

# Stoke Denton: Background, Year 1 Operations & Management

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# Objective:

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- Present information regarding:
  - Project background
  - Stoke Denton's first year of operations
  - Options for Stoke Denton's management
  - Staff recommendation
- Receive Council direction

# Background

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**FY 2014-15** – In support of new economic development recruitment strategies and programs, Council's adopted budget included \$220,000 to fund the Tech Denton Economic Development Initiative

- Objective: "Create an environment that attracts the technology industry to Denton and fosters the growth of new technology companies"
- Part of the initiative was a "live-work-learn-play" transit-oriented development in the downtown core, which ultimately became The Railyard and Stoke Denton
- Presented as a public-private partnership program the City would subsidize to:
  - Support entrepreneurship and innovation
  - Help create, recruit, and retain successful innovative businesses
  - Provide high-quality employment opportunities for local college graduates
  - Encourage infill development and redevelopment

# Background



# Background

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## September 2015 – Council adopts Ordinance #2015-300

- Approves a 5-year commercial lease agreement with Rail Yard Partners for 9,216 square feet in The Railyard for a “collaborative working space”
  - **2015 as presented:** \$131,361 for Year 1 rent and operating expenses, 3.5% per square foot increase in rental rate each subsequent year; no information provided regarding the City’s anticipated rental space improvement costs or expenditures for branding/marketing
  - **Today:** Year 1 expenses totaled \$324,000, including \$196,000 for rental space improvement and \$51,875 for branding/marketing
- Approves a Chapter 380 grant to Rail Yard Partners to incentivize the developer for “investing approximately \$12 million in Denton” for a project that “is expected to provide co-working and incubator space for an economic development program focused on the creation of high-tech companies and jobs”
  - **2015 as presented:** \$76,000 x 5 year grant from the Downtown TIF Fund = \$380,000
  - **Today:** No change



# Background

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## October 2015 – Council adopts Ordinance #2015-328

- Approves a management agreement with the Dallas Entrepreneur Center for “the management of the entrepreneur center” in support of the “focused initiative on entrepreneurship and technology-based companies”
  - **2015 as presented:** DEC retains 90% membership fees, 10% remitted to landlord to offset NNN; City hires FTE to staff Stoke prior to its opening
  - **Today:** DEC retains 90% membership fees, 10% remitted directly to City; City outsources FTE to the DEC and provides \$48,750 in FY 2016-17 to fund it

# Stoke Denton & DEC

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**August 2016** – Stoke Denton opens

**January 2017** – Stoke Denton Director begins position

**March 2017** – Council amends the management agreement with the DEC; changes included establishing baseline metrics for:

- Number of events held/attendees
- Number of visitors
- Number of mentor sessions available/used
- Number of entrepreneurs assisted

Additional monitored items include occupancy rate, graduation rate, recruitment of tech-sector members, business generation and growth, and member satisfaction.

# Fiscal Information

City Stoke Revenues and Expenditures					
	2014-15 Actual	2015-16 Actual	2016-17* Estimate	Totals	2017-18 Proposed Budget
<b>Revenues</b>					
Rental income to City (from DEC)	\$ -	\$ -	\$ 8,888	\$ 8,888	\$ 10,000
Subtotal Revenues	\$ -	\$ -	\$ 8,888	\$ 8,888	\$ 10,000
<b>Expenditures</b>					
Building Rent	\$ -	\$ (55,412)	\$ (125,115)	\$ (180,527)	\$ (156,962)
Utilities	\$ -	\$ (7,345)	\$ (22,250)	\$ (29,595)	\$ (25,000)
Rental Space Improvements	\$ -	\$ (196,126)	\$ (18,837)	\$ (214,963)	
DEC Personnel Payment	\$ -		\$ (48,750)	\$ (48,750)	\$ (65,000)
Branding/Marketing	\$(29,000)	\$ (51,875)	\$ (9,938)	\$ (90,813)	\$ -
Other	\$ -	\$ (13,810)	\$ (8,101)	\$ (21,911)	\$ (7,000)
Subtotal Expenditures	\$(29,000)	\$ (324,568)	\$ (232,991)	\$ (586,559)	\$ (253,962)
Net Revenue (Expenditures)	\$(29,000)	\$ (324,568)	\$ (224,103)	\$ (577,671)	\$ (243,962)
*Projections through the end of the current fiscal year; expenses include outstanding encumbrances.					

## Stoke Budget

- FY 2014-15 **\$220,000**
- FY 2015-16 **\$220,000**
- FY 2016-17 **\$235,751**
- \$675,751**

## Stoke Net Expenditures

- FY 2014-15 **\$29,000**
- FY 2015-16 **\$324,568**
- FY 2016-17 **\$224,103**
- \$577,671**

**\$48,750 of net expenditures went to the DEC (.08%)**



# Analysis

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- Presented and adopted as a public-private partnership subsidy program to:
  - Support entrepreneurship and innovation – 994 attendees at tech events, meetups, workshops, lunch & learns, and member huddles
  - Help create, recruit, and retain successful innovative businesses – 56 member companies in Year 1
  - Provide high-quality employment opportunities for local college graduates – 83 total jobs in Year 1
  - Encourage infill development and redevelopment – The Railyard commercial and multifamily residential development is fully leased
- Eliminating Stoke as an economic development program would be detrimental to Denton's targeted efforts to grow local entrepreneurial and tech businesses and recruit new ones to the community.

# Analysis

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- After a slow start, Stoke Denton's performance in Year 1 has been successful based on the baseline metrics and additional monitored items.
  - Amendments to the original management agreement added accountability for the DEC and increased flexibility and protection for the City
  - DEC has been responsive to Council's direction to focus recruiting and supporting tech and tech-enabled businesses
  - DEC has been flexible and responsive when working with City staff

# Options

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Current Management Agreement terminates Sept. 30, 2017

## Options:

- Renew annual Management Agreement with DEC, adding new metrics and continuing to outsource the Stoke Denton Director position to DEC
- Renew annual Management Agreement with DEC, reconfigure existing City FTE to include Stoke responsibilities
- Do not renew annual Management Agreement with DEC, reconfigure existing City FTE to include Stoke responsibilities, issue an RFP for Stoke marketing
- Eliminate program

# Staff Recommendation

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- Renew annual Management Agreement with DEC
- Add metrics based on Year 1 baseline:
  - Grow event attendees 15%
  - Increase number of tours given (visitors) 5%
  - Grow mentor session utilization to 50% (8% increase)
  - Increase number of jobs based at Stoke Denton by 10%
  - Maintain a net promotor score of at least 9.0
- Formalize the City's funding of the Stoke Director position in the Management Agreement

## Direction:

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- Seeking direction regarding Stoke Denton's management for FY 2017-18



Caroline Booth