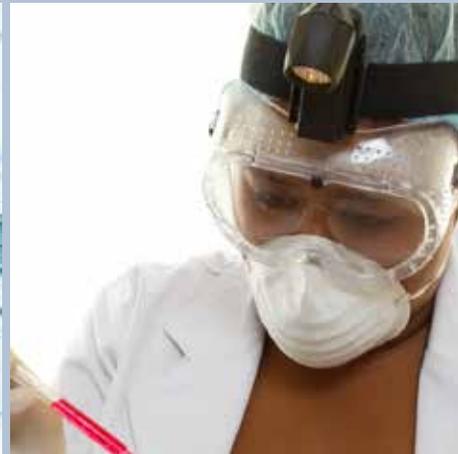


New Economy Initiative - External Grant Evaluation

Annual Report – 2012

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Since 2011, the Growth Capital Network (GCN) has been working with NEI to perform a set of quantitative and qualitative reviews of the full portfolio of grants. There are two primary goals for the ongoing project; to deliver data, analyses and stories about the impact of the NEI and its role in shifting the local economy; and to build a performance measurement system for the NEI grantees. GCN is tasked with collecting the grantee data, creating a concise set of quantitative reviews, communicating the analyses, and anecdotal stories of each of the grantees in order to provide a clear picture of progress.

After an overview of NEI's history, the new direction with the Innovation Network and a discussion of the research objectives / methodology, this report outlines the current composition of the NEI portfolio, the area focus of the monies and the maturity levels of the grantees. The grants are reviewed before the focus shifts to the overall effect of the initiative – the top line metrics, impacts and lessons learned.

Original NEI program values focused on:

- Building and employing a more skilled and educated workforce and supporting strategies and programs that build on a sectoral approach to employment
- Promoting a successful entrepreneurial ecosystem and supporting activities to grow the region's base of entrepreneurs
- Capitalizing on existing regional assets and resources and supporting programs on transportation/ distribution/ logistics, immigrant communities, and company attraction
- Imbuing culture change through activities with media, events and communication strategies.
- Imbedding social equity principles in the goals, and activities of the supported organizations as well as the criteria for performance and outcomes incorporated in funding agreements.

The new Innovation Network grantee evaluation procedures are outlined out in detail as is the development of the GPN database, an online system for NEI and the grantees which streamlines the reporting and vastly increases our ability to analyze the data and track the progress of the grantees.

The report closes with a short overview of the available data, positive aspects of the initiative and future challenges for the NEI and an appendix of additional data. What had been in the past provided as individual reports on grantees is now available online in the new GPN database.

Organizational Background and History

The New Economy Initiative for Southeast Michigan (NEI) was created to accelerate the transition of Southeast Michigan to a position of leadership in the new global

economy. The unique philanthropic initiative is comprised of ten national and local foundations that have committed \$100 million to support diverse regional and Detroit focused development efforts. In the early days of the initiative, the strategy and vision focused on fostering innovation throughout the entire Southeast Michigan region. Rather than restricting support to an individual sector or industry, a broad reach was considered the most effective manner to encourage economic growth.

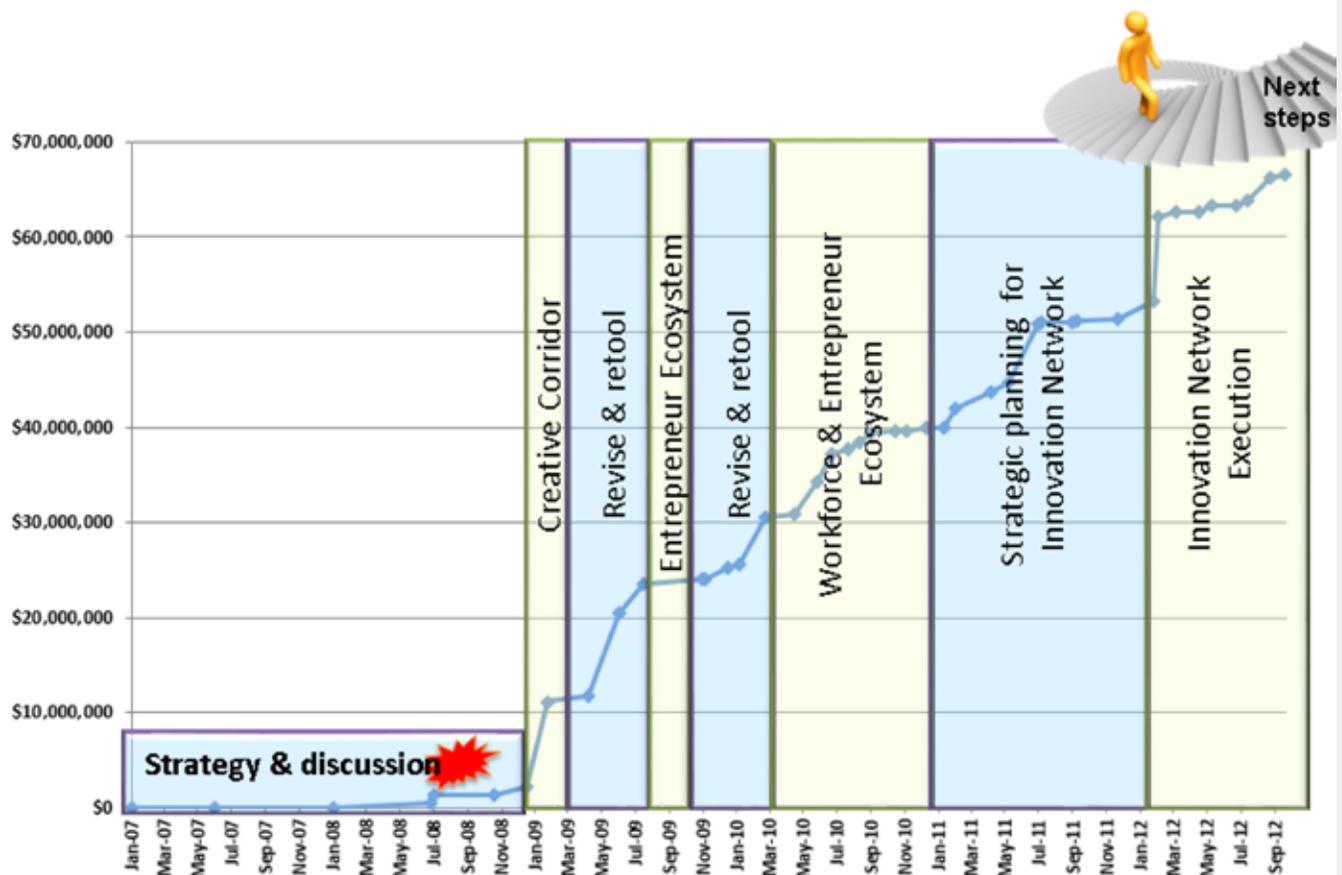
In order to most effectively and efficiently direct grant funds, the Governing Council determined three key foci of economic transformation: Talent, Innovation, and Culture Change. Talent encompassed programs to help prepare, attract, and retain skilled workers in the region. Innovation included entrepreneurial opportunities in new and existing enterprises. Culture change involved efforts to enhance the region's image regarding learning, work, and innovation.

Subsequent to its launch in 2008, NEI developed metrics related to each of the three core objectives. Performance measurements were incorporated to ensure that funding lead to high impact, scalability, and sustainability. The metrics served as tools to effectively evaluate funded initiatives, as well as benchmarks for future opportunities.

From 2008 through 2011, the NEI staff applied a framework for ongoing implementation that employed the three modules of activities. Approved in September 2009, each of the modules target the original NEI areas of talent, innovation and culture change and also work to include and connect to the existing work of foundations in the Detroit metropolitan region. The three modules of activities were: 1) promoting a successful entrepreneurial ecosystem; 2) capitalizing on existing regional assets and resources; and 3) building and employing a more skilled and educated workforce

What is clear is that the NEI has evolved significantly from its initial grant making in 2008. Chart below illustrates the evolution of grant making from inception of the initiative through the end of 2012. The green line is the cumulative grant making with each dot referring to a grant commitment. There are periods where a flurry of activity occurs, grants are approved and checks are cut. After which there are the plateaus where the external activity is reduced and where the internal team is revising and retooling the processes, procedures and vision of the initiative.

Grant making evolution 2007 — December 2012 Cumulative Investment



The first flurry of grants occurred in 2009 and is generally called the “creative corridor grants”, referencing a geographic destination in the city of Detroit that is home to a number of creative entrepreneurs. The impetus for getting those out the door was the notion that there was a comparative advantage with the creative population that existed in the region. Further, that by creating an anchor at the north and the south end of the corridor and putting an incentive fund in place to attract creative businesses that NEI could drive creative businesses and job creation into the corridor.

In the time frame just after this set of grants, there was a change in the entire professional staff of the initiative. A large backlog of grant applications was addressed with new procedures coming into place. The next large jump in activity is the first set of entrepreneurial eco-system grants that were in a partnership with the Kauffman Foundation (TechTown, Urban Entrepreneur Partnership, Shorebank).

The second plateau of activity occurred in September of 2009. As noted above, the new implementation framework strategy with the three focal points was approved at this time. This included workforce and entrepreneurial eco-system activity that comprised the next strong set of grant making in 2010.

A full Governing Council retreat in November of 2010 evaluated three potential directions for the next set of grant making for the NEI and set up the framework for the Innovation Network. In March 2011, the concept was approved the remainder of the year was spent doing the relationship work and necessary negotiations with the intended grantees.

The next significant flurry of NEI funding activity began with the Innovation Network in Q1 2012. Since then, NEI has committed \$14,886,507 to twenty two different programs. All represent the focus on innovation and social equity that are imbued in the Innovation Network goals. Several are familiar names (Bizdom, Wayne State University, Midtown Detroit, Inc.), but many of the grantees are new to the initiative (Arab Community Center, ACCESS, Inforum, and AutoHarvest). At this point in the tenure of the initiative, the remainder of the funds has been committed. Focus now turns to empowering and linking the grantees for maximum impact and looking towards the next incarnation of the initiative.

In summary, since its inception, the NEI grant making has evolved from broad based metrics and foci to a tightly focused strategy where metrics and outcomes are being negotiated. It became clear in this evolution that an informative assessment of the NEI successes and challenges needed to occur in order to bring the regional initiatives to the next level.

Retooled NEI paradigm focuses on:

Ideas: investments in organizations that are instigating new ideas and helping ideas to come to market

Tools: investments in organizations identifying best practices and providing training, mentors, and support services to help create and grow companies

Investment: investments in organizations providing access to capital for every stage of the business growth lifecycle from enterprise conception, birth, to growth

Talent: investments in organizations working to retain, attract or prepare talent for innovation economy jobs

Place: investments in building physical places that foster entrepreneurial activity and provide space for new enterprises to operate and grow

Connections: investments in creating and promoting valuable, sustainable and accessible networks that support entrepreneurs and the region's entrepreneurial service providers

Social equity principles are not specifically called out as they are imbedded throughout the execution of each of the program foci.

Why evaluate?

The ultimate goals of performance metrics, data and analysis are so NEI can make well-informed funding decisions to drive continuous improvement and long term impact in the region. It's important for the NEI staff to meet external stakeholders' requirements while being empowered to make strategic internal decisions and improvements. The commitment to track and communicate results helps others to understand the goals of the organization and the incremental progress towards achievement.

Integrating performance measurements into daily operations allows NEI's program officers and leadership access to solid data in order to drive decision making, illustrate progress and establish a culture of continuous learning that leads to amplified social and economic impact. In the long term, the reporting will increase organizational efficacy of the organization to attain program sustainability.

GCN's evaluation project has several goals:

- Execute a plan to collect quantitative and qualitative data from grantees
- Provide a clear picture of movement and impact
- Build a performance measurement system.
- Communicate the stories around the analyses and anecdotal stories of success and lessons learned; demonstrate the soft skills of the grantees
- Develop a dashboard to deliver data, analyses and stories

Research Objectives & Methodology

In process and closed grants:

The objective of the evaluation project is to ascertain with the available information whether funded grants are assisting NEI in achieving its goals. In 2011/12 we worked with the closed and in-process grants, which had its limitations because evaluation methodology and frameworks were not stipulated at the inception of those grants. The evaluation of the closed grants was particularly challenging because grantees were no longer receiving funding from NEI and there was minimal incentive for them to provide additional and continued data. Most of what was gleaned was from a subset of grantees that did effectively document their activities, metrics and outcomes. However, for many grantees that collect or archive information, their success relative to their goals could not be fully assessed. In the absence of a pre-defined methodology and framework, the GCN evaluators set up a grant-by-grant review process that included document review, discussion with NEI program officers and extensive interviews with select grantees.

The following steps were employed for the closed grants and continue to be employed for the in-process grants: The NEI grant folders were reviewed first, with the original proposals and other grantee documentation that can assist with context. Specifics from the grants were pulled from these documents (e.g. terms, contact information, duration, reporting requirements) and were then input into a database. Particular attention was paid to the original grant activities and metrics that were delineated in the proposal. The relevant grant activities and metrics were listed in the GCN databank and that information was mapped to any interim and/or annual reports that the grantee had submitted. If an interim or final report was missing, or if the reporting was not sufficiently comprehensive, the GCN evaluators contacted the grantee to request additional information. The aim was to have as much data in hand as possible prior to the in-person meetings.

In some instances, the meetings between the evaluators and the grantees served primarily as a confirmation that the grant activities and metrics were indeed being understood and documented correctly. Even in this instance, the meetings proved valuable because the grantee had an opportunity to further update the evaluators (e.g. since the last reporting interval) and/or it served as an opportunity for the grantee to share anecdotal or qualitative information regarding the grant successes and challenges. In other instances, the meetings served as a tangible request to the grantee that they needed to provide more information. In these instances, the grant activities and goals were usually reviewed with the grantee to help delineate which metrics would be most important at this juncture to include. In most cases, grantees had additional anecdotal or qualitative information to share as well as quantitative data. There was often significant additional follow up with each grantee to assure that GCN was obtaining all of the pertinent evaluation information.

As more data was received, GCN began to aggregate that data in two manners. One includes key summary data for the NEI for all of the grantees combined: jobs created, new companies formed, start-up companies assisted, dollars leveraged by grantees, and revenue generated by new and/or assisted companies. The other aggregated data includes the evaluation summaries for the NEI staff and leadership. These are the grant-by-grant Word documents that summarize the aforementioned grant specifics, the evaluation metrics and findings. There is also a discussion about how each grant maps to the overall NEI objectives. Details on this “macro” and “micro” analysis are provided below.

With in-process grants, the lines of communication remain open between the NEI program officers, the GCN evaluators and the grantee. GCN evaluators are continuously adding more information (as it is received from the grantee) and incorporating it into the databank. This iterative process will continue until each grant closes. In some cases, however, there will be additional correspondence with a grantee that has supplementary outcome information that they can share after funding has ceased. This step is important in a community initiative since outcomes can often take years to materialize.

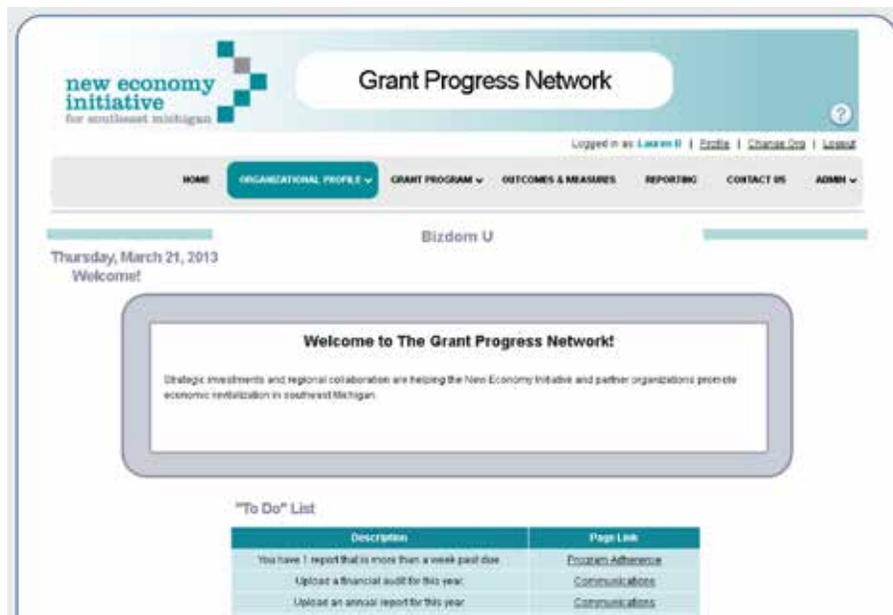
Refined Processes - Innovation Network Grants:

A refined set of evaluation processes has been instituted since January 2012 with all grants. The evaluation team is given the proposal of the grantee once they have been approved by the executive committee for funding. At that point, the milestones are pulled out of the proposal and the associated metrics are defined. A meeting is set with the grantee, the program officer and the evaluation team before any funds are disseminated. In this meeting we walk grantees through the evaluation process, review the milestones and metrics and set expectations. After the meeting has wrapped, the evaluator and program officer will send the grantee two documents; one that outlines the grant requirements and the other that explicitly states their milestones with delivery dates and the metrics that they are meant to track and report. Most of the 2012 grantees had meetings and reporting that was every other quarter. That has been refined with the 2013 grantees to require quarterly meetings and reporting.

A subsequent meeting is then held with grantees and the team from Policy Link. Each grantee has a discussion of why NEI is imbedding social equity as a prime foci of the innovation network and the need for diversification in their own program. They are given suggestions as to how they can implement a new/modified outreach model based on equity, fairness, and opportunity as well as how to engage communities of color. In 2013, Policy Link will be working with the team from JumpStart to continue and expand the initiatives around equity and to actively make connections and more deeply link the programs with diverse communities.

Grant Performance Network (GPN)

A confluence of factors led the NEI staff to consider the creation of an online database. Not only is technology getting more robust and price efficient, but the volume of evaluation data being captured and the complexity of the questions being asked of the initiative is increasing exponentially with each grantee added into the process. Over the last year Spring Management Systems has developed a system, the NEI's Grant Progress Network (GPN).



The intent of the GPN was to create an interface that would

- Streamline reporting and communication with the grantees
- Provide easy two way communication between the grantees and the NEI
- Allow the evaluation and NEI staff to easily access key organization information such as financials and budgets
- Gives the NEI staff access to media and communication data such as logos, board lists, and staff biographies
- Capture data that ranges in scope from the individual grantee to the complete initiative lists, and staff biographies
- Includes organizational and grant data for all NEI grants (closed and open) lists, and staff biographies
- Covers outcomes and measures data for NEI grants lists, and staff biographies
- Allow NEI staff to manage the activity and adherence of each grantee
- Creates reports and downloads for increased efficiency lists, and staff biographies
- Facilitates the transition of grantees between NEI staff

The GPN database is just past its Phase I launch. Key features include global messaging of grantees, document/image uploads, auto-notification for report submissions, grantee to-do lists, customized milestone and metric menus, data exporting and preliminary reports, online assistance and event tracking.

The GPN database has now been populated with all of the earlier available data (pre- December 2012) so that all of the data included in key reports such as the flash report are current. The system currently houses data for 40 grantee

organizations and 96 grants. Grantees with reporting deadlines in Q1 2013 have been introduced to the system and are learning how to provide their data/reporting.

Phase II of the project has just been approved and will create a more robust engine with the GPN system. It will provide more enhanced reporting and trend analysis to inform NEI fundraising. Many of the new reports focus on compliance (close out, metric menus, NEI spend, equity impact) whereas other will show developments in the grants/ data (grant maturity level, funds awarded trending with program match dollars, new capital investment trends). The launch of Phase II will be in the summer of 2013.

Program Activity

Description	Quarter 1 2/24 - 5/23		Quarter 2 5/24 - 8/23		Quarter 3 8/24 - 11/23		Quarter 4 11/24 - 2/23		
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
# Company Clients									EDIT
# Company Clients - Minorities									EDIT
# Company Clients - Women									EDIT
# Company Clients - Immigrants									EDIT
# Web Hits									EDIT
# Events									EDIT
# Event attendees									EDIT
# Programs									EDIT
# Program attendees									EDIT
# Mentors Engaged									EDIT

Southeast Michigan – The Broader Economic Context

In addition to the evaluation of specific NEI grants, it is also useful to track some key, macroeconomic variables for the Southeast Michigan region. Such data can be useful because it provides some context and “big picture” data about the overall economic conditions in the region. The NEI work in and of itself is not likely to move broad economic variables in the short run. However, it is important to step back from the grant-specific data and fully understand the economic climate in Southeast Michigan in order to have perspective about the challenges and opportunities in the region.

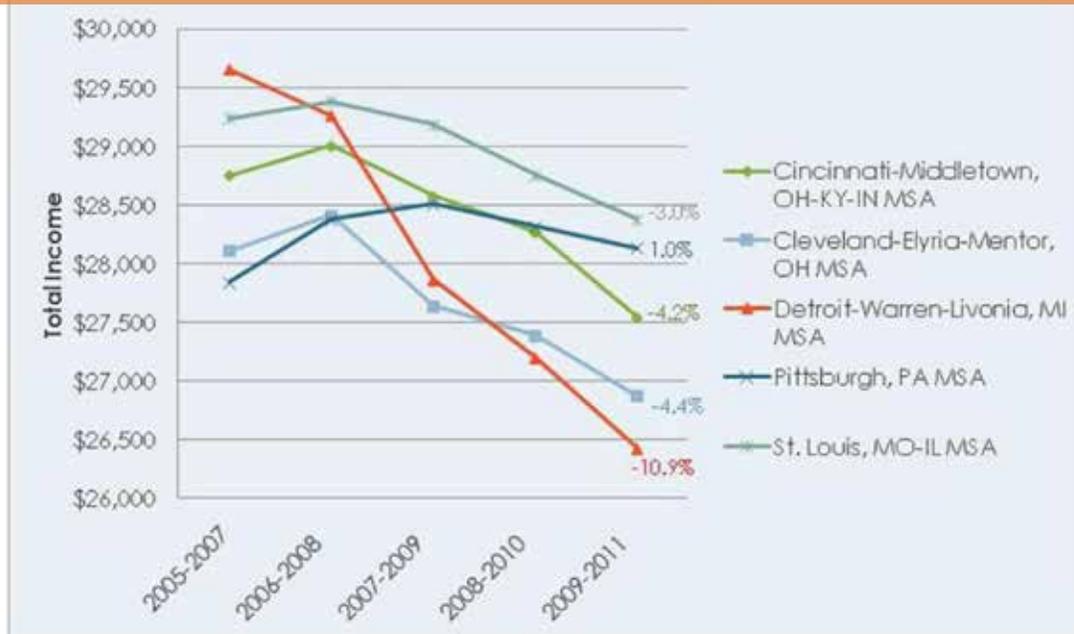
This goal of the broader economic analysis is to track general trends in the Southeast Michigan region and this data is gathered from government sources such as the Bureau of Labor Statistics, the American Community Survey (derived from the census), the U.S. Patent and Trademark Office, among others. The analyses have been extended to include comparison cities such that the trends can be juxtaposed to similar communities. The macroeconomic variables have been chosen for analysis from the four comparable regions so that the NEI leadership can also gauge SE Michigan’s economic performance relative to other areas. These four regions were selected because they are post-industrial cities that have historically had an over reliance on one industry and because they are comparable in population size.

The NEI is also fortunate to have an array of skills and expertise in its advisory leadership. With respect to evaluation, it is quite beneficial that a member of the Federal Reserve Bank of Chicago, Paul Traub, is able to interact with the evaluation team to enhance the “big picture,” macroeconomic analyses that are conducted on an ongoing basis. Paul was able to point out that there are a couple of variables where reliable data is available on a quarterly basis (such as

the employment levels). He has also pointed out that the NEI may want to additionally look at migration data to gauge retention of talent and also the purchasing manager's index to obtain more "real time" economic activity in the region. These additional parameters will complement the existing analysis.

The most helpful aspect of a collaboration between the Fed and the NEI, however, may be more on the qualitative side. The NEI, and in fact the entire Detroit region, has struggled to identify a reliable, longitudinal data source for measuring the business culture and climate in SE Michigan, as well as the overall, social culture. In a meeting between the evaluators, NEI staff and Federal Reserve staff, it became apparent that the quarterly focus groups the Fed has with local business leaders may provide an opportunity for the NEI to obtain business climate and cultural data that can augment the existing NEI evaluation. This qualitative data could answer some key questions about how businesses in the region feel about their own opportunities for entrepreneurship, hiring and growth. These focus groups can also help identify the barriers that these business leaders may have (and how initiatives like the NEI can help overcome those barriers).

Per Capita Income, 3-Yr Average (pegged to \$2011, ACS)

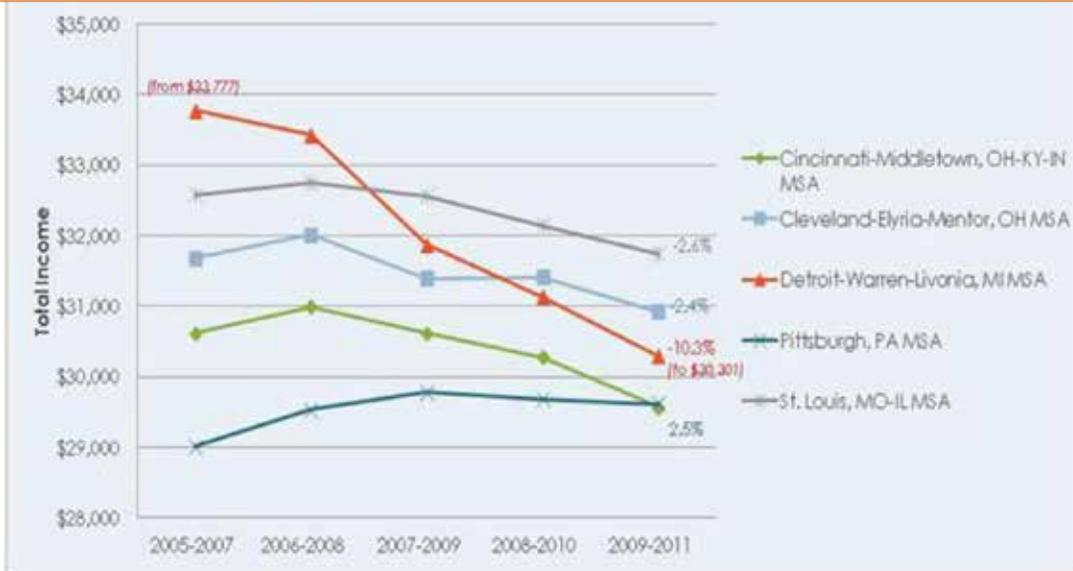


One of the key economic measures for any region is per capita income. As can be seen by the graph above, per capita income was slowly climbing in the mid 2000's and then began a fall at the onset of the recession. It is important to note that the Detroit metropolitan statistical area (MSA) is the only region out of the five that was not experiencing a positive increase in per capita income from 2005-2007. It is also true that the decline in per capita income was much more precipitous for the Detroit MSA than it was for the other regions.

Furthermore, the fall in income has been more acute for racial/ethnic minorities than it has been for whites. It is also noteworthy that the average income during the 2009 to 2011 time period was \$26,400 for the entire Detroit MSA, but it was \$17,400 for African-Americans, Native Americans and Hispanics. The tables below show the marked difference between white-only per capita income and racial/ethnic minority per capita income:

¹Per capita income is the mean income computed for every man, woman, and child in a geographic area. It is derived by dividing the total income of all people 15 years old and over in a geographic area by the total population in that area. Note -- income is not collected for people under 15 years old even though those people are included in the denominator of per capita income. This measure is rounded to the nearest whole dollar.

White-only Per Capita Income, 3-Yr Average (pegged to \$2011, ACS)



African-American, Native & Hispanic Per Capita Income, 3-Yr Average (pegged to \$2011, ACS)



Given the fall in income levels it is not surprising that poverty rates concomitantly grew during the same time period. From 2005-07 to 2008-10, there was a 25% increase in the percentage of Detroit MSA residents who slipped under the federal poverty level. The comparison regions saw increases as well, but only the Detroit region had such substantial increases. Furthermore, if the analysis focuses only upon *Detroit City proper*, fully 36.2% of the population was at or below the federal poverty threshold in 2011 (also using the American Community Survey from the U.S. Census Bureau).

2 In 2009, an individual would be considered under the federal poverty level if he or she had an income of \$10,830 or less. For a family of four, the income level would have to be \$22,050 or less.

Percentage of Total Population Below Poverty Level — 3-Yr Averages, ACS



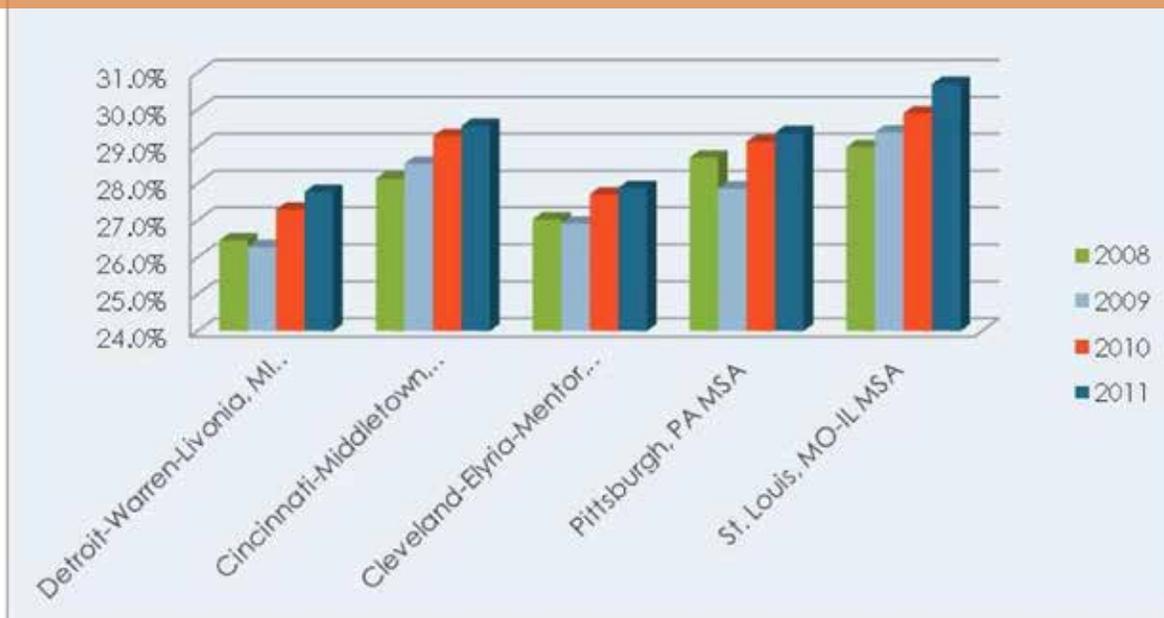
The increasing poverty is an outcome of many variables, but the most critical is the availability of jobs and the existence of a workforce equipped with the relevant skills to fill those jobs. The table below shows the Detroit MSA region alongside the comparison regions. Again, if the analysis focuses upon Detroit City alone, however, the data is even more sobering: in 2011 the unemployment rate was 29.3%. This data does not even take into account those individuals who may have pulled themselves out of the workforce due to their perception that search efforts are fruitless because of the unavailability of jobs.

Unemployment Rate 2006-2011 | Not Seasonally Adjusted, BLS



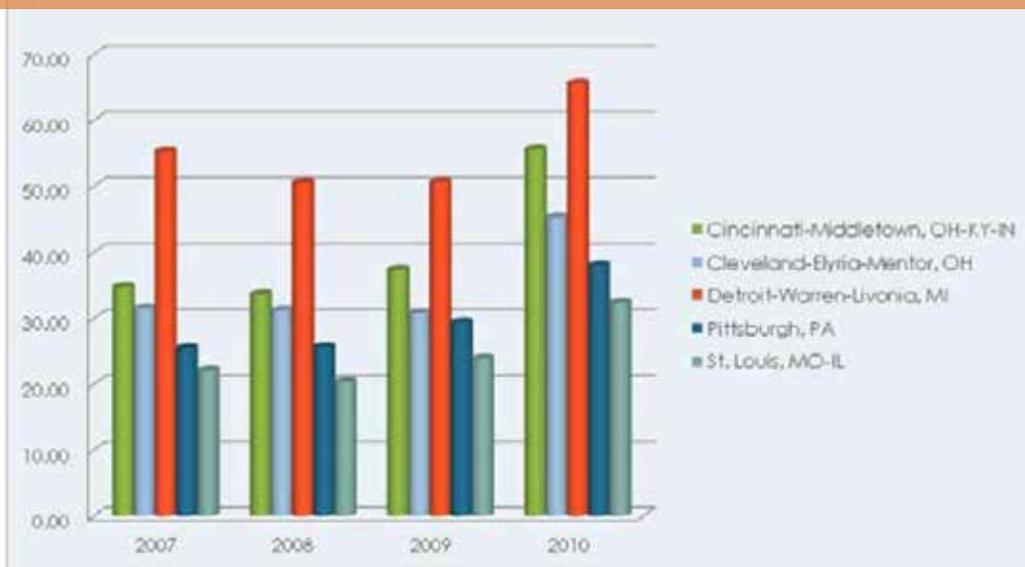
The existence of a qualified workforce is critical for reducing unemployment rates as is the fostering of a vibrant, economic community that can create job opportunities. The table below shows that the Detroit MSA region has a lower percentage of the population ages 25+ that have at least a bachelor's degree. This creates a conundrum for economic development efforts because even in a community where new opportunities are created, there has to be a workforce that can capitalize on those opportunities. This is much of the reason that "moving the needle" through efforts such as the New Economy Initiative can take several years and even decades to achieve. It is important to note, however, that this statistic is showing improvement over time; the trend is moving in the right direction.

Percentage of Population 25+ with At Least a Bachelor's Degree, ACS



It is clear that whether one looks at the Detroit MSA and its comparison regions or Detroit City, the context for any economic development initiative is challenging. There is some hopeful data, however, that shows that SE Michigan does have some strengths that can be built upon in the context of an entrepreneurial ecosystem. Patents per 100,000 population and exports per capita show that this region is still generating new ideas and it still acts as a hub for trade. Although much of this is due to the auto industry, it is an area of comparative advantage that can be built upon through the diversification of entrepreneurial efforts and further proliferation of trade. This corresponds to the emphasis of the NEI efforts.

Percentage of 100,000 Population, USPTO



Exports Per Capita



In the process of sharing this macroeconomic data with NEI leadership, new opportunities have surfaced that will enable the NEI evaluators to add to this analysis. In particular, the NEI evaluators are now obtaining feedback and interacting with the Federal Reserve Bank of Chicago to obtain more real time data. Moreover, there is the strong possibility that the NEI will be able to partner with the Chicago office to obtain some new qualitative information that will augment this quantitative data. The qualitative data will focus upon the business climate and business culture in the state of Michigan. Although this information is anecdotal, it can serve as barometer on whether the business environment is shifting in Michigan and if so, how it's shifting. This can serve as a bridge between the grant-specific outcomes and the broader, long-term, macroeconomic outcomes.

The Urban Entrepreneur Partnership (UEP) received \$3 million of NEI support in July 2009 to assist a targeted group of Southeast Michigan suppliers to adjust to a new market environment and transition their core business from automotive to selected growth industry sectors. A special emphasis was made to assist minority-owned businesses. The UEP was able to leverage the NEI funds by obtaining a three year, \$300,000 grant from the Ewing Marion Kauffman Foundation (EMKF) to support the efforts.

The UEP program was designed to provide the knowledge and strategy needed to improve operational efficiency, identify new market opportunities and stabilize business growth. It has now completed the three-year program term and made significant progress in its goal to diversify and transform select minority-owned automotive suppliers from a seven-county region within the state of Michigan. The UEP had a rigorous protocol for assessing each business and accepted only those that meet specific criteria around business acumen and their readiness to transform. A total of 112 minority automotive and service providers participated in the program. Of this total, 25 minority suppliers became accepted as “UEP Recommended Suppliers” and worked with the UEP opportunity team to identify, secure, and profitably secure new business.

Urban Entrepreneur Partnership

112 Minority automotive and service providers participated
 \$557 million of new business opportunities were identified
 \$87.2 million is currently secured
 Created 1,936 new jobs
 Sustained 5,413 jobs
 \$186m in new revenue

Details on UEP clients

- Average annual revenue was \$65.9m
- Average employment per firm was 252
- 30% located in the city of Detroit
- Demographics of UEP clients
 - 37.7% African-American
 - 27.5% Asian American
 - 11.6% Hispanic/Latino American
 - 23.2% Caucasian
 - 14.3% of clients were women
 - 42.9% have a college degree
 - 32.1 % have a graduate degree

From their collaborative efforts, a total of \$557 million dollars of new business opportunities were identified for the UEP Detroit 150 clients with \$87.2 million of that total being secured business. There are \$228 million dollars of the total amount identified that are currently considered open contracts as they have yet to be awarded.

This continues to be a significant accomplishment. However, the real value of the UEP Program will be fully realized when the Recommended Suppliers are able to independently, and effectively compete within their new target industries.

Despite the challenging economic climate, preliminary results suggest that UEP clients experienced a significant growth in revenue and employment over the last year. Based on the initial reports of 15 clients (which represents 72% of the possible 21 clients) average revenue increased from \$60.9 million to \$95.7 million over the year. This represents a 57% increase. Additionally, average employment increased from 193 persons to 252 persons, or by 30%.

At this juncture, more of the UEP-assisted companies have transformed to the point that they are soliciting new business contracts. The program has helped to create 1,936

new, direct jobs and approximately \$186 million in revenue. Over time, even these milestones will likely grow given the industry-accepted multipliers. With the strong programmatic core that has been established, it appears likely that these positive outcomes will be replicated by other UEP businesses, further creating jobs and economic growth.

The First Step Fund was launched in March of 2010 with a \$5 million grant to support a revolving loan pool for emerging and newly-formed small businesses in the region. Though the grant term is not complete until 2015, the

fund has shown strong movement towards the proposed goals and metrics. The fund has engaged partners across the region – Invest Detroit, Vanguard, Automation Alley, TechTown, Ann Arbor SPARK, and the Kauffman Foundation

Through 2012, the number of FSF portfolio companies continues to expand. Several portfolio companies have witnessed strong growth and are producing results (jobs, revenues and retention of viable businesses). As of December 2012, the First Step Fund has completed 48 investments in 45 companies for a total of \$2.55 million in capital deployed. Of the 48 companies, 30 have raised additional capital, three have folded and one has exited. Four of the companies are university spin-offs and two are formed by university graduates.

In the portfolio, the companies have been responsible for more than 125 patents, generated \$37.6 million in TTM revenues and creating/retaining more than 300 jobs. There's also a strong social equity component as 23.6% are women-owned/managed and 20.2% are minority-owned/managed. The leverage ratio for the companies is almost 30x (\$79.4 million from other sources).

First Step Fund

\$2.55 million in capital deployed since 2010

48 investments in 45 companies

Geographic spread

45% in Greater Ann Arbor

40% in Detroit

15% in Oakland County

FSF companies have raised an additional \$79.4 million of capital from other investors

FSF companies have been responsible for

- 125+ patents
- \$37.6 million in TTM revenues
- 310 new and retained jobs

Southeast Michigan Supply Chain Initiative

SE Michigan Supply Chain Initiative

Also known as Connection Point

Huge win for the NEI!

The initiative was brought wholesale from the Detroit Regional Chamber into the State of Michigan – and is now the Logistics and Supply Chain (LSC) Strategy

Benefits of the integrated effort are:

- Develop a common understanding and messaging regarding how supply chain activities drive job creation
- Prioritize key infrastructure investments to identify which provides the most job potential
- Refine supply chain related state policies to increase state job attractiveness
- Develop synchronized marketing and messaging to communicate the opportunities to supply chain decision makers.

The Southeast Michigan Supply Chain Initiative grant provided matching funds to the Detroit Regional Chamber for a grant from the Economic Development Administration (EDA), targeting job growth in the transportation, distribution and logistics sector. The program began as a small group of industry practitioners, economic development, and academics to identify the opportunity to create jobs in the supply chain sector. Supply chain management jobs include those that manage and execute tasks related to sourcing, manufacturing, distribution, transportation, warehousing, inventory management, and customer service.

The premise is that investments in regions that facilitate infrastructure development, policy refinement, and collaborative activities involving logistics and supply chain activities will attract new industries.

The NEI grant brought together key parties from the private sector (Business Leaders for Michigan, Chrysler, Dow Chemical, and others), economic development organizations (Detroit Regional Chamber, Michigan Economic Development Corporation), and academic institutions (Michigan State and Wayne State Universities).

The collaboration synthesized the independent groups into a team with a common goal of bringing jobs to Michigan through focused efforts on key supply chain assets and communication initiatives.

The key program, named Connection Point, has made more than \$200 million in bid opportunities available to Michigan businesses across 24 industries. The program has facilitated millions of dollars in opportunities from companies headquartered outside Michigan including The Boeing Company, Deutz and ManTech International Corporation. Currently, over 50 companies are involved in pilots with a wait list for additional companies interested in the new, stream-lined distribution and logistical methods.

Over time, the NEI investment has helped develop the State of Michigan Logistics and Supply Chain (LSC) Strategy, which defines five objectives and 10 action steps that will make it easier for Michigan to attract supply chain activities to the state, including manufacturing, warehousing, distribution, and transportation.

The specific benefits of the integrated effort are:

- 1) Develop a common understanding / message regarding how supply chain activities drive job creation
- 2) Prioritize key infrastructure investments to identify which can provide the most job potential
- 3) Refine supply chain related state policies to increase state job attractiveness
- 4) Develop synchronized marketing and messaging to communicate the opportunities to supply chain decision makers.

The program also stressed the need for pilot projects that demonstrated the potential for job growth by facilitating supply chain operations. The tracking of pilots continues but current efforts have identified over 1,000 jobs by organizations including F.W.Whelan, Fanuc Robotics, Mastronardi Perishables, and Midland Tomorrow.

MEDC, in conjunction with the NEI team, continue to identify and document pilot opportunities to illustrate the benefits of locating supply chain activities in the region. The program provided the foundation and the framework to create the LSC strategy for the State. The seed funding from the NEI for the research and early implementation of this project is validated by all of the additional players that have joined the effort and all of the businesses that are now participating in the expansion of Michigan as a supply chain hub.

Creative Corridor Incentive Fund

Creative Corridor Incentive Fund

Investment into 12 firms over 3 years created

- 357 jobs moved to downtown Detroit
- 339,255 square feet of commercial space either built out or leased
- A leverage of \$26.2 million of project investment
- More than \$2.1 million of city income tax over the next five years

The NEI provided the main funding, \$2.5 million, to the Detroit Economic Growth Corporation for the Creative Corridor Incentive Fund (CCIF) in January 2009. The CCIF's goals are multifaceted. On the talent side, the program aims to help attract and retain creative businesses to Detroit's Creative Corridor in order to create a dense cluster of knowledge-based businesses and talented people in the area. It also aims to create and enhance residential and live/work places in the city and region that attract and retain young skilled workers and connect them to opportunities. With respect to innovation, the CCIF was meant to encourage entrepreneurship in new and existing enterprises as well as support the systems that

foster innovation, such as a business accelerator networks, and minority business support centers. The CCIF also acts as a coordinating body for capital sources.

In the past four years, the CCIF has engaged a large pipeline of opportunities and chose to make investments in twelve firms with three still in the pipeline. The firms are 71 Garfield, Anew Life Properties, the Downtown Detroit Partnership, GalaxE Solutions, Giffels-Webster Engineering, the Harmonie Park Media Group, Lambert Edwards & Associates, Madison Theater, Rocky DFD, Shinola/Detroit, Skidmore Studios and the Woodward Theater.

These firms represent an interesting mix of the creative community – varying in size and technology. They range from IT, life science and engineering to advertising marketing, digital/interactive media and music. They are an amalgam of hands-on activities such as arts manufacturing and clothing design/manufacturing with entertainment and the performing/visual arts. In and of itself, this is a great accomplishment, but it also helps provide economic and cultural diversity to the region. This diversity is enriching, but it is also more economically stable than growth that focuses on one or two sectors.

The CCIF is another NEI grant whose impact has only just begun to be felt. By filling in the empty spaces in the downtown area, they add more energy and vitality to the efforts already underway by developers and other philanthropists. The job numbers for the twelve firms alone are projected to be more than 1000 in the next three years. And as the critical mass of office workers and young professionals burgeons in downtown/midtown, the small supporting businesses will soon follow to service their needs.

Global Detroit Initiative – Phases I – X

And its successor programs – GTRI, ProsperUS and Global Michigan

The NEI funded five grants for the Global Detroit initiative that spanned from 2009 through 2012 for a total of investment of \$558,785. All five phases of the Global Detroit initiative focused on best practices for increasing the number of immigrants in greater Detroit and making the area a region that is hospitable to immigrants in the realms of education, work, and quality of life. A key interest was to show how immigrants can help transition the region to a new economy.

The overarching goal has been to attract immigrants to the region primarily because they often have the skills and the existing network to increase exports. Immigrants are also much more likely to undertake entrepreneurial ventures. The grants aim to retain immigrants already in the region, including students as well as business owners.

The first phase of the Global Detroit Initiative was funded for \$30,000 as support for a study that addressed how to attract and retain immigrants in Metro Detroit region. Phases II through V used the recommended actions identified in Phase I to develop implementation plans and strategies.

There have been many successes that have stemmed from the Global Detroit initiative. The first significant win was when Michigan's Governor Snyder used the Global Detroit report as a foundation for his immigrant policy in July of 2011. Since then several new initiatives have sprung from the recommendations of that early research and several more are under development. The Global Talent Retention Initiative (GTRI) and neighborhood revitalization program, ProsperUS, are overviewed below along with a sketch of Global Detroit's recent developments.

Global Talent Retention Initiative – Launched in 2011

Since 2011 the GTRI has participated in 33 events with 1595 participants

GTRI has engaged with:

- 646 Professors/employers
- 804 Students
- 145 University staff

Since December 2012, GTRI has received additional funding from and is partnered with the Michigan Economic Development Corporation to expand the student immigrant retention program

Global Talent Retention Initiative

Global Talent Retention Initiative (GTRI) was designed to attract and retain talented international students after graduation, especially those in the science, technology, engineering, and mathematics (STEM) fields. GTRI is the first international student retention program in the country.

In 2011, the program has participated or partnered in 33 events with more than 1500 participants. It has created considerable outreach within the universities to engage immigrant students, staff and faculty as well as engagement with the business community.

In addition to events, in 2012, GTRI conducted four employer webinars on how businesses can meet short-term talent and workforce needs by hiring international students. GTRI has also worked with seven university partners to

obtain data on 2,000+ international students who use their academic training to work in the U.S. The program has partnered with Global Detroit to compile and analyze the data for a report expected in 2013. Early highlights of the report indicate that international students using academic trainings to work after graduation are three times as likely to choose Michigan as those who matriculated from out-of-state. Of the 2,500+ international students taking advantage of academic training programs, over 61% are pursuing or have obtained a degree in a STEM field—more than 3x the number of native-born Michigan students and 4x the number for American students nationally.

This represents a significant opportunity for Michigan for several reasons. One, there is a national shortage of adequately trained graduates in the STEM fields and Michigan is at an advantage if more STEM graduates are trained and retained here. Two, a high percentage of Michigan-born college graduates do not stay in Michigan and attracting and keeping qualified immigrants can help fill the high-skill gap. Lastly, immigrants are more than twice as likely to start a small business and small businesses account for over 50% of jobs in the U.S. (and 65% of new jobs in the past 17 years). A high percentage of immigrants definitely has an impact on the state employment levels.

The NEI funded GTRI's inception and development in 2011 with \$450,000 to focus on southeastern Michigan, but the early impact of the program has been positive and very visible. As of December 2012, GTRI has also been contracted by the Michigan Economic Development Corporation (MEDC) to expand its programs statewide. Funding has been received for administrative costs, marketing, two full time staff, and travel outside Southeast Michigan. Another marker of GTRI's success, it has also been designated the official international student retention branch of Governor Snyder's Global Michigan Initiative.

ProsperUS Detroit

ProsperUS Detroit is a groundbreaking micro-entrepreneurship and community-building initiative that is funded in partnership with the Kellogg Foundation. ProsperUS Detroit is based upon a model pioneered by the Neighborhood Development Center (NDC) in Minneapolis/St. Paul. A core team of representatives from Global Detroit and Southwest Housing Solutions adapted and designed the foundational elements of the program and to begin implementation.

ProsperUS Detroit – Launched in 2012

Launched training in three neighborhoods

- Cody-Rouge
- North End
- Southwest Detroit

Currently partnered with

- Cody-Rouge Alliance
- Detroit Hispanic Development Corporation
- Focus: HOPE
- Global Detroit
- Michigan Hispanic Chamber of Commerce
SER Metro
- Southwest Housing Solutions
- Vanguard CDC

ProsperUS Detroit is centered on building long-term relationships with low-income African-American and immigrant entrepreneurs—offering entrepreneur training courses, access to micro-loans, and free or low-cost small business technical assistance. This in-depth, high-touch, place-based approach is distinguished from other micro-enterprise development programs by its unique focus on working in low-income communities of color and its intense focus on tapping the hidden potentials of residents and community-based organizations to revitalize neighborhoods from within. By meeting the needs of entrepreneurs and helping to build networks of local support, ProsperUS Detroit helps to improve the integrity and vitality of neighborhood economies.

In 2012 and training programs were launched in the North End and Cody-Rouge neighborhoods of Detroit in September. Training programs consist of 11 sessions and up to 10 hours of one-on-one coaching between

each participant and the trainer. Graduations in each community for the 17 students took place in late January 2013. Seven additional training programs are scheduled to launch in the North End, Cody-Rouge, and Southwest Detroit neighborhoods by the end of February 2013. Graduates of the training are eligible to apply for microloans and to access technical assistance.

Working in close partnership with Southwest Housing Solutions, Global Detroit continues to support ProsperUS Detroit in its development and improvement. ProsperUS Detroit's success depends upon its close community partnerships with Vanguard CDC and Focus: HOPE in the North End, the Cody-Rouge Alliance in Cody-Rouge, and SER Metro, Detroit Hispanic Development Corporation, and the Michigan Hispanic Chamber of Commerce in Southwest Detroit. In addition to continuing these partnerships, new community partners are expected to form in 2013.

Global Michigan

Global Detroit logged significant time supporting Global Michigan during 2012. Specifically, they worked to refine three separate work plan proposals prepared for the Governor's Office, including chairing the committee on building a more welcoming sense of place. Global Detroit provided research to Governor Snyder's team on how a more focused, clear, consistent, and impactful Global Michigan could be created.

Based upon this work, Global Michigan identified a Top Five list of strategies to make Michigan the most "pro-immigrant" state in the country. This new approach has been communicated to the Global Michigan advisory board, leadership team, the directors at the Michigan Economic

Global Michigan's – Top 5 Strategies

1. Making Michigan the most "pro-immigrant" state in the country
2. Developing a statewide Cultural Ambassadors program
3. Assist with licensing/credentialing of skilled immigrants/refugees
4. Utilizing the EB-5 investor visa
5. Expanding GTRI's program statewide

Global Detroit also was contracted by the MEDC in 2012 to connect Global Michigan to regional economic development efforts in all ten of MEDC's economic development regions. Presentations were made to local economic development personnel in the Upper Peninsula, Gaylord, Kalamazoo, Grand Rapids, Lansing, Ann Arbor, and Oakland County. Global Lansing, the Great Lakes Bay Region (Saginaw, Bay City, and Midland), and Northeast Michigan are receiving mini-grants to connect their work to Global Michigan initiatives. Hence, Global Detroit has state-wide reach and potential for even greater impact through the synergistic relationships it has developed with MEDC and numerous other economic development entities in the state.

SWOT City: TechTown

The SWOT City business unit at TechTown is focused on providing technical assistance and resources to place-based businesses in targeted Detroit business districts and neighborhoods during 2013-2014 through the SWOT City: Detroit Initiative.

Many Detroiters are forced to travel to other areas and neighboring cities for the goods and services they need.

SWOT City: Detroit intends to support local businesses as a way to strengthen the city economically from within the neighborhoods. The program ensures that TechTown business acceleration services, expertise, and resources benefit all Detroit residents, not just high growth potential companies. As a result of these services, businesses in disadvantaged Detroit neighborhoods become more viable and sustainable which will increase local employment opportunities. SWOT City will also provide Detroit residents access to vital goods and services within their own neighborhoods.

SWOT City 2013-2014 Objectives

Q1 2013

Begin East Jefferson Neighborhood SWOT City program

September 2013

Complete Brightmoor Neighborhood SWOT City Pilot program

October 2013

Move to full-scale implementation of the SWOT City Brightmoor programming and complete work in 2014

2014

Scale the SWOT City Program to three additional Detroit Neighborhoods; plan for expansion beyond the city of Detroit

Community Engagement: TechTown engages with community/economic development organizations to identify a pipeline of companies in need of support, engages with community through weekly tune-up sessions, and participates in a variety of community meetings to better understand their needs.

Assessment: Conduct a SWOT assessment of the businesses with recommendations for change and comprehensive milestone plan.

Targeted Assistance: Recommendations are addressed through training programs at TechTown or provided by partners, coaching by TechTown and/or specialized technical assistance provided by a 3rd party. There is also \$1000 allocated for each company that is taken on as a client to further their business in a meaningful way.

Follow-up: Regular follow-up by TechTown staff to assess the businesses status and gather metric data.

Advisory Board: TechTown guides the business owner through implementation of recommendations.

As noted in earlier in the introduction section from 2007-2011 NEI worked within a framework that emphasized capitalizing on existing regional assets, imbuing culture change, building and employing a more skilled and educated workforce, and promoting a successful entrepreneurial eco-system. The initiative has learned a great deal from the breadth and depth of experience from the grantees that has resulted in continued refinement of foci and mission.

The focus of this framework was sharpened during the strategic planning process in 2011 and brought to bear in the implementation of the Innovation Network. The six emphasis areas allow us to view the NEI collective from a new vantage point. They bring a mature and richer vision of the grantees role within the initiative. That being said – because the historic framework delimited so much of the earlier grant making, both will be illustrated in the analysis herein, providing a more multi-faceted representation of the data.

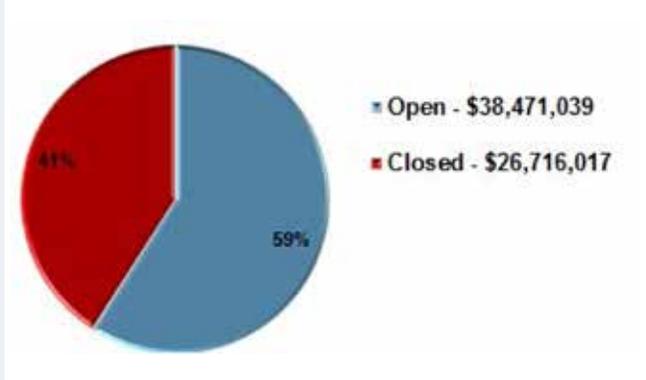
Emphasis Area	Description	Examples
Connections	Investments to create and promote valuable, sustainable and accessible networks	<ul style="list-style-type: none"> • The Henry Ford - Salons • Issue Media Group – Start-up Michigan web site • Ethnic Media Project – Collaboration among Arab American News, The Latino Press, The Jewish News, The Michigan Korean Daily
Ideas	Investments instigating new ideas and helping ideas come to market	<ul style="list-style-type: none"> • AutoHarvest Foundation Online IP Catalogue • Henry Ford Health Systems Innovation Institute • Wayne State University` Office of Technology Commercialization • Sustainable Water Works Business Forum and Innovation Factory • Ann Arbor Spark - Accelerate Michigan Innovation Competition
Investment	Investments in providing access to capital for every stage of ideas and growth	<ul style="list-style-type: none"> • Detroit Midtown Microenterprise Fund • Invest Detroit Foundation – Detroit Innovate High Growth Accelerator • Invest Detroit Foundation – First Step Fund • Detroit Economic Growth Association
Place	Investments in building physical places for ideas to thrive	<ul style="list-style-type: none"> • Taubman Center • Midtown Detroit Inc. • NextEnergy
Talent	Investment in retaining, attracting, preparing talent for jobs	<ul style="list-style-type: none"> • Southeast Michigan Community Alliance Workforce Intelligence Network • MSU Global Talent Retention Initiative • Detroit Regional Chamber Interns in Michigan • Intern in Michigan • Macomb Community College

Emphasis Area	Description	Examples
Tools	Investments in identifying best practices and providing training, mentors, and support services to help ideas grow	<ul style="list-style-type: none"> • ACCESS Neighborhood Entrepreneurial Program • Arab American Middle East Economic Affairs Ethnic Chamber Collaborative • Bizdom Accelerator and Fund • College of Creative Studies Detroit Creative Corridor Center • Detroit Economic Growth Corporation Procurement Program • INFORUM Entrepreneur Training & Venture Development Support for Women

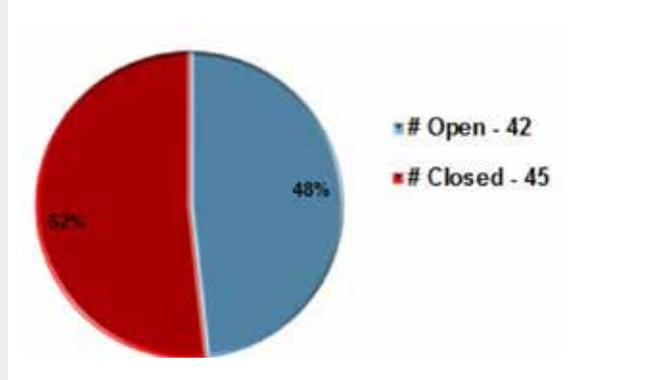
Current Composition of NEI Grantees

From the inception of the NEI through Q4 of 2012, \$65,187,056 in funds had been committed for disbursement. Please note that this amount does not include grants to not for profit contractors or other NEI vendors. In a shift from 2011, a slight majority of the volume of grants is closed, yet fifty nine percent of the funds (\$38,471,038) are still active in open grants. A full list of the grants and amounts are in the appendix.

Open vs. Closed – By Dollar



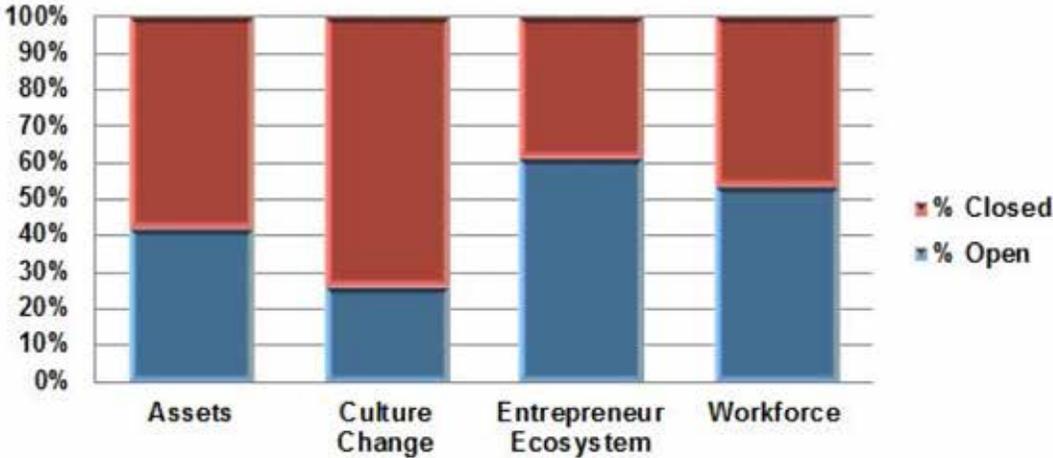
Open vs. Closed – By Volume



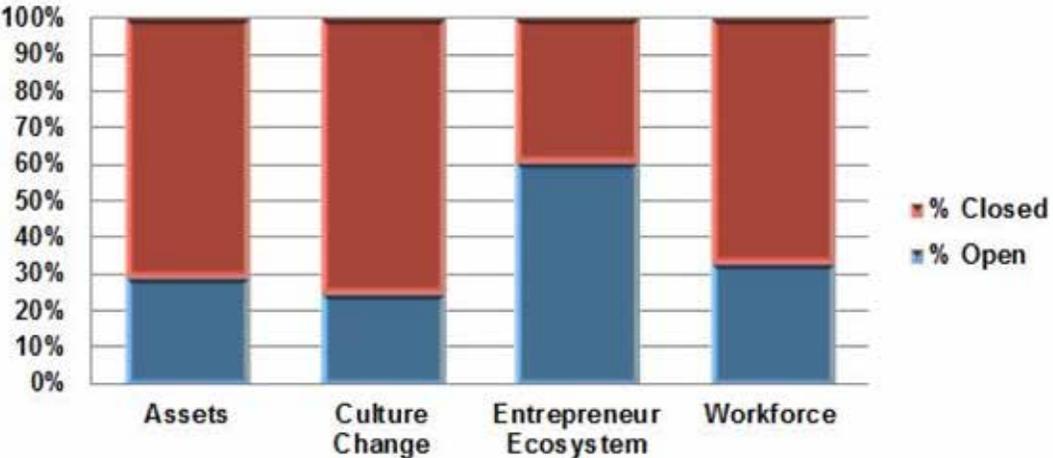
Maturity Level of Grants – NEI Sectors

As noted in the history and above, the NEI is a relatively new initiative and many of the grants are still in process which makes it difficult to discern impact as opposed to activity in the programs. To illustrate this further, the two charts below show that whereas the number of grants is above 50 percent in each of the sector foci except workforce; most of the dollars in the economically impactful sectors of workforce and entrepreneur eco-system are still at work.

Maturity Level of NEI Sectors by Dollars Granted



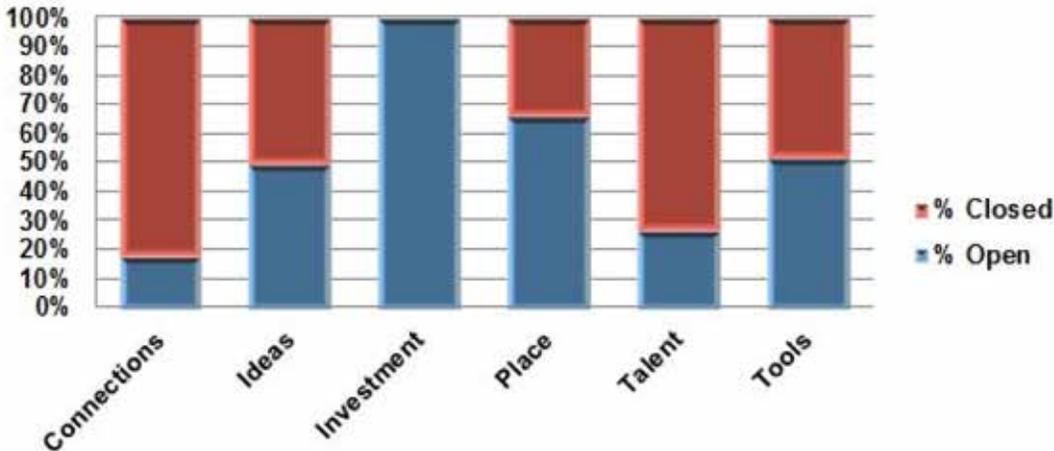
Maturity Level of NEI Sectors by Volume



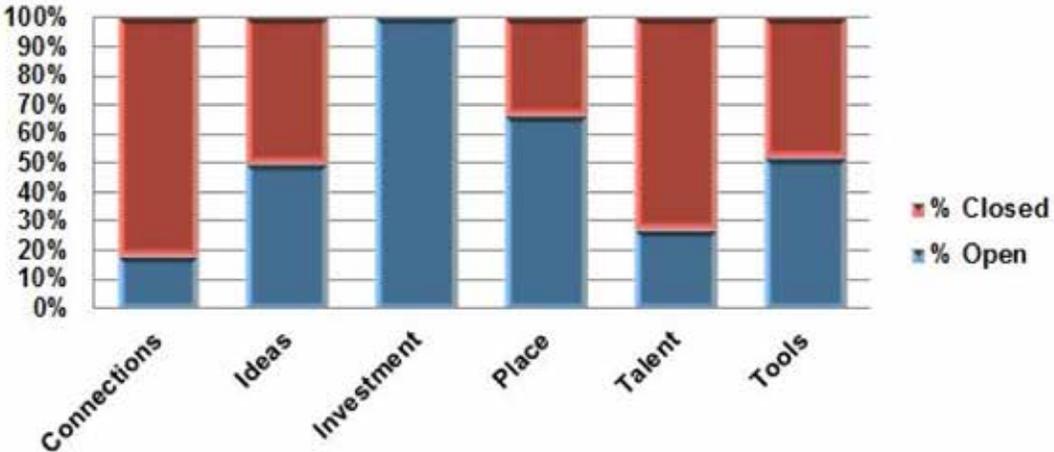
Maturity Level of Grants – NEI Emphasis Areas

When the same data is viewed from the vantage point of the investment emphasis areas, an additive picture emerges of where the funds are still being implemented. The majority of the volume and dollars in the people and connections areas are winding down whereas the emphasis is still visibly active in investment, ideas, place and tools.

Maturity Level of NEI Emphasis Areas by Dollars Granted



Maturity Level of NEI Emphasis Areas by Volume

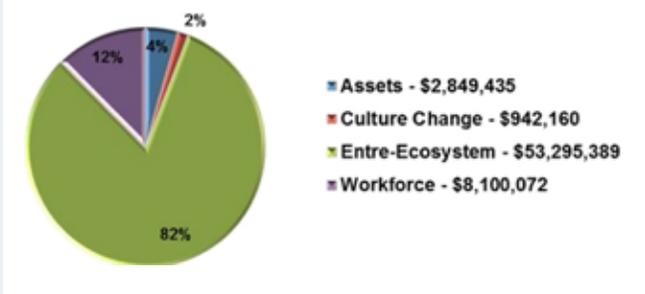
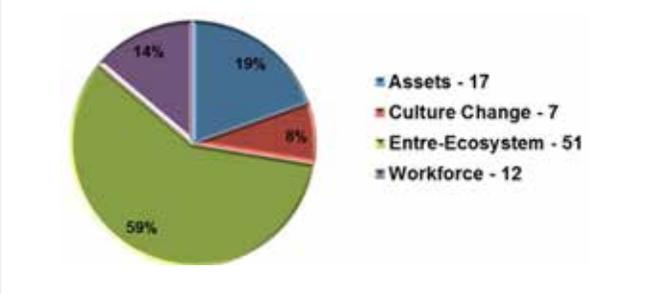


Category Focus of NEI Funds

The categories reflect the mission and values of the earlier foci of the NEI. Seven culture change grants were funded for a total of \$942,160 in investment, while \$8,100,072 was supported in twelve workforce grants. Seventeen grants which capitalize existing assets were funded for a total of \$2,849,435 while fifty one programs in the entrepreneur ecosystem were supported with the bulk of the funds at \$53,295,389.

Volume of Grants per NEI Sector

Dollars Granted per NEI Sector



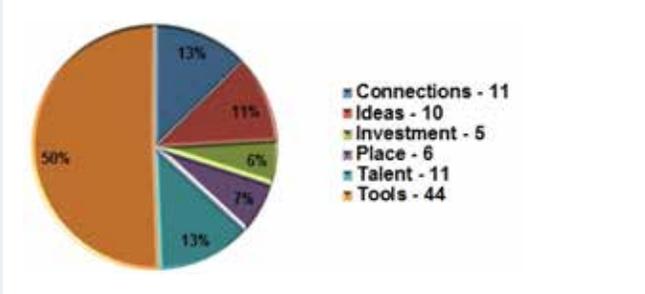
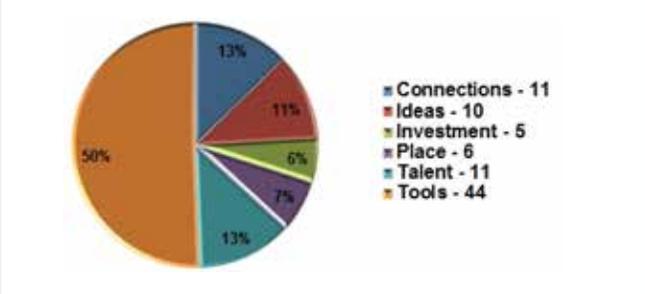
Area Focus of NEI Funds

The area analysis illustrates a more nuanced picture. When looking at volume, half of the grants are focused on the investments in “Tools”, i.e. best practices and providing education, coaches/mentors, and support services. Connections, ideas and people comprise one third of the grant volume. Investment and place top off at barely more than ten percent of the portfolio.

There are some interesting, but not unexpected data of note. Capital intensive areas such as place and investment have considerably lower volume and higher dollars granted than the other areas. Place which focuses in infrastructure improvements, is an expensive endeavor comprising 7% of the grant volume, yet 22% of the funds. Conversely, connections appears to be considerably more cost effective, comprising 13% of the grant volume, yet only 2 % of the monetary spend.

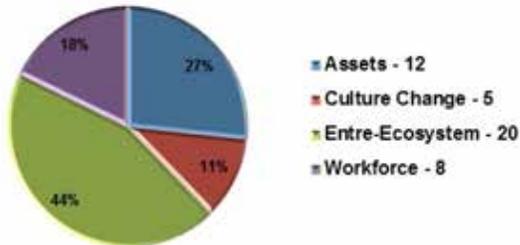
Volume of Grants per Emphasis Area

Dollars Granted per Emphasis Area

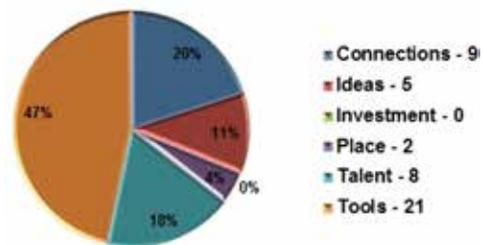


Closed Grants

Closed Grant – Category Distribution by Volume



Closed Grant – Emphasis Distribution by Volume



The 45 closed grants (\$26,716,017) are principally comprised of event sponsorships, research, workforce, entrepreneur eco-system and infrastructure grants. When reviewing the closed grants by category, the distribution of funds looks skewed towards the entrepreneur eco-system grants, yet when you approach it from the area emphasis, more clarity emerges. Many of the early grants were educational in nature and are classified under “Tools”. Those grants (Global Detroit Phase I, TDL, Macomb Community College) created the foundation of information for many of the programs to move into their next incarnation. Their intent was to collect data, convene the appropriate parties and chart efficient avenues for growth - not to immediately create jobs, companies or economic impact. Many of the research grants had impact on the local, state, regional and national levels and are summarized in the top line impacts section below.

The positive news is that several of those grants were very impactful. The programs that germinated from Global Detroit and TDL in particular, have been successful in their own right. Both of these grants are highlighted in further detail in the individual grant section of this report, but highlights, respectively, include informing the Governor’s policy on immigrants and creating a program so compelling that the MEDC brought the program into their structure, employees and all.

One significant shift in the grantee demographic since 2011 is that the vast majority of the workforce development grants closed in 2012. The Workforce Intelligence Network (WIN) and the Global Talent Retention Initiative (GTRI) are the only two programs that have NEI funded activity. Whereas all of the programs were fighting the tide of a stunning recession with particularly brutal impacts on southeastern Michigan, several of the programs are starting to show impressive numbers with respect to the number of jobs created and have great, individual success stories. UEP, Earn + Learn and GTRI are profiled in the individual grant section.

The 2010-12 event grants (Creative Cities Summit, ACE, Focus Detroit, Maker Faire, MI-GTEA) comprised a small percentage of the closed grants both in volume and dollars expended. Principally focused on culture change, they provided high visibility to large attendee groups for small amounts of funds. Considerable leverage of volunteer organizations was made with the funds. Overall, the event sponsorships were an effective entrée into the communities which created a positive media and community buzz.

Overall Impact of the New Economy Initiative

The review of the evaluation metrics will start by looking at the entirety of NEI’s funding. We’ll address what we can currently say about the initiative, reviewing the successes that we viewed and documenting the lessons learned. We’ll then address a sampling of the individual grantees.

Flash Report – December 31, 2012

# Grants (2008-2012)	94
Amount dollars awarded	\$65.8 million
Program match by grantees	\$167 million
# Jobs reported	6,898
# People exposed to entrepreneurial services	33,276
# Entrepreneurial clients served by grantees	1,954
# New enterprises created during granting period	423
Investments added to new enterprises (reported)	\$269 million
Revenue earned by new enterprises (reported)	\$22.7 million

Impact Snapshots

Connections

- \$2.5 Million US EDA's Advanced Manufacturing Jobs and Innovation Accelerator grant to region through collaboration among WIN, BANSEM, MMTC, Detroit Regional Chamber to build and support an advanced manufacturing innovation cluster in Southeast Michigan
- Detroit Development Partnership Fund focusing resources on Detroit-based women owned enterprises in partnership with TechTown and the entrepreneurial program of the Michigan Women's Foundation
- Detroit Innovate, TechTown and Bizdom partnership to secure \$1 million MEDC award dedicated to Detroit
- Accelerate Michigan Competition partnering with Crain's Detroit Business and Pension & Investment magazine to bring the institutional investor community to Detroit to meet Michigan venture firms

Ideas

- 1,600 ideas vetted through business plan competitions
- More than 200 companies and student business ideas have been exposed to 74 local and national investors through the Accelerate Michigan Innovation Competition
- In 2011, five new ventures have been created out of WSU Office of Technology Commercialization

Investment

- \$269 million investment capital to new ventures
- More than \$9 million in early-stage capital accessible to Detroit-based ventures through Detroit Innovate, Detroit Microenterprise Fund, Bizdom, First Step Fund, Detroit Development Fund, and Henry Ford Innovation Institute
- More than \$2.1 million of additional income tax revenues to the City of Detroit in the next 5 years

Place

- 339,255 square feet of commercial space built out or leased as a result of the Creative Corridor Incentive Fund
- 230,000 square-feet repurposed to support creative companies
- 95% tenant occupancy at TechTown
- Nearly 900 6th through 12th grade students attending classes at the Taubman Center for Design Education

Talent

- 6,898 jobs added
- \$87.2 Million in new business contracts have gone to minority suppliers through the Urban Entrepreneur Program
- 360 at risk black males have been placed in jobs resulting from work readiness training the Earn + Learn program
- More than 800 international students have been exposed to Michigan-based career opportunities through the Global Talent Retention Initiative
- \$200 million in bid opportunities are available to Michigan businesses through the TDL program, Connection Point

Tools

- 423 new companies started
- Over 400 active entrepreneurial clients with 32% in under-represented groups and 20% launching new businesses within the city of Detroit
- 60 women entrepreneurs engaged and educated through the Inforum program
- More than 150 students at Wayne State and Walsh have had business plans reviewed by professional venture coaches through the Launchpad student entrepreneurship program
- 80 neighborhood residents in three Detroit neighborhoods are getting entrepreneurship training through SW Housing Solution's ProsperUS program

Investment Trends

There are a number of positive trends visible in the collective data for the NEI. The increase in companies and jobs are of critical importance for obvious reasons, but the trend of increasing investment dollars into the NEI funded programs as well as their entrepreneurial clients is significant as well. The company clients of the incubators and accelerators are developing to the point that they are successfully raising capital from private sources. These investors are principally from Michigan, but increasingly venture firms from outside the state are recognizing the quality of the deal flow and engaging our entrepreneur community.

Another encouraging investment trend is the cumulative program match dollars that the NEI grantees are accessing. In the past three years there has been \$269 million of matching dollars reported by the grantees. Not only does this allow the NEI able to ameliorate its financial risk with any given program, but more funders indicate a stronger foundation for programmatic success. With multiple sources, the grantee is able to diversify their funding pool and move themselves towards long term financial sustainability.

One key aspect of the types of programs that the NEI funds, however, is that many of them will never be fully independent of private or public funding to make their budgets. The vast majority of the grantees serve populations that cannot pay market rate for their services and will always need some form of financial subsidy to keep their doors open.

Top Line Impacts

NEI grant monies have created great opportunities for change in the southeastern Michigan, yet the impact that the grants have as a collective is multidimensional and often challenging to quantify. Much of the impact, however, falls under several major themes; providing platforms, assistance and better capital access for entrepreneurs; creating

more innovation friendly neighborhoods / communities, strengthening systems and networks as well as impacting government

Platforms, Assistance and Capital Access

With the volume of grants and dollars provided in this targeted arena the impact of the NEI entrepreneur platform is becoming quite robust. The NEI funds a number of programs for entrepreneurs across the spectrum, from pre-revenue student ideas and university commercialization through to mid-market auto suppliers with hundreds of employees. Whereas the earlier grants were not explicit in their focus on social equity in entrepreneurship, the addition of grantees focused on women, the immigrant and minority communities has added to the depth and neighborhood engagement to the platform.

Three major challenges for early stage companies are education, good mentoring/coaching and access to capital.

Entrepreneur education and mentorship

With respect to the education and coaching/mentoring piece there are established programs at Bizdom, TechTown and the other accelerators within the Business Accelerator Network of Southeast Michigan that provide hundreds of hours of educational programming for entrepreneurs in the region. These range from panel sessions and lunch/learns to more intensive 3-to-10 week training initiatives. They also provide mentorship, coaching and access to low / no cost business consultants.

There are a number of nascent programs that are accessing new demographics with their educational offerings, mentorship, and coaching. Inforum is focused exclusively on developing women entrepreneurs and angel investors with their Activate program. ACCESS and ProsperUS are offering their programs in Detroit neighborhoods and engaging businesses in the local diaspora as instructors and mentors. Their local focus helps to access prospective entrepreneurs who would be uncomfortable at the established programs and enhances a broader network of capital and engagement. A more in-depth profile of ProsperUS is in the individual grant section.

Local students from Wayne State University and Walsh College are also being provided support in their entrepreneurial endeavors at the Blackstone Launchpad and students across Michigan have an opportunity to compete for \$50,000 in prize monies at the Accelerate Michigan student competition. The competition also provides students a platform to practice their pitch, receive constructive feedback on their materials and network with a range of local, national and international investors.

For those whose businesses are built, but need to re-tool the focus, the Urban Entrepreneur Partnership assists mid-market auto suppliers in shifting their focus from the automotive industry to another growth industry. It is the only NEI program focused on the mid-market, but has shown solid numbers for jobs and additional company revenue.

Access to capital

The NEI-funded grantees such as the Bizdom Fund, First Step Loan Fund, Creative Corridor Incentive Fund, Detroit Development Fund, and the Detroit Midtown Micro-Enterprise Fund provide small amounts of capital, either as loans or investment, to help burgeoning entrepreneurs get their start. Each of the capital sources also assists by using their network to link portfolio companies with additional investment and support. None of the capital grantees are technically closed, though the Creative Corridor Incentive Fund (CCIF) and Detroit Development Fund are winding down their programs.

The CCIF in particular has had a positive impact on Downtown and Midtown as the program's efforts and investments brought 357 jobs to Detroit and was instrumental in getting 339,255 square feet of commercial space either built out or leased. A more in-depth profile of the CCIF is in the individual grant section.

The annual Accelerate Michigan Competition is a non-traditional source of capital for students and later stage start-ups in Michigan. The competition has leveraged the NEI's \$250,000 in funding to a \$1.4m annual budget. In addition to the \$500,000 grand award, another 17 checks, ranging from \$10,000 to \$25,000, are awarded. The competition also serves as a platform for national venture firms to meet Michigan investors and interact with local companies, accelerators and research universities.

Innovation Friendly Neighborhoods and Communities

Many of the place building grants were proffered early in the NEI lifecycle. NEI's patronage has also helped to accelerate the build out of the TechTown campus in Midtown. The 100,000 sq. ft. TechOne building hosts more than 90 growing companies. Funds provided infrastructural support for the renovation of the Argonaut Building now renamed as the Taubman Center for Design Education; a project which entailed upgrading the entire Cultural Center campus for the College for Creative Studies. This building is a lynch pin in further developing a creative entrepreneur community in Detroit. The project created 80,000 square feet of building space available for creative businesses and nonprofits. The space includes an expanded student residence hall, a public 360-seat dining facility, a conference center with a 500-seat auditorium, a new gymnasium and 800 new parking spaces.

The UCCA/MDI grant focused on improving the historic Sugar Hill Arts District area. The success of the project can be physically seen in the district, as 71 Garfield has been rehabilitated for artist studios and apartments and 79 Garfield has been purchased for restoration. It can also be quantified by the high occupancy rates for both the residential and commercial components (95% occupancy). Seva, a vegetarian restaurant from Ann Arbor has expanded to the district and experiencing great success. Whole Foods is leasing space and moving into this area, which will only serve as a magnet for future residents and businesses.

Three neighborhood specific entrepreneurial programs were granted funds as part of the Innovation Network in 2012. ProsperUS is profiled in more depth in the individual grant section, but it provides training in the Cody-Rouge, North End and Southwest Detroit neighborhoods. ACCESS focuses on bringing entrepreneurial training and mentoring to two communities; the Dearborn/Detroit neighborhood of Warrendale which has a high concentration of Middle Eastern immigrants and the city of Hamtramck that includes Yemeni, Bangladesh and Bosnian immigrants. ACCESS will also be providing mentor and professional service provider network, a free micro-loan fund and resource mapping.

Strengthen Systems and Networks

The NEI granting strategy is focused on collaboration. A key feature on many of the grants is the partners that are leveraged for support, alliances, referrals, and additional funding. The NEI also uses the power of its collective influence to create a platform on which to convene groups with similar mandates. The Business Accelerators of Southeast Michigan (BANSEM) and Workforce Intelligence Network (WIN) are examples of the ability to convene. The former is a regional accelerator network; the latter is a regional collaborative of community colleges and workforce boards. Neither would have happened without the NEI's support and guidance. The development of systemic efficiency and unforeseen organizational synergies are often difficult to quantify in the beginning, but the evaluation team has quite a bit of anecdotal data that, over time, should lead to some clear cut data supporting this impact.

The collaboration and convening of the NEI strategy also engages around broad agenda setting. With projects such as New Michigan Media, the NEI has set the standard for communication between the ethnic media outlets in Michigan. And simply by NEI beating the drum on the issue of entrepreneurial activity and funding the systems that support the entrepreneurial community, the initiative has signaled a shift in the vision of Southeast Michigan from a risk-averse culture of employees to a culture of innovation and challenge. And, moving forward, the Innovation Network is very focused on convening and agenda setting. The NEI is teeing up the opportunity and the parties in the Innovation Network will be taking advantage of the platform.

Impact Government

Whereas it was not explicit to the NEI strategic vision, many of the early research grants made their inroads on the halls of government. The Global Detroit research has had direct impact on policy in the state of Michigan much of which is profiled in the individual grant section. Global Detroit is an initiative that ties together a broad range of strategies to create jobs and economic growth by capitalizing on our region's international assets. In May 2010, the Global Detroit study was published making the case that immigrants, international talent, and global connections are and can be key drivers to revitalizing Southeast Michigan's economy. Governor Snyder's Global Michigan initiative have all been launched from the Global Detroit study.

The Michigan State Supply chain grant -- the trade, distribution, and logistics project -- is an example of research that presents the landscape of a potential new job creation industry and then ties that research to an actionable plan. They used local and state expertise to launch the initiative and actively coordinated with and did outreach to other state and Canadian entities.

The Great Lakes International Trade and Transportation Hub (GLITTH) was a new entity created by the grantee. In April, 2011 GLITTH held an executive panel discussion featuring industry leaders, economic development officials and officials from Governor Snyder's administration. Later, in October 2011 GLITTH also held another summit to move past the research and outline the necessary items for piloting and implementing the supply chain sector expansion. Governor Snyder was in attendance. The State of Michigan, MDOT and MEDC are all very supportive and it appears likely that the State may provide some financial support in the future. .

The grant to the Council for Michigan Foundations' hired McKinsey to help the state of Michigan quickly capitalize on the availability of ARRA funds. It was very impactful on a state and federal level. With McKinsey's assistance DELEG was able to raise the profile of Michigan within the Department of Energy and was selected by DOE to be presented to the Assistant Secretary of Energy (EERE) as one of the top three Recovery Ramp-Up plans for the implementation of state energy programs. Michigan was able to garner \$1.36 billion in DOE grants to accelerate the development of next-generation batteries and electric vehicles, \$15 million for the Michigan Green Fleets project and \$84 million for advanced metering infrastructure (AMI) and "Smart Home" features.

The Brookings Institute's grant for automotive research resulted in a two-day working session in March 2011 for public private partnerships within the Great Lakes region. The event was cohosted with U.S. Department of Labor and focused on federal support and job creation. Another event in March of 2010 was based in DC and focused on the future of the nation's auto-impacted communities and connected macroeconomic policies. The event included the Deputy Secretary of HUD and the Assistant Administrator of the EPA, Governor Jennifer Granholm, Senators Carl Levin and Debbie Stabenow, Representatives John Conyers, Jr. and Sander Levin.

Lessons Learned and Actions Taken

In the initial report, there were a number of lessons learned from the first four years of the NEI. Many of those have been imbued into the more recent grants and have informed the protocols around the Innovation Network grantees and the GPN software system.

Lesson learned: If social equity is not brought to the attention of grantees at initial stages, it often is not part of the overall project agenda. When inquiries were made with respect to collecting statistics on gender, ethnicity, age etc. many of the grantees had not put the processes in place to gather the appropriate data, nor had they considered it an important facet of their program. **Action taken:** The engagement of Policy Link in the initial stages of every grant to discuss aspects of social equity has helped immensely to reinforce the message of its importance both to the NEI and to the sustained success of the grantee. The recent introduction of the JumpStart social equity team will go a long way to ameliorate the issue. They will be actively working with a subset of the grantees to help them plan outreach and access a broader and more diverse swath of the local community.

Lesson learned: Responding quickly to pressing community need doesn't impede good data and milestones. This lesson was illustrated by many of the grantees. Clearly, getting good evaluative information was a function of proper organization and procedures rather than time frame. **Action taken:** Engaging the grantees early in the evaluation process helps to mitigate challenges around data collection and reporting, though compliance varied widely with the level of sophistication of the grantee as well as their organizational infrastructure.

Lesson learned: Research grants should be used as an informed springboard to action. Every piece of NEI funded research should include actionable items, focused goals, and next steps. New entities should start with small, discreet grants for feasibility research. Once opportunity is defined, the project plan is mapped and the program has a defined roadmap for expansion – only then should the NEI release additional funds. **Action taken:** The two early stage programs that were given grants in 2012 had researched feasibility and were given considerable milestones to ensure that the proper framework for success and sustainability was being created.

Lesson learned: Characteristics of the successful grantees stand in sharp contrast to those who were unsuccessful. Those who tracked metrics internally, created broad community, facilitated outreach to other related entities and leveraged funds were far more effective at achieving their short and long goals. Unsuccessful grantee attributes include the combination of myopic projects, prior career spent solely in large corporations, lack of tangible goals and milestones, the NEI as sole source of funding and a deep sense of entitlement. **Action taken:** There has been a considerable amount of due diligence to choose the set of grantees who are in the Innovation Network. Some were knowingly a gamble because several of the above characteristics were evident, but there was a high awareness of the risk.

Lesson learned: Some wagers on grantees or programs are going to fail. Occasionally a program's success is tied to one or two critical aspects. This may be an inside advocate, a community leader, local or state policy changes, or partner funding. The loss of any of these is unforeseeable and if that aspect changes, the project might struggle or fail altogether. **Action taken:** Since these hiccups are unforeseen, the only manner to address this beforehand is a key person provision in the granting of the funds. This would make the successive years of funding contingent upon key leadership remaining in place or being replaced by personnel that have the NEI's blessing.

Lesson learned: Don't mistake programmatic activity/movement for action or impact. **Action taken:** The evaluation team has instituted robust milestones to monitor programmatic achievement along with a set of metrics that each grantee needs to address. Even grants that in the formation stage and are not producing numbers are aware of what data they'll need to capture and in what format.

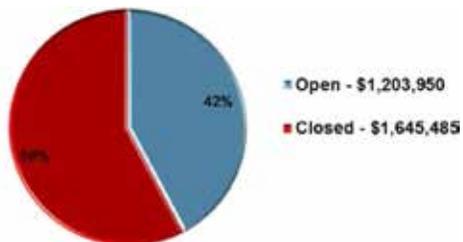
Fiduciary	Grantee
Ann Arbor Spark Foundation	Accelerate Michigan Innovation Competition 2010 - 2012
Ann Arbor Spark Foundation	BANSEM - Ann Arbor Spark
Ann Arbor Spark Foundation	MLSIC - Michigan Life Sciences Innovation Center
Arab Community Center for Economic & Social Svc.	ACCESS Immigrant Business Support Center
Automation Alley Fund	Annual Collaboration for Entrepreneurs - 2011
Automation Alley Fund	BANSEM - Automation Alley
Automation Alley Fund	Blackstone Launch Pad
Bizdom	Bizdom
Bizdom	Bizdom Fund
Brookings Institution	Automotive Research
Brookings Institution	Great Lakes Economic Initiative
City Connect Detroit	City Connect
City Connect Detroit	Data Driven Detroit (D3)
College for Creative Studies	Argonaut Project
College for Creative Studies	College for Creative Studies Accelerator
College for Creative Studies	Creative Corridor Center Studio
Council of Michigan Foundations	Advanced Energy Economy Initiative Report
Detroit Development Fund (Shorebank)	Detroit Development Fund
Detroit Economic Growth Association	ALT Energy Initiative
Detroit Economic Growth Association	City DNA Project
Detroit Economic Growth Association	Creative Corridor Incentive Fund
Detroit Economic Growth Association	Detroit Procurement Program
Detroit Midtown Micro-Enterprise Fund Corporation	Detroit Midtown Micro-Enterprise Fund Capacity
Detroit Regional Chamber Foundation Inc.	Global Detroit, Phase I - V
Detroit Regional Chamber Foundation Inc.	Intern in Michigan
Detroit Regional Chamber Foundation Inc.	Michigan Security Network
Detroit Regional Chamber Foundation Inc.	TDL- Matching EDA Funds (Connection Point)
Detroit Regional Chamber Foundation Inc.	TranslinkeD (Regional TDL Project)
Detroit Renaissance Foundation	DSource (Detroit Regional News Hub)
Detroit Renaissance Foundation	Life Science Strategy
Ewing Marion Kauffman Foundation	Kauffman Fellow
Henry Ford Health Systems	Henry Ford Innovation Institute
Inforum Center for Leadership	Inforum Center for Leadership SE Mi Program
Invest Detroit Foundation	Detroit-based High Growth Accelerator
Invest Detroit Foundation	First Step Fund
Macomb Community College	Defense Business Research

Fiduciary	Grantee
Macomb Community College	Macomb Community College
Macomb OU INC	BANSEM - Macomb OU
MDC Inc.	Achieving the Dream (ATD)
Michigan Manufacturing Technology Center	Michigan Manufacturing Technology Center
MI Opportunities & Resources for Entrepreneurs	Insyght, MI Opportunities & Resources for Entrepreneurs I-IV
Michigan State University	Global Talent Retention Initiative (GTRI)
Michigan State University	Michigan Supply Chain Assets
Michigan State University	MSU Global Supply Chain Grant
Midtown Detroit Inc.	Midtown Real Estate Entity
National Skills Coalition	Workforce White Paper
NextEnergy	NextEnergy
NextEnergy	NextEnergy Infrastructure Upgrade
OU INC	Michigan Green Technology Entrepreneur Academy - 2012
Southeast Michigan Community Alliance (SEMCA)	Workforce Intelligence Network (WIN)
Southwest Housing Solutions	Earn and Learn
Southwest Housing Solutions	ProsperUS
State of Michigan	Creative Cities Summit
The Henry Ford	Maker Faire
The Henry Ford	The Henry Ford Salons
University Cultural Center Association (UCCA)	Sugar Hill Arts District
University of Michigan	Focus Detroit Conference
University of Michigan	Michigan Initiative for Innovation and Entrepreneurship
University of Michigan	Revitalization and Business: Focus Detroit
Urban Entrepreneur Partnership Detroit	Urban Entrepreneur Partnership
Wayne State University	WSU Office of Technology Transfer
Wayne State University	WSU The Front Door Program
WSU TechTown	AutoHarvest
WSU TechTown	BANSEM - TechTown
WSU TechTown	Sustainable Water Works I - 3
WSU TechTown	TechTown - Kauffman Entrepreneurial Program
WSU TechTown	TechTown Build Out
WSU TechTown	TechTown Leader Capacity
WSU TechTown	TechTown Operational Sustainability
Your Child Inc.	Michigan Parents Culture of Education Poll

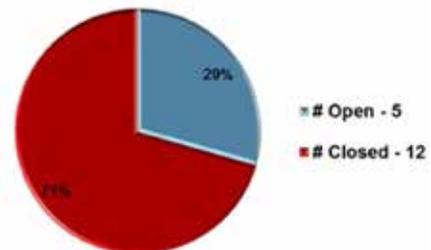
Open vs. Closed Graphs

Existing Assets Grants

Open vs. Closed - By Dollar

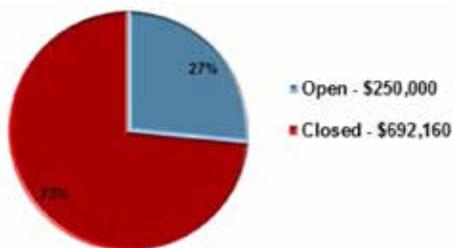


Open vs. Closed - By Volume

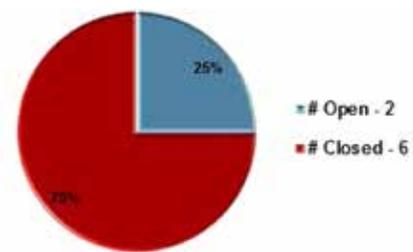


Cultural Change Grants

Open vs. Closed - By Dollar

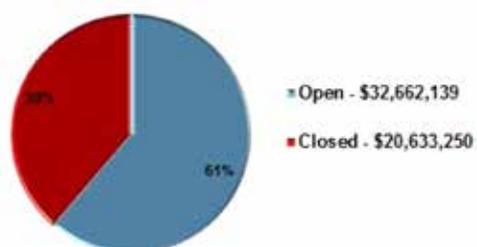


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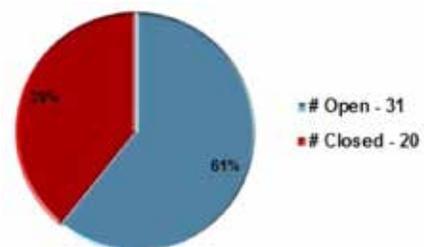


Entrepreneurship Eco-System Grants

Open vs. Closed - By Dollar

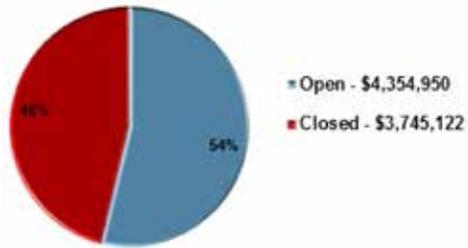


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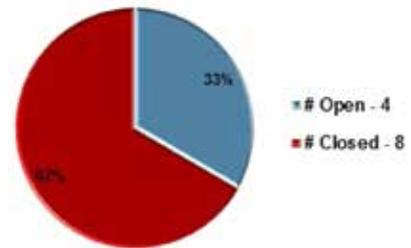


Workforce Grants

Open vs. Closed - By Dollar

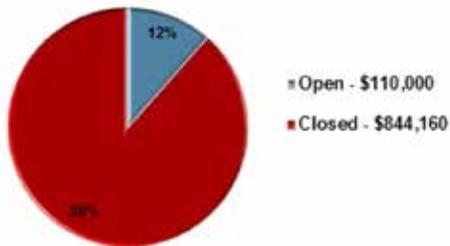


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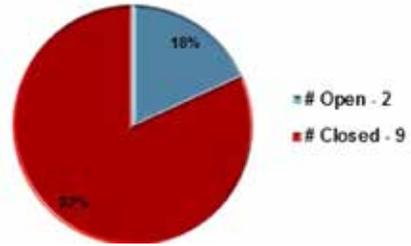


Connections Grants

Open vs. Closed - By Dollar

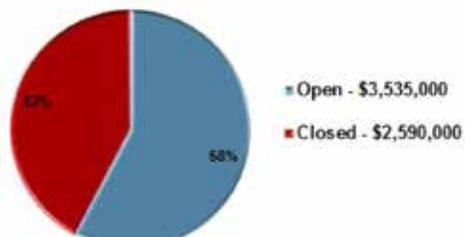


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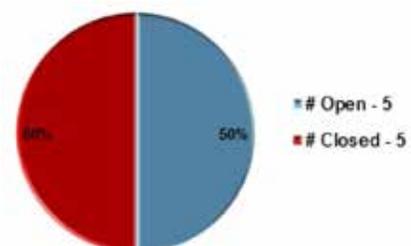


Ideas Grants

Open vs. Closed - By Dollar

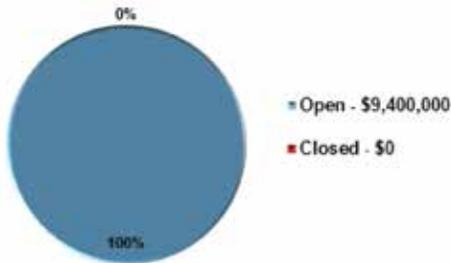


Open vs. Closed - By Volume

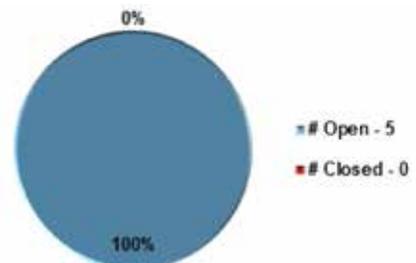


Investment Grants

Open vs. Closed - By Dollar

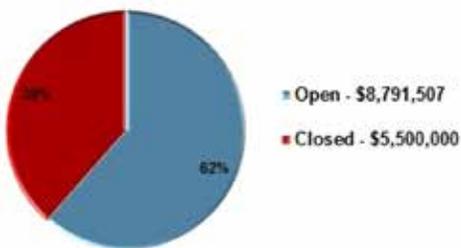


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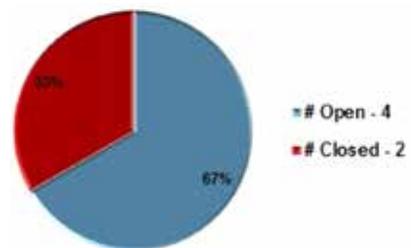


Existing Assets Grants

Open vs. Closed - By Dollar

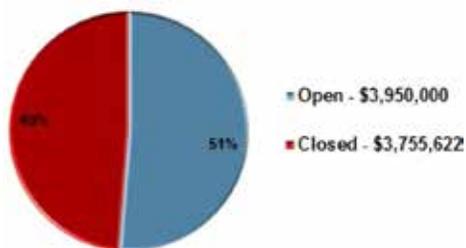


Open vs. Closed - By Volume

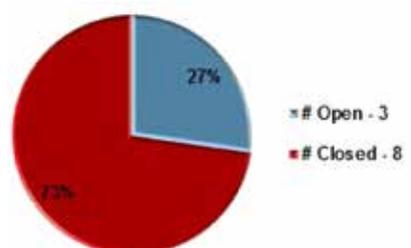


Existing Assets Grants

Open vs. Closed - By Dollar

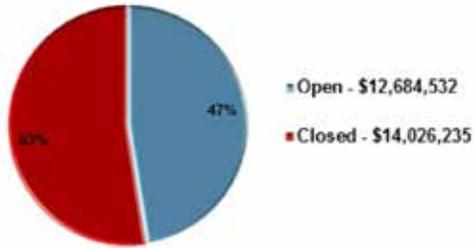


Open vs. Closed - By Volume

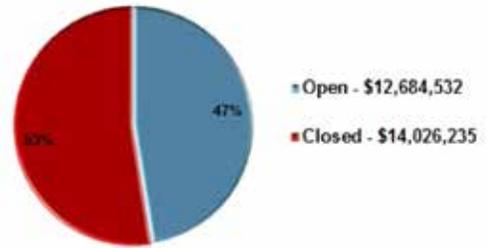


Tools Grants

Open vs. Closed - By Dollar

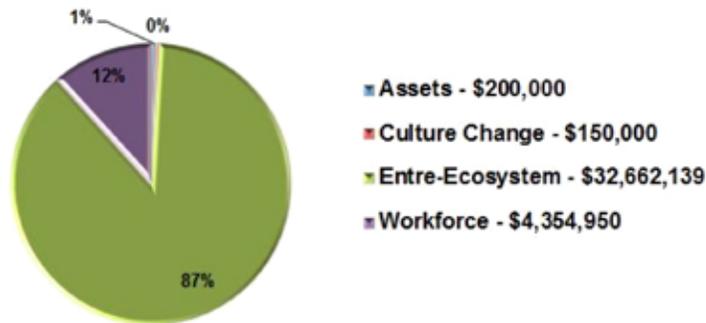


Open vs. Closed - By Volume

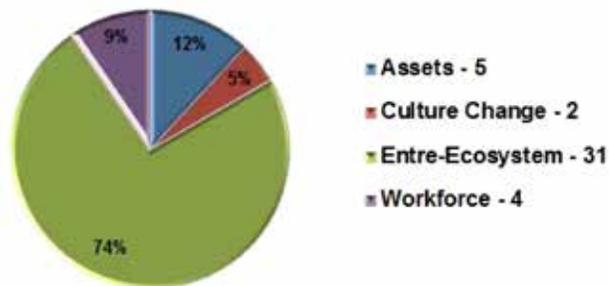


Open Grants

Category Distribution by Dollars Granted

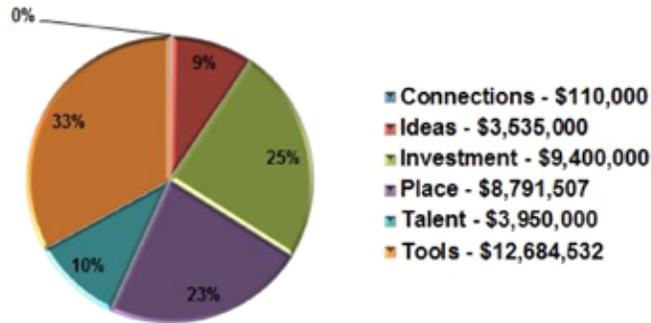


Category Distribution by Volume

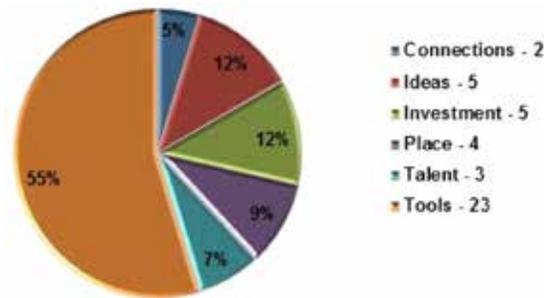


Open Grants

Emphasis Distribution by Dollars Granted

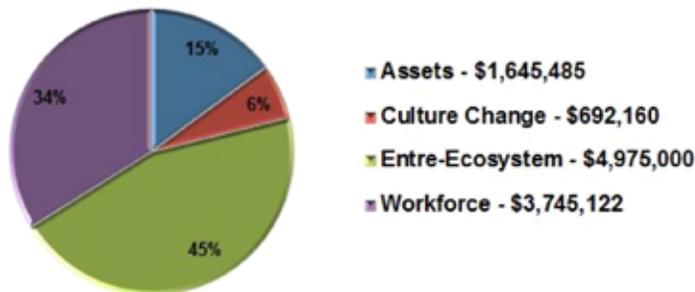


Emphasis Distribution by Volume

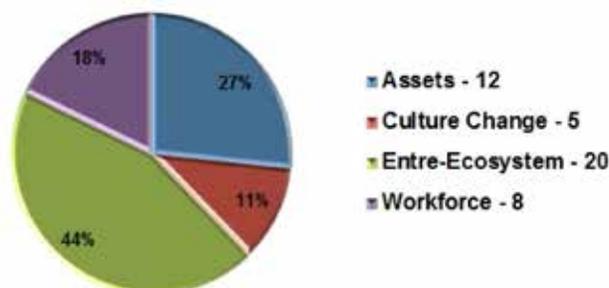


Closed Grants

Category Distribution by Dollars Granted

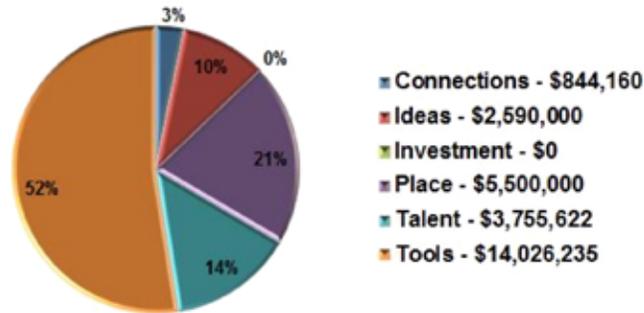


Category Distribution by Volume

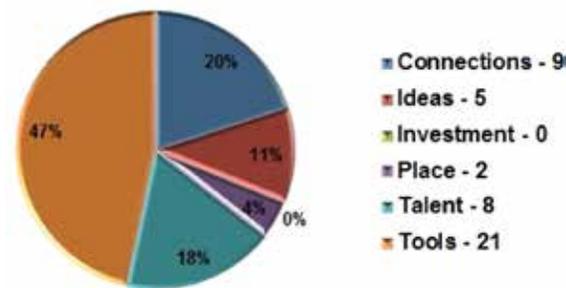


Closed Grants

Emphasis Distribution by Dollars Granted

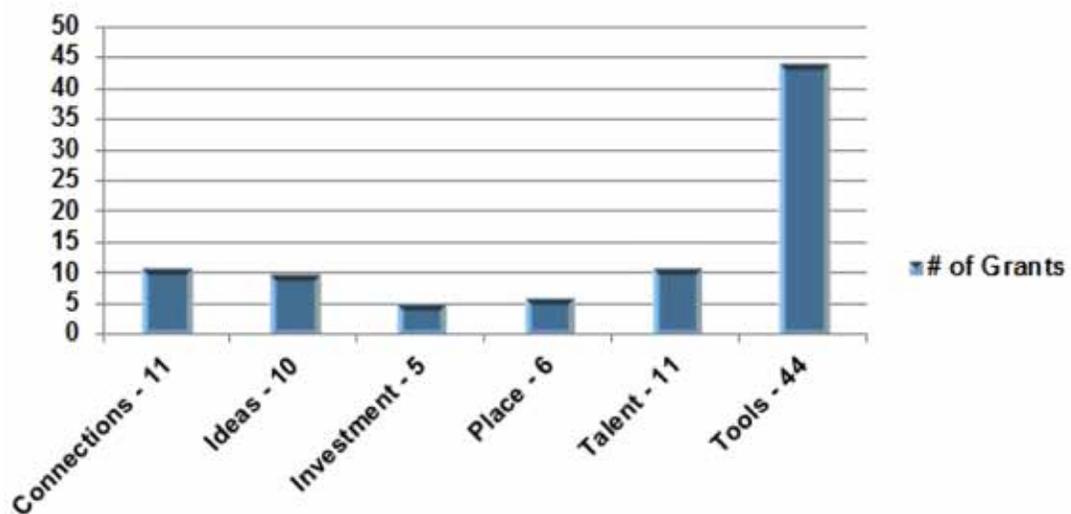


Emphasis Distribution by Volume



Emphasis Area

Grant Volume – By Emphasis Area



Spending – By Emphasis Area

