

Ann Arbor City Council Regular Session: August 18, 2014
Email Redactions List Pursuant to Council Resolution R-09-386

	A	B	C	D	E	F	G
1	<u>Sent Time</u>	<u>Received Time</u>	<u>TO</u>	<u>From</u>	<u>CC</u>	<u>Redactions</u>	<u>Reason for Redaction</u>
2		10:21 PM	Sumi Kailasapathy, Sabra Briere, Sally Petersen, Jane Lumm, Christopher Taylor, Stephen Kunselman, Margie Teall, Jack Eaton, Chuck Warpehoski, Mike Anglin, John Hieftje	Kai Petainen		Email address	Privacy

Alexa, Jennifer

From: Kai Petainen [REDACTED]
Sent: Monday, August 18, 2014 10:21 PM
To: Kailasapathy, Sumi; Briere, Sabra; Petersen, Sally; Lumm, Jane; Taylor, Christopher (Council); Kunselman, Stephen; Teall, Margie; Eaton, Jack; Warpehoski, Chuck; Anglin, Mike; Hieftje, John
Cc: rabhiy@ewashtenaw.org; smithd@ewashtenaw.org
Subject: SPARK public thoughts tonight at council
Attachments: spark concerns aug182014.pdf

Dear council, attached are my public comments tonight about SPARK.

I spoke about the stuff in green (to make it under 3 minutes), and the other information is provided to give you more clarity on what I said.

-kai

Mayor, Council Members, and "Mayor Taylor" (sincere congrats):

Recently, I came to city council and noted how an official government report stated that 711 jobs were attributed to SPARK. SPARK confirmed that number and they went on to clarify that the 711 jobs came from the **Business Acceleration** portion of their business. But, SPARK also went on to say that the 13,024 job projection number came from the **Business Development** portion of their business. So, there are two major parts to SPARK's business – an acceleration side and a development side.

On SPARK's FAQ page, they state:

<http://www.annarborusa.org/FAQ>

"A recent report by the MEDC shows that SPARK companies created 711 jobs from 2005-2013. SPARK's annual report shows that SPARK companies created 13,024 jobs from 2005-2013. Why is there a discrepancy between these figures?"

*There isn't a discrepancy between the numbers. The 711 jobs are not included in the 13,024 jobs that SPARK reported in its annual report. The **711 jobs are those tied to SPARK business accelerator** programs that are funded by MEDC's 21st Century Jobs Fund. The **13,024 jobs are those tied to SPARK business development programs** that are not funded by MEDC and are not included in this MEDC report."*

But, what does the Business Acceleration portion of the business do? This is the side that they claim the 711 jobs are from. This is taken from the 2012 990 tax form and it lists what the 711 side of the business does.

*"The SPARK **Business Accelerator** speeds up the development of start-ups in the region with a variety of valuable services designed to shorten the time required to attract capital, customers, or other resources. Ann Arbor SPARK offers entrepreneurial education and training, consulting services, incubator space, in addition to a variety of events designed to provide networking and learning opportunities. Ann Arbor SPARK also manages various investment and microloan funds which support innovative, start-up companies in the Ann Arbor region in order to accelerate company development. Investments and Microloans made in 2010 account for over \$4million of the \$6.7million of program service revenue"*

In other words (based on the tax form) the Acceleration portion of the business offers education, training, consulting, networking, incubator space and loans that are needed for start-ups. The 711 jobs come from this portion of the business.

There are two large problems with SPARK's statement that the 13,024 job projection comes from the business development side of the business.

1. SPARK increased their job projection number from 13,024 jobs to 17,474 jobs. In the official job report to the Governor, it listed a job projection number of 4,450 jobs. Since SPARK claims that the official job report only covers the acceleration portion of their business, then the 4,450 job projection number belongs to that side of the business. It's important that we don't double-count jobs. If we add the 13,024 jobs from the development side of the business with the 4,450 jobs from the acceleration side of the business, then it creates a new job projection number of 17,474 jobs. Instead of 13,024 jobs, SPARK should articulate and account for 17,474 jobs.
2. SPARK states that 13,024 jobs come from the development side of the business, but does this contradict with what their IRS tax form states? The 2013 990 IRS tax form doesn't list 13,024 jobs, but 1,509 jobs. In particular, under the 'Business Development' portion of the business on the 990 tax form, the tax form states, "45 company growth projects with a projected investment of \$148M, and 1,509 jobs projected by the companies". If SPARK is claiming 13,024 jobs under the development side, yet their tax form (also on the development side of the business) states 1,509 jobs, then why is there a difference?

This is what is written in the 990 tax form for SPARK:

*"Business Development (Expansion, Attraction, Retention) - SPARK maximizes potential jobs and capital investment in the region, and helps grow the region's GDP through the retention and expansion of established driving industry companies and the targeted attraction domestically and internationally of similar companies that fit the region's identified clusters. This is done by regular communication with local business to determine their needs, making key business introductions, assisting with site selection, collaboration with local municipalities, and assisting companies/working with local academic partners to communicate talent needs. 45 company growth projects with projected investment of \$148M, and **1509 jobs projected by the companies.**"*

If we take the job projection numbers from the official job report on the acceleration side (4,450 jobs) and add those to the job projection numbers provided by the IRS tax report on the development side (1,509 jobs), then that creates a total of 5,989 projected jobs (according to government records). However, of the 5,989 jobs that were projected, that only represents 34% of the 17,474 projected jobs.

Thanks for listening to my concern,

-kai

Kai Petainen, Ann Arbor, Michigan