

Management Contract with Hickory & Rail Ventures for Stoke Denton

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Background:

- ▶ Oct. 24 – Council agrees to accept Hickory & Rail Ventures, LLC's proposal for management of the Stoke Denton Entrepreneur Center; directs staff to modify the contract to:
 - ▶ Include specific information in the recitals regarding the focus of Stoke
 - ▶ Clarify payment terms from Hickory & Rail Ventures to the City
 - ▶ Incorporate a sublease to be signed by Hickory & Rail Ventures

Proposal:

- ▶ 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 a business should itself be a growing, sustainable business
- ▶ Business model built on:
 - ▶ Decreasing the City’s fiscal 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 lease ends in 2021
- ▶ Hickory & Rail Ventures proposes to provide all day-to-day operations, marketing, and programming and events for Stoke.

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 are included in the contract with Hickory & Rail Ventures:
 - ▶ 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 vs. continued City management: **\$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