



**PURCHASING ITEM  
FOR  
COUNCIL AGENDA**

**1. Agenda Item Number:**

**26**

**2. Council Meeting Date:**  
September 15, 2016

**TO: MAYOR AND COUNCIL**

**3. Date Prepared:** September 1, 2016

**THROUGH: CITY MANAGER**

**4. Requesting Department:** Economic Development

**5. SUBJECT:** Amendment to Agreement No. CM5-918-3561 with the Northern Arizona Technology and Business Incubator Inc., dba Northern Arizona Center for Entrepreneurship and Technology (NACET)

**6. RECOMMENDATION:** Staff recommends City Council approve Amendment No. 1 to Agreement No. CM5-918-3561, with the Northern Arizona Technology and Business Incubator Inc., dba Northern Arizona Center for Entrepreneurship and Technology (NACET), for Innovations Incubator management services in a not to exceed amount of \$250,000 for a one-year period, October 1, 2016, to September 30, 2017.

**7. HISTORICAL BACKGROUND/DISCUSSION:** In September 2015, City Council approved a one-year Agreement with NACET to develop a program and method of delivering incubator services to companies physically located at the City's Innovations Incubator facility, as well as companies and individuals located throughout the City. The Agreement commenced on October 1, 2015 and is scheduled to terminate on September 30, 2016. The City has the option to extend the Agreement for up to four additional one-year terms. Staff is requesting City Council approval to extend the Agreement for one additional year, from October 1, 2016, to September 30, 2017.

The goal of the Innovations program is to build a city-wide incubator and entrepreneurial development program that supports and elevates all aspects of the entrepreneurial ecosystem to diversify the employment base and drive business and job growth in Chandler. A qualified incubator operator is critical to building and maintaining the top of class business incubation program the City desires.

NACET has a proven track record of delivering incubation management services that meet industry best practice standards and achieve positive outcomes. During their first year of providing these services for the City, staff has been satisfied with NACET's performance and believes the foundation has been laid for a high-performing business incubation program. Key activities over the past year include:

- Selection of an Executive Director
- Recruitment of a local mentor network
- Establishment of an eight-person local advisory board
- New client outreach and recruitment (Currently serving 18 clients with seven applications to join under review)
- Client counseling with transition to regular counseling and program requirements
- Partner development with TechShop, Gangplank, and other organizations providing services to local entrepreneurs

Staff and NACET have prepared a revised Scope of Work for the second term of the Agreement. This revised Scope of Work defines NACET's obligations in transitioning the Innovations program to a new incubator facility. Additionally, it provides the City Manager or designee with a non-voting, ex-officio position on the NACET board of directors. Performance Targets have also been established for the second term of the Agreement and will be used to evaluate and report progress on NACET's performance of services described in the Scope of Work.

**8. EVALUATION PROCESS:** In September 2015, City Council approved Agreement No. CM5-918-3561, with the Northern Arizona Technology and Business Incubator Inc., dba Northern Arizona Center for Entrepreneurship and Technology (NACET), for Innovations Incubator management services following a competitive Request for Proposal process. NACET has agreed to extend at the same terms and pricing.

Staff recommends extension of the Agreement for a one-year term, October 1, 2016, to September 30, 2017. This is the first extension of the Agreement.

**9. FINANCIAL IMPLICATIONS:** Funds for this agreement are available in the following account:

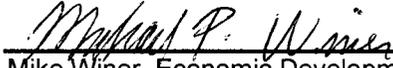
<u>Acct. No.:</u>	<u>Fund Name:</u>	<u>Program Name:</u>	<u>Amount:</u>
101.1590.5219.0000	General Fund	Other Professional Services	\$250,0000

**10. PROPOSED MOTION:** Move City Council approve Amendment No. 1 to Agreement No. CM5-918-3561, with the Northern Arizona Technology and Business Incubator Inc., dba Northern Arizona Center for Entrepreneurship and Technology (NACET), for Innovations Incubator management services in a not to exceed amount of \$250,000 for a one-year period, October 1, 2016, to September 30, 2017.

**11. ATTACHMENT:** Amendment

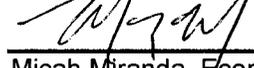
**APPROVALS**

**12. Requesting Department**



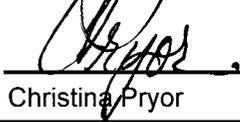
Mike Winer, Economic Development Specialist

**13. Department Director**



Micah Miranda, Economic Development Director

**13. Purchasing and Materials Manager**



Christina Pryor

**14. City Manager**



Marsha Reed

**FIRST AMENDMENT TO  
MANAGEMENT OF INNOVATIONS INCUBATOR  
AGREEMENT NO.: CM5-918-3561**

This First Amendment to Management of Innovations Incubator Agreement (this "First Amendment") is entered into this 31 day of Aug, 2016, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "City", and Northern Arizona Technology and Business Incubator, Inc. dba Northern Arizona Center for Entrepreneurship and Technology (NACET), hereinafter referred to as "Contractor".

**Recitals**

A. City and Contractor entered into that certain Management of Innovations Incubator Agreement dated September 28, 2015 (the "Agreement"), wherein City contracted with Contractor to develop a program and a method of delivering incubator services.

B. The initial term of the Agreement was for a period of one (1) year beginning on October 1, 2015 and ending at 11:59 p.m., Arizona time, on September 30, 2016. However, City was granted the option to extend the Agreement for up to four (4) additional terms of one (1) year each or portions thereof.

C. City and Contractor desire to enter into this First Amendment to amend the Agreement to (i) extend the term of the Agreement, (ii) modify the Scope of Work, (iii) provide for compensation to the Contractor, and (iv) establish specific performance targets.

**Agreement**

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. **One-year extension of current term.** The term of the Agreement, which is set to expire on September 30, 2016, shall be extended for one (1) additional year so as to expire at 11:59 p.m., Arizona time, on September 30, 2017, unless terminated as otherwise provided pursuant to the terms and conditions of the Agreement.

2. **Scope of work.** Contractor shall provide the services as set forth in the Scope of Work attached hereto as Exhibit A and incorporated herein by reference.

3. **Compensation.** City shall pay Contractor an amount not to exceed \$250,000.00 in accordance with the per-unit cost as set forth in the Fee Schedule attached hereto as Exhibit B and incorporated herein by reference.

4. **Performance targets.** Specific performance targets are attached hereto as Exhibit C ("Performance Targets") and incorporated herein by reference and shall be used to evaluate and report progress on Contractor's performance of the Scope of Work.

5. **No further modifications.** Except as modified or amended hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. Any capitalized term not otherwise defined herein shall have the meaning set forth in the Agreement.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names to this \_\_\_\_ day of \_\_\_\_\_, 2016.

FOR THE CITY OF CHANDLER

FOR THE CONTRACTOR

\_\_\_\_\_  
Mayor

By:   
Signature

ATTEST:

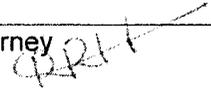
ATTEST: If Corporation

SEAL

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Secretary

Approved as to form:

\_\_\_\_\_  
City Attorney 

## **EXHIBIT A SCOPE OF WORK**

The Contractor will develop a program and a method of delivering incubator services. In the second term of the agreement, major NACET staff activities and deliverables include:

### **Facility Transition to Alternative Location**

- License/lease office space to provide a physical location for NACET and Innovations activities, the location of space provided free of charge will be at the discretion of the host partner
- Manage onboarding (ex. client service agreement, tenant sublicensing agreement, rules and requirements) for both resident and non-resident clients
- Serve as liaison for Innovations clients regarding facility issues
- Work collaboratively with Innovation's partners to solve facility programming and tenant problems

### **Leadership Positions**

- Provide City of Chandler City Manager or designee a non-voting, ex-officio position on the NACET board of directors
- Provide Arizona State University Associate Vice President of Strategic Partnership and Programs, Office of Knowledge Enterprise Development or designee a position on the Innovations Advisory Board

### **Client Recruitment & Development**

- Client recruitment, both resident and non-resident clients
- Client counseling
- Client and prospect assessment
- Client program process development

### **Events**

- Outreach events for clients, mentors, community, investors
- Lunch seminars (ex. marketing, recruiting, customer development)
- Training events (ex. PitchPower, Profit Mastery)
- Executive Speaker Series

### **Partnerships**

- Mentor recruitment
- Partner development (e.g. ASU, TechShop, Gangplank, SBDC, Chandler Chamber of Commerce)
- Explore opportunity for student research and internship program for clients

### **Marketing & Planning**

- Marketing and communications plan launch
- Strategic plan development and implementation

### **Reporting**

- Collect data from clients related to established program performance measures
- Submit monthly reports summarizing progress made per the Scope of Work
- Biannual survey of clients on satisfaction with incubation programming and services

While participating in the program, incubator clients will provide:

- Open book accounting
- Quarterly benchmark reviews
- Monthly reviews
- Monthly Group Client Meeting or CEO peer group participation
- Employment information including new hires, retained employees, average wage
- Investment and capital formation information

**EXHIBIT B  
FEE SCHEDULE**

The fee below is inclusive of all costs associated with performance of services described in the Scope of Work.

**Innovations Incubator Management Services  
Year Two**

**\$20,833.33 per month, inclusive**

The sum of the fees paid to the Contractor for the second term of the Agreement shall not exceed \$250,000.00.

**EXHIBIT C  
PERFORMANCE TARGETS**

The performance targets below shall be used to evaluate and report progress on Contractor's performance of services described in the Scope of Work:

	FY 15-16* Actuals	FY 16-17 Targets
1. Number of Prospect	48	100
2. Total Number of Clients	10	25
3. Number of Clients Progressing from:		
• Track 1 to 2	--	9
• Track 2 to 3	--	7
• Track 3 to 4	--	7
• Track 4 to Graduation	--	2
4. Total Number of Graduates	0	2
5. Number of Graduates Remaining in the City	0	2
6. Number of Jobs Created/Retained by Client Firms	15	50
7. Average Annual Salary of Jobs Created/Retained	--	\$50,000
8. Equity Capital /Grant Funds Raised by Client Firms	--	\$2,000,000
9. Number of Mentors in Local Mentor Network	--	35
10. Number of Events Hosted	13	25
11. Number of Event Attendees	119	400

\*Year-end actuals reported for FY 15-16