

THE POWER OF PLACE



**A NATIONAL STRATEGY
FOR BUILDING AMERICA'S
COMMUNITIES OF INNOVATION**



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POLICY RECOMMENDATIONS

- **Establish American Innovation Zones:** The Innovation Zones would serve as the centerpiece of efforts to modernize the U.S. approach to fostering competitive research and development. Innovation Zones are a critical next step towards American competitiveness, encouraging research in such a way as to accelerate investment and economic development around research clusters. The Innovation Zone approach envisions establishing objective criteria for national innovation assets, including research parks, technology incubators, universities, federal laboratories, and adjacent properties, and then providing regulatory reforms and economic incentives for their accelerated development.
- **Enact Federal Innovation Zone Partnership Program:** The federal government should establish a plan to competitively create research centers within the Innovation Zones that would require matching grants from state governments, local governments and private industry. These centers would focus on areas of high national needs, including energy research, homeland security, food safety, and global climate change.
- **Build Sustainable Communities of Innovation:** Incentives for sustainable 'smart growth' development should be central to establishing American Innovation Zones. The U.S. Department of Housing should explore best practices nationally to encourage density and mixed-use development in American Innovation Zones in urban areas, which will encourage researchers and entrepreneurs to live where they work, and reduce sprawl.
- **Encourage Federal Leasing and Federal Lab Construction in Innovation Zones:** The federal government should target federal leases for research and federal lab construction and related activities within American Innovation Zones.
- **Reform Federal Tax Provisions for Facilities Funded by Tax-Exempt Financing:** Current federal policy on corporate sponsored and/or funded research performed in facilities funded through tax-exempt bonds unduly restricts flexibility in negotiating corporate intellectual property (IP) rights. Eliminating the current IRS restrictions or increasing the safe harbors under IRS regulations in American Zones of Innovation to allow greater flexibility in intellectual property negotiations will improve U.S. competitiveness, and increase the likelihood that corporate R&D will stay in the U.S.
- **Create Enhanced Preferences for Small Business Innovative Research (SBIR)/Small Business Technology Transfer (STTR) and National Institute of Standards and Technology (NIST) Technology Innovation Program (TIP):** The federal government should provide incentives to small technology start-up companies located in American Zones of Innovation to be awarded SBIR, STTR, and NIST's new TIP contracts and grants. Cluster development, collaboration, and targeting the benefits of federal research dollars will provide incentive for new investment in the Innovation Zones, and improve the quality of research through greater cooperation among public and private researchers.
- **Solidify the Tax Benefits for Research and Development:** By reauthorizing the research and development tax credit, Congress will return the U.S. to an even playing field with many of its global competitors for research investment. Beyond this first step, Congress should offer an enhanced benefit for companies that perform their research within an Innovation Zone, or who contract with Innovation Zones entities for research or development.
- **Expand Enhanced Use Leasing (EUL) Authority:** Expand current enhanced use lease authority to all federal agencies to create more American Innovation Zones adjacent to federal labs.
- **Establish a Federal Technology Foundation**
A federal technology foundation should be established to work with government managed federal labs. A foundation modeled on existing university research foundations could enable these laboratories to more effectively commercialize technology and use existing federal research assets for local technology-led economic development.
- **Develop Comprehensive Government-wide Database**
Access to a government-wide database on all federal R&D funding is necessary to ensure that important national innovation assets are properly understood and leveraged for technology innovation.
- **Fully Fund the America COMPETES Act**
The U.S. Congress took a great step forward in passing the America COMPETES Act in 2007. The Act authorizes a substantial federal investment in high risk, high reward research and improves funding to many of the U.S. science agencies. Research institutions and companies in Innovation Zones stand to benefit from the America COMPETES Act, but the Act has not been fully funded by Congress. The new Administration and the next Congress must make funding the America COMPETES Act a priority.
- **Import Innovation:** Research parks and incubators in American Innovation Zones should be targeted to recruit foreign technology companies using 'soft landing' techniques similar to those pioneered by the National Business Incubation Association (NBIA).
- **Welcome Human Innovation Capital to the U.S.:** In order to ensure continued retention of highly-skilled researchers and technicians, the U.S. must offer competitive immigration incentives that welcome foreigners into our Communities of Innovation, and retain their talents through the H-1B visa process.

