

California's Regional Technology Alliances

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California's Regional Technology Alliances (RTAs) are public-private partnerships whose mission is to encourage the development of technology-based businesses. There are three RTAs, located in San Francisco, Los Angeles, and San Diego. The RTAs receive a portion of their funding from the Office of Strategic Technology (OST) within the California Trade and Commerce Agency. OST's mission is to support the development, application, and commercialization of technology to create jobs, respond to industry changes, and foster competitiveness.

OST issued a solicitation for proposals to establish three additional RTAs in October 1998. The purpose of the solicitation is to determine the viability and appropriate placement of future RTAs. The three geographic regions identified for alliances are: the Capital Area including El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba counties; the Desert Area including San Bernardino, Riverside and Imperial counties; and the Valley Area, including Reseno, Madera, Merced, San Joaquin, Stanislaus, Kings, and Kern counties.

Background

In 1993, the California legislature created the Defense Conversion Council (DCC) to serve as a policy-making body and central clearinghouse for all base reuse and defense conversion programs. The DCC was charged with setting up Regional Technology Alliances and approving projects for funding under the state's Defense Conversion Matching Grant program. The legislature allocated \$5.5 million from the Petroleum Violation Escrow Account (a repository for settlement payments from 1970s oil overcharges) for the program, which provided matching grants to California non-profit organizations, public agencies, consortia, and, businesses for projects qualifying for federal defense adjustment funding.

The program was initially designed to provide matching funds for California projects applying for funding from the Technology Reinvestment Project. OST provided staff support for the council.

The DCC held a competition and selected organizations to operate the RTAs in December 1993. The three locations for the RTAs were specified in the legislation creating the DCC. The RTAs were responsible for evaluating and ranking proposals submitted by organizations and companies within their region for funding under the Defense Conversion Matching Grant program. In 1995, the Defense Conversion Matching Grant Program was broadened to provide matching grants for any federal proposal. The program, now known as the California Technology Investment Partnership Program (CalTIP), is designed to accelerate the commercialization of new technologies, developed with federal research and development funds. The annual appropriation for CalTIP is \$6 million; approximately \$1 million funds the operation of the RTAs. The RTAs continue to administer CalTIP at the regional level but in addition, the mission of the RTAs has broadened to provide a range of services to technology-based businesses.

Program Description

The RTAs raise and leverage funds from multiple public and private sources to support technology development, commercialization, and industry competitiveness. They are:

- **The Bay Area Regional Technology Alliance (BARTA)**
A non-profit consortium devoted to encouraging technology-based economic development in the San Francisco Bay area, BARTA's sponsors include the East Bay County Economic Development Alliance for Business, the Bay Area Economic Forum, and Silicon Valley Defense/Space Consortium.
- **The Los Angeles Regional Technology Alliance (LARTA)**
A nonprofit corporation that serves the five county Los Angeles region, LARTA's sponsors include the Economic Development Corporation of Los Angeles County, California State University Institute, and the University of Southern California. LARTA has a board of directors drawn from the private and educational sectors.
- **The San Diego Regional Technology Alliance (SDRTA)**
A non-profit corporation that assists emerging technology-based companies, SDRTA conducts analysis that promotes technology-based economic development, and acts to catalyze public-private partnerships that link technology companies with community needs. Sponsors include an industry-led Board of Directors comprised of local elected officials and representatives of economic development agencies.

Services

The RTAs provide technology-based companies with access to technical and business service providers, information on current and upcoming state and federal funding opportunities and technology assistance programs. They also seek to facilitate technology transfer from government laboratories to and among local companies, link smaller companies with larger firms, and assist emerging companies in finding sources of equity financing. Services include:

- *Information services.* A function of the RTAs is to improve communications and exchange of information and best practices among small, technology-based companies in their regions. In addition, the RTAs seek to link their clients with potential investors, service providers, customers, and business partners. LARTA, for example, has set up Global California, an interactive and transaction-based web site that will enable firms to find strategic corporate partners, useful products and services, and new global markets. Global California is one component of LARTA's Global Technology Partners (GTP) program. GTP includes key public and private technology organizations in Europe and Asia.
- *Financial assistance services.* The RTAs help businesses access federal R&D programs, especially the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. They manage locally the CalTIP program, awarding grants through a competitive, merit-based selection process, monitoring performance of CalTIP grantees and linking them to sources of additional assistance. The SDRTA helps link small businesses with sources of public and private resources through a program called Project Mercury.

The RTA's also assist firms in gaining access to private capital.

- BARTA, for example, has been designated as ACE-Net's northern California Network Operator. ACE-Net is a national Internet-based network established by the U.S. Small Business Administration, to link entrepreneurs with potential individual investors — people often referred to as “angel” investors.
- SDRTA has created an advisory committee to assist with the sponsorship, organization, capitalization, and operation of one or more venture capital funds to supply early stage capital to technology-based manufacturing ventures in the southern California region. In order to leverage its resources, the fund will operate as a Small Business Investment company (SBIC).
- LARTA is investigating the possibility of a “blend” fund, combining equity and other growth capital for the many private companies who do not fit the mold for venture capital funding. The fund may include universities and the RTA as formally affiliated partners.

The RTAs sponsor investor conferences and help small companies form business alliances with larger firms.

➤ LARTA developed and continues to present the Southern California Technology Venture Forum. Approximately 15 – 16 early-stage companies are profiled each year for an audience of potential investors. The program, in its 4th year, has attracted considerable attention, primarily because of the mentoring provided for six weeks leading up to the forum, during which companies are counseled on their plans and presentations and their search for equity capital from the private market.

➤ BARTA co-sponsored an environmental capital forum in San Francisco in 1998, at which environmental technology companies were able to present their business plans to an audience of private and institutional investors. The investor group was organized by the Environmental Capital Network, a national network based in Ann Arbor, Michigan. This forum will again be held in San Francisco in February 1999.

- *Management and business development assistance.* The RTAs also link emerging, technology-based businesses to sources of management and business assistance services.
 - BARTA has established two programs to help entrepreneurs turn technologies into businesses. Under a cooperative program with the Small Business Institute of the California State University at Hayward (CSUH), firms can receive help in developing a marketing plan, defining a new market for an existing technology or developing a manufacturing strategy for a high-tech product. Teams of graduate business students under faculty supervision carry out the work. BARTA has found the program to be effective and is planning to extend it to other campuses around the Bay area. BARTA and CSUH are also providing business training for technical entrepreneurs, a program funded by California's Employment Training Panel.
 - LARTA has piloted a SMART Forum (Strategic Mentoring and Revitalization Training), which links private consultants with small technology-based companies.

The RTAs are also actively involved with a number of local incubators. LARTA is located in the Annenberg Incubator and BARTA staff serve on the Boards of an environmental incubator located on property that was the former site of the Alameda Naval Air Station, and a telecommunications incubator located in Oakland.

- *Community outreach.* The SDRTA has created a Techtropolis 2010 initiative aimed at providing the San Diego community with access to and information about the ideas and technologies that are rapidly shaping San Diego's future. Techtropolis 2010 currently encompasses four community-based projects. They are:
 - Community centers – the RTA is providing support to community-based organizations to provide public access to computers.

- Tech-Museum – the RTA is working to develop a downtown museum that would showcase technologies developed in the San Diego region.
 - Teaching Technology – the RTA provides speakers who can address technology-based topics. The project is designed to encourage youth to think creatively about the role of technology in their future.
 - Technology Tours – The RTA works with local schools and community centers to introduce students to technology careers.
- *Industry cluster support.* The RTA's also provide support to the industry clusters located in their region. The clusters differ in terms of how organized they are. Some have established trade organizations; others have no formal organization. The RTAs provide networking opportunities for firms within the industry clusters. The OST, with funding from the U.S. Department of Commerce's Economic Development Administration, supports specialists to work with specific industries, such as the biomedical industry and the software industry.
 - The SDRTA is supporting a pilot workforce development program targeted at the local electronics manufacturing and communications industry cluster. The program is a joint effort of the San Diego Regional Economic Development Corporation and the San Diego Community College system. It is anticipated that the results of the pilot project can be applied to workforce development issues impacting other industry clusters. SDRTA also has funded the development of a regional economic development information system to improve the region's understanding, and use of industry cluster data.
 - LARTA worked with industry consultants hired by the state with EDA funds, to develop a broad-based study of the market for the multimedia industry in Southern California. This effort allowed firms within the industry to come together and identify issues facing the industry and to initiative activities designed to foster the growth of the industry. One outcome has been the development of Digital Coast Inc., a nonprofit organization based in Los Angeles, whose members include representatives of the new media and Internet community throughout the Los Angeles area. In addition, LARTA has been involved in the creation of the Integrated Media Systems Center at the University of Southern California, an NSF-funded Engineering Research Center.
 - For the past two years, BARTA has worked closely with the US Display Consortium, which is located in San Jose. The Consortium was formed jointly by the Information Display industry and the Defense Advanced Research Projects Agency (DARPA) to support the development of the display industry in the U.S. BARTA provided oversight for an industry-wide project to create a "road map" for the information display industry.

Organizational Structure

Each RTA is a 501(c)3 nonprofit organization governed by a public-private board of directors. In establishing the RTAs, the state did not prescribe the membership of the Board other than to require that it be industry-driven. State government does not have voting representation on the Boards, although staff of the Office of Strategic Technology is invited to and attend Board meetings.

Each RTA has a staff of 3-5 professionals. The RTAs reach a large number of firms annually but work with a small number of clients, often CalTIP clients, on an in-depth basis. BARTA and the SDRTA report that they reach approximately 1,000 clients annually through workshops, conferences, and information services. LARTA works with 2,500 – 3,000 companies annually.

Funding

The RTAs receive between \$220,000 to \$450,000 in funding annually from the Office of Strategic Technology. Each state dollar must be matched by at least \$2 in non-state funding. Matching funds, which can be cash or in-kind, are provided by local governments, private businesses or other sponsors. While the RTAs are publicly funded, they expect to leverage private support over time. BARTA has just received its 501(c) (3) designation, which will enable it to solicit tax-deductible donations. BARTA is also in the process of developing a fee for services programs. LARTA has been a 501(c) (3) for three years, but in 1997 separated from its previous host, the Los Angeles Economic Development Corporation (LAEDC), to become an independent organization. Over the long-term, the RTAs expect to become self-supporting.

Accomplishments

Since the start of the program, 119 CalTIP grants have been awarded, averaging \$200,000 each. A total of \$29 million of state funds has leveraged approximately \$210 million each of federal and private sector dollars. The OST reports that approximately 20,000 direct jobs have resulted from these investments.

Lessons Learned

The RTAs were originally established to assist defense contractors seeking to transition to commercial markets. As California's economy recovered, it became clear that the focus on defense conversion was too narrow. The RTA's, as a result, had to broaden their mission to supporting and encouraging technology-based economic development. In addition, the RTAs were initially conceived as organizations that would provide "traditional" technology transfer services such

as helping firms identify and access technology from universities, federal laboratories and other research organizations. They found that what their clients need is not access to technology or help with technical issues, but help in creating a business based on a technology or technology product. Entrepreneurs and emerging businesses need access to capital, markets, and management. They also need access to timely and accurate information. The RTAs are now focused on helping emerging companies find the resources they need.

A major role of the RTAs is to manage CalTIP. CalTIP provides early stage financing for small technology companies; however, it has become clear that RTA clients need access to private capital as well. Recognition that obtaining early-stage financing is one of the major problems faced by growing businesses, the RTAs are working to find additional ways to help companies access private capital markets.

The RTA directors acknowledge that there is a trade-off between working in-depth with a small number of companies versus trying to serve a large client base. The RTAs are focusing on building relationships with companies to help them grow recognizing that the number of companies they can work with given present staffing and resources is limited. Both LARTA and BARTA are moving toward working with a small number of key clients and trying to provide access to information and services to a much wider audience through the Internet using mechanisms such as Global California.

Lastly, forming alliances with other organizations is critical to success. The RTAs achieve their objectives through partnerships and alliances with large number of organizations within their respective regions.

Challenges

The RTAs greatest challenge is survival. Building support for the program is difficult for several reasons. First, there is no generally accepted premise that the public sector should be involved in creating new businesses. Providing support to emerging companies has not been viewed traditionally as a public sector responsibility. Convincing policymakers that the public sector has a role to play requires time and effort. Second, the program was established during a period of crisis. California's economy was feeling the impact of defense downsizing, base closings and a general downturn in the electronics industry. The program was developed to respond to this crisis. Today, California's economy has recovered and is once again experiencing healthy growth. While this may make it difficult to convince people that there is a need for the program in a state like California that is home to so many technology-based businesses, many realize that the key to sustainable growth is the creation of new companies.

The RTAs survival will depend on their ability to establish themselves as a critical resource for growing technology-based companies in their regions. LARTA's approach has been to serve as an advocate and instigator, supporting

the operation of strong, privately supported programs. The RTAs are also seeking to become a key source of information on emerging industry sectors allowing them to serve as an important spokesperson on the development of the regional economy. In the case of San Diego, the community sees support for small emerging technology-based companies as a cornerstone to the region's future. Over time, their reliance on public sector support is expected to decline.

Second, it is politically difficult to operate a program on a regional, i.e. multi-county, level. At the local level, jurisdictions often consider themselves economic development competitors. A challenge for the RTAs will be to maintain alliances and partnerships throughout the region, particularly in an environment in which traditional economic development organizations are beginning to focus on technology-based economic growth.

Finally, it is difficult to implement a statewide program that responds to the individual needs of very diverse geographic areas. The three regions differ greatly in terms of demographics and industry mix. The RTA model will most likely evolve somewhat differently in each region.

For additional information, contact:

Office of Strategic Technology
CA Trade and Commerce Agency
200 E. Del Mar Street, Suite 204
Pasadena, CA 91105
626/568-9437
www.goldstrike.org

Bay Area Regional Technology
Alliance (BARTA)
39550 Liberty Street
Fremont, CA 94537
510/354-3902
www.barta.org

Los Angeles Regional Technology
Alliance (LARTA)
EC2, The Annenberg Incubator
Project
746 W. Adams Blvd., Suite 107
Los Angeles, CA 90089-7727
213/743-4150
www.larta.org

San Diego Regional Technology
Alliance (SDRTA)
225 Broadway, Suite 1250
San Diego, CA 92101
619/615-1050
www.sdrta.org