CITY OF GLENDALE, CALIFORNIA
REPORT TO THE SPECIAL CITY COUNCIL

AGENDA ITEM

Report: Authorization to Negotiate with Up to Two Start-Up Accelerator Proposer(s) to Develop and Implement the Start-Up Tech Accelerator Program

1. Motion Authorizing the City Manager to negotiate and execute professional services agreements with Children's Hospital Los Angeles (KidsX Digital Health Accelerator) and Hero House Glendale for the operation and program management of a Start-Up Tech Accelerator ("Accelerator") located in Glendale

COUNCIL ACTION

Item Type: Action Item

Approved for _____May 19, 2020_____ **calendar**

ADMINISTRATIVE ACTION

Submitted by:
Philip S. Lanzafame, Director of Community Development

Prepared by:
Jennifer Hiramoto, Deputy Director of Community Development

Reviewed by:
Michele Flynn, Director of Finance
Roubik R. Golanian, P.E., Assistant City Manager
Michael J. Garcia, City Attorney

Approved by:
Yasmin K. Beers, City Manager

{{section.number}}2

RECOMMENDATION

Staff recommends that the City Council authorize staff to negotiate and enter into a contract with up to two qualified proposers to operate and manage the Start-Up Tech Accelerator ("Accelerator") located in Glendale.

BACKGROUND/ANALYSIS

In recent years, the Glendale Economic Development Division has focused efforts on fulfilling the Glendale City Council's vision of creating a vibrant Downtown district, including attracting office users to fill downtown office vacancies. Cultivating the technology sector in Glendale was seen as the next step in invigorating Downtown and the City as a whole, as it supported the notion that diversifying the local office market leads to a stronger local economy and more vibrant City.

On February 23, 2016, the City Council engaged Estolano Advisors to develop a roadmap for Glendale's tech sector. The Glendale Tech Strategy report, published in 2017, revealed the diversity of Glendale's tech economy and a highly-educated workforce. An executive summary of activities that have occurred since the adoption of the Glendale Tech Strategy is attached as **Exhibit 1**.

Since the adoption of the Tech Strategy on January 24, 2017, staff has implemented many of the recommendations, including developing programming, attracting co-work space operators, and assisting in the expansion and attraction of top tech firms. While all successful efforts, more can still be done to support the ecosystem of innovation, particularly for early stage founders. Establishing a place for technology and innovation through the creation of an accelerator was also a recommendation in the tech strategy.

WHY ACCELERATORS MATTER

For start-ups, accelerators offer a time-bound cohort-based program that includes mentorship and educational components that often end with a public demonstration event. These start-ups generally have developed an idea and need some assistance to bring it to reality or further advance their small business. Applicants are rigorously screened and only a small percentage are accepted. Once accepted, applicants have access to seasoned entrepreneurs and mentors, and may be provided with seed money in return for equity in the company. Accelerators can have a broad or more narrowed focused (e.g. digital media, energy, healthcare). Accelerators provide a suite of services that are individually costly and often take years to access, and compress these services into a few intensive weeks or months.

ACCELERATOR RFP INITIAL RELEASE - 2018

To further stimulate the growth of the start-up ecosystem, the City has been working on the development of an accelerator program. On July 10, 2018, the City Council authorized staff to release a RFP seeking qualified accelerators. The City Council authorized a program budget of $50,000 a year over a three-year period. Five proposals were received, two of which did not meet minimum qualifications and were consequently not invited to move forward. Ultimately, it was decided not to move forward with the RFP and to re-issue it should more resources become available.

Following the first RFP experience, staff used it as an opportunity to refine the RFP in an effort to get a high-quality accelerator program. Staff conducted a series of interviews with past proposers as well as accelerators that did not propose on the first RFP, to gain an understanding on why they did not apply. Among the reasons was that the $50,000/a year budget was not sufficient. One suggestion to develop more funding was to research grant opportunities through the State of California.

In June 2019, Senator Anthony Portantino announced that he successfully secured a $1 million grant for the City of Glendale from the State of California Governor's Office of Business and Economic Development (GO-Biz) to launch and support a Start-Up Tech Accelerator ("Accelerator"). On November 15, 2019, the City of Glendale received a $1 million check from the State of California, and as part of the agreement, the City will be responsible for allocating these funds to a qualified accelerator or accelerators over a period of three years. The City of Glendale is required to submit annual reports to the State of California, and to notify the State of any changes to the proposed budget and project scope.

OUTREACH

Since the announcement that the City would be receiving the funds, Economic Development staff engaged in an aggressive outreach strategy to the start-up community, potential corporate businesses and accelerator operators. Outreach efforts included Community Engagement and a Survey of Accelerator Program, Stakeholder Engagement, and Operator Engagement.

This due diligence was helpful in determining the following:

1) There is a strong need for an accelerator program in the Tri-Cities region. Currently, start-up companies travel outside of Glendale, Burbank and Pasadena to obtain services such as mentorship and access to investors.
2) There is a thriving start-up community in Glendale, and many champions here to support them.

{{section.number}}2

3) A successful accelerator will rely on strategic partnerships, including support from local non-profits like the Glendale Chamber of Commerce, neighboring cities, colleges and universities, local companies and the City of Glendale.
4) A foundation for success has been laid with efforts the Glendale City Council has undertaken through the development and implementation of the Tech Strategy.
5) Start-Ups have the potential to be high growth companies that may evolve into top revenue generators, job creators and problem solvers.

This due diligence combined with the 2018 RFP experience was used to re-draft a RFP with the goal of yielding proposals that can have a greater impact to Glendale and the region.

RFP 2020 – RE-RELEASE WITH $1 MILLION BUDGET

On December 13, 2019, the Glendale City Council authorized staff to move forward with the release of a Request for Proposal, utilizing the $1 million State grant. The intent was to hire a qualified accelerator operator or operators over a period of three years, depending upon successful completion of the evaluation requirements. This is described in the Request for Proposal ("RFP") (Exhibit 1). The $1 million grant fund will be allocated to tenant improvement costs, contractual services, and to the implementation of an accelerator program. Per the Agreement with the State, the City is expected to financially contribute approximately $150,000 over the three-year period. Assuming the Accelerator operator utilizes City-owned property at 250 N. Orange, this funding can come in the form of a subsidized rent and associated tenant improvements.

The goals of the Accelerator include:

1. Showcase the local start-up community and provide emerging companies with the tools and support they need to succeed and thrive in Glendale and the Tri-City Region;
2. Promote Glendale and the region as an innovation hub; and,
3. Drive local economic development through supporting entrepreneurs and potential high-growth start-ups that may generate revenue, create high-wage paying jobs, and creating products/ideas that are solving problems.

The primary objectives of the qualified respondent will include the following:

1. Establish, launch, and operate a Start-up Accelerator;
2. Develop a marketing and recruitment plan for companies;
3. Develop programming that would include, but is not limited to: business coaching, networking, mentoring, and investment opportunities;
4. Develop quantifiable metrics to gauge Accelerator success;
5. Maximize $1 million in grant funding over three (3) years and identify funding sources and/or in-kind services for continued operation of the accelerator beyond three years; and,

{{section.number}}2

6. Emphasize recruitment of local Glendale and Tri-City-based companies and market the accelerator as a way to promote the region.

The City released the RFP on January 15, 2020, and advertised the RFP in the following locations: City of Glendale social media, City of Glendale RFP page, Economic Development newsletter, Glendale Chamber of Commerce, Glendale Tech on Tap announcements, Alliance for So Cal Innovation, Pasadena Angles, and distributed to all those that expressed interest during our due diligence period.

A summary of key business terms in the RFP include:

- Term: A three-year term. Funds will be disbursed each year following successfully fulfilling metrics.
- Operating Date: The City will have an agreement with the operator tentatively executed by June 2020.
- Companies Supported: A minimum of ten companies per cohort, with preference for running at least two cohorts per year. In addition to events for accelerator participants, programming including events to support the start-up community at large is encouraged.
- Glendale Stakeholders: Applicant must demonstrate a commitment and a plan to engage the Glendale tech ecosystem with partners such as Glendale Community College and other local businesses, schools and non-profits.
- Accelerator Location: The Accelerator must have a physical location within the City of Glendale. As an option, it is suggested that the City offer a city-owned commercially zoned space at 250 N. Orange Street (former Plaza Bank site).
- Lease: As part of the City's economic development program, staff proposes leasing the tenant space located at 250 N. Orange Street for $1 per year for the first three years (not including utilities).

The full RFP is attached as **Exhibit 2.**

ANALYSIS

PROPOSALS RECEIVED

The deadline for submittals was March 11, 2020. In total, 20 responses were received.

APPLICANT NAME	FIRM
Jacob H. Yahiayan	Continental Advisory Services
Christopher Lynch	IBA DMZ USC Accelerator
Miki Reynolds	Grid110 & Hacker Fund
Bob Genthert	EvoNexus
Joe Vasquez	iLab Collective

{{section.number}}2

Anthony Palma	NextGen Media Foundry
Omkar Kulkarni	Children's Hospital Los Angeles
Jerry Power	I3 Consortium
Blair Dodson	WeWork
Brian Mac Mahon	Expert DOJO
Robin Lee	ListVentures & Sophist Capital
Richard Watson	Green2Gold
Kelly Owens	Cal Lutheran University
David Murphy	TechFire
Hambardzum Kaghketsyan	Hero House
George Bandarian	Untapped
Randi Salko	Womens Startup Lab
Ruzanna Dinger	
Mehrad Moeini	Plug and Play
Brian Horner	Tech Coast Angels

SELECTION COMMITTEE

A Selection Committee ("Committee") was assembled to review the proposals. The Committee was comprised of individuals that have been instrumental in nurturing the Glendale ecosystem of technology and innovation, and include representatives from the private and public sectors:

- Ara Aslanian, President and CEO of Inverselogic and Chairman of the Verdugo Job Center;
- Elena Bobolian, Director of Innovation, Performance and Audit for the City of Glendale;
- Alex Bruno, Founder of Bruno Group Inc., and Chairman of the Glendale Chamber of Commerce;
- Cecilia Estolano, President of Estolano Advisors, who worked with Glendale to create the Glendale Tech Strategy;
- Chris Lucas, Founder and Managing Director of Glendale-based Black Diamond Ventures; and,
- Gillian Van Muyden, Chief Assistant Attorney for the City of Glendale

Economic Development staff supported the Committee, but did not serve as official raters.

SELECTION PROCESS AND EVALUATION CRITERIA

Given the COVID-19 pandemic and the limitation of in-person meetings, the Committee utilized video conferencing tools to hold all interviews and deliberations. Economic Development staff served as host to all the virtual meetings.

The Accelerator Selection Process included the following steps:

- **April 2, 2020:** The Committee and staff met to discuss their initial ratings of the proposals. It resulted in narrowing down the pool from 20 to the top nine candidates, based on the evaluation criteria detailed below.
- **April 14 and 15, 2020:** Virtual interviews with nine qualifying candidates.
- **April 29, 2020:** Second round of interviews with final four candidates.
- **May 2, 2020:** Final Selection.

The Evaluation Criteria utilized included the following:

- **Proposed Plan and Approach**, including level of detail and viability in the proposed plan. Specifically, applicants were rated on: Curriculum module and/or service; Targeted participants; Recruitment process; Efforts to Advance the Glendale Tech Strategy; Quantifiable metrics; and, Marketing and branding.
- **Relevant Qualifications and Experience,** including: Experience in developing, implementing, and operating an Accelerator program; Qualification and experience of key personnel, including past experience and relationship between the primary entity and program partners; Connection to or planned partnerships; and References.
- **Financial Capacity**, including: Detailed line-time budget; Proof of leverage funding; and, Demonstrated financial stability, readiness to process, and ability to meet the City's general terms and conditions, including contract terms.
- **Commitment to the Glendale Tech Community**, including: Viable physical location for the accelerator located in Glendale; and, Demonstrated commitment and plan to engage the Glendale tech ecosystem to coordinate a series of events and/or activities to market itself to the community beyond the accelerator program.

Interviews – April 14 and 15

After completing the initial interview, staff held interviews with the top nine candidates with the highest scores, based on the Evaluation Criteria. The companies that received interviews included:

NAME	ACCELERATOR OPERATOR
Christopher Lynch	IBA DMZ USC Accelerator
Miki Reynolds	Grid110 & Hacker Fund
Omkar Kulkarni	Children's Hospital Los Angeles
Brian Mac Mahon	Expert DOJO
Kelly Owens	Cal Lutheran University
Hambardzum Kaghketsyan	Hero House
George Bandarian	Untapped
Mehrad Moeini	Plug and Play
Brian Horner	Tech Coast Angels

Interviews included questions of proposers asking why they believed their proposal made sense for the Glendale community, what part of their proposal needed to be changed due to COVID-19, and lessons learned from other accelerators that could be applied toward the Glendale Tech Accelerator.

The scores are detailed as follows:

	Cal Lutheran	CHLA	Expert Dojo	Grid 110 /Hacker Fund	Hero House	USC/IBA/DMZ	Plug & Play	Tech Coast Angels	Untapped
Proposal Score (100)	87.5	89.8	82.0	85.0	84.8	84.7	80.3	72.0	84.0
Interview Score (40)	29	38.8	24.5	33.3	35	31.8	21.5	27.3	25.8
Total (140)	116.5	128.6	106.5	118.3	119.8	116.5	101.8	99.3	109.8

INTERVIEWS – 2ND ROUND, REFERENCE CHECKS AND INDEPENDENT VERIFICATION

The Committee interviewed the top four candidates. As there was a tie between Cal Lutheran and USC/IBA/DMZ, the Committee favored the candidate with the higher interview score. Following the second interviews, staff reached out to their references and listed partners of the following: CHLA, Hero House, USC/IBA/DMZ, and Grid 110.

Staff also sought out independent verification (outside of their listed references) of the final candidates in an effort to understand reputation, fit with the community and the region, ability to perform and potential to partner. Independent Verification calls were made to the representatives from Verdugo Hills Hospital, Pasadena Angels, Disney Accelerator, Glendale Community College, HIVE Ventures, Innovate Pasadena and the City of Burbank's Economic Development Department.

TOP 3 RANKED PROPOSALS

Through that process, the Committee narrowed it down to the top three proposals:

1. Children's Hospital Los Angeles
2. Tie – Hero House
2. Tie – Grid 110/Hacker Fund

The fourth proposer, USC/IBA/DMZ was eliminated due to undeveloped marketing plan, international focus that lacked a tie to the Glendale, and partnerships were not as strong as the other candidates.

Below is a summary of the top three ranked proposals, proposal strengths and weaknesses. Proposals in their entirety are attached to this report as **Exhibits 3, 4 and 5.**

<u>**Rank: 1**</u>
Children's Hospital Los Angeles (CHLA) - KidsX Digital Health Accelerator
Funding Request: $500,000
Focus: Healthcare – Digital Healthcare/Pediatrics, with emphasis on pre-seed or seed stage

Proposal Summary:

- CHLA is a not-for-profit organization founded in 1902. The Children's Hospital Los Angeles Innovation Studio was founded in 2018, and the Accelerator was founded in 2019.
- The CHLA Innovation Studio, housed within CHLA, will be responsible for operating the Accelerator.
- The KidsX Accelerator will focus on advancing digital health innovation for pediatric health and healthcare. Start-up companies focused on pediatric health and healthcare will be prioritized for admission into the program. Pediatric health services include the use of artificial intelligence, gamification, virtual, augmented

{{section.number}}2

or mixed reality, a mobile app, voice-enabled services and remote monitoring, among others.

- 10 companies/year.
- Companies must be willing to work in Glendale during the duration of the Accelerator program.
- Will utilize city-owned site 250 N. Orange.
- 3-month accelerator program, but will occupy space for six months per year for a period leading up to the selection of the firms, and the period at the conclusion of the program for events such as a Demo Day.
- There are 18 member hospitals, and each one is offering five mentors to offer free mentorship during the 13-week accelerator program.
- The KidsX Accelerator will advance the Glendale Tech Strategy through hosting two Tech on Tap meet-ups, hosting two start-up pitch competitions, actively participating in Glendale Tech Week, host an annual hackathon, host an annual Demo Day, and hire students from Glendale Community College as interns.
- Proposed Managing Director: Omkar Kulkarni, Chief Innovation Officer, CHLA.

Proposal Strengths:
- CHLA already has two successfully run accelerators at CHLA's Innovation Studio, the KidsX virtual accelerator, and Consortium for Technology and Innovation in Pediatrics.
- This will serve as the first Pediatric-focused digital health accelerator in the world.
- CHLA already has a physical presence in Glendale at their administrative offices at 800 N. Brand Blvd. The accelerator would still utilize the City-owned space.
- Focuses on a sector (healthcare) that is a strength in Glendale, accounting for nearly 30 percent of the City's daytime employment; and focused on a segment of the population (people under 18 years old) that accounts for 18 percent of the population in Glendale.
- Provides innovation in a field that is very timely and relevant.
- Only asking for $500k
    - Additional funding not necessary, but proposal not feasible with less funding.
- During independent verification, large stakeholders such as the Disney Accelerator and Verdugo Hills Hospital said they could envision a partnership.
- Other Children's Hospitals around the country have confirmed their participation by way of funding and providing resources.
- Would partner with Glendale Community College and the Glendale Unified School District to leverage the benefit beyond just the accelerator.
- Notable brand.

Proposal Weaknesses:
- Narrowly focused on pediatric healthcare.

{{section.number}}2

Their full proposal is attached as **Exhibit 3**.

<u>**Rank: 2 (tied)**</u>
Hero House
Funding Request: $1,000,000
Focus: Non- Specific Industry Focus

Proposal Summary:

- Hero House Glendale will be established by SmartGateVC, and backed by Draper University of Heroes in San Mateo, CA, and the Armenian Engineers and Scientists of America (AESA).
- Hero House was established by the founders of SmartGate VC in Yerevan, Armenia, in 2017 with the mission to build a pipeline of extraordinary investment opportunities.
- Two Cohorts Per Year:
    - Gateway to LA: 3-month program
    - Scaling Heroes Accelerator: 5month program
- Would support City programming such as Glendale Tech Week and Tech on Tap, and would develop their own programming such as Demo Days, panel discussions, mentor hours, and events.
- 20 companies per year will be supported in two separate cohorts.
- Goal is to have, under one roof, a leading Science, Technology, Engineering and Match organization, venture capitalists, and tech companies.
    - Armenian Engineers and Scientists of America (AESA), Armenian General Benevolent Union (AGBU) and HyeTech, an informal network Armenian professionals across the world, are affiliated with this proposal.
- Separate 7,000 square foot location secured at 326 Mira Loma Ave, Glendale.
- Potential Launch Date: Fall 2020 (This is contingent upon US travel policies).
- Managing Director: Hambardzum Kaghketsyan, Co-Founder of Hero House

Proposal Strengths:
- Already successful model in Armenia.
- Established relationships with local companies and associations, including Service Titan, DISQO, and AESA.
- Established relationship with Silicon Valley-based entrepreneurs and organizations, including:
    - Tim Draper, and Draper University.
    - Funding arm through SmartGate Ventures, a Silicon Valley-based firm that anticipates having a stronger presence in Glendale as a result of Hero House's establishment.
    - HyeTech, based out of Silicon Valley but with locations across the world, to establish a Glendale chapter. This is an informal network of Armenian professionals across the world.

{{section.number}}2

- While Hero House has strong connections and networks to Eastern Europe and Armenia, Hero House is open to all individuals.
- A set of entrepreneurship programs will be developed to support high school and university students.
- Serves as a landing pad for international entrepreneurs, particularly those from Eastern Europe. This further expands the City's economic development opportunities beyond the scope of Southern California.

Proposal Weaknesses:
- Perceived narrow focus on a specific demographic though Hero House has assured that this is not the case.
- If their program is not fully funded, it reduces their capacity to deliver on one of the listed accelerator cohorts, as described below.

Hero House - Alternative Proposal with Reduced Funding:

- Given that CHLA was the top ranked proposal, Hero House was asked to present an alternative scope with reduced funding ($500,000 or $250,000).
  - $500,000 over three years – This would result in only focusing on one accelerator program, the three-month "Gateway to LA" cohort, and eliminating the five-month cohort, "Scaling Heroes." As originally envisioned, the Gateway to LA cohort was intended for international or out-of- state companies looking to expand their product in Southern California. If funds are reduced, in lieu of offering the "Scaling Hero's" program, the "Gateway to LA" program could be broadened beyond just allowing international applicants to also accepting applicants from Glendale and/or southern California. Total companies assisted would be 30.
  - $500,000 over two years – This would enable two cohorts of the Gateway to LA program to be run twice year, totaling 40 companies.
  - $250,000 over three years – This would result in half the number of companies assisted, totaling 15 companies.
  - $250,000 over two years – This would result in half the number of companies assisted, totaling 20.

Hero House's full proposal is attached as **Exhibit 4.**

Rank 2: (tied)
Grid 110/Hacker Fund
Funding Request: $1,000,000

Focus: Non-Specific Industry/Pre-Seed/Early Stage

{{section.number}}2

Proposal Summary:

- GRID 110, an active non-profit accelerator established in 2015 to activate the start-up ecosystem in Downtown Los Angeles, is the lead proposer. They partnered with Hacker Fund, a non-profit established in 2014 to empower technologists to create social change through events such as hackathons.
- 2 cohorts/year:
  - Idea to Product – 8-week program
  - Residency – 12-week program
- 25 companies/year
- Over the next three years, will provide a minimum of 80 free education sessions to startup founders, grow a community of 75 companies locally, and engage community through monthly Tech on Tap events, student internships, quarterly hackathons, and additional community initiatives.
- Assume location at 250 N. Orange
- Managing Director: Nina Klein, Glendale-resident who serves as an Expert in Residence at Grid 110.

Proposal Strengths:
- Already successful model in DTLA, and now expanding to South LA.
- Established relationships across Los Angeles and Southern California, with established investment funds, existing accelerator operators, existing community partners such as Bixel Exchange, Innovate Pasadena, and General Assembly, co-working spaces, and local colleges and universities.
- Free program, and no equity taken.
- Have a grant from City of LA, and can work with government process.
- Can serve the broader start-up community, which is attractive to partners outside of Glendale and those that wouldn't fit in within the CHLA KidsX Accelerator.
- Will establish a Glendale Student Internship Program.
- Letters of support provided included Office of Mayor Eric Garcetti and TechStars.
- Prepared to take on all programming of Tech Week and Tech on Tap, currently run by the City of Glendale Staff.

Proposal Weaknesses:
- Proposal not as strong as CHLA due to access to funding, global support from other Children's Hospital, and Managing Director's experience in launching two other successful accelerators for Cedars Sinai and CHLA.
- Anything less than the full funding amount would result in GRID 110 serving as a secondary partner, and Hacker Fund taking the lead. Hacker Fund is very strong in events, but the accelerator resources provided by GRID 110 is the preference.

GRID 110/Hacker Fund - Alternative Proposal with Reduced Funding:

- Given that CHLA was the top proposal, GRID 110 was asked to present an alternative scope with reduced funding ($500,000 or $250,000).

  o $500,000 – Both the **Tech Accelerator Program** and the **Community Programs** will be offered. Hacker Fund, not Grid 110, would operate the Tech Accelerator Program with 1 to 2 cohorts a year with up to 10 companies per cohort. Hacker Fund would still be committed to taking on the community programming, including Glendale Tech Week and Tech on Tap. Grid 110 does not have the financial capacity to take on the Accelerator without full funding. Grid110's involvement would include: office hours for selected companies, marketing support (newsletter + social) for programs and community events, mentorship and co-production/collaboration on events, ie. Demo Day.

  o $250,000 – Under this scenario, Hacker Fund would develop the Community Program portion of this proposal. In addition to the efforts related to Glendale Tech Week and Tech on Tap, they would also develop a Hackathon Program four times a year, and develop Glendale Student Internship Program. There would not be an accelerator.

GRID 110/Hacker Fund's full proposal is attached as **Exhibit 5.**

RECOMMENDATION

The guiding principles in this selection process were as follows:

1) Achieve the Stated Goals of the Glendale Tech Accelerator:
   a. Showcase the local start-up community and provide emerging companies with the tools and support they need to succeed and thrive in Glendale and the Tri-City Region.
   b. Promote Glendale and the region as an innovation hub.
   c. Drive local economic development through supporting entrepreneurs and potential high-growth start-ups that may generate revenue, create high-wage paying jobs, and create products/ideas that are solving problems.

2) Achieve the Stated Objectives of the Glendale Tech Accelerator:
   a. Establish, launch, and operate a Start-Up Accelerator;
   b. Develop a marketing and recruitment plan for companies;
   c. Develop programming that would include, but is not limited to: business coaching, networking, mentoring, and investment opportunities;
   d. Develop quantifiable metrics to gauge Accelerator success;
   e. Maximize $1 million in grant funding over three (3) years and identify funding sources and/or in-kind services for continued operation of the accelerator beyond three years;

{{section.number}}2

f. Emphasize recruitment of companies supporting Glendale and the Tri-Cities industries;

g. Market the accelerator as a way to promote the region; and,

h. Absorb and/or work alongside City of Glendale programming efforts established to support the Glendale Tech ecosystem. Programming efforts include Glendale Tech Week and Glendale Tech on Tap.

As such, the Selection Committee recommends the following:

1. Fully fund CHLA for its request of $500,000, and fund Hero House with its amended proposal of $500,000. Advantages to this approach include the following:

   a. This option enables the City to provide two fully functioning accelerators, both of which have secured private/non-profit investment to supplement government funds.

   b. Both accelerators – while they have distinct focuses – each play an important role to Glendale and the greater Los Angeles region.

      i. CHLA KidsX Accelerator - Healthcare is one of Glendale's top employers, and more innovation in the field of digital healthcare is paramount given the current pandemic. A specific focus on pediatrics is a distinction that has the potential to be a powerful business-attraction tool and unique branding opportunity for Glendale.

      ii. Hero House - An accelerator focused on supporting the broader entrepreneurship base while also offering a developed Armenian-American business network that uniquely serves Glendale.

   c. Both entities have expressed a strong desire and provided a path-forward to being self-sufficient at the term of the three-year agreement. This is vital as the City looks to encourage a vibrant ecosystem lead by the private and non-profit sectors.

Other considerations include:

- Return on Investment:
  o Under this scenario, CHLA and Hero House are proposing to support 20 companies per year. That equates to investing approximately $16,667 in each company to receive these funds. Additionally, there are other indirect benefits that start-ups and interns not directly participating in the accelerator receive.
  o However, if the fund continues to be split any further, i.e. $500,000 to CHLA, $250,000 to Hero House and $250,000 to Grid 110/Hacker Fund, we run the risk of having a diminishing return on our investment.
- Minimizing Risk:
  o The advantage of providing the grant to multiple parties is that it increases the City's chances to creating a lasting impact, as well as increases the chances for success.

{{section.number}}2

Other options may be considered, including allocating all funding to a broad-reaching program such as GRID 110/Hacker Fund or Hero House. However, the Selection Committee is not recommending that option.

NEXT STEPS

Per the Agreement with the State of California, the City is expected to hire an operator or operator(s) by June 2020. Should the City Council authorize staff to move forward with negotiations and to execute a Professional Services Agreement with CHLA and Hero House, the following next steps would occur:

CHLA
Following successful negotiations, the City would then complete the improvements to the 250 N. Orange Street site prior to CHLA moving in to the location. CHLA is scheduled to start recruiting startups to apply for the program in July 2020. Deadline to apply will be September 2020, and the cohort would officially launch January 2021.

Hero House
Following successful negotiations, including a pre-condition of having a signed lease for the property at 326 Mira Loma Ave., Glendale, Hero House is scheduled to launch their accelerator in Fall 2020, pending US international travel policies.

FISCAL IMPACT

Funding for the accelerator will come from a $1.0 million grant from the State of California that was previously appropriated by the City Council on December 3, 2019, to account number 43110-2160-CDD-0020-CDD00217AG.

On December 3, 2019, City Council also authorized staff to offer a $150,000 financial investment over a three-year period as part of the Economic Development budget. This funding can come in the form of a subsidized rent at 250 N. Orange Street. Of the $150,000 appropriated, $25,000 will be designated for tenant improvements. This funding has already been appropriated and is included in the FY 19-20 budget.

ALTERNATIVES

The following alternatives are presented for City Council consideration:

Alternative 1: Authorize staff to negotiate with CHLA and Hero House in the amount of $500,000 each for the operation and program management of two separate Start-Up Tech Accelerators ("Accelerator") over a three-year period located in Glendale.

{{section.number}}2

Alternative 2: Authorize staff to negotiate with one operator or combination of operators to operate the Start-Up Tech Accelerators ("Accelerator") located in Glendale.

Alternative 3: Do not move forward with pursuing an accelerator at this time. This decision would reduce the number of ways in which the City is creating a space for tech and support the local economy, and may result in the City returning the funding to the State of California.

Alternative 4: The City Council may also consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

Campaign disclosure information is provided below pursuant to the City's Campaign Finance Ordinance No. 5744. All disclosures from each participant can be found in Exhibits 3, 4 and 5.

EXHIBITS

Exhibit 1: Executive Summary – Glendale Tech Strategy

Exhibit 2: Glendale RFP

Exhibit 3: CHLA KidsX Proposal

Exhibit 4: Hero House Proposal

Exhibit 5: Grid 110/Hacker Fund

{{section.number}}2