



NEW ECONOMY INITIATIVE FOR SOUTHEAST MICHIGAN

ANNUAL REPORT TO FUNDERS

January 1 – December 31, 2009

I. GENERAL NARRATIVE

The New Economy Initiative for Southeast Michigan (NEI) had a significant, impactful year of activity in 2009. In September, the Governing Council agreed to an implementation strategy that seeks to build upon the strengths of the effort to date. With this strategy as a guide, NEI has moved full-force, undertaking targeted efforts within the entrepreneurship eco-system and workforce development modules. As a result, NEI grantmaking has increased significantly, surpassing the \$25 million mark before year-end. Companion communications and evaluation strategies have been put in place to support that activity.

This report focuses on progress made since the last report to funders, and follows the Uniform Report Information Guidelines developed and approved by the NEI Governing Council in 2008.

A. Implementation Framework

Talent, Innovation and Culture Change were identified as the core broad areas that NEI hoped to influence in its efforts to accelerate the transition of southeast Michigan to a more innovation-based economy. Although this original framing of NEI focus areas was very thorough and well thought out, NEI struggled to develop a comprehensive implementation strategy that can be clearly articulated and lead to measurable transformation. As such, in September 2009, the Governing Council approved an implementation framework for NEI, which employs three modules of activities. Each module targets improvement in the original NEI areas of Talent, Innovation and Culture Change, and also works to include and connect to the existing work of the NEI foundations in the Detroit metropolitan region. The three modules of activities are:

- promoting a successful entrepreneurial eco-system,
- capitalizing on existing regional assets and resources, and
- building and employing a more skilled and educated workforce.

NEI leadership also reaffirmed interest in promoting economic inclusion in the work whenever possible. Therefore, the Governing Council and staff will continue to look for opportunities to increase minority participation in all of NEI's work.

B. Entrepreneurial Eco-System

The entrepreneurial eco-system module of activity is the most developed to date as a result of some early grantmaking and collaborations established by NEI. Five focus areas anchor NEI's work to enhance and expand the entrepreneurial eco-system.

The first investment is in *entrepreneurial training and education*. The Kauffman FastTrac programs at TechTown and our support of Bizdom U are examples of programs that have been funded in this focus area. Success in this area will be principally measured by the number of new business start-ups, jobs created and business growth or expansion. The work of the Urban Entrepreneur Partnership will help educate existing tier 2 and 3 manufacturing firms as they migrate from dependence on the auto industry to a more diverse client base. Success in this area will be measured by the percentage of new business that come to the selected suppliers from non-automotive industries and the number of jobs maintained and created within the selected suppliers.

Connecting entrepreneurs to needed resources is another area of focus. The iBridge Program, an online "Craigslist" for primarily university-based technology and intellectual property, is an example of a program in this focus area. The iBridge Program was funded as a part of NEI's \$5 million TechTown grant. TechTown is working with the University Research Corridor (URC) to expand iBridge to as many Michigan colleges and universities as possible. Success in this area will be measured by the number of successful funding matches, the increase in resources available and utilized by entrepreneurs, and the number of users of the systems.

This module of activity will also work to influence *university technology transfer* from concept to market. NEI leadership will explore pathways and programs that can increase tech transfer. Initial discussions with partners indicate that NEI might be helpful by providing modest resources to assist in the development of common intellectual property and tech transfer policies for Michigan colleges and universities. NEI's commitment to support a Kauffman Post-Doctorate Fellow is another example of an investment that will improve tech transfer. Staff is beginning to explore how NEI might replicate the fellowship for Michigan universities exclusively. Success in this area will be measured by the increase in technology licensed for commercial use and new business start-ups that result from tech transfer.

Touching on the technology transfer issues is the Michigan Initiative for Innovation and Entrepreneurship (MIIE), a consortium of Michigan's 15 public universities designed to translate the research and innovation base of the member institutions — which collectively gather \$1.5 billion dollars in outside federal research funding each year — into new Michigan-based

enterprises and entrepreneurs. Through its Technology Commercialization Gap Fund, the MIIE identifies promising research ideas and provides resources for prototypes, business plans, market analyses and other critical early stage functions that prepare ideas and technologies developed in universities to be positioned for commercialization. NEI made a grant of \$1.5 million to help with this effort.

NEI leadership is currently exploring several areas where we believe NEI can positively improve access to capital. Specifically, NEI is working to develop a product that will provide equity or small low interest loans for the companies that are being developed by FastTrac graduates. Supporting the “deal flow” that will result from our investment in FastTrac is a logical and needed next step. NEI is also looking at how attracting management talent can improve venture capital funding opportunities.

In order to provide greater opportunity for economic inclusion, NEI staff will continue to monitor ShoreBank Enterprise Detroit’s loan fund, which was funded in May 2009. This program provides a much needed neighborhood business and employment balance to our efforts. NEI will also explore new efforts to develop support for neighborhood businesses that promote employee ownership.

Finally, NEI is working with the Urban Entrepreneur Partnership to assist in finding access to capital for the minority supplier migration program that was funded by NEI in May 2009. NEI staff and Economic Advisors are exploring how policy changes might meet needs in this area.

Success in all access to capital areas will be measured by new money attracted and released for business start-up and expansion.

The last focus area is to create a district that promotes an entrepreneurial culture. Many of the grantmaking activities of NEI and several of our funding partners have been focused in Midtown Detroit, which is quickly becoming a district that attracts talent and promotes entrepreneurial activities. The creative economy grantmaking of NEI is anchored with two Midtown capital projects – the College for Creative Studies’ Argonaut Project and the Sugar Hill Arts District and will be a key component of creating an entrepreneurial culture as the effort works to attract creative businesses. The FastTrac programs will expand the capacity of Midtown-based TechTown and will drive hundreds of entrepreneurs into the district. Kresge’s support of the M1 rail project will help to bring transit and transit-oriented development to the district. The Ford Foundation is supporting transit-oriented development efforts. The Hudson-Webber Foundation has embarked upon a vision to drive young talent into the district as well. Creating this culture in a geographic district is a key component of attracting and retaining talent and developing a critical mass of entrepreneurs, investors and creatives.

With the focus and leverage of many funding and strategic partners, Midtown has the opportunity to become one of the country’s most creative and entrepreneurial districts. NEI will work to develop an entrepreneurial indicator that will measure the activity and density of entrepreneurs living and working in the Midtown district.

C. Capitalizing on Existing Assets and Resources

Southeast Michigan has several natural comparative advantages to other regions, based upon the region's existing assets and resources. NEI is providing modest funds to research opportunities and develop strategies in these areas. When appropriate, NEI is providing larger seed or project funding to advance these strategies. Seed and project funds will only be provided when the strategies show exceptional promise in creating or attracting talent and new jobs or advancing economic inclusion.

NEI leadership considers this module of work the research and development arm of NEI. If the research is supported by existing infrastructure and regional leadership and shows promise, it may become a full initiative of NEI. For example, the Creative Economy and the Manufacturing Design and Capacity efforts, originally conceived in this module, have been supported with larger funding and have become initiatives within the entrepreneurial module. Similarly, the NEI-funded University and College Internship Program has been added as an initiative within the workforce modules. These initiatives may require additional funding at a later date. Areas that do not provide opportunities in a timely or supported fashion will not be pursued beyond the initial research or exploratory grants.

Southeast Michigan has the most crossed international border in North America. The border, coupled with the transportation advantages of the St. Lawrence Seaway, Canadian and U.S. rail lines, major U.S. interstates, and high quality air traffic and freight infrastructure, provide for opportunities to create a more ***Global Detroit***. Homeland security industries have an advantage in southeast Michigan because of the high border traffic. A recent grant was made to the Michigan Security Network to provide staffing support as they pursue the building of a homeland security center of excellence.

Another possible series of grants will be to develop a strategy to grow border logistic and trade opportunities for the region. The region already has over 300,000 logistics jobs connected to the auto industry. Michigan State University (MSU) has what is considered one of the best supply chain management programs in the world. Recently, NEI approved a grant to assist MSU, in partnership with the Detroit Regional Chamber and Wayne State University, to examine the southeast Michigan supply chain and quickly identify opportunities to build or attract business within it.

As a region, southeast Michigan has a reputation of not being immigrant friendly. The foreign-born immigrant population for the region grows at half the rate of the national average. Increasing foreign-born populations is proven to increase economic outcomes. A consultant has been engaged by NEI and other funding partners to review the work of other cities and Michigan and Detroit policies to determine what, if any, investments might be made by NEI or other funders to increase economic inclusion of the region's foreign-born population.

Blue, clean, and green industries may offer another area of opportunity for the region's economy. Michigan is surrounded by one-fifth of the world's fresh water supply. The State and Federal governments are looking to advance new economic development programs that seek to advance green jobs and clean manufacturing. NEI will research opportunities in this area over the next several months.

D. Building and Employing Workforce

Southeast Michigan is facing a myriad of challenges. Underemployment and unemployment are far too high as there are too few jobs for the number of people who need them in the region. People with a wide range of education and experience are having difficulty finding good jobs. And finally, talented, educated young people are leaving.

NEI's Governing Council adopted a Workforce framework at its December 2009 meeting that is designed to help address these issues. NEI's approach is to be a catalyst for change. Staff anticipates that many grants will be made in this area in 2010.

NEI recognizes that there is a great deal of public, private and philanthropic funding already focusing on workforce. These funds are used to help people obtain education, training and other assistance. The current system has been challenged by the economic upheaval in our region. Policy leaders and program operators are facing daunting challenges. NEI's strategies focus on:

- **Supporting Strategies and Programs That Build On A Sectoral Approach To Employment**
- NEI embraces a sectoral approach as a central element of its overall workforce strategy. Ultimately, it is hoped that this direction will not only assist individual workers and companies in meeting their current needs, but will also contribute to strengthening the economy of southeast Michigan, a goal that is at the core of the NEI mission. NEI is initially targeting five sectors (1) Advanced Manufacturing, (2) Alternative Energy, (3) Defense/Homeland Security, (4) Health Care and (5) Transportation Distribution and Logistics (TDL). In addition, NEI is recognizing the city of Detroit as a special sector of its own. Within the Detroit strategy, NEI will look to invest in workforce strategies that build on other investments of its partner funders.
- **Improving the Coordination and Effectiveness of the Regional Workforce System** - Economic development and workforce systems have historically operated on parallel tracks. This lack of connectivity must change. And that change has already begun. There are cities and regions that are implementing innovative and forward-thinking approaches that break down traditional barriers between workforce, education and economic development and build collaborative strategies that respond to the increasingly complex needs of both workers and employers. NEI's efforts will focus on:
 - **Information and Research** - Across southeast Michigan there is a continual need for better information focusing on the characteristics of the employers as well as the people

who live in the region. The goal of this strategy is to improve the information required to make informed decisions, as well as to create strong strategies. NEI has supported two projects in this area – the Health/Life/Bio science research strategy and the Macomb County Defense Sector Research grants.

- **Convening Workforce and Employer Leaders** - The quality of workforce development programs in the region varies tremendously. A number of funders are supporting national efforts to improve workforce development programs of community colleges, state programs, as well as local providers. NEI will work with its partner funders to build on these efforts. Bringing together parties across workforce, community, and economic development is a priority.
- **Policy** - Workforce development is impacted by federal, state and local policies. Federal legislation, administrative policies and discretionary funding all are important to the region. The goal is to have federal, state and local policies that support southeast Michigan's rebirth.
- **Matching and Augmenting Foundation, Federal and State Grant Funds for Workforce Development** - Numerous organizations across the region apply for and receive federal and state grants. Government funders have stated that philanthropic support increases the likelihood of funding; some proposals require non-governmental match support. The goal is to increase the amount of governmental funding coming to the region as well as to improve its effectiveness.

Across all of these investments, NEI will look for ways to retain and attract educated young talent. Intern in Michigan is an NEI supported program that does just that. NEI will also continue to develop its workforce strategies with a focus on investments that can result in more immediate employment.

E. Culture Change Campaign

In addition to the framework for funding that is described above, NEI must also consider how to influence a change in our regional culture and value system from one of entitlement to one that is based on innovation and life-long learning. NEI staff and partners began to meet with several experts in communications and campaigns in 2009 to determine if an orchestrated, well planned campaign can assist with this cultural transformation.

In early 2010, staff and Executive Committee members held a half-day session with the Executive Director of PACE (Philanthropy for Active Civic Engagement) to help craft the framework for the Culture Change campaign, and aim to share this framework with the Governing Council for general approval at its March 2010 meeting.

F. Evaluation and Tracking of NEI Outcomes

In 2008, to facilitate the understanding of the major priorities for economic transformation, and to chart the progress toward a successful innovation-based economy, the NEI Executive Committee approved translating the existing NEI Metrics statement into a user-friendly guide and communication tool to support public education and chart the progress toward the region's transition. The metrics will become an educational tool to aid NEI in its culture change and communication agenda, helping the public and community understand the new economy.

In January 2010, NEI accepted a bid from the Upjohn Institute to be the key evaluation firm for NEI moving forward. Upjohn is working with staff to design and manage an evaluation process to track the ongoing impact of NEI's work and to assess the effectiveness of its efforts. Core to their efforts is a series of dashboard metrics that will be tracked over time, indicating the impact of NEI on a number of key indicators. Staff is excited to work with Upjohn, as they have done similar work to the project in northeast Ohio.

Data Driven Detroit, led by Kurt Metzger, is a key subcontractor to Upjohn on the project. Kurt's role will be to work one-on-one with the grantee locally to identify individual measurable for their projects. Data Driven Detroit will then help to feed that grantee information to Upjohn for the broader data analysis.

One D was also brought on a subcontractor to the evaluation, specifically for NEI's interest in utilizing their benchmark information around race and social equity indicators.

G. Communications Plan

Recognizing that civic and community leaders do not yet have a clear understanding of NEI, or its potential impact, staff have undertaken a series of short- and longer- term strategies to build a communications strategy for NEI.

In late 2009, staff determined a need to revise the website as a tool to be transparent about the revised focus of work, and stories of the grants to date. With some significant staff time from the communications team at the Community Foundation, a new website was launched in January 2010, along with a blog, calendar for entrepreneurs and many other features. A companion facebook page and twitter feed was also established at this time. Because NEI was able to utilize the Community Foundation webpage as a host a template, the entire project cost under \$8,000.

Traffic on the site has been good, but NEI leadership recognizes that it can be better, and that good content will drive that traffic. So, as a next step in the communications strategy development, NEI has entered into a short-term contract with Airfoil Communications Firm. That contract is centered around creating a brief messaging set for the NEI team, and undertaking two major press announcements. We anticipate that one of these announcements will celebrate the one-year mark of many of our key grantees, while simultaneously announcing some new

grants in 2010. Staff recognizes that this is a short-term effort, but by undertaking these steps as we are also developing the culture change strategy (as well as having the work of the evaluators underway), we hope that a longer-term vision can be formed accordingly.

H. Fund-Raising

As of December 31, 2009, NEI has received payment of \$64 million of the pledged/intended \$100 million from its constituent funders. The remaining balance on those funds at year-end was \$39 million, with a high level of grantmaking expected in early 2010.

I. Lessons Learned

There is one lesson that NEI staff is now appreciating that we would like to convey to our funder – the work of NEI is evolutionary. We are embarking on ground that is new for foundations and new for the region. As such, NEI staff and leadership cannot always predict what the best strategy will be. We are truly learning from our initial investments and applying those learning to the work moving forward. We appreciate the Governing Council and Executive Committee members. Your willingness to learn and steer investments in an organic way has contributed to the recent successes of the initiative.

II. GOVERNANCE INFORMATION

During 2009, the NEI Governing Council continued the refinement of the roles of the Governing Council and the Executive Committee, approved in 2008. Essentially, the Governing Council guide strategic actions and areas of focus for NEI, and the Executive Committee review and recommend grants. This has proved to be an effective strategy for moving grants through in a timely manner and for more effectively utilizing the time at Governing Council meetings.

A. Changes to Governing Council Membership

During 2009, there were three changes to the Governing Council membership. Richard Snyder resigned from the Council because of his run for Governor. Richard Foster resigned because of his retirement from the W.K. Kellogg Foundation, and Donald Chen began attendance as a representative from the Ford Foundation. NEI staff is currently in discussions with the W.K. Kellogg Foundation about who may replace Richard Foster in the alternate role.

B. NEI Council of Economic Advisors

2009 proved to be the year of reengagement for NEI's outstanding Council of Economic Advisors. Several of the Advisors attended Governing Council meetings, and all of the Advisors now participate in quarterly conference calls, usually one month before Governing Council meetings, to help review the work and critique the strategy.

Several of the Advisors were also helpful to staff this year in facilitating meetings around the policy agenda of NEI, as well as educating staff about program models around the country that could be effectively replicated in the southeast Michigan region.

C. Staffing

The last year brought significant staff changes to NEI. These changes have brought great direction, momentum and stability to the project. David Egner, president & CEO of the Hudson-Webber Foundation, agreed to serve as the executive director of NEI in April, forging a unique role as both a peer funder and staff. Katie Brisson, a key staff member of the Community Foundation agreed in August to serve as Senior Program Officer to the initiative. Also in late summer, Sam Singh, former Executive Director of the Michigan Nonprofit Association agreed to serve in a Senior Consultant role.

III. GRANT REPORT

During 2009, the NEI Governing Council approved concepts that ultimately resulted in a total of **\$22.7 million** in new grants, bringing total grants to date for NEI to over \$25 million by year-end. See attachment for a list of grants made.

In addition to the grants listed, the Governing Council also approved allocations for grants around specific strategies, that will roll out in 2011. In the area of “Access to Capital” within the Entrepreneur Eco-System, the Governing Council approved an earmark of \$7 million in September for some specific opportunities. Staff has been working diligently to turn that earmark into grants on the ground. The vast majority of those funds have already been tentatively approved as grants in early 2010, the results of which will be included in the next annual report.

Also, in the area of Workforce Development, a strategy was presented in December 2009, for which \$9 million is being earmarked. The majority of those funds should translate into grants by the end of 2010.

IV. FINANCIAL INFORMATION

During the reporting period, the multiyear budget for NEI was maintained in the revised expenditure categories, approved in 2008. These categories continue to be helpful for the work of NEI. Attached you will find a report of the NEI expenditures through December 31, 2009.

V. CONCLUSION

NEI has begun to realize the vision of its funding partners, which was to aid southeast Michigan and its citizens’ transition towards a new economy that is innovative, entrepreneurial, and talent-

rich. Staff is eager for the next year ahead and for working together to bring the NEI vision to reality. It is indeed, an exciting time for the region.

Attachments:

- Chart of Grants to Date
- Membership of governance and related committees
- NEI Financial Statement, report includes income on grant funds provided
- Minutes of Governing Council meetings including attendance
- NEI Governing Council/March 29, 2010 PowerPoint Presentation
- Copy of Katie Brisson and Sam Singh resumes
- Copies of NEI media coverage
- Community Foundation for Southeast Michigan 2009 Board of Trustees
- Community Foundation for Southeast Michigan Financial Statement
- Community Foundation for Southeast Michigan Yearbook