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KEYSTONE
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ZONE

Keystone Innovation Zone Program

December 21, 2007

Keystone Innovation Zone Overview

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- The KIZ Program was established as part of the Rendell Administration's Stimulus Package with the first two Zones established in May, 2004
- Twenty-nine(29) Zones approved by the Ben Franklin Technology Development Authority to date
- DCED has committed \$10.89 million since inception of program (this includes initial and subsequent funding cycles)
- Over 85 institutions of higher education have signed on as KIZ partners
- Pennsylvania's top research institutions are partners in the program – Lehigh, Pitt, CMU, Penn State, Drexel, Penn, Temple and several State System of Higher Education institutions
- At its basic level KIZs will turn our college and university communities into entrepreneurial business incubators with five primary focus areas: Encourages the creation of new businesses, Grows and expands the entrepreneurial (R&D) sector of economy, Maximizes the "knowledge zones"— access to R&D, workforce, tech transfer, capital, and business services, Facilitate technology transfer to existing companies, and Improves the economy and attractiveness of communities by overlapping with the DCED's Main Street initiative
- Keystone Innovation Zone companies are companies that have been in operation less than eight years, operate in at least one of the target industries identified by the Zone partnership and are physically located within the geography of the Zone



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Zone Structure

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- Applications for the designation of a Zone must identify a strong partnership, a strategy, target industries and boundaries of the proposed Zone
- Zones are geographic areas in and around Pennsylvania's institutions of higher education
- Partnerships must include: institutions of higher education, business, economic/workforce development organizations, financial institutions, venture capital and angel investors, foundations and local government
- Operational funds are granted to non-profit organizations for the administration and oversight of the KIZ. Institutions of higher education are *prohibited* from being the grant recipient and/or KIZ Coordinator
- Required one to one match
- DCED's Technology Investment Office certifies zone geography and seeks funding from the Ben Franklin Technology Development Authority
- Applications for the designation of a Keystone Innovation Zone were due to DCED by July 1, 2007



Characteristics of Approved Zones To Date

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- Significant R&D exists at institution – federal, private, state funding
- Strong private sector support and presence of existing “KIZ companies” in geographically designated area
- Availability of lab space and/or incubation facilities
- Business outreach to start-ups and existing companies (engineering schools, labs, research facilities)
- Entrepreneurship/business development programs
- Consortia of participating schools
- Clearly defined industry sectors
- Participation of required partners
- Existing office space for occupancy by KIZ companies
- Strong cash match



Benefits to Institutions of Higher Ed

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- \$10 million over three years will be available for Innovation Grants designed to provide institutions of higher education with the resources to jump start the transfer of technology into new companies
- To date, DCED has awarded \$6.5 million of the \$10 million allocation
 - Targeted to KIZ colleges and universities located in a certified Zone
 - Potential eligibility includes tech transfer offices, subsidized services, collaborative efforts between colleges and/or universities
- Commonwealth provides infrastructure assistance through financing programs – includes incubators, lab space, design centers and research facilities
- Improves the local economy and the campus community – allows universities to increase enrollment, attract top faculty/researchers
- Assistance with the development of curriculum, integration of programs, and workforce development



Benefits to KIZ Companies

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- \$25 million per year in tax credits will be available to eligible companies located in a zone
 - Applications due at DCED on September 15 of each year
 - \$100,000 max per year
 - 50% of the increase of gross revenues over two years (2004 and 2005)
 - Carry forward or sell-transfer for CASH
- DCED awarded \$5,358,123 in KIZ Tax Credits to 76 KIZ Companies in 2006



Benefits to Communities

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- Development of a joint economic growth plan between educational institutions, economic developers and the communities around these institutions
- Provides access to Main Street and Elm Street programs to upgrade the community's business and retail corridors
- Developers working with KIZs would receive priority review of applications for stimulus package-related programs administered by DCED
- Promotes and stimulates the economic growth and appeal of communities where zones are located – job creation, new companies, additional amenities that improve the quality of life and attractiveness in the community



Impact to Date

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- Since inception:
 - Jobs Created: 1,966
 - Jobs Retained: 2,763
 - Total Funds Leveraged: \$367,929,941
 - Businesses Assisted: 2,204
 - Total # of KIZ Companies: 402
 - Total # of Internships at KIZ Companies: 352
 - Total # of PA Graduates retained at KIZ Companies: 651
 - Total # of New Technologies Developed & Commercialized: 87

