

Management Options for Stoke Denton

Caroline Booth – Economic Development

Oct. 24, 2017



Objective:

- ▶ Present information on management options for the Stoke Denton Entrepreneur Center

Background:

- ▶ Aug. 22 – Council declines to renew the Stoke management contract with the Dallas Entrepreneur Center; directs staff to take over Stoke operations and issue an RFP for new management options
- ▶ Oct. 1 – City assumes Stoke management
 - ▶ Primary operations team of 4 City staffers
 - ▶ Additional support from 4 other City staffers

Background:

- ▶ Sept. 12 – RFP issued
 - ▶ Sent to 4 potential respondents; posted online and advertised in newspaper
- ▶ Sept. 21 – Pre-solicitation meeting held
 - ▶ 6 attendees representing 4 potential respondents
- ▶ Oct. 3 – RFP closes
 - ▶ 1 response received
- ▶ Oct. 10 – Evaluation Committee meets

Proposal:

- ▶ Response from Hickory & Rail Ventures, LLC
 - ▶ Denton company
 - ▶ Marshall Culpepper is sole managing member
- ▶ Vision: Denton as a thriving startup community where entrepreneurs have access to talent, education, capital, and a community of other entrepreneurs
- ▶ Philosophy: “The management company behind Stoke should lead by example. A business teaching others how to start and grow businesses should itself be a growing, sustainable business.”

Proposal:

- ▶ Business model built on:
 - ▶ Decreasing the City's obligations by paying for staff directly from revenue generated from the space and remitting funds to the City in Years 2 & 3
 - ▶ Increasing the value that Stoke provides to its members, resulting in increased revenue
 - ▶ Continuing Stoke's operations independently after the City's commercial lease ends in 2021
- ▶ Hickory & Rail Ventures proposes to provide all day-to-day operations, marketing, and programming and events for Stoke.
- ▶ Member recruitment focused on:
 - ▶ Tech/tech enabled small businesses that support an average salary over \$50,000 per year
 - ▶ Startups and entrepreneurs with highly impactful business models
 - ▶ For-profit, vision-driven organizations with the mix of high business and social impact (B-corps)
 - ▶ Remote workers of startups or tech/tech enabled companies
 - ▶ Accelerators, incubators, investors, mentors, and others vital to supporting the startup ecosystem

Proposal:

- ▶ Hickory & Rail Ventures brings exclusive partnerships with four Denton organizations that will incubate, fund, and support Denton startups:
 - ▶ *University of North Texas*: Will offer extended-learning entrepreneurship and digital design curriculum and certificates inside Stoke
 - ▶ *TechMill*: Will organize increased programming and events at Stoke under Hickory & Rail Ventures' management
 - ▶ *Brand Accelerant*: An incubator, advisor network, and funding network for entrepreneurs, Brand Accelerant will have a membership at Stoke and offer its resources to all Stoke members.
 - ▶ *Denton Angels*: Angel investor network focused on investing in early-stage Denton area startups. Executive director will have a Stoke membership; group will hold its monthly "Forum" event, where entrepreneurs meet with investors from the network, at Stoke.

Performance:

- ▶ Metrics and deliverables in the following categories will be included in the contract with Hickory & Rail Ventures, should Council choose to award it:
 - ▶ Members
 - ▶ Marketing
 - ▶ Programming/Events
 - ▶ Partnerships
- ▶ Monthly financial information
- ▶ Comprehensive annual report

Fiscal Information:

- ▶ In Year 1, Hickory & Rail Ventures will begin paying the executive director's salary out of membership fees
- ▶ Starting in Year 2, Hickory & Rail Ventures will pay \$1,000/month back to the City; Year 3 increases to \$2,000/month.
- ▶ Total savings to City from Hickory & Rail Ventures' proposal : \$241,529

CITY OF DENTON			
STOKE REVENUES OVER EXPENSES			
CURRENT CITY OPERATION REVENUES AND EXPENSES			
Revenues	Year 1 Projection	Year 2 Projection	Year 3 Projection
Membership Fees	\$ 95,146	\$ 98,001	\$ 100,941
Other	7,590	7,818	8,052
Total Revenues	\$ 102,736	\$ 105,818	\$ 108,993
Expenditures			
Personnel Services	\$ 107,481	\$ 110,705	\$ 114,027
Materials & Supplies	12,775	12,775	12,775
Maintenance & Repair	15,000	15,000	15,000
Building Rent	156,962	162,456	168,142
Utilities	25,000	25,750	26,523
Branding/Marketing	15,000	15,000	15,000
Outside Contract Services	12,225	12,225	12,225
Training	5,000	5,000	5,000
Transfers	12,000	12,360	12,731
Total Expenditures	\$ 361,443	\$ 371,271	\$ 381,422
Net Income	\$(258,707)	\$(265,453)	\$(272,429)
HRV CONTRACT CITY REVENUES AND EXPENSES			
Revenues	Year 1 Projection	Year 2 Projection	Year 3 Projection
Rental	\$ -	\$ 12,000	\$ 12,000
Utilities	-	-	12,000
Total Revenues	\$ -	\$ 12,000	\$ 24,000
Expenditures			
Building Rent (Paid by City)	\$ 156,962	\$ 162,456	\$ 168,142
Utilities (Paid by City)	25,000	27,500	30,000
Other (Paid by City)	7,000	7,000	7,000
Total Expenditures	\$ 188,962	\$ 196,956	\$ 205,142
Net Income HRV Contract (City)	\$(188,962)	\$(184,956)	\$(181,142)
Savings to City from HRV Proposal	\$ 69,745	\$ 80,497	\$ 91,287

Options:

- ▶ Award management contract to Hickory & Rail Ventures, LLC
 - ▶ Pros: savings vs. City management; plan for sustainability after Feb. 2021; buy-in from startup community; exclusive partnerships
 - ▶ Cons: second transition for current members
- ▶ Continue with City management of Stoke, adding an FTE to handle operations
 - ▶ Pros: maximum control over Stoke operations; no need for another transition
 - ▶ Cons: more expensive option; not City's area of expertise

Direction:

- ▶ Seeking direction on the preferred option for Stoke's management



Caroline Booth