



new economy initiative

2015 **ANNUAL REPORT TO FUNDERS**

POWERED BY

Community Foundation

FOR SOUTHEAST MICHIGAN



new
economy
initiative

A project of the Community Foundation for Southeast Michigan

2015 ANNUAL REPORT TO FUNDERS

Issued: March 31, 2016

Charles Stewart Mott Foundation (*Flint, Michigan*)

Community Foundation for Southeast Michigan (*Detroit, Michigan*)

Ford Foundation (*New York, New York*)

Hudson-Webber Foundation (*Detroit, Michigan*)

John S. and James L. Knight Foundation (*Miami, Florida*)

The Kresge Foundation (*Troy, Michigan*)

Max M. and Marjorie S. Fisher Foundation (*Southfield, Michigan*)

McGregor Fund (*Detroit, Michigan*)

Skillman Foundation (*Detroit, Michigan*)

Surdna Foundation (*New York, New York*)

William Davidson Foundation (*Troy, Michigan*)

W. K. Kellogg Foundation (*Battle Creek, Michigan*)

The following report focuses on the details and progress made during 2015 to funders and follows the Uniform Information Guidelines developed and approved by the Governing Council of the New Economy Initiative for Southeast Michigan in 2008 and affirmed by the foundation partners in 2014-15.

SETTING THE TABLE

I am pleased to present to you the 2015 Annual Report for the New Economy Initiative (NEI). Within it, you will see the tactics, investment numbers, and programmatic descriptions that are increasingly gaining momentum to help diversify the region's economy for all and return us to our entrepreneurial roots. That momentum sits in both the high-growth space and in the increasing support for neighborhood businesses, but it's still young and fragile.

Last year we continued to see great outcomes in businesses started, local spend to local suppliers, and with investment dollars leveraged. However, if there is a theme that rises to the top in 2015 – even more than previous years – it is the pervasiveness of NEI's role as convener of strategic tables to help advance our work. Staff convened and facilitated hundreds of individuals across a variety of different tables, covering topics from innovation districts to neighborhood commercial corridor development to challenges and competitions.

In partnership with the Mayor's office, NEI coordinated the Detroit Innovation District (DID) table of over 20 city, university, industry and economic development leaders. This group went from early brainstorming to identifying a path forward via a portfolio of four pilot initiatives, including the recommended structure and budget to help make them happen. These initiatives – med-health industry cluster, strategic real estate fund, moving gigabit fiber into neighborhoods, and an urban innovation challenge – build on the rich innovation and entrepreneurial assets supported by NEI to respond to the group's guiding principle to leverage key regional- and city-based innovation assets to grow the economy in a way that also benefits the average citizen.

In addition to previous neighborhood grants, the NEI Neighborhood Initiative, designed to strengthen and expand the support system for people living in distressed neighborhoods and help them start or grow businesses, made its first grants in 2015. This initiative, guided by a table of 13 economic development leaders and informed by a table of over 27 neighborhood support entities, identifies gaps for neighborhood businesses and works collaboratively to fill them. NEI's convening influence calls these groups together to meet regularly and functions as a continuous improvement mechanism to address the ever-changing needs of neighborhood businesses.

NEI, along with our partners, also managed tables of over 60 jury members for the second *NEIdeas* challenge and the sixth Accelerate Michigan Innovation Competition. Additionally, we hosted three "High-Growth Happy Hour" events to build a community of support between hundreds of successful and aspiring high-growth entrepreneurs. We also convened and hosted 100 individuals from three cities through the Forward Cities program to learn from them and share lessons from our journey.

It was not until the end of 2015 that we lifted our heads long enough to realize the inclusive economic development work being done here in metro Detroit is slowly becoming a national model. It was also at the end of the year that our leader, David Egner, decided to join the Ralph C. Wilson Jr. Foundation. As we continue the visionary work he set in motion, we are encouraged that the role we play as grantmaker and convener of those driving and those most affected by our work is the way to meet NEI's full potential.

In the end, 2015 was another year of strong outputs and a big year for convening. From university presidents to community advocates, from aspiring entrepreneurs to successful business icons, we gathered, we hosted, we facilitated, we strategized. We called, emailed, and cajoled to strengthen relationships – all in service to the entrepreneurs, innovators and small business owners courageous enough to create their own economic destiny and a more diverse economy for us all.

We believe the momentum of this work will continue to build, shaping the story of metro Detroit as the story of a new economy – an economy that builds up what's here to create what's next. One that isn't singular in nature but offers a menu of industries and access points as diverse as the community itself. And for now, NEI will continue to be the one organization with a holistic approach to usher it along. In the meantime, we hope you enjoy this annual report as confirmation of our continued progress.

Regards: Pamela D. Lewis, Director



A. BUILDING ON SUCCESS

In 2015, NEI's grantmaking continued in earnest, with a focus on strengthening a growing network of services for entrepreneurs, small businesses and innovators – from grass roots to high growth – while promoting a shift in the mindset of the region towards entrepreneurship and innovation. NEI's work continued to focus on three integrated areas – Innovation Network Support, New Ideas and Programs, and Entrepreneurial Culture and Promotions – and results continued to manifest and promote a rich ecosystem. Demand for those resources has continued to grow exponentially, as well. The number of people exposed to the entrepreneurial services of NEI grantees nearly tripled from 60,000 between 2009-2013 to over 170,000 in 2015. Equally important towards gaining momentum was the continuation, and doubling down, of NEI's role in forming collaborations to accelerate the work. You will see that theme consistently throughout this report.

From its inception in 2009 to the end of 2015, NEI had made 259 grants totaling \$96.2 million. Of the total grant dollars awarded, 23 percent have gone to programs solely focused on serving historically underserved individuals. Last year alone saw 72 grants awarded, equating to \$8.8 million, with 42 percent going to programs serving underserved communities.

B. NEI 2.0

NEI 2.0 began in January 2014 with \$32 million in commitments from 11 funders and a carry-over of \$12 million from NEI's first phase of grantmaking. The investment was to follow up and evolve the early work (2007-2013), which focused on identifying, launching and funding service providers to support the formation of new ventures, attracting new investment and creating jobs within the region. NEI 2.0 grantmaking and programmatic activities have been organized into the three areas outlined below. Expressed in each are NEI's commitments to equity and fostering collaborations to accelerate its work.

1. **Innovation Network Core Support**
2. **New Ideas and Programs**
3. **Entrepreneurial Culture and Promotions**

The following sections provide an update on key grantmaking and programmatic activities during 2015:

Innovation Network Support

The work to continue the growth and sustainability of the portfolio of 30 programs identified as the Innovation Network involves administering grants to Detroit and Southeast Michigan organizations who are involved in driving innovation, entrepreneurship, and business growth through various methods. Although the majority of these grantees are located within the city of Detroit, their services are open to entrepreneurs from

across the Southeast Michigan region. These organizations cover areas that include technology commercialization, providing early stage seed funds and microloan programs, business-to-business procurement support, district planning strategies, and venture development support. The primary focus of these programs is to support the attraction of innovative and entrepreneurial talent to the region, and support entrepreneurial-designed placemaking activities within the Midtown and downtown areas. In addition, the focus of the programs is to scale high technology ventures and support business development that can result in growing density and a greater employer base within the city.

During 2015, Innovation Network grantees represented 47 percent of the total 2015 NEI budget. Since 2012, this group of grantees has assisted over 6,481 companies and hosted over 1,000 events drawing a total of 68,000 attendees. Approximately 750 new companies have been formed under their direction, of which almost 40 percent are owned by women and over 50 percent are owned by minorities and immigrants. As a key element of the overall NEI strategy since 2012, the Innovation Network grant portfolio continues to perform exceptionally.

One of the key elements of the Innovation Network's work is providing access to capital and venture development support to high-tech and high-growth companies in the city and region. This work has been led primarily by Invest Detroit Foundation. NEI has been instrumental in funding the build out of the venture platform within this organization, which includes the First Step Fund, Detroit Innovate Fund, Venture

Development Organization, Accelerate Michigan Innovation Competition and the newest additions, PowerMoves@Detroit and Detroit Venture Factory, which focuses on digital health technology commercialization. Not only is Invest Detroit focused on driving entrepreneurial outcomes tied to high-tech ventures, but it is doing so in a way that strategically works to build a more diverse pipeline of women and minority founders. The First Step and Detroit Innovate funds are direct results of NEI-led strategies. As of last year, they deployed \$6.25 million into 81 ventures that in turn have leveraged over \$290 million. Just over 40 percent of those investments have been in Detroit-based and women-, minority- and immigrant-owned companies.

The second new program was the Detroit Venture Factory, a high-touch program that provides assessment, vetting and venture support to entrepreneurs developing digital health solutions, with a special emphasis on sports medicine technologies. It is a market-driven commercialization program that is working collaboratively with universities and other NEI-funded programs, such as TechTown Labs, WSU Office of Technology Commercialization, Innovation Institute at Henry Ford Health System, and the Oakland University Incubator, to form strategic relationships between innovators, service providers, and accessible markets. To date, they have assessed over two dozen technologies across 10 universities and facilitated the creation of two new startups in the Detroit area, both of which are led by women.

NEI's Detroit Innovation District (DID) work continued to progress in 2015, resulting in the development of four key initiatives that were approved by the Advisory Committee at the end of last year:

- Work to form a specialized fund, co-managed by Invest Detroit and Midtown Development, Inc.
- Work to develop flexible and affordable spaces to provide scale up space of startups in the District.
- Work toward the development of a next generation internet program that will provide gigabit internet speed to three Detroit neighborhood community centers.

Other initiatives include the formation of a regional and bi-national med-health cluster and the approval to pilot a community-informed technology innovation challenge involving stakeholders in the entrepreneurial ecosystem, select community partners, and members of the University Research Corridor (URC). It was unanimously agreed upon that the DID was not specifically a geographic play, but more focused on giving residents of the city access to opportunities and resources they need to make their lives better through innovation, regardless of where in the community they happen to be. NEI will be handing over the coordination and oversight of the DID initiatives to an agent of the Mayor's office in 2016, but will continue to serve in an advisory role to the project.

The Innovation Network element of NEI 2.0 represented \$6.3 million in grants for 2015, a reduction of 29 percent from 2014.

New Ideas and Programs

The work to fund new ideas and programs involves identifying activities and administering grants to catalyze new or unrecognized approaches that improve the effectiveness and accessibility of the entrepreneurial ecosystem. This work primarily focuses on supporting service providers outside of the Midtown and downtown geographies, creating more accessibility to not only startups, but also to the many existing small business owners. Special emphasis is being placed on programs directly impacting the city of Detroit and its residents, but funding is not limited to that geography.

NEIGHBORHOOD BUSINESS DEVELOPMENT

NEI's work in 2015 continued to strengthen and build capability and capacity of business support organizations focused on neighborhood business development and growth. Our support in developing the work of ProsperUS, Tech Town SWOT and ACCESS Growth Center had built a platform of significant tools that both surfaced individuals who wished to start new businesses and provided quality programs to help them build their ideas. This work led to the implementation in 2015 of a comprehensive Neighborhood Business Initiative designed to strengthen and expand the above network of support entities that service neighborhood businesses.

The development of the Neighborhood Business Initiative was led by a 13-member work table, chaired by NEI Steering Committee member Elizabeth Ardisana, CEO of ASG Renaissance. A key objective of the Neighborhood Business Initiative is to strengthen, as well as grow, the number of business enterprises owned and operated by members of historically underserved populations and increase the investment in place-based community assets that support entrepreneurs.

Three priorities were identified: (1) enhancing business advocacy in the neighborhoods; (2) strengthening the readiness of new and growing small businesses to access capital; and (3) promoting the availability of accessible neighborhood retail and commercial spaces.

One goal of the NEI Neighborhood Business Initiative is to build the capacity of nonprofit organizations so they can act as business advocates that connect neighborhood businesses to services and resources that are critical to their growth and sustainability.

Three neighborhoods are the focus of the business advocacy grants: North End, through Central Detroit Christian Community Development Corporation; Osborn, through the Osborn Neighborhood Alliance of Matrix Human Services; and Grandmont Rosedale, through Grandmont Rosedale Community Development Corporation. Support was also provided to FoodLab to assist food entrepreneurs in each of these areas. These organizations and the neighborhoods in which they work will be connected to the broader business support ecosystem that includes many of programs funded through the Innovation Network.

The other significant barrier to neighborhood business success has been a lack of financial education and literacy, which can in turn limit access to capital. A second goal of the NEI Neighborhood Business Initiative is to assist neighborhood small business owners and entrepreneurs to improve their ability to access the capital needed for their sustainability and growth. The Accounting Aid Society and the Michigan Small Business Development Center will provide services to augment capital readiness education and training for neighborhood businesses. This work is also connected to other NEI grantees, including the Detroit Development Fund, Michigan Women's Foundation and Invest Detroit.

The lack of suitable retail and other commercial space was also identified as a priority for neighborhood businesses. The goal of this work is to create tools that lower barriers experienced by historically underserved populations in accessing usable and affordable space in neighborhoods. Grant support was provided to the Southwest Detroit Business Association (SDBA) and Jefferson East Inc. (JEI) to further build out the tools needed in this area.

Tying together the above pieces is necessary for building a sustainable network that will address the complex and comprehensive elements that help businesses to start, grow, and thrive. NEI staff, working with Michigan Community Resources and PolicyLink, created the Collaborative Worktable of NEI grantees and others involved with neighborhood business support. The Worktable objective is to help focus business support work in the three identified neighborhoods, grow business opportunities in each, as well as strengthen collaborations among all the grantees as they continue and extend their work in other neighborhoods throughout the city and the region.

The Worktable met twice in 2015, once in September and once in December. In addition to building further knowledge of their respective work, the Worktable identified one tactical goal, the creation of effective online information sharing tool that would include schedules, sharing of best practices and related research. A policy objective is to work more effectively with the city of Detroit on licensing and permitting for neighborhood businesses. An ad hoc subcommittee has been formed and is meeting with representatives from the Building, Safety, Engineering and Environmental Administration.

OTHER NEW IDEAS AND PROGRAMS

NEI also provided support to and participated in the Forward Cities Initiative, which connects entrepreneurial service providers, educators, funders, and entrepreneurs in Detroit, Cleveland, Durham (NC), and New Orleans to create a national platform to share, learn, and promote strategies and ideas that can improve how neighborhood-based entrepreneurs are identified and supported. The focus of this effort connects well with NEI's equity objectives of purposeful work with historically underserved and resourced communities including women,

people of color, and immigrants. In June 2015, a 3-day Forward Cities Convening was held in Detroit with more than 100 participants from the four city partners. Tours of the business support programs, meetings with the entrepreneurs, and workshops on topics related to neighborhood development provided great opportunities for information sharing and the development of inter-city partnerships. A convening was also held in Durham in the fall, with the last convening scheduled for Cleveland in June 2016.

Additionally, NEI continued to support nationally recognized programs, including Endeavor and Venture for America, that address the unmet demand of entrepreneurs and owners of new and growing businesses. Three Detroit companies – McClure's Pickles, Algal Scientific, and Banza – were selected by an international panel to be 2015 Endeavor Entrepreneurs. These companies now have access to Endeavor's global network, including mentors, capital and best-in class talent, to help them achieve explosive growth. Banza in particular is a great example of the network at work – in addition to Endeavor, founder Brian Rudolph moved to Detroit as a Venture for America fellow, tested his product at Eastern Market, won the \$500,000 grant prize at the 2015 Accelerate Michigan Innovation Competition, and became a client of Invest Detroit. Each of those organizations are grantees of NEI. Best of all their product – a gluten free, high-protein pasta made from chick peas – was named one of Time Magazine's top 25 Innovations of 2015 and landed them on the Today Show.

The New Ideas element of NEI 2.0 represented \$1.74 million in grants for 2015.

Entrepreneurial Culture and Promotions

The work to fund culture change and promotions involves designing and conducting events, competitions, and programs, in addition to making grants to organizations focused on promoting and growing Detroit's entrepreneurial culture. With its funding, NEI identifies and designs activities and events intended to attract attention and participants to Detroit and Southeast Michigan's entrepreneurial ecosystem. NEI will continue to be a leader in forming and implementing programs that provide unique opportunities to increase the pipeline of entrepreneurs and investors engaging with the ecosystem. NEI will also lead in creating, implementing, or granting programs designed to promote and raise awareness of the entrepreneurial ecosystem of service providers, and the entrepreneurs themselves.

One of the most prominent culture change initiatives continues to be the *NEIdeas* Challenge, which entered its second year in 2015. Launched in 2014, *NEIdeas'* goal is to identify, reveal and connect existing businesses in the cities of Detroit, Hamtramck and Highland Park – areas with

poverty levels that are nearly three times the national average – to the emerging business support provider network NEI is helping to build. Additionally, the challenge has provided free capital to businesses that traditionally have difficulty securing capital to grow their business. Between 2014 and 2015, \$1 million in direct grants have been awarded to 64 small- to mid-size businesses. More importantly, 1,100 applying businesses now have access to the growing network of available business services. The engagement of the applicant pool and the work to connect them to service providers – through direct matchmaking, topic-specific events, networking and more – has been managed by NEI and executed by partners such as Detroit Economic Growth Corporation and Michigan Community Resources. Out of the 1,100 applicants, 74 percent were minority-owned and 53 percent were women-owned. Winner percentages mirror those statistics. The diversity of types of businesses engaging with the challenge is equally impressive, as the applicant pool represents over 12 different industries.

On the higher-growth end of the challenge spectrum, NEI and partners celebrated the 6th year of the Accelerate Michigan Innovation Competition (AMIC). In that time, the international business competition designed to bring together high-tech, innovation-based entrepreneurial companies with local, national and international investors has awarded \$6 million in cash and prizes to new and growing companies, created over 1,100 jobs in Michigan, and seen more than \$600 million in follow capital for participating companies across the state. The 2015 event alone welcomed 86 venture and angel investors, increasing from 42 during its inaugural year.

We were also pleased to support PowerMoves@Detroit in 2015, along with our partners at Morgan Stanley, the Knight Foundation, Invest Detroit and Detroit Economic Growth Corporation. This program is designed to showcase the Detroit region as a friendly place for minority entrepreneurs to come and grow their businesses. Last year was the first year Invest Detroit delivered the new national program model to Detroit, a model that drove over 35 minority-led high tech companies from across the country to compete for over \$120,000 in prizes. Both 2015 winners were Detroit-based companies.

In 2015, we also launched the Year of the Gazelle, a series with our partners at Southeast Michigan StartUp featuring the fast-growing “gazelle” companies that are scaling in metro Detroit, and helping drive our region’s transition to the new economy. The series, published at www.semichiganstartup.com, not only identifies the local gazelle companies that are perfecting new and innovative products, creating jobs, and generating lots of revenue, but provides readers a full accounting of each one. Content includes everything from the stories behind the entrepreneurs and the investors that back them, to the resources they leverage and the challenges they face. As part of that series, we hosted three “High-Growth Happy Hours,” events where founders of successful larger companies such as Garden Fresh, Detroit Labs and Shinola can better connect with

aspiring high-growth entrepreneurs. The work is strategically tied to our recent grant to support the opening of Endeavor Detroit. Endeavor (mentioned earlier) is a nonprofit that identifies a select number of high-growth potential companies, and connects them with global resources to help them scale up. The two teams at Southeast Michigan StartUp and Endeavor have been sharing information on companies and leveraging each other’s expertise to accelerate the building of a strong high-growth community in the region.

This year, NEI continued to embed itself more deeply in the entrepreneurial ecosystem by co-working through the NEI Street Level program. NEI staff worked out of two spaces during 2015, TechTown and Grand River Workplace, giving us a good balance of neighborhood and district perspectives to better inform our work. In addition to co-working, we brought over 50 of our meetings to these spaces, helping introduce individuals to what’s happening on the ground while making natural, meaningful connections during our day-to-day work.

MEDIA IMPRESSIONS/WORK

Broad interest in NEI’s work continued throughout 2015. During the year, NEI received \$7.6 million in news publicity value, and more than 115 million media impressions in local and national outlets, including print, broadcast and digital. NEI was featured in high-profile coverage by CNBC, Washington Times, Detroit Free Press, Detroit News, Crain’s Detroit Business, Michigan Chronicle, Next City, WXYZ-TV, WJR-AM, WWJ-AM, and many more.

A complete list of media impressions is included in Appendix G.

The Entrepreneurial Culture and Promotions element of NEI 2.0 represented \$775,000 in grants for 2015.

C. GOVERNANCE

NEI, a special project within the Community Foundation for Southeast Michigan, has been funded by 12 national and local foundations providing \$134 million to support this initiative. CFSEM's board officially approves NEI grants that are recommended by the NEI grant review committee, a sub-group of the NEI Steering Committee.

The NEI Steering Committee, led by Steven Hamp, is responsible for the strategic direction of NEI. This diverse committee consists of successful entrepreneurs, representatives from NEI funders, and local civic and corporate leaders immersed in the economic development space of the region. The Steering Committee met four times during 2015. Each meeting focused on an update of activities and presentations from grantees. A current list of approved grants, updated budget report and other materials to demonstrate the public exposure of NEI programs in the media were distributed at each meeting..

A complete list of Steering Committee members is included in Appendix C.

D. THE GRANTS

During 2015, NEI recommended 72 grants equating to \$8,867,349 to support the three grantmaking strategies of NEI: **(1) Innovation Network**, **(2) New Ideas and Program** and **(3) Entrepreneurial Culture and Promotions**. These grants are organized according to the six key elements needed to effectively meet the goals of an entrepreneurial ecosystem: **(1) Ideas**, **(2) Tools**, **(3) Investment**, **(4) Place**, **(5) Talent** and **(6) Culture Change and Connections**.

The following lists the grants made by each element, including their support statements and granted amounts:



IDEAS – *Investments instigating new ideas and helping ideas come to market.*

Ideas need time and space to grow and be evaluated and vetted for their relevance in addressing problems and meeting market demands. NEI provided grants to the following organizations that were primarily focused on this work:

- **Detroit Economic Growth Corporation** was awarded \$231,000 for a one-year grant to coordinate outreach and participate in the jury process for a citywide challenge in partnership with NEI to energize and expand the culture of entrepreneurship and drive economic growth in Detroit, Hamtramck and Highland Park.
 - **Invest Detroit Foundation** was awarded a one-year, \$350,000 grant of support for the Accelerate Michigan Innovation Competition 2015 to encourage entrepreneur business development and venture capital investment in southeast Michigan.
 - **Wayne State University** was awarded a one-year, \$300,000 grant of support for phase three of The Front Door, a business engagement center that improves university connections to industry for greater market-driven technology commercialization results.
-



TOOLS – *Investments in identifying best practices and providing training, mentors, and support services to help ideas grow.*

Entrepreneurs and growing business owners need advice and assistance on business plan development, coaching, mentoring and making connections to commercial opportunities and investment support. NEI provided grants to the following organizations that were primarily focused on this work:

- **Accounting Aid Society** was awarded as a one-year, \$100,400 grant of support for accounting and tax assistance services to small business owners in Detroit neighborhoods.
- **American Middle East Economic Affairs Committee** was awarded \$300,000 as a one-year grant to support an increase in capacity for Southeast Michigan ethnic chambers of commerce and the creation of a global business development center to increase exports from businesses in southeast Michigan.
- **Arab Community Center for Economic and Social Services (ACCESS)** was awarded \$375,000 in support for the Growth Center that provides training and technical assistance for immigrant and non-English speaking populations to develop and grow businesses.
- **Central Detroit Christian Community Development Corporation** was awarded \$91,300 as a one-year grant of support for a business empowerment and development program that provides business support, marketing assistance, and management counseling for small businesses in Detroit's North End neighborhood.

- **Detroit Economic Growth Association** was awarded a one-year, \$300,000 grant of support for the growth and expansion of a sustainable, citywide system to increase local business-to-business procurement opportunities within Detroit.
- **Detroit Economic Growth Association** was awarded a one-year, \$100,000 grant of support to help simulate commercial real estate investment in Detroit neighborhoods to strengthen commercial corridors and provide spaces for businesses to grow.
- **Downtown Detroit Partnership** was awarded a one-year, \$150,000 grant of support for Build Institute, a citywide entrepreneurship education and training program targeting residents of Detroit.
- **Eastern Michigan University Foundation** was awarded a one-year, \$90,244 grant of support for the Michigan Small Business Development Center-Southeast Michigan for financial education and capital readiness training for small businesses and startups in underserved Detroit neighborhoods.
- **Foodlab Detroit** was awarded a one-year, \$117,000 grant of support for improvement and growth of resources for food entrepreneurs in Detroit neighborhoods.
- **Innovation Institute at Henry Ford** was awarded a one-year, \$600,000 grant of support to increase commercialization of health care innovations through technology management programs and corporate relationships.
- **Invest Detroit Foundation** was awarded a \$50,000 grant of support for the PowerMoves@Detroit program.
- **Invest Detroit Foundation** was awarded a one-year, \$315,000 grant of support to launch a Detroit-based enterprise creation program focused on the commercialization of university and industry-based digital healthcare technologies.
- **Matrix Human Services** was awarded a one-year \$84,405, grant of support for the Osborn Neighborhood Alliance to assist new and existing businesses by connecting them to the resources they need to grow and thrive.
- **Michigan Community Resources** was awarded a \$200,000 grant to coordinate technical assistance for a citywide challenge in partnership with NEI to energize and expand the culture of entrepreneurship, and drive economic growth in Detroit, Hamtramck and Highland Park.
- **The Michigan Women's Foundation** was awarded a one-year, \$145,000 grant of support to continue to provide financial assistance and supportive resources to economically disadvantaged women entrepreneurs in Detroit.
- **Oakland University** was awarded a one-year, \$204,000 grant of support for the Macomb-OU Incubator cyber security program to assist Detroit and Southeast Michigan tech startups in testing security of new and emerging products.
- **Southwest Economic Solutions** was awarded \$350,000 to support ProsperUS, an entrepreneurial training and technical assistance program to assist underserved populations to develop and grow businesses in neighborhoods.
- **Walsh College of Accountancy and Business Administration** was awarded a one-year, \$130,000 grant of support for an entrepreneurial training and education program for Walsh College students.
- **Wayne State University** was awarded \$180,000 for two years for support for an entrepreneurial training and education program for Wayne State University students.
- **Wayne State University Research & Technology Park (TechTown)** was awarded a one-year, \$750,000 grant of support to continue funding for a Detroit-based high-tech business incubator and accelerator, and a neighborhood business support program.



INVESTMENT – *Providing access to capital for every stage of ideas and growth.*

Detroit-based entrepreneurs with marketable ideas and ventures need greater access to capital, from seed funds to start-up support to other follow-on investments. Although challenges remain, there are now more funds available in the Detroit region for seed and start-up funding, including funding for underserved groups, as a result of NEI's work. NEI provided new grants to the following organizations that were primarily focused on this work:

- **Detroit Development Fund** was awarded a one-year, \$300,000 grant to provide support for the Detroit Micro Loan Collaborative.



PLACE – *Providing investments in physical places for collaboration, support, and networking.*

The building of a vibrant regional economy requires a strong urban core. The growth and strengthening of an Innovation District, from Midtown to Downtown, is a key priority of the Innovation Network. This has been documented by studies from the Brookings Institution, the Detroit Future City team, and the Hudson-Webber Foundation. Each of these reports acknowledges that a strong urban core will draw talent and help build the region. NEI provided a grant to the following organizations:

- **Grandmont Rosedale Development Corp.** was awarded a one-year, \$110,000 grant of support for a comprehensive business development and commercial revitalization effort on the Grand River corridor in the Grandmont Rosedale community.
- **Jefferson East, Inc.** was awarded a one-year, \$60,000 grant of support for a comprehensive mixed-use commercial and multi-family housing initiative in the Jefferson-Chalmers Business District.
- **Midtown Detroit Inc.** was awarded a one-year, \$1 million grant of support to continue implementation of the Innovation District real estate plan.
- **Southwest Detroit Business Association Inc.** was awarded a one-year, \$60,000 grant of support for a real estate advocate and recruitment position to match small businesses and entrepreneurs to commercial space in the West Vernor and Springwells corridors.



TALENT – *Providing investments in retaining, attracting, preparing talent for jobs.*

As new companies develop and current companies look to expand in southeast Michigan, the need to attract and retain educated, diverse, and trained talent remains a regional priority. An important connection and convening objective of NEI is to build awareness of employers' needs for skilled employees and support efforts to meet those needs. NEI provided grants to the following organizations that were primarily focused on this work:

- **Southwest Solutions** was awarded a one-year, \$200,000 grant of support for the Earn and Learn program, targeting unemployed 18-24 year-old men in the cities of Detroit, Hamtramck and Highland Park.
- **Southeast Michigan Community Alliance** was awarded a one-year, \$270,000 grant of support for the growth of the Workforce Intelligence Network, a data and policy driving regional collaborative of community colleges and workforce boards working to strengthen a cohesive system for employer-engaged talent and workforce development.

CULTURE CHANGE AND CONNECTIONS – *Celebrating entrepreneurship, while revealing regional assets and the network of services available, in order to encourage collaboration among the entrepreneurial ecosystem providers and the entrepreneurs.*

NEI provided grants to the following organizations that were primarily focused on this work:

- **Automation Alley** was awarded a one-year, \$8,000 grant to support the 2015 Technology Industry Outlook program.
- **Detroit Area Pre-College Engineering Program (DAPCEP)** was awarded a one-year, \$50,000 grant of support for a youth entrepreneurship program: Technology Innovation Sector Leaders for Tomorrow (TILT).
- **PolicyLink** was awarded \$300,000 for a one-year grant to support NEI staff in advancing equitable innovation and entrepreneurship strategies.
- **U.S. Ignite, Inc.** was awarded a one-year, \$50,000 grant of support for youth entrepreneurship program development and cluster assessment for Detroit Innovation District Initiatives.
- **Downtown Detroit Partnership** was awarded a one-year, \$50,000 grant in support of a business plan competition to attract entrepreneurial companies to Detroit.
- **Funders Network for Smart Growth and Livable Communities** was awarded a \$1,000 grant of support for the annual membership.
- **Global Detroit** was awarded a two-year, \$175,000 grant of support for the Detroit Global Talent Connection program to maximize the contributions of international talent and investment to the Detroit region's innovation economy.
- **Aspen Institute** was awarded a one-year, \$40,000 grant of support for research on comparable efforts to connect high-impact innovation assets to the needs of underserved communities.
- **The Greater New Orleans Foundation** was awarded a \$65,000 grant to fund year two of the city of Detroit's participation in a multi-city cohort led by Forward Cities that will collaborate and share best practices for developing effective and inclusive entrepreneurial ecosystems. In addition, five team members from Detroit were awarded a total of \$30,000 to participate.

In addition to NEI's grantmaking to nonprofit organizations, NEI conducted *NEIdeas: Rewarding Ideas for Business Growth Challenge* which awarded grants to the following for-profit entities to support business growth and retention in Detroit, Hamtramck, and Highland Park -- all cities with poverty rates over 40 percent.

The following outlines the two companies with revenues between \$750,000 and \$5 million who received \$100,000 grants made through *NEIdeas* during 2015:

- **Russell Street Deli** was awarded a one-time, \$100,000 grant of support to add equipment, capacity and promotions to increase sales.
- **Public Lumber and Millwork** was awarded a one-time, \$100,000 grant of support to add equipment and provide training to increase efficiency and output.

The following outlines the 30 companies with revenues under \$750,000 who received \$10,000 grants made through *NEIdeas* during 2015:

- **Anew Life Prosthetics and Orthotics** was awarded a one-time, \$10,000 grant to purchase equipment and provide training to improve services and efficiency.
- **Astro Coffee, LLC** was awarded a one-time, \$10,000 grant to add outdoor seating and an awning, and to build a retail display area.
- **Benkari, LLC** was awarded a one-time, \$10,000 grant to purchase new software and equipment to expand market opportunities.
- **Black Pride Beauty** was awarded a one-time, \$10,000 grant to purchase manufacturing equipment to increase production capability to meet a growing demand for product.
- **Blessed and Highly Favored Juice Bar** was awarded a one-time, \$10,000 grant to upgrade equipment, operational inventory, and marketing materials to improve service and increase exposure.
- **Brooklynn Brownies With Love** was awarded a one-time, \$10,000 grant to add equipment, inventory, marketing and packaging to scale business and expand reach into wholesale markets.
- **Building Hugger** was awarded a one-time, \$10,000 grant to improve workshop, purchase equipment, and secure industry expertise to expand capacity and efficiency.
- **Cyberoptix** was awarded a one-time, \$10,000 grant to purchase equipment, inventory and hire contractors to expand production capability.
- **DAC Marketing (DBA, Crescent Pre-Need Funeral Services)** was awarded a one-time, \$10,000 grant to acquire a service vehicle and uniforms to assist business expansion.
- **Detroit Denim** was awarded a one-time, \$10,000 grant to purchase equipment, train staff, and hire marketing expertise to expand repair service.
- **Detroit Farm and Garden** was awarded a one-time, \$10,000 grant to support the acquisition of a delivery vehicle and materials to expand storage and delivery capacity.
- **Detroit Vegan Soul** was awarded a one-time, \$10,000 grant to support the purchase of a vehicle to expand a catering service and increase visibility.
- **Fill Good Dental Center** was awarded a one-time, \$10,000 grant of support for physical additions and updated equipment to expand capacity.
- **Goodwell's Natural Food Market** was awarded a one-time, \$10,000 grant of support for physical improvements, inventory, and marketing to expand offerings.
- **Guerilla Food** was awarded a one-time, \$10,000 grant of support to build, operate and promote a geographically fixed pop-up food space to increase revenue and expand market.
- **JP's Hand Car Wash and Detailing Center** was awarded a one-time, \$10,000 grant of support for equipment and physical improvements to increase business efficiency, visibility, and safety.

- **Livingston Family Dentistry** was awarded a one-time, \$10,000 grant of support for physical improvements to increase business visibility.
- **Motor City Popcorn** was awarded a one-time, \$10,000 grant of support to acquire equipment to increase production and expand distribution.
- **Ocelot Print Shop** was awarded a one-time, \$10,000 grant of support to add equipment and technology to expand offerings and services.
- **Pot & Box** was awarded a one-time, \$10,000 grant of support for vehicle upgrades and staff to develop a mobile retail unit.
- **Printing On Call** was awarded a one-time, \$10,000 grant of support for the purchase of equipment and supplies to expand services to a new satellite location.
- **Prop Art Studio** was awarded a one-time, \$10,000 grant of support for new equipment to create efficiencies and expand business offerings.
- **Sha-Sha's Kiddy Korner Child Care** was awarded a one-time, \$10,000 grant of support to build a computer lab to expand client offerings.
- **Singing Tree Garden** was awarded a one-time, \$10,000 grant of support to add materials and equipment to improve and increase commercial services.
- **Tamaleria Nuevo Leon** was awarded a one-time, \$10,000 grant of support to add equipment and marketing to expand reach into other markets.
- **Textures by Nefertiti** was awarded a one-time, \$10,000 grant of support for inventory and marketing to bring a new product line to market.
- **The Hub of Detroit** was awarded a one-time, \$10,000 grant of support for physical improvements to increase capacity and visibility, and improve the customer experience.
- **The Kid Network Daycare, LLC** was awarded a one-time, \$10,000 grant of support for physical improvements and a curriculum guide to retain and expand client base.
- **The Social Club Grooming Co.** was awarded a one-time, \$10,000 grant of support to build out and stock a retail product area, and add equipment and staff to increase capacity.
- **White One Auto** was awarded a one-time, \$10,000 grant of support to add equipment to expand services.

E. EVALUATION

In 2015, Growth Capital Network (GCN) of Ann Arbor continued to conduct the evaluation of our grantees under the leadership of NEI staff. Over 50 grantees provided quarterly or semi-annual reports and submitted data to inform NEI of their milestone achievements and their ability to contribute to its goals of new enterprise creation and growth, investment leveraged, and jobs created. The following metrics were reported on: individuals exposed to entrepreneurial programs, workshops, events; number of companies created and growing that are less than 5 years old; number of jobs resulting from enterprise creation and growth; amount of investment leveraged to support new and growing companies less than 5 years old; and the amount of program dollars leveraged by grantees to support and sustain grantee programs and operations.

In addition to tracking and analyzing grantee submitted metric data, GCN also partners with the staff in progress updates with grantees, as well as prepares briefs on grantee progress and issues related to current program strategies. GCN also continued to provide technical assistance to grantees, supporting them in the use of the NEI Grant Progress Network database. The database provides a web-based tool for grantees and NEI staff to upload, view and report on grant and outcomes data. This system, developed by NEI staff in partnership with Spring Management Systems, continues to serve as an effective tool to track and report on NEI outcomes in an efficient manner.

NEI has produced a number of positive outcomes since making its first grant in 2008. With just over \$96 million invested across 223 programs, NEI grants have directly resulted in providing support to over 4,400 clients, the creation of over 1,600 new companies and more than 17,000 jobs, and the leveraging of more than \$812 million in additional new resources to companies and the organizations that service entrepreneurs.

A full evaluation report coordinated and written by Growth Capital Network is provided as a supplement to this annual report. The evaluation report includes data through March 31, 2016.

F. RESULTS as of DECEMBER 2015

By the end of 2015, 259 grants had been awarded equating to \$96.2 million. 72 grants were made in 2015, equating to \$8.8 million. 42 percent of those dollars were awarded to organizations focused on supporting historically underserved populations, compared to 23 percent of the total grant dollars awarded since the inception of NEI. Historically underserved populations refer to members of groups that traditionally have not had adequate access to capital or business support services, such as African American, Latino, Asian, Middle Eastern and immigrant communities and women.

During 2015, the following grantee-reported outcomes were realized:

- **44,921 individuals exposed to entrepreneurial services**
- **338 new companies created and growing**
- **2,449 new jobs added to the region**
- **\$204,424,435 leveraged into the entrepreneurial ecosystem**
- **806 ideas vetted during NEI driven challenges and competitions**

As a result of the total 259 grants awarded since NEI's inception through the end of 2015, the following grantee-reported outcomes were realized:

- **174,553 individuals exposed to entrepreneurial services**
- **1,656 new companies created and growing**
- **17,490 new jobs added to the region**
- **\$812,212,718 leveraged into the entrepreneurial ecosystem**
- **3,650 ideas vetted during NEI driven challenges and competitions**

G. STAFF

The following individuals were a part of NEI staff during 2015:

James Boyle, Senior Program Officer: Lead on all communications and messaging for project, as well as planning and grantmaking for culture change and promotion activities. Mr. Boyle is full time to the NEI effort.

Carol Davis, Administrative Assistant: Administrative support for all NEI staff and supports grant administration activities. Ms. Davis provides 80 percent of her time to the NEI effort.

David Egner, Executive Director: Lead on the development of NEI's strategy and fundraising, as well as lead on managing funder and key partner relationships. Mr. Egner was contracted to NEI from the Hudson-Webber Foundation, providing 50 percent of his time to the NEI effort. (Note: Mr. Egner resigned as Executive Director of NEI on December 31, 2015 to become the President and CEO of the newly formed Ralph C. Wilson, Jr. Foundation)

Donald Jones, Senior Program Officer: Lead on planning and grantmaking for place-based acceleration activities, and development and oversight of social equity metrics for grantees. Mr. Jones provides 80 percent of his time to the NEI effort.

Pamela Lewis, Senior Program Officer: Team leader for NEI staff and lead on planning and grantmaking for high-growth acceleration activities and oversight of evaluation for NEI grantees. Ms. Lewis is full time to the NEI effort. (Note: Ms. Lewis was appointed the Director of NEI effective January 1, 2016)

Danielle Smith, Communications Associate: Manages communications, messaging and social media for the project. Ms. Smith was full time to the NEI effort in 2015.

H. PARTNERS/CONSULTANTS

In 2015, NEI continued to engage the following consultants that provide specific knowledge and expertise that informs and strengthens the overall work.

313 Creative – Worked closely with the NEI team and grantees to provide strategic counsel for the Detroit Innovation District.

Abir Ali, LLC – Project manager to continue development, implementation and coordination of *NEIdeas: Rewarding Ideas for Business Growth*.

Ali Elisabeth Photography – Developed and captured images of the *NEIdeas: Rewarding Ideas for Business Growth* and its participants.

Amanda Lewan – Assist with social media strategy and execution for New Economy Initiative, David O. Egner and *NEIdeas: Rewarding Ideas for Business Growth*.

Berlin Rosen – Provided strategic council and local and national media support to NEI leadership and staff. In late 2015, Berlin Rosen began working closely with staff to maximize NEI's national visibility.

Build Create – Managed the NEI Website and a stand-alone website for the *NEIdeas* Challenge, in addition to developing the digital neighborhood RFQ platform.

Detroit Lives – Created and edited video for the *NEIdeas* Challenge

Good Done Daily – Provided design support to NEI leadership and staff. In 2015 Good Done Daily managed design for *NEIdeas*. In 2016, the company has taken on additional NEI design projects.

Growth Capital Network – Worked closely with NEI staff to construct milestones and benchmarks for all the grants awarded, provide technical assistance to support capturing of grantee metrics and support staff in further development of the NEI Grant Progress Network database.

Issue Media Group – Worked to populate the Southeast Michigan Startup website with stories of local entrepreneurs to assist in changing cultural attitudes about Detroit. In 2015, IMG began a partnership with NEI called Gazelle 100, which features high-growth businesses in Southeast Michigan Startup and connects them and others through targeted activities and events. (www.semichiganstartup.com)

Little Ideas, LLC – Assisted with grant application review and processing for *NEIdeas: Rewarding Ideas for Business Growth*.

Lovio George – Provided strategic council, design and media support to NEI leadership and staff. In 2015, Lovio George began working closely with staff to create the NEI Impact Report, which will be released in the second quarter of 2016.

Michigan Community Resources – Provided data analysis and program planning for neighborhood entrepreneur and business development programming.

PolicyLink – Worked closely with the NEI team and grantees to identify social equity goals and how to best accomplish them. In addition, they provided social equity lessons learned and specific case studies related to a select number of NEI grantees.

Spring Management Systems – Supported the NEI Grant Progress Network database, which they developed in 2012 and expanded the reporting functionality of the database.

Upjohn Institute – Worked closely with the NEI team and grantees to create an Impact Report, which will be released during the second quarter of 2016.

I. GRANT REPORT (please refer to Evaluation report for details)

See the Evaluation report for specific grantmaking details and attachment for a list of grants made. This report covers 2008 through March 1, 2016.

J. FINANCIAL INFORMATION

During the reporting period, the multi-year budget for NEI was maintained in the revised expenditure categories, approved in 2008. These categories continue to be helpful for the work of NEI. During 2015, \$24.34 million in revenue was recorded from NEI funders. During 2015, a total of \$10.91 million were expended. This leaves \$19.1 million remaining to cover grantmaking through 2017 and administration through 2018.

Below is a report of NEI expenditures from January 2015 through December 31, 2015, comparing actual expenditures to the 2015 budget.

Budget Category	NEI 2.0 Budget	YTD 2014 Expended	2015 Budget	YTD 2015 Expended	2015 Budget Variance	NEI 2.0 Budget Balance
Innovation Network Core	\$20,052,500	\$9,487,394	\$6,890,801	\$6,373,700	\$517,101	\$4,191,406
Entrepreneurial Culture & Promotions	8,614,000	1,527,331	2,299,043	1,348,566	\$950,477	\$5,738,103
New Ideas & Programs	7,581,355	2,314,819	2,800,000	1,742,715	\$1,057,285	\$3,523,821
Evaluation	2,079,000	593,023	679,554	378,928	\$300,626	\$1,107,049
Administration	6,591,968	988,412	1,414,148	1,064,278	\$349,870	\$4,539,278
Totals	\$44,918,823	\$14,910,979	\$14,083,546	\$10,908,187	\$3,175,359	\$19,099,657

During 2015, the Administration spending was \$1.064 million, leaving a balance of \$4.54 million to cover 2016 through 2018, of which 30 percent is allocated to 2016. Working with the Community Foundation for Southeast Michigan Financial Department, the NEI staff is effectively managing the budget of the program.

K. CONCLUSION

As momentum continues to build within Detroit's entrepreneurial ecosystem, strategic grantmaking remains a critical tool for ushering that momentum along. With that said, convening the key individuals and organizations doing the work is where we see ourselves having our greatest impact. Bringing together tables of the region's most innovative minds and tireless neighborhood thinkers and doers around grantmaking is beginning to pay dividends.

As this report demonstrates, outputs on companies started and assisted, leveraged investment, jobs and more, are beginning to grow exponentially. More importantly, the benefits of NEI's work are reaching traditionally underserved populations at both the grass-roots and high-growth ends of the spectrum, to the point where Detroit is becoming a national model for inclusive economic development. There are many partners in this work, but NEI continues to be the single entity weaving together a holistic, grass-roots-to-high-growth approach around entrepreneurship, small business growth and innovation.

The network of nonprofit entities doing this work is fragile but growing stronger, and beginning to see how working together is in their own self-interest. As we work together to change the culture and diversify the economy, NEI looks forward to continuing to strengthen and expand that network so people – all people – can better create their own economic destiny, and strengthen the region along the way.

L. APPENDICES

a. Evaluation Report published by Growth Capital Network

b. List of Funders

c. Governance Committees

1. Community Foundation for Southeast Michigan Board

2. NEI Steering Committee Board

d. NEI-led Work Table Committees

e. NEI Financial Statement

f. Copies of 2015 Steering Committee Minutes

g. Copies of NEI Media Coverage

h. Community Foundation for Southeast Michigan Financial Statement

i. Community Foundation for Southeast Michigan Yearbook



new economy initiative

POWERED BY

Community Foundation

FOR SOUTHEAST MICHIGAN