

KU Innovation Park

Hearing: Innovation as a Catalyst for New Jobs: SBA's Innovation Initiatives

Written Testimony

Accompanying Oral testimony by

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KU Innovation Park

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The KU Innovation Park is an economic development organization whose mission is to create high-paying jobs and build a more modern, resilient, and diverse regional economy by developing technology and innovation-focused industry clusters, centered around the strengths of the University of Kansas. The Park's unique underlying coalition model represents a decade-long public-private partnership among the City of Lawrence, Douglas County, the Lawrence Chamber, and the University of Kansas. Together, these four stakeholders comprise the region's most comprehensive economic development partnership, representing the interests and combined resources of regional government, business, and academic stakeholders.

Beginning as a small bioscience incubator facility adjacent to KU's West Campus, the organization has expanded its focus, service offerings, and footprint over the years, developing into a regional engine of commercialization, entrepreneurship, small-business support, and industry-university collaboration. The Park's ~60 innovation-focused companies now represent more than 400 jobs and roughly \$25M in annual payroll. The Park's underlying coalition model, its location along the Animal Health Corridor, and its proximity to KU and the KU Medical Center have positioned it at the center of a regional network of resources and organizations supporting innovation-based economic growth. Located on private land owned by the Kansas University Endowment Association, the park sits directly adjacent to KU's West Campus 'Research Circle', which is a concentration of bioscience research facilities and KU's nationally recognized School of Pharmacy. This exceptional close proximity to the University, while remaining physically and organizationally independent and fully within the private sector, creates an ideal environment for commercializing university research and facilitating industry-university collaboration.

A key factor in its success at creating, growing, and retaining companies is the organization's experienced professional staff, which is supported by a team of student analysts from KU's Schools of Law, Business, and Engineering. The Park's professional staff provides entrepreneurs and early-stage startups with a wide range of low-cost or no-cost support, services, and assistance, including market and technology validation, grant writing assistance and grant management support, general business counsel and management assistance, financial and accounting services, and assistance accessing government funding and private capital. Another unique advantage of the Park that has been critical to its success in assisting entrepreneurs is the extremely flexible nature of its programming, support, and methods of engaging with companies, which is enabled by the organization's small, but versatile team. The Park prides itself on its ability to operate like a startup itself--crafting unique approaches to helping solve its companies' problems and pivoting when necessary to accommodate changes in their circumstances and to solve new challenges as they arise.

More traditionally, the Park also leases modern, specialized office and wet lab space to bioscience and technology companies interested in collaborative research with KU and those seeking access to highly educated students and graduates, as well as startups working to develop new technologies or commercialize university research. Additionally, the Park offers a range of shared workspaces and services through its Virtual Tenant Program for entrepreneurs and startups that are still too early-stage for dedicated physical space, but that need a professional commercial environment from which to operate. A critical component of the Park's support for startup companies, shared spaces and virtual tenant services are supported by an incentive fund provided by the City and County, which is used to offset or fully subsidize the cost of space and service fees for deserving companies and entrepreneurs. As a nonprofit entity with public entity stakeholders, the Park offers these resources to anyone who seeks assistance, to the extent capacity and resources allow, regardless of their affiliation with the University.

The Importance of SBA Support

Roughly 70% of Park companies are early-stage startups, most of which are still working on developing their core technologies and intellectual property, and most of which are in the pre-revenue stages. Because of this, many of the traditional SBA programs, such as small business loans and the HubZone program, are difficult for companies to take advantage of. Thus, GAFC funding has been a critically important way for the SBA to support these companies, augmenting the various state and local funding that supports the Park's provision of space and services to startups. GAFC funds have allowed the Park to provide hundreds of hours of additional business services, support, and mentorship through its professional staff services and through its student analyst program, which are generally provided at significantly reduced cost or no cost to entrepreneurs and startups seeking to commercialize technologies or develop innovative technology-based solutions to industry problems. Of particular benefit is the GAFC funding that the Park has allocated towards supporting the student analyst program. This provides a dual benefit in that the analyst program greatly expands the Park's capacity to directly assist companies in developing their businesses, while providing valuable practical and engaging entrepreneurial experience to undergraduate and graduate students that cannot be otherwise gained through academic coursework or through traditional corporate internships. The work that analysts provide for early-stage companies in the Park have a real impact on the success of these startups. Working closely with these companies helps to demystify the entrepreneurial process and provides the necessary insight and confidence to encourage these entrepreneurially minded, intellectually curious, and highly motivated students to pursue entrepreneurial opportunities of their own.

Supporting a Wide Range of Companies and Entrepreneurs

The Park, and its predecessor organization, the BTBC, have assisted hundreds of individual entrepreneurs and early-stage companies over the past decade, ranging from the earliest stages of ideation through to rapid growth and expansion. Though the Park assists companies across a wide range of technologies and industry sectors, the Park has developed concentrations of companies working on technologies related to the strengths of the University, such as civil, chemical, and mechanical engineering; pharmaceutical chemistry; biomedical engineering; and radar and remote sensing. Individual entrepreneurs also range across the spectrum from university researchers, students, graduates, and staff, to experienced professionals from within existing bioscience and technology industries, to serial entrepreneurs exploring a new idea, and first-time entrepreneurs from the broader community looking to create new opportunities for themselves and to put their skills and experience to use in a new venture. The Park also works diligently to facilitate interaction and collaboration between early-stage companies and more established private industry firms, either through direct partnership, or through collaborative research relationships with the University. Startups benefit from the resources, stability, and organizational and technical expertise of the established firms, which in turn are invigorated by the innovative organizational and technological approaches of the early-stage companies, as well as their specialized technical expertise and talent.

Because of the Park's close affiliation and proximity to KU, most, if not all its ~60 resident companies and many individual entrepreneurs have at least some connections to the University, with roughly 25% of them currently commercializing University intellectual property. Not only has this measurably increased the rate of university spinout creation and licensing of university generated IP, a noticeable and important trend is that many of these instances of university-driven entrepreneurship are by women and minority individuals, which are well represented within graduate level STEM departments and research institutions within the University and Medical Center. As companies founded by women or minority entrepreneurs are on average more likely to hire additional minority and women employees, this has had positive outcomes on the overall diversity of the Park system. Not only is this an important consideration for the Park's primary stakeholders, diversity and inclusion are critically important to successful innovation generally, which by

nature requires a range of different approaches, perspectives, and viewpoints to solve challenging technical problems and to identify and address new market opportunities.

The Importance of GAFC and Similar Types of Funding

Of the many federal programs available for assisting small business and entrepreneurship, GAFC funding is especially valuable in directly assisting early-stage companies because of its flexibility and because of its minimal burden on the entrepreneurs and startups themselves. Unlike many other sources of funding available to support entrepreneurial activity, GAFC funds are relatively free of restrictions and place no burden directly on the startups in terms of application, tracking, or reporting. Often, legitimately deserving startups with great potential fall through the cracks of other programs, most of which have specific matching funds requirements, maximum company age limits, a narrow technological focus, revenue restrictions, collateral requirements, etc. These many restrictions will often place companies out of eligibility at points in their growth cycle at which they need help most. Similarly, lengthy application processes and ongoing reporting requirements common with many other programs lessen the value of otherwise helpful initiatives, as they tax startups' limited staff and resources. Alternatively, GAFC funding allows organizations like the Park, which work closely with companies and have an intimate understanding of their needs and potential, to deploy SBA funding quickly, directly, and efficiently in support of these companies with little burden on their operations. GAFC funds have been especially important to the Park and its companies in supplementing similar state and local funding sources, such as the City/County incentive fund, and KS Jobs Creation Funding, which are often channeled through organizations like the Park to reduce the administrative burden on the funding agencies themselves. These resources have allowed the Park to provide countless hours of business support and services, subsidize shared space and equipment, and supplement various other microgrant and direct incentive programs, all of which have proven incredibly valuable to helping a struggling startup survive a difficult month or access a valuable opportunity at a critical juncture in a company's life cycle, and most of which would not have been available to these startups through other programs.