



ANNUAL REPORT TO FUNDERS

January 1 – December 31, 2010



Section I

General Narrative

2010 proved to be the most significant year to date for the New Economy Initiative (NEI). There was meaningful movement and clear impact on the issues at the heart of the initiative's intent. The Governing Council, which had one of its most active years in terms of attendance and participation, moved forward on the implementation strategy approved in 2009. NEI focused on entrepreneurship and workforce development, undergirded by unique explorations of how to most effectively build on the region's assets. Relationships at many levels flourished and provided significant results—from equipping the area's young entrepreneurs with needed tools, to the development of systems-change strategies among the region's key workforce development leaders. Modest but highly promising culture change activities moved forward as well, producing key (and outright fun) results for young talent. The grantmaking activity continued to move at a fast pace, seizing unique opportunities and reacting to the urgency of the region's need for a new economy. By year-end, NEI grants surpassed the \$39 million mark.

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

The implementation framework approved by the Governing Council in September 2009 served as the navigation chart for staff as they pursued new opportunities in 2010. Each of the three modules of activity—promoting a successful entrepreneurial eco-system, capitalizing on existing regional assets and resources, and building and employing a more skilled and educated workforce—included an ambitious and fruitful range of activities. Furthermore, with growing leadership among NEI's grantees, activities in these modules began to overlap and led to a larger momentum of consolidated efforts, much more inclusive of different populations and economic sectors.

Detroit is a global center of creativity, but its designers, architects, marketing and advertising professionals, and fine artists are scattered throughout a region covering 1,200 square miles. Investment in the Creative Corridor is bringing creative talent to the Detroit Midtown neighborhood to achieve the levels of density that foster synergy, community and impact.

Grant recommendation, January 2010



A. Alfred Taubman Center for Design Education, College for Creative Studies

B. Entrepreneurial Eco-System

A banner year for activity in the entrepreneurship space, NEI tackled the following activities:

- **Identification, pursuit and cultivation of college-based entrepreneurs.** NEI found a niche in 2010 in terms of bridging the interests of college students in regional business development and the resources and people needed to make that happen. Specifically, NEI was a partner to the Blackstone Foundation in the replication of the highly-successful LaunchPad program, which is now actively assisting students at Wayne State University and Walsh College transform great ideas into great companies. In addition, a modest sponsorship by NEI to a student-run conference at the University of Michigan business school in December 2010, introduced hundreds of the most promising young business leaders to entrepreneurs and opportunities in the city of Detroit and the region as a whole.

With \$10 million from Kresge and the New Economy Initiative, TechTown has grown from a modest jobs incubator to an engine of entrepreneurship. It now houses 170 start-up companies—up from 60 a year ago—and has graduated 700 would-be entrepreneurs from its training program last year. It's also home to Bizdom, Dan Gilbert's elite nonprofit boot camp for entrepreneurs.

The Detroit News, March 26, 2010



Bizdom U, TechTown

We applaud the New Economy Initiative's collaborative efforts to identify, incubate and accelerate Michigan businesses, ideas and entrepreneurs. Their hard work on behalf of Southeast Michigan's most promising businesses will serve them well.

The Oakland Press, June 2010, on the announcement of the Business Accelerator Network for Southeast Michigan.

- **Realization of Access to Capital strategies.** Pursuing a concept approved by the Governing Council late in 2009, NEI made its first significant investment in a loan fund for entrepreneurs. The \$5 million First Step Fund was launched in early 2010, and has already produced a number of exciting investments in the region's most promising first-stage companies. The Creative Corridor Incentive Fund, created by NEI in 2009, also got legs in 2010 and is beginning to positively affect the growth of creative companies in Detroit's Woodward Corridor.
- **Formalization of regionwide collaborative of business accelerators.** An idea once thought impossible, the Business Accelerator Network of Southeast Michigan (BANSEM) was launched in 2010. Including the region's four largest business accelerators—Automation Alley, Ann Arbor Spark, Macomb/OU Inc. and Techtown—this collaborative is actively pursuing joint activities to support and grow the region's base of entrepreneurs. Starting out with a bang, BANSEM's first public project was the Accelerate Michigan Innovation Competition, the World's Largest Business Plan Competition ever, with \$1 million in prizes. The event, held in December 2010, attracted 600 entrants and representatives from 41 venture capital firms who served as judges. Furthermore, BANSEM completed an asset map of all partners, with assistance from the Kauffman Foundation. That asset map, combined with a look at best practices nationally, will help chart the course for future activities of BANSEM.



Michigan Life Science and Innovation Center, Ann Arbor SPARK

- **Creation of “mega-support” system for entrepreneurs.** A significant investment in 2010 was to a diagnostic, online tool that will be unveiled in 2011. An effort led by area entrepreneurs, more than 30,000 available resources have already been catalogued for the system and hundreds of partners have signed on to the project, including the U.S. Department of Commerce. This project is poised to become a national model and a significant instrument in guiding entrepreneurs through some of the most difficult stages of business development.
- **Targeted growth of entrepreneurs in Detroit’s Creative Corridor.** Building on grants made in 2009 for the redevelopment of space in the Creative Corridor (Argonaut project, Sugar Hill Arts District, Creative Corridor Incentive Fund), 2010 brought about the launch of the Detroit Creative Corridor Center (DC3). With support from NEI, DC3 is supporting entrepreneurs, many who are growing out of its home institution, the College for Creative Studies. NEI funds are also encouraging collaboration between DC3 and creative business consultants from nearby TechTown.

In addition to these new activities in 2010, many of the grants made in 2009 gained significant traction, most prominently the investment that NEI made in mid-2009 in TechTown, now home to more than 250 companies and source of training to nearly 2,000 people in a roughly 18 months.

Metro Detroit, in combination with the adjacent areas of Ontario and Ohio, could see up to 66,000 new jobs and \$10 billion in new annual economic development if the region develops a coordinated cross-border supply chain management strategy... That’s according to an executive summary of a new report made public from the Detroit Regional Chamber and Michigan State University.

Crains’s Detroit Business, June 30. 2010 NEI-funded TDL study



Secretary of Commerce Gary Locke announces partnership with Michigan Opportunities and Resources for Entrepreneurs (M.O.R.E.)

C. Capitalizing on Existing Assets and Resources

In the module largely considered NEI’s “R&D” pool, some very helpful deep-dive activities into potential strategies for the region were supported. A few key activities in this area include:

- **Identification of 66,000 potential jobs through transportation, distribution and logistics (TDL) activities.** Led by Michigan State University’s Supply Chain School experts, in partnership with the Detroit Regional Chamber, a landmark study was completed which outlines a path to grow the TDL sector and create jobs on a very fast timeline. This study has led NEI to make a second investment to create a pilot for the project, including 3 or 4 companies as a start. The result of this study have also been utilized by Detroit’s Mayor David Bing and Michigan’s Governor Rick Snyder as they develop strategies in this area.

Beyond business, job growth and economic stimulation—if you haven’t been sold on the benefits of immigration—what about the simple idea of sharing the idea of the American Dream with people who want it? In a world that becomes more and more connected, the positive experiences of immigrants to our country could be a highly effective PR campaign for winning the hearts and minds of those who remain overseas.

Metromode, May 2010 on NEI-funded Global Detroit Study

- **Clarified needs and opportunities to support immigrant entrepreneurs.** In early 2010, the NEI Governing Council received its first report on the 11 top ways to support immigrant entrepreneurs as a result of its first investment in the Global Detroit project. The Council asked for a further deep-dive creation of a plan and budget for each of those ideas, which results in comprehensive plans for 22 separate strategies. This information can now be used by NEI, the Governor and other as the state seeks to actively support immigrants, a critical population to building the new economy.
- **Formalized approach to attracting alternative energy companies to the city of Detroit.** A grant made in late 2009 to the Detroit Economic Growth Corporation for a partnership with DTE Energy is now bearing fruit. Lead consultants for the project are building case studies for specific pieces of property in the city of Detroit that would be attractive to alternative energy companies and are now pursuing business to move to those Detroit locations.

D. Building and Employing Workforce

The Workforce Development module of NEI has proven to be the most labor-intensive in terms of needed process and strategy development, but has produced some of the most exciting results in 2010 in terms of movement forward. Highlights include:

- **Efforts to target new job growth within key industry sectors for the region.** Executing the workforce strategy approved by the Governing Council in December 2009, four of the five targeted industry sectors now have intermediaries who are regularly working and meeting together to build jobs. These groups—NextEnergy (Alternative Energy), Michigan Manufacturing Technology Center (Advanced Manufacturing), Detroit Regional Chamber (TDL), and Macomb Community College (Defense Sector)—are working as an effective cohort and thoughtfully measuring success using reporting tools recently completed by the Upjohn Institute for Workforce Development. A fifth sector, health industry, is likely to be added to the cohort in 2011.
- **Community college strategy to better prepare and link students to potential employers.** This unprecedented collaborative has brought together the nine regional community colleges presidents (including Mott College in Flint) and their key staff, to meet regularly to address both the needs of employers who want to hire their students and the students seeking to identify and build the skills to fill available jobs in the region. These conversations have led to specific, proposed activities centered on a coordinated single point of entry for workforce training and education. A request for NEI funding for this initiative will be submitted for consideration in early 2011.

The 2009 analysis of workforce/talent funding in the region showed that almost \$1 billion in federal, state and local funds are used to support the myriad of workforce and post-secondary organizations in southeast Michigan. NEI work in 2010 focused on convening the main organizations and stakeholders of this work and forming a shared vision for better coordination and broad implementation that will grow in 2011.

Report, February 2010

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- **Leveraging investments of other foundation partners.** NEI also made some modest but thoughtful investments in workforce activities that target both youth and college students. Specifically, an investment was made in City Connect's project to build youth employment opportunities in the city of Detroit, and an investment was made in the national Achieving the Dream program for minority students, which is now being replicated at Oakland Community College and Washtenaw Community College with NEI dollars.
 - **Hosting public conversations about issues at heart of workforce development.** Most notably, NEI hosted an Equity Summit in 2010, featuring Angela Glover Blackwell of PolicyLink, to discuss strategies addressing social equity within workforce strategies.

Accelerate Michigan Innovation Competition 2010 Survey Highlights

100%

of judges said the event met—exceeded their expectations

89%

of attendees said the event met—exceeded their expectations

86%

of student presenters said the event met—exceeded their expectations

93%

of company presenters said the event met—exceeded their expectations

89%

Attendees rated the quality of the investment deals in the company presentations 89% above average—excellent.

29%

of attendees said they are venture capitalists

24%

of attendees said they are angels/private investors

84%

Judges rated the quality of the investment deals in the company presentations 84% above average—excellent.

E. Culture Change Campaign

The Culture Change activities of NEI were no longer theoretical in 2010. NEI put some modest ideas to the test, which have produced a number of exciting results. Some highlights include:

- **Production and active distribution of over 300 stories of successful entrepreneurs in the region.** NEI launched a unique partnership with Issue Media Group in 2010 to highlight the stories of entrepreneurs which are already happening in the region, and to begin to spread those stories to a wide network of local and national media. The project led to the creation of the www.semichiganstartup.com website. Initially designed to simply be a home to the stories, it has taken on a life of its own, becoming a true online community and place of pride for the region's entrepreneurs.

I want to thank all of you who organized this great event... It helped put the finishing touches on our business plan and provided a strong platform for our presentation. Since the weekend, we've been contacted by a handful of VCs who have expressed interest in meeting with us and explore the possibilities of a partnership. You can be proud that you have accomplished your goal of putting money and ideas together to foster growth in the Michigan market.

Accelerate Michigan Innovation Competition participant, December 2010



Accelerate Michigan Innovation Competition



Southeast Michigan Startup website

- **Support of unique events that bring the culture change message to groups of young talent.** In 2010, NEI supported a handful of events targeted to fold in specific communities of people to the wave of entrepreneurial activities in the region. From Maker Faire at The Henry Ford, a wild three-day event for “makers” of all kinds to share their inventions... to the TiE Detroit event for entrepreneurs from the Indus region... to the student-led Revitalization and Business conference, which brought hundreds of University of Michigan MBA, engineering and urban planning graduate students to Detroit to learn about opportunities to grow business locally...these modest investments created a sea of significant, positive reporting, conversations and relationship building for the region.
- **Fusion of NEI communications strategies and larger culture change goals.** Great clarity and direction has been brought to the communications and culture changes strategies in 2010 as a result of greater collaboration among NEI staff, grantees and regional partners, media experts and public relations consultants. The result of that synergy is a completed communications plan for NEI moving forward, which primarily defines NEI’s role as shining the light on the good work of our grantees in a range of venues and story types, reaching to a diverse audience of stakeholders and population key to our region’s future.

These entrepreneurs and visionaries are not asking permission... they are starting small, thinking big, and changing paradigms as they go.

Revitalization and Business: Detroit conference participant



Revitalization and Business: Focus on Detroit Conference

F. Evaluation and Tracking of NEI Outcomes

2010 kicked off with the solidification of a contract with the Upjohn Institute as the lead evaluator for NEI. The Upjohn team signed on for no small feat—entering into a large initiative mid-stream, with over 40 grants in play, most awarded in the last 12 months. As a result, the initial activities have required some intensive focus and timelines to ensure the right benchmarks are being identified and measured. We are pleased to report a year later that thoughtful reporting tools have now been established for all of NEI’s key grantees. The grantees are now reporting regularly to the initiative utilizing those tools, which are designed to feed up to a larger matrix of results through a dashboard-style results mechanism.

The evaluation work team has included a number of partners who have brought their expertise to relevant pieces of the overall benchmarking system and individual grantee reporting tool development. Namely, Upjohn has taken the lead on the development of reporting tools for the workforce development grantees. Now that all the industry sector grantees have provided reports utilizing those tools, Upjohn will be producing a report in early 2011, showing the collective progress of that cohort of grantees.

Pamela Hurtt utilized her access to the Kauffman Foundation evaluators to help develop the majority of reporting tools for grantees in the entrepreneurship eco-system. The Upjohn team will now be compiling a report of the collective results of those grants to-date in 2011.

Other individuals who possessed some unique expertise were regularly included in evaluation team activities in 2010—Kat Owsley (formerly of One D) provided a lens on the social equity aspects of the work, Martha Welsh, Workforce Consultant, provided great assistance to the Upjohn team as they developed tools for the workforce intermediary grantees, and Kurt Metzger of Data-Driven Detroit remains a subcontractor to the project, linking Upjohn with local data sets and resources as helpful to the project.

Finally, Upjohn completed the draft “dashboard” of metrics for NEI, which were presented to the Governing Council in June 2010. That draft is being tweaked based on input from Governing Council members and lessons learned through the grantee reporting tool development. A finalized dashboard will be completed in 2011 and used as the overall barometer for progress moving forward.

G. Visioning Process for the Remaining Years of the Initiative

In November 2010, NEI began an intensive visioning process, considering where its focus would best lie for the remainder of the initiative. This process began for a number of reasons: NEI is now halfway through its tenure and roughly half of the money has been granted. Staff asked for this process to make sure that remaining funds are granted as thoughtfully as possible, with as much agreement from Governing Council members as possible. In addition, the high level of grantmaking that occurred in 2009 and 2010 is just now producing results. As such, a “pause” was needed to assess the activities of interest and what the lessons learned from those activities mean for grantmaking moving forward.

In short, a conversation at the September Governing Council meeting led to a request to staff to put forward their three “Big Ideas” in terms of potential focus moving forward. This was not to be seen as redirection of the project, but rather a honing in on the activities where NEI and philanthropy appear to be playing a particularly useful role. Those Big Ideas were presented by staff at a special retreat of the Governing Council in November, at which time there was general interest in all of them, but a request was put forward for staff to actively pursue one immediately and swiftly—a vision for a Regional Innovation Cluster.

By the December Governing Council, the Innovation Cluster vision had translated into a specific strategy. That strategy is now being further defined and conversations about NEI’s direction continue at the time of this writing. 2011 should be an exciting year as the Governing Council comes to agreement on future direction of the project and some of the visions turn into a reality for the region.

H. Fund-Raising

As of December 31, 2010, NEI has received payment of \$80 million of the pledged/intended \$100 million from its constituent funders. The remaining balance on those funds at year-end was \$39 million.

I. Lessons Learned

Walking into NEI, it was largely recognized that this was a new experiment on many fronts. It is an unusual collaboration of local and national funders, with an unusual focus for philanthropic dollars, targeting an unusually challenged region suffering from years of economic issues and lack of industry diversity. It is no surprise that NEI has had bumps along the way in terms of consensus and direction, but the early results are encouraging. Furthermore, there is a lot of resulting knowledge that can be applied to other activities moving forward. A few key examples:

- **The relationship-building aspects of this initiative should be considered part of the core strategy.** Indeed, if you were to ask any of the NEI staff about their most exciting moments on this project, it would be “I introduced smart person X to smart person Y and that resulted in them developing an unprecedented Z”. NEI has organically become a vehicle for many of the region’s ex-pats, entrepreneurs and others to meet each other and pursue out-of-the-box projects with both passion and real results. In addition, at a leadership level, it has become neutral territory for sometime-competitors to pursue collaborative activity.
- **Philanthropy needs to embrace content experts throughout the development of its activities.** While this may sound basic, it is a lesson that needs to be constantly checked and reinforced—on committees, on strategy development, embedded in grantee activity.
- **Philanthropy needs to be nimble and creative when addressing economic development activities.** The transition to an executive committee structure for grant approvals every three weeks has contributed to the significant momentum of activities. This is work that often requires fast turnaround as a tool to seize opportunity. In addition, the Governing Council’s willingness to pursue loan funds and other activities not common to many foundations, has provided significant depth to NEI’s range of grantmaking.

Section II

GOVERNANCE INFORMATION

During 2010, the Governing Council continued to guide strategic actions and areas of focus for NEI, and the Executive Committee review and recommend grants. The full Governing Council met five times in 2010 for half-day sessions. The Executive Committee met every three weeks, primarily by conference call.

A. Changes to Governing Council Membership

During 2010, there were several changes on the Governing Council. Daniel Varner replaced Richard Foster as the alternate representative from the W.K. Kellogg Foundation, because of Mr. Foster's retirement. Sterling Speirn, President of the W.K. Kellogg Foundation, remains the primary appointee to the Governing Council.

Allan Gilmour stepped off of the Governing Council because of his appointment as President of Wayne State University. He remains Chair of the Community Foundation for Southeast Michigan Board of Trustees.

Susan Berresford, former President of the Ford Foundation, stepped off of the Governing Council because of her retirement. Pablo Faráis, Vice President, is now the primary appointee, with George MacCarthy and Donald Chen serving as alternates.

On that note, the Kresge Foundation also added Benjamin Kennedy as a second alternate to Laura Trudeau, and the Mott Foundation added Neal Hegarty as a second alternate to Maureen Smyth, though both the President's and the alternates were in attendance at most meetings.

B. NEI Council of Economic Advisors

The reengagement of NEI's outstanding Council of Economic Advisors that occurred in 2009 continued throughout 2010. Several of the advisors attended Governing Council meetings, and all of the Advisors participated 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 heightened volume of activity for NEI in 2010 led to the hiring of additional staff for the initiative:

Donald Jones, formerly of Venture Inc. and Oakland Livingston Human Service Agency, was hired as a full-time Senior Consultant for NEI in June. Don was hired primarily for his expertise around social equity issues and creative corridor opportunities, as well as his terrific ability to facilitate conversations among a wide range of leaders.

Karen Goldbaum, formerly of the University of Michigan, was hired as the Communications Officer for NEI in June, sharing her time 50/50 between NEI and its home foundation, the Community Foundation for Southeast Michigan. Karen has brought great momentum and clarity to the culture change efforts and communications plan for NEI itself.

Pamela Hurtt, Consultant to the Kauffman Foundation agreed to split her time 50/50 between NEI and Kauffman from November 2010 through June 2011. Pamela has been invaluable to the NEI team for her expertise in the entrepreneurship space, including the completion of an asset map of the key business accelerators in the region, among a wide range of other activities.

David Egner, Executive Director, Katie Brisson, Senior Program Officer, Sam Singh, Senior Consultant, and Carol Davis, Administrative Assistant, have continued in their roles with NEI throughout 2010, bringing great direction, momentum and stability to the project.

Key consultants, namely Martha Welsh, Workforce Consultant, and Airfoil Public Relations Firm, also continued very helpful support of some of NEI's activities throughout 2010, adding to the project's stability.

Section III

GRANT REPORT

During 2010, the NEI Governing Council approved concepts that ultimately resulted in a total of \$14 million in new grants or program-related contracts, bringing total investments to date for NEI to over \$39 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, such as social equity and continued workforce development activities. Those allocations are currently under review for their relativity as part of the visioning process for the remaining NEI investments.

Many of the entrepreneurs to be helped by the First Step Fund, the entity created by NEI's \$5 million investment, are not launching startups because it seems like a promising thing to do... Their former jobs in the auto industry are gone, never to return. Their choices are to leave the state or try to create their own jobs in Michigan.

Xconomy, April 23, 2010

Section 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, 2010.

Section V

CONCLUSION

NEI is at a milestone moment. The initiative has had three years of active grantmaking and activities, which have produced a range of results, some stellar and some less so. Honing and replicating the successes and identifying the highest points of leverage for philanthropy will be critical to the future impact of NEI. Staff welcomes this process and is eager to walk lock-step with the Governing Council as we chart the course for our remaining years. This is a unique time for Detroit. It is a unique time for the region. Continuing to identify philanthropy's unique role in this activity remains a worthwhile and necessary pursuit.

Attachments:

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| 01. Chart of Grants to Date | 05. Copy of Pamela Hurtt, Karen Goldbaum, and Donald Jones resumes | 08. Community Foundation for Southeast Michigan Financial Statement |
| 02. Membership of governance and related committees | 06. Copies of NEI media coverage | 09. Community Foundation for Southeast Michigan Yearbook |
| 03. NEI Financial Statement, report includes income on grant funds provided | 07. Community Foundation for Southeast Michigan 2010 Board of Trustees | |
| 04. Minutes of Governing Council meetings including attendance | | |
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