



Developing a Network of Innovation Hubs in Fort Bend County

A Strategic Report for The Fort Bend
County Economic Development Council

The Cannon | 1/13/2020

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I. Executive Summary

As most suburban cities and counties begin to think about how they can foster a robust entrepreneurial ecosystem and stimulate new business creation, often there are huge gaps in resources and/or dramatic developments that need to take place before any real impact can be realized. This might be a shortage of skilled labor and poor educational programs, a low-income population that lacks the investment capital to fuel new ventures, an underdeveloped local business community, etc., and therefore, efforts to create an innovation economy will realistically be fruitless, or at least will take decades before any significant economic transformation can take place. There are fundamental components, a base level of raw ingredients and capabilities needed to build a successful startup environment and many regions simply don't meet the threshold.

This is not the case for Fort Bend County. In fact, there is a growing sense that, to overstate the matter, The County simply needs to push the "GO" button and lean in to its innovation efforts. There is, of course, more strategic implementation needed to facilitate this specialized kind of economic development, however, there are good reasons for this optimism: The County's 885 square miles are home to several vibrant cities and neighborhoods and collectively was the tenth fastest growing county in the United States in 2016. Between 1980 and 2015, the population grew by a remarkable 447% and it is anticipated that Fort Bend County's population will grow from 741,237 residents in 2016 to 1,271,000 residents by 2040.¹

In 2015, Fort Bend County became Texas's wealthiest county, reporting a median household income of \$95,389, compared to the Texas average of \$53,200.² It's population is highly educated, as only 11% do not have a high school degree and 44% have a bachelor's degree or higher, versus the state-wide averages of 18% and 28%, respectively.³ Its communities are simultaneously culturally distinct and ethnically diverse. Known as the most diverse county in America, Fort Bend has nearly equal division among the nation's four major ethnic communities: Asian, Black, Latino, and White residents.⁴ On top of all of this, The County has affordable housing, great schooling systems, and an exceptional quality of life.⁵ Perhaps it truly is "Greater Houston's Finest Address!"

¹ Fort Bend County Economic Resilience Profile

² US Census Bureau

³ Fort Bend County Economic Resilience Profile

⁴ Fort Bend County Economic Resilience Profile

⁵ <https://www.fortbendcounty.com/the-new-industrial-revolution-is-smoking-hot-in-fort-bend-county/>

However, Fort Bend County will need to take an intentional and strategic approach to stimulate its entrepreneurial infrastructure. With its growing population and increasing number of influential companies in its backyard, The County should look to use entrepreneurship to augment its existing industry mix and begin leveraging its competences, skills, knowledge, and capital to create environments that can incubate ideas, accelerate startups, facilitate partnerships, and catalyze continued economic growth. This kind of economic development requires the establishment of physical hubs for startup and small business support services to serve as the home bases for entrepreneurship activity in the region. As one community leader observed, “a true incubator is the primary need for The County.”⁶ The research and strategic plan outlined in this document intends to do just that – to demonstrate the feasibility of establishing innovation incubators, strategically located centers for entrepreneurship, throughout Fort Bend County and to outline a strategy for the development of these centers as incubators of The County’s startup and small business initiatives.

⁶ The Cannon Focus Group Discussions

II. Background on Innovation Hubs & The Cannon

Innovation hubs go by many names (startup communities, entrepreneurial ecosystems, innovation districts, etc.), but they all refer to workspace environments that have been intentionally created to foster dense clusters of entrepreneurial activity. Emphasis, then, is not just focused on the physical space, but on the curation of the members of the workspace community as well. These spaces have become hotbeds of innovation activities that have transformative impact on the geographies in which they are located, both in terms of the inventions and innovations birthed there and in the creation of new businesses and jobs in the community. Innovation hubs stem from cluster-based economic development theory—that business clusters—groups of firms, gain a competitive advantage through local proximity and interdependence. The popularity of clusters is due to the belief that major investments and efforts aimed at addressing the growth constraints of a cluster in a region can change the economic trajectory of a region.⁷ In the case of NOIDs (Naturally Occurring Innovation Districts), no intentional architecting of a hub is needed. San Francisco and Boston developed, for a variety of reasons, relatively organically. But these instances are rare, and in the absence of organic development, city leaders and stakeholders need to think about how to facilitate the conditions for a vibrant startup culture in their city.

To do so requires the careful, comprehensive, and ongoing involvement of and engagement by all the organizations and activities necessary to the success of startups: Local governments, corporations, universities, research organizations, accelerators, incubators, mentors, investors, programming, etc. in a dense physical environment. Startups need physical locations to serve as home bases where they can connect to all of these constituents and gain access to educational and value-adding events, classes, speakers, etc. In the last 10 years, these efforts to create dense focal points of startup and innovation resources—clustered epicenters of activity—have had tremendously beneficial outcomes on cities.

The Cannon is an organization that helps communities develop and operate these epicenters of activity. Each region requires a custom-built approach that taps into its inherent strengths while understanding and building strategies around mitigating its weaknesses. There have been many failed attempts that stem from city leaders' application of cookie-cutter constructs upon their city, and The Cannon helps avoid these mistakes while also bringing additional resources to these communities. With three locations and 6 more in progress, The Cannon is increasingly facilitating an

⁷ Brookings, Rethinking Cluster Initiatives, 2018

economic independence in each region while simultaneously decentralizing and democratizing access to investor groups, mentors, programs, and other essential entrepreneurial assets, thereby creating a “neural network” of interconnected but distinct clusters of innovation. Our team will use these resources and experiences to outline a strategy for the creation of entrepreneurial centers in strategic locations throughout Fort Bend County.

III. Summary of Findings & Key Areas of Focus

Approach

In addition to reviewing all relevant documents such as strategic plans, development plans, demographic data, and research studies made available to our team, The Cannon organization also met with key private and public sector influencers and conducted additional one-on-one interviews with prominent political and business leaders, as well as property owners who could potentially provide physical space, in order to better understand the Fort Bend County landscape. In doing so, a couple of key themes emerged – strengths and inherent challenges of the area – and through this process our team has outlined the five areas of focus we feel will be essential in addressing as The County develops and launches an innovation strategy that fits its needs.

Economy & Innovation Potential

As noted, not only has Fort Bend County experienced tremendous population growth, it is ethnically diverse and has very high levels of educational attainment and average household income, all factors that have been shown to correlate positively with new business creation.⁸⁹ The County also has a diverse and thriving economy. Its business environment is comprised of a multitude of strong sectors, with residential construction, engineering services, healthcare, and energy industries as major employers and economic drivers.¹⁰ In addition, job growth increased over 3% in 2019, the largest increase in the state.¹¹ Its workforce is highly skilled, especially in the technology space. One focus group participant, who is an executive at a local software technology company, remarked that their organization “never has any trouble finding tech talent.”¹²

Also encouraging was feedback from StatsAmerica, a data tool of The U.S. Economic Development Organization. The data showed that Fort Bend County had an Innovation Index (an algorithm that quantifies a region’s potential and capacity for innovation), of 123.8, a score that ranked 21st out of over 3,100 counties across the country.

⁸ See Ashraf and Galor, 2011; Lee, 2014; Bove and Elia, 2016; Brixy et al, 2017

⁹ WEF 2017-2018 Competitiveness Report.

¹⁰ Fort Bend County Economic Resilience Profile

¹¹ Bureau of Labor Statistics

¹² The Cannon Focus Group Discussions

Innovation Index for U.S. Counties

Fort Bend County, TX

123.8

Headline Index

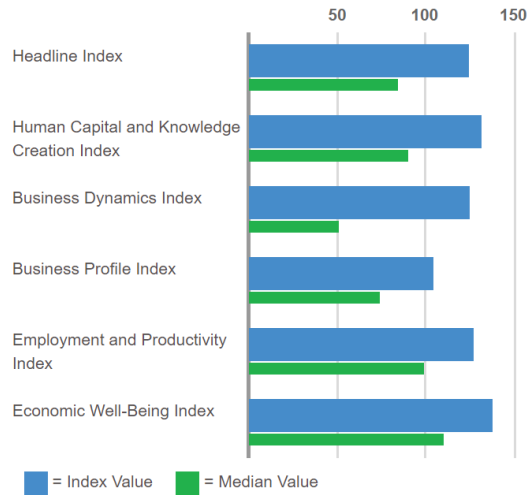
21

Rank of 3110 Counties

This area has very high relative capacity for innovation.

About this Area

Largest City/Town:	Sugar Land city
Population:	787,858
Per Capita Income:	\$57,540
Dominant Sector:	Educational Services



However, one challenge economically that The County will face as it continues to develop is its dependency on Greater Houston. Much of its economy still largely resembles a “bedroom community,” and it has not yet established its own self-sufficient job centers with their own bases of employers. Currently, only 22% of Fort Bend County residents work in The County, and roughly 65% of residents commute to Harris County for work every day. As The Fort Bend County Economic Resiliency Profile notes, “Fort Bend County is largely residential and would benefit from the development of a central business district to serve as an employment node.”¹³ The County needs to take an intentional approach to develop more local job centers and stimulate the creation of homegrown, export-oriented companies that can help make it more self-reliant and less dependent on Harris County for jobs.

5 Critical Areas of Focus

Based on our findings, our team is optimistic that a push to establish hubs for Fort Bend County’s startup ecosystem, if done strategically, will be extremely productive and can awaken a sleeping giant of innovation in the region. There are many case studies of geographic areas with significant demographic, socio-economic, and cultural similarities who have measurably transformed their business and innovation environment, and we believe The County’s efforts, too, can be enormously impactful. The County has experienced tremendous growth and success, but will need to invest programmatically in its small business environment if it wants its economic successes to continue. Our

¹³ Fort Bend County Economic Resilience Profile

team has outlined five areas of focus that, as Fort Bend County begins to build up its entrepreneurial infrastructure, will be critical to its success:

1. **Alignment, awareness, and accessibility of entrepreneurial efforts.** Fort Bend County is large and complex, with a number of highly populated areas, all of which have a strong appetite for the development of their innovation resources. It will be important that The County have a coordinated communications approach to align all the stakeholders behind its efforts. The Cannon team also believes that Fort Bend County's innovation strategy should include the establishment of multiple entrepreneurial centers throughout The County that are both distinct and interconnected. The County has a significant amount of pent-up innovation potential and in order to adequately unlock this capacity, it will need to establish at least three strategically placed hubs of entrepreneurship throughout the region and create a widespread awareness of the movement they are trying to create.
2. **Develop educational programs focused on new entrepreneurs and early-stage business development.** As discussed, Fort Bend County has a huge population of highly-educated, skilled labor. And there is a sense that there is a significant amount of dormant demand – that The County has aspiring “WANTrepreneurs” who, if given direction, can become entrepreneurs. The County's innovation strategy should include programs within the hubs that help these members of the community take the entrepreneurial leap. In the establishment of other entrepreneurial hubs, our team has observed that these centers not only attract the existing entrepreneurs, they also encourage would-be entrepreneurs to commit to building their business concept. Vibrant ecosystems of support and resources make starting a company seem less impossible and empower dreamers to become doers. We anticipate this phenomenon to apply to The County's community of skilled laborers as well.
3. **Provide programs and partners that help locally-focused companies and their intrapreneurs to innovate and scale.** The County's innovation strategy needs to involve local corporations and their in-house innovators. As The County works to develop its own job centers that are independent from Harris County, it will need to bolster its programs focused on innovating and scaling existing businesses. A significant amount of innovation occurs within existing organizations and ecosystem strategies need to incorporate programs to

collaborate with corporations and to incubate their ideas. Corporations need to be integrated into startup environments so that they are exposed to new technology and ideas to boost their own innovation efforts.

4. **Create integrations with local education programs to augment their activities and create synergy between business and academia.** There are a number of nearby academic institutions (University of Houston Sugar Land, Wharton County Junior College, Texas State Technical College, Houston Community College, etc.), and it is extremely important that they be strategically involved in The County's entrepreneurial ecosystem for a variety of reasons (facility sharing, existing talent pool, research leaders, etc). In addition, training and educational programs geared toward aspiring and existing entrepreneurs should be developed in collaboration with these institutions.

5. **Develop curriculum and programs for potential investors and for businesses seeking capital.** Fort Bend County has a wealthy population but an underdeveloped venture capital environment. It will be important that The County develop programs to activate their investor community through education and exposure to opportunities.

IV. The Community: Developing an Environment Conducive to Creative Output

Community Curation

Startup and innovation hubs need to continually align the right people with the right purpose in the right place. It is through this alignment that a passionate, supportive, productive community can take shape. These centers should create the conditions for amazing ideas, positive experiences, and constructive social and work activity. And while the physical space itself can be a powerful facilitator of this, ultimately an energizing community transcends the space and new members are attracted to the community, not the walls and chairs. The Cannon has launched and operates spaces ranging in size from 10,000 square feet to 120,000 square feet and that are the headquarters of hundreds of startups and small businesses, and through this process our team has learned three essential rules to follow in the creation of these communities:

1. **No judgement, no jerks.** When we open a new location and begin building the community, it is not our job to evaluate the merits of the business ideas. We want to include anyone who is going to passionately and collaboratively pursue the development of their idea into a business. Even the smartest experts in the world can't accurately predict which startup ideas are viable and which aren't, so we shouldn't even try. In fact, a vibrant ecosystem is one in which there are thousands of ideas constantly growing, dying, and evolving with entrepreneurs who are continually learning and refining. So, while we don't focus on trying to only fill the hub with ideas and businesses whom we believe to be future successes, we do focus on filling the hub with good people. There is a reason that these types of communities are often described with ecological and biological metaphors like "ecosystem" – because people in the ecosystem aren't just tenants of workspace together, they are members of a collective body, of an organism that is deeply symbiotic. And if there are people in the space who are not positive, constructive participants in the ecosystem, they can become viruses affecting the culture in negative ways. When our team is developing a new community, if confronted by a person we feel is a jerk, and who will detrimentally affect the supportive energy in the space, we do not allow the person to be a part of our community. Similarly, if there is a current member who is negatively impacting our community, we ask them to leave the hub.

2. **If you want innovation you need innovative thinking. If you want innovative thinking you need diverse thinking. If you want diverse thinking you need diverse people.** These entrepreneurial communities should be inclusive of people from different backgrounds, beliefs, areas of expertise, etc. And when appropriate, our team facilitates programming for disenfranchised groups to ensure they are not shut out of the startup environment, but rather have an equality of access to all the infrastructure and resources needed to thrive.

3. **Curated, Cult-like, and Contagious.** We believe that the most successful communities are continually curated by an overarching operator organization like The Cannon. Communities curated to be comprised of supportive, passionate people but also to include and continually engage all the players across the entrepreneurial spectrum – the academic institutions, local government organizations, business programs, corporations, mentors, investor groups, and the entrepreneurs themselves. We also believe that the most successful communities are connected by their belief system, in their understanding of both the micro-vision and macro-vision. Every member of the community should be energized by opportunities to be collaborative with other members of the hub and also by the innovation agenda itself, and the potential it can have for transformative, county-wide impact. This shared system of beliefs, coupled with a curated environment of passionate, supportive, encouraging people, creates a cult-like atmosphere that’s contagious, attracting others in a self-selecting way, serving as a stronger and stronger magnet for entrepreneurs and enthusiasm for the cause. This missional alignment and symbiotic culture help foster the community interdependence required for the benefits of business clusters to be fully realized.

Space Concepts and Design

In vibrant innovation spaces, the layout and design, and interaction and engagement with these elements are extremely intentional. Organizations who are developing innovation hubs should be very thoughtful about how space can be a signaler of the kind of culture and atmosphere a particular office space is going to have. At The Cannon, we want our spaces to emphasize wellness and positivity (ex: lots of plants, plenty of natural light, bright murals and colors, healthy snacks, meditation classes), and community (ex: a member wall with signatures of every person who joins the community), while also celebrating the amazing things that our member companies are

doing and sharing in the successes that they are having (ex: champagne corner for big work wins, member spotlights, etc.).

Environments in which creators and innovators can thrive require the presence of communal, “collision zones.” Business innovation is increasingly open and collaborative, and design strategies should be deployed to foster this collaboration. The physical space needs to have interactive, communal areas that encourage free-flowing ideation and lead to a high velocity of mind-sharing. Naeem Zafar, a professor at the University of California and writer for The Atlantic, reported on how offices in Silicon Valley inspired a culture of innovation, and he concluded simply that “it is not trivial to carefully consider the location and configuration of the water cooler and the social area where people informally meet to chat during the coffee break.”¹⁴ Interestingly, a Brookings Institute study on innovation spaces reported that over half of their interviewees described well-designed kitchens or cafes as the heart of the innovation space.¹⁵ Our team at The Cannon has found this to be the case as well as we compare the level of social interaction in our café areas to other communal areas we’ve developed like movie theaters, libraries, wellness rooms, etc.

None of the above spatial recommendations necessarily require overly-expensive buildouts or high-priced amenities. In fact, often times the grittier spaces can be more conducive to the fostering of a culture of bootstrapped entrepreneurialism. To be sure, workspace purpose and function outweigh aesthetics in the context of innovation communities. And programming outweighs the physical space, but the best environments come from twinning the layout and design with the entrepreneurial programming. Reflecting how today’s innovation spaces are a seamless integration of design and programming, Johannes Fruehauf, Founder of LabCentral, an applied science startup hub, commented, “it is both architectural and programmatic design that builds a community and a collaborative environment.”¹⁶

Our team has mocked up a 3-year financial forecast with a sample floor plan of 15,000 square feet in order to give a snapshot of what the economics would look like, and have developed a couple of versions, each showing different business model options. We believe that a space this size is within the right range for each of the hubs throughout The County. And whenever possible, it is always strategic to secure locations that provide the flexibility for expansion into more square footage if needed.

¹⁴ Naeem Zafar, “How office spaces in Silicon Valley inspire a culture of innovation,” The Atlantic

¹⁵ Brookings, Innovation Spaces: The New Design of Work, 2017

¹⁶ Brookings, Innovation Spaces: The New Design of Work, 2017

The traditional model, outlined here, is a third-party management partnership with the building owner. So, in this case, The Cannon, or some other similar operator organization, would team up with the landlord to buildout, populate, and operate a workspace focused on startups and small businesses, enabling the owner to achieve market or above market cash flows from month-to-month rent payments from members. The forecast also assumes that the partnership is entirely for-profit and does not receive any outside financial aid. However, the more support the building owner can get from government, corporate, and/or individual groups, the less the entrepreneurs will have to pay to gain access to the community and its resources.

The model outlines the membership and space types, ratios, sizing, and pricing structure, as well as the occupancy rates, event revenue, and ongoing operating expenses. These concepts and the projections along with them can be iterative and will require ongoing collaboration between the architects and building owner, but serve as a good starting point in terms of providing a framework for key components for the creation of a successful hub as well as validating that, assuming this is a fully for-profit relationship with a local building owner, the business model itself is sustainable.

A main goal of the layout will be space type flexibility, meaning, when possible, using spaces that can flex into different kinds of layouts based on demand (ex: larger office walls are modular and can be adjusted to create smaller offices, offices can be made into meeting rooms, pockets of open desk space can serve as event space when appropriate, etc.). This way, we can tweak the offerings as we get a better understanding of the needs of the community.

The breakdown of different kinds of space and the square footage estimates are as follows:

RSF: 15,000 square feet

USF: 12,750 square feet (based on an 85% utilization rate)

Assignable Area: 9,563 square feet (based on a 75% metric)

Open space square footage: 3,913

Office space square footage: 3,920

Conference room square footage: 250

Meeting rooms square footage: 480 (4 rooms @ 120 Sq Ft each)

Office Layout and Pricing

Space Types	Number	Price	Square Footage	Sq Ft Totals	Price/Sq Ft
1-2 person	12	900	80	960	11.3
3-4 person	10	1400	120	1200	11.7
5-6 person	6	2200	200	1200	11.0
8-10 person	2	3100	280	560	11.1

This layout is characteristic of coworking spaces: relatively dense with lots of small offices. As discussed, layouts and membership types would be adjustable to adapt to demand. The model assumes a three-month pre-leasing period prior to opening at 50-60% occupancy of offices. While we do not have data on the average opening occupancy of coworking spaces, our team has opened all of our spaces at over 60% office occupancy.

The square footage sizing and the price points for each office type are comparable to those our team has developed and rented successfully to members in other projects and are generally competitive for the region from a real estate perspective. Naturally, rent rates on a per square footage per month basis for coworking offices are much higher than traditional commercial leasing rates due to the flexibility of the month-to-month lease terms, the fact that they are fully furnished, and that it's more of an "own a little, share a lot" offering. The layout also designates a conference room of 250 square feet and four meeting rooms of 120 square feet each, all of which can be bookable per hour for free or for a fee, although no meeting room revenue is assumed in the current financial model.

Open Space Layout and Pricing

The 3,913 square feet of open space includes desking station areas, a kitchen/lounge area, and a 1,000 square foot event space. Event spaces are very important because the space is intended to be the epicenter of education and activity, and should have an ongoing cadence of workshops, pitch nights, hackathons, classes, speakers, etc. -- more on this in the Programs and Partners section. In these 3,913 square feet of space, we assume there are 50 open seats available, whether that be at a desk seat, a spot on the couch, a barstool in the kitchen, etc. However, in our experience, open seat memberships are like gym memberships – there is never any moment in which everyone is there at the same time. Therefore, in our projections, though we usually anticipate a slower occupancy growth than offices, we typically assume that we ultimately "oversubscribe" open memberships by up to 2X the total amount of seats available. In one Cannon location, we had 60 seats available, and despite selling 140 open memberships, there was never a day in which every seat was occupied.

The model of this 15,000 square foot space shows projected profitability to be \$9.36 per square foot, \$20.92 per square foot, and \$25.22 per square foot at the end of year one, two, and three, respectively. Therefore, in this conservative scenario, by the end of year three, the landlord would be achieving slightly higher than market rent rate for the space.

Operating Expenses

The forecast assumes some light front-loading of marketing, office supplies, and event costs to set up and launch each space effectively, but once stabilized, the ongoing expenses required to operate the spaces become relatively predictable. These expenses do not reflect any buildout, furniture, or other upfront capital expenditures to develop the spaces. It also doesn't consider unanticipated building owner fees like mortgage interest payments or building depreciation expense. More information and details on other strategic investments needed to develop the wholistic entrepreneurial ecosystem can be found in the "Overview of Funding Requirements" section of the report, as this is solely a look at the economics directly related to one of the physical hubs in Fort Bend. However, the bulk of the ongoing operational expenses come from the staffing, operating, and management of each hub itself.

V. Programs & Partners

Fort Bend County has an opportunity to develop strategically located entrepreneurial hubs that significantly boost The County’s innovation economy by catalyzing innovation activity and fostering the growth of existing startups and small businesses. This will require an ongoing alignment and collaboration among not just the entrepreneurs, but also academic institutions and other educational programs, mentor and investor groups, government organizations, and corporations throughout The County. Specifically, we have outlined five critical areas of focus that can act as a guide in the development of strategic programs and partnerships. Many of these programs focus on empowering existing small businesses and larger incumbent companies, and educating the workforce on entrepreneurship. Others focus on mitigating the risk of entrepreneurship by providing support systems and services often required to convert employees into entrepreneurs. We believe that all of these programs are feasible given the population of Fort Bend County and its current industry mix, and that all of them can help The County unlock sustainable economic value.

Focus Area 1

The first area of focus is on fostering alignment, creating awareness, and enabling accessibility across the whole of The County. Because Fort Bend County covers such a large area and involves so many different stakeholder groups, it will be important that The County works to properly communicate, coordinate, and involve everyone in the innovation efforts. Based on our own experiences, research of best practices, and focus group discussions with residents across The County, our team recommends three key elements to ensure that the entire community of Fort Bend is feels both informed and involved in the process:

1. **Establishing at least three entrepreneurial hubs in strategic locations across The County.** As our team got a better understanding of the Fort Bend landscape and had discussions with members from many different areas in The County, we began to believe strongly that multiple sites would be needed to adequately serve the population. County members from Sugarland, Stafford, Missouri City, Fulshear, Rosenberg, and Richmond alike all expressed a desire for the development of entrepreneurial resources in their hometown. One focus group participant observed, “there are entrepreneurs all over The County, they just don’t know where to go for help.”¹⁷ Our team believes that the only way to align and

¹⁷ The Cannon Focus Group Discussions

engage the entire community of Fort Bend and to democratize access to innovation resources is to establish at least three distinct hubs of entrepreneurship. Specifically, our team suggests that that the most logical locations initially include one near the Sugar Land/Missouri City/Stafford area, one near the Fulshear/Cinco Ranch area, and one near the Richmond/Rosenberg area. However, as these efforts develop, the strategy may need to evolve to include the establishment of additional centers elsewhere in the region. And members of one location would have access to all locations across The County. Through the development of a network of strategically located hubs, Fort Bend can adequately tap into its entire existing entrepreneurship base and activate its aspiring entrepreneurs to catalyze dormant innovation throughout the region.

2. **Fostering a programmatic connectedness among the hubs.** Although these entrepreneurial centers will take on their own identity that reflects the community around them, there needs to be a coordination of efforts and common programmatic content among them. There should be a shared set of partners and programs and a leveraging of all the assets across The County. These hubs should be treated like they have a joined parent company, and therefore, programs and partnerships are not formed at the hub level but at the county level. The more alignment that exists across locations, the more efforts will become exponential in their impact. Furthermore, the hubs should coordinate strategies to engage the entire community through external events like expos, demo days, career fairs, etc.
3. **Developing a shared system of marketing and communications throughout The County.** In order to maximize awareness and establish a common narrative around innovation efforts, The County, either independently or through a partnership, should develop an external marketing campaign to tell the stories of startups and innovation across Fort Bend. There should be multiple components to this, but our team recommends that Fort Bend County help facilitate the launch of a media outlet specifically focused on innovation content. This could be in the form of a podcast, newsletters and social media campaigns, and/or more traditional media, but some kind of consistent coverage is a critical innovation ecosystem feature. The Cannon team worked with a local media company, Gow Media, to launch InnovationMap to be the voice of innovation in Houston. The digital news outlet shines a spotlight on innovation in Houston within startups, tech, health, energy, social impact, and more. It also profiles leaders within the community as Featured Innovators and includes thought leadership content from

guest contributors, as well as partner content in their Houston Voices section. We recommend that The County helps InnovationMap or a similar organization to establish a presence locally and develop a brand extension that focuses exclusively on the innovation stories of Fort Bend County. To reduce costs, this outlet should either be part of a larger organization with centralized resources or be purely digital and leverage a network of part-time contributors.

A failure to align the entire county behind a centralized mission will lead to a fragmentation of efforts and a loss of potential synergies. The narrative of innovation ecosystem development should be county-wide rather than employing a language of ‘Sugar Land’s hub’ versus ‘Fulshear’s hub,’ for example. By establishing multiple sites, coordinating an interconnectedness among them, and developing a consolidated communications strategy, Fort Bend’s innovation efforts can be much greater than the sum of its parts.

Focus Area 2

The second area of focus is on developing educational programs geared toward new entrepreneurs and early-stage business development. A common theme in our focus group discussions was that entrepreneurs were out there, and that, as one focus group participant put it, “anytime you go to a coffee shop, someone is working on a business plan.”¹⁸ The County is replete with wantrepreneurs...but with no central place for them to go and get connected to educational resources they need to start their business. One aspiring entrepreneur in The County noted “we really need information about how to start a business, how to attract capital, and how to get ready for investors.”¹⁹ Below are two major initiatives that can serve as robust startup resources for new and/or aspiring entrepreneurs:

1. **Creating educational programming in each hub by leveraging service provider partnerships.** Rather than shouldering the responsibility for all of the programming that occurs in the entrepreneurial centers, the hubs should be a facilitator, ensuring that all the strategic components of the startup ecosystem are represented. Early-stage business content can be largely provided through local service providers who are acting both altruistically but also strategically, as they too can benefit from getting exposure to more new businesses. Some potential partners who have worked closely with The Cannon in the past include Insperty, Thompson + Knight, and Baker Tilly. Below are a few examples of new

¹⁸ The Cannon Focus Group Discussions

¹⁹ The Cannon Focus Group Discussions

entrepreneurship-focused courses provided in a given month at Cannon locations:

- **Six Figure Fail:** *A regional tax advisory team shares the gruesome details and huge financial impact of real-life case studies entrepreneurs and their investors faced due to poor sales, employment and income tax planning from the beginning of the company.*
- **Taking the Leap Lunch & Learn:** *Come lunch, and learn as a global HR firm brings 33 years of experience to the topic of what to do and not do when deciding to start your own business. Avoid major pitfalls by utilizing these time-tested insights!*
- **Building a Business Workshop:** *A monthly three-hour workshop held by a serial entrepreneur designed to walk potential entrepreneurs through all the aspects and strategies of launching their own startup. Particular focus is on how, when, and where to raise seed capital for your venture.*

2. Launching a Mentor Network that operates across all locations in The County. Mentors can be career-changing resources for aspiring and early-stage entrepreneurs. In focus group discussions, multiple people commented that there needs to be a better way for entrepreneurs to get connected to experienced business leaders in The County.²⁰ Our team believes that a thoughtfully designed network that leverages the collective wisdom of local experts and organizes the members into a system of office hours across all the innovation hubs will be one of the most important components of Fort Bend County’s resource ecosystem. The County itself will be an excellent and vital partner of this mentor network due to its strong connectedness to the business professional community. By leaning on the leaders who are already engaged in The County’s economic development (many of whom participated in our focus groups), a Fort Bend County Mentor Network will get off to a strong start. Lastly, mentors often can turn into angel investors for early-stage companies, and organizing a system of regular interactions among business leaders and entrepreneurs helps encourage this angel investment (more on this later).

Focus Area 3

A third area of focus is on the providing of programs in these entrepreneurial centers that help local companies innovate and scale. Unlike many innovation strategies, skill

²⁰ The Cannon Focus Group Discussions

development for the existing workforce in Fort Bend County is not an urgent need. The County has an abundance of highly-educated labor and in particular, technical talent. Therefore, rather than focusing its innovation ecosystem efforts on the establishment of coding bootcamps, career fairs, and other forms of tech recruitment and skill development, The County should work on maximizing the innovation efforts of its existing organizations. This work will also help locally-focused companies to increasingly establish job centers and become more export-oriented, thereby combating the employment dependency on Harris County. Our team has highlighted four ways for Fort Bend County to weave this priority into its innovation strategy:

1. **Co-locating mature companies with startups.** Mature companies should be encouraged to establish satellite offices at the hub to provide their employees exposure to a more innovative environment, new ways of thinking, potential talent, and potential technology partners or acquisitions. The space should be an extension of their offices, serving as an incubator for new internal ideas. For industrial companies, front office employees could benefit from this arrangement. This will also expose individual employees interested in starting their own company to the startup environment. Although this is obviously not the desired intent of the employers, the exchange of talent will ideally work both ways for the benefit of all.
2. **Leveraging mentors through office hours and on-site coaching.** Established small business owners are entrepreneurs too. In many cases, however, expansion of their existing business requires an entirely new set of knowledge and skills than it did to start their business. Fort Bend has a robust business community and needs to make sure they are being surrounded by support as well. Mentor networks can be very strong programs for entrepreneurs wanting to start new businesses but also for those ready to expand. The network should be mindful of this and ensure there are members within the network who have experience scaling organizations, especially brick and mortar businesses, to new geographies. A program that sends mentors into brick and mortar locations, whether restaurants, clothing boutiques, salons, or auto body shops, to evaluate the offering, operations, marketing, and customer service of a business and provide critical feedback could be designed to help deliver actionable advice to small business owners. By partnering with The County itself and other small business owners who have successfully scaled their companies, The Fort Bend County Mentor Network could become an excellent resource to those ready to grow their businesses.

3. **Developing growth-focused educational programs.** Much like the establishment of partner-led educational programming for those interested in starting their own business, The County’s innovation hubs should also focus on the facilitation of programs geared towards business growth. Below are some ideas of content provided at Cannon locations:
- **Get Social!:** *Join the Founder & CEO of a social media marketing firm to discuss the latest trends in social media that can help your business increase brand visibility and engagement.*
 - **Factoring Office Hours:** *A local bank sets up two hours per month during which they have representatives work out of the open space at The Cannon. Throughout this window, any company who would like to learn more about how to utilize account receivable factoring services through the bank can drop in and pick the brains of experts.*
 - **From a Franchise to an Enterprise:** *A leading franchise consultant discusses best practices for starting and scaling a franchise, as well as how to turn your existing concept into a successful franchise business.*
4. **Offering innovation management services.** The experts staffing the hubs should work with larger companies to identify their pain points and collaborate with innovators to design, source, or pilot potential solutions to alleviate those pain points. This practice is often called a “reverse pitch” or “reverse accelerator,” a practice that dates back to the late 18th century when the Brown family, for whom Brown University is named, put a call out for inventors to assist in the design of textile milling technology. Samuel Slater, who is considered the father of the American Industrial Revolution answered their solicitation and catalyzed a new wave of growth in America. These reverse pitches can be event-based or evergreen, but in every case require innovation experts to help design and deploy such programs. Additionally, the hub should run workshops and educational opportunities for mature companies that leverage the experience and perspectives of local entrepreneurs to help teach incumbent organizations strategies for increasing agility and cultivating a culture of intrapreneurship. The final area of focus we identified in our research is the importance of ongoing interaction and engagement with intrapreneurs and local companies looking to catalyze internal innovation. Many mature organizations are increasingly trying to find ways to innovate from within in order to maintain their competitive advantage. There are a number of opportunities to engage these companies to foster organic economic development by fueling growth in existing companies.

Focus Area 4

The fourth area of focus is on the integration of local education programs to augment their activities and create synergy between business and academia. Emphasis should be on understanding what local academic and government/development organizations are doing across The County and integrating them all into the innovation strategy. The County is home to a number of academic institutions including The Houston Community College System, Wharton County Junior College, University of Houston at Sugar Land Campus, and Texas State Technical College. Houston Community College (HCC) has robust entrepreneurship programs and services including mentoring programs, business plan competitions, workshops and skills training, and a repository of online curriculum and other resources. In addition to the traditional business and STEM classes offered at every campus location, HCC's Missouri City Campus offers continuing education courses in advanced medical coding and health information systems and its Stafford Campus offers continuing education courses in 3D printing, autoCAD, and drone technology.

The County is also home to University of Houston's Sugar Land Campus, which now includes the new 100,000 square foot UH College of Technology building, featuring three floors of state-of-the-art classroom and laboratory space. The location also has undergrad programs in tech leadership and innovation management, digital media, supply chain and logistics tech, and a master's degree in technology project management. In addition, The University of Houston Texas Gulf Coast Small Business Development Center Network, which provides business advising, access to training, tools and resources to help small businesses start, grow, expand, and succeed, has a Fort Bend County SBDC location in Rosenberg. The center has regular events and classes on topics including digital marketing, new business orientation class, QuickBooks basics, owning a franchise, etc. It also offers online workshops and curriculum on a wide variety of business topics.

Beyond these programs specifically, Fort Bend County should partner with the business, managerial, engineering, and technical departments at these institutions to augment the training and educational curriculum of its entrepreneurs. In particular, our team recommends the development of the following on-going programs:

- 1. College internship programs with startups and small businesses.** The County should develop college internship programs with local startups and small businesses to provide pre-graduation professional experience that can help

graduates land jobs more quickly.

2. **Career fairs featuring startup companies and small businesses.** It should also host college job fairs to connect graduates with smaller companies that they may not have otherwise known about or had access to.
3. **Joint educational offerings.** The hubs specifically should also develop joint educational curriculum with these educational departments to ensure such programs include practical components based on real-world experience, offering courses in the hubs and on school campuses to create a professional-educational bridge.

Focus Area 5

The final area of focus for Fort Bend’s innovation strategy is on investor management. In our research and discussions with local stakeholders, the lack of a robust venture investing environment came up frequently as a missing piece in the existing ecosystem. In a round-table discussion with founders of local companies, all of the participants reported having started their organization with their own money and no one knew where they would go for outside capital if they were starting another company. There was a widely-held opinion that there is very little local venture capital being deployed into new businesses.

Our team recommends that Fort Bend build a county-wide mentor network that helps educate local, high net-worth individuals on venture investing and regularly exposes them to attractive funding opportunities in the hubs. This could be a combined or distinct effort from the managing of a local mentor network, but regardless, a crucial component of The County’s strategy will be to encourage this shift in investment behavior. The corporations should be included in these efforts as well, as often times corporate growth can come from strategically making outside investments into disruptive technology. And there is at least some local appetite for this as one focus group, when asked about his organization’s interest level in this space, commented, “we are always looking for interesting investment opportunities to augment our existing operations.”²¹

²¹ The Cannon Fort Bend County Discussions

VI. Operations & Marketing

Operational Models

Our team believes there are three potential operational models that can be utilized to create these entrepreneurial centers in Fort Bend County. We provide economic details in the “Overview of Funding Requirements” section of this report.

Scenario 1

As discussed in the spatial economics outline, one potential model is the direct partnership agreement with a private building owner in The County. In this scenario, The Cannon or some other third-party operator would work with the landlord to build out a workspace that would serve as one of The County’s hubs. Each of these spaces would be a for-profit venture in which the operator would populate and run the workspace, generating cash flows for the building owner, in exchange for a monthly management fee.

In this model, all the upfront capital expenditures and financial risk is taken on by building owner, who is seeking market or above market rent rates for the property. As shown in the Scenario 1 financial forecast, this model can lead to an economically viable outcome for the building owner.

Scenario 2

Although the first scenario can lead to a profitable outcome, it runs the risk of misalignment between the county-wide vision and the landlord. A public/private partnership can help mitigate this risk. If Fort Bend County, or host cities, can come alongside as a partner on the projects and share in some of the associated costs, it would allow the building owners and operator to act more in the strategic interest of the entrepreneurs and to be less concerned about keeping the lights on. This participation can be in the sharing of some of the capital expenditures needed to develop the spaces, a sharing of ongoing operational costs, and/or actually serving as a partial or full underwriter of the rent costs needed to ensure the spaces are cash flowing, as either a tenant or through a sponsorship arrangement. The more significant the support, the more it enables the centers to keep membership rates low for entrepreneurs.

Scenario 3

Related to this, a third potential model is the development of entrepreneurial hubs in buildings owned by The County. If the local government owns the building and economic return is not necessary or is at least a secondary consideration, then there can be more alignment with the overall vision of each hub beyond revenue generation. In this model, the spaces do not have to be optimized for financial gain and the membership fees can remain as affordable as needed to achieve the goals of the entrepreneurial centers. The economic model in this scenario would be similar to that of the private building owner partnership, but with potentially more flexibility on revenue creation.

Staffing

Independent of what model is used to establish these centers in Fort Bend County, our team recommends that, at least initially, one full-time Community Manager be hired to run each location and one full-time Program Director to run programming across the entire county. The Community Manager would serve as the office manager and community coordinator within the hub itself. The Cannon hires and trains a new Community Manager with each new location it opens and this person is integral to the building of the environment in the space. This person's role is primarily to lead all of the office management efforts – to make sure the space runs smoothly and that a positive, energizing atmosphere is cultivated within the community. He/she is also responsible for helping with the community development work – giving tours to prospective members and onboarding new additions to the workspace.

The Program Director would lead the strategic programming development and mentor/investor network building in all the spaces. The role would also work closely with the operator of the innovation hub and with The County to facilitate events and educational programs, develop external marketing content, and form partnerships with academic institutions, corporations, and other stakeholders. These positions, along with the operational oversight from the third-party operator of the hub, should be sufficient in the near-term to launch and scale the innovation efforts in Fort Bend.

Launch and Ongoing Promotion

No matter the operational model, this initiative will require an alignment among all stakeholders and partners throughout The County. As mentioned earlier, it will be critical that Fort Bend have an inclusive, coordinated, communications strategy and marketing push to raise awareness and align everyone around the mission. And to echo the discussion around the launch and population of the hubs, we recommend there be a

3-month, promotional pre-leasing period that involves marketing efforts, community events, and ongoing tours of the workspaces. The marketing specifically need not be overly costly (current projections anticipate a need for \$2,000 per month for the first three months, followed by an ongoing \$500 per month spend, predominantly on digital marketing), rather, promotional efforts should place emphasis on identifying presenting/supporting partners, a grand opening event, and ongoing community engagement.

VII. Geographic Considerations

In order to cater to all of The County’s entrepreneurs and to comprehensively address the region’s lack of innovation infrastructure, our team recommends the establishment of three distinct but connected hubs. As discussed, based on the feedback we received, we believe that the most strategic locations for these hubs are the Sugar Land/Missouri City/Stafford area, the Fulshear/Cinco Ranch area, and the Richmond/Rosenberg area. In this way, all of the major population clusters are represented and the vast majority of the residents in The County will have convenient access to nearby entrepreneurial centers.

The operator, county representatives, and partners, and other stakeholders should work with these cities to identify the right physical locations and to outline the financial options available to support the effort. Locations should be selected based on a number of factors including accessibility, convenience, surrounding amenities, square footage, interests of the property owner, ability to expand, potential construction timeline, and degree of fit from a spatial design and utilization perspective. However, though each of these locations will be developed independently of each other, emphasis should still be placed on a county-wide strategy to programmatically interconnect the communities. Much of this work can be managed by Program Director, who will serve as the coordinator of all entrepreneurship strategy in the region. More work is needed to identify specific sites in each of these locations.

VIII. Overview of Funding Requirements

Scenario 1: A for-profit, management partnership between hub operator and private building owner.

Although the financial forecast included is primarily to give a picture of example economics, based on these assumptions, the operational runway should require a little less than \$60,000. That's the bottoming out point of the cash flows and therefore, in this case, is sufficient to fund the operations of the workspace before it becomes self-sustaining.

This does not, however, take into account the capex required to develop the workspace. Based on our team's experience and on industry research, we believe the buildout construction and design cost estimate could be up to \$30/square foot, totaling \$450,000 for the 15,000 square feet of space in this model. The furniture, if purchased, will probably be at least \$200,000 for the chairs, desks, tables, and other furniture and equipment. However, we suggest considering leasing the furniture to cut down on upfront costs. Our team has also worked with groups who have gotten a majority of their furniture through donations from corporations who no longer need it.

See Scenario 1 3-year financial model below:

Fort Bend County Innovation Hub Forecast (Scenario 1)														
Projected Financial Model - 36 months														
	Price	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	YEAR 1
OPERATING INCOME														
1-2 Person Utilization	2,700	5,400	7,200	8,100	9,000	9,900	10,800	10,800	10,800	10,800	10,800	10,800	10,800	124,200
3-4 Person Utilization	5,600	7,000	9,800	11,200	12,600	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	166,600
5-6 Person Utilization	6,600	8,800	11,000	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	167,200
8-10 Person Utilization	3,100	3,100	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	80,600
Open Memberships	1,500	2,250	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	8,000	8,500	9,000	78,750
Events														3,750
Total Operating Revenue		33,200	38,200	43,200	46,250	49,050	50,450	51,200	51,700	52,200	52,700	53,200	53,700	621,100
OPERATING COSTS														
Software & Memberships	700	700	700	700	700	700	700	700	700	700	700	700	700	10,500
Travel, Food, & Beverage	500	500	500	500	500	500	500	500	500	500	500	500	500	7,500
Marketing & Advertising	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Office Supplies & Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Utilities	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Janitorial	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Property Tax	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Security	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Insurance	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Internet	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Accounting/Finance	600	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Events	500	500	250	250	250	250	250	250	250	250	250	250	250	3,000
Misc.	250	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total Operating Cost	15,050	13,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	180,750
Operating Income	(15,050)	13,000	26,650	31,650	34,700	37,500	38,900	39,650	40,150	40,650	41,150	41,650	42,150	440,350
Staffing and Management		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	300,000
Net Operating Income	(35,050)	(7,000)	6,650	11,650	14,700	17,500	18,900	19,650	20,150	20,650	21,150	21,650	22,150	140,350
CF		(35,050)	(49,100)	(36,150)	(21,450)	(3,950)	14,950	34,600	54,750	75,400	96,550	118,200	140,350	\$ Per SF 9.36

Mo 13	Mo 14	Mo 15	Mo 16	Mo 17	Mo 18	Mo 19	Mo 20	Mo 21	Mo 22	Mo 23	Mo 24	YEAR 2
10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	129,600
12	12	12	12	12	12	12	12	12	12	12	12	12
14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
10	10	10	10	10	10	10	10	10	10	10	10	10
13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400
6	6	6	6	6	6	6	6	6	6	6	6	6
6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	74,400
2	2	2	2	2	2	2	2	2	2	2	2	2
9,500	10,000	10,500	11,000	11,500	12,000	12,500	13,000	13,500	14,000	14,500	15,000	147,000
38	40	42	44	46	48	50	52	54	56	58	60	60
1,000	1,000	1,000	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,500	15,000
54,700	55,200	55,700	56,200	56,700	57,200	58,200	58,700	59,200	59,700	60,200	60,700	692,400
700	700	700	700	700	700	700	700	700	700	700	700	8,400
500	500	500	500	500	500	500	500	500	500	500	500	6,000
500	500	500	500	500	500	500	500	500	500	500	500	6,000
750	750	750	750	750	750	750	750	750	750	750	750	9,000
1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
500	500	500	500	500	500	500	500	500	500	500	500	6,000
500	500	500	500	500	500	500	500	500	500	500	500	6,000
500	500	500	500	500	500	500	500	500	500	500	500	6,000
600	600	600	600	600	600	600	600	600	600	600	600	7,200
250	250	250	250	250	250	250	250	250	250	250	250	3,000
250	250	250	250	250	250	250	250	250	250	250	250	3,000
11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	138,600
43,150	43,650	44,150	44,650	45,150	45,650	46,650	47,150	47,650	48,150	48,650	49,150	553,800
20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
23,150	23,650	24,150	24,650	25,150	25,650	26,650	27,150	27,650	28,150	28,650	29,150	313,800
163,500	187,150	211,300	235,950	261,100	286,750	313,400	340,550	368,200	396,350	425,000	454,150	20.92

	Mo 25	Mo 26	Mo 27	Mo 28	Mo 29	Mo 30	Mo 31	Mo 32	Mo 33	Mo 34	Mo 35	Mo 36	YEAR 3
	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	129,600
	12	12	12	12	12	12	12	12	12	12	12	12	
	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
	10	10	10	10	10	10	10	10	10	10	10	10	
	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400
	6	6	6	6	6	6	6	6	6	6	6	6	
	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	74,400
	2	2	2	2	2	2	2	2	2	2	2	2	
	15,250	15,750	16,000	16,250	16,500	16,750	17,000	17,250	17,500	17,750	18,000	18,250	199,500
	61	62	63	64	65	66	67	68	69	70	71	72	
	2,000	2,000	2,000	2,000	2,000	2,000	2,500	2,500	2,500	2,500	2,500	2,500	27,000
	61,450	61,700	61,950	62,200	62,450	62,700	63,450	63,700	63,950	64,200	64,450	64,700	756,900
	700	700	700	700	700	700	700	700	700	700	700	700	8,400
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	750	750	750	750	750	750	750	750	750	750	750	750	9,000
	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	600	600	600	600	600	600	600	600	600	600	600	600	7,200
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	138,600
	49,900	50,150	50,400	50,650	50,900	51,150	51,900	52,150	52,400	52,650	52,900	53,150	618,300
	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
	29,900	30,150	30,400	30,650	30,900	31,150	31,900	32,150	32,400	32,650	32,900	33,150	378,300
	484,050	514,200	544,600	575,250	606,150	637,300	669,200	701,350	733,750	766,400	799,300	832,450	
													\$ Per SF
													25.22

Scenario 2: A public/private partnership between Fort Bend County and a private building owner with a hub operator agreement.

In this scenario, as discussed, the local government can help cover some of the costs associated with the development of the hubs. There are many ways this can be structured, one of which being a sharing of capital expenditures (workspace buildout, furniture, etc.) needed to launch the space. Another is The County actually serving as the tenant of the workspace. This would underwrite the rent for the building owner and enable all parties to focus on whatever efforts are most strategic, rather than on the need to optimize financial return to the landlord. Membership fees for entrepreneurs, then, could either be offered for free, or could be inexpensive but paid to the tenant in a sub-lease structure to increasingly mitigate rent costs downside.

There are, obviously, many iterations of this kind of public/private partnership, though our team does believe, if structured strategically, this model can be extremely effective. A relationship in which The County signed a long-term lease as the tenant in a building would result in a splitting of the previously outlined capital expenditures through tenant improvement allowance arrangements. From the building owner perspective then, the revenue would come from the single tenant rather than the membership fees of the space. Below are two models, both of which use the same example space from Scenario 1. The first model outlines the economic outlook from the building owner perspective, and the second outlines the economic outlook from the tenant perspective, which in this case is Fort Bend County.

Model 1:

As shown in the 3-year financial forecast below, the landlord now collects long-term rent payments from the tenant through a traditional leasing arrangement. Much of the costs associated with operating the hub are now the responsibility of the tenant organization. The model assumes a triple-net rent rate of \$23, which seems to be comparable to other commercial real estate offerings in Fort Bend. It also assumes \$8 for CAM, so an all-in \$31 Gross Rent Rate to the tenant.

Model 2:

This model shows the economics from the tenant perspective. Here, the costs associated with building ownership are no longer absorbed by the tenant, but the tenant has an ongoing rent payment to the landlord and is still responsible for the costs associated with running the hub. In the interest of understanding outcomes of each model, the report keeps the revenue assumptions of this forecast consistent with Scenario 1. So, the

landlord has steady rent payments from the tenant, and the tenant can either run the workspace to be as profitable as possible or, and ideally, the local government as the tenant can subsidize some of the costs, making membership fees cheaper for the entrepreneurs.

And to reiterate, in both Model 1 and Model 2, the capital expenditures for buildout, design, furniture, equipment, etc. would be the same as Scenario 1. The only difference would be that in this version of Scenario 2, the costs would be shared through a tenant improvement allowance, which would be negotiable between the two parties.

Fort Bend County Innovation Hub Forecast (Scenario 2, Landlord Perspective)													
Projected Financial Model - 36 months	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	YEAR 1
	OPERATING INCOME												
Gross Rent	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
Total Operating Revenue	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
OPERATING COSTS													
Maintenance	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Utilities	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Janitorial	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Property Tax	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Security	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Insurance	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Accounting/Finance	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Total Operating Cost	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	103,200
Operating Income	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	361,800
													\$ Per SF
													24.12

	Mo 13	Mo 14	Mo 15	Mo 16	Mo 17	Mo 18	Mo 19	Mo 20	Mo 21	Mo 22	Mo 23	Mo 24	YEAR 2
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	600	600	600	600	600	600	600	600	600	600	600	600	7,200
	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	103,200
	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	361,800
												\$ Per SF	24.12

	Mo 25	Mo 26	Mo 27	Mo 28	Mo 29	Mo 30	Mo 31	Mo 32	Mo 33	Mo 34	Mo 35	Mo 36	YEAR 3
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	600	600	600	600	600	600	600	600	600	600	600	600	7,200
	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	103,200
	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	361,800
													24.12

Fort Bend County Innovation Hub Forecast (Scenario 2, Tenant Perspective)															
Projected Financial Model - 36 months															
	Price	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	YEAR 1	
OPERATING INCOME															
1-2 Person Utilization	900	5,400	2,700	7,200	8,100	9,000	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	124,200
3-4 Person Utilization	1,400	7,000	5,600	9,800	11,200	12,600	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	166,600
5-6 Person Utilization	2,200	8,800	6,600	11,000	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	167,200
8-10 Person Utilization	3,100	3,100	3,100	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	80,600
Open Memberships	250	2,250	1,500	4,000	4,500	5,000	6,000	6,500	7,000	7,500	8,000	8,500	9,000	9,000	78,750
Events			6												3,750
Total Operating Revenue		19,500	19,500	38,200	43,200	46,250	50,450	51,200	51,700	52,200	52,700	53,200	53,700	53,700	621,100
OPERATING COSTS															
Software & Memberships	700	700	700	700	700	700	700	700	700	700	700	700	700	700	10,500
Rent		38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
Travel, Food, & Beverage	500	500	500	500	500	500	500	500	500	500	500	500	500	500	7,500
Marketing & Advertising	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Office Supplies	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	7,500
Internet	500	500	500	500	500	500	500	500	500	500	500	500	500	500	7,500
Accounting/Finance	600	600	600	600	600	600	600	600	600	600	600	600	600	600	9,000
Events	500	500	500	500	500	500	500	500	500	500	500	500	500	500	4,500
Misc	250	250	250	250	250	250	250	250	250	250	250	250	250	250	3,750
Total Operating Cost		7,550	6,050	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	527,250
Operating Income		(7,550)	13,450	(4,100)	900	3,950	8,150	8,900	9,400	9,900	10,400	10,900	11,400	11,400	99,850
Staffing and Management		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	300,000
Net Operating Income		(27,550)	(6,550)	(24,100)	(19,100)	(16,050)	(11,850)	(11,100)	(10,600)	(10,100)	(9,600)	(9,100)	(8,600)	(8,600)	(206,150)
CF		(27,550)	(34,100)	(33,600)	(105,900)	(121,950)	(135,200)	(147,050)	(158,150)	(168,750)	(178,850)	(188,450)	(197,550)	(197,550)	(206,150)
															\$ Per SF (13.74)

	Mo 13	Mo 14	Mo 15	Mo 16	Mo 17	Mo 18	Mo 19	Mo 20	Mo 21	Mo 22	Mo 23	Mo 24	YEAR 2
	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	129,600
	12	12	12	12	12	12	12	12	12	12	12	12	12
	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
	10	10	10	10	10	10	10	10	10	10	10	10	10
	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400
	6	6	6	6	6	6	6	6	6	6	6	6	6
	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	74,400
	2	2	2	2	2	2	2	2	2	2	2	2	2
	9,500	10,000	10,500	11,000	11,500	12,000	12,500	13,000	13,500	14,000	14,500	15,000	147,000
	38	40	42	44	46	48	50	52	54	56	58	60	60
	1,000	1,000	1,000	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,500	15,000
	54,700	55,200	55,700	56,200	56,700	57,200	58,200	58,700	59,200	59,700	60,200	60,700	692,400
	700	700	700	700	700	700	700	700	700	700	700	700	8,400
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	600	600	600	600	600	600	600	600	600	600	600	600	7,200
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	507,600
	12,400	12,900	13,400	13,900	14,400	14,900	15,900	16,400	16,900	17,400	17,900	18,400	184,800
	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
	(7,600)	(7,100)	(6,600)	(6,100)	(5,600)	(5,100)	(4,100)	(3,600)	(3,100)	(2,600)	(2,100)	(1,600)	(55,200)
	(213,750)	(220,850)	(227,450)	(233,550)	(239,150)	(244,250)	(248,350)	(251,950)	(255,050)	(257,650)	(259,750)	(261,350)	(3,68)
													\$ Per SF

	Mo 25	Mo 26	Mo 27	Mo 28	Mo 29	Mo 30	Mo 31	Mo 32	Mo 33	Mo 34	Mo 35	Mo 36	YEAR 3
	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	129,600
	12	12	12	12	12	12	12	12	12	12	12	12	12
	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
	10	10	10	10	10	10	10	10	10	10	10	10	10
	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400
	6	6	6	6	6	6	6	6	6	6	6	6	6
	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	74,400
	2	2	2	2	2	2	2	2	2	2	2	2	2
	15,250	15,500	15,750	16,000	16,250	16,500	16,750	17,000	17,250	17,500	17,750	18,000	199,500
	61	62	63	64	65	66	67	68	69	70	71	72	72
	2,000	2,000	2,000	2,000	2,000	2,000	2,500	2,500	2,500	2,500	2,500	2,500	27,000
	61,450	61,700	61,950	62,200	62,450	62,700	63,450	63,700	63,950	64,200	64,450	64,700	756,900
	700	700	700	700	700	700	700	700	700	700	700	700	8,400
	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	38,750	465,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	600	600	600	600	600	600	600	600	600	600	600	600	7,200
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	250	250	250	250	250	250	250	250	250	250	250	250	3,000
	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	42,300	507,600
	19,150	19,400	19,650	19,900	20,150	20,400	21,150	21,400	21,650	21,900	22,150	22,400	249,300
	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
	(850)	(600)	(350)	(100)	150	400	1,150	1,400	1,650	1,900	2,150	2,400	9,300
	(262,200)	(262,800)	(263,150)	(263,250)	(263,100)	(262,700)	(261,550)	(260,150)	(258,500)	(256,600)	(254,450)	(252,050)	0.62

Scenario 3: A quasi-for-profit management partnership between a hub operator and a government owned building.

As noted, in this model, the operator would work with the property owner, in this case, The County or other government entity, to develop a workspace. The revenue and cost line items would be the same as they were in Scenario 1 with the only difference being potentially less emphasis on maximizing profitability of the space in order to better strategically align the goals of the space with the efforts of its management.

Other Strategic Initiatives Beyond the Physical Space:

A partnership with a media outlet to be the storyteller, the mouthpiece, of the movement. The costs associated vary dramatically depending on the solution (podcast, digital media publication, social media campaigns, etc.). In the case of InnovationMap, which would be at the high-end both in terms of cost, quality, and in our opinion, impact on the efforts of The County, the costs associated with funding their expansion to Fort Bend would likely be around \$200,000. There may also be an opportunity to spread out the costs by paying a monthly fee or securing corporate advertisement dollars ahead of the project in order to subsidize the expansion costs. Other solutions would be much cheaper – our only recommendation for those options would be that someone is dedicated to the ongoing ownership of that effort.

IX. Conclusion

Fort Bend County is poised for exciting economic growth but will need to take an intentional approach to facilitate new business and innovation activity in the region. It has a wealthy, educated, skilled, and diverse community replete with great academic institutions, a large and varied business environment, and a good foundational culture of entrepreneurialism. Our team at The Cannon believes that the establishment and ongoing management of three distinct but interconnected innovation centers will have a profound impact on The County's business landscape. More work needs to be done to identify specific locations in each area and to outline the business model that will be deployed in each space, but our team believes that if The County can help facilitate the launch of these three centers and a connectedness among them, then real entrepreneurial potential can be activated.

Specifically, our team outlines five areas of focus that, based on the core competencies and inherent challenges of the region, should be prioritized as key immediate initiatives. These include an emphasis on county-wide alignment and communication, a focus on programs geared towards new entrepreneurs and intrapreneurs, collaborative partnerships with local academic institutions, and the development of an educationally-rich investor network across the region. These activities will help fill gaps that currently exist in Fort Bend's startup ecosystem while leveraging its preexisting strengths. The Cannon believes that Fort Bend can take a leadership role in county-specific innovation strategy and serve as an example for other similar geographies and groups across the country. We are excited to watch Fort Bend's emergence as both a burgeoning Texas County and as an economic hub of innovation and entrepreneurialism.