City of Ann Arbor

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Legislation Text

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LDFA FY2018 Council Update
The Local Development Financing Authority (LDFA) Committee would like to update City Council on the activities of Ann Arbor/Ypsilanti SmartZone^{SM}. The SmartZone Board has updates related to following areas:

- Strategic Planning and the 15-Year SmartZone Extension

- First Strategic Initiative Proposal

- Change in the Composition of the LDFA Board

In addition and for Council's reference, the FY2018 Highlights (Attachment 1) and LDFA Annual Report FY2018 are attached. The Annual Report was provided to City Council on December 3, 2018, but the FY2018 Highlights provide greater detail on LDFA activities and results.

Strategic Planning and the 15-Year SmartZone Extension

In 2017, the Ann Arbor/Ypsilanti SmartZone received a 15-year extension (2018-2033) from the State of Michigan. As part of the extension, the Adrian/Tecumseh SmartZone was added as a satellite to the Ann Arbor/Ypsilanti SmartZone to foster greater regional collaboration, and a stipulation was added that 10% of the LDFA annual funds must be spent in Ypsilanti.

The LDFA recently concluded an extensive strategic planning process aimed at developing a roadmap for the next 15 years. The strategic planning process took 18 months, during which we held 19 meetings, assembled a focus group of community leaders to solicit input on local high-priority needs, developed a decision support tool to aid in assessing potential opportunities' strategic fit, and brought in experts to identify key metrics for evaluating impact of potential projects.

During the process the Board established the following vision and mission statements to guide our efforts in the coming years:

Vision: Establish a sustainable tech ecosystem in the Ann Arbor/Ypsilanti region

Mission: Create a connected, collaborative region with a globally recognized culture of innovation and entrepreneurship

During its first 15 years, the LDFA successfully established infrastructure for supporting tech company creation and growth, focusing on creating connections between high-tech stakeholders, fostering a technology culture, supporting incubators, delivering entrepreneur education, and developing talent initiatives to meet the needs of the high-tech community. We will continue to support these initiatives, but now the Board believes we must begin to focus on activities that help our local technology ecosystem evolve into *self-sustaining* model so that it thrives well beyond the expiration of LDFA and SmartZone.

The LDFA established five (5) strategic goals, each with a number of supporting strategic activities: 1) connected high-tech ecosystem, 2) high-tech friendly infrastructure, 3) high-tech company creation and growth, 4) promotion of the region, and 5) talent and workforce development. Slide 14 of the attached annual report outlines the strategic goals and their strategic initiatives. Of those activities, the ones highlighted with the red arrows are the large-scale priorities that will promote the tech ecosystem sustainability.

Each year the LDFA will seek to invest in these sustainability goals through existing programs and will entertain new proposals that meet the strategic needs of our community.

First Strategic Initiative Proposal

The first such proposal that is being considered is one submitted by the City of Ann Arbor requesting funding to install conduit, fiber, and related tech infrastructure (solely within the SmartZone technology park district) to support the implementation of Smart City technologies and enable the creation and expansion of technology companies and employment. The project directly addresses two of the strategic initiatives within the high-tech friendly infrastructure goal: 1) establishment of reliable fiber and 2) support of Smart City initiatives. This project is being considered as part of the FY2020 budget and if approved, will be included in the LDFA budget proposal to Council.

Change in the Composition of the LDFA Board

The LDFA has been notified by MEDC that our board composition does not currently comply with the SmartZone legislation. In order to comply, the board needs to include representatives from Washtenaw Community College and Washtenaw County. This will require a revision in the Ann Arbor/Ypsilanti Agreement and LDFA bylaws. The present board composition is six (6) Ann Arbor members and three (3) Ypsilanti members. The new composition is anticipated to consist of five (5) Ann Arbor representatives, two (2) Ypsilanti representatives, one (1) Washtenaw Community College representative, and one (1) Washtenaw County representative.

Ann Arbor already has a vacancy so Washtenaw Community College has appointed a person to fill the position. Ypsilanti is anticipated to have a board member resign and Washtenaw County is anticipated to appoint a member to fill that position on March 6, 2019.

A revised Ann Arbor/Ypsilanti Agreement is being considered by Ypsilanti and anticipated to be before Ann Arbor's City Council on the March 18th Council meeting.

FY2018 Highlights:

Total SmartZone revenue in FY2018 was $3.7M, with $3.6M coming from tax revenue, $128k from repayments on microloans and $12.4K from interest income on the fund reserve. $3.1M was deployed into the Ann Arbor and Ypsilanti communities to support the entrepreneurial ecosystem. The unspent $600k was placed in the LDFA fund reserve. The balance of the fund reserve at June 30, 2018 was $2.797M. Below are a few highlights of the FY2018 services and activities:

Investment Dollars Attracted: In FY2018, $25.8 million of investment capital was brought into

companies served by LDFA.

Success Stories: FY2018 saw two incredible LDFA start-up success stories, including the $2.35 billion sale of Duo Security to Cisco. Duo Security was an entrepreneurial services company in 2012, participating in the intern support program where LDFA funds provide a 1:1 match to help companies hire interns. Groundspeed Analytics is a 2015 Entrepreneur Boot Camp graduate who had only 1 employee at the time. In three short years they have grown to over 40 employees and just raised $30 million (closed on the funding in FY2019).

Business Accelerator Services

175 start-up companies were served in FY2018 and 96 new jobs were created. Business accelerator services are consulting activities to directly support entrepreneurs and new tech business creation and growth. These services include activities such as business planning, strategic and operational consulting, and marketing and business development assistance, as well as intellectual property rights consulting and legal review, and talent and recruitment assistance.

Entrepreneurs Boot Camp

Two Boot Camp sessions were held, serving 25 companies. During the Boot Camp, companies work one-on-one with seasoned entrepreneurs, angel investors, and business executives to address key business issues. The goal of the Boot Camp is to shorten the time required to attract capital, customers, and other resources. Eight teams were affiliated with the University of Michigan, and one with Eastern Michigan University. Two of the teams have subsequently raised capital.

Digital Engagement Center (DEC) Program

Twelve (12) local startups received a digital marketing boost through a collaborative program between Ann Arbor SPARK and Eastern Michigan University's Center for Digital Engagement this summer. The Digital Engagement Clinic matches undergraduates and recent graduate interns with start-ups to accelerate the startups' digital marketing efforts such as social media, content creation, analytics, SEO, mobile application development and video production.

Business Incubator

Eighty-one (81) companies were housed in the two business incubators located at Ann Arbor SPARK and SPARK East in Ypsilanti. Over the year, six companies have left the incubators; four have "graduated" to their own office space and continued to grow rapidly. Two of the graduates have settled in the immediate Ann Arbor area and currently employ 46 people.

Mobility Development

Mobility is a growing industry in the Ann Arbor region with 197 mobility companies located in Washtenaw County. In FY2018, twenty-five (25) mobility companies employing 209.5 FTEs were served. Additionally, a mobility specialist was contracted to focus on SmartZone opportunities specifically related to mobility. The objective is to take advantage of the region's explosive growth in the mobility area with the Big 3 Automakers, local universities, and the American Center for Mobility to drive mobility start-up and entrepreneurial activity. The following mobility-targeted events were held

in FY2018:

- *A2 Mobility Tech Meetup*: A meetup focused on highlighting innovative mobility companies within the Ann Arbor region and creating opportunities for partnerships between local companies to strengthen the mobility ecosystem

- *Mobility Row:* 20 innovative mobility companies with physical assets were profiled on Washington Street between Division and Fifth Avenue during Tech Trek. The companies shared their innovative technologies along with the partnerships they have within the ecosystem that helped them with their growth.

- *Ann Arbor Mobility Summit*: a one-day thought leadership summit focused on emerging autonomous mobility and smart city solutions. The summit was hosted in partnership with Meeting of the Minds. One-hundred ten participants had the first-of-its-kind opportunity to tour the recently opened American Center for Mobility (formerly Willow Run) and experience live demos from OEMs and mobility startups on the private track and infrastructure assets, followed by small group discussions and workshops.

A2 Tech 360

In 2018 the popular local event, Tech Trek, was expanded to be a collection of events to spotlight the community's innovative people and events. A2Tech360 is a week of tech-related events (Tech Trek, Tech Talk, Meeting of the Minds, Fast Track Annual Awards, 2028: What the Future Holds) brings together innovators, researchers, investors, businesses, education institutions, non-profits, job seekers and the general public to generate discussion, ideas, and new opportunities. The 2018 event had over 6,048 attendees, up from 3,391 in 2017.

<u>Cumulative Impact</u>

- <u>Companies served</u>: The number of new company starts has been steadily increasing and we are seeing a parallel year-over-year increase in companies seeking LDFA assistance. LDFA funds have provided entrepreneurial services to over 400 companies over the past five years, impacting 2,913 tech sector jobs in the local economy.

- <u>Company retention</u>: Encouragingly, companies served by Ann Arbor/Ypsilanti LDFA beat the national survival average - 76% of companies of the companies served in the last five years are still in business, versus the national average of 50%. Further, the majority of these companies are largely staying in Ann Arbor and Ypsilanti (67%). Another 5% left the service area, but stayed in Michigan. (*Note*: If a company leaves the city within 12 months of receiving LDFA dollars, they are required to repay those funds).

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