



Creating a “National Center of Excellence”

October 10
2012

*Alaska Agriculture, Manufacturing, Business, Industrial, and Technology
Incubator and Business Park*

The Alaska AMBIT Program, Inc.
Contact: Tom Myers
5313 Arctic Boulevard, Suite 210
Anchorage, Alaska 99518
www.ambit.cc • ambit_team@ambit.cc

Executive Summary

The federal government established a program called National Centers of Excellence (NCOE) for the creation and maintenance of business incubators and business/industrial parks in 2003. The goal of this program is to help states and local governments create economic development opportunities through assisting entrepreneurs with business start-up, assist universities with research technology transfer & commercialization, and provide seed & venture capital to entrepreneurs & established businesses. To date only Utah and Georgia have been able to acquire resources out of the \$30 Billion fund due to the stringent requirements of the application process and the ability to match the federal funds with local contributions.

New York is currently applying for these funds and has the goal of establishing a business incubator/technology park in each and every county in the state. Alaska Manufacturing Extension Partnership (AMBIT) has the goal of establishing a NCOE to be known as AMBIT as a partner in our current programs and to provide the start-up assistance needed by local entrepreneurs. To this end AMBIT is developing a plan to acquire funding through the NCOE program and is in need of local private and governmental matching funds. AMBIT is also working with the development team at the state of Utah and Georgia to mirror our plan with their successful programs.

One of Alaska's main needs is to have a virtual incubator available to entrepreneurs statewide. Utah has already invested some of their funds in the creation of a software program that hosts a virtual incubator and has pledged to share this technology with Alaska. This combined with AMBIT's E-commerce program will tie together the training and technology that has been made available to village entrepreneurs with a process to build their businesses and market their products.

Utah's NCOE program is also driving technology transfer from the university to the commercial market with the requirement that manufacturing must remain in-state. To date, not a single research study in the University of Alaska system has been commercialized successfully in the state, but twelve research related products have been commercialized outside of Alaska according to the office of technology transfer.

Financial Needs

The NCOE program grants require matching funds on a 1 to 1 basis from state and local sources. There are two options to consider in the creation of Alaska's NCOE. One is aggressive and focused on bringing Alaska up to par with the incubation/business park systems in many other states and the other is a plan of slower steady growth. The financial needs will be based on which plan is accepted.

Options:

Aggressive – Acquire property for Incubator and Business Park.

Growth – Lease remainder of Saddlers building and seek additional space as incubated companies, research, and R&D grow out of building space.

The pro's and con's of each plan break out as follows:

Aggressive Pro's

- Capital assets needed for growth can be acquired up-front leveraging the matching federal funds.
- Space needed for growth will be owned and leased to generate additional revenue.
- Alaska will be seen as a cutting edge, entrepreneur friendly location to do business.
- Approximately 90 new jobs will be created in the first year with an average of 50-70 new jobs each year thereafter.
- An incubator/business park campus will be created.

Aggressive Con's

- Costs are high, especially in the first year of operations and capital acquisition takes place.
- State, local, and private funding sources will have to amass over \$7 Million to access the federal funds.

Growth Pros

- Cost of program is half of the aggressive plan.
- Slower growth is easier to manage.

Growth Cons

- Expansion will be limited and growth can only occur if NCOE is able to acquire additional space.
- Ability to access additional federal funding may be limited as additional states request funds.
- Only approximately 50 new jobs will be created in the first year with an additional 15-20 each year thereafter.

Targeted Sources of Capital

NCOE Program – Half of the money needed will come through this matching fund.

Foundations – NCOE program will fulfill many of the stated goals of the foundations and add to economic development projects.

State of Alaska – Oil revenues can be targeted at establishing new sources of tax revenue by building a manufacturing base and enhancing business growth.

Other Private Funding – Opportunity for Alaskan leaders to make their lasting mark on economic development and give back to the Alaska-wide community.

Benefits of Establishing an Alaskan NCOE

Alaskan Economic Development – Connecting Services

Enhancing economic development, especially in rural Alaska, is always on everyone's mind and there are a number of projects that seek to accomplish this goal, but there is no program that pulls all of these projects together to make it as seamless and easy for the entrepreneur and business person. AMBIT does a great job of assisting business owners to increase productivity and it helps small businesses such as village artisans through training programs and access to the internet through the E-commerce centers. Springboard is doing a great job in the connecting of Alaskan companies to Department of Defense markets. But no one is helping the Alaskan entrepreneur with taking an idea all the way through the business process to the point of the creation of a product or service and then helping them to market it. The NCOE will fill that role.

Technology Transfer and Rapid Commercialization

This has been long dreamed of with no realization. Alaskans have funded research projects at the university level only to see the benefits of that research leave the state to be commercialized someplace else. This has caused the manufacturing base (not including oil products) to remain the smallest of any state in the union including Rhode Island. Other states have tapped into the research being conducted at their universities and turned it into profit centers for the university and the state through technology transfer and commercialization through innovation and business incubation. Penn State has spun off four incubators in the last ten years, each of which are earning millions in profit and they are almost ready to spin off a fifth.

Alaska has the ability and the research projects to make technology transfer and commercialization a rapid success but it needs a location close to the largest market in Alaska to make this a reality. For example, let's examine the impact of the Radio Frequency Identification (RFID) program at UAA. Two entrepreneurial professors built the logistics program and the RFID lab out of meager funds. This has led to a 47 Million dollar Department of Defense/Defense Logistics Agency project centered in Alaska.

Connections to Nation-wide Economic Development Programs

The lack of an incubator/business park has cost the Alaskan economy millions of dollars in lost opportunities. It is not only the entrepreneurs who leave the state to find locations more friendly and supportive of their endeavors, it is also the projects that get funded by large corporations and the federal government who don't even consider Alaska as a possibility due to our inability to compete with other state programs...because we don't even have one.

The Alaskan NCOE will change all of that and funding is available so that we do not have to shoulder the costs by ourselves. The benefits are great and there are some risks, but the costs for doing nothing are far greater to our economic stability and the drain of our entrepreneurial spirit which is currently has nowhere to go but out of the state.

Further Development

As the AMBIT project begins to build steam over the next two years and we utilize the E-commerce program in rural Alaska to spur business growth, two other phases begin to take shape of the overall plan. First, the other small incubators, such as the one in Kenai, in operation around the state start to work in tandem with AMBIT to attain greater outreach to rural communities and we begin to build the actual business park. Space in Anchorage is limited so the initial property acquired for AMBIT will house the smaller scale businesses, but large and open spaces will be needed to create a true manufacturing center.