



**BioAg Gateway: Where Science Grows**

## **U.S. Economic Development Administration (EDA) Grant Request Summary for the Midwest BioLink**

**Project:** An application to the Federal Economic Development Administration (EDA) to finance approximately \$3.5 million of Phase I of the Midwest BioLink Commercialization and Business Center (BioLink), to be located in the 27-acre, City-owned BioAg Gateway Campus in TID #39.

**Components:** Phase I of BioLink will be a 21,000 s.f. facility housing the following components:

- 10,000 s.f. of Prototyping/Flex Space – Constructed as a light-industrial space, this area of the facility would be used for the pilot processing and manufacturing of products. It would house wet labs, secure and controlled environment technology, and general production areas.
- 5,000 s.f. of Commercialization Greenhouses – The greenhouse area of the facility would provide necessary greenhouse space for the growth of commercialized plant technologies.
- 3,000 s.f. of a Headhouse – A headhouse would be constructed adjacent to the greenhouse to accommodate non-growing work, such as seed sowing, transplanting, equipment and supply storage, computer stations, lab space, and work stations.
- 3,000 s.f. of Office/Lab/Meeting Space – Constructed as office space, this area of the facility will provide space for more traditional administrative functions of the businesses housed within BioLink, including common meeting space and business service (photocopying, fax, etc.) needs.

EDA funding would also pay for operating expenses for the first three (3) years that BioLink is open, including:

- Three employees: Director, Lab/Plant Science technician, and an Administrative Assistant (\$250,000 per year for three years).
- Utilities, maintenance, and property management (\$60,000 per year for three years).

**Employment:** It is estimated that construction of BioLink will generate thirty (30) jobs, plus an additional six (6) for professional services related to design, engineering, inspection, and surveying. Once fully occupied, it is estimated that there could be as many as forty (40) individuals employed within Phase I of BioLink.

More importantly, the purpose of BioLink is to provide a facility where new businesses can be nurtured, grow, and graduate into a larger space elsewhere within the city of Madison. To this end, the total number of future individuals employed within Madison through former BioLink tenants could be much greater.

**Background:** The State of Wisconsin Department of Commerce (DCOMM) has been working closely with the City's Office of Business Resource (OBR) to identify federal funding opportunities for the BioLink project. The OBR and their BioAg Gateway Consultant Team (Hiebing and Vandewalle) were contacted by DCOMM on January 22<sup>nd</sup> regarding an EDA program that may provide \$3.5 million to assist the

BioLink project. To better understand the BioLink project, the EDA requested a 4-page project summary. With positive feedback on the summary from the EDA, a draft application was requested on January 28<sup>th</sup>. After receiving Mayoral, Alder and Department Head approval, a draft application was prepared and hand delivered on February 6<sup>th</sup> to DCOMM and EDA staff. On February 9<sup>th</sup>, DCOMM and OBR staff received EDA comments on the draft application with further encouragement to submit a complete final application. Throughout this entire process, DCOMM staff has been facilitating EDA contact, direction, and comments to increase the potential for success.

**Funding Specifics and Next Steps:** The City is competing with municipalities in six Midwest states for part of \$81 million in flood recovery monies that are immediately available for economic development projects **on a first come, first served basis**. In order to qualify for consideration, the City must respond with a complete final application, including a City of Madison financial commitment authorized by Common Council in two weeks (Week of February 23<sup>rd</sup>).

**Key Components of Successful FINAL Application per EDA:**

- The City must partner with a non-profit economic development corporation in order to qualify as an applicant.
- City staff recommended partnering with Madison Development Corporation (MDC) to be the BioLink operator. The MDC Board has approved this partnership.
- MDC will be a “Co-Applicant” with the City on the final EDA application.
- Construction and operations will be managed by MDC, or its assigns.
- The EDA grant requires a 75% (EDA)/25% (Local) match.
- A City contribution of approximately \$1.26 million of cash plus the value of the 2.63-acre property (\$573,000) will provide a total City match of \$1,837,650.
- This City match, combined with \$3.5 million from the EDA, will provide the \$5.4 million required to build and initially operate the 21,100 SF incubator and commercialization facility.
- City staff has, and will continue, to reach-out to other potential contributors to this project.
- One of these contributors is Orbitec, whose Controlled Agriculture Manufacturing (CAM) technology will be a key component of BioLink. City staff and Orbitec have already discussed the possibility of Orbitec investing \$1 million of CAM technology as a tenant in the facility. While the EDA has indicated that Orbitec’s technology cannot be considered as part of our local match, it does show the level of commitment by others to the project.
- The State does not have a program to fund BioLink construction but may be able to provide assistance to MDC (BioLink operator) and to future tenants of the incubator.
- TIF Law does not allow a City to invest in city-owned buildings. Therefore, the City may not provide TIF assistance as part owner or “investor” in the project. However, TIF Law would enable, provided a “but for” condition is satisfied, a \$1.26 million loan to MDC through TID #39. MDC has indicated a willingness to move the project forward.

- The BioLink will be a non-taxable incubator generating no property tax for the City. Repayment of the TIF indebtedness assumes that other taxable property in TID #39 grows in value such that it generates sufficient increment throughout the remaining life of the District.
- In order to meet the short timeframe, City staff will make an informational presentation before the BOE on February 16, 2009, with Common Council approval on February 24, 2009, under suspension of the rules.
- The Common Council will be asked to authorize the following on February 24<sup>th</sup>:
  - Submission of a grant application to EDA.
  - Commitment to funding the local community match, which may be as much as \$1.36 million (\$1.26 million plus \$100,000 assuming the City is unable to identify any additional support from other local sources). This funding will be subject to future Council action on a TIF application.
  - Commitment to contributing Lot 10 of the World Dairy Campus (BioAg Gateway) to be included as part of the local match.

**Aerial**



**Site Plan**



### Sources and Uses for EDA Application

	EDA	City	Other	TOTALS
<b>Capital Costs</b>				
Building	\$2,570,000	\$175,000	\$0	\$2,745,000
Site/Site Infrastructure	\$0	\$773,000	\$0	\$773,000
Equipment/Technology	\$0	\$675,000	\$100,000	\$775,000
Capital Costs	\$2,570,000	\$1,623,000	\$100,000	<b>\$4,293,000</b>
Contingencies (5%)		\$214,650		\$214,650
				<b>\$4,507,650</b>
<b>Operational Costs</b>				
Salaries	\$750,000	\$0	\$0	\$750,000
Utilities/Maintenance	\$180,000	\$0	\$0	\$180,000
Operational Costs	\$930,000	\$0	\$0	<b>\$930,000</b>
Totals	\$3,500,000	\$1,837,650	\$100,000	<b>\$5,437,650</b>
% Project Funding	64.37%	33.79%	1.84%	100.00%

As noted above, city staff and Orbitec have already discussed the possibility of Orbitec investing \$1 million of CAM technology as a tenant in the facility. While the EDA has indicated that Orbitec's technology cannot be considered as part of our local match, it does show the level of commitment by others to the project

<b>Summary of City Investment</b>			
	Cash	Land	
Building	\$175,000	\$0	
Site	\$0	\$573,000	
Site Infrastructure	\$200,000	\$0	
Equipment/Technology	\$675,000	\$0	
Contingencies	\$214,650	\$0	
Operations	\$0	\$0	
<b>Total</b>	<b>\$1,264,650</b>	<b>\$573,000</b>	<b>\$1,837,650</b>