

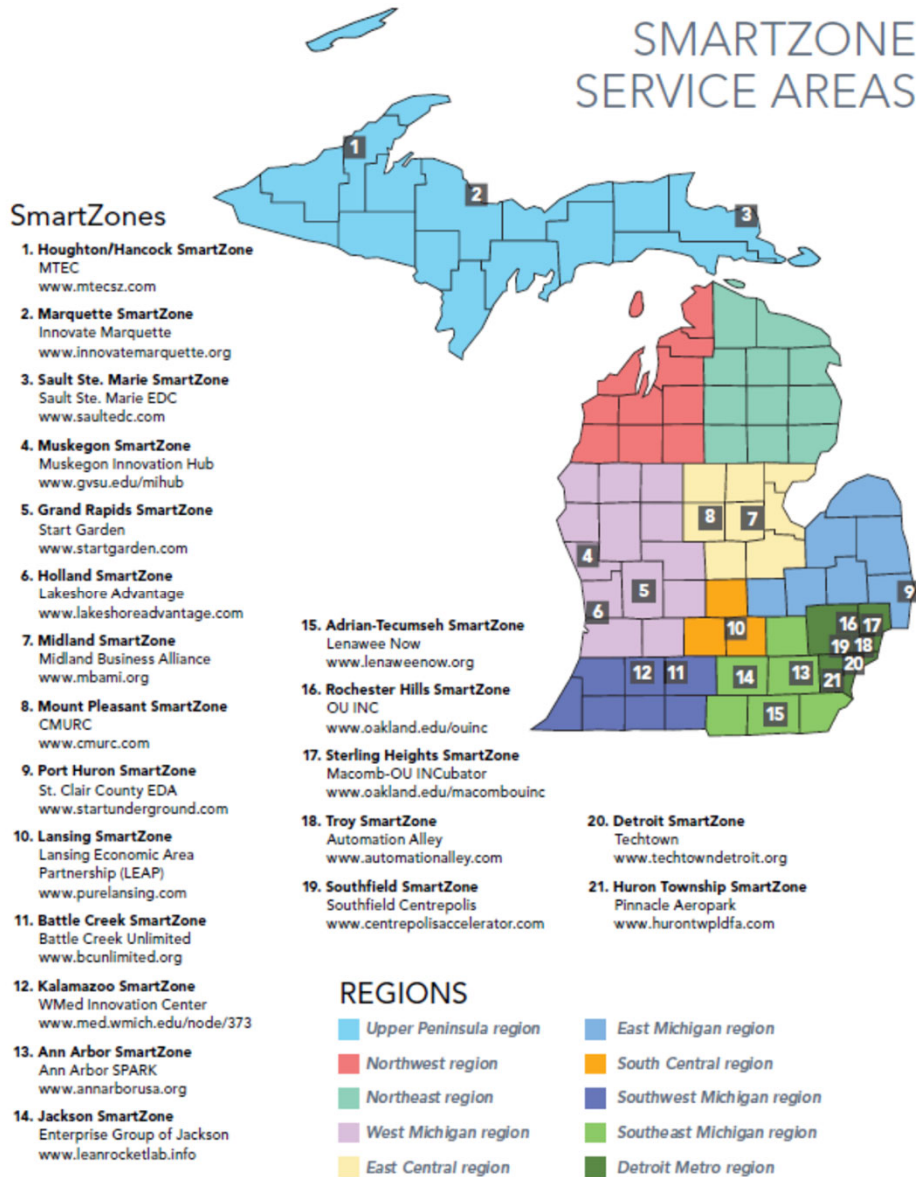
Local Development Financing Authority (LDFA)



Annual Report FY 2021

July 1, 2020 – June 30, 2021

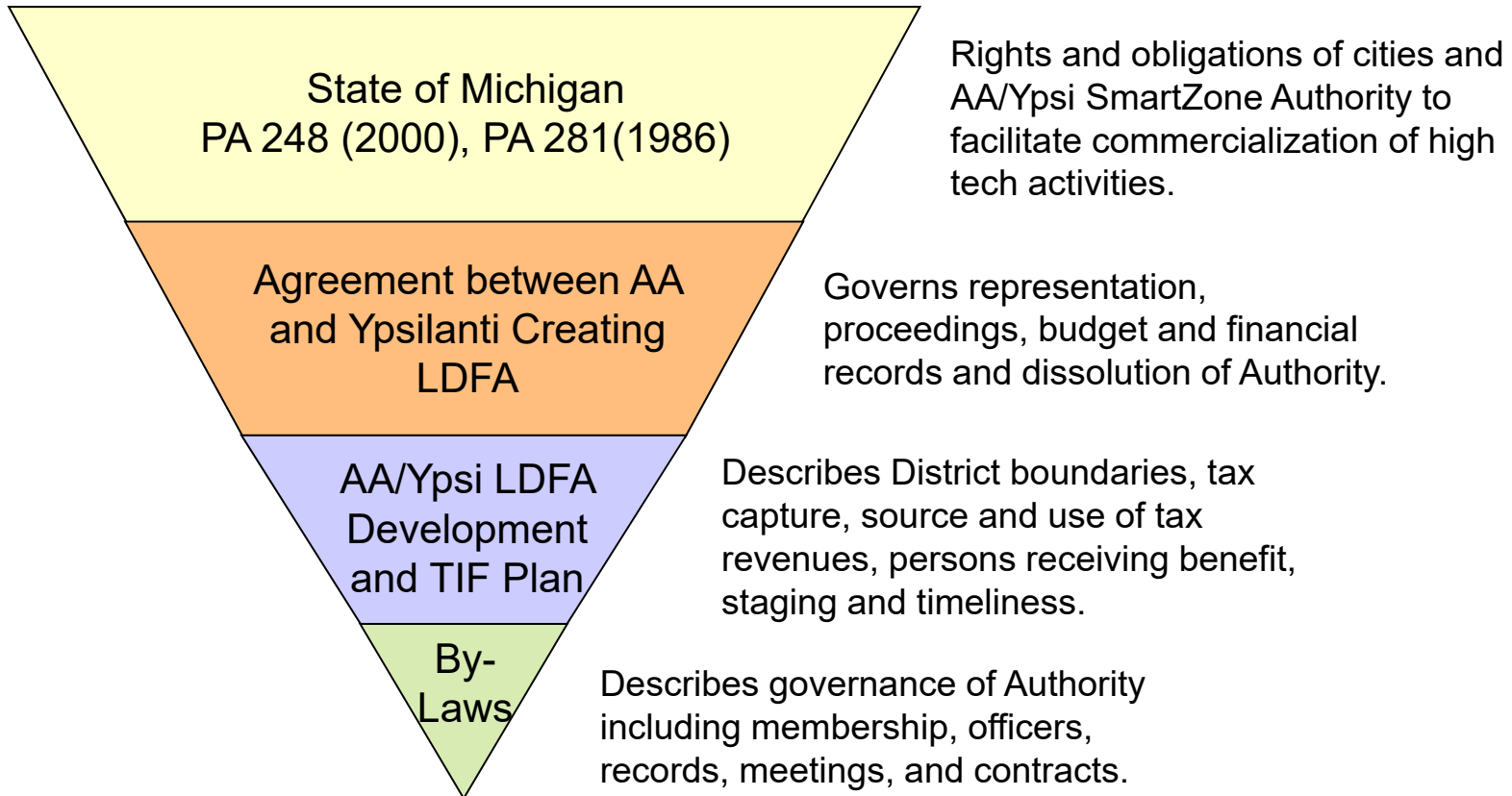
Michigan's SmartZonesSM



- 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

L DFA Authority

Ann Arbor/Ypsilanti L DFA SmartZoneSM



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 (approved July 20, 2017)**
 - Relationship established with satellite SmartZone Adrian/Tecumseh
 - Up to 10% of funds can be utilized in Ypsilanti

Contracted Services By SPARK Ann Arbor/Ypsilanti LDFA SmartZoneSM

- **Business accelerator services**
- **Incubator space:** Seats up to 80 start-up employees, or approx. 25 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
 - SPARK East (215 W Michigan Ave., Ypsilanti) – Up to 35 employees, or approx. 15 tenants
- **Accounting:** services to support agreement
- **Marketing:** addresses public relations, collateral materials and internet initiatives that support LDFA-funded programs and objectives

LDF Business Acceleration Services

Ann Arbor/Ypsilanti LDF 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



TECH talk



Adrian/Tecumseh SmartZone Relationship



Impact over Last 5 Years

Ann Arbor/Ypsilanti LDFA SmartZoneSM

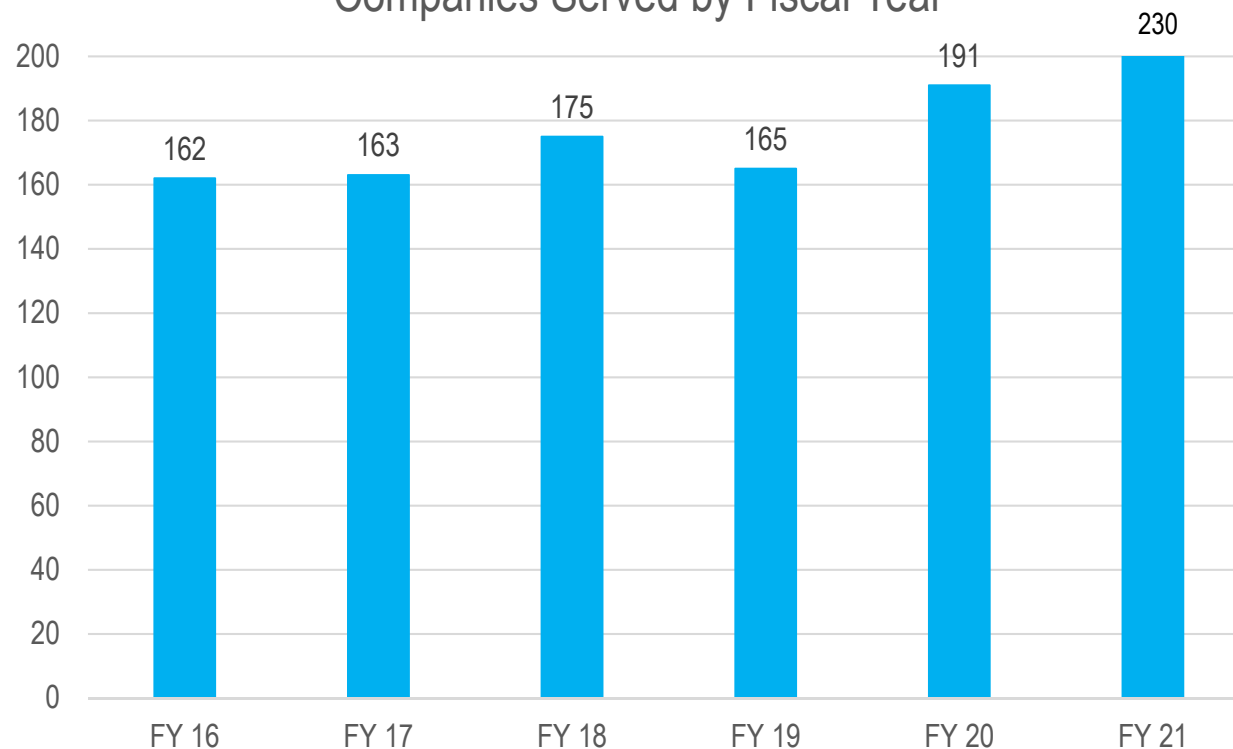
- Represented a \$6.95M Impact in the Ann Arbor region
- \$112.90 of funding leveraged, not counting acquisitions
- Worked with 475 companies (2016-2021)
- Those companies represent 2,757 tech sector jobs in the region
 - Net increase of 1,224 full-time equivalent employees



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



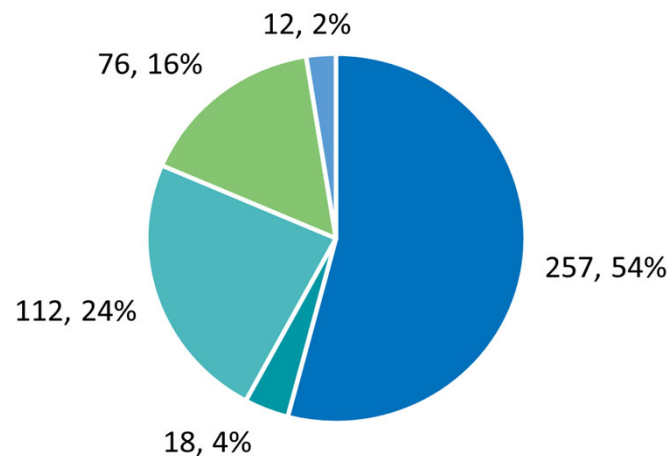
Strong Retention of Start-Ups

Ann Arbor/Ypsilanti LDFA SmartZoneSM

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

Companies Served in last 5 Fiscal Years

Cumulative Served
475 Companies



- City of Ann Arbor
- City of Ypsilanti
- Out of Service Area
- Business Closed
- No Legal Entity

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



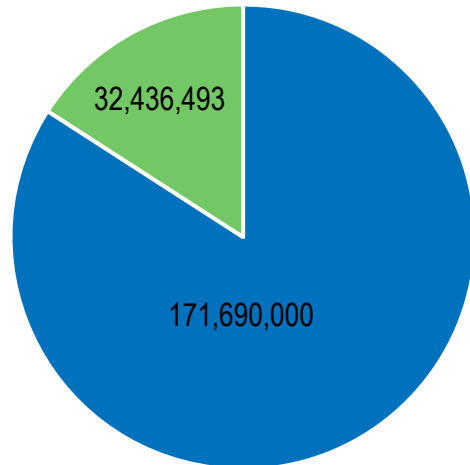
MICHIGAN
SMARTZONE
Ann Arbor/Ypsilanti

L DFA Funds Leveraged by Institutions & Investors

Ann Arbor/Ypsilanti L DFA SmartZoneSM

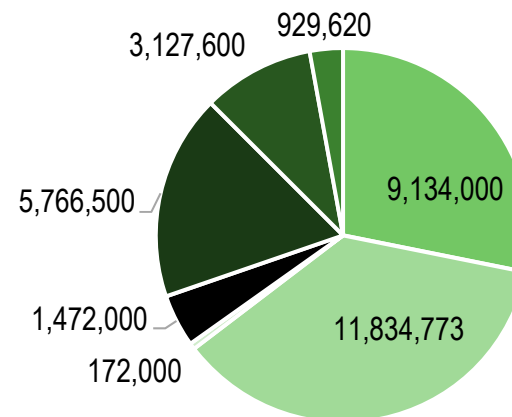
\$201M In Capital Raised in Fiscal Year 2021

Capital Raised
\$201M Total



■ Venture Capital ■ Non-Venture Capital

Non-VC Capital Raised
\$32M Total



- Angel
- Bank/Lender
- Founder/Insider
- Other
- SBIR/STTR
- MEDC (PSF, PSF 2.0, FSF, FCF, etc.)
- Corporate/University/Foundation



L DFA FY2021 Metrics

Ann Arbor/Ypsilanti L DFA SmartZoneSM

- 157 companies received Business Accelerator services
 - 465 retained jobs → 807.5 current FTEs = 342.5 new jobs
- 26 companies utilized Entrepreneurial Boot Camp
 - 38.5 retained jobs → 44 current FTEs = 5.5 new jobs
- 129 companies were incubator tenants
 - 403 retained jobs → 572 current FTEs = 169 new jobs
 - 6 graduated to office space this year
- 54 educational programs and events hosted
 - 3,521 attendees (Avg. 65 attendees per event)

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



LDFA-Supported Success Stories

Ann Arbor/Ypsilanti LDFA SmartZoneSM

■ Workit Health

- Private, interactive 24-hour assistance to those with substance abuse disorders.
- To date, has raised \$138 million in capital, \$118 in the last fiscal year.
- 147 employees with an annual revenue of \$5.4M.

■ BlueConduit

- A machine-learning algorithm based on parcel data, historical records, and other data sources to predict service line materials.
- Raised \$3M in capital in 2021, through a grant from Google.
- Funds raised as a direct result of a SPARK-funded EIR.



MICHIGAN
SMARTZONE
Ann Arbor/Ypsilanti

SmartZone Activities

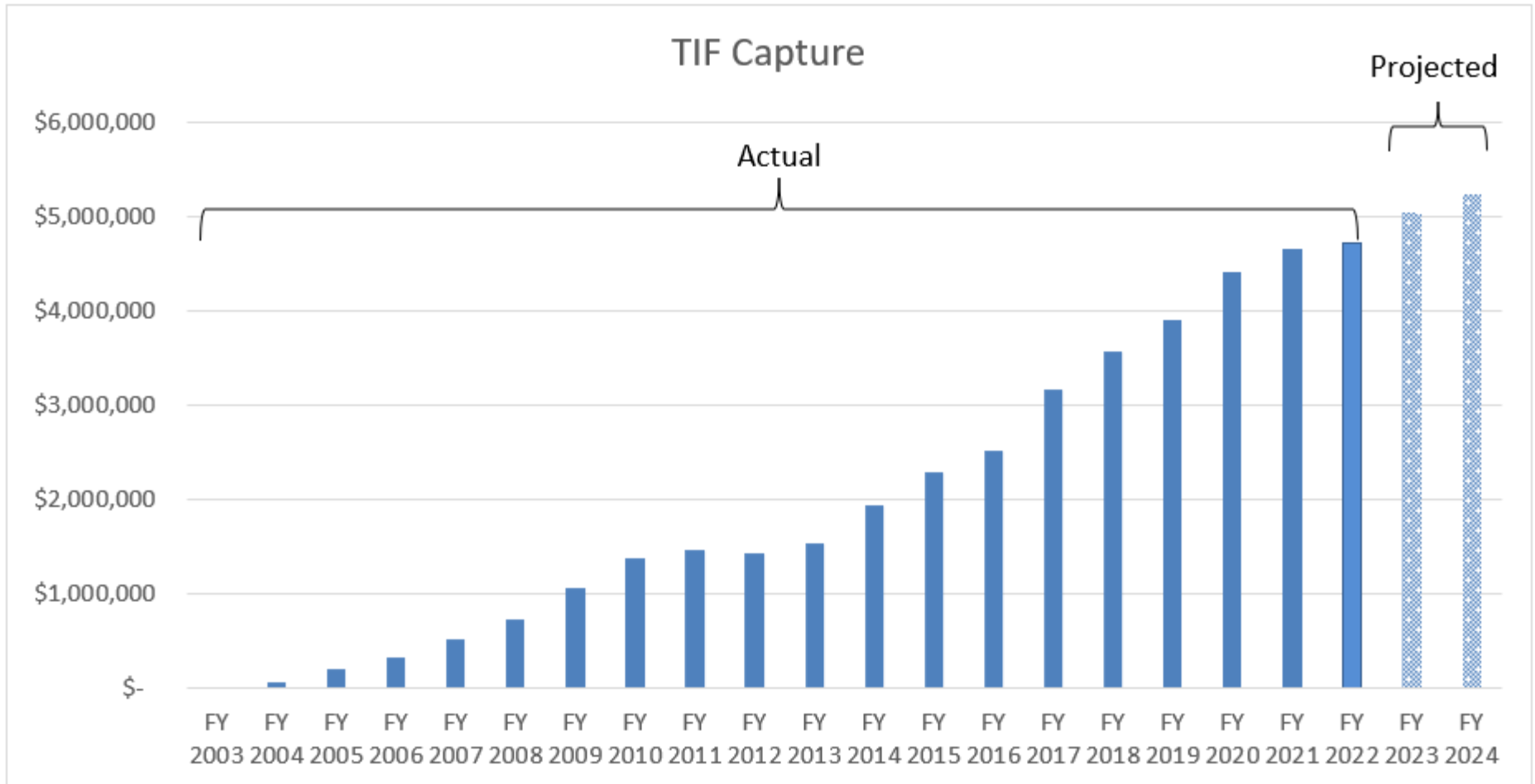
Ann Arbor/Ypsilanti LDFA SmartZoneSM

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

LDFA Tax Capture (Actual and Projected)

Ann Arbor/Ypsilanti LDFA SmartZoneSM



LDFA FY2021-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2021	Amended Budget FY 2022	Projected FY2022	Projected FY2023
REVENUES				
Tax Revenue	\$ 4,658,896	\$ 4,943,250	\$ 4,943,250	\$ 5,052,891
Miscellaneous Revenue	9,004	36,003	36,003	10,000
Investment Income	69,054	80,000	80,000	80,000
Total Revenue	\$ 4,736,954	\$ 5,059,253	\$ 5,059,253	\$ 5,142,891

LDFA FY2021-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2021	Amended Budget FY 2022	Projected FY2022	Projected FY2023
EXPENDITURES				
<u>Business Accelerator Support Services</u>				
SPARK Business Accelerator Direct Staffing	\$ 832,970	\$ 839,388	\$ 839,388	\$ 902,461
Phase II - Due Diligence	-	-	-	-
Phase III - Intensive Service	900,710	825,000	825,000	850,000
Sub-Total	1,733,680	1,664,388	1,664,388	1,752,461
Micro Loan Program for Entrepreneurs	-			-
<u>Entrepreneurial Development & Education Programs</u>				
Education & Development Programs	-			-
Business Networking Events/Sponsorships				-
Bootcamp	48,750	50,000	50,000	50,000
Sub-Total	48,750		50,000	50,000
Mobility Support	219,008		250,000	260,000
Major Events: Tech Trek & NAIAS	240,862	335,000	335,000	335,000
Internship Support & Talent Training	560,435	640,000	640,000	675,000
Sponsorships/Partnered Events/Trade Shows	67,728	100,000	100,000	
Business Software Access for Clients	41,467	43,000	43,000	70,500
SPARK Central Incubator Operating Exp	282,764	300,000	300,000	325,000
Incubator Expansion	-			-
<u>Ypsilanti</u>				
SPARK East Operating Expense	84,808	150,000	150,000	155,000
SPARK Services (acceptable uses)	282,394	219,325	219,325	225,289
Youth Talent Development Program		1,250,000	125,000	
SPARK East Capital	-			-
Other	74,590			-
Sub-Total	441,792		494,325	380,289
<u>SPARK Indirect Services</u>				
SPARK Accounting	143,500	147,200	147,200	153,700
Marketing	225,670	250,000	250,000	250,000
Sub-Total	369,170		397,200	403,700
Spark Total	4,005,656	3,082,388	4,273,913	4,251,950

LDFA FY2021-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

EXPENDITURES

Strategic Initiatives (Grants)	-	150,000	400,000
Tech Park Fiber Grant	209,750	3,000,000	1,800,000
<u>City of Ann Arbor Indirect Services</u>			
Legal & Admin Support	88,748	105,840	110,000
Professional Services	6,273	21,700	21,700
Contracted Services	-	2,855	3,000
Software Maintenance	-	5,000	5,000
Total Operating Expenditures	\$ 4,310,427	\$ 7,559,308	\$ 6,816,650
Net Increase (Use) of Fund Balance	\$ 426,527	\$ (2,500,055)	\$ (1,673,759)
Beginning Fund Balance	\$ 4,226,375	\$ 4,587,156	\$ 4,151,076
Ending Fund Balance	\$ 4,587,156	\$ 2,087,101	\$ 2,477,317

Memo:
Bond Reserve Amount \$0.

Outstanding Debt (principal & interest) \$0.

L DFA Board Members 2020-2021

Ann Arbor/Ypsilanti L DFA SmartZoneSM

Board (9 members = 5 Ann Arbor + 2 Ypsilanti + 1 County + 1 WCC)

- ❑ **Heather Grisham** (Entrepreneur)
 - ❑ **Carrie Leahy** (Attorney)
 - ❑ **Michael Psarouthakis** (U-M, former MEDC) - CHAIR
 - ❑ **Stephen Rapundalo** (MichBio, CEO)
 - ❑ **Ali Ramlawi** (Council Member)
 - ❑ **Phil Tepley** (SBDC) TREASURER
 - ❑ **Caryn Charter** (Ypsilanti)
 - ❑ **Michelle Mueller** (WCC) – VICE-CHAIR
 - ❑ **Shannon Beeman** (Washtenaw County)
- } City of Ann Arbor
- } City of Ypsilanti

- Marti Praschan (City of Ann Arbor) - *ex officio* – Recording Secretary
- Joe Meyers (City of Ypsilanti) – *ex officio*
- Bill Mayer (AA Spark) – *ex officio*
- Fred Molnar – (MEDC) – *ex officio*

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

