

## Agenda Item Details

Meeting	Nov 23, 2020 - Bryan City Council Special Meeting
Category	4. Statutory (Automatic Approval) Agenda - This agenda consists of items previously approved by Council action such as adoption of items that are part of an approved budget or capital improvement projects, first and only readings of ordinances, interlocal agreements, or action that is required by law or delegated to the City Manager. Items may be removed from the statutory agenda for separate consideration at the request of two Councilmembers.
Subject	C. Adoption of a resolution to enter into a Chapter 380 Economic Development Agreement between the City of Bryan, Bryan Commerce and Development, Inc., Bryan/Traditions, L.P., and Traditions Acquisition Partnership, for the development of the Lake Walk Innovation Center located at 3891 South Traditions Drive in Bryan, Texas
Type	Action (Statutory)
Preferred Date	Nov 23, 2020
Absolute Date	Nov 27, 2020
Fiscal Impact	Yes
Budgeted	No
Budget Source	Bryan Commerce and Development fund and revenues generated from the Lake Walk Innovation Center
Goals	Quality of Life Economic Development

### Summary:

The City of Bryan and Bryan Commerce and Development (BCD), have the unique opportunity to participate, through the existing Bryan/Traditions Partnership, in the purchase of the former Nutrabolt campus and development of the new Lake Walk Innovation Center. The Lake Walk Innovation Center will be comprised of a collection of companies that will occupy the 27,000 square foot office building portion of the former Nutrabolt campus, all aligned with a single vision. It will be organized and funded by a group of individuals and companies who desire to foster meaningful innovation in this region and support Texas A&M. Individually and collectively, they will invest in locating and nurturing startup and early stage companies that will be moved to The Lake Walk Innovation Center with the express purpose of growing them to the point where they can successfully operate on their own in the Brazos Valley.

These companies will be selected for their ability to have a meaningful impact on their respective industry. The incubator/accelerator activities will themselves take place in a more complex ecosystem. The desired ecosystem is a multilayered approach to fostering an environment conducive to innovation and entrepreneurship, which is then conducive to creating an ecosystem

that serves as a support group for new ventures. Industry gravitates to innovation economies where new ventures and talent are thriving.

The Lake Walk Innovation Center is desired to be activity centric with many opportunities for collaboration. It can be a foundation for a local super innovation cluster and a job creation complex that turns out talent, opportunities, resources, funding, future businesses and future donors to Texas A&M.

There are four primary groups who may participate in The Lake Walk Innovation Center: Tenants in Residence, Startups, Corporate Members, and Mentors.

**“Tenants in Residence”** will be selected for their industry focus and ability to foster and support the entrepreneurial environment of The Lake Walk Innovation Center. These firms will themselves be in growth mode and will eventually move out of The Lake Walk Innovation Center into surrounding leased or owned real estate in Lake Walk, Downtown, Midtown, etc.

**“Startups”** will be selected by The Lake Walk Innovation Center staff and funded by the Board of Directors. Startups will not be focused on student entrepreneurs. They will be best-in-class and have access to mentors and capital providers. The Lake Walk Innovation Center will maintain active programming utilizing the large Learning Center Auditorium and Kitchen/Break Room areas for events that inspire and educate.

**“Corporate Members”** will join to have access to a world-class building for their short-term needs while recruiting or visiting Texas A&M. They want access to talent and research and will be attracted to the programmed activities taking place inside The Lake Walk Innovation Center. The Rice Alliance in Houston is a good example of a similar membership model and boasts many corporate members. Several private offices will be kept available for day use for these corporate members. It is imagined that corporate recruiters of talent or ideas could combine the resources of The Stella Hotel and The Lake Walk Innovation Center as their “home away from home” while visiting Texas A&M.

**“Mentors”** will come from the local area and elsewhere in the state. Traditions Club and other areas of Bryan are replete with successful business people who enjoy mentoring entrepreneurs. All users will have access to meeting rooms on a reservation basis. It is planned that Tenants in Residence and Corporate Members pricing will include generous allowances of time for meeting rooms and for the Learning Center Auditorium. Once users have utilized their available time, these same spaces are available for rent on an hourly, half day, or daily basis.

The Lake Walk Innovation Center may itself be marketable real estate; inside, outside and virtually, for logo placement by sponsoring companies. It can be an asset for the regional economic development professionals to use as a sales platform to motivate economic development during a downturn.

## **THE OPPORTUNITY**

The opportunity is for the existing Bryan/Traditions, LP partnership to acquire the former Nutrabolt campus for less than replacement cost and transform it into an easily accessible, visible, and strategically located storefront for innovation, entrepreneurship, invention, technology commercialization, and new ventures. This economic development opportunity is intriguing because of the intersection of several different factors:

- Existing Partnership: This asset will be owned and controlled by Bryan/Traditions, LP;
- Desirability: The office and wellness complex is largely regarded as the most architecturally and functionally desirable work environment in B/CS, with an emphasis on natural light and over \$1.5 million of landscape and hardscape enhancements;

- Suitability: Nutrabort designed and built a complex on four acres with the stated goal of attracting and retaining the region's best talent to become the region's fastest growing company. Everything an innovation ecosystem needs is already in place:
  - Private and open offices in a series of connected "neighborhoods"
  - Meeting rooms
  - A large "learning center" (auditorium)
  - Central common area for collaboration
  - Kitchen / break room
  - Outdoor collaboration spaces
  - 20,000 square foot wellness center
  - An estimated \$250,000+ of existing information technology and audio/video/security capabilities
- Expansion Potential: The acquisition comes with an additional four acres of undeveloped land on HSC Parkway between the former Nutrabort complex and iBio. Bryan/Traditions LP and BCD own the 3.3 acres between the complex and the intersection of HSC Parkway and South Traditions Drive.
- Location: The Nutrabort complex is centrally located:
  - Roughly equidistant between Downtown Bryan and south College Station;
  - In the heart of Bryan/Traditions LP's existing Traditions and Lake Walk master planned community, across South Traditions drive from the Texas A&M Golf Teams, The Stella Hotel, and Lake Walk's pavilion and observation tower, and on the edge of the available mentors and capital providers within the Traditions residential community;
  - Proximate to existing technology and biotech employers iBio, ViaSat, FUJIFILM Diosynth Biotechnologies, and the Texas A&M Health Science Center;
  - Proximate to over 950 market-rate multifamily housing units in Lake Walk that are attractive to and suitable for young professionals;
  - Halfway between the Texas A&M flagship campus and the RELLIS campus;
  - Directly on HSC Parkway, which has an exit off of Highway 47;
- Timing / COVID-19: Downturns have been seedbeds of entrepreneurial activity.
- The Growth of Texas A&M's Global Impact: Once a small all-male, all-military college, Texas A&M is now the largest university in the United States and ranked #1 for most students studying abroad. Today, the enrollment is over 65,000 at the College Station campus, not including the Health Science Center adjacent to the Traditions community. Last year, the University graduated over 16,000 students, with over 100,000 students graduating in the last six years. Well over 420,000 living Former Students are in the world, with 75 percent of those residing in Texas. Billions of dollars have been invested in the campus and surrounding area, including \$700 million in the last three years at the RELLIS campus. This growth has resulted in an opportunity to capitalize on three emerging forces:
  - High quantity and quality of talent/workforce;
  - Over \$900 million of research expenditures annually;
  - A wealthy, fast-growing, and extremely loyal Former Student population

## **FUNDING**

The acquisition of the former Nutrabort campus will be via a combination of third-party bank debt, secured by real estate and tax revenues for the City of Bryan, and an equity investment by BCD of \$2,760,000 plus closing costs and fees. Additional capital and operating reserves at a to-be-determined level will be funded by BCD and Traditions Acquisition Partnership, LP via this Chapter 380 Economic Development Agreement.

## **PRECEDENTS**

Innovation Districts or Innovation Hubs are not new. These ecosystems of job creation are popping up around colleges and universities throughout the world. In several instances, affiliate groups back these enterprises as they specifically seek to create jobs and enterprises in communities hard hit by recessions or loss of industry.

Typically, these types of collaborative developments, built within a university ecosystem, are designed to attract new industry and will include an incubator or innovation center, sometimes multiple programs in close proximity. Often aimed at biotechnology or other types of technology, developers and landowners enter into these initiatives to mobilize and leverage their various strengths, increasing their impact.

### **WELLNESS CENTER**

Bryan/Traditions LP will direct the activities at the Wellness Center, which includes open floor fitness areas, a basketball court, and locker room facilities. The availability of this amenity is a key component to success for the Innovation Center and is an additional motivation for companies to locate to the BioCorridor or to Lake Walk Town Center.

All tenants in the office building will have access to the Wellness Center. Additionally, Lake Walk businesses such as ViaSat, iBio, and FUJIFILM Diosynth Biotechnologies will have the ability to join the Lake Walk Innovation Center, utilize its amenities, participate in its programmed activities, and utilize the Wellness Center.

### **REVENUE MODEL**

The revenue model will be on a leased space basis for tenants in residence, a membership basis for the corporate members, and also be partly donation dependent with the goal being to secure an endowment for operations by one or more benefactors. As the Center grows, it may become advantageous for Bryan/Traditions, LP to enter into a master lease with the Center versus leasing individual spaces. Industry, sponsors, mentors, members, and foundation grants will be relied on to supplement the revenue. From the Lake Walk Innovation Center's perspective, this model is not a purely real estate tenant driven, but instead designed to foster regional economic impact.

It is anticipated that three years will be required to reach full activity levels and rent potential. At startup, Bryan/Traditions, LP will be assessing the cost/benefit of leasing larger portions of the complex on short-term leases while the activities of the Center are in growth mode. Leases will be based upon a price per square foot and expense recovery methodology but also may include a revenue sharing arrangement to allow the Landlord to reap additional financial benefit.

### **Staff Analysis and Recommendation:**

As the hub of entrepreneurship in the region, The Lake Walk Innovation Center will purposefully support the major job creation areas in the region; RELLIS, Downtown Bryan, Lake Walk, and Midtown.

Traditions Club is home to the Texas A&M Golf Teams. FUJIFILM DB is part of Texas A&M's Center for Innovation in Advanced Development and Manufacturing. One purpose of the Innovation Center is to promote and enhance the overall Texas A&M brand by providing a central, highly desirable place for capital, talent, and ideas to intersect.

Texas A&M University will benefit from the further development of the BioCorridor, a key gateway to the Health Science Center and RELLIS.

Just as the timing is critical to control the Nutrabolt building as an Innovation Center, repurposed to help Bryan and Texas A&M University during an unprecedented economic decline and reversal of wealth, this action may ultimately create additional value for RELLIS and the Texas A&M System.

The Lake Walk Innovation Center programming will collaborate with BVEDC, Destination Bryan, and other groups to highlight the benefits of starting and relocating companies to this region. Bryan will have the opportunity to provide incentives to the Startups and even Tenants in Residence in order to further entice them to remain local once their days at The Lake Walk Innovation Center are over.

For the reasons listed above, staff recommends approval of this Chapter 380 Agreement that sets the parameters for City of Bryan and BCD participation in the Lake Walk Innovation Center.

**Options:**

1. Approve the Chapter 380 Economic Development Agreement by Resolution
2. Provide direction to modify the Chapter 380 Economic Development Agreement and reschedule it for a future meeting (contract for the building expires on November 27, 2020)
3. Deny the Chapter 380 Economic Development Agreement and provide direction to staff

**Attachments:**

1. The Chapter 380 Economic Development Agreement is available for viewing in the City Secretary's Office

[City Council Resolution - Ch 380 Lake Walk Innovation Center.pdf \(45 KB\)](#)