

February 23, 2015

Mr. David Corliss  
Lawrence City Manager  
6 E. 6th Street  
Lawrence, KS 66044

Mr. Craig Weinaug  
Douglas County Administrator  
1100 Massachusetts  
Lawrence, KS 66044

Re: BTBC West Facility  
4950 Research Parkway  
Lawrence, KS 66049

Gentlemen:

We are providing this brief response in follow up of our various communications the past several months regarding the BTBC West facility. As you are aware and as we have reported to the BTBC board, with the completion of construction of the Phase II on the KU Main Lawrence campus in 2014, BTBC is transitioning into a more aggressive company creation, recruitment, and retention phase. We plan to add to the thirty-four companies in the BTBC innovation and entrepreneurial system.

Pertinent to this expansion strategy is the future role that the West facility should play. The next several years will be critical in identifying what that role should be.

When the West facility was acquired in 2010 by the City of Lawrence and Douglas County the purposes were distinct and clear, viz., (i) community retention of an emerging major bioscience company, as an anchor tenant, offering modern specialized laboratory and office space for that company to grow, (ii) provide expansion space for the BTBC Main facility on KU's research campus, if necessary, and (iii) development of an important nexus to KU's bio-refining Center for Environmentally Beneficial Catalysis (CEBC), which is headquartered immediately adjacent to the West facility, and offering unique commercialization space for KU.

All of these purposes were successfully achieved. CritiTech remained in Lawrence and has grown, significantly expanding its employee base, although it has since graduated into its own building in North Lawrence. The West facility has provided important laboratory and office space to numerous companies, now four, when space was not available in the BTBC Main facility. One of those companies is Archer Daniels Midland (ADM), recruited to Lawrence as part of its collaborative relationship with CEBC; it has established its Lawrence operations in the West facility tripling its space since 2012.

In 2014 BTBC conducted an engineering study and drafted a business analysis to determine the changes needed in the West facility to strengthen its appeal to companies such as ADM. The conclusion is that significant infrastructure investment is needed to exploit its value as a multi-tenant commercialization facility serving the economic development needs of the City and County. This should be part of a longer term assessment of the facility.

At present, the West facility, both plant and location, offers many good benefits and amenities, some of which constituted the original purposes, noted above. We believe the continued strengthening of BTBC's partnership with the University of Kansas in areas of earth, energy, and environment offers great potential to attract private industry for which the facility could be an important asset. We also believe it is useful to have expansion space available especially as the BTBC Main facility achieves full occupancy in the next several years.

Our business analysis indicates, however, in light of the facility's specialized laboratories and limited size (the leasable square footage is less than 15,000) some level of public support will always be needed even if the infrastructure changes are made as recommended in the engineering study, noted above. Whether that is a priority for the City and County, as part of a long term economic development plan, needs to be determined as part of an extended assessment period.

When the West facility was acquired in 2010 the underlying financing structure provided for bond payments to be made, jointly, by the City and County with a token semi-annual lease payment made by BTBC. That payment plan adjusts in 2015 when BTBC is scheduled to assume the bond payment, in full. This adjustment was based on the assumption that the facility would retain its initial anchor tenant with additional smaller tenancies if space was available. It was also assumed the initial five year period would be sufficient for BTBC, the City and County, to make a meaningful determination of the facility's long term value as an economic development asset.

Additional time is needed for this assessment. Consequently, we request that the bond payment structure of the last five years be extended for an additional three years through 2017. Under this proposed extension the City and County would continue to make the bond payments with semi-annual lease payments provided by BTBC. BTBC would continue to make the ad valorem tax payments to Douglas County during this time as has been the case the last five years.

This extension would allow BTBC, the City, and the County to more carefully assess the long term market potential of the West facility including exploration of greater utilization by the University of Kansas as a commercialization repository. It would also provide ample time for the City and County to make a determination of the economic development viability of retaining the facility as part of its portfolio of real estate and commercialization opportunities for companies seeking to relocate or establish Kansas starter operations in Lawrence and Douglas County. The extension would also allow BTBC to continue to direct its limited budget resources to create new companies, such as Foster Care Technologies, and recruit firms, like Simcro, to move their business operations to Kansas.

Thank you for considering our request.

We are enthused about the progress of BTBC the past five years. Our engagement with KU has been a significant development; KU continues to be our region's most viable economic development engine. The BTBC coalition of government, business, and university is unique, regionally and nationally. This collaboration offers critical leveraging of assets among these stakeholders that allows us to achieve things that would not be possible without this partnership. As we project the next several years we see significant opportunities to boost our economic development metrics of companies, jobs, payroll, and tax base. We would like to determine, together with you, how the West facility plays into that future.

Thank you for your partnership support.


Very truly yours,



G.R. Underwood, President



Adam Courtney, VP of Finance



E. LaVerne Epp, Executive Chair