Michigan’s SmartZones℠

- 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
State of Michigan

Rights and obligations of cities and AA/Ypsi SmartZone Authority to facilitate commercialization of high tech activities.

Agreement between AA and Ypsilanti Creating LDFA

Governs representation, proceedings, budget and financial records and dissolution of Authority.

AA/Ypsi LDFA Development and TIF Plan

Describes District boundaries, tax capture, source and use of tax revenues, persons receiving benefit, staging and timeliness.

By-Laws

Describes governance of Authority including membership, officers, records, meetings, and contracts.
History
Ann Arbor/Ypsilanti LDFA SmartZone℠

- 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
    - Relationship established with satellite SmartZone Adrian/Tecumseh
    - Up to 10% of funds can be utilized in Ypsilanti
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
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℠

Mobility/Smart Cities
- Business Development
- Collaboration with Local Mobility Centers
- Meeting of the Minds Ann Arbor Mobility Summit
- Mobility start-ups

Other Supported Initiatives
Ann Arbor/Ypsilanti LDFA SmartZone℠

Adrian/Tecumseh SmartZone Relationship
Lenawee Now

a2TECH360
Brought to you by Ann Arbor Spark
- 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
- **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.
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

- 257, 54%
- 112, 24%
- 76, 16%
- 12, 2%
- 18, 4%

- 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.
$201M In Capital Raised in Fiscal Year 2021

Capital Raised
$201M Total

- Venture Capital: 171,690,000
- Non-Venture Capital: 32,436,493

Non-VC Capital Raised
$32M Total

- Angel: 9,134,000
- Bank/Lender: 11,834,773
- MEDC (PSF, PSF 2.0, FSF, FCF, etc.): 1,472,000
- Founder/Insider: 172,000
- Corporate/University/Foundation: 5,766,500
- Other: 3,127,600
- SBIR/STTR: 929,620

LDFA Funds Leveraged by Institutions & Investors
Ann Arbor/Ypsilanti LDFA SmartZone SM
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.
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.
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 SmartZone℠

TIF Capture

Actual

Projected

$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$

Ann Arbor/Ypsilanti SmartZone LDFA

<table>
<thead>
<tr>
<th></th>
<th>Actual FY2021</th>
<th>Amended Budget FY2022</th>
<th>Projected FY2022</th>
<th>Projected FY2023</th>
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</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
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<tr>
<td>Tax Revenue</td>
<td>$4,658,896</td>
<td>$4,943,250</td>
<td>$4,943,250</td>
<td>$5,052,891</td>
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<td>Miscellaneous Revenue</td>
<td>9,004</td>
<td>36,003</td>
<td>36,003</td>
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<td>Investment Income</td>
<td>69,054</td>
<td>80,000</td>
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<td><strong>Total Revenue</strong></td>
<td>$4,736,954</td>
<td>$5,059,253</td>
<td>$5,059,253</td>
<td>$5,142,891</td>
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### EXPENDITURES

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

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiatives (Grants)</td>
<td>150,000</td>
<td>400,000</td>
<td></td>
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<tr>
<td>Tech Park Fiber Grant</td>
<td>209,750</td>
<td>3,000,000</td>
<td>1,800,000</td>
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<tr>
<td>City of Ann Arbor Indirect Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal &amp; Admin Support</td>
<td>88,748</td>
<td>105,840</td>
<td>110,000</td>
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<td>Professional Services</td>
<td>6,273</td>
<td>21,700</td>
<td>21,700</td>
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<tr>
<td>Contracted Services</td>
<td></td>
<td>2,855</td>
<td>3,000</td>
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<tr>
<td>Software Maintenance</td>
<td></td>
<td>5,000</td>
<td>5,000</td>
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<tr>
<td><strong>Total Operating Expenditures</strong></td>
<td>$4,310,427</td>
<td>$7,559,308</td>
<td>$6,816,650</td>
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<tr>
<td><strong>Net Increase (Use) of Fund Balance</strong></td>
<td>$426,527</td>
<td>$(2,500,055)</td>
<td>$(1,673,759)</td>
</tr>
</tbody>
</table>

**Beginning Fund Balance**

<table>
<thead>
<tr>
<th></th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,226,375</td>
<td>$4,587,156</td>
<td>$4,151,076</td>
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<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$4,587,156</td>
<td>$2,087,101</td>
<td>$2,477,317</td>
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</tbody>
</table>

**Memo:**

Bond Reserve Amount $0.

Outstanding Debt (principal & interest) $0.
LDFA Board Members 2020-2021
Ann Arbor/Ypsilanti LDFA 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)

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

**Connected High-Tech Ecosystem**
- Create connection between high-tech stakeholders
- Foster tech culture & community
- Drive creation of sustainable ecosystem
- Connect with other SmartZones to enhance regional economy

**High-Tech Company Friendly Infrastructure**
- Assist in establishment of reliable fiber/internet access
- Encourage & support Smart City Initiatives
- Support affordable workspace
- Support efforts to establish regional transportation

**High-Tech Company Creation and Growth**
- Support company creation/growth/viability
- Foster start-up environment
- Entrepreneur education
- Encourage entrepreneurship

**Promote Region**
- Marketing plan to promote our entrepreneurial & innovative culture
- Collaborate with others to leverage community message
- Attract capital and talent to the region

**Talent and Workforce Development**
- Communicate employment needs of high-tech ecosystem
- Develop & support talent initiatives to meet high-tech community needs