



Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority
MINUTES for June 18, 2013 – REGULAR BOARD MEETING

Ann Arbor City Hall Council Chambers
301 E. Huron Street, Ann Arbor, MI 48104

Members Present: Richard Beedon, Eric Jacobson, Carrie Leahy, Stephen Rapundalo, Ned Staebler, Christopher Taylor, Phil Tepley, Skip Simms-Accelerator Ex-officio

Members Excused: Vince Chmielewski, Bilal Saeed, Tom Crawford – Ex-officio, Paula Sorrell-MEDC Ex-officio

Others Present: Ken Bogan-City of Ann Arbor, Liz Perpich-SPARK, Lori Emerson-SPARK, Johnnell LaFreniere-SPARK, Bill Mayer-SPARK, Kurt Riegger-Business Engines

I. CALL TO ORDER:

Chair Beedon called the meeting to order at 8:17 am. A quorum was present.

II. PUBLIC COMMENT:

There was no public comment.

III. APPROVAL OF THE AGENDA:

Rapundalo moved, seconded by Leahy, to approve the agenda for this meeting in the form presented at this meeting. Motion approved unanimously.

IV. MOTIONS & RESOLUTIONS:

Minutes of the April 16, 2013 Regular Board Meeting:

Rapundalo moved, seconded by Taylor, to approve the minutes of the meetings in the form presented at this meeting. Motion approved unanimously.

V. LDFA CHAIR'S REPORT:

None.

VI. LDFA TREASURER'S REPORT:

- Treasurer Jacobson updated the Board on the status of the LDFA's financial position to this point in the fiscal year.

VII. REPORTS FROM SERVICE PROVIDERS:

- Simms presented the SPARK incubator expansion plan (information attached).
- The Board requested a three year plan for the expansion to be provided at the next Board meeting.

VIII. OTHER BUSINESS:

- a. Approval of the FY2014 meeting schedule** – Staebler moved, seconded by Rapundalo to approve the FY 2014 meeting schedule in the form presented in the agenda packet. Motion approved unanimously.
- b. Update on expiring terms and board reappointments** – Beedon and Jacobson are being reappointed by the City of Ann Arbor. The City of Ypsilanti is looking to fill Tepley's seat with someone new.
- c. Approval of the FY 2014 Ann Arbor SPARK contract** - Leahy moved, seconded by Taylor to approve the FY 2014 LDFA – Ann Arbor SPARK contract in the form presented in the agenda packet. Motion approved unanimously.
- d. Approval of the FY 2014 Ann Arbor Administrative Services Agreement** – Rapundalo moved, seconded by Leahy to approve the FY 2014 LDFA – City of Ann Arbor Administrative Services Agreement in the form presented in the agenda packet. Motion approved unanimously.
- e. Metrics Committee Update** –
 - Beedon informed the Board that the Anderson employee who created the metrics proposal previously presented to the Board, has left Anderson. The metrics committee will be working to go in another direction.
 - Tepley presented information about job retention/creation for states with product intensive manufacturing sectors vs. states with parts intensive manufacturing sectors. (Table attached.)

IX. ADJOURNMENT:

Meeting was adjourned at 9:41 am.

Respectfully Submitted,
Ken Bogan, for Recording Secretary Tom Crawford

Proposal to expand the SPARK Central Incubator

A critical gap exists in the Ann Arbor Entrepreneurial Ecosystem. As Ann Arbor's economy has experienced significant growth over the last several years, it has caused the supply of commercial real estate needed by growing technology companies to become problematically scarce. Funded and/or revenue positive early stage companies that fall into the 5-20 FTE size outgrow the traditional Incubator (i.e. SPARK Central) and either cannot find or spend significant time and energy finding office space. Furthermore, the new space is fragmented and causes the company to be removed from the mentorship and resources they have been receiving while in the Startup Incubator.

SPARK is proposing the creation of a "Stage Two" startup incubator that would address these problems. The new space would serve to host companies that have achieved enough growth and/or funding to be able to afford market or close to market rental rates. Although they can afford space, the lease terms imposed by commercial landlords (3-5 years) prevents them from leasing the correct amount of space. They will outgrow this "Stage Two" in 12-18 months and turn to the regular commercial market at this point.

At this critical stage of growth, the need for mentorship and experienced support is just as critical as during the initial incubation stage. New types of assistance become important such as business development and operations. Critical resources would be made available to the tenants of the "Stage Two" program that assist in the key areas.

A focused community of support resources that is available to the "Stage Two" layer of the Entrepreneur Ecosystem is the next step that will enable our community of scalable Technology companies to flourish.

Operations Plan

The key distinction between the SPARK Central Incubator tenants housed on the first floor and those housed on the second floor is the stage of the company. Pre-revenue and very early stage companies that need either a Virtual Tenant or one/two desk solution will still utilize the 1st floor as they have thus far.

The key milestones that would make a company appropriate to move to the 2nd floor would be as follows:

1. Their headcount grows beyond the 1st floor's ability to accommodate them. This is defined as five or more FTE's.
2. The companies will have received at least \$100K of outside equity investment.
3. The companies having strong and growing revenues that would allow them to afford market or close to market lease rates.

Phases of Tech Startup Incubation

Stage One: pre-revenue startups, 2 founders with 2-3 employees

- **SPARK Central subsidized Incubator**

Stage Two: 5+ FTE's that are adding jobs and growing sales.

- **Stage Two market rate Incubator**

Stage Three: FTE count has stabilized and signing a commercial lease if viable

- **Company leases their own office**

of seats

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
5 Company A: IT, 5 seats	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
7 Company B: advanced automotive, 7 seats	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
3 Company C: IT, 5 seats	\$	\$	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
5 Company D: Cleantech, 5 seats	\$	\$	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
5 Company E: IT, 5 seats	\$	\$	\$	\$	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
5 Company F: adv. Manufacturing	\$	\$	\$	\$	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
5 Company G: IT	\$	\$	\$	\$	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
5 Company H: Life Science	\$	\$	\$	\$	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000

Income - Rent

Income - LDFA

Total Income	\$ 2,400	\$ 2,400	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Rent	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536	\$ 6,536
Additional- Utilities - DTE	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834	\$ 834
Maint/Rep	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Alarm Service	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Office Supplies	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
Internet	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
Depreciation Expense	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Expense	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000

Net Income (Loss) \$ (5,600) \$ (5,600) \$ (4,000) \$ (4,000) \$ (2,000) \$ 0 \$ 0 \$ 0 \$ 0 \$ 0 \$ 0 \$ 0

\$ (21,198)

Capital Expenditures: \$ 155,000

Furniture/Fixtures

Office Equipment

Leasehold Improvements

% Parts Estabs, 2009	Private Employment (000) in			March 2013 as % of	
	1999	2007	3/13	1999	2007

US	57.40%	108791	115427	112304	103.23%	97.29%
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5 Most Product-Intensive Mfg Sectors	MA	49.80%	2815	2848	2809	99.79%	98.63%
	IA	53.60%	1229	1269	1244	101.22%	98.03%
	MD	51.10%	1948	2129	2069	106.21%	97.18%
	MN	54.60%	2226	2357	2303	103.46%	97.71%
	WA	52.90%	2177	2405	2337	107.35%	97.17%
	Top 5	52.40%	10395	11008	10762	103.53%	97.77%

5 Most Part-Intensive Mfg Sectors	MI	74.70%	3917	3612	3394	86.65%	93.96%
	OH	71.50%	4791	4629	4354	90.88%	94.06%
	MO	71.20%	2305	2355	2224	96.49%	94.44%
	WI	65.60%	2385	2462	2332	97.78%	94.72%
	PA	66.80%	4871	5053	4969	102.01%	98.34%
	Top 5	70.00%	18269	18111	17273	94.55%	95.37%

Memo:	If had same job performance as 5 most product-intensive states			18914
	Delta			1641

	If Michigan had same job performance as 5 most product-intensive states			4055
	Delta			661