

AGREEMENT FOR THE USE OF CITY GENERAL FUNDS

This Agreement is entered into between **the City of Lawrence, Kansas**, a municipal corporation (hereafter "City") and **Bioscience and Technology Business Center, Inc.** (hereafter the "BTBC"), on this _____ day of _____ 2016, for the purpose of establishing certain conditions on the receipt, expenditure and use of City funds received by the BTBC.

I.) Use of City Funds

As a condition of the receipt of City funds totaling **\$300,000** during City budget year 2017, the BTBC hereby agrees to use and expend all such funds as follows:

- A) Two hundred thousand dollars (**\$200,000**) from the City's General Fund will be used pursuant to the application submitted to the City from the BTBC, attached to this agreement as Exhibit A, in compliance with:
 - 1. All applicable federal, state, and local laws; and
 - 2. The BTBC's bylaws, as approved and amended by the City Commission; and
 - 3. The 2017 funding application, which state the funds will be used:
 - a) To achieve Growth at the main Lawrence facility;
 - b) To expand KU's economic development impact; and
 - c) To refine the BTBC business model
- B) Seventy-five thousand dollars (**\$75,000**) from the City's General Fund will be used to develop the Lawrence Life Science Incubator along with associated professional talent, specialized equipment and capital.
- C) Twenty-five thousand dollars (**\$25,000**) from the City's General Fund will be used to establish an Economic Development Incentive Fund for the purpose of assisting with the recruitment and retention of companies located within the BTBC Incubator or within Lawrence/Douglas County. Such funds shall be utilized in accordance with the Fund description incorporated as Exhibit B.

II.) Independent Contractor

The BTBC further agrees that it is an independent contractor of the City, and that the employees, agents, and vendors of the Independent Agency are not employees of the City.

III.) Disbursement of Funds

First half of funds will not be disbursed before April 1, 2017 and second half of funds will not be disbursed before October 1, 2017, except that the entire 2017 contribution toward the Economic Development Incentive Fund can be requested during the first half disbursement period.

- A) The BTBC shall request disbursement of funds as follows:
 - 1. Requests for disbursements shall be made by the BTBC in writing, on the official letterhead of the agency;
 - 2. Unless otherwise agreed to in writing, requests shall be submitted no more than twice each year:
 - a) A request for one hundred percent (100%) of BTBC's Economic Development Incentive Funds and fifty percent (50%) of the BTBC's

other funding allocation shall be submitted **on or after March 1, 2017**;

- b) A request for the remaining fifty percent (50%) of the BTBC's allocation shall be submitted **on or after September 1, 2017**.
- B) The City retains the right to unilaterally adjust the amount of any disbursement if the City Commission determines that insufficient public funds exist to fully fund the BTBC at the level indicated in this agreement.

IV.) Reporting Requirements

The BTBC shall provide written reports to the City as follows:

- A) A cumulative progress report that describes the progress made toward meeting the goals and outcomes described in the BTBC's Application for Funding shall be due February 15, 2018.
- B) If not submitted with an application for funding for the following calendar year, the following documents shall be on file with the City **within nine months of the end of the agency's last fiscal year**:
 - 1. The BTBC's current IRS Form 990 (i.e. copy of Federal Tax Return) as well as a copy of the current corporate annual report filed with the Kansas Secretary of State – FORM NP (not-for-profit) filing.
 - 2. A copy of the BTBC's current financial audit. It is suggested that the agency adopt SFAS No. 117. This standard has been adopted by the Financial Accounting Standards Board as a preferred accounting method for non-profit corporations.
 - 3. A copy of the BTBC's Annual Report that includes a summary of how the funds were used, to include an assessment of the agency's annual accomplishments and outcomes.
- C) The BTBC agrees to comply with K.S.A. 45-240, which requires not-for-profit entities receiving public funds to document and make available the receipt and expenditures of such funds. The requirements outlined in Section 4B are not meant to satisfy the terms of K.S.A. 45-240.

V.) Retention and Access to Records

The BTBC will give the City, the City Auditor, or any authorized representatives of the City access to and the right to examine all records related to the expenditure of City funds.

The BTBC shall keep financial records and all other records pertaining to this project being funded for a minimum of three (3) years. The City may, at its sole option, conduct an audit related to this funding agreement. The Independent Agency shall, upon City's request, make its records, employees, and property available promptly.

VI.) Withholding of Payment

The City shall retain the authority to withhold any and all payments to the Independent Agency if, in the sole judgment of the City, the proposed or continued use of the funds violates the terms of this Agreement, any applicable law, or is contrary to the appropriate use of public funds.

VII.) Non-Discrimination

The BTBC must follow all applicable federal, state, and local laws regarding protected classes and may not refuse service to any persons based on race, sex, religion, color, national origin, age, ancestry, familial status, sexual orientation, gender identity, or a real or perceived disability.

THE UNDERSIGNED, DULY REPRESENTING BIOSCIENCE AND TECHNOLOGY BUSINESS CENTER, INC. THE INDEPENDENT AGENCY OF THIS AGREEMENT, HEREBY AGREES TO THE CONDITIONS OF THIS AGREEMENT FOR THE RECEIPT, EXPENDITURE AND USE OF CITY FUNDS:

Signature: _____

Print Name and Title: _____

STATE OF KANSAS)
COUNTY OF DOUGLAS)

The foregoing Agreement was acknowledged before me this _____ day of _____, 2016 by _____, representing _____ as the Independent Agency of this Agreement. In testimony whereof, I have hereunto set my hand and affixed my official seal on the day and year last above written.

Notary Public

My commission expires: _____

THE UNDERSIGNED FOR THE CITY OF LAWRENCE, KANSAS:

Signature: _____

Print Name and Title: Thomas M. Markus, City Manager

STATE OF KANSAS)
COUNTY OF DOUGLAS)

The foregoing Agreement was acknowledged before me this _____ day of _____, 2016 by Casey Toomay, representing the City of Lawrence, Kansas. In testimony whereof, I have hereunto set my hand and affixed my official seal on the day and year last above written.

Notary Public

My commission expires: _____



2017 Economic Development Agency / Vendor Service Agency Funding Application

Applications for 2017 funding must be **complete and submitted electronically to the City Manager's Office at ctoomay@lawrenceks.org by 5:00 pm on Tuesday, May 31, 2016.**

Please note that funds will be disbursed according to the following schedule unless otherwise agreed to in writing:

- First half of funds will not be disbursed before April 1
- Second half of funds will not be disbursed before October 1

Contact Casey Toomay, Assistant City Manager at ctoomay@lawrenceks.org or at 785-832-3409 with questions.

SECTION 1. APPLICANT INFORMATION

Legal Name of

Agency:

Bioscience and Technology Business Center

Contact Name and

Title:

Adam Courtney – VP Finance

Address: 2021 Becker Dr. Lawrence, KS 66047

Telephone: 785-832-2110 Fax: 785-832-8234 Email: Adam.courtney@btbcku.com

SECTION 2. REQUEST INFORMATION

- A. Program Name: ***Economic Development***
- B. Amount of funds requested from the City for this program for calendar year 2017: ***\$200,000***
- C. Did you receive City funding for this program in calendar year 2016? If so, how much? ***Yes \$200,000***
 1. How would a reduction in city funding in 2017 impact the ability of your agency to provide services to/on behalf of the City?
A reduction in funding would negatively impact our ability to meet operational obligations and our ability to effectively carryout the BTBC mission, which is to recruit, create, grow, and retain early stage companies that produce jobs, which helps build a sustainable economic development infrastructure and tax base for the Lawrence/Douglas County area.
 2. If you are requesting an increase in funding over 2016, please provide a justification for the increase.
No funding increase is requested at this time.

SECTION 3. PROGRAM BUDGET INFORMATION

- A. Provide a detailed budget for the proposed program using the following categories: personnel (list each staff position individually and note if new or existing), fringe benefits, travel, office space, supplies, equipment, other.

See attached copy of 2016 proposed budget.

- B. What percent of 2017 program costs are being requested from the City? ***8.2%***
- C. Provide a list of all anticipated sources of funding and funding amounts for this program in 2017.

Douglas County - \$200K
University of Kansas - \$225K
Lawrence Chamber of Commerce - \$20K
Grant Funding SBA/US Commerce Department

All other revenue is private revenue from rent, management fees, and contractual services.

SECTION 4. STATEMENT OF PROBLEM / NEED TO BE ADDRESSED BY PROGRAM

- A. Provide a brief statement of the problem or need your agency proposes to address with the requested funding and/or the impact of not funding this program. If possible, include statistical data to document this need.

The BTBC is devoted to attracting and retaining high-paying primary jobs and has been previously designated by the City Commission as an economic development agency.

- B. How was the need for this program determined?

The BTBC is a partnership with the City, County, University, and the business community through the Chamber, all of which came together to create the BTBC with its mission for economic development.

- C. Why should this problem/need be addressed by the City?

The continued recruitment of high-potential technology and bioscience companies who bring quality, high-paying jobs to Lawrence are important for the growth of the local economy and tax base. BTBC companies have added over 200 jobs with average salaries of over \$55K/year to date in the region.

- D. How does the program align with the City Commission Goals (Affordable Housing, Economic Development, Infrastructure, Transit and Non-Motorized Transportation, Public Safety, Mental Health)?

The BTBC's mission is developed by the City and other stakeholders in order to align the mission with what is important for economic development in Lawrence.

SECTION 5. PROGRAM OBJECTIVES

Please provide three specific program objectives for 2017. Objectives should demonstrate the purpose of the program and measure the amount of service delivered or the effectiveness of the services delivered. A time frame and numerical goal should also be included. **Applicants will be expected to report their progress toward meeting these objectives in their six-month and annual reports to the City.**

1. Growth at the main Lawrence facility

- Achieve occupancy capacity and projected revenue for Phases I and II at the main facility; stabilize operations.
- Reach projected revenue levels and stabilize operations.
- Engage KU more aggressively at both KU-Lawrence and KUMC to increase spinout activity.
- Effectively manage metrics and potential tenant company turnover.
- Work with stakeholders and partners to organize and seed BTBC tenant company investment fund and formalize an incentive program for promising tenant company prospects.

2. Expand KU's economic development impact

- Coordinate company start-up and recruitment efforts with KU; leverage KU private industry relationships to drive new commercialization opportunities to Lawrence and Douglas County.
- Work with KU and KUIC to construct a new, sustainable entrepreneurship platform for faculty, staff and students.
- Test the concept for development of an "Innovation Corridor," stretching from KU-Lawrence to KUMC.
- Work with KUMC and RI to develop a partnership consortium, similar to that of BTBC main facility.
- Maintain occupancy levels at KUMC.

3. Refine BTBC business model

- Determine optimal tenant company mix and corresponding business services offerings; reconstruct and implement the BTBC business services platform.
- Assess grant funding as viable ongoing source of revenues for BTBC
- Assess company recruitment vs. company creation and corresponding staff capabilities.

Consolidated Statement of Activities 2016 Initial Base Projections												Last Updated: 05/31/16	
Projected 2016 Consolidated Statement of Activities as of October 19, 2015													
	BTBC. Inc. Operations	BTBC KUMC Facility	BTBC Main Facility	BTBC - MF Phase II Construction	BTBC West Facility	2016 BTBC Consolidated YE Projection	Kaw Inc	LRTC Inc.	Adjustment & Eliminations	2016 Consolidated All Entities	2015 Budget All Entities	Variance From Budget	Percentage Variance
Revenues -													
Douglas County Contribution	200,000.00		175,000.00			375,000.00				375,000.00	375,000.00	0.00	0.00%
City of Lawrence Contribution	200,000.00		75,000.00			275,000.00				275,000.00	275,000.00	0.00	0.00%
KU Contribution	50,000.00		200,000.00		25,000.00	275,000.00				275,000.00	275,000.00	0.00	0.00%
KU Contributions - In-Kind			210,731.43			210,731.43				210,731.43	190,500.00	20,231.43	10.62%
KUMC		326,483.52				326,483.52				326,483.52	360,578.76	(34,095.24)	-9.46%
Grant Funding/KDOC	100,000.00					100,000.00				100,000.00	200,000.00	(100,000.00)	-50.00%
Lawrence Chamber of Commerce	20,000.00					20,000.00				20,000.00	20,000.00	0.00	0.00%
Advisory Services	30,000.00					18,000.00				18,000.00	9,600.00	8,400.00	87.50%
Project Management Fees	-					0.00				0.00	100,000.00	(100,000.00)	-100.00%
Rental Income			587,018.57		183,088.97	770,107.54				770,107.54	530,094.92	240,012.62	45.28%
Reimbursed Expenses	-		-			0.00				0.00	6,000.00	(6,000.00)	-100.00%
Contractual Services BrightEHR	26,400.00					26,400.00				26,400.00	0.00	26,400.00	0.00%
Internet and Phone Service Revenue			25,008.00			25,008.00				25,008.00	25,200.00	(192.00)	-0.76%
Investment Income			304.12			304.12				304.12	1,609.98	(1,305.86)	-81.11%
Interest Income	12,982.58					360.00	16,140.00	1,635.00		18,135.00	17,905.00	230.00	1.28%
Total Revenues	639,382.58	326,483.52	1,273,062.12	-	208,088.97	2,422,394.61	16,140.00	1,635.00	0.00	2,440,169.61	2,386,488.66	53,680.95	2.25%
Expenses -													
Administrative and Miscellaneous	10,500.00	3,230.00	12,000.00		150.00	25,880.00	310.00	235.00		26,425.00	28,930.00	2,505.00	8.66%
Building Expenditures	1,000.00	-	66,000.00		84,000.00	151,000.00				151,000.00	151,740.00	740.00	0.49%
Contractual Services	1,200.00	1,020.00	4,500.00			6,720.00	6,000.00	6,000.00	(12,000.00)	6,720.00	6,000.00	(720.00)	-12.00%
Depreciation			468,000.00		210.00	468,210.00	360.00			468,570.00	449,703.00	(18,867.00)	-4.20%
Economic Development Software	10,000.00	10,000.00				20,000.00				20,000.00			
Insurance						0.00				0.00		0.00	
Employee's Withholding	(9,780.00)	(9,120.00)				(18,900.00)				(18,900.00)	(20,272.32)	(1,372.32)	6.77%
Health	36,200.54	27,836.17				64,036.72				64,036.72	60,172.56	(3,864.16)	-6.42%
Disability	5,647.88	3,960.00				9,607.88				9,607.88	9,318.60	(289.28)	-3.10%
General Liability/Property	5,739.17		16,200.00		8,460.00	30,399.17	850.00	850.00		32,099.17	27,082.00	(5,017.17)	-18.53%
Worker's Comp	1,500.00	600.00				2,100.00				2,100.00	2,460.00	360.00	14.63%
D&O	2,118.13					2,118.13	1,200.00	1,200.00		4,518.13	2,634.00	(1,884.13)	-71.53%
Interest	-		280,256.62			268,206.62				268,206.62	275,549.02	7,342.40	2.66%
Intern Program	13,900.00	3,600.00				17,500.00				17,500.00	32,800.00	15,300.00	46.65%
KU Innovation and Collaboration Liaison	75,000.00	20,000.00				95,000.00				95,000.00	95,000.00	0.00	0.00%
Marketing and Public Relations	17,650.00	9,750.00	4,200.00			31,600.00				31,600.00	27,637.50	(3,962.50)	-14.34%
Miscellaneous Expense	2,000.00	120.00	240.00			2,360.00				2,360.00	2,760.00	400.00	14.49%
Payroll	433,482.13	265,962.02			55,341.10	754,785.25				754,785.25	765,775.00	10,989.75	1.44%
Professional Development	5,400.00	1,400.00				6,800.00				6,800.00	7,800.00	1,000.00	12.82%
Professional Fees	27,700.00	5,000.00	600.00			33,300.00	1,850.00	3,600.00		38,750.00	56,075.00	17,325.00	30.90%
Rent						-				0.00		0.00	
BTBC Expansion Facility - City of Lawrence					25,000.00	25,000.00				25,000.00	25,000.00	0.00	0.00%
BTBC Main Facility - KUEA			1,000.00			1,000.00				1,000.00	1,000.00	0.00	0.00%
Research Park Development Expenses	2,500.00	2,500.00				5,000.00				5,000.00	20,000.00	15,000.00	75.00%
Retirement Contributions	26,797.82	15,957.72			3,183.91	45,939.45				45,939.45	43,666.47	(2,272.98)	-5.21%
Taxes						-				0.00		0.00	
Income						-				0.00	0.00	0.00	
Payroll	39,917.49	22,692.71			1,275.00	63,885.20				63,885.20	65,090.90	1,205.70	1.85%
Property						-				0.00	165.00	165.00	100.00%
Real Estate					73,000.00	73,000.00	65.00	140.00		73,205.00	73,500.00	295.00	0.40%
Ks Secretary of State Annual Report Fee						-				0.00	130.00	130.00	100.00%
Travel and Meals	12,000.00	4,800.00	1,075.00			17,875.00	50.00			17,925.00	22,940.00	5,015.00	21.86%
Technology	2,500.00					2,500.00				2,500.00	5,000.00	2,500.00	50.00%
Utilities	2,400.00	1,440.00	214,600.0		145,750.00	364,190.00				364,190.00	338,290.00	(25,900.00)	-7.66%
Total Expenses	725,373.17	390,748.63	1,068,671.62	-	396,370.01	2,569,113.43	10,685.00	12,025.00	(12,000.00)	2,579,823.43	2,575,946.73	(3,876.70)	-0.15%
Net Revenue Over (Under) Expenses From Operations	(85,990.59)	(64,265.11)	204,390.50	-	(188,281.04)	(146,718.82)	5,455.00	(10,390.00)	12,000.00	(139,653.82)	(189,458.07)	(2,722,665.55)	105.70%
Depreciation Add-Back			468,000.00		210.00	468,210.00	360.00			468,570.00	449,448.00	(19,122.00)	-4.25%
Intercompany Advisory Services						-	(16,140.00)			(16,140.00)	0.00	16,140.00	
Interest Accrued						-				0.00	(16,104.00)	(16,104.00)	100.00%
Principal Payments			(153,144.57)			(153,144.57)				(153,144.57)	(59,144.00)	94,000.57	-158.94%
Net Cash Provided (Used) From Operations	(85,990.59)	(64,265.11)	519,245.93	0.00	(188,071.04)	168,346.61	(10,325.00)	(10,390.00)	12,000.00	159,631.61	184,741.94	(16,395.33)	-8.87%
Building Improvements Funding Rec'd						(50,000.00)				(50,000.00)	(100,000.00)	50,000.00	-50.00%
Fixed Asset Purchases/Building Improvements						-				0.00	(26,500.00)	26,500.00	-100.00%
Investment and Incentives						-	0.00			0.00	0.00	0.00	
Rents Accrued but no Cash Receipt Anticipated						-				0.00	0.00	0.00	
Net Cash Provided (Used) During Period	(85,990.59)	(64,265.11)	469,245.93	0.00	(188,071.04)	118,346.61	(10,325.00)	(10,390.00)	12,000.00	109,631.61	68,702.73	40,928.88	59.57%
Cash, Beginning of Year - Est.	123,252.00	56,000.00	259,658.00	0.00	20,420.91	459,330.91	9,871.60	363,158.00		832,360.51	921,340.46	0.00	0.00%
Cash, End of Year Projected	37,261.41	(8,265.11)	728,903.93	-	(167,650.13)	590,250.10	(453.40)	352,768.00		942,564.70	990,043.19	(47,478.49)	-4.80%

Detailed budgets for each individual entity available upon request.

Exhibit B

Economic Development Incentive Fund

Fund Purpose

The purpose of the incentive fund is to allow the BTBC, its stakeholders, and its strategic partners to recruit, create, and retain early-stage bioscience and technology companies in the Lawrence/Douglas County region. The initiative would encourage these companies to locate and expand the business operations and high-paying job base at the BTBC and in the Lawrence/Douglas County area, furthering the BTBC's mission of economic development and growing wealth in the region.

Fund Eligibility Criteria

The fund would be available for emerging bioscience and technology companies, including KU spin-out companies, who meet the following criteria:

1. Company should exhibit strong potential to expand in Lawrence/Douglas County and create high-paying jobs;
2. Company should be a strategic acquisition for the continued expansion of the BTBC ecosystem; and
3. Companies should be committed to long-term growth in the Lawrence/Douglas County region.

Potential Incentive Fund Uses*(see specific examples of previously provided incentives below)

- Rent Subsidies or discounts at BTBC
- Wet lab or office improvements
- Furnishings and Equipment
- Capital Instruments
- Workforce Development and Job Training Grants
- Some combination of the above incentives

Fund Management

The fund would be restricted and applied only to the Incentive Fund uses. The fund would be managed and maintained by the BTBC separate and apart from the operating funds of the BTBC. Any incentive awards would need majority approval from a three person committee. The committee would include a representative from the BTBC, the Douglas County Administrator (or designee), and the Lawrence City Manager (or designee). The BTBC, along with input from others, would review potential companies, conduct the necessary due diligence, and structure the incentive deals to put forth for approval.

Fund reporting would be made as part of the regular quarterly BTBC Board of Directors meetings. The reporting would include the status of the fund including awarded incentives. Any funds allocated for a given calendar year that are not expended shall roll over and be maintained in the fund for the following year and may not be diverted for any other use unless approved in advance by the City of Lawrence and Douglas County.

***Incentive Examples:**

Integrated Animal Health - Total Incentive - \$215K

- Upfront \$100K forgivable loan
- Three year rent subsidy at BTBC

- Money utilized to purchase furnishings and office build-out.

Simcro - Total Incentive - \$50K - Incentives included build-out of two internal offices within the company's space (\$40K) plus furnishings (\$10K).

IdentiGen - Total Incentive \$122.5K - Incentives included rent discounts over five year lease (\$102.5K), interior office build-out (\$15K), and a \$5K grant.

Hylapharm - Total Incentive - \$65K - Incentives included lab build-out to company specifications

BioFludica (Potential) - Total Cost of Lab Conversion - \$100K - Incentive would be utilized to convert office space to a lab to accommodate the company's operations and connect the lab to the adjoining office space.