

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### SUMMARY FOR THE LEGISLATIVE FILE

ORDINANCE NO: 1260-18

**Project Name:** gener8tor gBETA program

**Recipient:** gener8tor

**Project Site:** Finch Group development, E. 105th St. and Ashbury Ave.

**Project Manager:** Nick Zingale

**Ward/Councilperson:** 9 - Conwell

**City Assistance:** \$225,000 Economic Development Assistance Grant

#### **Project Site**

The Finch Group, in partnership with the City of Cleveland, will develop a mixed use building with 63 affordable housing units and 13,500 square feet of commercial space at E. 105th St. and Ashbury Ave. as part of Mayor Jackson's Neighborhood Transformation Initiative (MNTI). If funded, gener8tor's gBETA accelerator program will locate in this commercial space.

#### **Company Background**

gener8tor ("Grantee") is an accelerator based in Wisconsin that invests in high-growth startups. Three times a year, the Grantee selects and invests in five startups which then participate in a 12-week accelerator program. The Grantee then supports participant companies with a network of mentors, technologists, corporate partners, investors and venture capitalists. In addition, participant companies are given access to gener8tor's staff who assist with development, design, marketing, social media, journalism, business development, and sales.

Since 2012, gener8tor's 71 alumni have cumulatively raised more than \$150 million in additional financing after participating in the program. Of these 71 alumni, 58% have raised more than \$1 million or have been acquired. The gener8tor program is based in Wisconsin, but companies have been selected from all across the country.

gener8tor also operates several other programs beyond the main gener8tor accelerator, including their gBeta program, targeted at early stage startups. gener8tor has proposed to bring the gBeta program to Cleveland.

#### **Project Summary**

In Cleveland, gener8tor has proposed to operate two programs: 1) their gBETA accelerator program, a program focused on very early-stage startup companies with local roots, and 2) an annual accelerator focused on chefs, musicians, or artists, particularly in the Glenville/Circle North community.

gBETA is a locally-focused program that gener8tor has launched in various cities in Wisconsin as well as Minneapolis, Cincinnati, Indianapolis, Los Angeles and Detroit. gBETA is targeted towards earlier-stage companies. The gBETA program selects companies in partnership with their sponsors. For example, the gBETA Social Impact program supports neighborhood businesses, not-for-profits and for-profits that make a social impact.

In Cleveland, gBETA intends to select startups consistent with Mayor Jackson's Neighborhood Transformation Initiative. Specifically the program intends to reserve spots for startups (1) from Glenville and surrounding neighborhoods; (2) featuring founders of diverse backgrounds; and, (3) those most likely to bring outside capital into under-invested communities.

Unlike the main gener8tor program, gBETA does not involve a financial investment in participating startups, however, selected companies receive access to mentor-matching, concierge coaching on business model and customer development, and access to gener8tor's network of investors. The program is intended to serve as a bridge between the academic and private sectors, and gener8tor plans to partner with Case Western Reserve University if the program is launched in Cleveland. Six public luncheons will be held per program with local mentors and investors speaking and engaging the greater community.

The gBETA program would have a goal of 1/3 of graduates going on to participate in a full-time accelerator program (which includes an equity investment) or otherwise raise at least \$50,000 in capital within one year of participation. To date, 50% of gBETA participants in other markets have accomplished this goal. gBETA would set a goal of working with local universities, corporations, and nonprofits to strengthen the City's startup ecosystem. Over three years of participation, gBETA partners are told to "expect an ecosystem consisting of 45 new startups resulting in 15 seed rounds, 1 Series A round and 120 new jobs created."

gener8tor's gBETA proposal for Cleveland proposes running two, seven-week programs per year, with each program having five companies participate. The budget for this proposal is \$225,000 per year.

gener8tor also proposes running an annual accelerator program in Cleveland focused on food, music, and/or art. gener8tor has suggested the City select the music program first as they believe their recent partnership with Capitol Records would also enable them to bring a robust mentor network to Cleveland musicians. The music accelerator would target applicant and participant musicians (1) from Glenville and surrounding neighborhoods, (2) from diverse backgrounds, and (3) most likely to rise to a regional and national level of stature. gener8tor intends for the music accelerator program to engage the Glenville neighborhood and enrich the cultural life of the community.

This accelerator program would make grants of \$15,000 to \$20,000 to 4-5 participants each annually, and have a goal of increasing the quality and quantity of artisans in the selected program, such as new restaurants, musical groups, and artist studios in Cleveland. As with other gener8tor programs, the program in food, music, or art will offer mentorship, networking, and support to participants, as well as four public workshops aimed at engaging other community members. A major goal of the food/music/art program is to assist chefs, musicians, or artists with business acumen. The budget for the food, music, or art accelerator is \$185,000 per year, roughly the cost of the grants made to participants plus a dedicated staff to run the program and supporting operating costs.

gener8tor's programs will locate at the Finch Group development at E. 105th Street and Ashbury Avenue, part of Mayor Jackson's Neighborhood Transformation Initiative. gener8tor is committed to inclusive economic development in accordance with the goals of the Mayor's

Initiative and is excited to take part in the revitalization of Glenville and other Cleveland neighborhoods.

### **Proposed City Assistance**

The Department of Economic Development proposes a commitment for a \$225,000 grant to gener8tor to fund the gBeta program for one year, contingent on gener8tor raising an additional \$185,000 from the philanthropic community to fund the food/music/art program. The City's financial commitment to gener8tor's presence in Cleveland will help to bolster gener8tor's outside fundraising efforts.

### **City Requirements**

- Subject to Chapter 187: MBE/FBE/CSB requirements
- Subject to Chapter 188: Fannie Lewis Cleveland Residential Employment Law
- Subject to Fair Employment/Living Wage Law
- Subject to a Workforce Development Agreement for all new jobs