-CAP Loan program will also include loans for catalytic projects and initiatives that enhance the State goals, which may include clean energy, creative industry, manufacturing, or technology.

Mr. Higashi comments that HTDC is the lead and HGIA is our partner in the HI-CAP program. HTDC will take the reports on how many businesses are being served and report that to the Treasury. The biggest risk for the program is getting the capital out to the businesses. Putting together the two agency's programs creates multiple avenues to service businesses and help them recover from the pandemic.



Mr. Syrmos asks how much the GEMS Program has been utilized and states that UH is a GEMS customer.

Ms. Yamamoto-Lau explains that GEMS is over \$100 million and looking for more funds.

Mr. Kim asks if the MOA covers any legal protections against indemnification and what happens if HTDC or HGIA does not follow the guidelines.

Chair advises that there is a reference to the State's application for the SSBCI program and HGIA has to comply with those guidelines which is also found under the Scope of Services in the MOA.

Ms. Amemiya states that the State cannot agree to indemnification because it obligates a future legislature to certain amount of funds. An MOA is used between State agencies and is typically less formal than private sector.

Mr. Barnabas, Chair, Mr. Higashi, Ms. Glenn discuss if the program is aligned with HTDC's mission and duties given that it will involve some tech companies, but is a much broader small business support program. Some discussion followed on the value of establishing a loan program for economic development. There were varied opinions on how important the program is for HTDC's mission but consensus that the program is good for the state. If the program is not successful, the Federal Government can take back the funds.

Chair motion to approve the HI-CAP Collateral and HI-CAP Loan Programs as set forth in the Memorandum of Agreement between HTDC and HGIA dated March 23, 2022 as well as described in the request for approval in the board packet dated July 6, 2022 as well as presented today by Ms. Yamamoto-Lau.

Motion to approve made by: Ms. Glenn / Second by: Mr. Syrmos

Vote: Approved, 9-0

6. Federal Projects Committee and Finance Committee

Mr. Higashi refers to the Board Packet and an email regarding the HTDC NELHA representative that all NELHA Board Members financials are made public.

Mr. Inouye briefed that the prior HTDC Board requested the HTDC staff to review the SBIR applications. The process involves the company applying for the matching grant will submit an application, the application is review by HTDC staff confirming all documents are submitted and compliant, preparing a packet which is presented to a subset of the Board which we refer to as the Federal Projects Committee (FPC). The FPC will then review the packet to verify the application is aligned with the HTDC mission, addressing economic development and return on investment (ROI) back to the state. Once that packet is reviewed the companies are requested to provide a ten (10) minute presentation and the FPC is able to ask questions regarding the amount of funds is being requested. We are requesting 2-3 volunteers from the Board to create a FPC and assist to streamline the review process.

Mr. Kimura asks what amount of time is being requested from the FPC to review the 60+ applications.

Mr. Inouye explains that the applications would be scheduled Wednesday, Thursday and Friday for two weeks straight for four (4) hours each day.

Mr. Syrmos suggests that there should be no Board members in the FPC to select companies receiving matching funding. It should be strictly professionals i.e. DBEDT or other agencies and it is not the Board's job, it is the job of HTDC staff and the Board's job to bless the companies chosen.

Mr. Inouye confirms that when there was no HTDC Board, the applications were processed by HTDC staff, based on HTDC mission ranked by return on investment. This was approved to Mr. Higashi with concurrence by the DBEDT Director.

Chair suggests 3-4 Board members review the current process and confirm if having professionals and experts being on the FPC is best practice then bring that process to the Board for approval.

Ms. Glenn reiterates that will eliminate the conflict of interest for many Board members.

Mr. Volner wants confirmation that the FPC will still present the final applications to the Board for approval.

Chair states that it will depend on what the group reviewing the process decides and brings to the Board for approval.

Ms. Fujiyama, Mr. Kimura, and Mr. Barnabas are assigned to the FPC.



Chair requests to have the procedures by the next board meeting.

Mr. Higashi briefs on the Finance Committee which provides guidance and recommendations to the agency regarding fiscal and budgetary issues. The committee will meet once or twice a year usually before the fiscal year to prepare the budget to present to the Board for approval.

Mr. Syrmos asks if the Finance Committee is involved in the auditing, what company audits HTDC and what is the auditing process.

Chair asks the timing of the Finance Committee.

Mr. Higashi says it is not urgent and the next meeting should take April-May 2023.

Chair suggests to defer appointing the Finance Committee members.

7. HTDC Natural Energy Laboratory of Hawaii Authority (NELHA) Representative

Chair informs that HTDC needs a volunteer to be the NELHA representative and reiterating that the NELHA representative's financials will become public record.

Mr. Syrmos advises the NELHA position is a voting position and currently offering both in-person and virtual meetings.

Ms. Glenn volunteers and is assigned as the HTDC NELHA representative.

8. HTDC Reports

A. Chair's Report

None

B. Executive Director's Report

Program Updates

i. First Responders Tech Campus

Mr. Higashi briefed that there was a meeting with Senator Dela Cruz's office at the FRTC site to discuss challenges and potential solutions. The project will require new water and power capacity. It will require a well, tank and pumping station. It will require cooperation from the Army

Garrison from the neighboring parcel and Board of Water Supply and Hawaiian Electric Company for the electrical substation. The project continues to move forward with the EIS process which will be submitted to the Governor for approval.

ii. HI-CAP

Mr. Higashi shared that applications are being accepted as of yesterday. Anticipating 10-15 applications with a handful that will be ready for immediate consideration. At the next board meeting in August, we plan on updating the Board on the applicant pool, evaluation process, and the format of the report that will be presented to the Board when recommending a fund. The Board will have the opportunity to approve, request more information, defer or decline any of the funds brought to the Board. Mr. Higashi thanked Chair, Mr. Barnabas and Mr. Kimura for attending the ceremonial bill signing ceremony.

iii. INNOVATE Hawaii

No updates

iv. Sandbox Programs

Mr. Higashi shared that on July 11th the Hawaii Defense Alliance will be highlighting their summer internship program. Currently entertaining Servco with their summer internship program and demo day coming up soon. On July 14th the True Initiative will celebrate e-sports at the newly retrofitted Waipahu Library. The Governor, teams from University of Hawaii (UH) and Hawaii Pacific University (HPU) will be in attendance. E-sports is viewed as the trojan horse for digital literacy and computer science and getting people involved in tech. On July 20th we will be part of the Council for Native Hawaiian Advancement panel discussing access to capital intended to reach the 30% underserved goals. Microsoft is still here at the Entrepreneurs Sandbox and Google is the newest partner for the True Initiative. Continue to meet with the City and County of Honolulu (C&C) as they want to partner with HTDC on the accelerator program. The State appropriated \$1.5 million to HTDC and C&C has \$2.5 million budgeted. Looking to team with HTDC to deploy capital together to support accelerator programs and make sure we are not funding the same activity twice. C&C and SBDC plan on

helping us with the technical assistance for the SSBCI program, an application which is due in September for another set of funds.

v. **HCATT**

Mr. Molinaro briefed that the Air Force is providing \$5 million in funding and the National Guard will be providing \$2.3-\$3 million in additional funds to complete the Pearl Microgrid project.

C. Department of Business, Economic Development & Tourism (DBEDT) Report

Ms. Hirai introduces herself as the new DBEDT Deputy Director and has no report at this time.

D. University of Hawaii (UH) Report

Mr. Syrmos briefed that UH closed the fiscal year with over half a billion dollars for the first time ever. While closing the year, UH received a \$5 million unrestricted donation from an anonymous donor to their Center for Indigenous Innovation.

9. Old Business

A. Continue discussion and/or action related to bylaws

Mr. Kim submitted bylaws with marked changes. Most changes were from the Hawaii Revised Statute. Other provisions highlighted, i.e. missing three (3) meetings in a row you are dismissed from being a Board member.

Chair suggest in the next two (2) weeks review, if questions send them to Mr. Higashi. If there are no questions and you are okay with the changes send your response to Mr. Higashi.

Mr. Kim asks regarding if a Board member leaves there is no Statute to fill the vacancy. Current bylaws also state 6 members to reach quorum but that may be because there used to be 11 members, so should it be changed to five (5) to reach quorum with nine (9) members. Also, for board action it must be majority of the board or majority of the quorum?



Ms. Amemiya responds that there may be a provision in HRS to fill the vacancy. Ms. Amemiya will look into it and get back to the Board. Also, will confirm and get back to the board whether board action requires a majority of the board or majority of quorum.

B. Continue discussion on preparing an updated strategic plan for HTDC and/or action related to developing a strategic plan for HTDC.

Chair mentions that Mr. Higashi is working on obtaining a facilitator and dates that are convenient for the Board members. There was a questionnaire sent out if the Board can look at it and think about the questions.

Mr. Kim, Mr. Syrmos, Mr. Barnabas, Mr. Higashi, Chair discuss the next steps for the strategic planning and suggestions for making the process more efficient.

Chair asks Mr. McCartney if he has any DBEDT report to provide.

Mr. McCartney has none.

10. Adjournment

Chair called for a motion to adjourn

Motion to adjourn made by: Mr. Kimura / Second by: Ms. Glenn

Vote Approved, 9-0

Respectfully submitted,

Stephanie Yuu-Sato
Acting Board Secretary