

To the Mayor and Members of the City Council**March 27, 2020**

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**SUBJECT: LEASE AND OPERATING AGREEMENT WITH ACCELERATE DFW FOUNDATION, INC.**

On June 2, 2013, (M&C L-15561) the City Council authorized the execution of a lease and operating agreement with The BAC Education Foundation, Inc. to operate a business incubator at the former Guinn Elementary School Building located at 600 East Rosedale. Business incubators are used as a successful mechanism to start, assist and stabilize businesses by increasing the probability that these small businesses will succeed. Successful businesses, in-turn, create jobs and contribute to economic growth, as demonstrated by the success of the technology-focused business incubator, Tech Fort Worth, which is located in the former Guinn School Industrial Arts and Gymnasium Building.

The City's component of the Fort Worth Business Assistance Center (BAC) is part of the Economic Development Department and is located in the former Guinn Middle School Building, along with other business support organizations that provide business training, counseling and financing. The BAC Education Foundation has historically served as a non-profit component to the BAC and supports the mission of the BAC by seeking and obtaining corporate sponsorships to support programs like the Fort Worth Business Plan Competition. The Foundation represents a public/private partnership with the City as reflected by its Board of Directors, which consists of major corporate representatives and small business owners who possess a broad range of business expertise and experience. A key element of this public/private partnership is financial support to the Foundation for operation of the business incubator through a State grant the City receives from a partnership with the University of North Texas Health Science Center (UNTHSC).

In 2018, after an assessment of its structure and mission, the Foundation shifted their model to a business accelerator. Along with this change in focus, the Foundation began doing business as Accelerate DFW Foundation, Inc. A business accelerator, while similar to a business incubator, is a program that gives developing companies access to mentorship, investors and other support that can help them become stable, self-sufficient businesses. In addition to mentorship and investment opportunities, a business accelerator gives growing companies access to logistical and technical resources, shared office space, and connections to a network of peers whose experience they can learn from. Since the Foundation already supports the mission of the BAC, provides business expertise and experience, has extensive history with supporting the mission of the BAC and is able to seek private sector sponsorships and other funding sources, it is uniquely positioned to manage and operate the business accelerator. To assist the Foundation in fulfilling its role to manage and operate the accelerator, the City will lease the former Guinn Elementary School Building to the Foundation for \$1.00 per year for a three-year period with an option to renew annually for three additional consecutive years for \$1.00 per year. The lease terms of the Agreement between the Foundation and the City are:

- The lease begins immediately upon execution of the Agreement and continues for two-years, with two one-year renewal terms exercisable by the City;
- The Foundation will use the leased building as a business accelerator and will sublease offices within the facility to its clients to support their growth and development;

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- The Foundation will retain all sublease revenue generated by clients;
- The City will cover building utilities, maintenance, security, janitorial, insurance and any taxes, if any, imposed on the property using existing UNTHSC grant funds available; there will be no new impact to the general fund; and
- Either party can terminate the lease for cause or convenience and shall provide a 90 day notice of intent to terminate.

The operating terms of the Agreement between the Foundation and the City are:

- The City will pay to the Foundation, contingent upon grant fund availability, a lump sum in the amount of \$50,000.00 in UNTHSC grant funds upon execution of the Agreement;
- The City will pay \$50,000.00 in UNTHSC grant funds each subsequent year to the Foundation, with City Council approval through a Mayor and Council Communication, and contingent upon grant fund availability. The payment of UNTHSC grant funds will be dispersed in two bi-annual installments in the amount of \$25,000.00 beginning in June 2020;
- The Foundation will pursue and retain private sector sponsorships and other funding sources identified to help offset operating costs;
- The Foundation shall be responsible for generating sufficient funds to cover the remaining costs of operating the accelerator that will not be covered by the grant;
- The Foundation shall provide quarterly reports and an annual report to the City regarding accelerator operations and shall include relevant information requested by the City (e.g. number of companies in the accelerator, terms and duration of subleases, basic client company information, entrance and exit criteria, training and support services provided or referred, number of companies graduated, jobs created, jobs retained, financial information regarding operations, and other reasonable information determined by the City);
- The Foundation shall be responsible for hiring appropriate personnel required to effectively manage and operate the accelerator;
- The City shall designate a primary liaison to the Foundation to serve as its primary point of contact and for communication and discussion of relevant matters; and
- The Foundation shall meet periodically or as needed with the City to discuss accelerator operations and other relevant matters.

Staff will place an M&C for City Council consideration on the March 24, 2020 agenda, recommending approval of the Agreement as outlined above. If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager