

Local Development Financing Authority (LDFA)



Annual Report FY 2020

July 1, 2019 – June 30, 2020

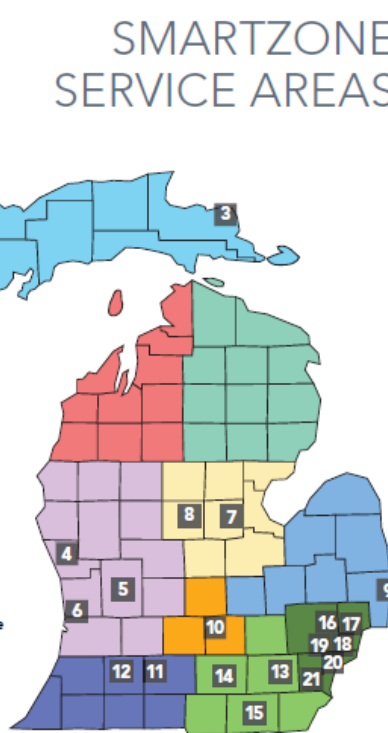
Michigan's SmartZonesSM

SMARTZONE SERVICE AREAS

SmartZones

1. **Houghton/Hancock SmartZone**
MTEC
www.mtecsz.com
2. **Marquette SmartZone**
Innovate Marquette
www.innovatemarkette.org
3. **Sault Ste. Marie SmartZone**
Sault Ste. Marie EDC
www.saultedc.com
4. **Muskegon SmartZone**
Muskegon Innovation Hub
www.gvsu.edu/mihub
5. **Grand Rapids SmartZone**
Start Garden
www.startgarden.com
6. **Holland SmartZone**
Lakeshore Advantage
www.lakeshoreadvantage.com
7. **Midland SmartZone**
Midland Business Alliance
www.mbami.org
8. **Mount Pleasant SmartZone**
CMURC
www.cmurc.com
9. **Port Huron SmartZone**
St. Clair County EDA
www.startunderground.com
10. **Lansing SmartZone**
Lansing Economic Area Partnership (LEAP)
www.purelansing.com
11. **Battle Creek SmartZone**
Battle Creek Unlimited
www.bcnunlimited.org
12. **Kalamazoo SmartZone**
WMed Innovation Center
www.med.wmich.edu/node/373
13. **Ann Arbor SmartZone**
Ann Arbor SPARK
www.annarborusa.org
14. **Jackson SmartZone**
Enterprise Group of Jackson
www.leanrocketlab.info

15. **Adrian-Tecumseh SmartZone**
Lenawee Now
www.lenaweenow.org
16. **Rochester Hills SmartZone**
OU INC
www.oakland.edu/ouinc
17. **Sterling Heights SmartZone**
Macomb-OU INCubator
www.oakland.edu/macombouinc
18. **Troy SmartZone**
Automation Alley
www.automationalley.com
19. **Southfield SmartZone**
Southfield Centrepolis
www.centrepolisaccelerator.com



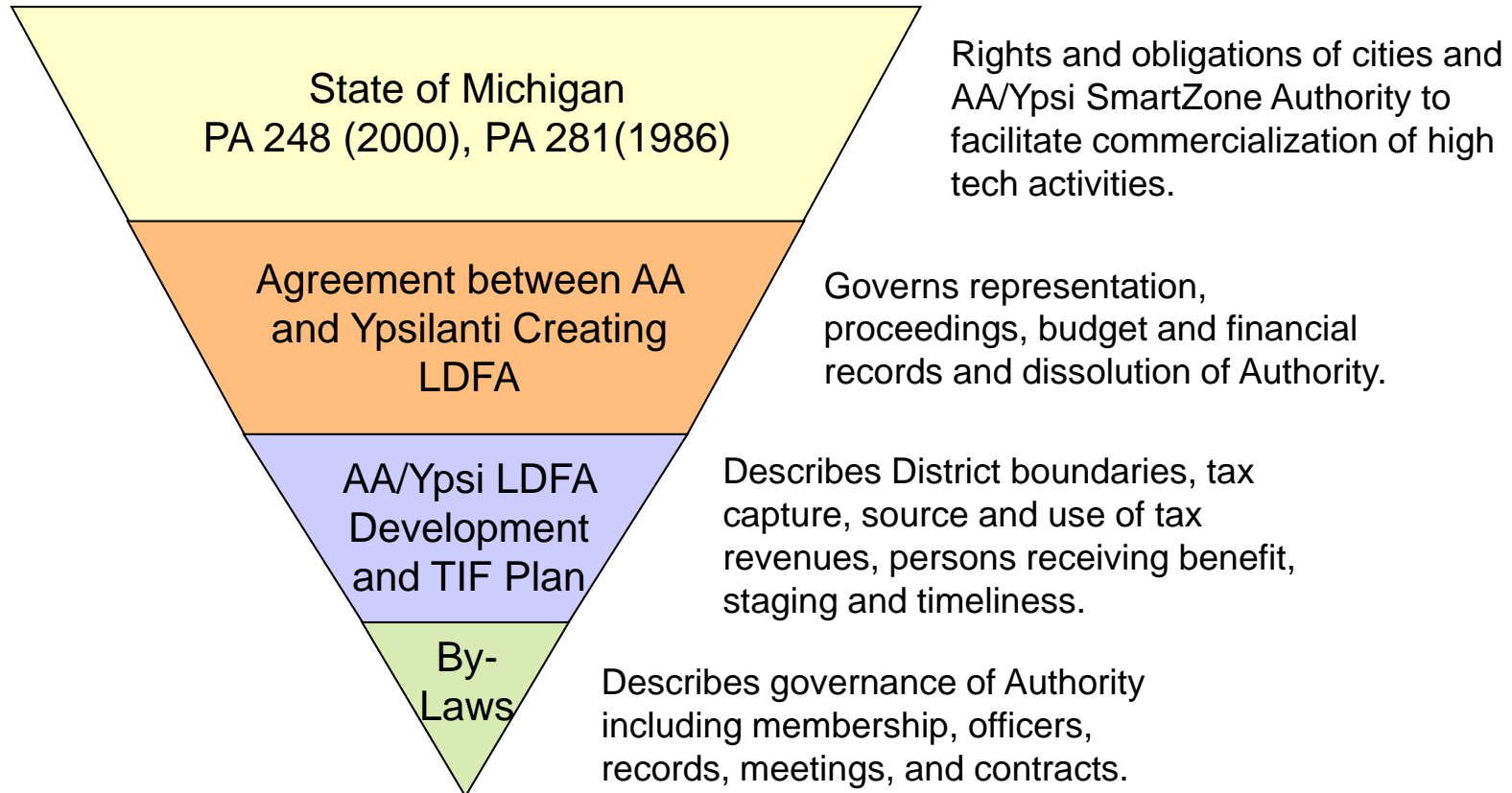
REGIONS

- | | |
|---|--|
| ■ Upper Peninsula region | ■ East Michigan region |
| ■ Northwest region | ■ South Central region |
| ■ Northeast region | ■ Southwest Michigan region |
| ■ West Michigan region | ■ Southeast Michigan region |
| ■ East Central 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

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

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



Adrian/Tecumseh SmartZone Relationship



Impact over Last 5 Years

Ann Arbor/Ypsilanti LDFA SmartZoneSM

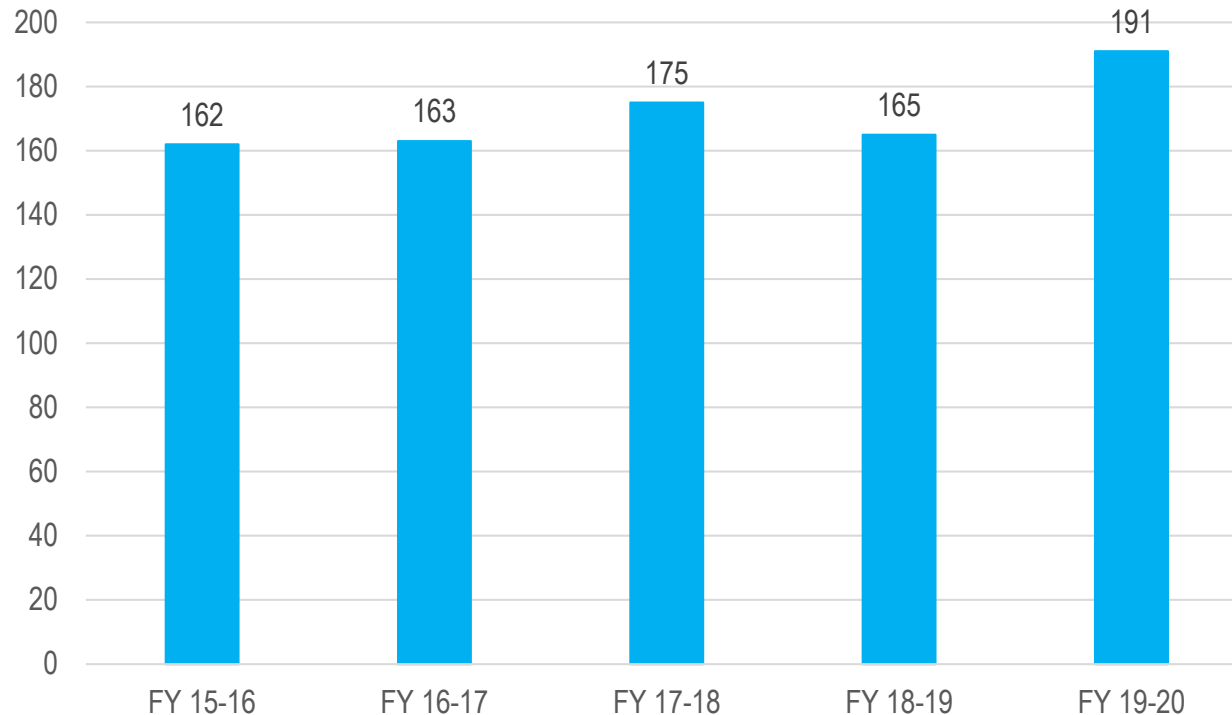
- Represented a \$6.151M Impact in the Ann Arbor region
- \$127.13 of funding leveraged, not counting acquisitions
- Worked with 428 companies (2015-2020)
- Those companies represent 2022 tech sector jobs in the region
 - Net increase of 979.5 full-time equivalent employees



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

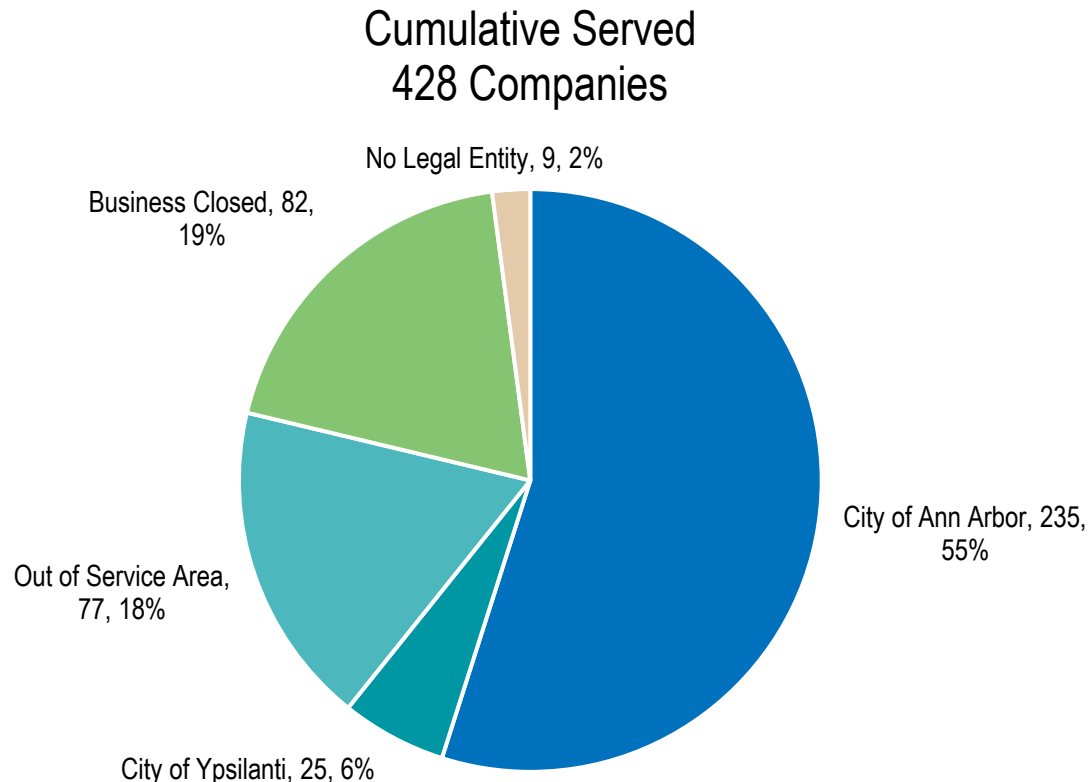


Strong Retention of Start-Ups

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



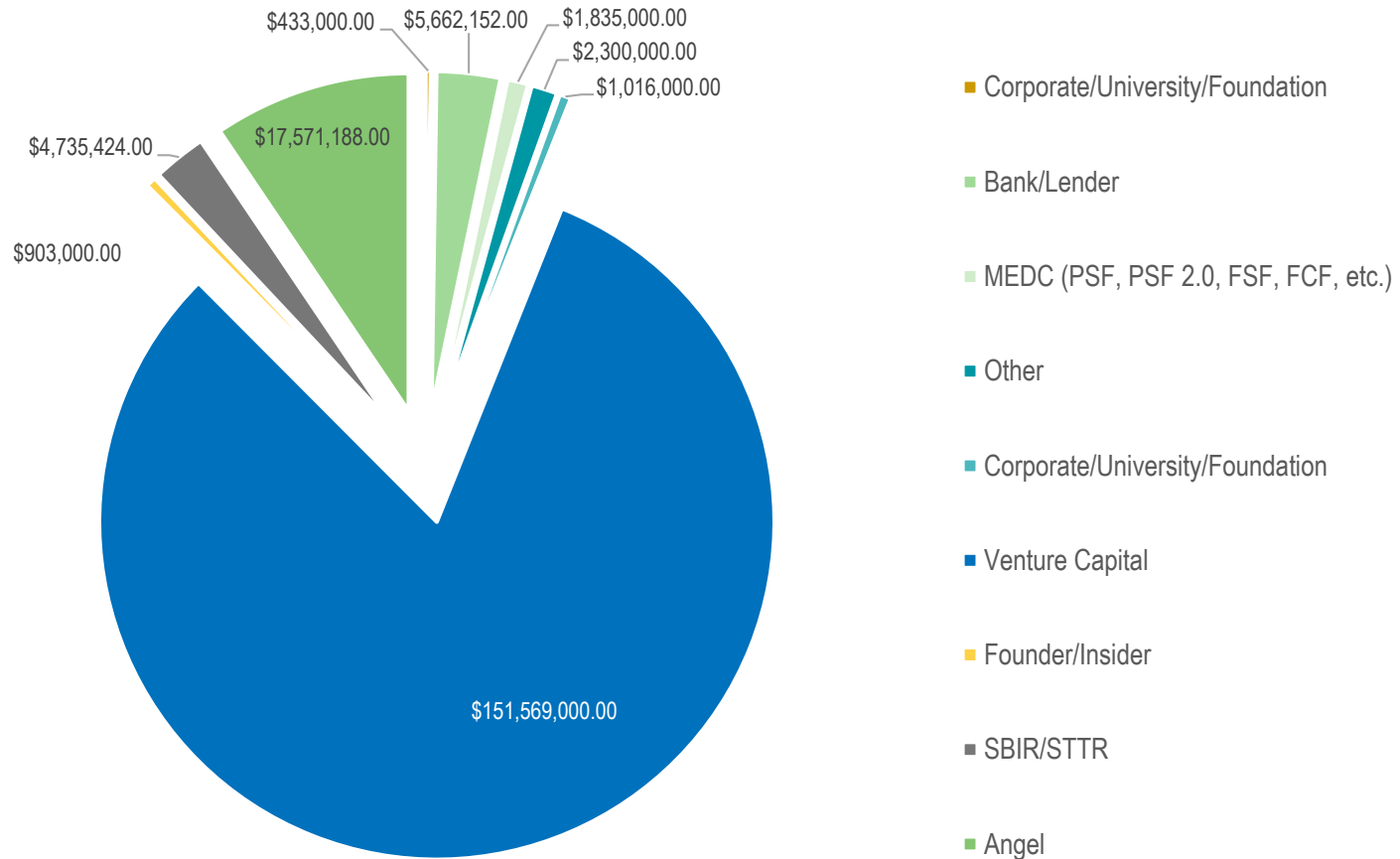
■ SBA.gov states half of small businesses survive 5 years, one third survive 10 years.



L DFA Funds Leveraged by Institutions & Investors

Ann Arbor/Ypsilanti L DFA SmartZoneSM

\$186M In Capital Raised in Fiscal Year 2020



L DFA FY2020 Metrics

Ann Arbor/Ypsilanti L DFA SmartZoneSM

- 148 companies received Business Accelerator services
 - 393.5 retained jobs → 532 current FTEs = 138.5 new jobs
- 23 companies utilized Entrepreneurial Boot Camp
 - 37.5 retained jobs → 39 current FTEs = 1.5 new job
- 95 companies were incubator tenants
 - 295 retained jobs → 374.5 current FTEs = 79.5 new jobs
 - 9 graduated to office space this year
- 93 educational programs and events hosted
 - 2,827 attendees (Avg. 31 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

■ May Mobility

- Develops high-reliability and high-safety autonomous vehicle fleets.
- In total has raised \$84 million in capital
- Projected to generate an additional a total private investment of \$11.8 million and create 100 high-wage engineering and tech jobs in Ann Arbor.

■ AdAdapted, Inc.

- Platform giving independent app publishers technology for customized native ads and access to advertisers.
- Raised \$4 million of private capital in 2020
- >40 employees in Ann Arbor area
- 2020 SPARK Incubator Graduate

SmartZone Activities

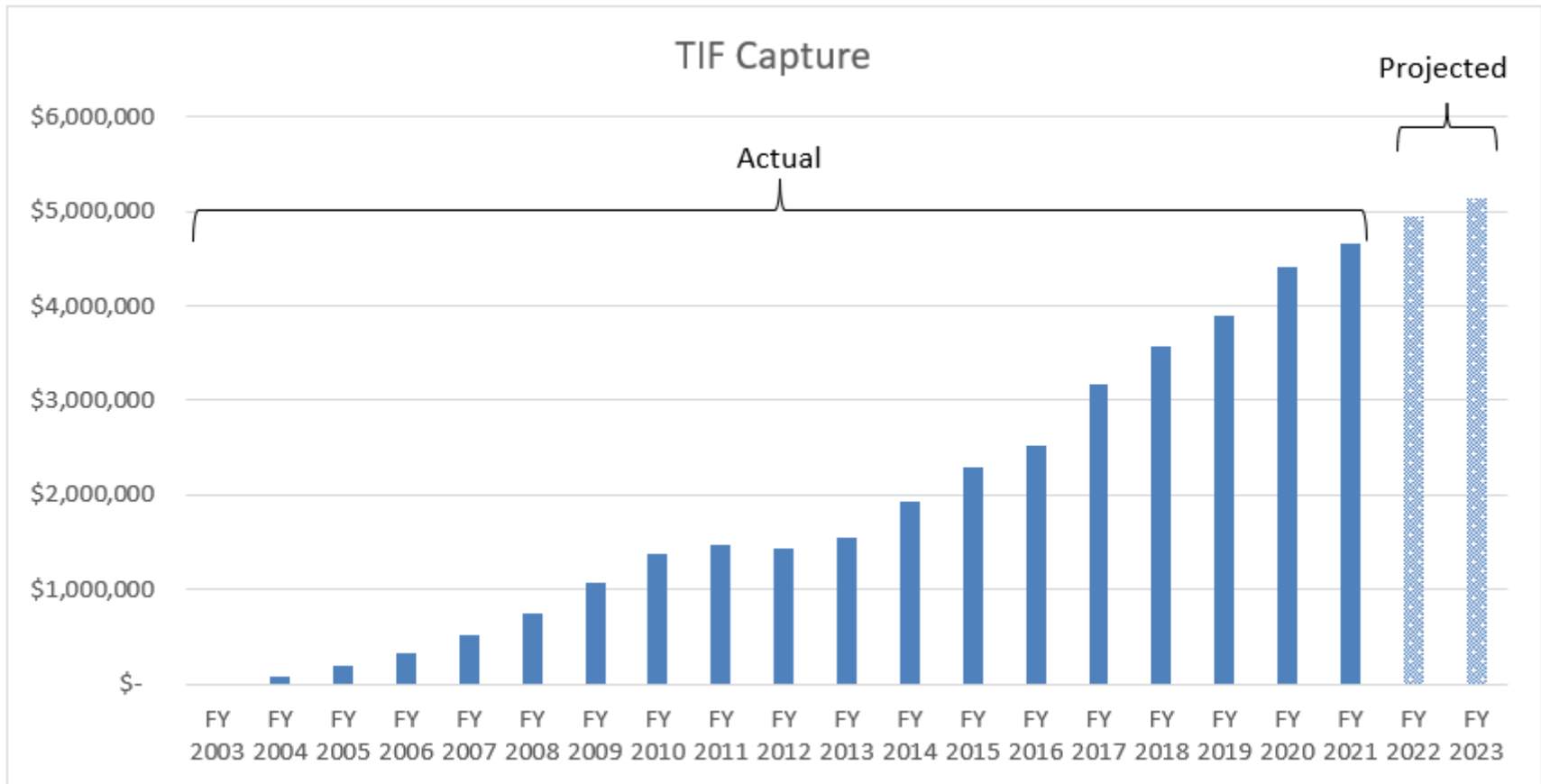
Ann Arbor/Ypsilanti LDFA SmartZoneSM

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

L DFA Tax Capture (Actual and Projected)

Ann Arbor/Ypsilanti L DFA SmartZoneSM



LDFA FY2020-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2020	Amended Budget FY2021	Forecast FY2021	Request FY2022	Projection FY2023
REVENUES					
Tax Revenue	\$ 4,417,262	\$ 4,580,000	\$ 4,658,896	\$ 4,943,250	5,128,326
Miscellaneous Revenue	19,533	-	9,004	-	-
Prior Year Fund Balance		1,410,125	922,225	2,786,058	-
Investment Income	180,966	95,000	95,000	80,000	80,000
Total Revenue	\$ 4,617,761	\$ 6,085,125	\$ 5,685,125	\$ 7,809,308	\$ 5,208,326

LDFA FY2020-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2020	Amended Budget FY2021	Forecast FY2021	Request FY2022	Projection FY2023
EXPENDITURES					
<u>Business Accelerator Support Services</u>					
SPARK Business Accelerator Direct Staffing	\$ 799,000	\$ 832,970	\$ 832,970	\$ 839,388	839,388
Phase II - Due Diligence	-	-	-	-	-
Phase III - Intensive Service	847,273	775,000	775,000	825,000	825,000
Phase IV - Accelerating Opportunities	-	-	-	-	-
Sub-Total	<u>1,646,273</u>	<u>1,607,970</u>	<u>1,607,970</u>	<u>1,664,388</u>	<u>1,664,388</u>
Micro Loan Program for Entrepreneurs	-	-	-	-	-
Angel Investment Group Support	-	-	-	-	-
Business Networking Events	-	-	-	-	-
<u>Entrepreneurial Development & Education Programs</u>					
Education & Development Programs	-	-	-	-	-
Business Networking Events/Sponsorships	73,659	-	-	-	-
Bootcamp	45,000	50,000	50,000	50,000	50,000
Sub-Total	<u>118,659</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Mobility Support	139,951	246,500	246,500	250,000	250,000
Major Events: Tech Trek & NAIAS	38,907	335,000	335,000	335,000	335,000
Internship Support & Talent Training	605,220	590,000	590,000	640,000	640,000
Sponsorships/Partnered Events/Trade Show:	43,328	100,000	100,000	100,000	100,000
Business Software Access for Clients	26,123	43,000	43,000	43,000	43,000
SPARK Central Incubator Operating Exp	303,788	300,000	300,000	300,000	300,000
Incubator Expansion	13,854	-	-	-	-
<u>Ypsilanti</u>					
SPARK East Operating Expense	149,884	150,000	150,000	150,000	150,000
SPARK Services (acceptable uses)	241,268	175,000	175,000	219,325	237,833
Youth Talent Development Program	-	-	-	125,000	125,000
SPARK East Capital	11,000	-	-	-	-
Other	47,848	125,000	125,000	-	-
Sub-Total	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>494,325</u>	<u>512,833</u>
<u>SPARK Indirect Services</u>					
SPARK Accounting	127,000	143,500	143,500	147,200	147,200
Marketing	214,308	225,000	225,000	250,000	250,000
Sub-Total	<u>341,308</u>	<u>368,500</u>	<u>368,500</u>	<u>397,200</u>	<u>397,200</u>
Spark Total	3,727,411	4,090,970	4,090,970	4,273,913	4,292,421

LDFA FY2020-FY2023

Ann Arbor/Ypsilanti LDFA SmartZoneSM

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2020	Amended Budget FY2021	Forecast FY2021	Request FY2022	Projection FY2023
EXPENDITURES					
Strategic Initiatives (Grants)	-	400,000	-	400,000	400,000
Tech Park Fiber Grant	-	1,500,000	1,500,000	3,000,000	-
<u>City of Ann Arbor Indirect Services</u>					
Legal & Admin Support	95,320	83,300	83,300	105,840	110,000
Professional Services	19,500	3,000	3,000	21,700	3,000
Contracted Services	2,855	2,855	2,855	2,855	3,000
Software Maintenance	5,000	5,000	5,000	5,000	5,000
Total Operating Expenditures	\$ 3,850,086	\$ 6,085,125	\$ 5,685,125	\$ 7,809,308	\$ 4,813,421
Net Increase (Use) of Fund Balance	\$ 767,675	\$ -	\$ -	\$ -	\$ 394,905
Beginning Fund Balance	\$ 3,478,450	\$ 4,246,125	\$ 4,246,125	\$ 3,323,900	\$ 537,842
Ending Fund Balance	\$ 4,246,125	\$ 4,246,125	\$ 3,323,900	\$ 537,842	\$ 932,747

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

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

