

# Local Development Financing Authority (LDFA)

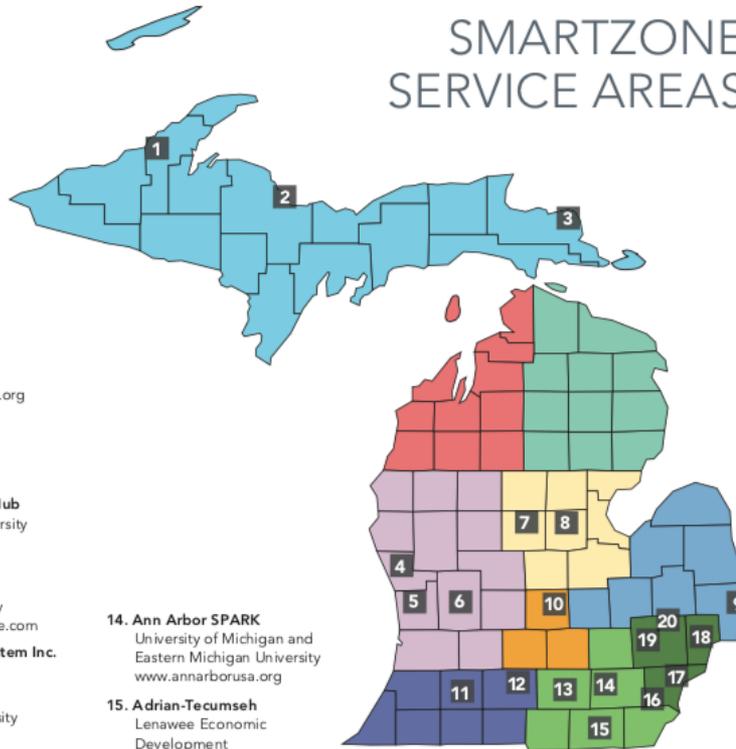


## Annual Report FY 2018

July 1 – June 30

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

## SMARTZONE SERVICE AREAS



### SmartZones

1. **MTEC SmartZone**  
Michigan Technological University  
[www.mtecsz.com](http://www.mtecsz.com)
2. **Innovate Marquette SmartZone**  
Northern Michigan University  
[www.innovatemarquette.org](http://www.innovatemarquette.org)
3. **Sault Ste. Marie**  
Sault Ste. Marie SS Mart Lake Superior State  
[www.ssmartzone.com](http://www.ssmartzone.com)
4. **Muskegon Innovation Hub**  
Grand Valley State University  
[www.gvsu.edu/mihub](http://www.gvsu.edu/mihub)
5. **Holland SmartZone Lakeshore Advantage**  
Michigan State University  
[www.lakeshoreadvantage.com](http://www.lakeshoreadvantage.com)
6. **Start Garden/SG Ecosystem Inc.**  
[www.startgarden.com](http://www.startgarden.com)
7. **CMURC**  
Central Michigan University  
[www.cmurc.com](http://www.cmurc.com)
8. **Midland SmartZone Midland Tomorrow**  
[www.midlandtomorrow.org](http://www.midlandtomorrow.org)
9. **Port Huron**  
St. Clair County EDA  
[www.startunderground.com](http://www.startunderground.com)
10. **Lansing Regional SmartZone/LEAP**  
Michigan State University  
[www.purelansing.com](http://www.purelansing.com)
11. **Western Michigan University Homer Stryker M.D. School of Medicine**  
Western Michigan University  
[www.med.wmich.edu](http://www.med.wmich.edu)
12. **Battle Creek Unlimited**  
Western Michigan University and Kellogg Community College  
[www.bcunlimited.org](http://www.bcunlimited.org)
13. **Jackson Technology Park SmartZone**  
Baker College, Jackson College, and Spring Arbor University  
[www.enterprisegroup.org](http://www.enterprisegroup.org)
14. **Ann Arbor SPARK**  
University of Michigan and Eastern Michigan University  
[www.annarborusa.org](http://www.annarborusa.org)
15. **Adrian-Tecumseh**  
Lenawee Economic Development  
[www.lenaweenow.org](http://www.lenaweenow.org)
16. **Pinnacle Aeropark**  
Huron Township LDFA  
[www.huronwpldfa.com](http://www.huronwpldfa.com)
17. **TechTown**  
Wayne State University  
[www.techtowndetroit.org](http://www.techtowndetroit.org)
18. **Macomb-OU INCubator**  
Oakland University—Macomb  
[www.oakland.edu/macombouinc](http://www.oakland.edu/macombouinc)
19. **Automation Alley**  
Lawrence Technological University and Oakland University Southfield Centrepolis  
[www.automationalley.com](http://www.automationalley.com)  
[www.ltuclaboratory.com](http://www.ltuclaboratory.com)  
[www.southfieldcentrepolis.com](http://www.southfieldcentrepolis.com)
20. **OU INC**  
Oakland University—Rochester  
[www.oakland.edu/ouinc](http://www.oakland.edu/ouinc)

### REGIONS

- Upper Peninsula region
- Northwest region
- Northeast region
- West Michigan region
- East Central region
- East Michigan region
- South Central region
- Southwest Michigan region
- Southeast Michigan region
- Detroit Metro region

- 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 LDF SmartZone<sup>SM</sup>

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 SmartZone<sup>SM</sup>

- 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

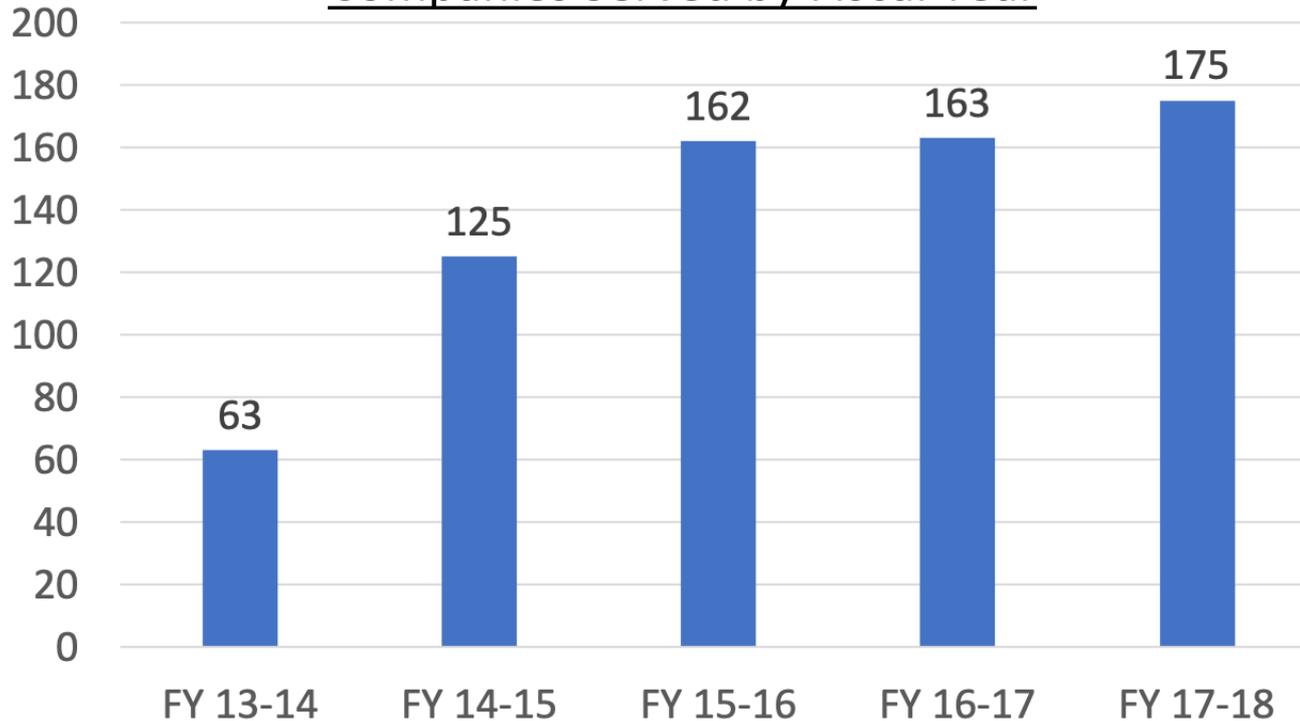
## Ann Arbor/Ypsilanti LDFA SmartZone<sup>SM</sup>

- 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 SmartZone<sup>SM</sup>

Companies Served by Fiscal Year



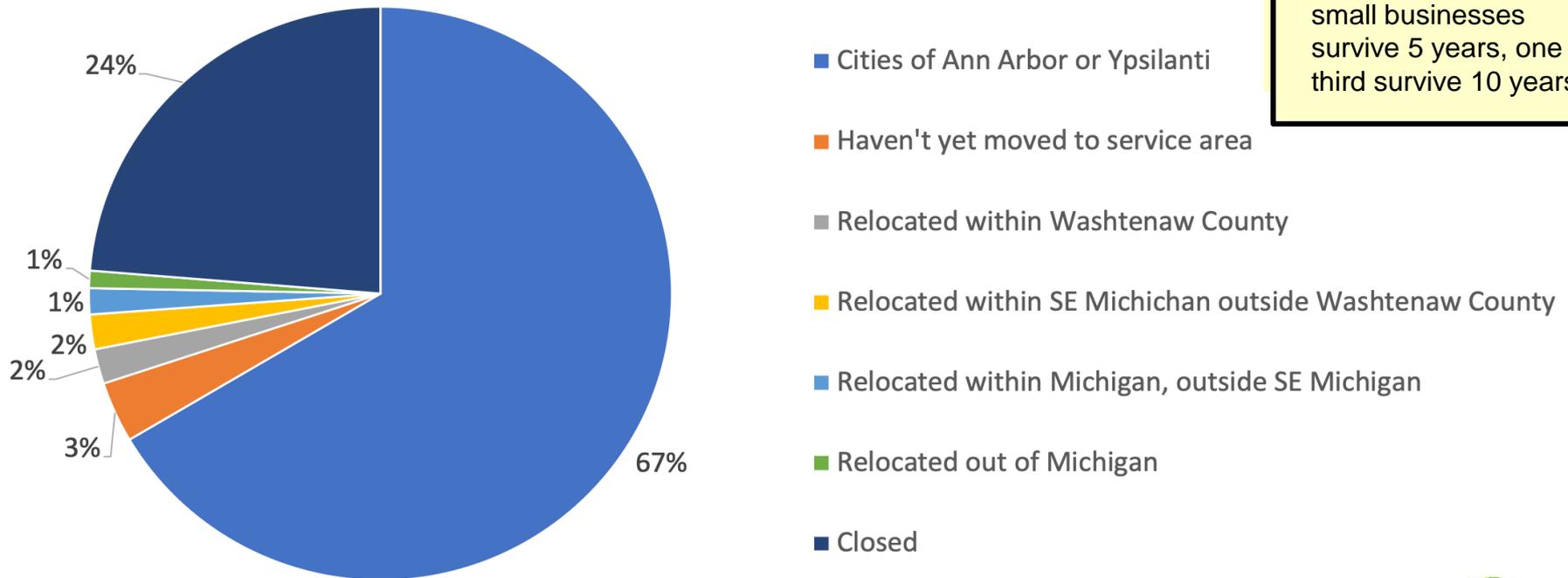
- **New Starts:** LDFA is still seeing growing numbers each year of new companies forming and requiring assistance
- **Expanding Impact:** LDFA has also evolved to support the overall tech ecosystem to indirectly help more established companies survive and grow

# Strong Retention of Start-Ups

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

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



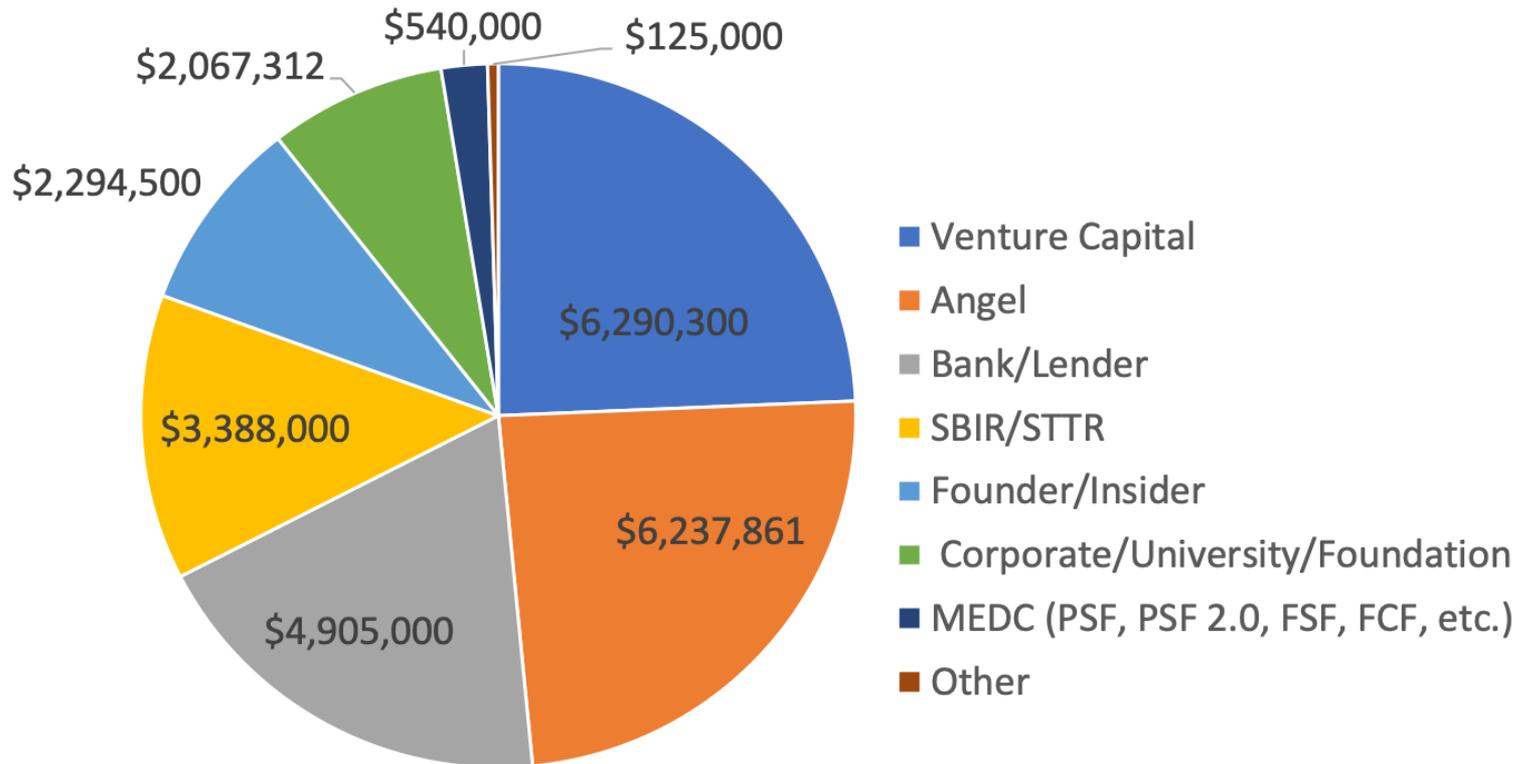
■ 76% of companies initially served in 2013 are still in business today.

■ 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 SmartZone<sup>SM</sup>

\$25.8M In Capital Raised in Fiscal Year 2018



# LDFA-Supported Success Stories

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

## ■ 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 SmartZone<sup>SM</sup>



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



### 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



### Adrian/Tecumseh SmartZone Relationship



# Contracted Services By SPARK

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

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

- 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

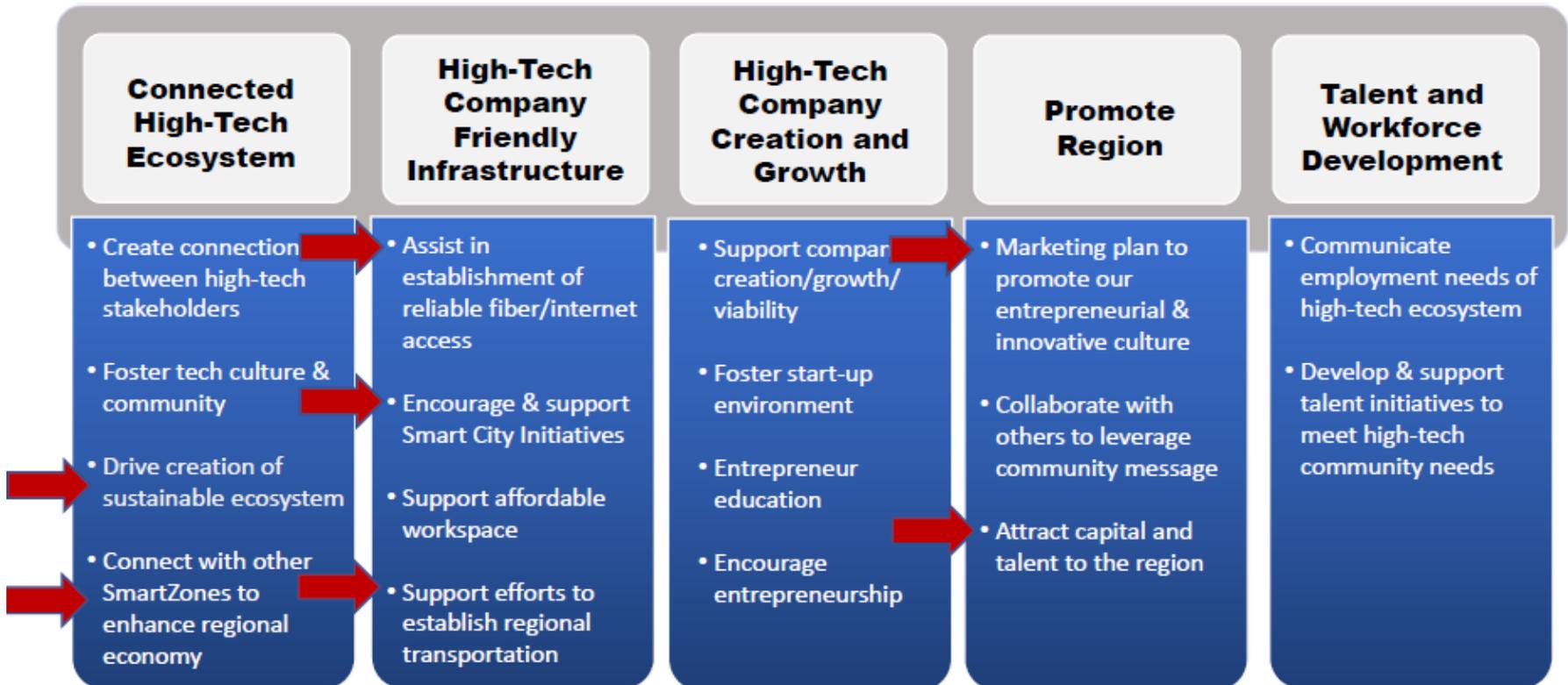
## Ann Arbor/Ypsilanti L DFA SmartZone<sup>SM</sup>



### Emerging Priorities for Sustainability of Tech Economy

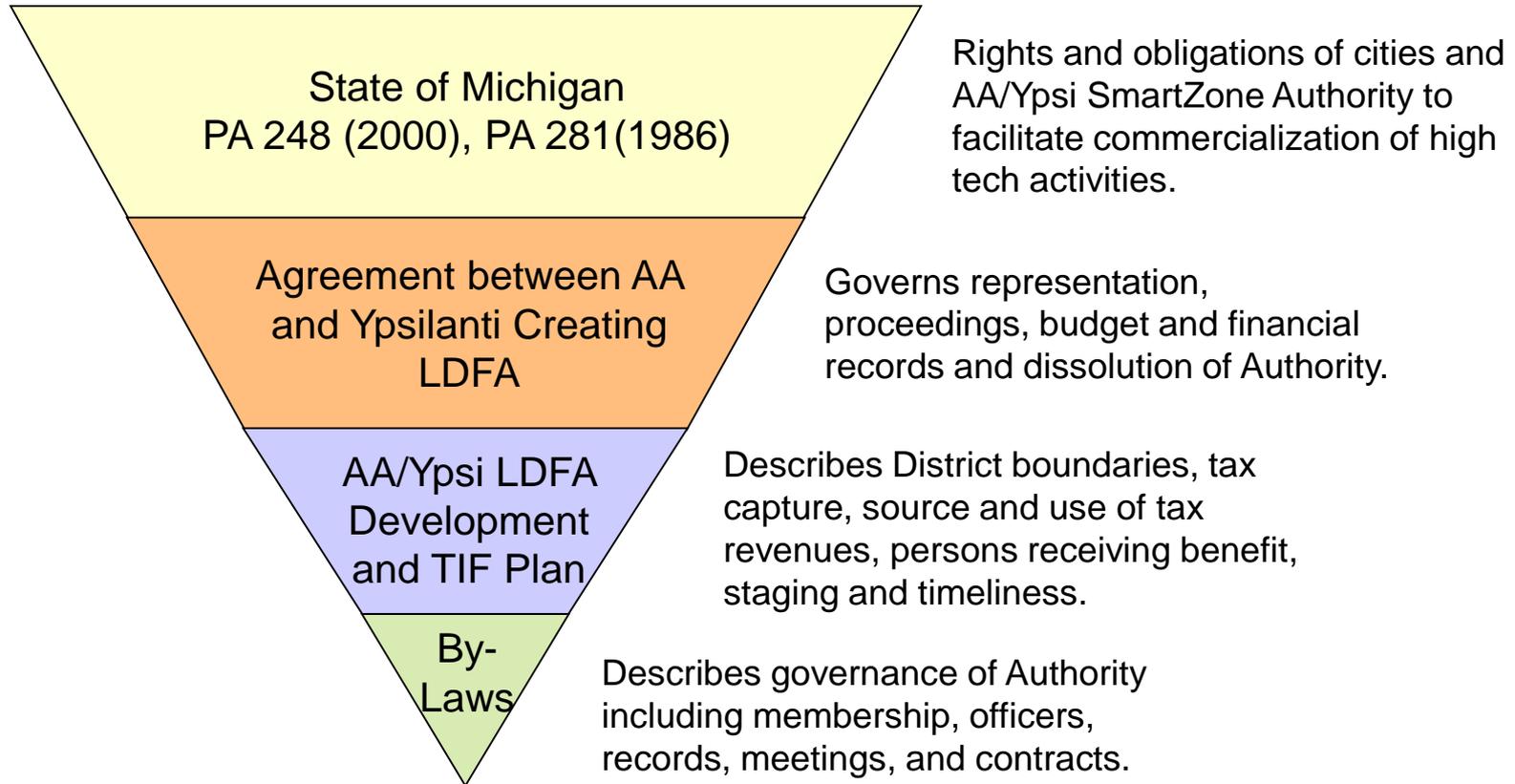
Ann Arbor/Ypsilanti L DFA SmartZone

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



# L DFA Authority

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



# L DFA Board Members 2017-2018

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

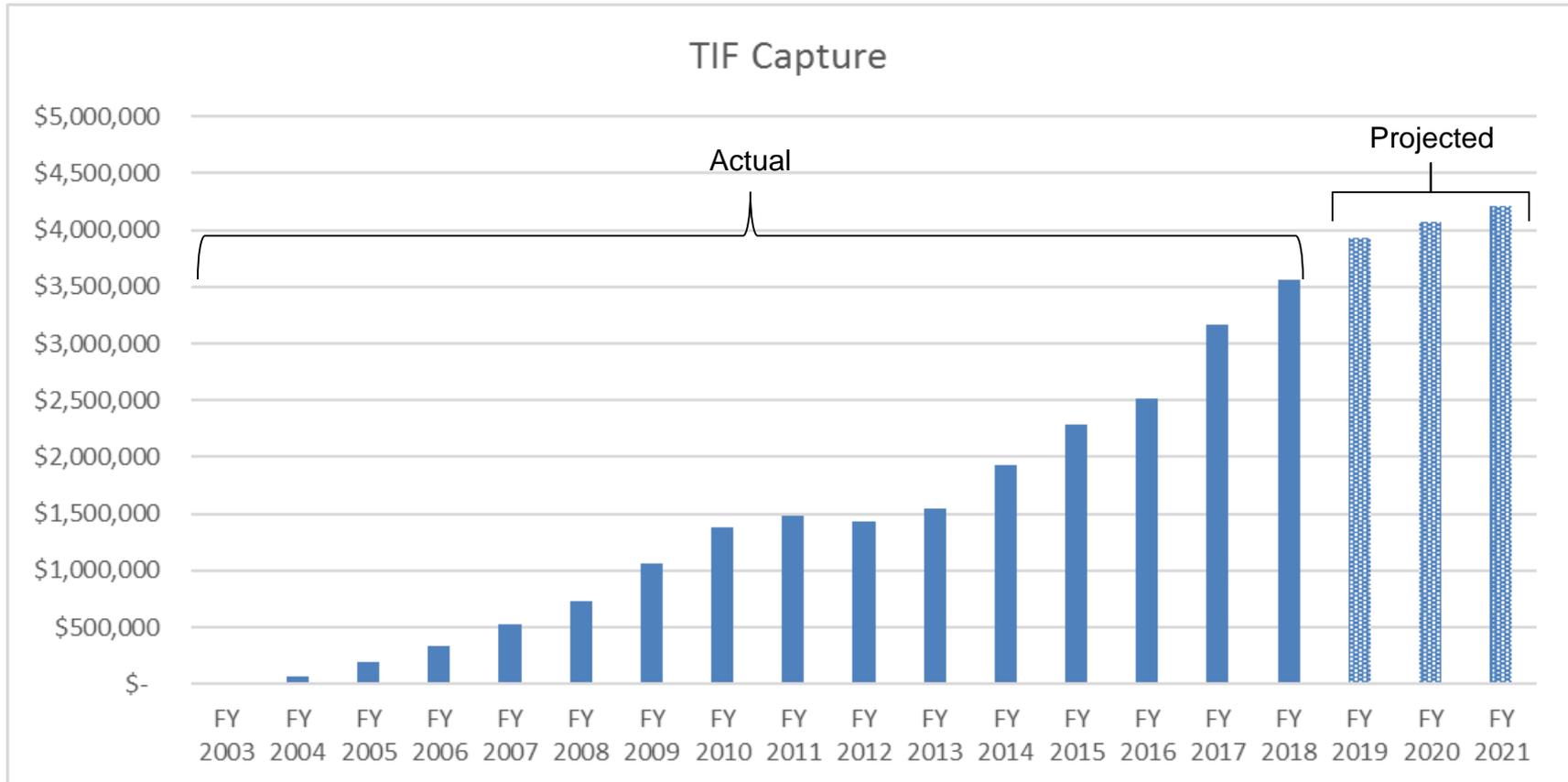
- Board (9 members = 6 Ann Arbor + 3 Ypsilanti)
  - **Heather Grisham** (Entrepreneur, CFO) - CHAIR
  - **Laura Hayden** (Entrepreneur) – Vice Chair
  - **Carrie Leahy** (Attorney) – Treasurer
  - **Paula Sorrell** (UM and former MEDC)
  - **Stephen Rapundalo** (Bio-Industry Assoc., CEO)
  - **Graydon 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 SmartZone<sup>SM</sup>



# LDFA FY2016-FY2019

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

	Actual FY2016	Actual FY2017	Actual FY2018	Budget FY2019
<b>REVENUES</b>				
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
<b>Total Revenue</b>	<b>\$ 2,529,390</b>	<b>\$ 3,331,632</b>	<b>\$ 3,706,952</b>	<b>\$ 3,976,117</b>
<b>EXPENDITURES</b>				
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
<b>Ypsilanti</b>				
SPARK East Operating Exp	-	-	126,070	175,000
SPARK East Business Acceleration	-	-	20,835	175,000
Other (TBD)	-	-	65,500	37,000
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>212,405</b>	<b>387,000</b>
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
<b>Total Operating Expenditures</b>	<b>\$ 2,466,473</b>	<b>\$ 2,605,128</b>	<b>\$ 3,105,887</b>	<b>\$ 4,314,100</b>
<b>Net Increase (Use) of Fund Balance</b>	<b>\$ 62,917</b>	<b>\$ 726,504</b>	<b>\$ 601,065</b>	<b>\$ (337,983)</b>
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.