

PUBLIC NOTICE

DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. will be held on Tuesday, August 9, 2011, in the Abilene Life Sciences Accelerator, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED: 
Richard Burdine, Asst. City Manager for Economic Development

AGENDA

August 9, 2011
1:30 p.m.

Abilene Life Sciences Accelerator
1325 Pine St.

1. Call the meeting to order.
2. Approval of minutes from the July 26, 2011, board meeting.
3. Executive Session: Pursuant to Tex. Gov't Code Sec. 551.087, an executive session may be held (1) to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision (1). After discussion in executive session, any action or vote will be taken in public.

Pursuant to Tex. Gov't Code Sec. 551.072, an executive session may be held to discuss the possible exchange, lease, or value of real property associated with a project to be funded by the DCOA since deliberation in open session would have a detrimental effect on the DCOA's negotiations with a third party. After discussion in executive session, any action or vote will be taken in public.

Pursuant to Tex. Gov't Code Sec. 551.071, an executive session may be held to consult with the DCOA attorney regarding pending or contemplated litigation or a settlement offer regarding DCOA funded projects or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Government Code. After discussion of the contemplated legal matters in executive session, any action or vote will be taken in public.

4. Discussion and possible approval of a resolution authorizing approval of a bid and funding for installation of fire suppression systems in Hangars 0 and 1 at the Abilene Regional Airport occupied by Eagle Aviation Services, Inc.
5. Discussion and possible approval of a resolution authorizing approval of bids and funding for installation of domestic water line, additional fire hydrants and fire line at the Abilene Regional

- Airport to service the hangars occupied by Eagle Aviation Services, Inc.
6. Discussion and possible approval of a resolution authorizing assistance for Project ML.
 7. Adjournment.

CERTIFICATE

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of Abilene, Texas, on the _____ day of _____, 2011, at _____.

City Secretary

NOTICE

Persons with disabilities who would like special assistance or need special accommodations to participate in this meeting should contact Department of Economic Development, (325) 676-6390, at least forty-eight (48) hours in advance of this meeting. Telecommunication device for the deaf is (325) 676-6360.

DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD MEETING MINUTES
JULY 26, 2011

MEMBERS PRESENT: Paul Cannon Mike Schweikhard
Marelyn Shedd

MEMBERS ABSENT: Scott Senter Dani Ramsay

STAFF PRESENT: Richard Burdine Kim Tarrant
Dan Santee Don Green
Melissa Murphy

GUESTS PRESENT: Bill Ehrie, Abilene Industrial Foundation
David Todd, Enprotec/Hibbs & Todd
Jaime Adame, Abilene Reporter-News
Michael Sanders, TMAC/TTU
Marlisa Goldsmith, KRBC

1. **CALL TO ORDER.** Paul Cannon called the meeting to order at approximately 1:34 pm in the conference room of the Abilene Life Sciences Accelerator, 1325 Pine Street, Abilene, Texas.
2. **APPROVAL OF MINUTES FROM THE JULY 12, 2011 BOARD MEETING.** Mike Schweikhard moved to approve the minutes from the July 12, 2011 board meeting. Marelyn Shedd seconded and the motion carried.
3. **STATUS OF FUNDS REPORT FOR JUNE 2011.** In the absence of a Finance Dept. representative, Richard Burdine reviewed the financial information. Total assets as of June 30, 2011, were \$62.5 million while total liabilities were \$365,974. The total fund balance was \$62.1 million, and of that, the undesignated fund balance for economic development was \$10.4 million. The two largest revenue items were sales tax of \$737,390 and rental income of \$72,137. The largest expenditures were a \$540,000 payment to Tower Tech and \$343,838 for the design, construction and fire safety of Eagle Aviation's new hangar.
- 4a. **EXECUTIVE SESSION.** I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, .072, and .087 to consult with our legal counsel, discuss real property transactions, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Paul Cannon announced the date is July 26, 2011, and the time is 1:40 p.m. Mr. Cannon later announced the date is still July 26, 2011, and the time is 2:19 p.m. No vote or action was taken in Executive Session. A five-minute break was taken and the meeting resumed in open session.

5. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING ADDITIONAL FUNDING FOR THE TEXAS MANUFACTURING ASSISTANCE CENTER (TMAC).** Dr. Michael Sanders with Texas Tech University (TTU), presented information on the Texas Manufacturing Assistance Center's (TMAC) request for additional funding. TMAC West Texas is located in Lubbock and is affiliated with TTU, serving 93 surrounding counties. TMAC places emphasis on small to mid-sized manufacturers and works with a wide range of individual firms delivering training, providing technical assistance and implementing best business practices.

The DCOA has assisted with funding for TMAC several times in the past, authorizing \$7,500/company/fiscal year for a two-day training program. In October 2008, the board approved \$60,000 through FY11 at the same \$7,500/company/year rate. As of June 30, 2011, \$34,000 remains unfunded. This year TMAC revised its program in Abilene to add a third “jump start” day to ensure the client companies begin transformation immediately, giving them an initiation phase to ensure sustainability. This third day of training requires additional funding/company/fiscal year.

TMAC is requesting the DCOA amend the current agreement with \$34,000 remaining to allow assistance for three companies through September 2011 at the increased rate of \$11,000/company/year for the new 3-day program. TMAC also requests the board authorize funding of \$198,000 through FY13 at the new rate of \$11,000/company/year. This breaks down to funding eight companies (\$88,000) in FY 12 and ten companies (\$110,000) in FY13 from the DCOA’s assistance. Dr. Sanders indicated that TMAC helps additional companies each year, not just what the DCOA funds.

Staff recommends the DCOA amend the current agreement with \$34,000 remaining to allow assistance for three companies through September 2011 at the increased rate of \$11,000/company/year for the new 3-day program. Staff also recommends the DCOA fund only one fiscal year at a time (\$88,000 for FY12) and evaluate TMAC annually for contract reporting and compliance.

A motion was made by Marelyn Shedd to approve Resolution No. DCOA-2011.20 to amend the current contract through FY11 to increase the rate of funding for each company to \$11,000 and fund FY12 at \$88,000 for 8 companies. Mike Schweikhard seconded and the motion carried.

- 6. DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING FUNDING FOR DESIGN AND INSTALLATION OF A FIRE APPARATUS ROAD TO SERVICE THE HANGARS OCCUPIED BY EAGLE AVIATION SERVICES, INC.** One of the fire safety issues identified during the pre-construction phase of Hangar 4 is the need for better fire fighting access to the rear of Hangars 0 and 4 and the EASI Parts & Records Building. A plan was developed for a fire access road with an estimated construction cost of \$125,000.

Thomas Hicks Construction, the general contractor, proposed a construction cost of \$117,973 for the fire access road. The additional funding will be provided through a change order to their contract. Funding is also needed to cover the cost of surveying and engineering for this project in the amount of \$12,500, for a total funding request of \$130,473.

Mike Schweikhard moved to approve Resolution DCOA-2011.21 as presented. Marelyn Shedd seconded and the motion carried.

- 7. DISCUSSION AND POSSIBLE APPROVAL OF A BID FOR INSTALLATION OF DOMESTIC WATER LINE, ADDITIONAL FIRE HYDRANTS AND FIRE LINE TO SERVICE THE HANGARS OCCUPIED BY EAGLE AVIATION SERVICES, INC.** On July 19, 2011 the only two bids that were received on this project were opened. The budget for these elements of the project is \$684,000. The low bid was \$734,996 and the high bid was \$1,069,846. Both bids were over budget, plus the second bid is 46% higher than the first, indicating a lack of consistency between the bids. A minimum of three bids is preferred with the price range between the

low and high bids being no more than 20%. Staff recommends the DCOA reject all bids for the above reasons.

In order to get more competition on the domestic water line portion of the project, staff recommends dividing the project into two parts for bidding purposes: domestic water service lines and fire service lines. This will allow more contractors that are not certified for the fire service portion of the work to bid on the domestic water line part only.

A motion was made by Marelyn Shedd to reject all bids and divide this project into two parts for bidding purposes as presented. Mike Schweikhard seconded and the motion carried.

- 8. CONSIDER APPROVAL OF MARKETING ASSISTANCE AS AN INCENTIVE FOR RECRUITING A SECOND AIR CARRIER TO ABILENE.** In the past the City of Abilene has competed successfully for U.S. Dept. of Transportation's Small Community Air Service Development (SCASD) grants. Unfortunately the last grant expired before Abilene was able to recruit an air carrier. The Abilene Regional Airport's Director of Aviation and his staff have prepared a grant application to submit a SCASD on August 2, 2011. The Airport has an incentive policy that allows all airport fees to be waived for a new carrier for up to two years; however these incentives alone are not enough to attract an air carrier.

Staff requests the DCOA Board approve \$200,000 marketing assistance as an incentive for recruiting a second air carrier to Abilene. If the City does not get a SCASD grant this year, staff recommends the DCOA's commitment remain in place for another SCASD grant application next year or recruiting a second air carrier without a SCASD grant, if possible. The DCOA commitment would end after two years on September 30, 2013 if a second air carrier hasn't been recruited to Abilene by then.

Marelyn Shedd moved to approve Resolution No. DCOA-2011.22 as presented. Mike Schweikhard seconded and the motion passed.

- 4b. EXECUTIVE SESSION.** I hereby announce we are going *back* into Executive Session pursuant to Texas Government Code Sections 551.071, .072, and .087 to consult with our legal counsel, discuss real property transactions, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Paul Cannon announced the date is July 26, 2011, and the time is 3:14 p.m. Mr. Cannon later announced the date is still July 26, 2011, and the time is 3:45 p.m. No vote or action was taken in Executive Session.

- 9. ADJOURNMENT.** There being no further business the meeting was adjourned.

Paul Cannon, President

DEVELOPMENT CORPORATION OF ABILENE, INC.

BOARD AGENDA

MEETING DATE: August 9, 2011

PROJECT: Consider approval of bids for installation of fire suppression systems in Hangars 0 and 1 occupied by Eagle Aviation Services.

STAFF: Richard Burdine, CEO

BACKGROUND

During pre-construction review for Hangar 4, it was determined that the existing foam/water fire suppression system in Hangar 0, constructed in 1999, does not work properly and needs significant upgrades. In addition, Hangar 1 does not currently have a fire suppression system, which is needed to ensure the safety of EASI's employees as they work on the aircraft. The engineers working on the fire safety issues currently being addressed estimated a cost of \$500,000/ea for the two systems, a total of \$1 million.

Hangar 4, the new hangar currently under construction, also requires a foam/water fire suppression system. The original estimate for installation was also \$500,000 to be paid by Thomas Hicks Construction, the general contractor, through the construction contract.

In April 2011, the DCOA approved resolution 2011.14 authorizing \$13,500 to Coker Engineering, LLC to design fire suppression upgrades for Hangar 0, fire suppression system in Hangar 1, and a fire suppression system in Hangar 4. Bids for all three projects were opened on Friday, August 5th. Thomas Hicks Construction will approve the \$538,882 bid for Hangar 4 and adjust his contract amount accordingly.

THE REQUEST

The estimated total fire safety project cost is \$3,150,000 for all three fire suppression systems, water line extension, fire service line and additional hydrants installation, fire pumps and pump house installation, and two 100,000 gallon ground storage tanks. The two bids received are outlined below:

Contractor	Hangar 0 Fire Suppression Bid	Hangar 1 Fire Suppression Bid	Total Bid
Automatic Fire Protection	\$553,115	\$569,822	\$1,122,937
The CFP Group	\$540,196	\$667,740	\$1,207,936

Staff proposes awarding the bid to Automatic Fire Protection at a total cost of \$1,122,937 for Hangars 0 and 1. Also proposed is funding for the bid amount, an 8% contingency, and for items related to Hangar 1 installation but contracted separately:

1. \$26,742 – Thomas Hicks Construction for construction of the “lean-to” on the north side of the Hangar 1 necessary to house the fire riser, and
2. \$4,880 – The CFP Group for stub-in of the fire riser in preparation of installation.

TOTAL - \$31,622

FISCAL IMPACT

Hangar 0 fire suppression system upgrades	\$ 553,115
Hangar 1 fire suppression system install	\$ 569,822
Contingency at 8%	\$ 89,835
Related costs for Hangar 1	<u>\$ 31,622</u>
TOTAL	\$1,244,394

STAFF RECOMMENDATION

Staff recommends approval of resolution DCOA-2011.23 authorizing bid award to Automatic Fire Suppression in the amount of \$1,122,937 plus an 8% contingency of \$89,835 and \$31,622 for related items for the installation of fire suppression systems in Hangars 0 and 1 at the Abilene Regional Airport.

ATTACHMENTS

Resolution DCOA-2011.23

S:\DCOAM\Meeting Memos\FY 2011\EASI fire supp for Hngars 0 & 1 8-9-11.DOC

RESOLUTION NO. DCOA-2011.23

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING A BID AWARD AND FUNDING FOR INSTALLATION OF FIRE SUPPRESSION UPGRADES IN HANGAR 0 AND FIRE SUPPRESSION SYSTEM IN HANGAR 1 AT THE ABILENE REGIONAL AIRPORT OCCUPIED BY EAGLE AVIATION SERVICES, INC.

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and,

WHEREAS, during pre-construction review for Hangar 4, it was determined that several fire safety issues must be addressed in order to proceed with construction; and,

WHEREAS, Coker Engineering, LLC, was contracted to design fire suppression systems for Hangars 1 and 4 and fire suppression upgrades for Hangar 0; and,

WHEREAS, bids for all three projects were opened on Friday, August 5, 2011, with two bidders submitting bids; and,

WHEREAS, Automatic Fire Protection is the apparent low bidder; and,

WHEREAS, staff proposes the DCOA approve bids for fire suppression in Hangars 0 and 1.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes award of a bid to Automatic Fire Protection for fire suppression upgrades in Hangar 0 and fire suppression system installation in Hangar 1. Also authorized is funding of One Million Two Hundred Forty-Four Thousand Three Hundred Ninety-Four and no/100's Dollars (\$1,244,394) as follows:

Hangar 0 fire suppression system upgrades	\$ 553,115
Hangar 1 fire suppression system install	\$ 569,822
Contingency at 8%	\$ 89,835
Related costs for Hangar 1	<u>\$ 31,622</u>
TOTAL	\$1,244,394

The related costs for Hangar 1 are:

1. \$26,742 – Thomas Hicks Construction for construction of the “lean-to” on the north side of the Hangar 1 necessary to house the fire riser, and
 2. \$4,880 – The CFP Group for stub-in of the fire riser in preparation of installation.
- TOTAL - \$31,622

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 9th day of August, 2011.

ATTEST:

Marelyn Shedd
Secretary/Treasurer

Paul Cannon
President

APPROVED:

T. Daniel Santee, City Attorney

S:\DCOA\Resolutions\FY 2011\2011.23 EASI fire supp Hngs 0 & 1 8-9-11.DOC

DEVELOPMENT CORPORATION OF ABILENE, INC.

BOARD AGENDA

MEETING DATE: August 9, 2011

PROJECT: Bids for installation of domestic water line, additional fire hydrants and fire line to service hangars occupied by Eagle Aviation Services, Inc.

STAFF: Richard Burdine, CEO

BACKGROUND

On July 19, 2011, two bids to accomplish this project were opened. The budget for these elements of the project is \$684,000, including the alternative bid to complete the fire loop; the low bid was \$734,996 and the other bid was \$1,069,846. With both bids being over budget and a \$334,850 (46%) "swing" between the two bids indicating a lack of consistency between bids, the DCOA voted on July 26, 2011, to reject both bids. The project was re-bid with the domestic water line portion of the project split out from the fire service lines in order to get more competitive bids.

The instructions to bidders established a schedule for the contractors to meet that coincides with the hangar schedule so that the required domestic water line and fire service lines will be operable and capable of filling the water storage tanks concurrent with the completion of Hangar 4. Note that the water main extension from SH 36 does not have to be completed in order to fill the ground storage tanks; they can be filled temporarily from the existing 10 inch domestic water main.

THE REQUEST

New bids were opened on Friday, August 5th. Two bidders submitted as shown below:

Contractor	Domestic Water Line Bid	Fire Service Line/Fire Loop and Hydrants Bid	Total
Starks Construction	\$374,932	\$275,964	\$650,896
Bowles Construction Co.	\$454,869	\$310,431	\$831,976

We were disappointed to receive only two bids but one bid was under budget and the "swing" between the two bids was closer than before at \$181,044 (28%). Staff proposes awarding the bid to Starks Construction at a total cost of \$650,896. Also proposed is funding authority for the bid amount, an 8% contingency, and items related to the fire safety improvements being performed:

1. \$23,750 – Starks Construction for installation of fire line piping under the fire access road,
2. \$ 6,314 – Thomas Hicks Construction for installation of electrical conduit under the fire access road,
3. \$55,267 – Thomas Hicks Construction for electrical service for the pumphouse.

TOTAL - \$85,331

FISCAL IMPACT

Domestic water line extension	\$374,932
Fire service line install and additional hydrants	\$275,964
Contingency at 8%	\$ 52,072
Related fire safety items	<u>\$ 85,331</u>
TOTAL	\$788,299

STAFF RECOMMENDATION

Staff recommends approval of resolution DCOA-2011.24 authorizing bid award to Starks Construction for the domestic water line extension and installation of the fire services lines and hydrants in the amount of \$650,896 plus an 8% contingency of \$52,072 and \$85,331 for items related to the fire safety improvements being performed at the Abilene Regional Airport.

ATTACHMENTS

Resolution DCOA-2011.24

S:\DCOA\Meeting Minutes\FY 2011\EAST Hangar water lines & hydrants funding 8-9-11.DOC

RESOLUTION NO. DCOA-2011.24

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING A BID AWARD AND FUNDING FOR INSTALLATION OF A DOMESTIC WATER LINE, FIRE LINE AND FIRE HYDRANTS TO SERVICE FIRE SUPPRESSION NEEDS AT THE ABILENE REGIONAL AIRPORT FOR HANGARS OCCUPIED BY EAGLE AVIATION SERVICES, INC. (“EASI”).

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and,

WHEREAS, during pre-construction review for Hangar 4, it was determined that several fire safety issues must be addressed in order to proceed with construction; and,

WHEREAS, on July 19, 2011, two bids were opened for extension of a domestic water line, and installation of a fire line and fire hydrants to service hangars occupied by EASI; and,

WHEREAS, on July 26, 2011, the DCOA rejected both bids due to the bids being over budget, and a \$334,850 “swing” between the two bids indicated a lack of consistency between the bids, thus the DCOA requested the project be re-bid with the domestic water line work split out from the fire line work to possibly attract additional bidders; and,

WHEREAS, on August 5, 2011, the re-bids for the split project were opened, with two bidders submitting bids; and,

WHEREAS, Starks Construction is the apparent low bidder; and,

WHEREAS, staff proposes the DCOA approve a bid for water and fire line and fire hydrants work.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes award of a bid to Starks Construction for extension of a domestic water line and installation of a fire service line with additional fire hydrants to service the hangars occupied by EASI. Also authorized is funding of Seven Hundred Eighty-Eight Thousand Two Hundred Ninety-Nine and no/100’s Dollars (\$788,299) as follows:

Domestic water line extension	\$374,932
Fire service line install and additional hydrants	\$275,964
Contingency at 8%	\$ 52,072
Related fire safety items	<u>\$ 85,331</u>
TOTAL	\$788,299

The related fire safety items totaling \$85,331 are:

1. \$23,750 – Starks Construction for installation of fire line piping under the fire access road,
2. \$ 6,314 – Thomas Hicks Construction for installation of electrical conduit under the fire access road,

3. \$55,267 -- Thomas Hicks Construction for electrical service for the pumphouse.

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 9th day of August, 2011.

ATTEST:

Marelyn Shedd
Secretary/Treasurer

Paul Cannon
President

APPROVED:

T. Daniel Santee, City Attorney

S:\DCOAResolution\FY 2011\2011.23 EASI file su9pp1Higs 0 & 1 8-9-11 DOC

DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD AGENDA
MEETING DATE: August 9, 2011

PROJECT: **Project ML**

STAFF: **Richard Burdine, CEO**

BACKGROUND

We have been working with the Dean of the TTUHSC School of Pharmacy (SOP) to relocate a faculty member from the Lubbock campus to the Abilene campus to become a member of the Center for Immunotherapeutic Research team. This is a very positive step for Abilene and the SOP as this faculty member has a very good track record of winning grants from the National Institutes of Health and is a well-respected researcher.

Recruitment of this faculty member is also a very positive step for our biotech commercialization program. He comes with intellectual property for organic accelerants for microbial growth. The technology has broad commercialization potential around which a company was recently formed. The proposed DCOA assistance, in addition to private sector investment of \$1,000,000, is intended to support rapid development of several products for which a market demand is well established.

THE REQUEST

Project ML job creation is proposed to be 13 jobs within 3 years with salaries as shown below. Assistance will be paid in arrears over 3 years:

Project ML - Job Creation Incentives

Annual Salary Level*	Number of Jobs	Incentives per Job	Incentives Total
\$30 to \$40,000	6	\$ 10,000	\$ 60,000
\$40 to \$50,000	5	\$ 12,000	\$ 60,000
\$50 to \$60,000	0	\$ 15,000	-
Over \$60,000 (below)	2	35%	\$ 91,000
Total:	13		\$ 211,000

Management Positions	Annual Salary Level*
Over \$60,000	
VP for Sales & Mktg @ \$110k/year	\$110,000
President @ \$150k/year	\$150,000
Total Salaries:	\$260,000

* Calculations based on salaries provided without non-mandatory benefits.

Project ML capital investment is projected to be \$660,000; \$60,000 for equipment being relocated to Abilene and up to \$600,000 in new equipment purchases. Staff recommends up to \$66,000 (10%) of capital costs be reimbursed based on the appraised value of relocated equipment and actual invoices for new equipment over the term of the Agreement for Financial Assistance with reimbursement in any one year not to exceed \$22,000 (1/3 of the capital investment incentive).

Project ML relocation assistance not to exceed \$20,000 is recommended to help the company president relocate laboratory equipment and his household from Lubbock to Abilene.

Once in full production Project ML will lease approximately 3,200 square feet of lab space in the Abilene Life Sciences Accelerator at \$30.00/s.f./year; initially approximately 2,000 square feet of lab space will be occupied. The prospect asked that rental payments be deferred during the first 12 months of a 36-month lease, to be fully paid over the last 24 months of the lease, allowing them to begin making lease payments closer to the time when they begin generating revenue.

FISCAL IMPACT

Job Creation Incentive	\$ 211,000
Capital Investment Incentive	\$ 66,000
Relocation Assistance	\$ 20,000
TOTAL Incentives	\$ 297,000

STAFF RECOMMENDATION

Staff recommends DCOA Board approval of Resolution DCOA-2011.25, authorizing DCOA assistance of up to \$297,000, and a 36-month lease in the ALSA with terms as outlined above, contingent on the company providing a firm commitment for private investment of \$1,000,000. The agreement will also include a “claw back” provision requiring that the total amount of incentives paid to the company be refunded to the DCOA if the company leaves Abilene before the end of the 5th year of the agreement.

This provision is justified with early-stage biotech companies because, unlike a traditional manufacturer establishing a new plant, clients of the Abilene Life Sciences Accelerator (ALSA) are relieved of major capital investment in Abilene with ALSA facilities and equipment provided at a subsidized lease rate, and the capital equipment a company may buy with private funds can be easily relocated. Also early-stage biotech companies are very “portable” in that their tenancy in the ALSA is relatively short because they are expected to “graduate” into market rate space within 3 to 5 years when their intellectual property has been commercialized.

Lastly, unlike a private investor, the DCOA is barred by state law from taking an ownership interest in the company in exchange for its investment. Therefore the DCOA won’t receive a monetary return on investment (ROI) if the company is sold at a profit. The ROI for the Abilene community is retention of jobs beyond the term of the agreement and help developing the critical mass of research activity needed for the Abilene biotech sector to be self-sustaining in the long term.

ATTACHMENTS

Resolution DCOA-2011.25

RESOLUTION NO. DCOA-2011.25

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING FINANCIAL ASSISTANCE FOR PROJECT ML.

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and,

WHEREAS, staff has been working with the Dean of the TTUHSC School of Pharmacy (SOP) to relocate a faculty member from the Lubbock campus to the Abilene campus to become a member of the Center for Immunotherapeutic Research team; and,

WHEREAS, recruitment of this faculty member is also a very positive step for Abilene's biotech commercialization program because he comes with intellectual property for organic accelerants for microbial growth, the technology of which has broad commercialization potential around which a company was recently formed; and,

WHEREAS, private sector investment of \$1,000,000 along with DCOA assistance is intended to support rapid development of several products for which a market demand is well established, which will result in the creation of 13 new jobs within 3 years; and,

WHEREAS, staff requests the DCOA authorize an assistance package for Project ML in the amount of \$297,000.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes financial assistance for Project ML in the amount of Two Hundred Ninety-Seven Thousand and no/100's Dollars (\$297,000) in exchange for the creation of 13 new jobs and capital investment by the company of \$660,000.

Also approved is a lease for lab space in the Abilene Life Sciences Accelerator of initially 2,000 sq ft, which will expand to 3,200 sq ft at \$30/sqft/year. Rental payments will be deferred during the first 12 months of a 36-month lease, to be fully paid over the last 24 months of the lease, allowing Project ML to begin making lease payments closer to the time when they begin generating revenue.

The funding assistance is contingent on the company providing a firm commitment for private investment of \$1,000,000. The agreement will also include a "claw back" provision requiring that the total amount of incentives paid to the company be refunded to the DCOA if the company leaves Abilene before the end of the 5th year of the agreement.

The funding assistance shall be disbursed as follows:

Job Creation – up to \$211,000 for 13 jobs within 3 years with salaries as shown below. Assistance will be paid in arrears over 3 years:

Project ML - Job Creation Incentives

Annual Salary Level*	Number of Jobs	Incentives per Job	Incentives Total
\$30 to \$40,000	6	\$ 10,000	\$ 60,000
\$40 to \$50,000	5	\$ 12,000	\$ 60,000
\$50 to \$60,000	0	\$ 15,000	\$ -
Over \$60,000 (below)	2	35%	\$ 91,000
Total:	13		\$ 211,000

Management Positions	Annual Salary Level*
Over \$60,000	
VP for Sales & Mktg @ \$110k/year	\$110,000
President @ \$150k/year	\$150,000
Total Salaries:	\$260,000

* Calculations based on salaries provided without non-mandatory benefits.

Capital Investment – up to \$66,000 paid at 10% of Project ML’s estimated capital investment of \$660,000 (\$60,000 for equipment being relocated to Abilene and up to \$600,000 in new equipment purchases). The assistance will be reimbursed based on the appraised value of relocated equipment and actual invoices for new equipment over the term of the Agreement for Financial Assistance with reimbursement in any one year not to exceed \$22,000 (1/3 of the capital investment incentive).

Relocation Assistance – up to \$20,000 to help the company president relocate laboratory equipment and his household from Lubbock to Abilene .

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 9th day of August, 2011.

ATTEST:

 Marelyn Shedd
 Secretary/Treasurer

 Paul Cannon
 President

APPROVED:

 T. Daniel Santee, City Attorney