



# City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

## AGENDA INFORMATION SHEET ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

**DEPARTMENT:** Economic Development

**CM/ DCM/ ACM:** Bryan Langley

**DATE:** November 8, 2017

### **SUBJECT**

Update on the Stoke Denton Entrepreneur Center

### **SUMMARY**

During a work session on October 24, Council received a presentation regarding a proposal from Hickory & Rail Ventures, LLC, in response to a City Request for Proposals (RFP) for management services of the Stoke Denton Entrepreneur Center. After discussion, Councilmembers agreed unanimously to accept Hickory & Rail Ventures' proposal, and directed staff to modify the contract and bring it back to Council for a vote at a later date. Modifications to the contract include changes to the recitals, more specific information on payments to the City from Hickory & Rail Ventures, and an incorporated sublease to be signed by Hickory & Rail Ventures. The item will be on the Council's Nov. 14 agenda for a vote. Hickory & Rail Ventures is set to assume management responsibilities on Dec. 1, 2017.

### **REQUEST FOR PROPOSALS PROCESS**

On September 12, 2017, an RFP was sent to four (4) prospective suppliers of management services for Stoke. In addition, specifications were placed on the Materials Management website for prospective suppliers to download and advertised in the local newspaper. A pre-solicitation meeting was held by Materials Management on September 21; it was attended by four potential respondents. One (1) proposal was received and evaluated by the Evaluation Committee based upon the published criteria. Hickory & Rail Ventures, LLC, was the sole respondent; one other potential respondent that attended the pre-solicitation meeting opted to support Hickory & Rail Ventures' proposal instead of submitting its own proposal.

Members of the RFP Evaluation Committee were:

- Todd Hileman, City Manager
- Bryan Langley, Deputy City Manager
- Aaron Leal, Interim City Attorney
- Melissa Kraft, Chief Technology Officer
- Tony Puente, Assistant Director of Finance
- Karen Smith, Purchasing Manager
- Caroline Booth, Director of Economic Development

### **PROPOSAL DETAILS**

Hickory & Rail Ventures, LLC, is a single-member limited liability company based in Denton. Marshall Culpepper is its sole managing member. While the company is new, Culpepper has deep roots in the Denton startup community. He is a software engineer with 20 years of experience in building open-source software

and high-growth tech companies. He is CEO and cofounder of Denton-based Kubos, a satellite software company. Culpepper created TechMill, Denton's first co-working space, and has organized several Denton tech community events over the past 10 years, including Bootstrap Denton, LittleDOCC, and OpenHack. Hickory & Rail Ventures plans to hire Heather Gregory, who served as Stoke director from January-September 2017, as the executive director.

Hickory & Rail Ventures' vision for Denton is a thriving startup community where entrepreneurs have access to talent, education, capital, and a community of other entrepreneurs they can look to for support. As non-startup, non-tech members cycle out of Stoke, Hickory & Rail Ventures will focus on recruiting the following types of members:

- Startups and entrepreneurs with highly impactful business models
- For-profit, vision-driven organizations with the mix of high business and social impact (B-corps)
- Tech/tech enabled small businesses that support an average salary over \$50,000 per year
- Remote workers of startups or tech/tech enabled companies
- Accelerators, incubators, investors, mentors, and others vital to supporting the startup ecosystem

Hickory & Rail Ventures' proposal states that "the management company behind Stoke should lead by example," meaning that a business teaching others how to start and grow a business should itself be a growing, sustainable business. Its proposal focuses on three areas:

- Decreasing the City's obligations by paying for staff directly from revenue generated from the space
- Increasing the value that Stoke provides to its members, resulting in increasing revenue
- Being ready to sign a new commercial lease to fully take over the space at the end of the City's commercial lease in February 2021 and continue Stoke's operations independently

Hickory & Rail Ventures proposes to provide all day-to-day operations, marketing, and programming and events for Stoke. It will be directly responsible for making the space sustainable through membership, event, and sponsorship revenue, which will entail a more aggressive marketing and staffing model than used by the previous management provider. They plan to immediately begin paying the executive director's salary from membership revenue. Starting in Year 2, Hickory & Rail Ventures will pay \$1,000/month back to the City, and in Year 3 that amount will increase to \$2,000/month. This will decrease the City's costs, while still allowing Hickory & Rail Ventures the revenue needed to ramp up marketing, expand staffing, make capital re-investments in the space, and build savings in order to be ready to sign a new lease in 2021.

As part of its proposal, Hickory & Rail Ventures is bringing exclusive partnerships with four Denton organizations that will incubate, fund, and support Denton startups:

- *University of North Texas*: Instead of submitting its own proposal for Stoke management services, UNT instead decided to support and partner with Hickory & Rail Ventures to offer extended-learning entrepreneurship and digital design curriculum and certificates inside of Stoke.
- *TechMill*: The original force for startup and tech community organizing in Denton has emerged as a crucial component of Stoke. TechMill is committed to organizing more 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*: A new angel investor network focused on investing in early-stage Denton area startups with investments ranging from \$25,000-\$150,000. Denton Angels' executive director will have a Stoke membership and the group will hold its monthly "Forum" event, where entrepreneurs meet with investors from the network, at Stoke.

## **PERFORMANCE MEASURES**

The following metrics and deliverables are included in the contract with Hickory & Rail Ventures:

### **A. Members**

#### **a. Metrics**

- i. Number of active memberships
- ii. Percentage of tech or tech-enabled members
- iii. Member satisfaction

#### **b. Deliverables**

- i. Monthly report provided to the City's Director of Economic Development detailing the number, type, and company name of active memberships, the percentage of tech or tech-enabled members, and the results of the monthly member satisfaction survey

### **B. Marketing**

#### **a. Metrics**

- i. Number of regional startup and tech event sponsorships
- ii. Number of blog posts/content creation regarding Denton's startup community
- iii. Active daily use of Stoke social media

#### **b. Deliverables**

- i. Comprehensive annual marketing plan provided to the City's Director of Economic Development by January 1, 2018, detailing how the Contractor will actively market Stoke to entrepreneurs, startups, tech companies, and remote workers within a 50-mile radius.
- ii. Monthly report provided to the City's Director of Economic Development detailing the number of event sponsorships, number of blog posts, and pages views, reach, post engagements, impressions, or other appropriate data of social media activity

### **C. Programming/Events**

#### **a. Metrics**

- i. Number of educational events/programs held at Stoke per month
- ii. Number of startup/tech events held at Stoke per month
- iii. Number of mentor session available/used per month

#### **b. Deliverables**

- i. Monthly report provided to the City's Director of Economic Development detailing the number of educational events/program, number of startup/tech events, and number of mentor session available/used

### **D. Partnerships**

#### **a. Metrics**

- i. Number of active partnerships with entities in Denton's startup, business, education, nonprofit, and governmental communities

#### **b. Deliverables**

- i. Monthly report provided to the City's Director of Economic Development detailing Stoke partnership activities with University of North Texas, TechMill, Brand Accelerant, Denton Angels, and other relevant entities

Monthly financial information: The Contractor will provide to the City's Director of Economic Development monthly profit and loss statements for Stoke operations.

Comprehensive annual report: The Contractor will provide to the City's Director of Economic Development no later than November 1, 2018, an annual comprehensive outputs and outcomes report summarizing metrics in categories A-D above, along with information such as Stoke member company

financial or employment growth, capital funding success, exits, and other relevant indicators of member business health and growth.

**FISCAL INFORMATION**

Management of Stoke by Hickory & Rail Ventures is projected to save the City \$241,529 over three years versus City management of the space.

Respectfully submitted:  
Caroline Booth  
Director of Economic Development