

# LDFA

## Annual Report FY 2016

The Ann Arbor/Ypsilanti SmartZone Agreement with the MEDC requires in Section 3.05 that the Authority provide, within 60 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.



# Since Its Inception, the

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## Ann Arbor/Ypsilanti LDFA has:

- Represented a \$425MM Impact in the Ann Arbor region
- Worked with more than 500 companies
- On average, 31 newly formed companies were assisted per year
- Those companies represent 1,637 tech sector jobs in the region
- 3,321% private funding leverage
  - Capital Raised / 10yr LDFA cumulative contract value

# Startup Ecosystem, LDFA's Role

## Growing

While a large number of new companies are forming and requiring assistance, LDFA has evolved to also help the now more established companies survive and grow.



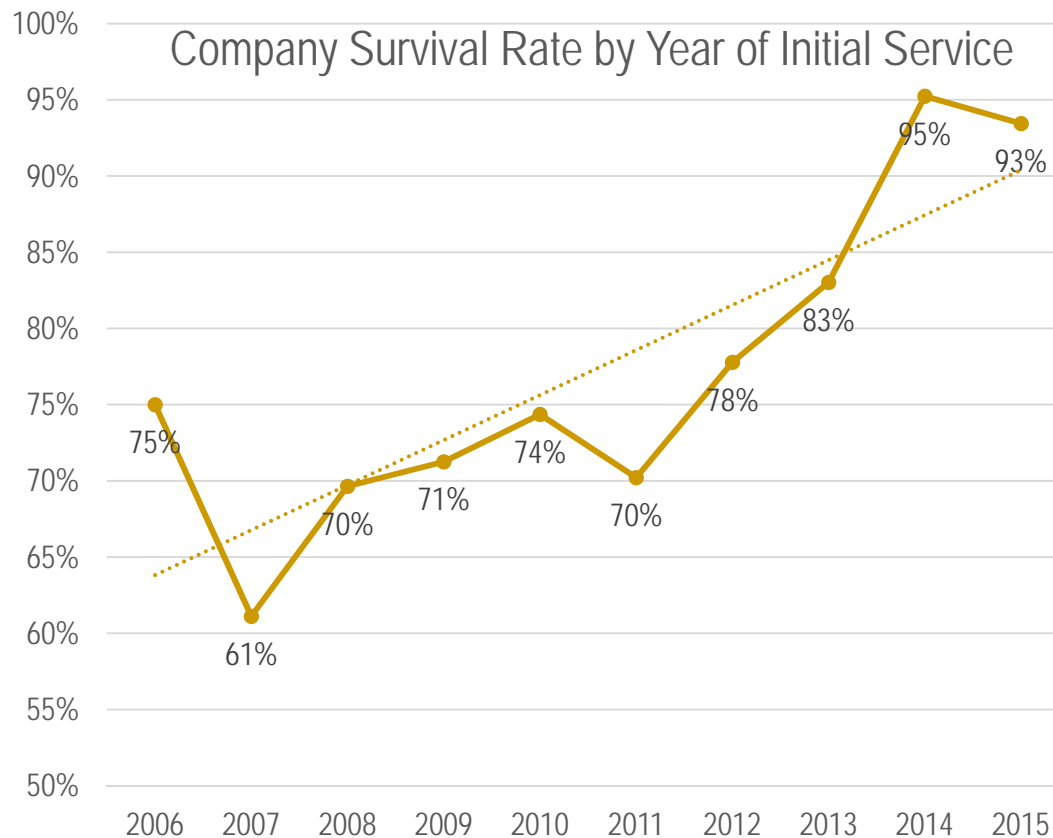
Graphs represent data pulled from SPARK CRM database.

Data is collected and compiled by SPARK over the course of years via annual surveys and personal contact.

# Ann Arbor Startups More than Double the National Survival Rate

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

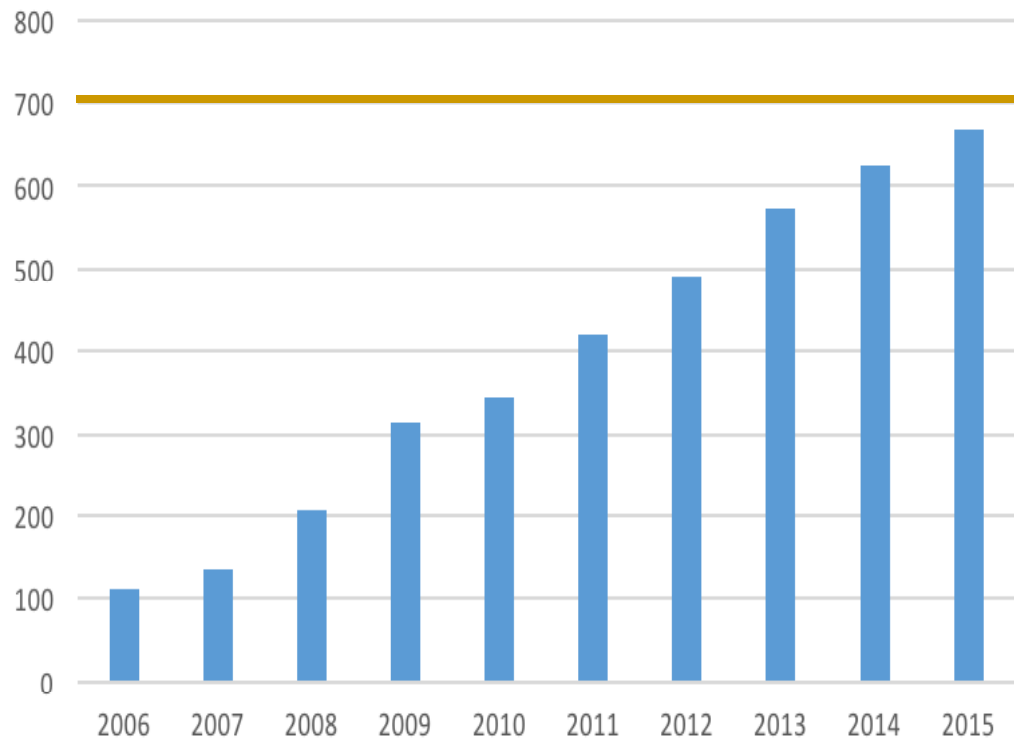
- 74% of companies initially served in 2010 are still in business today.
- SBA.gov states half of small businesses survive 5 years, one third survive 10 years.



# Employment Increases as Served Companies Age

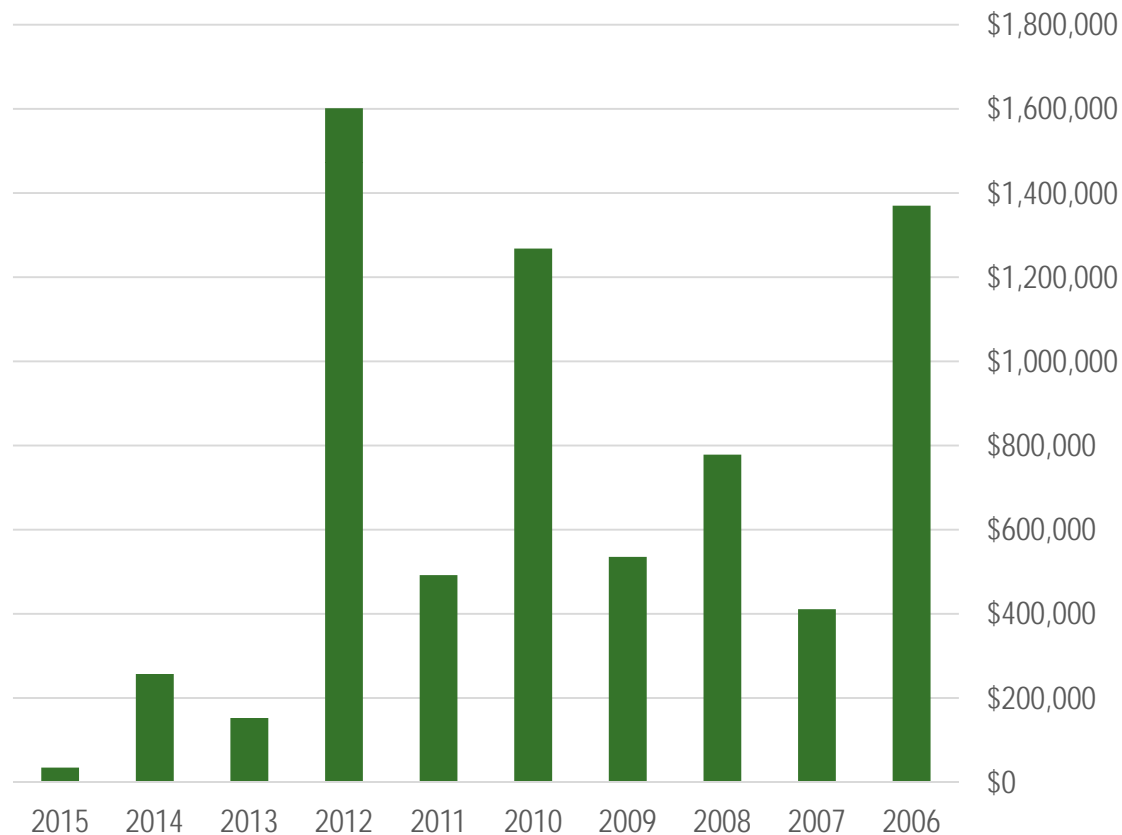
Cumulative Jobs Created by Companies Initially Served per Year

700 jobs created was the 2018 goal set in 2002



# Capital Invested Increases as Served Companies Age

Most of the funds raised by LDFA supported companies ends up being spent locally  
Capital Raised per New Company Served



# LDFA Supported Success Stories

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## ■ Menlo Innovations

- ❑ Software development firm which pioneered the world renown “High-tech Anthropology” framework.
- ❑ 40+ FTE

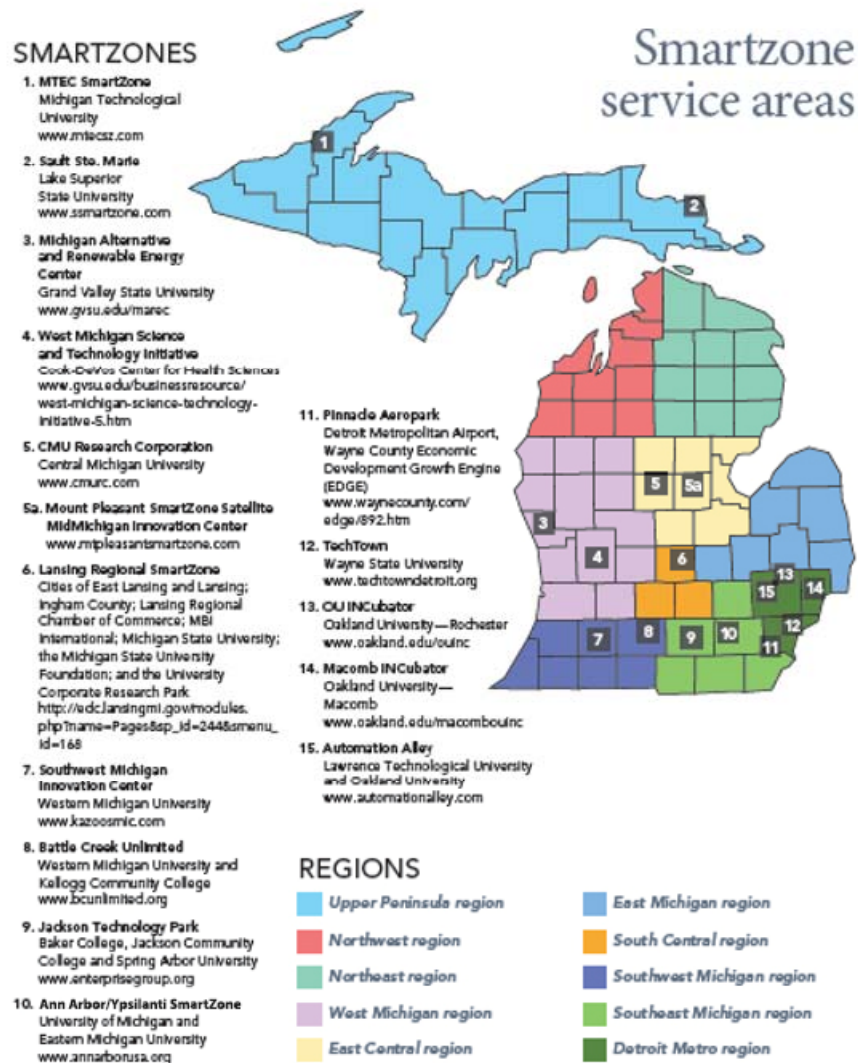
## ■ Millendo Therapeutics

- ❑ Focused on developing disease-modifying treatments to improve the quality of life for patients with endocrine diseases with limited or no approved treatment options.
- ❑ 16 FTE
- ❑ \$90MM capital raised: Largest series B investment round in Michigan history

## ■ Duo Security

- ❑ Security software company that protects organizations against data breaches.
- ❑ Fastest growing software as a service security company, tripling year over-year for three years in a row.
- ❑ 150+ FTE
- ❑ \$47MM capital raised

# Michigan's SmartZones<sup>SM</sup>





- 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

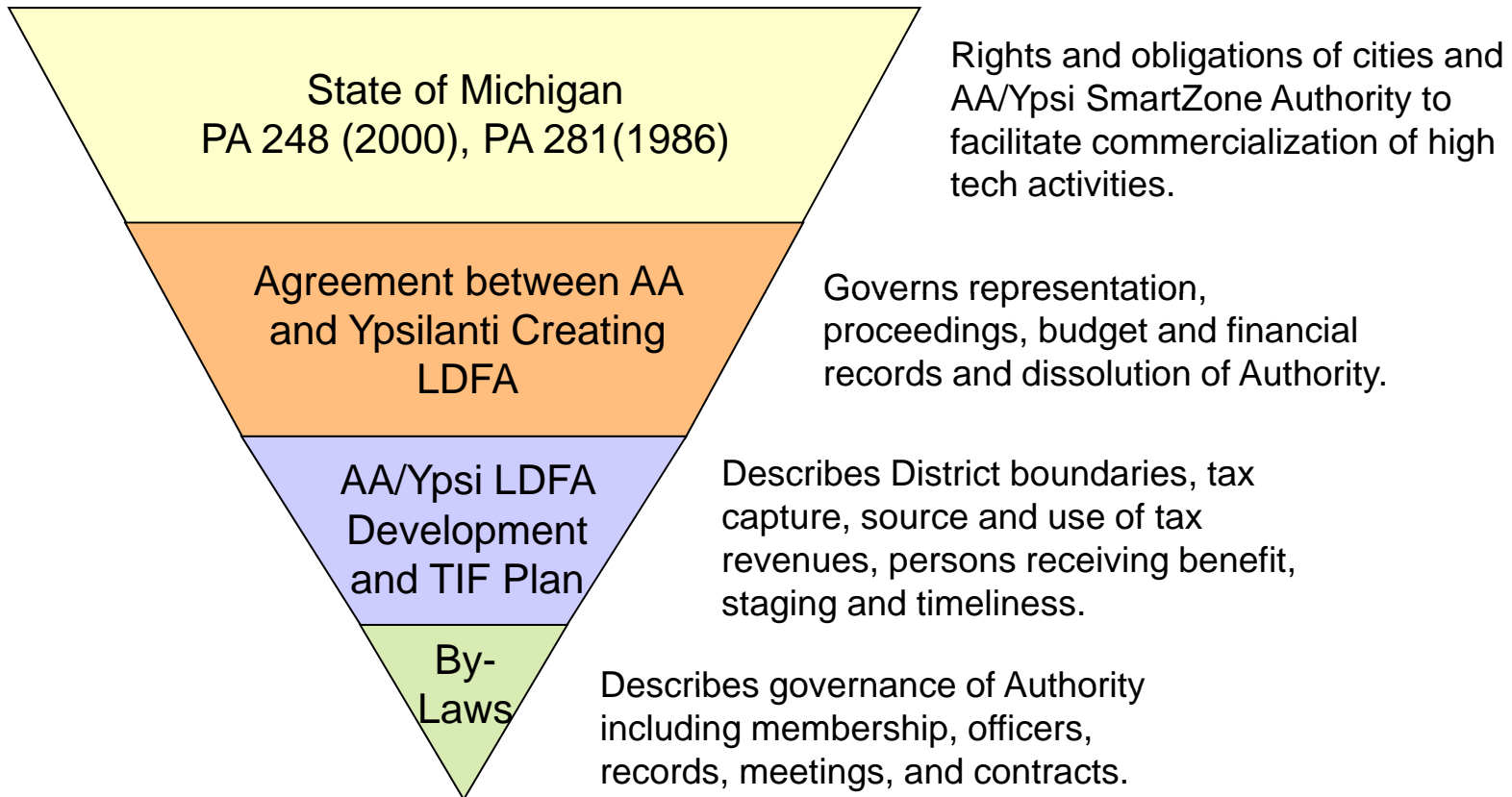


PURE MICHIGAN<sup>®</sup>

# Ann Arbor/Ypsilanti SmartZone<sup>SM</sup>

- Received SmartZone<sup>SM</sup> 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<sup>SM</sup> 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
    - **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



# LDFA: Current Board Members

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

- Carrie Leahy (Attorney) – Vice Chair
- Paula Sorrell (Tech Consultant and UM Lecturer) - Chair
- Stephen Rapundalo (Bio-Industry Assoc.)
- Laura Hayden (Entrepreneur)
- Heather Grisham (Entrepreneur, CFO) - Treasurer
- Graydon Krapohl (Council Member)
- Phil Tepley (Small Business Development Center)
- Caryn Charter (EMU)
- Vince Chmielewski (Entrepreneur)
- 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

# SmartZones<sup>SM</sup>: Acceleration and Incubation

Business accelerator services include, but not limited to:

- ❑ Entrepreneurial training
- ❑ Business and executive management mentoring
- ❑ Business feasibility and planning
- ❑ Micro-loan program
- ❑ 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
- ❑ Introductions to sources of capital (and preparation)
- ❑ Networking events

# LDFA: Contracted Services by SPARK

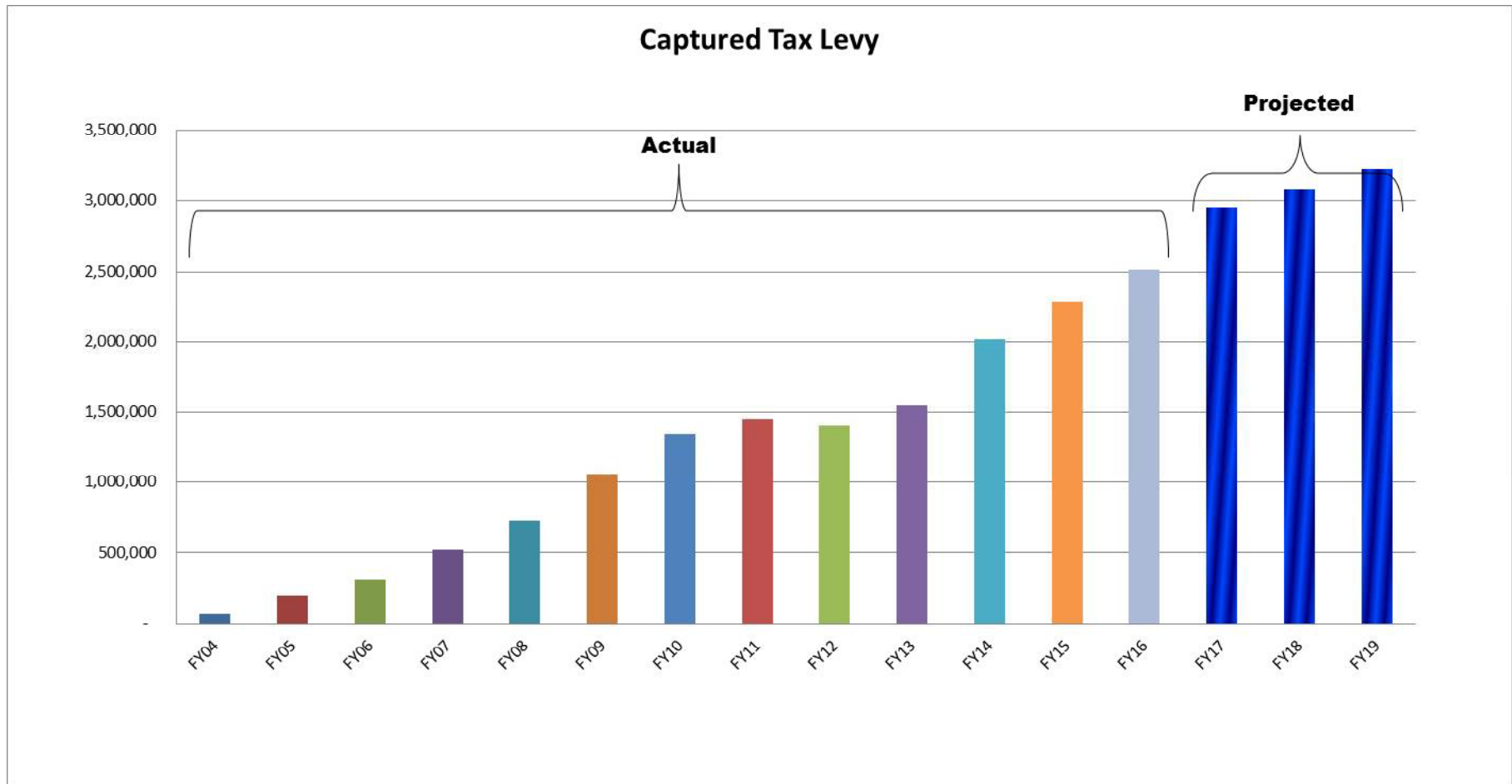
- Business accelerator services
- Incubator space: Seats for 65 start-up employees, or approx. 18 tenants and “location” for virtual companies (SPARK Central, 330 E. Liberty)
  - Subsidized, short-term leases
  - Administrative support; internet services
  - Utilities and property taxes; insurance; maintenance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

# LDFA: 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: FY2016 Financials\*

	<b>FY2015</b>	<b>FY2016</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
<b><u>REVENUES</u></b>			
Tax Revenue	\$2,321,467	\$2,538,288	\$2,512,493
Investment Income	15,728	15,022	16,896
Miscellaneous Revenue	25,429	-	-
<b>Total Revenue</b>	<b><u>\$2,362,624</u></b>	<b><u>\$2,553,310</u></b>	<b><u>\$2,529,389</u></b>
<b><u>EXPENDITURES</u></b>			
<b>SPARK Direct Services to Clients:</b>			
Business Accelerator Support Services	965,328	1,176,000	1,165,576
Micro Loan	-	100,000	100,000
Business Networking and Educational Programs	107,274	140,000	128,619
SPARK Central Incubator	285,271	520,400	519,930
Internship Support & Talent Training	189,159	300,000	226,186
Business Software Access for Clients	21,189	20,000	17,361
Ypsilanti	-	253,829	-
<b>SPARK Indirect Services:</b>			
SPARK Accounting	68,500	95,000	95,000
Marketing	150,899	150,000	156,083
<b>Total SPARK Services</b>	<b><u>1,787,620</u></b>	<b><u>2,755,229</u></b>	<b><u>2,408,755</u></b>
<b>City of Ann Arbor and Other Support</b>	<b><u>73,913</u></b>	<b><u>97,700</u></b>	<b><u>57,716</u></b>
<b>Total Expenditures</b>	<b><u>\$1,861,533</u></b>	<b><u>\$2,852,929</u></b>	<b><u>\$2,466,471</u></b>
<b>Net Increase/(Decrease)</b>	<b><u>\$ 501,091</u></b>	<b><u>\$ (299,619)</u></b>	<b><u>\$ 62,918</u></b>
<b><u>RESERVES:</u></b>			
Beginning Fund Balance	\$ 905,766	\$1,406,857	\$1,406,857
Surplus (deficit)	501,091	(299,619)	62,918
<b>Ending Fund Balance</b>	<b><u>\$1,406,857</u></b>	<b><u>\$1,107,238</u></b>	<b><u>\$1,469,775</u></b>

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

# LDFA: FY2016 Metrics

- 102 companies rec'd Business Accelerator services
  - 276.5 retained jobs → 357.5 current FTEs = 81 new jobs
- 29 companies utilized Entrepreneurial Boot Camp
  - 62 retained jobs → 72.5 current FTEs = 10.5 new jobs
- 76 companies were Incubator clients
  - 28 companies were seated clients, 4 graduated and stayed in the city
  - 174.5 retained jobs → 269 current FTEs = 94.5 new jobs
- 3 companies received loans totaling \$80,000
  - 8.5 retained jobs
- 59 educational programs and events hosted
  - 2,950 attendees (1028 entrepreneurs)

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

Total net new jobs was 150.5.

# LDFA: Planning for the Future

- LDFA – strategic priorities for business growth
  - Reaching out to the community for input about the SmartZone
  - Analyze effectiveness of programs
  - Holding Board summit to review long term and strategic goals
  - Continued work with MEDC on extension/life of the LDFA
  - Determine priorities for future LDFA funds
  - Grow culture of entrepreneurship and technology-based economy
  - Look at Capital Infrastructure Needs

# LDFA: 2017 Budget

	<i>Actual FY2015</i>	<i>Contract for FY2016</i>	<i>Actual FY2016</i>	<i>Adopted Budget FY2017</i>
<b><u>REVENUES</u></b>				
Tax Revenue	\$2,321,467	\$2,538,288	\$2,512,493	\$ 3,300,000
Miscellaneous Revenue	25,429			
Investment Income	15,728	15,022	16,896	16,419
Total Revenue	<b>\$ 2,362,624</b>	<b>\$2,553,310</b>	<b>\$2,529,389</b>	<b>\$ 3,316,419</b>
<b><u>EXPENDITURES</u></b>				
Business Accelerator Support Services	986,517	1,216,000	1,182,937	1,319,868
Micro Loan Program for Entrepreneurs	-	100,000	100,000	100,000
Business Networking and Entrepreneur Education Events	107,274	155,000	128,619	155,000
Internship Support & Talent Training	189,159	300,000	226,186	300,000
SPARK Central Incubator Operating Expenses	225,638	185,400	219,930	228,000
Incubator Expansion (a)	59,633	300,000	300,000	-
Ypsilanti (b)		253,829	-	330,000
SPARK Indirect Services	219,399	245,000	251,083	254,000
City of Ann Arbor Indirect Services	73,913	97,700	57,716	74,300
Total Operating Expenditures	<b>\$1,861,533</b>	<b>\$2,852,929</b>	<b>\$2,466,471</b>	<b>\$2,761,168</b>
Net Increase (Use) of Fund Balance	<b>\$ 501,091</b>	<b>\$ (299,619)</b>	<b>\$ 62,918</b>	<b>\$ 555,251</b>

# LDFA: Planning for the Future

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## Status of 15 Year Extension \*

- MEDC / Treasury “Ok” to schedule Public Hearings – Pending
- Public Hearing on Amended TIF/Development Plan by Ann Arbor & Ypsilanti – November
- Council resolution on Amended Plan - December
- MEDC / Treasury Final Approval – January 2017

\* Timing estimates subject to change based on when MEDC / Treasury actions are taken.

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## Highlights of Changes in the Amended Plan

- Collaborate with Adrian/Tecumseh LDFA as a satellite SmartZone
- Extend term of Ann Arbor/Ypsilanti SmartZone – from 2018 to 2033.
- Upon Plan adoption – 10% of revenue will be dedicated to Ypsilanti
- Modify permissible activities to include:
  - Utilization of grants and donations for collaborative opportunities
  - Fund talent recruitment/retention programs
  - Installation of technology related infrastructure
- Modifies debt issuance restrictions to permit entering into agreements with municipalities to repay debt related TIF activities
- TIF capture reduced for future captures starting in 2019 from 50% to 25%