

LDFA

Annual Report FY 2015

The Ann Arbor/Ypsilanti SmartZone Agreement requires in Section 3.05 that the Authority provide, within 30 days of the end of the Authority's fiscal year, ..the Cities with an annual report and audited financial statement which must include a] a summary of the Authority operations – number of businesses assisted, number of businesses located/expanding in the SmartZone, number of on-going and completed commercialization projects, and amount of investments in the SmartZone; b] use of TIF funds during the prior fiscal year of the Authority; c] proposed use of TIF funds for the next fiscal year of the Authority; d] any modifications sought to the SmartZone Agreement or the TIFP, and e] any other information which MEDC or the Cities want to include in the annual report.

PURE MICHIGAN[®]

SMARTZONE[™]
Ann Arbor/Ypsilanti



Michigan's SmartZonesSM



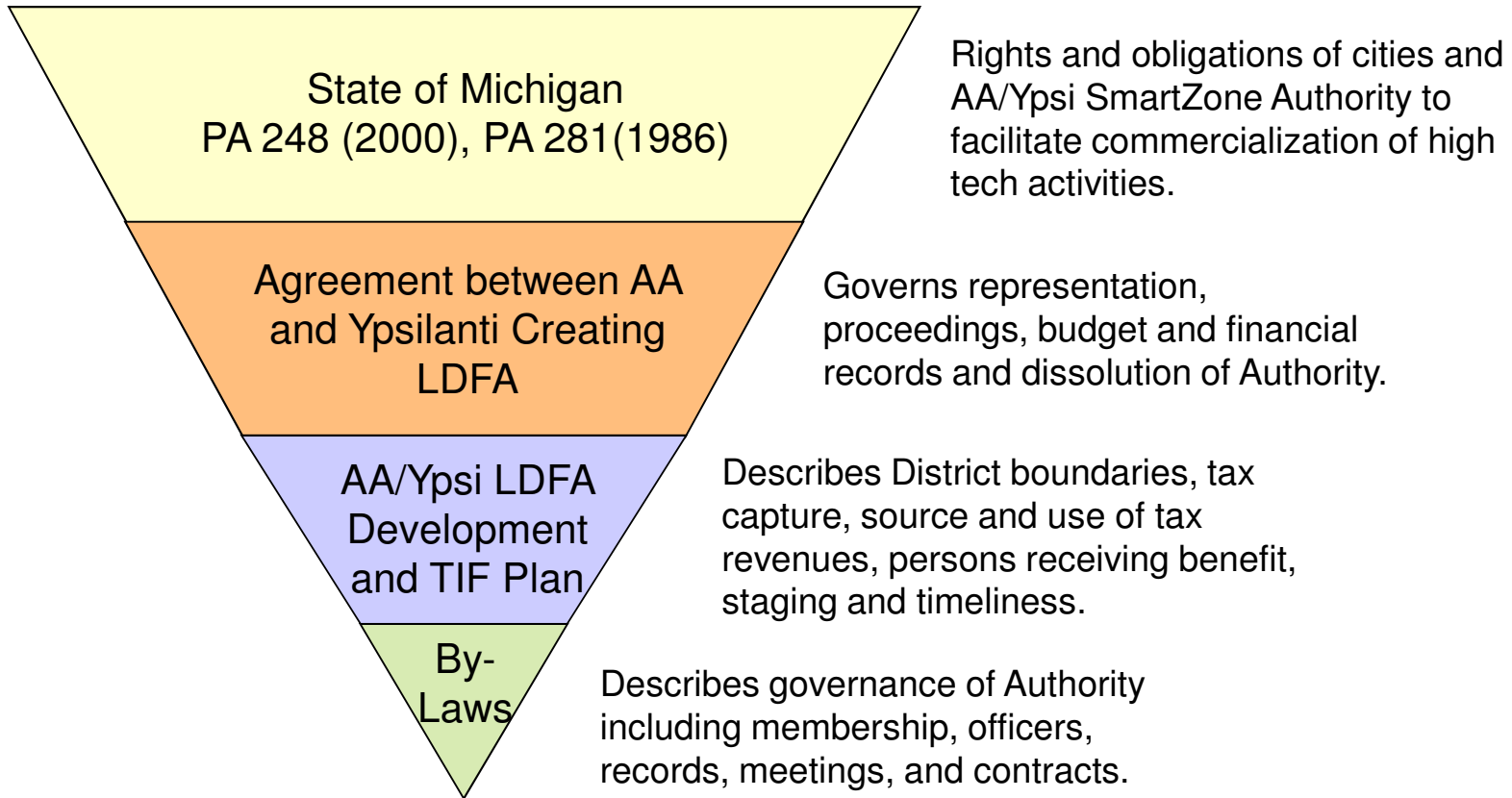
- Created by PA 248 (2000)
- Specially created “technology parks” designed to spur growth of technology-related or research-oriented businesses and employment opportunities
- Provide services to facilitate commercialization of technologies emerging from Michigan universities and private companies



Ann Arbor/Ypsilanti SmartZoneSM

- Received SmartZoneSM status on April 11, 2001
- Adoption of resolutions (AA and Ypsi) creating LDFA in June, 2002
- Appointment of LDFA Board
- LDFA Plan for AA/Ypsi SmartZoneSM adopted in November, 2002
 - TIF Boundaries – essentially the existing DDA boundaries in each city
 - Financing mechanism – allows “capture” of the **incremental** taxes for reinvestment within the boundaries of the authority
 - Ann Arbor  Ypsilanti 
 - Capture of DDA increment takes precedence over the LDFA
 - LDFA does not capture AAPS debt service nor enhancement millage in AA – AAPS remains whole with school property tax redistribution
 - **STATE funds distributed locally.**
 - Funding distribution – LDFA funds used **exclusively** in the community in which they are generated
- LDFA Duration: 2003-2018
- LDFA Extension in Process with MEDC
 - If approved 10% of funds would be used in Ypsilanti

LDFA: Legal Authority



LDFAs: Current Board Members

- Board (9 members = 6 Ann Arbor + 3 Ypsilanti)

- **Carrie Leahy** (Attorney) – Vice Chair
- **Paula Sorrell** (Consultant and former MEDC) - Treasurer
- **Stephen Rapundalo** (Bio-Industry Assoc., CEO)
- **Laura Hayden** (Entrepreneur)
- **Heather Grisham** (Entrepreneur, CFO)
- **Grayden Kraphal** (Council Member)
- **Phil Tepley** (SBDC)
- **Caryn Charter** (EMU)
- **Vacant**
- Tom Crawford (City of Ann Arbor) - *ex officio* - RECORDING SECRETARY
- Skip Simms (AA Spark) – *ex officio*
- Fredrick Molnar (MEDC – *ex officio*)

} City of Ann Arbor

} City of Ypsilanti

SmartZonesSM: Acceleration and Incubation

Business accelerator services include, but not limited to:

- ❑ Networking events
- ❑ Entrepreneurial training
- ❑ Business feasibility and planning
- ❑ Technology assessments and protection support
- ❑ SBIR/STTR assistance; grant writing
- ❑ Management and talent recruitment
- ❑ Incubator and business accelerator space w/ shared services
- ❑ Product development support
- ❑ Business and executive management mentoring
- ❑ Venture capital and angel investor preparation and introductions
- ❑ Micro-loan program

LDFFA: Contracted Services by SPARK

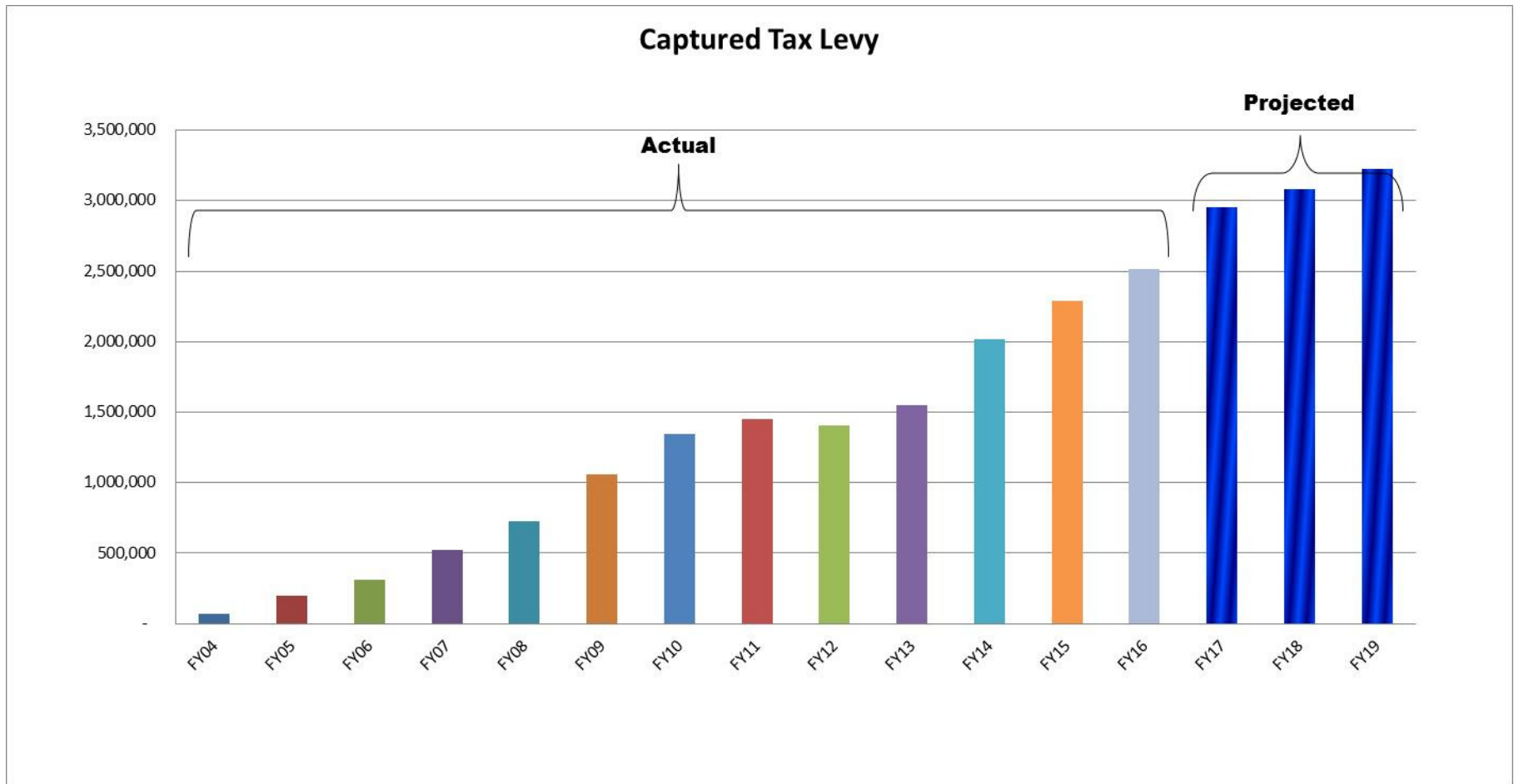
- Business accelerator services
- Incubator space: Seats for 65 start-up employees, or approx. 18 tenants and “location” for virtual companies (SPARK Central, 330 E. Liberty)
 - Subsidized, short-term leases
 - Administrative support; internet services
 - Utilities and property taxes; insurance; maintenance
 - Meeting space
- Accounting services to support agreement
- Marketing services plan that addresses public relations, collateral materials and internet initiatives that support LDFFA funded programs and objectives

L DFA: Business Accelerator Services



- Phase I – initial contact and screening of business/technology proposition for programmatic fit, review by advisors/consultants and referral to Phase II services
- Phase II – in-depth evaluation of prospective client to determine capability of business for consulting help in Phase III; 50% outsourced to qualified subcontractors
- Phase III – substantial involvement to advance firms beyond start-up phase to seed stage; addressing strategic issues, development of business plan/schedule/budget, implementation of milestone plan; 100% outsourced to qualified subcontractors
- Microloans for working capital and expenses related to attracting customers, product partners, and investors.
- Education –
 - Entrepreneurs Boot Camp
 - Business networking events

LDFA: Tax Capture (Actual & Projected)



Memo: Taxable Value
 Base \$248,052,105
 Present \$484,606,741

LDFA: FY2015 Financials*

	<u>FYE 6/30/2014</u>		<u>FYE 6/30/ 2015</u>	
<u>REVENUES</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
Tax Revenue	\$ 1,964,393	\$ 2,058,192	\$ 2,321,467	
Miscellaneous Revenue	\$ 17,090	\$ 12,940	\$ 25,429	
Investment Income	\$ 1,981,483	\$ 2,071,132	\$ 15,728	
Total Revenue			\$ 2,362,624	
Expenditures				
Business Accelerator Support Services	\$ 963,623	\$ 1,090,000	\$ 986,517	
MicroLoan	-			
Business Networking and Entrepreneur Education Events	\$ 113,007	\$ 152,500	\$ 107,274	
Internship Support and Talent Training	\$ 114,012	\$ 200,000	\$ 189,159	
SPARK Central Incubator Operating Exp.	\$ 338,022	\$ 200,000	\$ 225,638	
Incubator Expansion	-	\$ 30,000	\$ 59,633	
Ypsilanti services	-			
SPARK Indirect Services	\$ 139,127	\$ 218,500	\$ 219,399	
City of Ann Arbor Legal & Admin support	\$ 57,431	\$ 89,271	\$ 73,913	
Total Operating Expenditures	\$ 1,725,222	\$ 1,980,271	\$ 1,861,533	
Net Increase (Decrease)	\$ 256,261	\$ 90,861	\$ 501,091	
RESERVES:				
Beginning Fund Balance	\$ 649,505	\$ 905,766	\$ 905,766	
Surplus (deficit)	\$ 256,261	\$ 90,861	\$ 501,091	
Ending Fund Balance	\$ 905,766	\$ 996,627	\$ 1,406,857	

*Memo: Bond Reserve Amount \$0. Outstanding Debt (principal & interest) \$0.

LDFA: FY2015 Metrics

- 74 companies rec'd Business Accelerator services
 - 244.5 retained jobs → 318 current FTEs = 73.5 new jobs
- 25 companies utilized Entrepreneurial Boot Camp
 - 44 retained jobs → 47.5 current FTEs = 3.5 new jobs
- 53 companies were incubator tenants
 - 19 companies were seated tenants, 4 graduated and stayed in the city
 - 118.5 retained jobs → 178.5 current FTEs = 60 new jobs
- 5 companies received loans totaling \$175,000
 - 9 retained jobs
- 72 educational programs and events hosted
 - 2,807 attendees (956 entrepreneurs)

Companies are served by a mix of programs, therefore jobs created by program contain overlapping figures.

Total net new jobs was 132.

LDFA: Planning for the Future

- LDFA – strategic priorities for business growth
 - Continue to analyze effectiveness
 - Continued work with MEDC on extension/life of the LDFA
 - Determine priorities for future LDFA funds
 - Grow culture of entrepreneurship
 - Capital Infrastructure Needs

L DFA: 2017 Budget

	<i>Actual FY2015</i>	<i>Contract for FY2016</i>	<i>Forecasted FY2016</i>	<i>Budget Committee Recommended FY2017</i>
<u>REVENUES</u>				
Tax Revenue	\$2,321,467	\$2,538,288	\$2,550,824	\$ 2,950,000
Miscellaneous Revenue	25,429			
Investment Income	15,728	15,022	13,112	16,419
Total Revenue	\$ 2,362,624	\$2,553,310	\$2,563,936	\$ 2,966,419
<u>EXPENDITURES</u>				
Business Accelerator	986,517	1,216,000	1,166,000	1,319,868
Support Services				
Micro Loan Program for Entrepreneurs	-	100,000	100,000	100,000
Business Networking and Entrepreneur Education Events	107,274	1555,000	130,000	155,000
Internship Support & Talent Training	189,159	300,000	292,756	300,000
SPARK Central Incubator Operating Expenses	225,638	185,400	215,000	228,000
Incubator Expansion (a)	59,633	300,000	300,000	-
Ypsilanti (b)		253,829	-	269,796
SPARK Indirect Services	219,399	245,000	245,000	254,000
City of Ann Arbor Indirect Services	73,913	97,700	77,475	74,300
Total Operating Expenditures	\$1,861,533	\$2,852,929	\$2,526,231	\$2,700,964
Net Increase (Use) of Fund Balance	\$ 501,091	\$ (299,619)	\$ 37,705	\$ 265,455