

Memorandum



DATE June 14, 2013

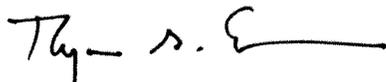
TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Ann Margolin (Vice-Chair), Jerry R. Allen,
Monica Alonzo, Sheffie Kadane

SUBJECT **Dallas Entrepreneur Center: Accelerating Startups in Dallas**

On Monday, June 17, 2013, the Economic Development Committee will be briefed on the Dallas Entrepreneur Center.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Thomas Perkins Jr., City Attorney
Judge Daniel Solis, Administrative Judge Municipal Court
Craig Kinton, City Auditor
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

Dallas Entrepreneur Center: Accelerating Startups in Dallas

Economic Development Committee

June 17, 2013



**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

Purpose

- Discuss **importance of startup** entrepreneurship for economic development
- Discuss **seed-accelerator** model of funding and mentoring startups
- Propose pilot public-private partnership with Dallas Entrepreneur Center (DEC) to support **startups** and host **new seed accelerator** programs
- Recommend Economic Development Committee approval for Council consideration on June 26th of **\$200,000** in **Public Private Partnership funds** to provide temporary support
 - Funded in **\$100,000/yr** increments for **two years**
 - **One-to-one** first year and **two-to-one** second year **matching requirement** from DEC

City Eco-related Small Business Programs

- **Business Assistance Center Program**
 - Funded by Community Development Block Grant (CDBG) from HUD
 - Intended to provide benefit for LMIs in the City through technical assistance and capacity building
- **South Dallas/Fair Park Trust Fund**
 - Facilitates economic and community development in the South Dallas / Fair Park community
 - Commercial loans to small businesses
 - Grants to non-profit social service providers
- **Southern Dallas Development Corporation**
 - City provided \$500,000 annually in 2010 and 2011 for the Southern Dallas Small Business Loan Program
 - \$600,000 revolving loan program funded by CDBG
- **Dallas Entrepreneur Network / SourceLinkDallas**
 - Concierge service to connect microbusinesses to no / low cost resources
 - Research, innovation and funding hub to pilot and scale new programs

Why support startups?

- Dallas has the **most diverse industry base** in the U.S.
 - Top five city in a dozen industries
 - Good small business reputation
- **Competitor cities** branded themselves as “startup” centers specializing in high-growth, high-tech, and quick-exit business models (e.g. Facebook, Twitter, etc.)
- Dallas’ diversity and size makes it harder for a startup brand to take hold here
- Solution is to provide a **focal point** for startup activity and attract more startups

City Contribution

- The City has an opportunity to build on its small business and entrepreneurship programs by supporting activities focused on startups
- The Dallas Entrepreneur Center (DEC) formed a relationship with VentureSpur to bring new startups companies to Dallas for mentoring, training and funding
- The City can support this through a pilot funding match to the DEC:
 - City provides limited match to funds raised by the DEC
 - Up to two year funding potential at up to \$100,000 each year
 - DEC required to:
 - Raise match of \$100,000 in year one and \$200,000 in year two
 - Host programming for Dallas residents and students
 - DEC provides a “Dallas bias” to accelerator companies which increases their likelihood of staying in Dallas after graduation.

Term sheet conditions are attached as an appendix.

What is the DEC?

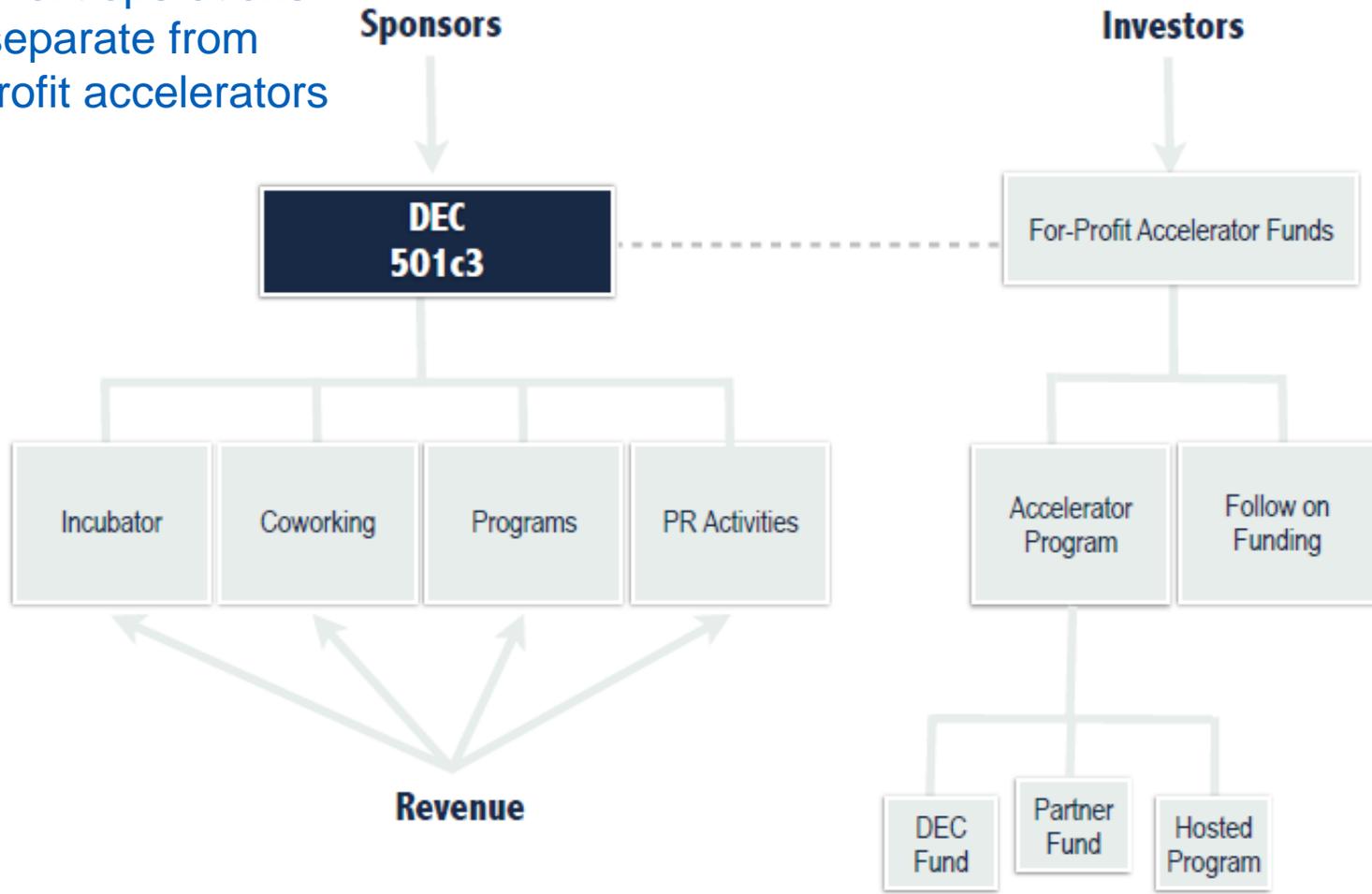
- Texas nonprofit
- A location where entrepreneurs can receive training, education, mentorship, promotion and capital
- Staffed by:
 - **Trey Bowles**, Chair, Startup America: Texas Region
 - **Jeremy Vickers**, Managing Director of Innovation, Dallas Regional Chamber
 - **Jennifer Conley**, Director, Alcatel-Lucent
 - Gravity Center



- To encourage and equip the entrepreneurial community to be one of the world's best startup ecosystems
- Programs include
 - Venture capital office hours
 - Hands on mentoring programs
 - Community educational and networking events
 - Seed Accelerator programs
 - Venture Spur in July 2013
 - A.H. Belo media accelerator

DEC Organization

Nonprofit operations are separate from for-profit accelerators



DEC Matching Partners



DEC Facility

- Centrally located in Design District
- A physical hub for startups in Dallas
 - Can accommodate dozens of startup companies
 - Open layout for common work areas
 - Nights and weekend space
 - Community and event space
 - Location for training and networking events
- Reduces overhead cost for seed accelerators
 - Up to four accelerators can rotate annually
 - After graduation, accelerator companies can rent coworking space at the DEC

DEC Facility



What is a Seed Accelerator?

- Mentorship, network building and seed funding
- Single industry focus (e.g. telecom software, education software)
- Accelerator company recruits investors
 - Successful entrepreneurs in the industry
 - Typical \$25K investment each
 - Vote to create a portfolio of 5-10 companies
 - Become mentors to portfolio companies
 - Funds split between accelerator administration and investment
- Companies relocate to accelerator site and enter an intensive business development program
- Graduation “pitch day” provides opportunity for companies to receive additional funding or partnerships

Venture Spur Accelerator



VentureSpur is a venture accelerator and seed capital fund dedicated to identifying and developing early-stage, high-growth ventures.

Dallas
class
begins on
Monday,
July 29th

Program Benefits

- *seed investment of \$15k
- *12 week accelerator program
- *additional investment for certain companies
- *mentor sessions (around 60 mentors)
- *education
- *training
- *events
- *pitch day to accredited investors

A.H. Belo Accelerator



A.H. Belo

DMN has agreed to be a part of the DEC's first new media accelerator.

The goal of the new media accelerator is to find new media startups that can add value to the A.H. Belo stable of companies, technologies, and content offerings. We will partner with DMN and other to create the premiere new media accelerator in America

** The recent acquisition of Belo Corp. by Gannett Co, Inc. did not include the A.H. Belo Corporation, which is separate and apart- DMN 6-13-2013*

DEC Funding & Programs

- \$221,267 first year budget, \$608,829 second year budget

Program	2013	2014
Personnel	\$ 131,767	\$ 384,829
Overhead	\$ 35,000	\$ 90,000
Events, misc.	\$ 54,500	\$ 134,000
Total	\$ 221,267	\$ 608,829

Next Steps

- Economic Development Committee approval for Council consideration on June 26th of \$200,000 for DEC operations for two years
 - Funding source: Public Private Partnership Program.
 - Overall program funded in \$100,000 increments for two years for a total of \$200,000.
 - Subject to 1:1 first year and 2:1 second year outside match.

Appendix: Term Sheet

The City of Dallas recognizes the important role startup and entrepreneurship-based programs can play to returning Dallas to a leadership position in Entrepreneurship. Accordingly, the City of Dallas agrees to prepare a Council resolution and development agreement to accomplish the following:

Permit a nonconforming application under the Public/Private Partnership Program to provide temporary accommodation to programs that support startup businesses for the purposes of training, education and mentorship activities and rental allowance.

Provide a Chapter 380 grant in an amount not to exceed \$100,000 to the Dallas Entrepreneur Center (DEC) in the first year, subject to the DEC:

- Raising \$100,000 to match to the City's first year contribution to support programming and facilities for the DEC and providing City verification of budget sources and uses,
- Hosting four of the 2013 VentureSpur portfolio companies in the City of Dallas,
- Securing a letter of intent from A.H. Belo to launch a media-focused accelerator at the DEC during the first year,
- Providing a DEC board seat to be appointed by the City Manager,
- Hosting all accelerator graduating class pitch events in the City of Dallas,
- Including SourceLinkDallas partners in their DEC event marketing distribution lists to encourage participation by City of Dallas residents, and
- Offering monthly tours of their program to City of Dallas youths.

Each time during the first year that DEC verifies that it has raised \$25,000 in matching funds, City will pay DEC \$25,000 in grant funds (not to exceed to the total grant amount for the first year), subject to DEC's ongoing compliance, as applicable, with the terms listed above.

Appendix: Term Sheet

Provided DEC has met all first year grant requirements, provide a Chapter 380 grant to the DEC in an amount not to exceed \$100,000 in the second year subject to DEC raising \$200,000 to support programming and facilities for the DEC and providing City verification of budget sources and uses

Additional continuing activities include:

- Hosting all accelerator graduating class pitch events in the City of Dallas,
- Including SourceLinkDallas partners in their DEC event marketing distribution lists to encourage participation by City of Dallas residents, and
- Offering monthly tours of their program to City of Dallas youths.

Each time during the second year that DEC verifies that it has raised \$50,000 in matching funds, City will pay DEC \$25,000 in grant funds (not to exceed the total grant amount for the second year), subject to DEC's ongoing compliance, as applicable, with the terms listed above.

All economic development incentives negotiated by City staff are subject to final approval by the City Council and the execution of a mutually satisfactory contract.