



Rochester Hills

Minutes

Local Development Finance Authority

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*Brandy Boyd, Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Lori Hartnell,
Darlene Janulis, Michael Kaszubski, Daniel Romzek, Stephan Slavik*

Thursday, November 15, 2012

7:30 AM

OU INCubator, Golf View, Oakland Univ.

CALL TO ORDER

Chairperson Stephan Slavik called the Special Meeting to order at 7:34 a.m. in the Integrated Resource Center at the OU INCubator at Oakland University.

ROLL CALL

Present 9 - Michael Kaszubski, Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Stephan Slavik, Darlene Janulis, Brandy Boyd and Lori Hartnell

Absent 1 - Daniel Romzek

Quorum present (Ms. Hartnell entered at 7:43 p.m.):

Also present: Ed Anzek, Director of Planning and Economic Development
Pamela Valentik, Manager of Economic Development
Keith Sawdon, Director of Fiscal
Laurie Taylor, Deputy Director of Assessing
Amy Butler, Executive Director, OU INCubator
Maureen Gentry, Recording Secretary

APPROVAL OF MINUTES

2012-0363 August 9, 2012 Special Meeting

A motion was made by Damone, seconded by Golden, that this matter be Approved as Presented. The motion carried by the following vote:

Aye 8 - Kaszubski, Brantley, Damone, Ellis, Golden, Slavik, Janulis and Boyd

Absent 2 - Hartnell and Romzek

COMMUNICATIONS

1) Article from Crain's Detroit Business, dated 9-10-12 re: Troy's

DDA/Bonding

NEW BUSINESS

2012-0445 Approval of 2013 LDFA Meeting Schedule

Mr. Anzek introduced Mr. Michael Kaszubski, a new member of the LDFA, whom he had known for over ten years. Mr. Kaszubski had been on the Community Development and Viability Committee (CDV), one of the five standing City Council Committees. The CDV dealt with infrastructure, solid waste, leaf burning and other issues. Mr. Kaszubski subsequently had been appointed to the Mayor's Business Council. He actually had quite a diverse background, and Mr. Anzek asked him to talk about that.

Mr. Kaszubski stated that he was the CEO and Managing Partner of Re-Group Advisors, a merger and acquisition firm, and he had three practice lines of health care in merger acquisition, corporate strategy and fraud and forensic and white collar crime litigation support. He was in a joint venture with Beaumont Hospital and had an entrepreneurial portfolio with his three partners. He received a Masters in Tax, Finance and Accounting and was a Certified Fraud Examiner and Arbitrator. He moved into Rochester Hills in 1999 and had a 15 year-old son that played hockey for Adams High. He thanked everyone, and said that he looked forward to working with the Board. Mr. Sawdon added that Mr. Kaszubski also served on the Building Authority.

Next on the agenda was a request for approval of the LDFA 2013 meeting schedule. As required by the Local Development Finance Authority By-Laws, the LDFA "shall annually set the time and place of its regular meetings." The following motion was made, setting the schedule for next year.

MOTION by Golden, seconded by Janulis, the Rochester Hills Local Development Finance Authority hereby establishes its 2013 meeting schedule at the November 15, 2013 Special Meeting as follows:

ROCHESTER HILLS
LOCAL DEVELOPMENT FINANCE AUTHORITY
2013 MEETING DATES**

January 10, 2013

April 11, 2013

July 11, 2013
October 10, 2013

*(**Meetings will be held quarterly on Thursday mornings at 7:30 a.m. at the City Hall Municipal Building, 1000 Rochester Hills Drive, Rochester Hills, Michigan 48309. The Local Development Finance Authority reserves the right to add Special Meetings or Workshops as necessary. Meetings maybe cancelled if no business arises in the appropriate timeframe).*

A motion was made by Golden, seconded by Janulis, that this matter be Approved. The motion carried by the following vote:

Aye 9 - Kaszubski, Brantley, Damone, Ellis, Golden, Slavik, Janulis, Boyd and Hartnell

Absent 1 - Romzek

Chairperson Slavik stated for the record that the 2013 schedule was approved unanimously.

2012-0446 Business News - Pamela Valentik, Manager of Economic Development

Ms. Valentik shared some information about new companies that had come to town. She said that Staff was excited that existing businesses were taking on larger facilities and that some were bringing new operations to the Rochester Hills' LDFA district.

Ms. Valentik mentioned Industrial Automation, which operated in Rochester Hills, which had almost tripled its space. The owners leased two vacant buildings on Waterview, filling about 60,000 square feet. With that, the City retained about 70 employees, and the company anticipated hiring an additional 20 employees. The next company, Empire Wire and Supply, was relocating from Auburn Hills. They purchased two buildings on Austin Ave., and they will bring 115 employees. The City was also fortunate to land a division of Kohler, called Kohler Power Systems, which made power generators. Ms. Valentik advised that they planned to establish a product development center in Michigan, and would be relocating some R&D operations from Wisconsin. She added that they would be hiring 10 new employees to oversee the engineering operations. Royal Oak Medical Devices purchased a building on Waterview also. They had outgrown space in Oxford, Michigan more quickly than anticipated. It was a division of Royal Oak Industries, which had various operations in Oakland County. With the purchase of this facility, Ms.

Valentik advised that they would work toward adding about 25 employees in the next couple of years. A company called Innovision came from Chesterfield Township. They moved here specifically to be closer to FANUC Robotics as an authorized distributor of FANUC. They identified a building to lease, and would be bringing 15 employees. The City had been busy filling up industrial space, and the vacancy rate was still hovering around 7%. The rate would be even lower if one of the City's largest buildings was taken off the market.

Mr. Anzek also mentioned that Ms. Valentik had recent discussions with an electric car company's flagship operation in California, but it was too early to announce anything more. Ms. Valentik noted that there had been discussions with a German company regarding the City-owned property on Hamlin. They were interested in potentially building a campus and consolidating facilities across the U.S. The conversations were in the very early stages, but Staff was starting to hear more interest in that property. Mr. Anzek advised that there was a corporate decision by the company to move more operations to the U.S. because of the quality and costs here. This company worked with laser beams and sophisticated, high quality measuring devices and offered high-paying jobs.

Ms. Valentik brought up that she and Mr. Anzek had been to the INCubator the week before for a networking event with the School of Engineering and Computer Science. Past alumni had been invited back to find out about some of the new programs the schools were involved in, and employers were invited to see some of the projects at the INCubator and within the School of Engineering. She commented that it was amazing to see what was happening with the school. The University was also "packing up the show" and going into some K-12 schools to highlight their robotics programs, including using legos, and letting the kids explore what the college students had been working on.

Mr. Anzek related that companies were not seeing the talent they needed coming up through the ranks. There was a great shortage of engineers, and most senior-year engineers had a job already. There was also a lack of talent for the sub-engineering jobs: technicians, skilled trades, tool & die machine repair, computer robotics, etc. They needed to get kids excited about those fields.

Ms. Janulis acknowledged that the equipment had become very advanced. There used to be more on-the-job training because it was easier to teach. The science had changed, and it was so exact that there was a learning gap and no place for people to get the right training. The

schools were not keeping up with the technology or teaching more extensive knowledge of math and science to run computers, for example, and companies did not have the money to do the training.

Mr. Anzek felt that there was a bit of a problem in that kids in high school were geared toward college degrees and wanted something other than a trade. Mr. Janulis thought that was very true for places like Rochester Hills, but she indicated that she worked in school districts all over the state, and that was not necessarily true in other districts. She pointed out a County program in Northern Michigan that taught kids to drive a truck because they did not want to become farmers. The school district bought a big truck and hired a teacher who was a truck driver. Ms. Janulis felt that the attitude depended upon the region.

Ms. Golden referred to an Ann Arbor Spark presentation she saw recently that talked about the mismatch between talent and need. They said that employers were slowly changing their attitudes about on-the-job training. She maintained that if the State had the talent, there would be zero unemployment. The needs were so diverse and fast paced, that even higher education could not keep up with what the students needed to learn. As an example, she was looking for the best coding program and was told to go one place for one thing and another for something else because one was not up to speed with what the employers needed.

Ms. Janulis knew of some young kids that dropped out of school because they were too technically savvy and started their own businesses. They were tired of being the teachers, and colleges were not keeping up with the technology.

Discussed

2012-0444

OU INCubator and Clean Energy Research Center Updates - Amy Butler, Executive Director, OU INCubator

Mr. Anzek introduced Ms. Butler, the Executive Director of the INCubator, and said that she had joined the organization about a year-and-a-half ago. He recapped that Oakland University decided to support a new direction with new resources. He advised that the City had not been able to pay any school money capture to support the SmartZone for about three years because of declining property values. They hoped to commence with a check in 2013 based on tax appeals, and they would hopefully have the balance in 2014.

Ms. Butler asked the members to first introduce themselves. She stated that when she came on board, she had 32 years with State government, the MDEQ, the DNR, and the Department of Energy, Labor and Economic Growth. Her last job there was running the State Energy Office. When she decided to look for new career possibilities, Oakland University called and asked her to come to the INCubator, because they really wanted to change the model, and they felt she had that skill set. Dr. Russi, OU President and Dr. Chamra, the Dean of the School of Engineering wanted a new way to approach the INCubator that would bring more value to the community and create more opportunities for economic development. They started to work directly with the School of Engineering and Computer Science, and they developed the Clean Energy Research Center, which was a unique business model, through access to faculty. It was developed to be a huge attraction for start-ups and to help existing businesses.

Ms. Butler advised that for the first year, they looked at the things they did well. There was a new team and small focus group, and they wanted to see the demand and what the region was asking of them. They wanted to get to know people, and they needed to get a feel for who and what they were. They worked with a lot of iterations before they came up with a new, sharp logo showcasing their strategic business solutions for accelerating ideas to market. They had a list that described their basic services, but they liked to talk with new companies, whether start-ups or existing, by sitting down and having a "happy" meeting. They wanted to get people in a place to be successful. During those meetings, they asked a lot of questions to find out what someone was trying to achieve and to see if the INCubator could add value for them.

Ms. Butler stated that what they had found over the course of the year was that they had become an international INCubator through their relationships with Oakland County and Automation Alley and going on trade missions. They had done joint research with international students and universities leading to exporting for companies. They welcomed an automotive company from Italy and their first international student from Greece. They designed a two-plus-two program with China, and there were 135 students already enrolled. They did a custom program recently that went extremely well. There was a Chinese company located here in the region, and they were trying to figure out how to work with American employees, acknowledging significant cultural differences. They spent eight hours with their top leadership, and they realized that their culture must evolve and blend into new cultures. They could use the INCubator's resources to customize results for their business needs.

Ms. Butler next discussed the science, technology and applied learning programs. Companies needed engineers, and the University was trying to find them and to accelerate the engineering program. They needed to think about long term sustainability, and they were doing an extensive amount of outreach programs in the K-12 classrooms. She stressed that they had to get more people into science and technology programs. They worked with the school systems; as Ms. Valentik mentioned, they recently did a robotics show at Seaholm High in Birmingham with 700 kids. There were professors that manned various stations. They also did something called a "Yes Expo" at Ford Field for 19,000 high school students from greater Detroit. They experienced the opportunities, and were given a long-term picture concept for technology. It was another service they were offering to the communities. Kids were getting excited to see they could go to college and go into science and math. They showed them intern opportunities. She related that if anyone on the Board knew of a business looking for interns, they would put people together with that.

Ms. Butler said that they found that their focus was in energy, information technology and medical devices. The first company she brought in was a spinoff with an application in spine technology. It had 90 patents. A lot of companies had underlying information technology and engineering. The three areas of focus came together in a natural fit, and they were comfortable they had this expertise. She noted that they did not have the resources to do retail, but they referred those individuals to the Small Business Technology Development Center. They had employees in the retail business community that worked as business coaches, as well.

Ms. Butler continued that the INCubator had partnerships with the Rochester Hills SmartZone and Oakland County's Medical Main Street, and General Dynamics was a corporate sponsor. There was quite a bit of research done at the University. They were trying to educate the faculty to help commercialize that research and get the technology into the hands of the businesses.

Regarding their resources, Ms. Butler reiterated the applied learning program and the Clean Energy Research Center (CERC), which was a research and resource center. Clients could rent space in the building. There were Danish and German companies interested in coming, and the CERC had room for companies to do technology and bring in potential customers. People were coming into Rochester Hills and seeing the technology, and they were also seeing the surrounding area. The

INCubator served as a gateway to the community. There were a couple of companies getting ready to look for space in Rochester Hills, which was a goal of the INCubator. She noted a robotics systems integrator company that taught a robot how to see. FANUC would send a robot to them and the company would teach the robot what FANIC wanted it to do. It could examine a part and make a decision about whether it was a good or bad part and separate them. They were building a pipeline and aligning partnerships. It was exciting that one of their start-ups was helping another large company in Rochester Hills.

Ms. Butler explained that one of the biggest things start-ups needed was capital. She said that one of the great benefits was the relationship the INCubator had with the City to enable the Smart Zone. Without that relationship, they would not be there. She outlined that a SmartZone was the gateway to State financing programs. In addition to the networks and tools they had individually, including a capital advisor on staff, being a SmartZone enabled them to get money for companies, whether from a business acceleration fund, pre-seed matching fund or the capital venture fund. Those funds allowed a company to get to that next step. Michigan liked to see that State funds were used as a bridge to help accelerate business goals to the next step. They had a go-to market strategy to take something from a regional basis to an international basis. Someone might need an analysis of a product, and they provided the steps to help that company get to the next level. Even though the City had not been able to provide a contribution for a few years, Dr. Russi had seen the value added in keeping the INCubator and keeping the relationship going.

Ms. Butler discussed what the INCubator had done in the past year. When she came, there was one client, and it was a very quite place. She remarked that she was not a very quite person. The first thing she did was get rid of the purple chairs. They took out furniture and added paint and carpeting. They put about 4,000 square feet of productive floor space back in use. They used the space innovatively and creatively to be able to do more things. It allowed them to get the facility "out there." She pointed out that anyone could rent their facility. They could use the interactive software to moderate and facilitate. She mentioned that they did a great project with Crittenton, and that the Rochester Chamber of Commerce used their facility on a regular basis. They were also a big supporter of Leadership Rochester.

Ms. Butler informed the Board that the INCubator held Advisory Board Meetings, retreats and strategic planning, both for internal and external

customers. They did something really unique this year that they would like to do more of, which was to hold a business forum for talent development. They looked at the industry sector to see if what was being taught was still relevant and needed. She felt that was very important, because they did not want people to just graduate with degrees - they wanted to graduate students and workers that were ready to solve problems. They brought 25 companies that hired IT and computer science graduates and listened to how they used the graduates and students and what it was they needed. The only time the faculty spoke was when they were asked questions about what they taught. They found that there were some things they could do immediately in their curriculum and in how they taught that would allow their students to be interns in their freshman year. That gave them more students to be involved in hands on learning early on in their studies. They were able to make a number of changes based on the feedback from the companies. The companies found out that there were a lot of things being taught they did not realize. She stated that they would like to do more of those sessions.

Ms. Butler read a statement about how many businesses they had. During the history of the INCubator, there were between 50-60 new business queries per year asking if the INCubator could help them. They kept a historical record on the website which showed all the people they talked with. After the first year that she had been there, there had been 178 inquiries, and she looked at that as a great success. They also wanted to find out where they were coming from, how many they had relationships with and how many stayed, but the main thing was to see how much they had grown without doing an aggressive marketing campaign. They could do that by going out and talking with people, attending things such as the Pinnacle Sunrise event and going to different events the community hosted and to just get involved. They attended strategic conferences and hosted pitch presentations, and those things created opportunities.

Ms. Butler advised that they currently had 69 active projects. There were 38 that were really focused. There were eight tenant clients, 24 were on contract with business service agreements and another 10 or so they actively worked with that were not necessarily on contract. There were four countries represented and 12 counties, Oakland being the largest. They had gotten a lot of interest from around the State. 62 cities were represented, with Rochester Hills being the highest. There were 12 new companies formed in 2012 and some in 2011 - her data began in July 2011. The highest concentrations were in medical technology, information technology and alternative energy. They affirmed that they

had become who they needed to be.

Through Oakland County Economic Development and the MEDC, with one person talking to another, people were becoming aware of the INCubator. They got people through social media and search engines, so keeping their website updated and keeping a strong social media presence was important. Their personal relationships were very important in the business world, so they needed to be involved in the community organizations and sit on boards as active members, because that was how people found out about them. She told the LDFA members to be sure to tell other people about the INCubator so they could find out which areas they needed to do more outreach.

Ms. Butler had talked about the Applied Learning Program. They were still counting the number of students touched and they were doing some strategic planning with their outreach program, because it had become so important and demanded that they wanted to put some metrics together, get more organized and have an intake forum so people could sign up. They needed to put together a set of media materials together so they could hand out a one-page sheet that told people what was available.

Ms. Butler talked about an Avondale College Adventure Day, a career day and other programs. She had been to three countries this year: Turkey, Italy and Greece. They had discussions going on with universities there, and there had been an uptick in international students.

Ms. Butler talked about some additional successes. They offered a \$50,000 pre-seed loan that companies could apply for. There were business accelerator funds and pre-seed match awards with a \$250,000 match from the State. They also had four companies working with angel funds, and they had five companies make their first sale this year. They had some technology projects going on. They were working on bio-mass and had developed a heating system using wood chips. It took a year to get the technology in and get the building working. There were student projects, and to have one, they had to be approved by the Dean, have a budget and had to have raised the money for the project. They had to have the scope of work in the budget and a relationship with a business. If they did not have a relationship with a business, the INCubator would set them up with one. One of the important things, and it was not an academic building in the sense of being processed, was the intersection of business, community, students and resources of the University. An example would be the hydrogen engineering students. The student organization had a project where they were converting a golf cart to a

hydrogen golf cart. They had been consulting with the faculty and staff from A123 on the project.

Ms. Butler mentioned the night of networking from a week earlier, where they had over 100 people that went through the CERC. One of their start-ups opened its website, which they were very excited about. Ms. Butler reminded that Rochester Hills was a biking community. They had a new company working on an automatic transmission for a bicycle. If someone did not know how to effectively shift a 21-speed bike, the bike would do the shifting for him or her. She said that the owner was a young entrepreneur who had a good management team in Rochester Hills. She mentioned several other companies from the INCubator, and said that one of the exciting things was how it demonstrated what true innovation was all about. One company was doing vehicle tracking for the defense industry and they did a lot of research and thought they would sell to the defense industry. However, the first sale was to the entertainment industry. Their equipment moved scenery on stage during a play. The organization using the equipment had a 60-foot boat on stage, and they could not rely on people moving a boat with 20 dancers on top of it. It was critical that they had a smooth, predictable way to effectively move the stage scenery. The play had been running since March, and the company was contracting for the next play. They monitored the production using stage management software through the internet to see what was happening on the stage. They eventually got a call from Disney, which found their website, and they were one of three finalists competing to see who would design the next big ride.

Ms. Butler remarked that they had done some really great things this year, and they were looking forward to next year being even greater and bringing in more clients.

Ms. Golden asked Ms. Butler if they had a newsletter or a place people could sign up for events. For example, for the Talent Development event, she would have liked to have been there to observe. She was also very interested in the Auto Bike, as she was very involved with the Clinton River Trail and other Trail websites. She thought it would be a great mix with fund raising, and she wondered how they could find out more about what was happening at the INCubator.

Ms. Butler said that they were developing a newsletter, and she asked people interested to give her their email addresses. They were hiring a person to assist with outreach, and they just got two interns to work on their website and social media. They previously did not have the resources,

and they wanted to get the first year under the belt with some successes. She would like the LDFA to come and observe some of the key things they were doing, since it was a key sponsor.

Mr. Anzek felt that people were aware of the purpose of the relationship the INCubator had with new companies. They tried to help them to a path towards commercialization and then hopefully, they would locate in Rochester Hills. Ms. Butler added that there were two or three companies that would need space in the next year. She noted that another way the INCubator interacted with the City was how they used advisors and experts. Sometimes it was as simple as making a phone call to ask what another company thought about something, or what the schools thought about it. They had a number of advisors that were alumni of the University that lived in Rochester Hills that serviced their clients. She stated that if any of the LDFA members wished to be advisors that they should let her know. One of her goals was to put together an advisory board in the near future. She also suggested that the LDFA could be used as an advisory board. They were developing the organizational pieces around the management pieces, and they were developing who they wanted to be.

Ms. Butler had some materials to hand out if anyone wished. She referred to a magazine called X-ology that was put out by Automation Alley. She said that someone saw her picture in one of the issues in an airport. It was an article that featured accelerators such as Tech Town, NextEnergy, Automation Alley and the INCubator, and this gentleman called her and said he was interested to find out more about what they did. She mentioned a few of the places they advertised. They encouraged their businesses to get involved in the Rochester Regional Chamber. She also mentioned that she would like to host another Mayor's Business Council meeting, where her clients could be in attendance and meet the business community.

Mr. Anzek recalled that in May 2011, the Business Council met at the INCubator so companies could see what was happening in the labs and in the Clean Energy Research Center. The people who attended were overwhelmed. One gentleman could not believe the University was teaching metrology, the study of measuring, because that was what his company did. The companies were able to see all kinds of applications for testing and how they could use the OU labs and learn more about the successful commercialization.

Ms. Butler said that more and more they were being able to test a

prototype or next generation technology. If someone had a new idea they were putting together, they did not necessarily want to buy a \$100,000 machine before the prototype was developed. The University had grad students that could help. Then the company could apply for a small business grant. She stressed that if anyone knew of a company that needed something like that, she should be aware so they could send letters of support when applying for funding. They could help with grant applications and help businesses become successful.

Mr. Anzek stated that concluded the meeting, and those that wished then took a tour of the Clean Energy Research Center.

Discussed

ANY OTHER BUSINESS

There was no further business to come before the LDFA Board.

NEXT MEETING DATE

Chairperson Slavik reminded the LDFA Board that the next Regular Meeting was scheduled for January 10, 2013.

ADJOURNMENT

Hearing no further business to come before the LDFA Board, and upon motion by Janulis, seconded by Golden, Chairperson Slavik adjourned the Special Meeting at 8:50 a.m.

Respectfully Submitted,

Stephan Slavik, Chairperson
Local Development Finance Authority

Maureen Gentry, Recording Secretary