



CITY COUNCIL STAFF REPORT

DATE: June 15 2011

UNFINISHED BUSINESS

SUBJECT: APPROVE A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PALM SPRINGS AND THE COACHELLA VALLEY ECONOMIC PARTNERSHIP TO MANAGE THE COACHELLA VALLEY INNOVATION HUB (CVIHUB) AND AN OPERATING BUDGET FOR CVIHUB FOR FISCAL YEAR 2011-2012.

FROM: David H. Ready, City Manager

BY: Community & Economic Development

SUMMARY

On May 18, 2011 the City Council received an update about the status of the iHub statewide Initiative and a progress report on the work completed for the Coachella Valley Innovation Hub (CViHub), including development of the program goals, monthly conference call meetings and quarterly site meetings, the SBA Grant, the development of the CViHub identify, website, and the program framework. Also discussed were the organizational structure and the transfer of the program and services to a non-profit operator. The Memorandum of Understanding between the City of Palm Springs and the Coachella Valley Economic Partnership defines the parameters in which the iHub program will be managed and operated and a budget for the first year.

The statewide iHub Initiative is designed to spur economic recovery and growth by showcasing and supporting California's most promising hubs of innovation. The CViHub Program is a regional partnership between the Cities of Palm Springs, Desert Hot Springs and Cathedral City, focused on renewal energy and clean/green technology.

RECOMMENDATION:

1. Approve a Memorandum of Understanding between the City of Palm Springs and the Coachella Valley Economic Partnership to manage the Coachella Valley Innovation Hub (CViHub) and an operating budget for Fiscal Year 2011-12.
2. Authorize the City Manager to execute all necessary documents.

STAFF ANALYSIS:

As stated in the Coachella Valley Innovation Hub (CViHub) application, the City of Palm Springs is the managing partner for the iHub Program in coordination with the other two partner cities. The application also called for the program to be turned over to a non-profit host to manage and operate the iHub Program.

In the interim, City of Palm Springs staff has participated in the monthly statewide conference calls; attended on-site quarterly meetings; and hosted a statewide quarterly meeting for all iHub designees. Staff has also applied for grant funding to support the goals of the iHub Program to spur development of startup companies and create jobs. The City has also engaged a consultant to establish the iHub organizational structure; develop the iHub identity and collateral materials; and establish roles and fiscal responsibilities between the iHub Partners and Sponsors.

The Memorandum of Understanding (MOU) defines the responsibilities the Coachella Valley Economic Partnership (CVEP) shall assume in managing and operating the CViHub. A budget will also need to be approved in order for CVEP to advance the program and services for iHub and incubator businesses. Some of the responsibilities include hiring a full-time CViHub manager, establishing the programs and services at the 3111 E. Tahquitz Canyon facility; maintaining the website; managing the advisory board and incubator committee; overseeing occupants and leases; providing facility services, such as telephone, high speed internet access, determine rent structure, and overseeing shared services – copier, fax, conference rooms, etc.

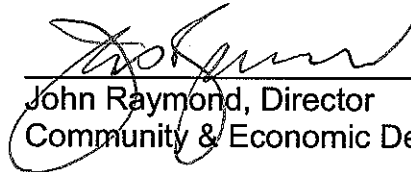
CVEP will also coordinate seminars and workshops that will help startup businesses grow from idea to patent to commercialization to launch and job creation. Seminars and workshops will focus on developing business plans, access to financial assistance, accounting practices, and special interest topics. Other services include professional networking introductions and events, mentoring programs, and access to services providers, such as international trade specialists, E-commerce, and legal services.

The City of Palm Springs has provided the funding to develop the initial phases of the CViHub Program. In 2010-11 fiscal year, the iHub account was established with a beginning budget of \$118,650. Those funds were used primarily for the Enterprise Zone Application (\$45,000); consultant services (\$24,000); travel and training (\$1,116), a portion of the building remodel of 3111 E. Tahquitz Canyon Way (\$17,500); and website development and collateral materials (\$3,500). The remaining balance will primarily be used for exterior building improvements, which was the City's commitment to CVEP when the lease was initially executed.

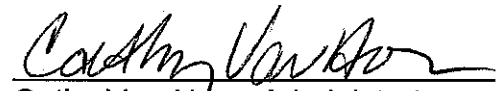
In order for CVEP to effectively manage and operate the CViHub a minimum budget of \$175, 000 is needed for the 2011-12 Fiscal Year. CVEP will hire a full time manager to operate the CViHub and part of their responsibility will be to seek grant and other funding to support and sustain the iHub program. Additionally, the partner Cities are considering their financial commitment to the CViHub Program. The City of Desert Hot Springs will include \$25,000 for the iHub Program in the City Manager's proposed budget. The City of Cathedral City is considering a similar level of funding. The combined funding commitments will make it possible to not only hire a qualified manager, but also launch the programs to reach out to existing businesses and cultivate start-up companies to spur job growth in the three partner city jurisdictions.

FISCAL IMPACT:

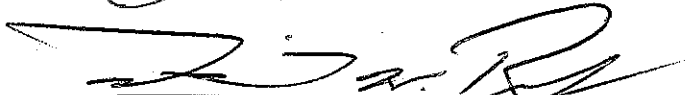
The City appropriated the amount of \$125,000 for the iHub Program in the 2010-2011 Fiscal Year (account 117-2022-50050). That amount is available for this agreement in the 2011-2012 year.



John Raymond, Director
Community & Economic Development



Cathy Van Horn, Administrator
Community & Economic Development



David H. Ready, City Manager

Attachment: Resolution
Memorandum of Understanding

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS TO APPROVE A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PALM SPRINGS AND THE COACHELLA VALLEY ECONOMIC PARTNERHSIP TO MANAGE THE COACHELLA VALLEY INNOVATION HUB (CVIHUB), AND AN OPERATING BUDGET FOR FISCAL YEAR 2011-2012.

WHEREAS, the Western Coachella Valley Cities of Desert Hot Springs, Cathedral City and Palm Springs have been designated by the State of California as an Innovation Hub (iHub); and

WHEREAS, the State requires that the iHub be managed by, and eventually turned over to, a 501c3 non-profit organization; and

WHEREAS, the Coachella Valley iHub (CViHub) will offer programs and services to support small business success as well as operate a "clean tech" incubator; and

WHEREAS, a principal strategy of the Regional Economic Blueprint calls for creation of a small business support programs, services and incubator; and

WHEREAS, the Coachella Valley Economic Partnership (CVEP) maintains a 501c3 designation and is the managing authority for the Regional Economic Blueprint; and

WHEREAS, the iHub is a pilot program to support clean tech and small business innovation; and

WHEREAS, the CViHub program and incubator will be co-located with CVEP in the Regional Business Center at 3111 East Tahquitz Canyon Way; and

WHEREAS, the CViHub will operate under the direction of a nine member CViHub Board with representatives of the three Western Coachella Valley cities and six private sector business professionals; and

WHEREAS, the CViHub will be funded through a variety of sources, including support from the three Western Coachella Valley cities, SBA and other grants, leases, sponsorships, memberships and program revenue for the first two years; and

WHEREAS, the partner cities have requested that CVEP assume operations of the CViHub on their behalf.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY
RESOLVE AS FOLLOWS:

Section 1. That the Memorandum of Understanding, between the Coachella Valley Economic Partnership and the Cities of Palm Springs, Desert Hot Springs and Cathedral City, to assume the operation of the CViHub under the criteria set forth in the State of California's Innovation Hub Initiative, is hereby approved.

Section 2. The term of the Memorandum of Understanding is for a period of two years commencing on July 1, 2011 and terminating on June 30, 2013 unless otherwise extended by mutual agreement as specified in the Memorandum of Understanding.

Section 3. The City Manager or his designee is hereby authorized to execute all documents relating to the Memorandum of Understanding.

ADOPTED THIS 15TH DAY OF JUNE, 2011

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

CViHub - CVEP
DRAFT MOU TERMS/OBLIGATIONS

City of Palm Springs (Western Coachella Valley Cities)

- Provide CViHub facility (as part of existing facility lease)
- Transfer CViHub website
- Provide original graphic design files for CViHub logo and identity design and collateral
- Provide guidance for Initial Advisory Board structure and members
- Provide Draft CViHub guidelines for review and adoption by Advisory Board
- Provide List of required programs and services
- Provide Draft Incubator Agreement
- Provide draft Job description for full time manager
- Continue to provide staff support
- After 2 years of successful operations, transfer of state designation
- Minimum funding of \$125,000/yr for 2-years
- Cooperation for grant applications and implementation to support iHub

Coachella Valley Economic Partnership

- Assume responsibility for further development and operations of CViHub program and services
- Hire/maintain dedicated, full-time manager to direct and oversee operations, work with clients
- Oversee/maintain website, calendar, blog, social network accounts
- Monthly reporting against metrics (see Attachment A)
- Responsibility for coordination of advisory board, monthly meetings and all records as needed (See attachment B)
- Formation of a selection committee for incubator
- Oversee selection criteria, application process, incubator leases/occupants (See attachment C)
- Deliver CViHub program and services including at least:

Facility Based Services

1. Space
 - a. Telephone
 - b. LAN
 - c. High Speed Internet Access
 - d. Space for individual servers
 - e. Shared Conference Room
 - f. Address
 - g. Restrooms
 - h. Janitorial

2. Rent – determined by Board
 - a. Free
 - b. Below market rate
3. Shared Office Systems
 - a. Copies (at cost)
 - b. Fax
 - c. Postage meter (at cost)
 - d. Receptionist/switchboard
 - e. Usage/user charge

Business Basics

1. Seminars & Workshops
 - a. Business plans
 - b. Financial management and accounting support
 - c. Financing assistance
 - d. HR support
 - e. Hot Topics – Special Interest
 - f. Commercialization/Licensing
2. One on One Meetings/Support
3. Mentoring

Professional Services Providers

1. Accounting & Financial Professionals
2. Regulatory Compliance
3. E-commerce
4. Federal procurement
5. Manufacturing Assistance
6. Legal Services
7. International Trade

Networking

1. Events
2. Introductions
3. Virtual

Education Seminars and Training

1. SBDC (Small Business Development Center)
2. SBA (Small Business Association)
3. SCORE (Counselors to America's Small Businesses)
4. WDC (Women Business Development Center)
5. CIEDEC (CA Inland Empire District Export Council)

Attachment A

CV- iHub Draft Performance Metrics Reported Quarterly to the Host Cities

- Companies providing outreach services
- Companies receiving outreach services
- Number of companies in residence
- Number of graduating companies
- Number of employees hired by iHub companies (jobs created)
- Number of employees hired by iHub graduate companies (jobs created)
- Revenues/sales from iHub start-up companies
- Number of interns/students trained
- Number of sponsors, corporate partners, members or contracts signed
- Number of patent disclosures/applications by iHub companies
- Funding sources and amounts leveraged or invested in iHub companies

DRAFT

Attachment B

CViHub Advisory Board

The Coachella Valley iHub organizational goal is to stimulate the establishment and growth of innovative clean industries, contribute to job creation and support economic growth in the Western Coachella Valley. The iHub will host an Incubator and offer programs and services to new and emerging businesses in clean technologies.

The Incubator will include facility space, flexible leases, shared use of common office reception and equipment, business assistance, mentoring and other technical resources. A network of existing resources in the community will be developed to support client needs.

The initial Advisory Board will be comprised of 9 total members. Along with three appointed representatives from the public agency founders (one elected member from each city), the CV iHub Board will consist of six representatives from the private sector (with at least one business representative from each of the three cities) with mixed entrepreneurial and technology experience relevant to the targeted industry sectors, representatives of area higher education institutions and critical public sector economic development groups. The CViHub operator should seek and maintain a diverse board of directors representing different races, ethnicities, backgrounds and financial status representing diversity of experience as well. Background that includes start up experience and entrepreneurial drive and spirit should also be represented. Ties to the community will also be critically important to help establish credibility and gain recognition for the organization.

A Sub-Committee of the Board will be appointed to work with staff to review and select qualified candidates for the incubator.

The Board will establish policy guidelines for incubator operations and assist in screening prospective incubator clients. The Board will also be instrumental in promoting the iHub initiative and generating awareness and understanding of the incubator as an important economic development tool for the Western Coachella Valley.

Examples of the type of business executives and experience needed for Board of Directors include:

1. Wind Power
2. Solar Energy
3. Green Building Industry
4. Bio-Fuels / Bio-Materials
5. Water Filtration/Purification
6. Healthcare - Medical Devices
7. Clean Technologies
8. Academic Research
9. Utility Company
10. Banking
11. Business Leaders
12. Political Official
13. Legal
14. Venture Capital
15. Wealth Management
16. Marketing and Brand Management
17. Journalism/Media
18. Foundation
19. Entrepreneur
20. Start Up Experience

Attachment C

CV iHub Incubator Client Selection

Application Process

1. Complete Application
2. Present to Selection Committee Panel – Board, Advisors, Staff
3. Accept or Decline and Refer

Evaluation Criteria

1. Targeted industry sectors – innovative, clean technology
2. Early stage of development (typically within first two years, but small companies involved with significant change in direction or launch of new product may also apply)
3. Potential to commercialize or launch within 3 years
4. Show ability to pay rent while cash flow is developed
5. Applicant must want to take advantage of and benefit from value added services and guidance available
6. Capacity for growth and provision for job creation and economic benefit
7. Not in competition with other incubator clients (or no conflict)

Graduation Policies

1. Time Limits – 3 to 5 years
2. Value – clients who have progressed beyond benefit of services
3. Resource Commitments – clients who require excessive commitment of resources