



ANN ARBOR/YPSILANTI
SMARTZONE LDFA

2007 ANNUAL REPORT

For the period July 1, 2006 – June 30, 2007



2007 Board of Directors

(A) Mike Reid, Chair	Term Expires: June 30, 2007
(A) Mike Korybalski, Vice Chair	Term Expires: June 30, 2007
(A) Robin Risser, Treasurer	Term Expires: June 30, 2009
(A) Christine Ballman	Term Expires: June 30, 2009
(Y) John Gawlas	Term Expires: June 30, 2007
(A) Mickey Katz-Pek	Term Expires: June 30, 2008
(Y) Richard King	Term Expires: June 30, 2009
(A) Tom Kinnear	Term Expires: June 30, 2008
(Y) Jonnie Bryant	Term Expires: June 30, 2008

Ex-Officio Board Members

Stephen Rapundalo	Affiliation: City of Ann Arbor
Tom Crawford, Secretary	Affiliation: City of Ann Arbor
Jeff Mason	Affiliation: MEDC

(A) Denotes City of Ann Arbor Appointee (Y) denotes City of Ypsilanti Appointee



Introduction

In 2001, the Michigan Economic Development Corporation (MEDC) created eleven separate SmartZones throughout the state, including Ann Arbor/Ypsilanti, for the purpose of highlighting Michigan's unique technology business opportunities and promoting job creation. The foundational documents for the Ann Arbor/Ypsilanti SmartZone included 1.) An initial SmartZone application to the MEDC, 2.) A Tax Increment Financing plan, and 3.) A Municipal Cooperation Agreement between the cities of Ann Arbor and Ypsilanti, and maintain a primary focus on developing and sustaining local "Business Accelerators" and "Business Incubators" as the vehicles through which services to emerging technology driven businesses are delivered.

The governing body, known as the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority (LDFA) consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and the Ypsilanti City Council appoints three members. The LDFA operates under a set of bylaws that were initially approved by the Ann Arbor and Ypsilanti City Councils. Proposed changes or amendments to the bylaws are adopted by the LDFA's Board of Directors and submitted to the Ann Arbor City and Ypsilanti City Councils for approval.

The LDFA provides local financing for the Ann Arbor/Ypsilanti SmartZone through a tax capture mechanism within a specific district. The geographic boundaries for the Ann Arbor/Ypsilanti SmartZone LDFA was defined as the combined DDAs of the two respective cities, and under the tax capture formula, tax levies eligible for capture include only those for which a prior claim had not been established by either DDA. The SmartZone captures up to one-half of the school operating and state education taxes within the Ann Arbor portion of the district, and is based on the increase in taxable value due to new development and appreciation above the base year of 2002. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA.

Summary of Fiscal Year Operations

Through contracts with qualified service providers, the Ann Arbor/Ypsilanti SmartZone LDFA funded Business Accelerator activities to work with emerging technology based businesses, identifying those that have the greatest potential for commercialization, rapid growth, and ultimately the ability to promote job development within the SmartZone district. The Business Accelerator provides entrepreneurs and their emerging technology businesses with educational and networking services, assistance in market definition, business plan development, and exploring financing alternatives.



During the July 1, 2006 – June 30, 2007 period, the Ann Arbor/Ypsilanti SmartZone LDFA Board met eight times. Among the issues deliberated by the Board of Directors were development of the annual budget, scope of work and performance metrics for contracted services, long range planning, amendments to the LDFA By-laws and an Incubator feasibility study.

The Ann Arbor/Ypsilanti SmartZone LDFA has no employees and conducted all operations through negotiated service contracts. To this end, The Ann Arbor/Ypsilanti SmartZone LDFA entered into an Agreement with Ann Arbor SPARK for the July 1, 2006 – June 30, 2007 fiscal year with four measurable goals. Table 1 summarizes the actual results delivered versus the goals and objectives established in the scope of work:

Table 1

Service	Goals & Targets	FY 2007 Results
Business Accelerator Services To be provided through 3 type of engagements: Preliminary Screenings (Phase I); Due Diligence (Phase II); Intensive Advising (Phase III)	Phase I services for 120 companies Phase II services for 50 companies Phase II services for 25 companies	248 companies/business ideas were <i>screened</i> and either referred to other organizations or programs for further development, or additional exploration of the opportunity was undertaken. 98 companies received a <i>due diligence</i> review by the Business Accelerator executive or consultant. 91 companies received <i>intensive advice</i> from executives, consultants, or other service providers who helped with talent searches, business plan improvements, customer/partner/investor introductions and IP protection.
Entrepreneurs Boot Camp	Two Boot Camp sessions	1. November 2 & 3, 2006 a. 10 companies participated 2. April 26 & 27, 2007 a. 15 companies participated (record number) b. 20 companies applied (record number)
Business Networking Events	40 events Majority of attendees 'Entrepreneurs'	110 events were provided for entrepreneurs to learn about: building a technology business; recruiting and retaining people; raising capital; writing a business plan; protecting IP; and finding partners/customers. Many events were in collaboration with other organizations like GLEQ, SBTDC and U of M. 4,183 people attended these events with 2,476 identifying themselves as 'entrepreneurs' (59%).



<p>Develop Web-based, Interactive, High tech entrepreneurship curriculum for “Cantillon Entrepreneurial Education Series”</p>	<p>Create 3 new modules: Building Competitive Advantage Management Team Financial Plan & Sources of Entrepreneurial Growth Capital Which would bring the total number of modules for Cantillon to five.</p>	<p>3 new modules were created and launched: Market Segmentation Management Team Entrepreneurial Finance Usage of the first 2 modules: 1. The Executive Summary a. 136 entrepreneurs taken course b. 70 coaches/evaluators 2. Innovation-Managing Risk of Product Development a. 62 entrepreneurs taken course</p>
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Of 86 companies Ann Arbor SPARK identified as providing new opportunities for success this fiscal year the following metrics are noteworthy.

- 253 Full Time Equivalent jobs exist today
- At least 23 new jobs were added this year
- \$6,268,562 of grants were awarded to 11 companies
- \$3,552,301 in private equity was raised by 3 companies
- University of Michigan technology is driving 7 companies
- 8 companies created from corporate technology



Statement of Operations

Smart Zone LDFA INCOME STATEMENT AND STATEMENT OF CHANGES IN FUND BALANCE

	<u>FY 2007</u>	<u>FY 2007</u>	<u>FY 2007</u>	<u>FY 2008</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Proposed</u>
	(\$)		(Over)/Under	Budget
				(\$)
Revenues:				
Tax Revenue	\$ 525,113	\$ 525,000	\$ 113	\$ 770,000
Use of Prior Year Fund Balance				297,000
Investment Income	17,762	-	17,762	-
Total Revenues	<u>\$ 542,875</u>	<u>\$ 525,000</u>	<u>\$ 17,875</u>	<u>\$ 1,067,000</u>
Expenditures:				
Contracted Services	\$ 283,450	\$ 283,500	\$ 50	\$ 645,580
Unallocated Contingency	75,097	241,000	165,903	420,920
Audit Expense	-	500	500	500
Total Expenditures	<u>\$ 358,547</u>	<u>\$ 525,000</u>	<u>\$ 166,453</u>	<u>\$ 1,067,000</u>
Net Increase/(Decrease)	<u>\$ 184,328</u>	<u>\$ -</u>	<u>\$ 184,328</u>	<u>\$ -</u>
Memo:				
Fund Balance at Fiscal Year End	\$ 288,589			\$ -



Statement of Operations *(continued)*

Detail of Expenditures

	FY 2007	FY 2008
	Actual	Projected Expenditures
	(\$)	(\$)
Expenditures:		
Business Accelerator	283,450	\$ 645,580
Marketing	-	70,500
Networking Events	-	25,000
Web Site Development	53,500	85,000
Incubator Feasibility Study	9,620	-
Undesignated Contingency	-	221,920
Legal & Administrative Support	11,977	19,000
Total Expenditures	\$ 358,547	\$ 1,067,000