Executive Summary

Five students in the Urban and Regional Planning undergraduate and graduate programs at Michigan State University (MSU) compiled this report for the City of East Lansing's Community and Economic Development Department.

The focus of this report is economic development in the information technology sectors through the Michigan Economic Development Corporation (MEDC) SmartZone Program. The City of East Lansing is in the process of developing their segment of the Lansing Regional SmartZone, and this group of students was asked to compile a report analyzing the potential for an information technology-focused SmartZone, as well as offer research- based recommendations for partnership strategies and program elements. This paper summarizes the national, state and local research completed to make these recommendations, and presents the group's findings.

Findings:

East Lansing has a reputation of providing quality services to support its residents. The City offers outstanding parks and recreation opportunities, and entertainment and cultural options, along with a quality school district which all contribute to East Lansing's high quality of life. In addition to being a great place to live, East Lansing is also a great place to work and do business. Downtown East Lansing continues to see growth through redevelopment that has included retail, office and residential components. Recently, many new offices have opened in the northern part of the city, near Lake Lansing Road and US 127, including several financial institution headquarters. East Lansing has traditionally been a bedroom community of Lansing, the state capital, however, as key employers in Lansing downsize, East Lansing's economy must grow and expand to continue to attract or create new jobs. The Lansing Regional SmartZone (LRSZ) provides an opportunity for the City to work with its greatest asset, the University, to create jobs by commercializing research and development (R & D) work through MSU spin-off companies.

The SmartZone program promotes the development of business incubators as a way to support new business startups. East Lansing has an interest in focusing its efforts on Information Technology (IT) startups. An IT business incubator in the downtown could provide IT jobs in the downtown, provide customers to existing downtown businesses, generate revenue for the University and also provide internship opportunities for students at MSU. The IT incubator will likely have a positive impact on both the City and the University. Examining case studies from Ann Arbor/Ypsilanti and Kalamazoo make it clear that University partnerships are necessary to form a successful incubator. A strong bond between the City and the University in the beginning stages and throughout the entire process will be necessary to link the technology generator (the university) to the business generator (the incubator).

The cluster analysis, in Section 6 of this paper, illustrates that not all of the necessary inputs for an IT business cluster or an IT incubator are available at this time. It is

apparent, however, that where gaps exist, East Lansing and other partners in the LRSZ can collaborate to fill the gaps as outlined in the recommendations below.

Our concluding recommendations are offered in three phases. Early phases lay the framework for an IT incubator by building an IT community and building up capital assets. The phasing also reflects the growth in revenue from the LDFA which will only be able to support very limited programming in the first three years.

Phase 1 recommendations are those which should be addressed in the next 12 months.

- *Marketing*: The East Lansing DDA should develop marketing materials and make marketing the SmartZone part of their existing repertoire.
- *Networking*: In conjunction with the Lansing Regional Chamber of Commerce and Michigan State University, East Lansing should work to offer networking opportunities that bring together entrepreneurs, with an emphasis on high-tech MSU spin-off companies.
- *Venture capital:* East Lansing should work to attract a venture capital fund, specifically for high-tech entrepreneurs committed to growing their businesses in East Lansing.

Phase 2 recommendations are intended for action in 12-36 months.

- *Anchor businesses:* Establish the presence of high-tech companies in East Lansing by engaging local existing high tech companies to be anchor businesses and support a cohesive, connected, information technology cluster.
- *Communications Infrastructure:* As information technology is a sector which requires the latest developments in communications infrastructure, it is likely that the City will need to commence with upgrades to their current level of services.
- *Market Analysis:* As entrepreneurs develop new products, an incubator can help to analyze the product's ability to meet market demands, and assess whether those needs can be met by e-commerce to reach a global market.

The recommendation in Phase 3 is likely to be both necessary and affordable in three to ten years.

- *Physical space:* Create a business incubator that provides the necessary physical space and services catering to information technology companies.

Ultimately, the goal of this SmartZone incubator is to create and foster an information technology community in East Lansing which will create jobs, sustain the high quality of life that East Lansing prides itself on, and overall, make the city a great place to live and work.