

ANN ARBOR

**SPARK**

**Appropriations Subcommittee  
on General Government**

March 1, 2022

# Economic Development & Regional Collaboration

## Ann Arbor SPARK Overview

### Local & State Government



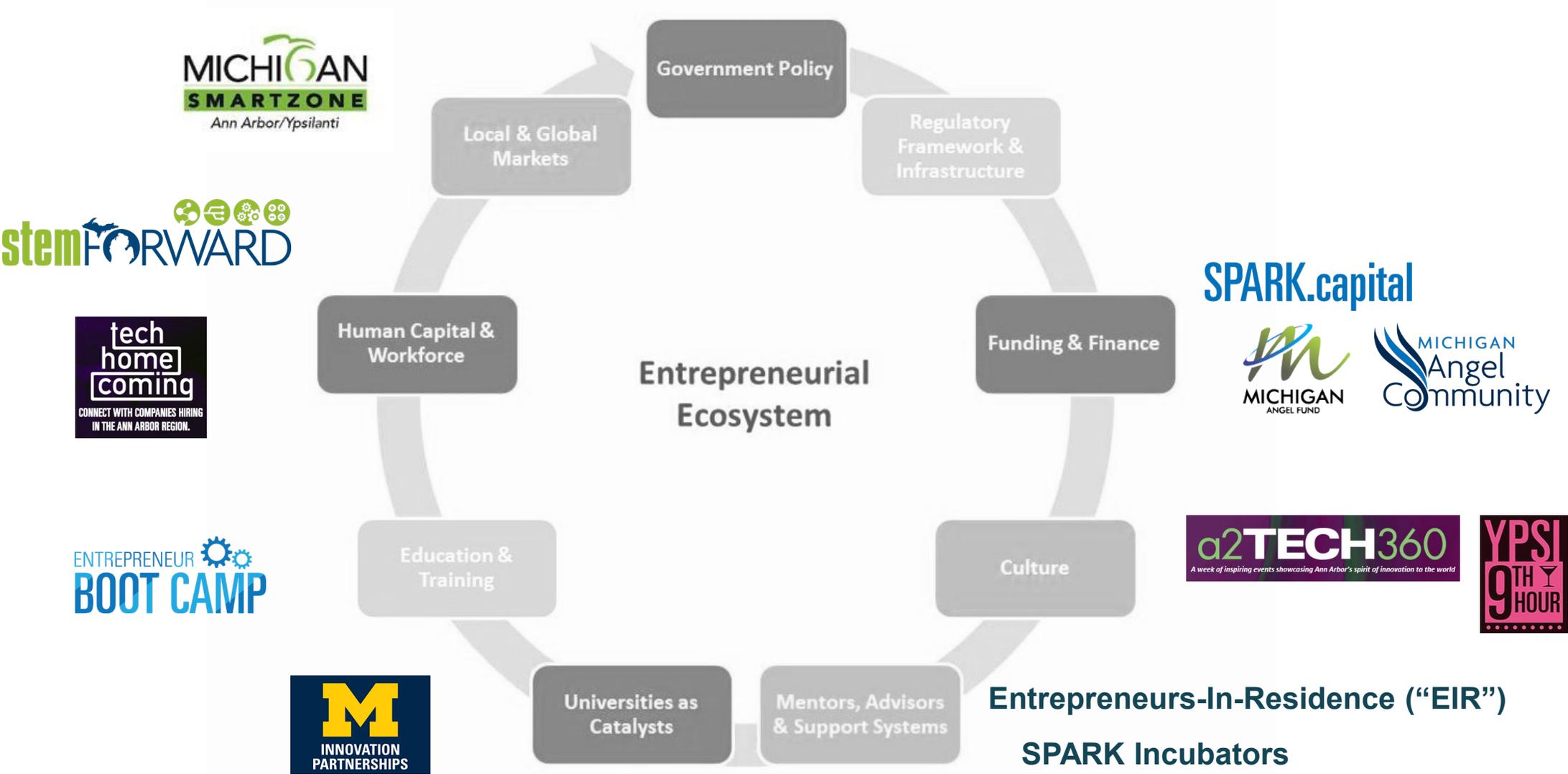
### Overview

- SPARK is a collaboration between private sector, public sector (local and state), and academic institutions.
- An integrated program of economic development to grow the GDP of the region.
- Based on shared values.

# Accelerating driving industries through an entrepreneurial ecosystem approach



# SPARK Entrepreneurship Programs & Partnerships



Entrepreneurs-In-Residence ("EIR")  
SPARK Incubators

# Impact

## 2020 Successes

**13** COMPANY GROWTH PROJECTS CREATING: | **\$80.8M** in new investment commitments | **544** announced jobs | **150** retained jobs

**267** STARTUPS ASSISTED | **191** of those companies received intensive services and currently employ **658.5** FTE

**96** INCUBATOR TENANTS NURTURED

**23** BOOT CAMP TEAMS with **1** job created and currently employ **38.5** FTE

### 2015-2020 RESULTS:

**181** company growth projects creating:  
**\$768.9** million in new investment commitments  
**5,165** announced jobs  
**732** startups assisted, 526 received intensive services and have employed 2,636 FTE  
**9** pre-seed investments awarded to 8 companies (\$199k/company avg)  
**1,607** companies assisted with 6,266 job postings  
**220** incubator tenants nurtured and 153 incubator graduates  
**\$61.2** million community investments leveraged through federal and state grants, foundations, and other sources

### LDFA ACCOMPLISHMENTS FY 2015-2020:

**428** companies served  
**979** jobs created  
**137** incubator graduates  
**\$5.96** million in grants to startups  
**\$828.9** million private equity raised

**a2TECH360**

**TECH TREK, TECH TALK & OTHER EVENTS:**

**5,827** TOTAL VIRTUAL REGISTRATIONS  
**15** TOTAL EVENTS

# SPARK.capital

Initially capitalized by grants from the state of Michigan

Support for high-tech, high-growth companies

Designed to retain high-tech entrepreneurial companies in our state

**\$28M** | total  
funding:

**\$990M**

total capital leveraged  
into the Michigan economy

**173** companies employing **1,211** current FTE

**\$15.5 M** | total returns to date  
for reinvestment

## FINANCIAL SUMMARY:

Current value of portfolio  
of remaining companies: **\$10.7M**

Reserves to allow for potential  
losses, based on GAAP\*: **\$5.6M**

Net total  
investment value: **\$5.1 M**

\*Generally Accepted Accounting Principles

# Michigan Angel Fund

Administration funded by grants from the state of Michigan

Support for high-tech, high-growth companies

Capitalized by Angel investors

\$7.2M | total funding

\$320M

total capital leveraged  
into the Michigan economy

32 companies employing 483 full-time employees



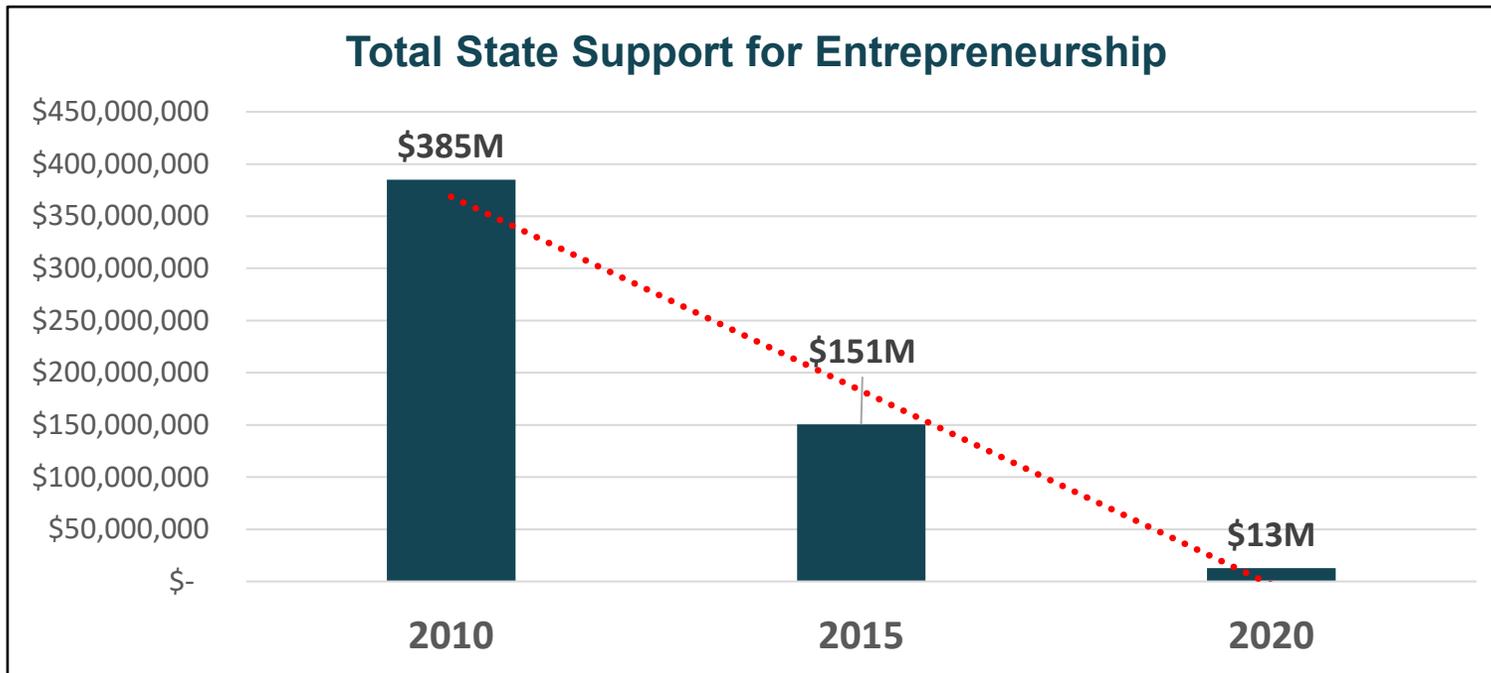
\$8.3M

MAF + MAF II + MAF III + MAF IV

**While Ann Arbor is a growing entrepreneurial center of activity, there are several concerning trends in Michigan affecting entrepreneurship.**

# State Support for Entrepreneurship

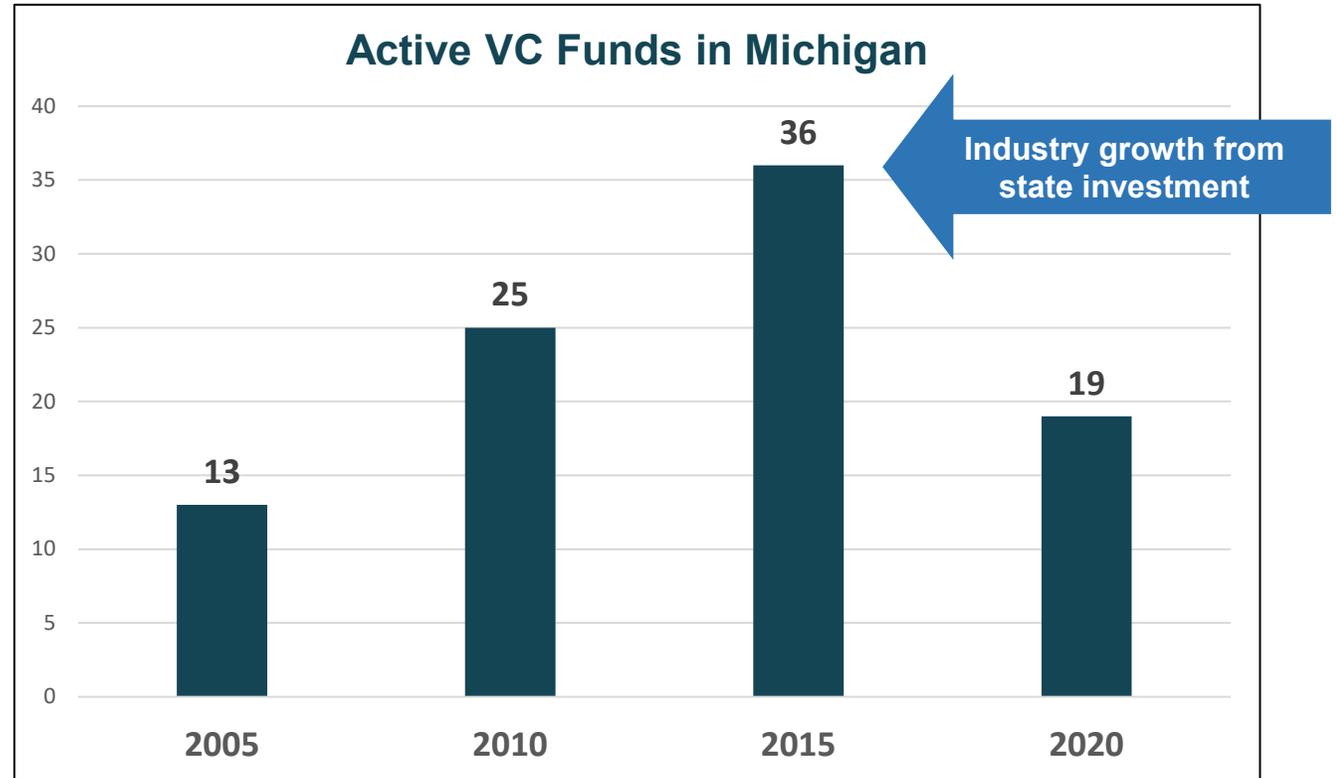
State Support for Entrepreneurship by Category			
	2010	2015	2020
Entrepreneurial Services & Pre-Seed Funding	\$75,000,000	\$18,000,000	\$3,000,000
Angel Funding	\$10,000,000	\$500,000	-
Venture Capital	\$300,000,000	\$132,000,000	-
<b>Total State Support for Entrepreneurship</b>	<b>\$385,000,000</b>	<b>\$150,500,000</b>	<b>\$13,000,000</b>



Michigan needs to restore support for entrepreneurship to be strategically well positioned for the future and maximize its GDP.

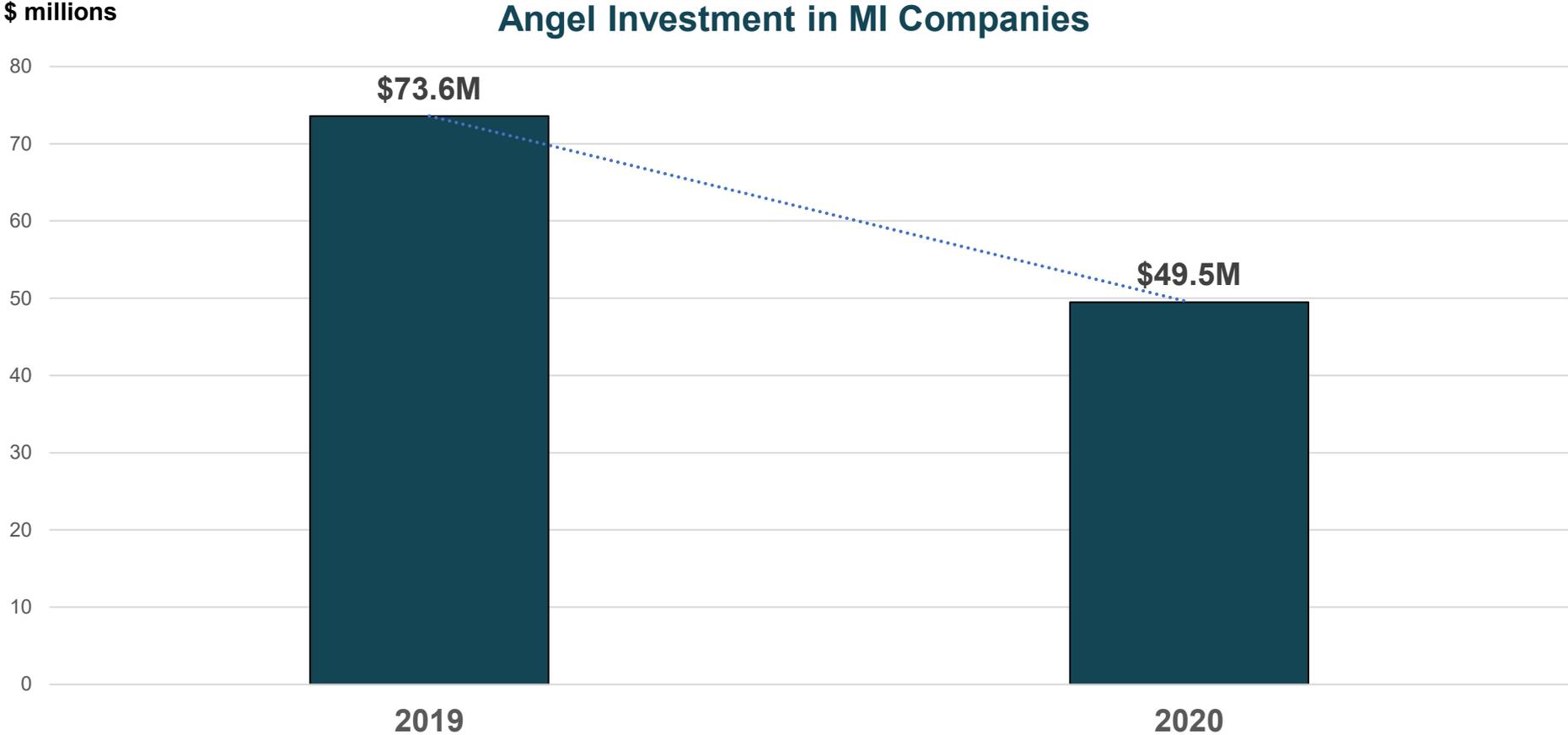
# VC Industry in MI Contracting Due to Lack of State Support

- Venture capital is critical fuel for fast-growing companies
- According to Brookings (2019), VC-backed companies in the US:
  - Represent 21% of GDP
  - Grow an average of 50% faster than other companies
  - Have 8x faster employment growth than other companies
- Michigan risks losing its VC industry and future GDP growth potential if it doesn't get back to investing in MI-based venture funds.



# Pandemic had a chilling effect on angel investment in MI

Already a small number relative to our 98,000 high-net-worth households



# Recommendations for Action

We believe state and federal government resources must play a key role in driving industry and entrepreneurial growth

- **Approve MEDC proposal** to utilize State Small Business Credit Initiative (SSBCI) funding to support investments in venture capital funds.
- **Restore angel investment tax credit** program to increase early-stage investment in MI companies and compete with the 29 other states with tax credits, including all our Midwest neighbors.
- **Allocate \$100M for entrepreneurship** to provide additional funding to successful but underfunded initiatives and new approaches.
- **Mandate a set %** of MEDC's budget be allocated to entrepreneurship programs.
- **Support mobility startups** as they engage in EV development through entrepreneur-in-residence programs, internship support, and R&D development, for example scholarships for testing and validation at the American Center for Mobility.