

# Ben Franklin Technology Development Authority Keystone Innovation Zones

Program Guidelines | August 2010

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## Section I – General

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### A. Introduction

The Ben Franklin Technology Development Authority (Technology Development Authority) provides a vital vehicle for investing in economic, community, and university-based innovation. BFTDA programs are key components in the strategy of the Pennsylvania Department of Community and Economic Development's (DCED) Technology Investment Office (TIO), whose mission is to serve as a catalyst for growth and competitiveness for Pennsylvania companies and universities through technology-based economic development initiatives including funding, partnerships, and support services.

The twenty-one-member board of the BFTDA (BFTDA Board) approves the overall funding allocations for the following programs:

1. **The Ben Franklin Technology Partners** – a statewide network fostering innovation to stimulate Pennsylvania's economic growth and prosperity.
2. **Venture Investment Program** – a program to address the financing needs of technology-oriented businesses by increasing the amount of venture capital available to early stage technology companies.
3. **University Research Grants** – grants to promote stronger synergy between university-based research and development and the transfer of technology as it relates to economic and workforce development including the Pennsylvania Initiative for Nanotechnology.
4. **Keystone Innovation Zone (KIZ) Grants** – KIZs are designed to improve and encourage Pennsylvania's research and development efforts, technology commercialization and entrepreneurship programs within specific geographic areas - using Pennsylvania's world-class colleges and universities as economic drivers for development opportunities throughout the Commonwealth.
5. **Technology Development Grants** – grants to advance the adoption and use of technology, foster innovation, and support the creation of companies and high-wage, high-skilled jobs to strengthen Pennsylvania's economy.

### B. Mission & Focus

A component of the Rendell Administration's Economic Stimulus Program, the KIZ program was implemented in May 2004 and was designed to combat Pennsylvania's "brain drain" by creating new opportunities for Pennsylvania's college students and graduates -- while improving and encouraging research and development efforts, technology commercialization and entrepreneurship. The KIZ program is intended to renew and focus its commitment to creating new technologies and new entrepreneurs – using its world-class colleges and universities to deliver economic development opportunities throughout the Commonwealth.

The KIZ program is also designed to support early stage companies who spin-out of the college and university setting by providing access to much needed capital and a robust continuum of service providers who are geared to assist the early stage company reach its potential successes.

These KIZ program guidelines cover both the monitoring and reporting for the 29 existing designated KIZs (Section I) and the award of grants under the KIZ Competitive Grant Program (Section II).

## C. Criteria and Funding Opportunities

Section 3702 of the enabling legislation (*12 Pa.C.S. § 3701, et seq.* (2004)) states that a “[k]eystone innovation zone coordinator” shall be a nonprofit organization which is all of the following:

1. not an institution of higher education
2. chosen by a keystone innovation zone partnership and agreed to by DCED to administer the activities of a keystone innovation zone

The keystone innovation zone partnership shall be responsible for hiring an individual who, while not required but preferred, has knowledge of technology-based economic development and experience supporting early stage technology companies. Once hired, the individual becomes known as the “KIZ Coordinator” and is responsible for the day-to-day administration of the KIZ. The KIZ Coordinator is responsible for providing to the Program Manager information on the activities and progress of the KIZ, including a semi-annual report as outlined later in this document.

Each KIZ formed a keystone innovation zone partnership (KIZ Partnership), which is comprised of at least one institution of higher education as well as a combination of private businesses, business support organizations, commercial lending institutions, venture capital companies, angel investor networks or foundations. Additionally, the KIZ Partnership shall seek the services and support from the following Pennsylvania-based organizations:

- Pennsylvania Chambers of Commerce
- Local Development Districts (LDDs)
- Ben Franklin Technology Partners (BFTPs)
- Industrial Resource Centers (IRCs)
- Life Sciences Greenhouses (LSGs)
- Idea Foundry
- Pennsylvania Technical Assistance Program (PennTAP)
- Center for eBusiness and Advanced Information Technology (eBizITPA)
- The Technology Collaborative (TTC)
- Small Business Development Centers (SBDCs)
- Workforce Investment Boards (WIBs)
- Pennsylvania Angel Network

In addition to the foregoing, KIZ partnerships are encouraged to have representatives from local government organizations as well as from agencies who provide services to neighborhoods and communities such as Community Action Agencies, Community Development Corporations, Downtown Improvement Districts or similar entities.

Each KIZ is required to submit a written statement which sets forth the roles, responsibilities and contributions, both financial and non-financial, of each member of the KIZ Partnership. This written statement can be in the form of a 1) memorandum of understanding, 2) statement of cooperation, 3) partnership agreement, 4) operational plan or any similar document which identifies each partner’s role with respect to the operations and administration of the KIZ. Documents shall be signed by each member of the KIZ Partnership and submitted to the Program Manager for retention; counterpart signature pages are acceptable. Any and all changes to the existing KIZ Partnership (i.e., the inclusion of new or removal of existing partners) shall be captured in a new document and submitted to the Program Manager.

Companies seeking to participate in the KIZ program must meet the program's criteria as set forth in the enabling legislation (*12 Pa. C.S. § 3701, et seq. (2004)*). To participate in the program and to be qualified as a KIZ company, a company must be a for-profit business entity which is all of the following:

- Located within a keystone innovation zone
- Has been in operation for less than eight years and
- Falls within one of the targeted industry segments (sectors) adopted by the keystone innovation zone partnership in its strategic plan.

Grant funding is provided by the BFTDA while the day-to-day oversight and administration of the KIZ program is provided by the DCED staff person assigned to oversee the KIZ program (KIZ Program Manager).

#### **D. Geographic Boundaries of a KIZ**

Geographic boundaries approved to date are unique to each Zone and have been approved based on several factors including but not limited to the following: proximity to university and/or college partners, availability of and access to business incubators or accelerators, connectivity to existing research facilities, availability of ready-to-occupy, below-market rate facilities that are either owned or operated by a Zone's economic development partners such as industrial development corporations, chambers of commerce, economic development corporations or industrial partners.

#### **E. Targeted Industry Sectors**

A list of targeted industry sectors has been developed based on: 1) the DCED commissioned IBM Study which identifies Pennsylvania's competitive industry sectors, 2) types of KIZ companies currently participating in the KIZ program and 3) the KIZ Tax Credit Applications submitted to date. The formal list of targeted industry sectors is available upon request.

#### **F. KIZ Tax Credit Program**

The KIZ Tax Credit program provides up to \$25 million annually in tradable KIZ Tax Credits for those companies who qualify under the KIZ program. Eligible KIZ companies can apply for up to \$100,000 in tradable tax credits annually. In order for a KIZ company to apply for KIZ Tax Credits, the company must adhere to the KIZ Tax Credit Program Guidelines and be up-to-date with their semi-annual reporting which is due on or before January 15th and July 15th of each calendar year. Semi-annual reports are to be submitted to DCED through the KIZ Force reporting portal. KIZ Company's who fail to report their semi-annual metrics will be prohibited from applying for a tax credit for that particular year.

For KIZs to maintain Tax Credit eligibility for their companies, a KIZ Partnership must send a letter to DCED by July 15th of each year, stating they are intact, confirm who the KIZ Coordinator is and what services they plan on providing through the KIZ. A KIZ will no longer be eligible to offer the KIZ tax credit program to their companies should the KIZ Partnership dissolve, thus causing the KIZ and its designation to no longer exist.

## **G. KIZ Designation**

In accordance with the KIZ enabling legislation, applications for the implementation and designation of a KIZ were to be submitted to DCED on or before July 1, 2007. Between May of 2004 and October 2007, a robust network of 29 KIZs was established; no additional KIZs will be designated.

Should a KIZ partnership determine that it is no longer feasible to participate in the KIZ program, the KIZ partnership shall submit a letter to the Program Manager notifying him/her that the KIZ is no longer operational. Dissolution of a KIZ will prohibit a KIZ Company from participating in the KIZ Tax Credit Program.

Further, dissolution of a KIZ will impact the KIZ's institution of higher education(s) when applying for either IG or KISK. Program guidelines for the IG and KISK programs indicate that KIZ participating institutions of higher education will be given preference.

## **Section II – KIZ Competitive Grant Program**

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The KIZ Competitive Grant Program is a competitive grant program and is available to only the network of 29 KIZs. No other applicants are eligible to participate in this grant program.

### **A. Funding Authority**

Funding for the KIZ Competitive Grant Program is contingent upon the Technology Development Authority's fiscal year appropriation by the Pennsylvania General Assembly and subsequent distribution of such funds by the Technology Development Authority.

### **B. Eligible Uses of Funds**

The KIZ Competitive Grant Program may provide funding for programmatic activities associated with a particular KIZ or a collaborative effort of two (2) or more KIZs. In an effort to promote partnerships, support entrepreneurship and commercialization efforts, the KIZ Competitive Grants shall be used for, but not limited to, the following activities:

1. Support business plan competitions, educational seminars and workshops that benefit KIZ companies or KIZ-partnering institutions of higher education.
2. Provide capital in the form of grants or low-interest loans to KIZ companies.
3. Support the placement of interns at KIZ companies.

The foregoing examples are not all-inclusive. It is the intention of the Technology Development Authority, TIO and the Program Manager that the applicant will develop a creative, innovative approach and supporting programs, offering a variety of services and/or capital to assist a KIZ Company with commercialization activities and overall growth.

Applicants shall be permitted to utilize the KIZ Competitive Grant to pay for costs incurred as a result of the DCED-required Project Audit and/or Grant Closeout requirements, if applicable.

### **C. Ineligible Uses of Funds**

KIZ Competitive Grants cannot be used for the following:

1. Salaries and fringe benefits of the KIZ Coordinator or other staff associated with the administration or operation of the KIZ
2. Travel
3. Overhead costs
4. Building construction or renovation
5. Support of non-KIZ companies or non-KIZ partners

### **D. KIZ Strategic Plan**

Each KIZ is required to develop and implement a Strategic Plan which shall be approved by the KIZ board and uploaded to KIZ Force, the standard reporting tool for the KIZ program. KIZs that do not have a KIZ-board approved Strategic Plan uploaded on KIZ Force prior to submitting an application to DCED for participation in the KIZ Competitive Grant Program are prohibited from participating in the competitive funding cycle.

Modifications to existing Strategic Plans, regardless if funding is received through this competitive grant program, shall be approved by the KIZ board and uploaded to KIZ Force with the date of modification visible.

### **E. Budget and Match Commitment**

The Budget and Match Commitment sections of the application will be scored independent of each other by the KIZ Subcommittee. Each category is worth a total of ten (10) points.

Each application shall include a clear statement of the accomplishments to be achieved with the funds and how that relates to the KIZ-board approved Strategic Plan. Each application shall also demonstrate the following:

1. The amount of funds being requested from the Technology Development Authority for the KIZ Competitive Grant
  - a. Identify the impact the funding will have on the KIZ (including but not limited to: jobs created/jobs retained/funds leveraged/companies created)
2. The time-frame for which funds shall be expended
3. A 1:1 cash match is required for this program. Applications that demonstrate a higher percentage of cash match will receive a higher percentage of points for purposes of this section. At least 50% of the cash match must be from non-state sources.
4. The salary of a KIZ Coordinator is an acceptable form of cash match. The percentage of time committed to administer the programs outlined in the application shall be documented. Only the time committed to administer such programs shall be counted as match.
5. While encouraged, in-kind match shall not be counted as cash for purposes of this program. In-kind match shall be easily identified and tracked and directly related to the stated goals and objectives of the programs to be funded through the KIZ Competitive Grant program.

## **F. Contract Terms**

Grant contracts for the KIZ Competitive Grant Program shall be for an initial period of 18 months. One (1) option to extend the terms of the contract for a period of six (6) months may be granted by the TIO. Detailed, written justification for the contract extension shall be submitted to the TIO for review and consideration. If the funds allocated to the KIZ Coordinator are not expended on or before the expiration of the grant contract, including the extension period, the unused portion of funds shall be returned to the Technology Development Authority.

Any interest earned on the grant contract between the Technology Development Authority and the KIZ Coordinator must be returned to the Technology Development Authority.

## **G. KIZ Partnership Support and Memorandum of Understanding**

With respect to the KIZ Competitive Program, the non-profit grantee shall submit a signed Memorandum of Understanding when submitting the competitive grant application which outlines:

1. the KIZ Board supports the submission of the grant application
2. the operations of the KIZ are to be financially supported by the KIZ Coordinator and/or its partners
3. the KIZ remains intact and operational whether funding is awarded or not to the KIZ through the Competitive Grant Program
4. the KIZ Coordinator and its supporting Board and partners understand that in order to be eligible for KIZ Tax Credits, the KIZ Companies located within a particular KIZ shall continue to report semi-annually to the DCED through KIZ Force or any other reporting method as prescribed by the KIZ Program Manager.

# **Section III – BFTDA Funding, Reporting Requirements and Grant Close-out Procedures**

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## **A. Application Submission**

The application for a KIZ Competitive Grant shall be submitted to DCED utilizing the Single Application for Assistance. Applications shall be submitted to DCED on or before September 22, 2010. The application deadline is contingent on the Technology Development Authority's fiscal year appropriation by the Pennsylvania General Assembly and subsequent distribution of such funds by the Technology Development Authority.

1. The Single Application must be completed on line by accessing [www.newPA.com](http://www.newPA.com). Click on "Find Incentives & Apply for Funding" then click on "Single Application for Assistance".
2. Applications must be submitted on line to DCED from the KIZ Fiscal Agent with a letter of support by the KIZ Board Chair.

3. The application signature page must be submitted in hard copy to:

Department of Community and Economic Development  
Technology Investment Office  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

4. Please reference the WEB ID number on any documents with the signature page.

5. Program Inquiries should be directed to:

Sheri Collins  
Technology Investment Office  
717-346-7046

Or

Yesenia Rosado  
Technology Investment Office  
717-346-7742

6. All inquiries related to completion and submission of a Single Application, including technical difficulties with the website, shall be directed to the DCED Customer Service Center at 1-800-379-7448, 717-787-3405, or [ra-dced@state.pa.us](mailto:ra-dced@state.pa.us)

## **B. Narrative**

Each Single Application should also include a detailed narrative or proposal of no more than ten pages. Pages must be numbered. Font should be 12 pt. (Times New Roman). To be eligible, the narrative shall address Section II above, items A through G, specifically. Additionally, each application shall provide:

1. A brief description of the KIZ and the programs currently provided by the KIZ.
2. The KIZs semi-annual reporting metrics since inception as well as the deliverables presented to the Technology Development Authority at each stage of the KIZs lifecycle.
3. Milestones, quantifiable goals and objectives to be achieved including successful project implementation.

The KIZ Subcommittee reserves the right to seek additional information from the applicant, if needed.

## **C. Budget**

Applicants shall refer to Section II above, specifically items B, C and E, when preparing the budget and identifying how the KIZ Competitive Grant funds and all match will be used.

## **D. Approval Process**

1. **Receipt.** Upon receipt of the application and required supporting material, the KIZ Subcommittee will review the application and score it accordingly. A maximum score of 110 is available and only those applications who score 66 or above will be considered for funding.

2. **Review.** The KIZ Subcommittee will review the application and determine whether it meets the required parameters outlined in these guidelines. Higher priority will be given to applications which contain or address the following:
  - a. A project that demonstrates broad collaboration within their KIZ partnership and with other KIZs.
  - b. A project with strong cash match.
  - c. A strong plan for sustainability for the zone and the proposed program beyond the receipt of the KIZ Competitive Grant.
3. **Approval.** DCED will approve funding of the applications contingent upon the Technology Development Authority's appropriation from the General Assembly and Technology Development Authority Board approval of KIZ Competitive Grant funding.
4. **Notification.** DCED, specifically the Technology Investment Office (TIO), will notify the successful applicants.
  - a. The applicant must certify that it will comply with the Commonwealth's non-discrimination policy.
  - b. The applicant and its principals must be current in payment of all state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms thereof.

## E. Post-Approval Process

Following approval by the BFTDA Board, the Program Manager will issue a funding commitment letter to the grantee, which must be signed and returned as instructed in the commitment letter.

Following receipt of the signed commitment letter, the Program Manager will initiate a grant contract agreement between BFTDA and the grantee. This grant contract agreement will include the scope of work, budget, and match as approved by the BFTDA Board and will be subject to any conditions or contingencies dictated by the BFTDA Board or the Program Manager. The grant contract agreement will detail additional requirements with which the grantee must comply, including but not limited to: competitive bidding and subcontracting requirements, project audit or financial grant closeout report, maintenance of records, and investment of grant funds in an interest bearing account.

The grant contract agreement and any subsequent amendments will not be executed until all of the following have been resolved to the satisfaction of Program Manager:

1. The grantee must have a valid SAP vendor number and profile on record with Pennsylvania's Central Vendor Management Unit (CVMU), which matches the address used on the application. Grantees can create a new profile in this system or add a new location to an existing profile by registering online at <https://www.vendorregistration.state.pa.us/cvmu/paper/GranteeRegistration.aspx>.
2. The grantee must be in compliance with DCED's Audits and Compliance Division relative to the submission of audits and/or financial grant closeout reports on any previous contracts with DCED, regardless of the program or funding source.
3. The grantee must be current in payment of all state and local taxes unless it has entered into an agreement satisfactory to the respective taxing authority and is fully in compliance with the terms thereof.

4. The grantee must certify that it will not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age, or sex.

After the grant contract agreement has been fully executed, payments to the grantee will be made through the Pennsylvania Electronic Payment Program (PEPP). Within 10 days following execution of the grant contract agreement, the grantee must submit or must have already submitted a PEPP Enrollment Form. [http://www.oit.state.pa.us/bfm/lib/bfm/ACH\\_Enrollment\\_Form\\_05-2007.pdf](http://www.oit.state.pa.us/bfm/lib/bfm/ACH_Enrollment_Form_05-2007.pdf).

The Program Manager will monitor the activities of the KIZ and the grant contract agreement to ensure that the grantee fulfills the conditions of the grant, including obtaining the stated match. Upon request and as required by the grant contract agreement, the grantee must furnish the Program Manager with all data, reports, contracts, documents, and other information relevant to the activities of the KIZ.

The Program Manager will promptly advise the BFTDA Executive Director and the BFTDA Board of any failure in performance by the grantee.

1. The BFTDA Board may empower the Program Manager to engage in any and all activities required in order to ensure that the conditions of the contract are fulfilled, including, but not limited to, appropriate legal action when required.
2. If it is determined that the grantee provided any material misrepresentations or funds were used for activities not permitted under the terms of the grant contract agreement, the grantee contract agreement will be considered in default and immediate repayment will be demanded. In addition, the matter may be referred to the appropriate authorities for investigation.

## **F. Semi-Annual Reports and Grant Close Out Requirements**

### **1. Semi-Annual Reports**

- a. All recipients of funds are required to provide semi-annual reports quantifying the progress toward accomplishing approved deliverables.
  - i. Reporting periods run from 07/01/20XX to 12/31/20XX and 01/01/20XX to 06/30/20XX.
  - ii. Semi-annual reports are due on or before January 15th and July 15th for the reporting period immediately preceding the due date.
- b. Performance data provided in the semi-annual reports shall be limited to the impact that occurred as a result of and attributable to KIZ grant investment in the project. The semi-annual reporting metrics for the KIZ program include:
  - i. Increased Employment (job creation)
  - ii. Retention of Existing Jobs (job retention)
  - iii. Businesses Assisted
  - iv. Leverage of Additional Funding - Private and Public
  - v. New Company Formation
  - vi. Development and Commercialization of New Products
  - vii. Expanded Research, Development, Testing, and Evaluation
  - viii. Intellectual Property and Licensing

- ix. Increased Revenues
- x. Increased Productivity
- xi. PA Graduates and Job Placement
- xii. Placement of Internships and Fellowships
- xiii. Case studies
- xiv. Other project-specific deliverables as requested by the Program Manager
- c. The grantee may submit any other data, descriptions, or material that documents the accomplishments of the project.
- d. All KIZ Coordinators are required to submit semi-annual reports through KIZForce or as directed otherwise by the Program Manager.
- e. Reporting shall continue for a minimum of three (3) years from the grant contract agreement expiration date or as otherwise required.

## **2. Financial Grant Closeout**

- a. All grant recipients will be required to submit financial documentation to close out the project
  - i. If the grant amount is \$100,000 or greater, the grantee must submit an independent project audit to DCED's Audit and Compliance Division no later than 120 days after expiration of the grant contract agreement.
  - ii. If the grant amount is less than \$100,000, the grantee must submit a Grant Closeout Report to DCED's Audit and Compliance Division no later than 30 days after expiration of the grant contract agreement.
- b. Non-compliance with this requirement may prevent the grantee from obtaining funding or payment from any DCED-administered grant and/or loan programs.