

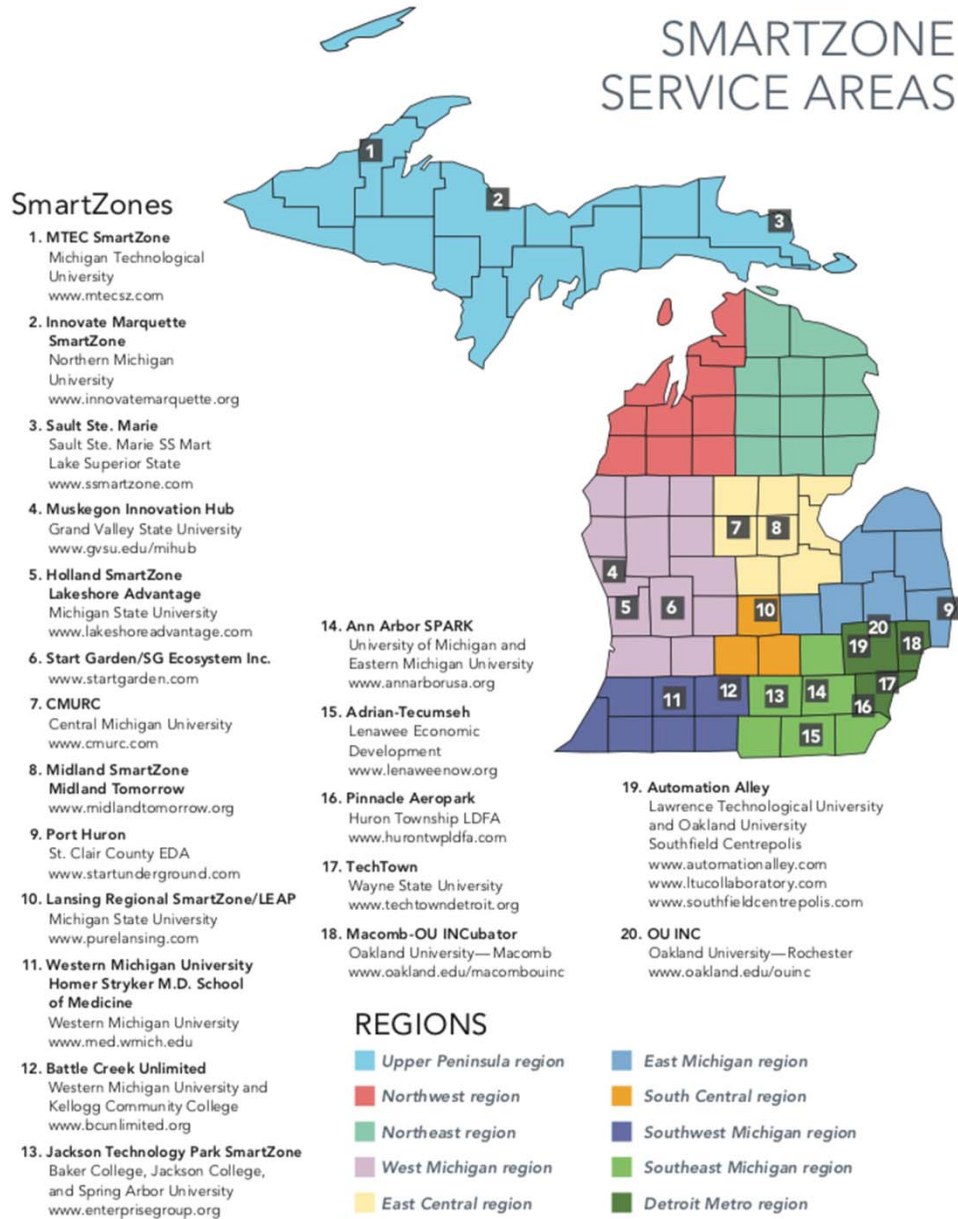
Local Development Financing Authority (LDFA)



Annual Report FY 2018

July 1 – June 30

Michigan's SmartZonesSM



- Created by PA 248 (2000)
- Specially created “technology parks” or geographic zones 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

SmartZone Activities

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Allowable activities include, but are not limited to:

- Acceleration and Incubation Services:
 - Entrepreneurial training
 - Business and executive management mentoring/coaching
 - Business feasibility and planning
 - Technology assessments and protection support
 - SBIR/STTR assistance; grant writing
 - Incubator, wet lab and business accelerator space w/ shared services
 - Product development support
 - Market analysis
 - Introductions to sources of capital (and preparation)
- Creation of technology parks and infrastructure inside designated SmartZone boundaries
- Management talent recruitment and retention
- Technology mining and transfer from research entities and universities

History

Ann Arbor/Ypsilanti LDFA SmartZoneSM

- Received SmartZone 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 SmartZone adopted in November, 2002
- Funding -- STATE funds distributed locally
 - 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 funds used **exclusively** in Ann Arbor/Ypsilanti
- Initial SmartZone authorization: 2003-2018
- **SmartZone 15-year extension: 2018-2033**
 - Funding distribution – LDFA funds used 90% in Ann Arbor, 10% in Ypsilanti as of 7/1/17
 - Relationship established with satellite SmartZone Adrian/Tecumseh
 - 15-year strategic plan completed in August 2018

Impact over Last 5 Years

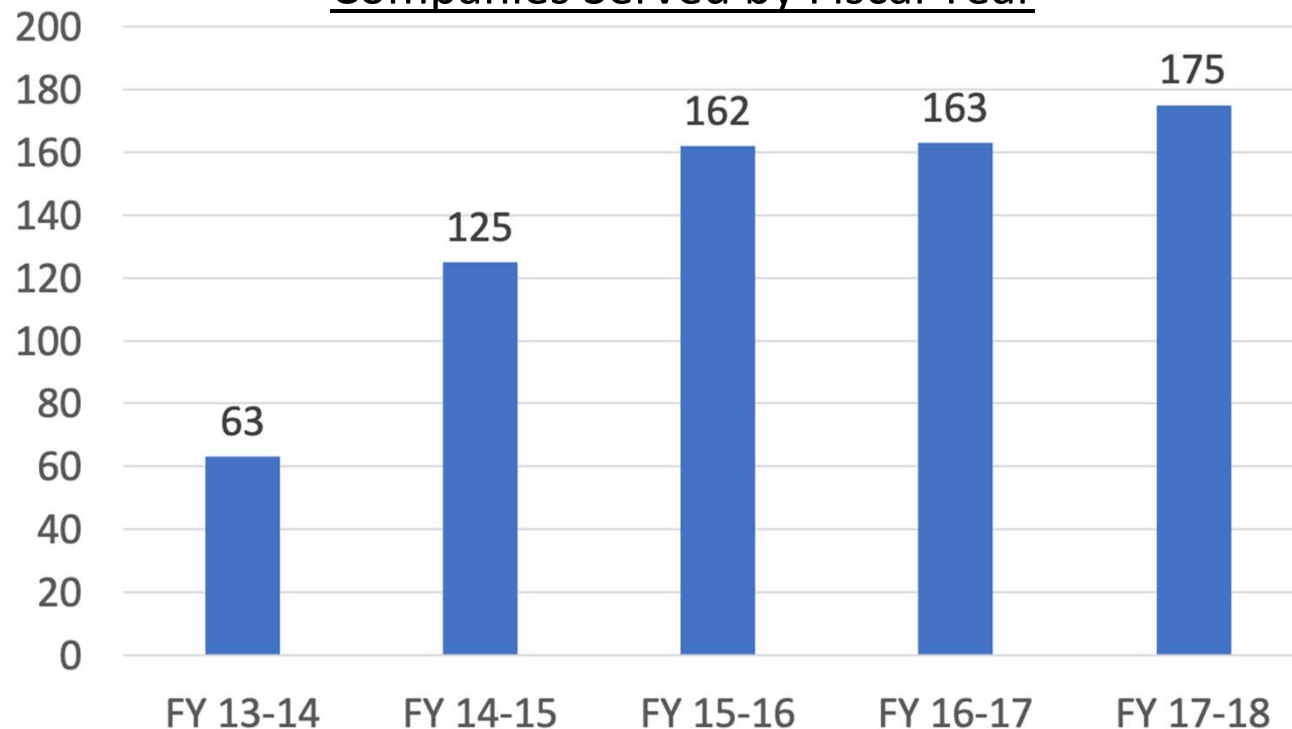
Ann Arbor/Ypsilanti LDFA SmartZoneSM

- Represented a \$304MM Impact in the Ann Arbor region
- 2,389% of funding leveraged, not counting acquisitions
- Worked with more than 400 companies
- Those companies represent 2,913 tech sector jobs in the region
 - Net increase of 653.5 full-time equivalent employees from onset of SmartZone engagement in 2003

Companies Served Increasing

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Companies Served by Fiscal Year



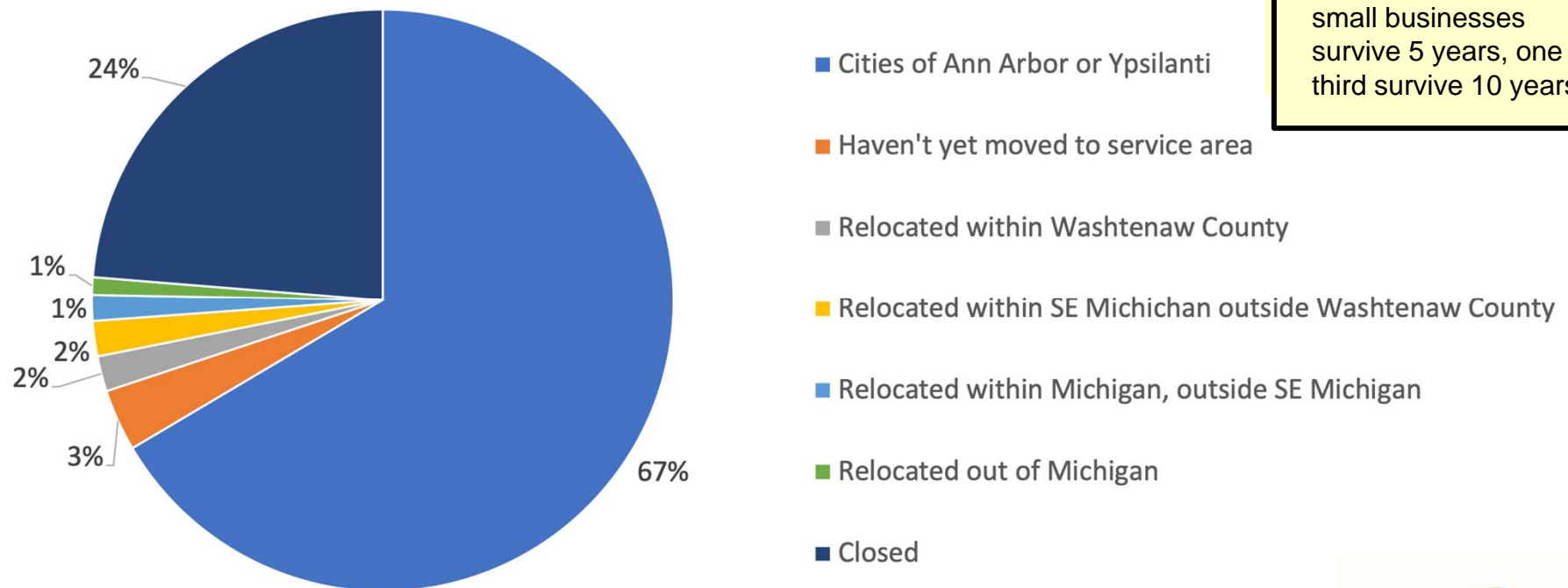
- **New Starts:** LDFA is still seeing growing numbers each year of new companies forming and requiring assistance
- **Expanding Impact:** LDFA has also evolved to support the overall tech ecosystem to indirectly help more established companies survive and grow

Strong Retention of Start-Ups

Ann Arbor/Ypsilanti LDF SmartZoneSM

Early mentorship and funding are critical to improving the survival rate of start-ups for long-term success

Status of 419 Companies Served in last 5 Fiscal Years



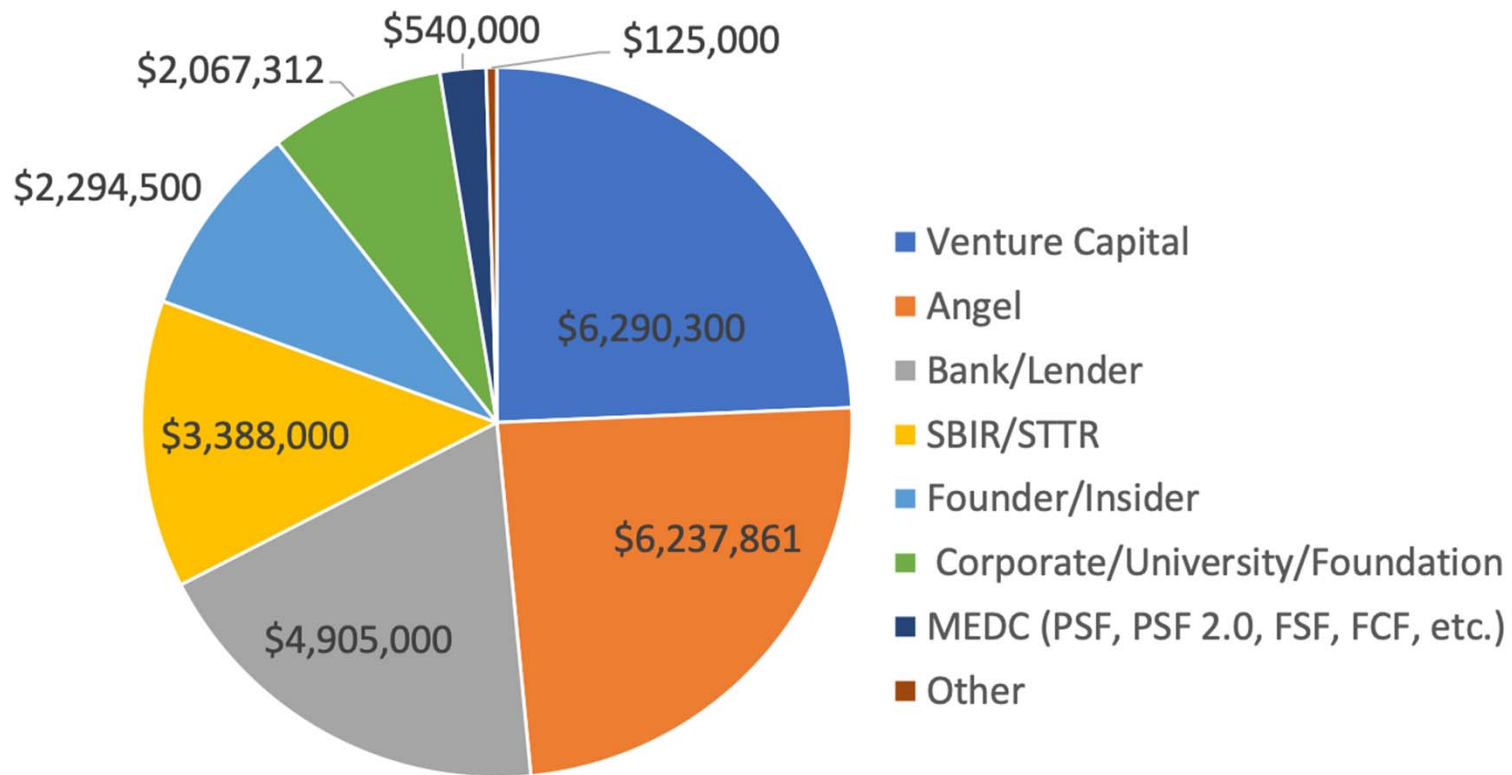
■ 76% of companies initially served in 2013 are still in business today.

■ SBA.gov states half of small businesses survive 5 years, one third survive 10 years.

L DFA Funds Leveraged by Institutions & Investors

Ann Arbor/Ypsilanti L DFA SmartZoneSM

\$25.8M In Capital Raised in Fiscal Year 2018



LDFA-Supported Success Stories

Ann Arbor/Ypsilanti LDFA SmartZoneSM

■ Duo Security

- Enterprise data breach prevention software
- Acquired in 2018 by Cisco for \$2.35 billion
- Previously raised \$121 million of private capital
- >700 employees globally, >400 in Ann Arbor area

■ Groundspeed Analytics

- Data analytics company that allows insurance brokers, carriers to realize the advantage of their unstructured data.
- Raised \$30 million of private capital in 2018*
- >40 employees in Ann Arbor area
- SPARK Entrepreneur Boot Camp 2015 Graduate

*LDFA FY19, not included in prior slides' calculations and graphics

L DFA Business Acceleration Services

Ann Arbor/Ypsilanti L DFA SmartZoneSM



- **Phase I** – screening for programmatic fit, review by advisors/ consultants; referral to Phase II
- **Phase II** – in-depth evaluation to determine capability of business for consulting help in Phase III; 50% outsourced to qualified subcontractors
- **Phase III** – advance firms to seed stage; address strategic issues, help develop business plan/ schedule/budget, implementation of milestone plan; 100% outsourced to qualified subcontractors
- **Education** –
 - Entrepreneurs Boot Camp
 - Business networking events
 - CEO Masterclass
 - SPARK.ed
- **Executive in Residence** – attract and retain C-level individuals in the community; leverage their experience to add value to client companies
- **Intern Matching Funds Program** – matching funds to a qualified client to enable them to retain graduating university talent with competitive pay
- **Digital Engagement Clinic** – accelerates a client’s digital marketing efforts by employing interns who are simultaneously enrolled in a companion EMU practicum

Other Supported Initiatives

Ann Arbor/Ypsilanti LDFA SmartZoneSM



Mobility/Smart Cities

- Business Development
- Collaboration with Local Mobility Centers
- *Meeting of the Minds* Ann Arbor Mobility Summit
- Mobility start-ups

a2TECH360

BROUGHT TO YOU BY ANN ARBOR SPARK



TECHtalk



Adrian/Tecumseh SmartZone Relationship



Contracted Services By SPARK

Ann Arbor/Ypsilanti LDFA SmartZoneSM

- **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:** addresses public relations, collateral materials and internet initiatives that support LDFA-funded programs and objectives

L DFA FY2018 Metrics

Ann Arbor/Ypsilanti L DFA SmartZoneSM

- 130 companies received Business Accelerator services
 - 382 retained jobs → 478.3 current FTEs = 96.3 new jobs
- 25 companies utilized Entrepreneurial Boot Camp
 - 43.5 retained jobs → 44.5 current FTEs = 1 new job
- 81 companies were incubator tenants
 - 251 retained jobs → 389 current FTEs = 138 new jobs
 - 4 graduated to office space this year
- 89 educational programs and events hosted
 - 5,895 attendees (1,302 entrepreneurs)

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

L DFA Planning for the Future

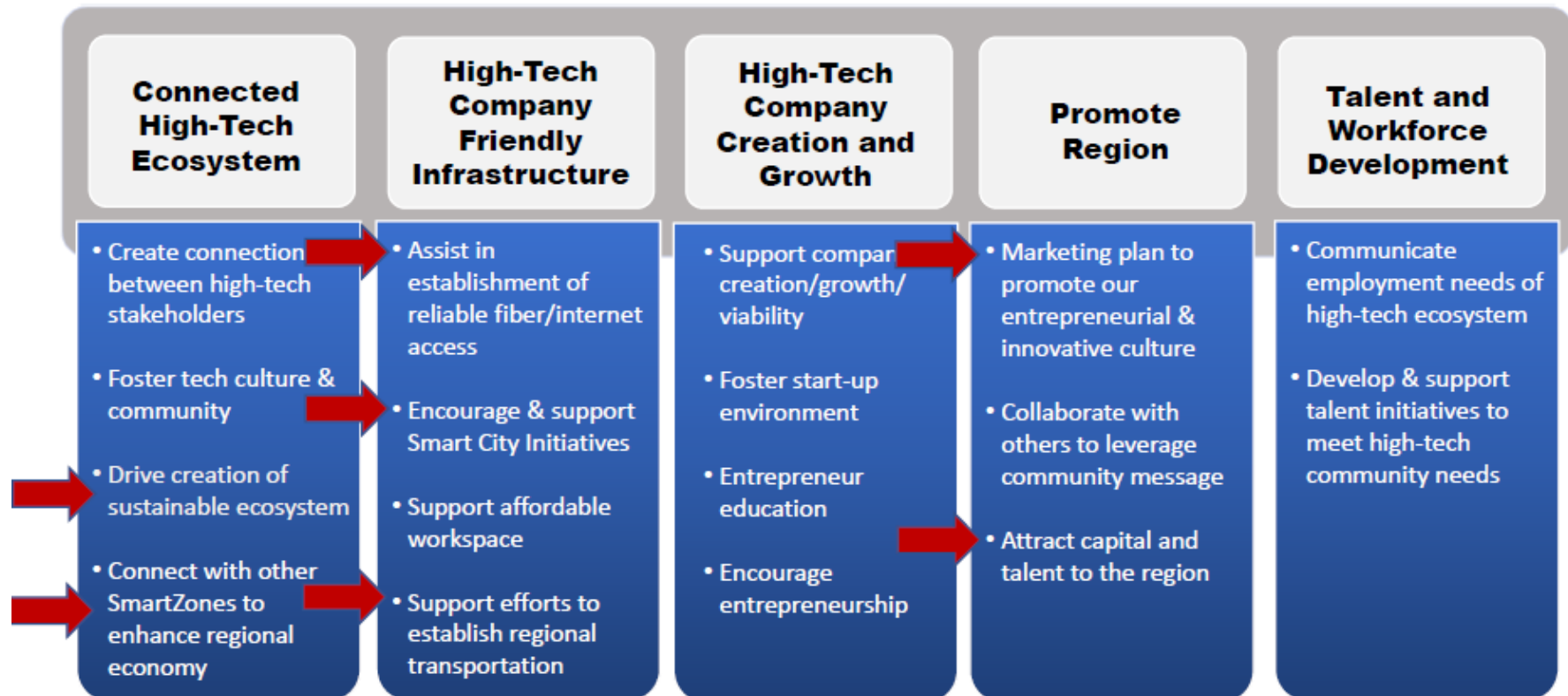
Ann Arbor/Ypsilanti L DFA SmartZoneSM



Emerging Priorities for Sustainability of Tech Economy

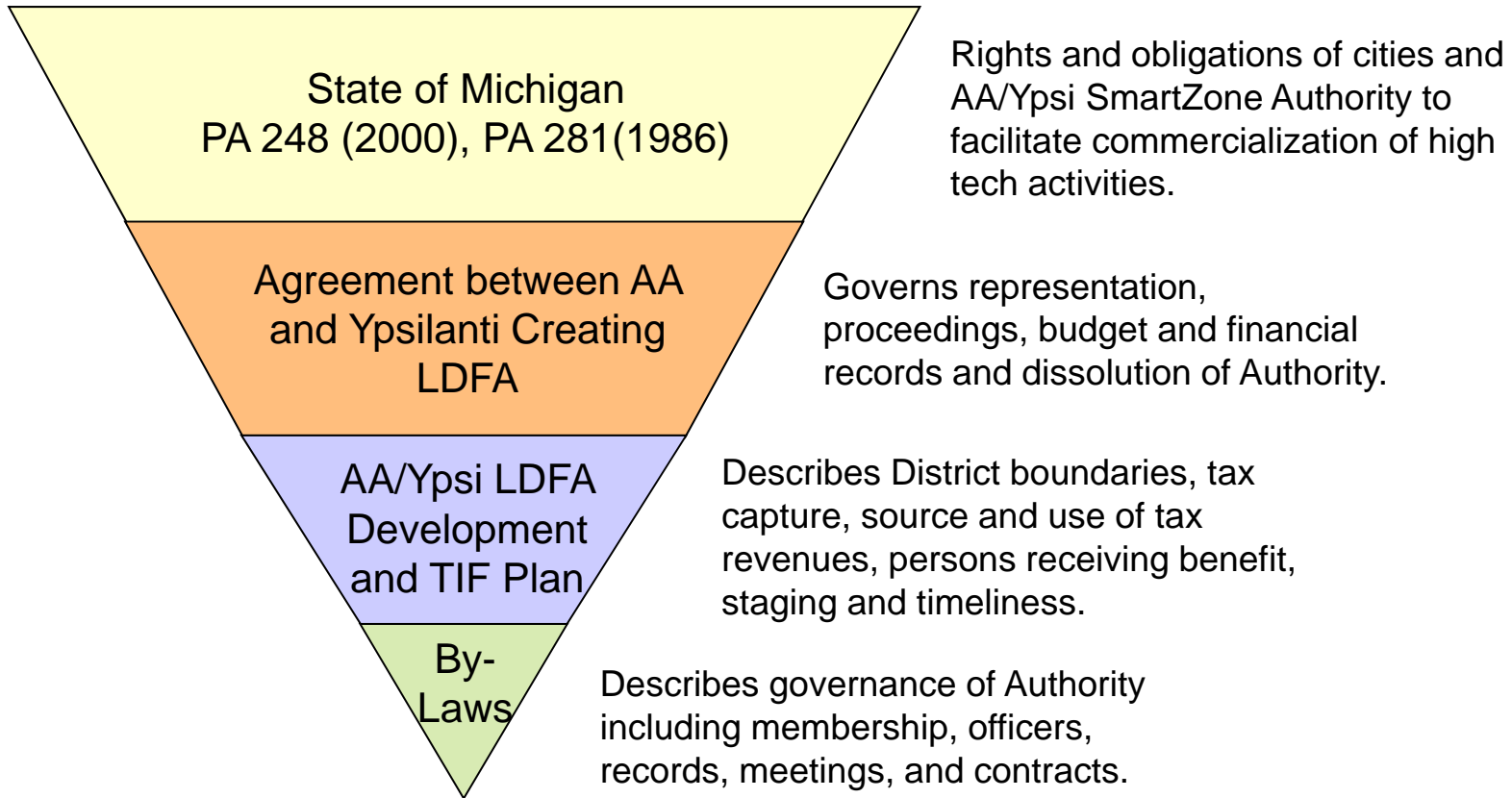
Ann Arbor/Ypsilanti L DFA SmartZone

Expand programs and infrastructure to support tech economy growth & sustainability post-SmartZone



L DFA Authority

Ann Arbor/Ypsilanti L DFA SmartZoneSM



L DFA Board Members 2017-2018

Ann Arbor/Ypsilanti L DFA SmartZoneSM

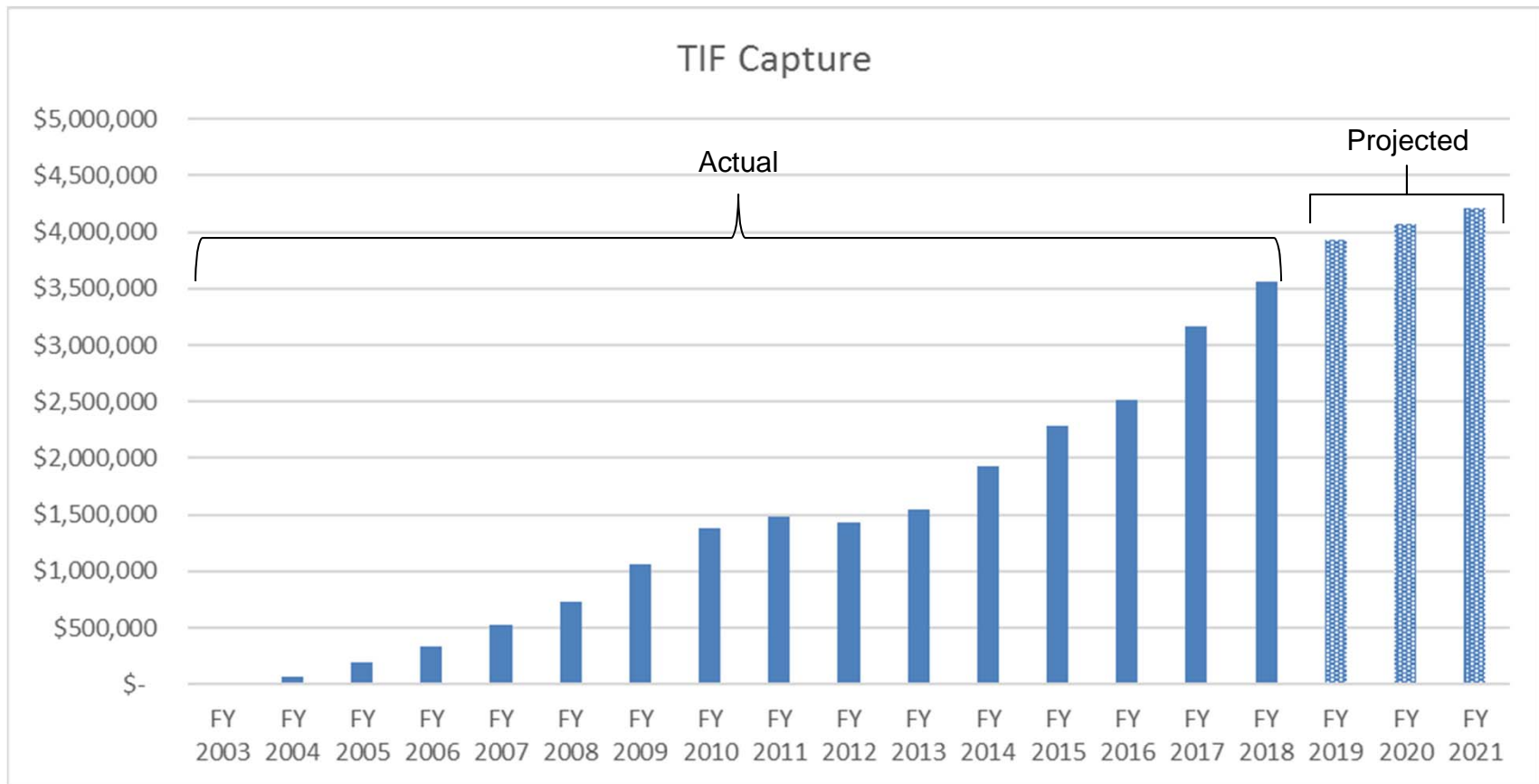
- Board (9 members = 6 Ann Arbor + 3 Ypsilanti)
 - Heather Grisham (Entrepreneur, CFO) - CHAIR
 - Laura Hayden (Entrepreneur) – Vice Chair
 - Carrie Leahy (Attorney) – Treasurer
 - Paula Sorrell (UM and former MEDC)
 - Stephen Rapundalo (Bio-Industry Assoc., CEO)
 - Graydon Krapohl (Council Member)
 - Joe Meyer (City)
 - Phil Tepley (SBDC)
 - Caryn Charter (EMU)
 - Tom Crawford (City of Ann Arbor) - *ex officio* – Recording Secretary
 - Bill Mayer (AA Spark) – *ex officio*
 - Fred Molnar – (MEDC) – *ex officio*

} City of Ann
Arbor

} City of
Ypsilanti

L DFA Tax Capture (Actual and Projected)

Ann Arbor/Ypsilanti L DFA SmartZoneSM



LDFA FY2016-FY2019

Ann Arbor/Ypsilanti LDFA SmartZoneSM

	Actual FY2016	Actual FY2017	Actual FY2018	Budget FY2019
REVENUES				
Tax Revenue	\$ 2,512,493	\$ 3,169,097	\$ 3,566,551	\$ 3,870,000
Miscellaneous Revenue	-	162,455	127,970	75,000
Investment Income	16,897	80	12,431	31,117
Total Revenue	\$ 2,529,390	\$ 3,331,632	\$ 3,706,952	\$ 3,976,117
EXPENDITURES				
SPARK Business Accelerator Direct Staffing	\$ 546,000	\$ 674,868	\$ 722,795	\$ 760,000
Phase II - Due Diligence	14,576	6,700	4,000	-
Phase III - Intensive Service	605,000	828,164	716,170	800,000
Micro Loan Program for Entrepreneurs	100,000	50,000	-	-
Education & Development Programs	33,268	99,156	-	-
Business Networking Events/Sponsorships	48,351	comb above	123,975	145,000
Bootcamp	47,000	47,500	47,500	50,000
Mobility Support	-	-	63,862	125,000
Internship Support & Talent Training	226,186	311,902	387,710	480,000
Business Software Access for Clients	17,361	16,857	23,115	25,000
SPARK Central Incubator Operating Exp	219,930	239,468	263,823	250,000
Incubator Expansion	300,000	-	108,238	50,000
Ypsilanti				
SPARK East Operating Exp	-	-	126,070	175,000
SPARK East Business Acceleration	-	-	20,835	175,000
Other (TBD)	-	-	65,500	37,000
Sub-Total	-	-	212,405	387,000
SPARK Accounting	95,000	104,000	117,000	123,000
Marketing	156,085	139,670	214,435	300,000
Legal & Admin Support	57,716	59,587	63,559	69,100
Professional Services	-	27,256	37,300	-
Strategic Initiatives	-	-	-	750,000
Total Operating Expenditures	\$ 2,466,473	\$ 2,605,128	\$ 3,105,887	\$ 4,314,100
Net Increase (Use) of Fund Balance	\$ 62,917	\$ 726,504	\$ 601,065	\$ (337,983)
Notes:				
Ending Fund Balance	\$ 1,469,774	\$ 2,196,278	\$ 2,797,343	\$ 2,459,360
Admin/OH provision				
20% Limit	\$ 502,499	\$ 633,819	\$ 713,310	\$ 774,000
Actual/Projected	\$ 320,982	\$ 383,371	\$ 418,103	\$ 460,357

Memo:
Bond Reserve
Amount \$0.

Outstanding Debt
(principal & interest)
\$0.