LDFA

Annual Report FY 2013
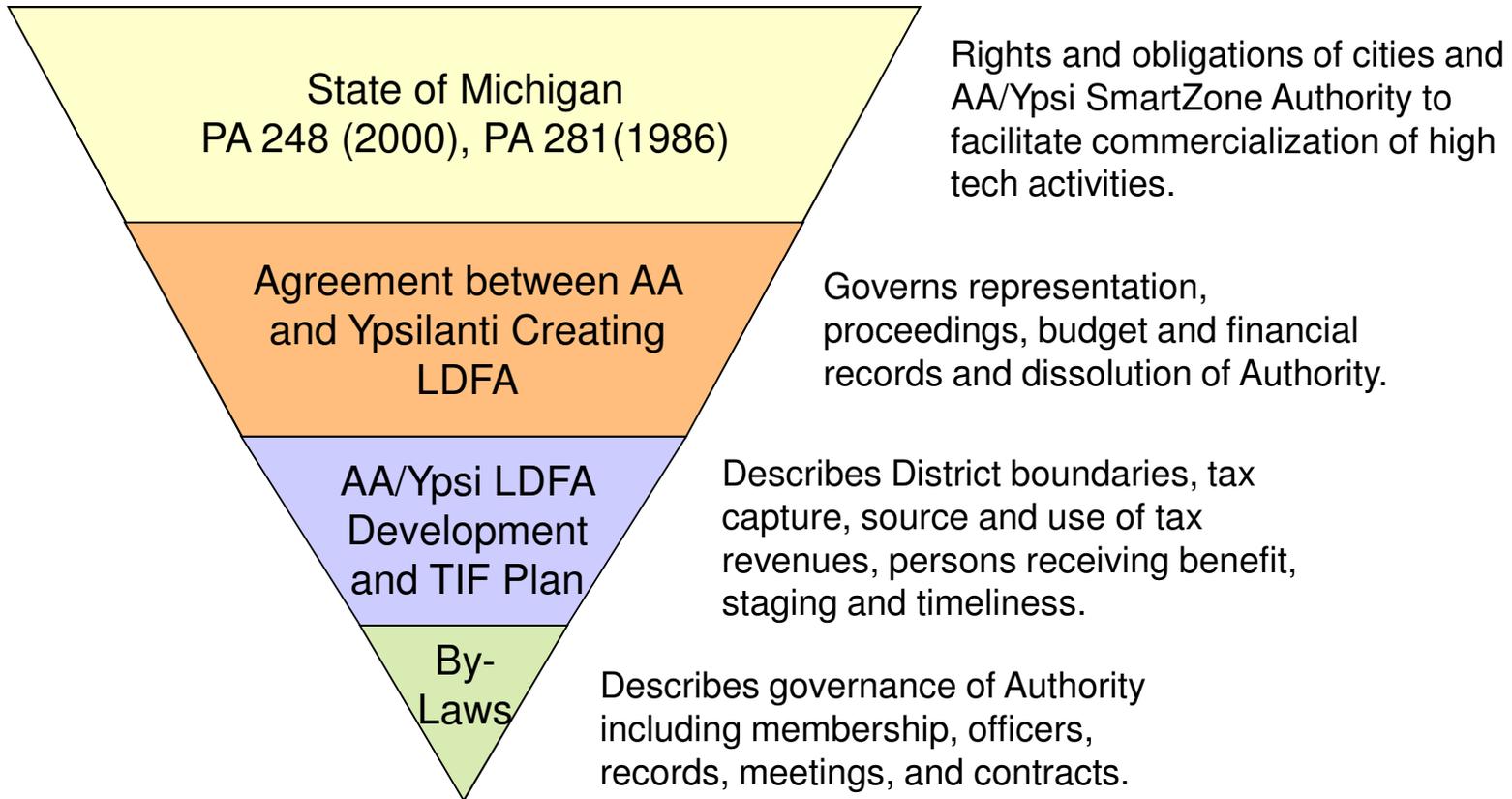
Michigan's SmartZones[SM]

- Created by PA 248 (2000)
- Specially created "technology parks" 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

Ann Arbor/Ypsilanti 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

  - 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 does not capture AAPS debt service nor enhancement millage in AA – AAPS remains whole with school property tax redistribution

      - **STATE funds distributed locally.**

  - Funding distribution – LDFA funds used **exclusively** in the community in which they are generated

- LDFA Duration: 2003-2018

LDFA: Legal Authority

State of Michigan
PA 248 (2000), PA 281(1986)

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.

LDFA: Board Members

- Board (9 members = 6 Ann Arbor + 3 Ypsilanti)
  - **Carrie Leahy** (Attorney) - CHAIR
  - **Dick Beedon** (Entrepreneur, Investor)
  - **Stephen Rapundalo** (Bio-Industry Assoc., CEO)
  - **Eric Jacobson** (Entrepreneur, CFO) - TREASURER
  - **Sally Hart Petersen** (Council Member)
  - **Ned Staebler** (Wayne State University, Executive)
  - **Vince Chmielewski** (Entrepreneur)
  - **Bilal Saeed** (Entrepreneur)
  - **[TBD]**
  - Tom Crawford (City of Ann Arbor) - *ex officio* - RECORDING SECRETARY
  - Skip Simms (AA Spark) – *ex officio*
  - Paula Sorrell (MEDC) – *ex officio*

City of Ann Arbor

City of Ypsilanti

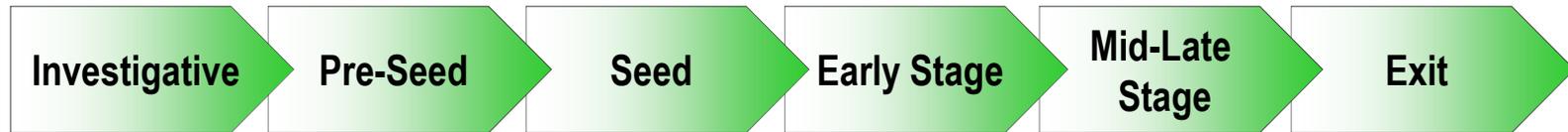# SmartZones^{SM}: Acceleration and Incubation

Business accelerator services include, but not limited to:

- ❑ Networking events

- ❑ Entrepreneurial training

- ❑ Business feasibility and planning

- ❑ Technology assessments and protection support

- ❑ SBIR/STTR assistance; grant writing

- ❑ Management and talent recruitment

- ❑ Incubator and business accelerator space w/ shared services

- ❑ Product development support

- ❑ Business and executive management mentoring

- ❑ Venture capital and angel investor preparation and introductions

- ❑ Micro-loan program
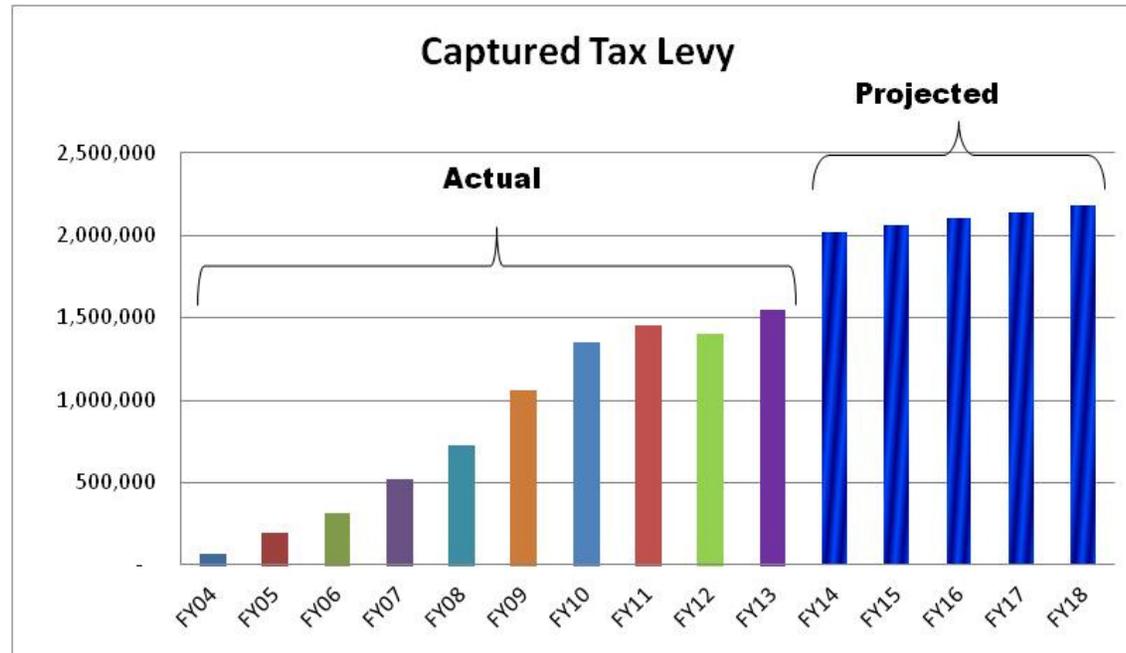
LDFA: Contracted Services by SPARK

- Business accelerator services
- Incubator space for 14 start-up tenants and "location" for virtual companies (SPARK Central, 330 E. Liberty)
  - Subsidized leases
  - Administrative support; internet services
  - Utilities and property taxes; insurance; maintenance
  - Meeting space
- Accounting services to support agreement
- Marketing services plan that addresses public relations, collateral materials and internet initiatives that support LDFA funded programs and objectives

LDFA: Business Accelerator Services

Investigative	Pre-Seed	Seed	Early Stage	Mid-Late Stage	Exit

- Phase I – initial contact and screening of business/technology proposition for programmatic fit, review by advisors/consultants and referral to Phase II services

- Phase II – in-depth evaluation of prospective client to determine capability of business for consulting help in Phase III; 50% outsourced to qualified subcontractors

- Phase III – substantial involvement to advance firms beyond start-up phase to seed stage; addressing strategic issues, development of business plan/schedule/budget, implementation of milestone plan; 100% outsourced to qualified subcontractors

- Microloans for working capital and expenses related to attracting customers, product partners, and investors.

- Education –
  - Entrepreneurs Boot Camp
  - Business networking events

LDFA: Tax Capture (Actual & Projected)

Captured Tax Levy

	Actual		PROJECTED			
	FY 2013	FY 2014*	FY 2015	FY 2016	FY 2017	FY 2018
Base Taxable Value	248,052,105	248,052,105	248,052,105	248,052,105	248,052,105	248,052,105
Taxable Value	396,717,365	437,775,061	446,530,562	455,461,173	464,570,397	473,861,805
Captured Taxable Value	148,665,260	189,722,956 28%	198,478,457 5%	207,409,068 4%	216,518,292 4%	225,809,700 4%
Total Captured Tax Levy	1,546,577	2,017,835	2,058,192	2,099,356	2,141,343	2,184,169

NOTE:
Projections include changes in State law related to personal property exemptions.

LDFA: FY2013 Financials

	FY 2012	FY 2013	
	Actual	Budget	Actual
REVENUES			
Tax Revenue	$ 1,437,146	$1,563,019	$ 1,546,577
Investment Income	16,971	12,357	(4,359)
Total Revenue	**$ 1,454,117**	**$1,575,376**	**$ 1,542,218**
EXPENDITURES			
Business Accelerator Support Services	763,361	862,000	977,893
Micro Loan	275,000	150,000	-
Business Networking Events	25,748	50,000	47,090
Entreprenuer Education	60,129	120,000	68,870
SPARK Central Incubator Operating Exp	164,672	170,000	165,892
Internship Support & Talent Training		100,000	55,851
Business Software Access for Clients		20,000	7,330
SPARK Indirect Services:			
SPARK Accounting	63,191	65,086	65,086
Marketing	65,180	71,663	64,433
City of Ann Arbor Legal & Admin Support	**39,338**	**50,000**	**29,030**
Total Operating Expenditures	**$ 1,456,619**	**$1,658,749**	**$ 1,481,475**
Net Increase/(Decrease)	**$ (2,502)**	**$ (83,373)**	**$ 60,743**
RESERVES:			
Beginning Fund Balance	$ 591,264	$ 588,762	$ 588,762
Surplus (deficit)	(2,502)	(83,373)	60,743
Ending Fund Balance	$ 588,762	$ 505,389	$ 649,505

LDFA: FY2013 Metrics

- 70 companies rec'd Business Accelerator services
  - 213 retained jobs ⋯→ 238 current FTEs = 25 new jobs
- 24 companies utilized Entrepreneurial Boot Camp
  - 35 retained jobs ⋯→ 46.5 current FTEs = 11.5 new jobs
- 45 companies were incubator tenants
  - 17 companies seated tenants, 2 graduated and stayed in the city
  - 72.5 retained jobs ⋯→ 105 current FTEs = 32.5 new jobs
- 2 companies received loans totaling $75,000
  - 6 retained jobs
- 88 educational programs and events hosted
  - 2,973 attendees (1,146 entrepreneurs)

LDFA: Planning for the Future

- LDFA – strategic priorities for business growth
    - Analyze effectiveness
    - Capital development
    - Determine priorities for future LDFA funds
    - Grow culture of entrepreneurship
    - Capital Infrastructure Needs