city of platteville and university of wisconsin-platteville

INNOVATION CENTER

market analysis and feasibility study

August 10, 2012

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Strategic Development Services

STRANG

Acknowledgements

We are grateful for the opportunity to conduct this feasibility analysis for the City of Platteville and the University of Wisconsin – Platteville. We also appreciate the cooperation and regional coordination efforts of economic development partners such as the Southwest Regional Planning Commission, the Economic Development Corporations in Green, Iowa and Grant Counties, the Richland Chamber and Development Alliance, Wisconsin Entrepreneurs Network, the Platteville Area Industrial Development Corporation, the Wisconsin Economic Development Corporation and the Greater Dubuque Development Corporation.

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And we wish to express our thanks to the sixty-three individuals that were kind enough to participate in our in-depth community interviews conducted from January 9 through February 15, 2012.

Steering Committee:

- Larry Bierke, Platteville City Manager
- Christina Curas, UW-Platteville
- Michael Gay, Center for New Ventures, UW-Platteville
- Bill Hudson, Dean, College of Engineering, UW-Platteville
- Chuck Runde, Redevelopment Authority, City of Platteville
- Cindy Tang, Serial Entrepreneur
- Ed White, Economic Development Director, Southwest Wisconsin Regional Planning Commission

Project Team:

- Vierbicher - Gary Becker, Project Manager
- Strategic Development Services - Charles Stein
- Strang - Wayne Whiting

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Executive Summary

Background

The University of Wisconsin-Platteville (UW-Platteville) and the City of Platteville are actively exploring the development of land and/or buildings capable of supporting applied research, technology transfer, and entrepreneurship. Both the City and the University wish to capitalize on the University's resources and expertise in innovation by obtaining physical space to perform research and development leading to capital formation and the commercialization of technology that creates wealth, jobs, and employment in the Southwest Wisconsin and greater Tri-State region.

This innovation center project is the third phase of a larger initiative tied to a state charter to engage the resources of the University of Wisconsin System for economic development of the state. The other phases of this initiative at UW-Platteville include a) the University's formation of the Center for New Ventures and b) the University's search for federal funding to establish UW-Platteville as a center for applied research, development, entrepreneurship and creative activity serving the tri-state region.

The purpose of this feasibility study is to understand whether necessary factors are present at the UW-Platteville and within the region to support an innovation center and/or research park. Critical factors for consideration include:

- Existing experience with research/ innovation/commercialization.
- The culture of innovation and entrepreneurship.

- Trends and factors influencing changes in the environment for research/innovation/ commercialization.
- Capacity to finance new ventures.
- Capacity to support new ventures with technical resources.
- Partnerships with key regional businesses/governments/institutions/ economic development organizations to support and drive tenants to an innovation center.
- Champion to build support for and leadership to implement an operating plan.
- The facility and support needs of possible spin-off companies.
- Development & operating costs relative to revenue stream and deal flow.
- Sources of support to fund capital costs.
- Willingness to embrace changes outlined for the UW System by the State of Wisconsin new economy charter for economic development.

In addition to studying the factors that contribute to the success of an innovation center/research park, there was a site analysis component to the study that involved analysis of seven areas of the City for potential location of an innovation center and/or research park.

The City contracted with a consulting team consisting of Vierbicher (economic development planning and engineering), Strategic Development Services (business incubator feasibility), and Strang (architectural and site design for research facilities).

The study began on December 15, 2012 after approval of a consulting contract by the Platteville City Council. A Steering Committee was formed to oversee the feasibility study. The study process and key milestones are shown in the following project timeline.

The study was comprised of two phases—feasibility and operations.

Summary of Feasibility

A facility-based innovation center of at least 30,000 s.f. is feasible under the following assumptions:

1. Facility operating revenue is not used to cover facility debt-service. That is, the capital costs of the facility must be covered by a combination of grants, donations and partner contributions, not rent.
2. The service area for the facility is a 14 county tri-state region.
3. There is a high probability of achieving operational break-even by year 5, incurring accumulated losses of ~$260,000 which are covered by the facility's capital budget.
4. Facility occupancy rate achieves 90% after 24 months.

The study estimates the capital budget for an innovation center is $8.6 million which covers a downtown site, design, construction and pre-operations development. Savings could potentially be achieved at a highway site, but at the expense of key elements supporting an innovation environment such as proximity to individuals with diverse interests and ready access to business support amenities.

The innovation center should have a focus on manufacturing, technology and University of Wisconsin-Platteville program specialties and creative activities. Specialty opportunities were found in renewable energy, bio-plastics, information technology and software development.

Regional institutions and economic development organizations exhibited strong support for an innovation center. The study recommends the innovation center be the hub for a regional innovation network that takes advantage of innovation-related resources throughout the region.

Emerging opportunities at the University of Wisconsin-Platteville and within the region are significant factors in the feasibility of an innovation center. Such opportunities include:

- A new emphasis on a culture of entrepreneurship, commercialization and technology transfer at UW-Platteville.
- A linkage between UW-Platteville and Dubuque around the importance of the University to an entrepreneurship and commercialization strategy for regional economic development.
- Developing centers of excellence at UW-Platteville driven by federal partnerships focused on agriculture, criminal justice and a STEAM (science, technology, engineering, agriculture, math) Charter School.

A research park is not recommended at this time as little evidence was found that UW-Platteville could drive the location decisions of firms on the basis of research. The consultant team expects this to change over time as the innovation center becomes established and UW-Platteville's emphasis on applied research, commercialization and entrepreneurial culture matures and gains recognition.

Summary of Operations

The innovation center operating plan provides guidance to the City of Platteville and the University of Wisconsin-Platteville regarding the various aspects of establishing and operating an innovation center in Platteville, WI.

The study recommends the innovation center be incorporated as a 501(c)3, non-profit corporation. Specifically, the center should *not* be part of any other organization, but rather its own corporate entity.

Initial staffing should be limited to two full time positions: Executive Director, and a combination Administrative Assistant/ Receptionist.

A marketing plan for the innovation center should be implemented as soon as practical, marketing the services to be provided, and detailing the concept. The marketing plan, included in the study, is targeted to potential stakeholders, tenants/affiliate members, professional service providers and the community at-large.

Board of director responsibilities are outlined, as is recommended composition of the board. Recommended committee structure is discussed, a staffing plan is detailed, and performance metrics are suggested.

Tenant/affiliate recruitment will ultimately depend upon the innovation center's ability to provide value to both tenant/ affiliates and stakeholders. Admission guidelines should simultaneously be stringent but flexible. Graduation criteria are highly subjective, and should be dependent upon the recommendations of the Executive Director.

The provision of services, tailored to the needs of each individual business is a critical component of an innovation center. Although there are numerous common services, such as bundled office services, each tenant/affiliate has unique needs based upon the market being pursued, stage of maturity, capabilities of management team, and other factors. The two most important services that can be offered to start-up businesses are (1) access to capital; and (2) development of appropriate mentors and professional service providers.

Short, intermediate and long-term goals are suggested to move the project through to completion. A key component of bringing the innovation center to fruition will be the identification and recruitment of both an institutional and individual Champion to take responsibility for moving the project forward to completion.

Recommendations

1. UW-Platteville and the City of Platteville should move forward with development of an approximate 30,000 s.f. Innovation Center located in Platteville.

2. Primary consideration for location of an Innovation Center should be downtown Platteville within an approximate 10 minute walk of campus. Consideration should be given to a back-up site

visibly located at one of the western U.S. Hwy 151 interchanges.

3. UW-Platteville should continue to explore partnership opportunities with the Platteville School District to have a STEAM (Science, Technology, Engineering, Agriculture and Mathematics) Charter School, working collaboratively with the UW-Platteville School of Education to enhance the teaching mission of the university while improving the charter school's opportunities for success.

4. The City of Platteville should continue working with UW-Platteville to select and develop a site for the Innovation Center. The City should use all the resources at its disposal to contribute to development of the Innovation Center in partnership with UW-Platteville.

5. Place investment in a research park on hold and re-evaluate in 5 to 10 years. The feasibility of a research park will depend upon the success of UW-Platteville in developing a culture of entrepreneurship and commercialization to a degree that private firms will make location decisions on the basis of being proximate to UW-Platteville.

6. Establish a regional innovation network to focus regional resources on the innovation process and provide multiple pathways for new business formation, new product development and commercialization.

7. UW-Platteville should continue its effort to make its culture more entrepreneurial around applied research and develop a clear intellectual property policy that rewards innovators and risk-takers while providing a small stream of revenue back to the University.

8. UW-Platteville should strengthen its outreach to tri-state area manufacturers and technology businesses to understand ways UW-Platteville can help these sectors innovate and keep their product lines fresh and relevant.

Project Impacts

A more dynamic regional economy resulting from new products being developed and improved, leading to greater manufacturing activity, higher corporate sales with higher profit margins, higher wages and better employment opportunities.

A stronger UW-Platteville resulting from:

- Greater professional challenges
- Greater learning and growth opportunities
- Diversified income opportunities for faculty, staff and students
- Intellectual property revenue to the University
- Better career starts for students
- Greater student and faculty retention
- Greater collaboration between disciplines
- Better student engagement
- Greater ability to recruit faculty and students
- Enhanced reputation
- Summer opportunities on campus for students
- Greater support for University self-determination

A higher quality of life for residents of the City of Platteville and greater ability to attract new residents to the City resulting from:

- Increased tax base
- Higher wages which can support more retail and commercial services
- Stronger educational opportunities
- Better career opportunities

Platteville Innovation Center Feasibility Study Schedule

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	December				Jan-12				February				March				April			
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Consultant Selected and Under Contract				contract approval Dec. 13, 2011																
Phase 1: Market Analysis and Feasibility Study																				
Project Team Meeting	♦	Dec. 6, 2011																		
Kick-off Meeting With Steering Committee		♦		kick-off meeting Dec. 15, 2011																
Stakeholder Interview Lists, Questions, Invitations, Schedule																				
Key UW-Platteville Resources																				
Analysis of Regional Resources																				
Target Industry Assessment																				
Best Practices Evaluation																				
Site Evaluation																				
Stakeholder Interviews - first round																				
Stakeholder Interviews - second round																				
Stakeholder Interviews - third round																				
Preferred Site Identification and Justification - Steering Comm.								♦	Jan. 23, 2012											
Project Performance																				
Project Team Meeting									♦	Feb. 1, 2012										
Steering Committee Meeting											♦	Feb. 27, 2012								
Phase 2: Facility Financing, Organization, Costs & Financing																				
Financial Sources and Uses of Funds																				
Financial Projections																				
Organization and Governance																				
Tenant User Needs Analysis																				
Management Plan																				
Project Team Meeting															♦					
Review Meeting w/ City & University																♦	March 27,00012			
Steering Committee Meeting																	♦	April 6, 2012		
Draft Feasibility Report Provided by Consultant																				
Review of Draft Report & Edits Provided by Client																				
Presentations of Report																	April 19 & 24		♦	
Final Feasibility Report Provided by Consultant																				

Next Steps

- UW-Platteville and City of Platteville commit to project
- Secure real estate
- Establish a 501(c)(3) non-profit organization to operate the innovation center
- Select a project Champion
- Hire a Project Manager
- Begin fundraising
- Establish a brand image
- Begin marketing

Part I: Assessment

Background: Incubators & Innovation Centers

During the last decade, and particularly since the beginning of the current U.S. recession, economic development organizations (EDO's) have been shifting away from attraction strategies to devote an increased focus on retention and a "grow your own" philosophy, sometimes called "economic gardening." Regions are applying strategies to build upon existing concentrations of competing, complementary and/or interdependent firms within industrial sectors (clusters). Clusters can strengthen a region's competitive advantage. Clusters are comprised of both competitors and collaborators, and the inter-cluster business environment that results fosters innovation; innovation then leads to development of new, start-up ventures.

Technology-led economic development has progressed to innovation-led economic development. Technology can be a product or a process. *A technology product can be a new piece of machinery or material with advanced capabilities. A technology process streamlines an operation or a function.* The U.S. Bureau of Census categorizes high technology products into ten areas:

- Biotechnology
- Life Science Technologies
- Optoelectronic
- Computers and telecommunications
- Electronics
- Computer-integrated manufacturing
- Material Design
- Aerospace
- Weapons
- Nuclear Technology

Technology businesses have a tendency to cluster around related firms, the source of their technologies. Also, technology businesses tend to collaborate more than other industries. Collaboration takes place amongst competitors, suppliers and complimentary businesses. A key trait among technology businesses is the ability to create innovative technology products.

The need for partnerships in this innovation-driven climate has become of greater importance. Research shows that partnerships between the public and private sectors, as well as academia are critical in developing an innovation-based economy. Innovation has spread to the production process in manufacturing. Information technology and automated manufacturing have had a major impact on businesses not traditionally considered "high-tech" (such as agriculture). UW-Platteville has a history of strength associated with applied research which translates into useful partnerships with business and industry.

Competitive advantage becomes research and innovation – the creation and transformation of knowledge into new products, processes, and services that meet market needs.

The term "Regional Innovation System" is a relatively new concept in economic development. The key elements of a Regional Innovation System involve corporations, research institutions, government agencies and technology-support organizations linked together by an "innovation intermediary" or champion that can be an EDO, an innovation center or other organization acting as a "convener."

The proposed innovation center, or one of the regional economic development partners could eventually serve as the "innovation intermediary" for the region. Leading economic development organizations are attempting to create, support and sustain these systems of innovation to enhance entrepreneurship and accelerate commercialization across their regions.

Background: Incubators & Innovation Centers

What is an Innovation Center?

An innovation center is a facility or program focus that is intended to facilitate the formation of new ideas, products, services or technology. Within a university context, an innovation center is a cross-discipline service hub for university staff and students to support applied uses for the results of university research and creative activity. This adds value to academic work which can result in additional revenue streams to the university and university staff.

Within an economic development context, an innovation center uses academic resources and research results to support new product development, new firm formation and existing business growth within a region. This should then lead to the creation of new jobs that pay above average wages. From a regional economic perspective, a vital economy depends upon having firms and regional products and services in various life cycle stages. A regional economy with only mature firms/ industries and little new firm formation or research and new product development is destined for economic stagnation and decline. An innovation center is a strategy to maintain economic vitality in a region over time.

It is important to mention the distinction between two similar concepts – a business incubator and an innovation center. An incubator is a facility or program focus with the purpose of supporting the formation of new businesses. An innovation center is focused upon the commercialization of innovation and may work with businesses and entrepreneurs across the business life cycle and size spectrum – not only start-ups.

The singular focus of an innovation center has important implications for management and programming. According to Paul R. Williams, Executive Director of the American Institute for Innovation Excellence in DePere, Wisconsin, although the concept of an innovation center depends upon the organization hosting the center, there are certain elements that are common to successful innovation centers.

- Established group of subject matter experts in innovation and creative problem solving
- Development of training curriculum and delivery of educational opportunities to enhance innovation and creative problem solving techniques and systems
- Establishment and documentation of innovation and idea management processes, policies and systems
- Organize and encourage collaboration, engagement, open dialog, group creativity (brainstorming) sessions and other opportunities for idea generation/concept sharing
- Facilitation of internal and external customer analysis, customer observation, open innovation idea gathering, future farming, trend analysis and other research activities
- Development of standard requirements, success criteria, systems of measurement, metrics and other methods of improvement and maturity
- Promotion, monitoring and periodic measurement of attributes that support an innovation/creative organizational culture
- Management and oversight of innovation/idea funding sources, budgets and project portfolios
- Development of innovation-based reward and recognition systems
- Establishment and maintenance of dedicated collaboration/idea generation facilities

This suggests the success of an innovation center depends not only upon the factors that contribute to innovation, but also upon having a system to manage the process of innovation and the results that flow from that process, particularly the execu-

Background: Incubators & Innovation Centers

tion of a business or product idea. Most investors will say that a first class entrepreneur with a second class idea is more fundable than a second class entrepreneur with first class idea.

Another component of an innovation center is a program where *selectively screened* early-stage businesses receive various support services that accelerate their time to market, establishes a sound organizational structure and foundation, provides access to capital and improves the businesses opportunities for success. Innovation centers proactively provide access to mentors, capital, specialized equipment and key contacts, resources and networks that otherwise would not likely be available to fledgling firms. What makes innovation centers unique is that they do not develop a "one size fits all" program, but rather *tailor* services that provide *value* to the unique needs of each individual client firm.

The SDS investigation considered opportunities for two distinct types of rural innovation center initiatives:

- Facility-based rural innovation center - the most common form of organization of innovation centers. Tenants lease small increments of flexible space with short-term leases. This form of innovation center proactively provides a full range of services to tenants. It is this full range of value-added services, offered to *selected, pre-screened tenants* that separate innovation centers from most other business assistance programs. A facility alone does not make a business innovation center.

- Virtual rural innovation center – less common but potentially equally effective as an economic development tool, virtual innovation centers provide proactive *tailored* services without the space/facility component.

SDS recommends the facility-based model be pursued, as our investigation found little to no small increments of affordable, flexible space in the Platteville market. Also, history suggests that virtual models have difficulty achieving financial self-sufficiency.

What is a Research Park?

The Association of University Research Parks defines a research park as a property-based venture which:

- Master plans property designed for research and commercialization
- Creates partnerships with universities and research institutions
- Encourages the growth of new companies
- Translates technology
- Drives technology-led economic development

Research parks are essentially real-estate development deals with a university or other public or private research organization as a partner and driver for development of the park. To be successful as a real estate development, the research institution must be able to drive private sector development. This generally requires a pre-park history with technology transfer, commercialization or other industry support program. Universities with an emphasis on teaching and research and little experience with industry outreach and commercialization will have significant challenges bridging cultural differences between the academic and business community.

Two of the most important factors of success for a research park are commitment of university leadership to a culture of industry outreach and acceptance of the program by the business and economic development community. A research park can be viewed as an appropriate strategy for a university/research organization with an industry outreach program that has achieved sufficient credibility and can

Background: Incubators & Innovation Centers

demonstrate sufficient value to private industry to drive corporate location decisions.

Once this threshold is achieved and demand for development in a research park can be demonstrated, then other characteristics of a research park can be considered such as the development model, design/master plan, focus on a technology or industry cluster, support amenities, and value-added tenant services.

UW-Platteville, City of Platteville & Regional Economic Development Network

This feasibility study is the result of a partnership between the City of Platteville and the University of Wisconsin – Platteville. The two entities have taken steps in recent years toward greater collaboration and cooperation. As in any partnership, it is important that the motivations of each partner are understood and that mechanisms are in place for resolving differences that arise.

A reason for UW-Platteville involvement in this project is the generation of additional revenue streams by explicitly and directly adding value to the regional economy. This is driven by the new state charter for economic development and diminished state funding. The thought is that UW-Platteville can be more relevant to regional industries, firms and entrepreneurs through its research, training, professional education, facilities or other resources. Such value then can justify additional funding for applied research, create consulting and other business opportunities for faculty, generate research contracts with industry and create a market for UW-Platteville generated intellectual property. A driving force for City of Platteville involvement is the creation of additional tax base through business formation, expansion and location in the City, the retention of UW-Platteville students as permanent residents attracted by well-paying job opportunities and growth in income for the region.

Clearly these are complementary motivations that can form the basis for a solid partnership. However, each partner's desired outcomes are not necessarily guaranteed to flow from an innovation center/ research park. For example, UW-Platteville may be successful in generating additional revenue streams through an innovation center without necessarily resulting in increased tax base, retention of students or growth in the income of residents. Similarly, an innovation center may end up performing like an incubator and result in the formation of new businesses that grow in Platteville without necessarily resulting in new revenue streams for UW-Platteville.

The consultant team has kept the importance of preserving this partnership in mind and considered both outcomes as critical to the success of an innovation center. In other words, to be successful, the Innovation Center must be able to generate revenue streams for UW-Platteville and result in business and income growth for the City.

Moving forward, success for an innovation center will require expanding this partnership to include regional economic development organizations, technical colleges, and targeted private sector employers. UW-Platteville satellites in Rock County and the Fox Cities will also have an important partnership role to play. Leveraging core competencies within these organizations will help reinforce this revenue potential. These competencies include:

- Economic Development Gardening for Universities
- Agriculture
- Science, Technology, Engineering and Mathematics (STEM)

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- Criminal Justice
- Business and Entrepreneurship

In addition, there may be some niche opportunities that relate to innovations addressing regulations governed by state and federal agencies. If these pan out as legitimate opportunities, such agencies should have some sort of partnership relationship with the Innovation Center. UW-Platteville should continue to explore partnership opportunities with the Platteville School District to have a STEAM (Science, Technology, Engineering, Agriculture and Mathematics) Charter School, working collaboratively with the UW-Platteville School of Education to enhance the teaching mission of the university while improving the charter school's opportunities for success. Another partnership opportunity to consider for the long-term is CESA 3 – creating a regional culture of innovation by working through the school districts can mean more tenants for the Innovation Center 10 years from now.

Overview & Methodology

Project Objectives

The objective of this feasibility study was to determine if the tri-state region could support the development of a *financially self-sustainable* business innovation center.

Business innovation center programs catalyze the process of starting and growing companies by *proactively* providing would-be entrepreneurs and technologists with value-added support in the form of: management expertise, entrepreneurial education, networks, overcoming regulatory hurdles, coaching/mentoring, resources and access to early-stage capital that otherwise entrepreneurs may not know about or have access to. These all-important services are combined with access to small increments of flexible space characterized by short-term leases, generally at, or slightly above market rates due to the value proposition inherent in the services offered.

A rural innovation center in the region would provide the physical infrastructure necessary to launch new businesses and facilitate expansion of operations at existing manufacturers, offering furnished offices, as well as relatively small increments of flexible manufacturing/production/assembly space. Innovation centers also provide shared business services, and in many instances, specialized equipment that can be shared by various clients, thereby reducing a portion of the capital required and reducing the barriers to entry.

In virtually every region of the country – rural or urban – innovation centers have had a substantial economic development impact on existing manufacturers in their respective

regions. Evidence suggests that every region has existing businesses that have stagnated as a result of not knowing how to diversify into new markets and/or products, have no idea how to move into import/ export arenas, government contracting, and myriad other issues. Innovation centers are but one venue for providing assistance to these existing manufacturers. Other opportunities include similar initiatives that are not facility-based (i.e., "virtual" innovation centers), and sometimes what is commonly referred to as "skunkworks."

A feasibility study, no matter how well done, does not guarantee the success of an innovation center. Rather, the feasibility study serves to identify obstacles and opportunities in order to mitigate risk if a decision is made to go forward. *The goal is to create new, innovation-driven entrepreneurial companies to leverage the regional assets, including intellectual property to enhance and diversify the local economy, create jobs and incremental wealth, and to have a positive fiscal impact on local and state government, as well as the potential to develop incremental revenue streams for UW-Platteville via commercialization of intellectual property developed at UW-Platteville.*

Methodology

The SDS approach to feasibility is *a market driven, stakeholder based approach*, where data is collected from individuals, organizations and institutions with a vested interest in the successful development of an innovation center initiative. This process also facilitates developing a consensus amongst a broad cross section of community leaders, entrepreneurs and CEO's. This primary market research is aggregated and synthesized to draw initial conclusions.

SDS conducted 63 one-on-one interviews with key regional leaders including economic development professionals, academic leaders, elected officials, current and potential entrepreneurs and CEO's between January 9 and February 15, 2012. A summary of stakeholders interviewed by type of stakeholder and a list of those interviewed appears at the end of this chapter.

In determining whether an innovation center is feasible or not, investigation initially focuses on market demand. Without market demand for innovation center space and services, other criteria for determining feasibility are moot. If market demand does in fact exist, then the investigation examines other criteria for success, including financial self-sustainability and presence of a champion to keep the development process moving towards completion.

There is a fundamental difference in businesses that are product-based versus service -based (including retail). In general, product -based businesses market to a regional or national, and sometimes even global audience. We generally speak in terms of "engaging in interstate commerce." These product-based businesses bring outside dollars into the region of operation, and thereby create wealth in the region. Service-based businesses *tend* to serve a local rather than a regional or larger market. If a service-based business engages in interstate commerce, it too will facilitate wealth creation in the region located. But many service-based businesses and retail simply recirculate existing dollars in the area without creating wealth.

It simply does not make good economic sense to spend significant resources on development and operation of a business innovation center if wealth will not be created in the region. Therefore, our methodology focuses on identification of market demand for innovation center space and services relative to product-based businesses. Although our investigation uncovered a wide-range of business sectors, the two most dominant are in the manufacturing and technology sectors.

SDS also utilized a financial feasibility model to project occupancy and income/ expenses to determine sustainability potential and identify issues that will need to be addressed to achieve such sustainability. The assumptions used in the financial feasi-

bility model were based on the market demand (for both start-ups and existing businesses) documented during this study, best practices for innovation centers as studied and published by the National Business Incubation Association, and the practical knowledge of SDS gained in nearly twenty years of working in the business incubation industry.

Summary of Interviews

In developing an innovation center program, it is critical to assess community reaction, and to form a consensus for the project at the outset. It is essential that the vast majority of the community leadership be behind the project. Innovation centers do not operate in a vacuum, but rather depend on community relationships, and become a part of the fabric of the community at-large for long-term success.

One common denominator in most regions, and this tri-state area is not unique in this regard, is that most business people and community leaders do not understand the process of innovation/commercialization/ business incubation/acceleration. Therefore, this analysis served an additional role as an educational process.

Virtually all of the interviewees expressed strong support for the development of an innovation center serving the tri-state region and located in Platteville, some with caveats regarding marketing/awareness, leadership and commitment to the project. Our objective was to catalyze the forging of a consensus and to identify various stakeholders of the initiative. It is clear, at the end of this analysis, that **the development of a rural innovation center in the region has broad-based regional support.**

The region is fortunate to have the leadership of the City of Platteville and UW-Platteville and their economic development partners. The region has a relatively high level of community and stakeholder support for a manufacturing/technology innovation center. Academic, business, government and economic development leaders are very supportive. Additionally, virtually all of the existing or would-be entrepreneurs interviewed consider having an innovation center as an important resource. A manufacturing/technology innovation center would play a key role in accelerating the pace of commercialization and entrepreneurship for the tri-state region.

Developing a shared vision is critical to a successful program. We have been involved in several projects where good plans got undermined by a lack of implementation. When there is no consensus, no shared vision, and no one "champion," misunderstandings arise regarding the goals, direction to be taken and location. And, despite all of the best intentions and worthy goals, paralysis will result if no one viewpoint can command the support of the majority. When this is the case, potential stakeholders have no sense of direction, and gradually lose interest.

Developing a shared vision is important for a variety of other reasons, including:

- The Innovation Center will want to be able to rely on other entities for referrals of prospects in order to achieve occupancy expectations.
- The Innovation Center will also want to take advantage of the expertise and resources of the various entrepreneurial organizations in the region, including those that may also provide referrals to the Innovation Center.
- Funding sources, like the Economic Development Administration require assurance that there is broad-based support for any funding request from key constituencies throughout the region.

Our interviews uncovered a sense of partnership amongst disparate organizations involved in economic development and entrepreneurship, all of which makes a positive contribution towards the successful development of an innovation center.

Development of an innovation center is a challenging and difficult process. The region must have a strong, committed champion to drive this project to completion – both

institutional and individual - to succeed. We recommend that the UW-Platteville Center for New Ventures consider serving as the **institutional Champion**, through the development phase until such time as a formal organization is created and functional. UW-Platteville and the Center for New Ventures has the respect of its leadership and peer organizations in the surrounding counties, and the requisite skill sets, including a "bully-pulpit," to drive the project forward.

The **individual champion** should be a highly credible, influential person in the region. The individual champion is also someone who will accept responsibility, further forges consensus, develops a vision and is willing to see the project through to implementation.

Interviews also elicited numerous recommendations as to those who could serve as the individual champion. SDS recommendations regarding an individual champion will be discussed with project leadership separately.
The following are selected excerpts from key interviews:

"I get calls from entrepreneurs constantly, but most of them lack resources…. this is a great idea. People are afraid to commercialize because they just do not know how to get started."

-Successful Entrepreneur

"I get calls from existing businesses 'all the time' asking for help. Most requests concern quality improvement, project management, business plan development and (how to) import/export. These businesses do not know where to go to get help – we need a 'clearinghouse'."

-Business Professor

"This area is rich with entrepreneurial talent. Our company would like to participate, and I would assign a manager to be involved (with an innovation center)."

-Major Manufacturing General Manager

"I think more than half of the businesses in the region are considering either expansion or diversification, all of which could use some expertise to help facilitate."

-Academic President

"I will be very excited if an innovation center is built. We have a large service area……..and need a 'one stop' for early stage, start-up businesses – right now nothing exists."

-Dubuque ED Professional

"Given the resources at UW-Platteville and the positive work ethic, there should be opportunities for commercialization. I've seen numerous start-ups in the last two years first-hand."

-Accounting Executive

"I know of several businesses that have primarily only one major customer, and they need to diversify their customer base, but either do not know how to do it, or do not think far enough ahead until it is too late."

-Attorney

"An innovation center will see deal-flow from several sources: John Deere spin-offs, retiring employees that do not want to fully retire, faculty and students at UW-Platteville, machinists with an entrepreneurial bent, and certainly agriculture. We've just not had a nurturing environment here for entrepreneurship"

-Successful Entrepreneur

"I would take advantage of an innovation center. I need help with market research, pricing, strategy, a revenue model, access to capital, and finding a CEO to run the business."

-Entrepreneurial UW-Platteville Faculty

"Platteville suffers from a 'brain drain.' I consider myself a driver of entrepreneurship, and have had several students start new

businesses in the last couple of years. I know there is demand for (innovation center) space and services."

-UW-Platteville Faculty

"I believe an incubator will catalyze growth. Innovation in agriculture has opportunities in cross-disciplinary functionality, which might not be realized without an innovation center providing a nexus."

-Energy Expert

Summary of Interviews Conducted
January 9 – February 15, 2012

Private Sector CEO's, Managers	13
Economic Development Professionals	13
Entrepreneur CEO's	3
Faculty/Academia	28
Venture Capital	2
Incubator/Innovation Center Managers	4
Total	**63**

Key UW-Platteville Resources

Innovation centers have the opportunity to augment the provision of networks and coalitions critical to innovation-based economic development. The establishment of regional collaboration amongst firms within clusters (manufacturing, agriculture, IT, etc.) is another key element of success. These collaborations can be based around a geography (the study region) and/or industry clusters.

As other economic development organizations have come to realize, the retention of existing businesses, and a "grow your own" initiative to promote entrepreneurial start-up businesses, is the most efficient and effective way to facilitate job growth in any area, especially in rural areas. In 2010, small business accounted for 107% of all job creation, as large companies continued to cut employment.

The development of an innovation center initiative clearly complements the efforts of the regional economic development partners in the study area, as well as the Greater Dubuque Development Corporation, and other business support services, by enhancing wealth creation through high-paying job creation.

Technology Transfer - Commercialization

It has been thirty-two years since the passage of the landmark Bayh-Dole Act, which allowed universities the right to own and commercialize inventions that arise out of government sponsored research. Although UW-Platteville is not a research university, our analysis found substantial amounts of intellectual property (IP) being generated in numerous university departments: including in-

dustrial studies and engineering (welding, metal fabrication, laser applications, coatings, robotics, plastics and composites, electrical, mechanical, energy conservation, renewable energy, civil), math and science, information technology (software, gaming), chemistry, nano/MEMS, agriculture (food processing-related), forensic science and digital arts. However, the university has not had a history of commercialization. The current UW-Platteville administration adroitly realizes the need for the university to develop incremental revenue streams in the face of diminishing public-sector support. This feasibility analysis for an innovation center is to a degree, driven by this need of UW-Platteville.

A technology/manufacturing innovation center provides an opportunity to add a new dimension to regional economic development efforts, and would be tangible evidence of the region's commitment to economic development through entrepreneurship. It could also facilitate technology transfer at UW-Platteville, to create incremental revenue for the university.

Numerous existing innovation centers have varying degrees of involvement in the technology transfer of university intellectual property (IP), ranging from performing virtually all of the tech transfer function, to housing a university tech transfer office. Some smaller universities and colleges have followed the Boulder Innovation Center – University of Colorado model with success. The key activities of this model are:

- Community Portal to University Innovation
    - Local entrepreneurs and businesses gain access to university derived IP
    - Sponsor public events to introduce latest innovations
    - Provides venue for faculty to share IP with the business community

- Commercial Feasibility Studies
    - Identify IP with commercial potential
    - Collaborate with faculty to explore markets for IP
    - Utilizes a network of venture capitalists, industry specialists and business leaders to focus expertise on projects

- Management Recruitment
    - Recruits entrepreneurs and educates regarding potential of new university IP as a starting point for new ventures
    - Staff meets with entrepreneurs to learn about interests and future plans
    - Entrepreneurs help assess viability of IP

- Student Interaction
    - Students help with launch of new ventures
    - Staff mentors and supervises interns
    - Students conduct market assessments

The lack of commercialization/technology transfer at UW-Platteville is further exacerbated by lack of a formal or semi-formal commercialization policy. We spoke with several faculty members that are under the impression that there is absolutely zero incentive to commercialize any intellectual property they may develop. The University of Wisconsin System in effect, has an "open IP policy" (see www.wisconsin.edu/fadmin/owner.htm). This means that in most circumstances, faculty that develop IP have the right to own 100% of that IP, as long as inordinate amounts of university facilities and/or equipment were not used in the development thereof. Yet, most faculty at UW-Platteville are not aware of this.

The Wisconsin Alumni Research Foundation (WARF) has provided early-stage funding for the commercialization of new technology emanating from the Madison and Milwaukee campuses for decades. These funds are not available to the other twenty-four campuses in the UW system. In 2005, the Wisconsin legislature created WiSys Technology Foundation and provided $2

million to invest in new technology developed at the "other" twenty-four campuses. WiSys functions as a "technology transfer office," but has been characterized by some interviewees as "bureaucratic" and "unresponsive," although it has helped develop nine start-up companies since 2005.

The table on the following pages provides a summary of some of the key UW-Platteville resources that can support or be supported by an innovation center. These resources were primarily identified in the course of stakeholder interviews with UW-Platteville faculty and staff.

Background: Rural Technology Clusters

A report commissioned by the National Science Foundation in 2007 determined that small, rural universities (even community colleges) that have niches in specialized fields can be successful in technology transfer and commercialization, despite lacking significant R&D funding.

This study also found that: "….successful technology transfer was not dependent on any one factor but instead on the confluence of multiple factors inside and outside the academic institution. Technology transfer and commercialization are as much an art as a science, and personal relations between technology transfer agents and faculty, corporate licensees, and business and investment communities were key to successful efforts.

In most exemplars, *the university president showed leadership and commitment to technology transfer, and it was actively embraced by deans and department chairs.* These academic leaders set the tone and *instituted incentives to create an academic culture that rewarded technology transfer and entrepreneurship.* Their commitment often stemmed from the institution's broader mission to disseminate knowledge and innovation, and sometimes was part of the institution's engagement in economic development." (Italics added by SDS).

The report further states: "an important element in launching startups based on academic research was the presence of entrepreneurial resources, including seed capital and incubation, and the linkages between technology transfer activities and these resources. This was especially true for institutions located in rural and other areas with few entrepreneurs and little investment capital. Concerning recommendations for academia, the report indicates that: "….it is especially important for modestly funded institutions to focus on building niche research areas.

In addition, academic institutions located in rural or traditional industry areas often have fewer entrepreneurial and investment resources available to them, and therefore have a greater need to develop internal resources and pro-actively seek linkages with external sources. These resources usually involve state and federal government support for entrepreneurial infrastructure and services, and incentives to stimulate and attract early-stage capital."

Table 1.0 Key UW-Platteville Resources to Support An Innovation Center

Key UW-Platteville Resource	Applicability to Innovation Center	Potential Regional Industry Connection	Notes
SCHOOL OF AGRICULTURE Pioneer Farm and Pioneer Farm Agro-Ecology Research Center (PARC) Regional Dairy Modernization Task Force Management Assessment Center (UW-Extension) Possible Mobile Dairy Products Lab Dairy Business Innovation Center (DBIC) Ag-Business Degree	Increasing food system regulations centered on food safety, worker safety, environmental protection and immigration are placing increasing pressure and costs on all parts of the food supply chain to document that standards and regulations are being met. Innovations are needed in processes, systems and technologies that help producers and processors meet increasingly stringent regulations and consumer demand. Another potential IC focus area is the production of bio-plastics. This generally involves the use of non-food organic matter to produce resins that become the raw material for plastic products. Prof. Busch developing new technology for more effectively measuring storm water run-off at lower cost. Could benefit from new product development services and clear Intellectual property policy from UW-Platteville.	The study region has a high concentration of food system producers and processors in a variety of sectors. In addition the states of Wisconsin, Iowa and Illinois are at the core of the nation's food system. Food producers and processors within the broader Midwest region could benefit significantly from a center of excellence focused on innovations in effectively & efficiently meeting evolving regulations and standards. Wisconsin is in the top 3 states for plastics manufacturing and a leading state for crop production. Increasing demand for petroleum substitutes is driving research into production of plastic from organic material. This is one focus of the Wisconsin Office of Energy Independence. Producers are facing increasing pressure to reduce runoff from farm fields. Inexpensive yet effective water monitoring is critical to adoption of best management practices for water quality.	Multi-disciplinary involving Ag, Engineering, Chemistry, Business Agri-business, Reclamation, Environment & Conservation majors Existing collaboration with Case IH Tera Montgomery proposing a mobile dairy products lab to allow students to make and sell cheese & ice cream. Pioneer Farm has been designated by the USDA-Ag Resource Services as an official site for Long-Term Agricultural Research (LTAR) USCA-ARS has approached UW-Platteville Ag students about writing business plans to help commercialize ARS' portfolios of inventions and IP.

Table 1.0 Continued

Key UW-Platteville Resource	Applicability to Innovation Center	Potential Regional Industry Connection	Notes
ENGINEERING AND INDUSTRIAL STUDIES, MATHEMATICS & SCIENCE Chemistry and Engineering Physics Mathematics Civil and Environmental Engineering Electrical Engineering General Engineering Mechanical and Industrial Engineering Numerous labs (fluid mechanics, transportation) Pavement Testing Facilities Highway Technician Certification Program Anaerobic Bio-Digester Foundry	Innovations have been demonstrated in welding, metal fabrication, laser applications, coatings, robotics, plastics and composites, electrical, mechanical, energy conservation, renewable energy, and civil. Given an almost infinite number of issues across the breadth of manufacturing that occurs within the region, an innovation center focused on applying EMS/IS strengths in collaboration with other schools/ departments to key issues in manufacturing could provide significant opportunities. WiSys interest in medical device engineering and the presence of surgical appliance manufacturing in the region could provide a near-term focus for this aspect of the innovation center. Chemistry Dept. is partnering with UL to test the use of bioplastics in a digester for energy production. A wet lab in the IC could be a tremendous asset to this program.	Although manufacturing is on the decline in much of the country, the study region is still very much a center of manufacturing activity with 18% of total employment. Food, wood products, plastics & resin, fertilizer & ag chemical, plastic packaging film, laminated plastic sheets, urethane foam products, tire, nonmetallic abrasive product, iron & aluminum die casting foundries, fabricated metal products, surgical appliance and supplies, machinery, electrical equipment, gasoline engine & parts, motor vehicle & motorcycle parts, and signs are all manufactured in the region to a much greater degree than other regions. Use of organic waste (food/whey/ food waste/ manure) from ag industry to produce on-site energy.	WiSys seeking engineering support for medical device companies. Wisconsin Medical Entrepreneurship Foundation (WiSys) Computer Science and Software Engineering Private sector IT companies seeking undergrads for software and programming beta tests. Farm sourcing replacing outsourcing in IT markets. Popularity and growth of prototyping and hacker spaces. Build on IT opportunities at Avista.

Table 1.0 Continued

Key UW-Platteville Resource	Applicability to Innovation Center	Potential Regional Industry Connection	Notes
Criminal Justice Forensic Investigation Crime House Possible Center for Forensic Research Dr. Aric Dutelle Dr. Tom Caywood Dr. Charles Cornett Dr. Sabina Burton	An innovation center could provide a focus for the development and production of training material (distance learning, digital publishing, gaming) for criminal justice/ forensic investigation professionals around the world. The multi-disciplinary nature of an innovation center and the focus on creating new approaches to existing problems along with the crime scene house – a lab for testing new procedures in criminal investigation – could result in attracting students and professionals for new business formation as well as new product development.	The market for this aspect of an innovation center is potentially global in nature and certainly includes law enforcement and justice professionals across the US. Aside from the prospect of developing new products and potentially forming new business enterprises, the near-term impact to the region would not be significant. Currently engaging in training local, state and federal law enforcement agencies	The Center for Forensic Science should be a tenant in the IC. Though IP is not its primary focus, the synergies with innovation and cross-disciplinary collaboration will lead to the establishment of UW-Platteville as a leader in Forensic Science, Cyber Security and Criminalistics.
Nanotechnology Center for Collaborative Research and Development (NCCRD)	NCCRD is another resource at UW-Platteville with demonstrated success at spinning off new technology businesses. In addition to direct value NCCRD could obtain from having a relationship with the innovation center, it could also serve a mentoring role to other tenants relative to the start-up of technology companies.	Dr. Jim Hamilton, NCCRD Director of Research, is already collaborating on various projects with colleagues at UW-Madison, UW-Stevens Point, UW-River Falls, UW-Stout, USDA Forest Products Laboratory, and the Wisconsin Institutes for Discovery. Past and recent efforts have resulted in patent disclosures and the startup of three companies – Xolve, Microionic, and Phototonics.	The Nanotech resources of UW-Platteville are listed and marketed on the Midwest Regional Equipment Resource Network (ERN) by Nanovox.

Table 1.0 Continued

Key UW-Platteville Resource	Applicability to Innovation Center	Potential Regional Industry Connection	Notes
International Business Resource Center Confucius Institute Foreign Students	The establishment of an innovation center should be promoted through UW-Platteville's international connections. The innovation center could house foreign students interested in starting a business assisting businesses adapt products to foreign markets and other import/export issues.	An innovation center could be a catalyst for attracting foreign direct investment to the region. Foreign companies with connections to UW-Platteville through foreign students, the Confucius Institute, the IBRC, faculty or regional businesses could find benefit to opening a Platteville location to have interaction with an innovation center.	
Dept. of Business & Accounting	The resources, connections and students of the Dept. of Business would be an important support component for an innovation center.	The ability of faculty to work with students on business plans for the region is an untapped resource.	USDA-ARS Ag portfolio business plan and commercialization opportunity.
Pioneer Academic Center for Community Engagement (PACCE) Entrepreneurship Program Business Plan Competition Launch Lab CEO Club	PACCE could be a key mechanism for engaging student involvement with the innovation center. Existing program to encourage entrepreneurship will be an important foundation for the IC.	Engagement with regional industry around well-defined problems to be solved. Solutions could be basis for new business or new product development for sponsoring firm.	

Table 1.0 Continued

Resource	Applicability to Innovation Center	Potential Regional Industry Connection	Notes
Center for New Ventures	CNV was partially established to use the resources & assets of UW-Platteville to promote the formation and growth of business enterprises in southwest Wisconsin. An innovation center is one of the key strategies CNV can use to accomplish its mission. CNV is also critical in helping to establish an entrepreneurial culture on campus.		
Industrial Studies Center for Plastics Processing Technology Dr. Majid Tabrizi, Professor of Industrial Studies	The Center for Plastics Processing Technology currently provides somewhat of an innovation center type focus for work with the plastics industry on technology transfer, training and contract research that flows to the sponsoring company. A relationship with CFPPT could benefit the innovation center and potentially attract tenants interested in plastics.	Many companies are already engaged with CPPT and a few have expressed interest in co-location.	
Small Business Development Center – UW-Platteville (UW-Extension)	This one person office could be support for an innovation center, but staffing would need to be enhanced as workload is already high serving entrepreneurs from the region. The SBDC could be one source for new tenants from the region.	Primarily serving entrepreneurs interested in starting new businesses. Currently housed in Pioneer Tower. Illinois and Iowa regions lack this SBDC infrastructure.	

Potential Demand for Research Park Space

Demand for research park space driven by UW-Platteville interactions with the private sector is virtually non-existent at this time. The consultant team found little evidence to support investment in a research park of any size. Given the historical lack of focus on research at UW-Platteville, we found little evidence of interaction between regional firms and UW-Platteville research activities.

Although a research park is not feasible at this time, it does not mean one will not be feasible at some point in the future. Clearly UW-Platteville is embarking on a mission to change its culture to be more entrepreneurial, developing a focus on applied research, and interested in engaging regional firms around R&D needs. If UW-Platteville is successful in this endeavor over the next decade, demand from firms to be located in Platteville for the purpose of easy access to UW-Platteville will likely materialize.

In the meantime, the City of Platteville has a business and industrial park with capacity to absorb businesses that may spin-off from the innovation center as it matures. Although the industrial park is on the opposite side of the City from campus, it is still only two miles away and can be reached within a 5 – 7 minute drive.

Regional Market & Industry Assessment

The Region

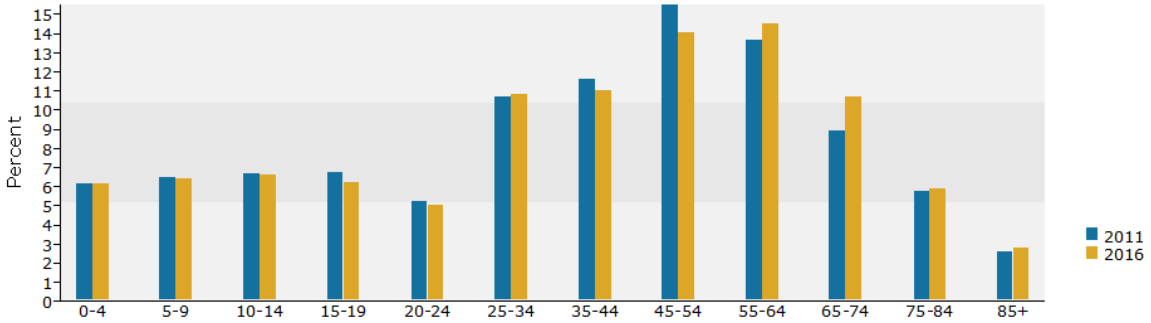
The 14-county study area comprises portions of three states and encompasses four micropolitan areas; Platteville and Monroe in Wisconsin, Dubuque in Iowa and Freeport in Illinois. The area is bordered by a number of larger metropolitan regions which represent a diverse cross section of the economic drivers within the three component states, as shown on Map 1.1.

The tri-state study area is home to a substantial manufacturing cluster: The region counts 112 metal fabricators, and 74 machinery manufacturers. Manufacturing is surpassed only by retail in job growth to population growth ratio. In the fourteen county study area, manufacturing comprises nearly 25% of the total business establishments in eleven of the fourteen counties, with Richland County approaching 50%, and Crawford County approximately 66%. The study region is also populated with Fortune 500 companies such as:

- 3M
- Berkshire Hathaway
- Land's End

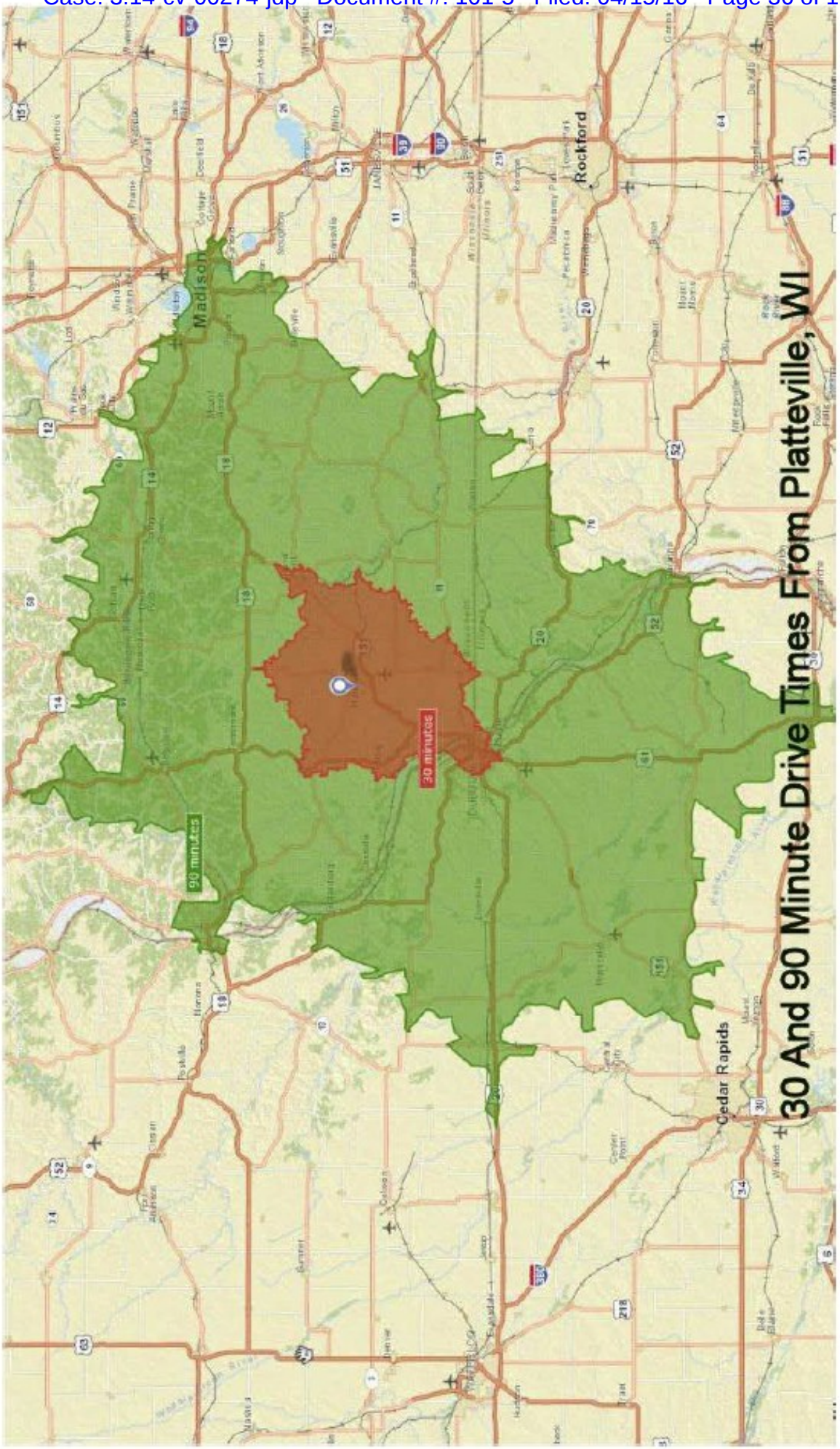
Chart 1.0

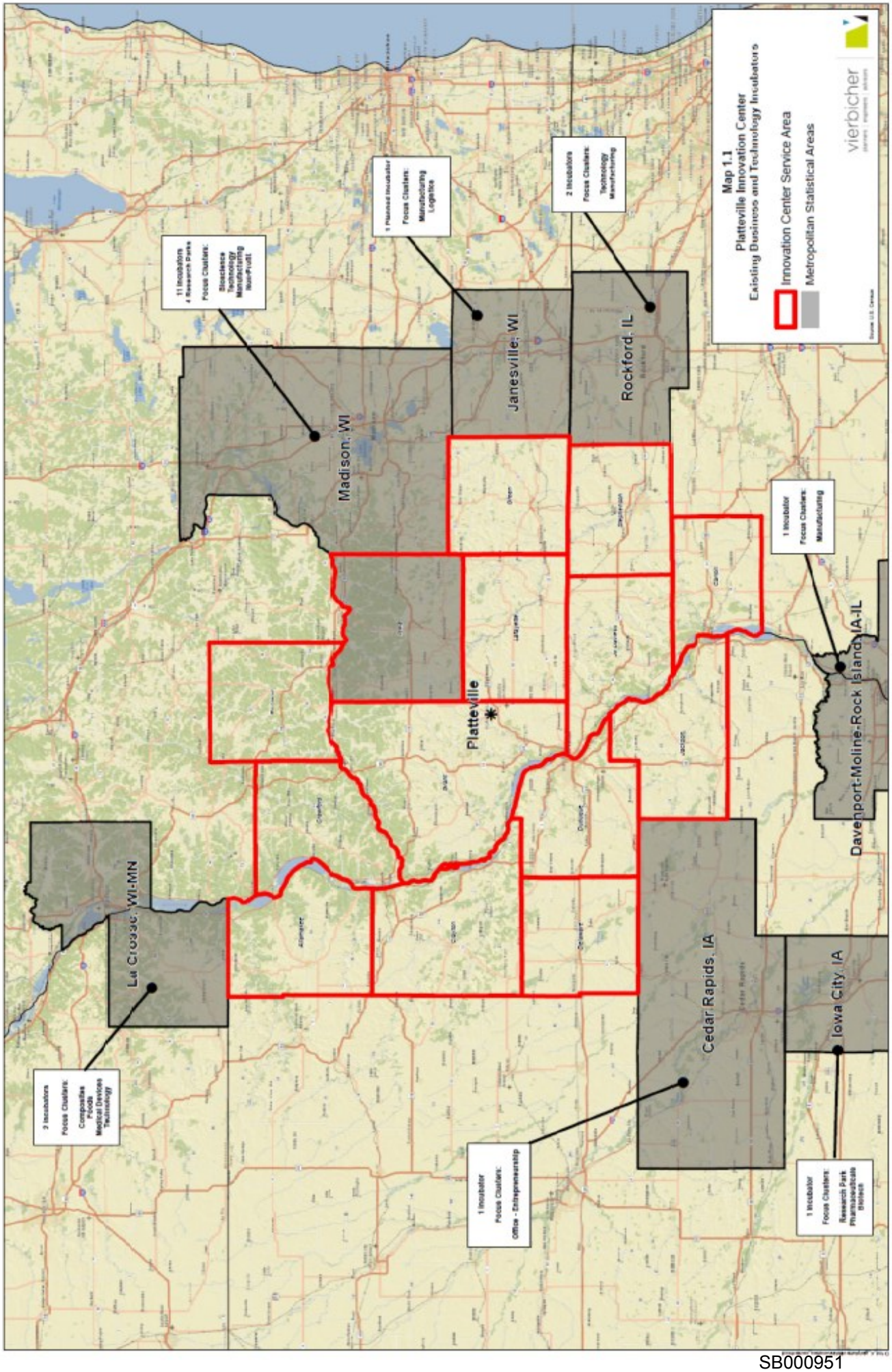
Regional Population by Age, 2010



Source: 2010 US Census

Map 1.0


30 And 90 Minute Drive Times From Platteville, WI
Madison
Rockford
Cedar Rapids
30 minutes
90 minutes


Map 1.1
Platteville Innovation Center
Existing Business and Technology Incubators
Innovation Center Service Area
Metropolitan Statistical Areas
vierbicher
11 Incubators
4 Research Parks
Focus Clusters:
Bioscience
Technology
Manufacturing
Non-Profit
1 Planned Incubator
Focus Clusters:
Manufacturing
Logistics
2 Incubators
Focus Clusters:
Technology
Manufacturing
Madison, WI
Janesville, WI
Rockford, IL
1 Incubator
Focus Clusters:
Manufacturing
Platteville
Davenport-Moline-Rock Island, IA-IL
La Crosse, WI-MN
3 Incubators
Focus Clusters:
Composites
Foods
Medical Devices
Technology
Cedar Rapids, IA
Iowa City, IA
1 Incubator
Focus Clusters:
Office - Entrepreneurship
1 Incubator
Focus Clusters:
Research Park
Pharmaceuticals
Biotech

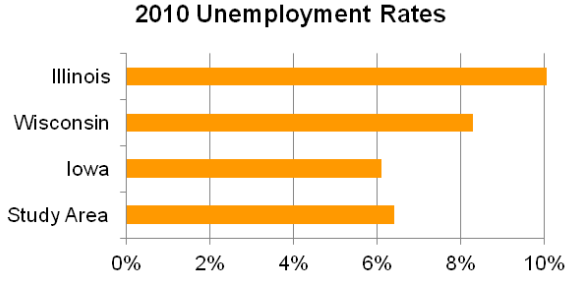
- Ray-O-Vac
- John Deere
- Growmark
- IBM
- Rockwell Automation
- Sargento
- Kuhn
- RR Donnelley

Renewable/alternative energy businesses, as well as biofuels/bioplastics are classified as technology businesses, along with information technology, software development, and the general category of "high-tech." Although there is no NAICS code to specifically identify companies in these sectors, activities tied to the University of Wisconsin – Platteville (UW-Platteville) could lead to growth in these various technologies.

The study area regional population is 392,344. (ESRI) According to Gary Anderson, principal consultant with SRI International of Menlo Park, CA, a region can support one cluster for every 200-300K people. This would suggest that the study area could possibly support two clusters (manufacturing and technology).

Per capita income for the study area averages $22,844 which is 85% of the tri-state average and 84% of the national average. Similarly, median household income for the region is $44,274, or 85% of both the tri-state and nationwide median household income. (ESRI) Clearly, the region would benefit from proactive economic development initiatives that could close these gaps.

Chart 1.1



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, US Department of Labor

The 14 county region also has 10,933 businesses with a total of 143,518 employees. (InfoUSA) Of the total businesses, 738 are manufacturing firms which employ 31,151 workers. Of the manufacturers, 71% have less than 20 employees, and 88.5% have less than 100 employees. Thus, the region has a significant manufacturing sector dominated by small businesses which include start-ups averaging 1 new firm per year over the last decade.

Entrepreneurs in rural regions are in general, disconnected from opportunities by the lack of networks that produce the exchange of information leading to innovation found in urban innovation ecosystems. One way in which an economic development organization may support a technology cluster is by organizing a network of similar firms within technology segments, firms with contractual relationships or firms located in certain areas or even a research park. Development of a regional innovation system in conjunction with development of a manufacturing/technology -focused business innovation center can help with the development of networks to ultimately create wealth in the region through high-wage job creation in targeted high-growth industries such as niche innovation-based manufacturing.

The residential population is older than either the tri-state area or nation, with a median age of 42. Nearly 95 percent of area residents are white, and 67 percent live in family households. There is a strong tendency toward homeownership, with more than 75 percent of all households being homeowners. Despite the presence of UW Platteville within the study area, there is a significant forecasted decline in the population between the ages of 20 and 24, as shown in Table 1.0 from 2011 to 2016. Retaining these youth, or encouraging their post-college return, is essential to sustaining the local workforce. Currently, 22 percent of employees in the study area are age 55 or older, which is a slightly larger percentage than for the nation as a whole.
Because of the proximity of larger employ-

ment hubs surrounding the study area, 64 percent of daily work trips occur within the study area, while 29 percent of commuters are employed outside of the region. A much smaller 16 percent of area employees commute into the region daily. This outmigration is highly influenced by the lower than average wages which are paid by industries within the area. Trade area wages on average are only equal to 56 percent of the national average, and are lower than the nation for every industry represented in the study area. Moreover, there has been an average wage decline of 10 percent in the study area since 2005, while the US average has increased by 15 percent in the same period.

As an economic engine, the region lags behind each of the component states and the nation as a whole. Per capita and median incomes are approximately 85 percent of the average of the three states, and business growth and wages are still in negative territory despite a turnaround at the national level. Despite the generally negative comparison, there are a few areas where the region excels. There has been sustained growth in mid-sized companies with 10-99 employees, 88 percent of which are privately owned and independent. And while overall employment growth has been sluggish, the number of jobs is growing faster than the overall population.

Lastly, worker productivity is slightly higher within the study area, especially in terms of retail and tourism sector employers, with strong non-employer (sole proprietor) productivity in manufacturing and education. When coupled with a smaller, locally-controlled economy and lower baseline unemployment, these last few factors should allow the area to recover more quickly once it begins to trend upwards.

This cost of living reduction also helps businesses. While business revenues are reportedly less than national averages, the reduction in revenues is less than the reduction in wages paid (i.e. businesses have 6 percent fewer sales, but pay 8 percent less in wages than the national average). When coupled with the 5 percent reduction in the cost of local goods, business can be profitable in the region.

Existing Business Incubation and Research Park Facilities in Region

There are a total of thirteen incubators/ accelerator/innovation center initiatives in Wisconsin that are members of NBIA:

- Nano Rite Innovation Center, Eau Claire
- Advance Business and Manufacturing, Green Bay
- MGE Innovation Center, Madison
- The Madison Enterprise Center, Madison
- Veteran Entrepreneurial Transfer, Inc., Milwaukee
- Center for Advanced Technology and Innovation, Milwaukee
- Platteville Business Incubator, Inc., Platteville
- Wisconsin Business Innovation corporation, Spooner
- Door County Business Development Center, Sturgeon Bay
- Center for Advanced Technology and Innovation, Sturtevant
- Superior Business Center, Inc., Superior
- Wausau Business Incubator, Wausau
- University of Wisconsin – Whitewater
- Whitewater Innovation Service Center and Technology Park

The University of Wisconsin – Whitewater is sometimes mentioned as a potential model for the City of Platteville and UW-Platteville to consider. Key similarities include a rural location, and a partnership between the City and the University, although the Whitewater partnership also includes the local community development authority.

Whitewater has a 138 acre Technology Park, replete with infrastructure, and thirteen sites developed but not occupied. A "centerpiece" of the park is the Innovation Service Center (ISC) which is a 40,000/SF

incubator with a technology focus, including four wet laboratories. This is the only building in the technology park, which has been open approximately fifteen months. The ISC is "70% occupied" eleven months after opening its doors (March 14, 2011). The clients listed on the web site appear, for the most part, to be public-sector-focused, rather than manufacturers or product-based businesses. The four clients listed on the ISC web site are:

- Cooperative Educational Service Agency #2 – one of twelve agencies governing the Wisconsin public school system
- Jefferson-Eastern Dane Interactive – a "virtual school" distance educational network
- Blackthorne Capital Management – a partnership with UWW for financial research
- UW-iHUB – programs for entrepreneurial companies

The ISC Executive Director, Mr. Robert Young has only been in this position for six weeks as of this writing, so could not provide a detailed history.

There is no entity in the tri-state region that fits the definition of an innovation center. The only three incubators identified in the region include two food-centered incubators in Prairie du Chien and Mineral Point, and the industrial incubator in Platteville. All three are fairly small and provide traditional shared space models for business incubation. There are no existing research parks located within the study area.

The fringe metropolitan areas do offer some variety in terms of small business support. Madison has a disproportionate share of business incubators, likely a result of UW Madison research funding and the stronger than normal nonprofit business climate in the Madison region. The Madison metro is also home to four research parks catering to UW Madison program strengths. UW Research Park Phases 1 and Phase 2, the Madison BioAg Gateway, and the Fitchburg Technology Campus. No other adjacent metropolitan area has more than two incubator facilities, and the only other research park is located in Iowa City. There is significant diversity among the incubator facilities in the surrounding region, both in terms of size, organization and industry focus. Industries which are targeted by existing incubators include the following clusters:

- Agriculture
- Bioscience
- Disadvantaged Populations
- Information Technology/ Technology
- Manufacturing
- Nonprofit Entities
- Office Users (Includes Co-working)
- Pharmaceuticals

In sum, these facilities provide just less than 670,000 square feet of incubator space and house nearly 200 companies. Locations of facilities and industries served are highlighted on Map 1.1. Most have virtual tenants in addition to the companies physically housed in the facility. In some cases there is a formal virtual incubator program, while other former tenants have graduated from the reduced rent space and are now virtual 'graduate' tenants.

A majority of facilities are relatively new, with an average opening date of 2004. The oldest facility is the BioVentures Center in Iowa City, which was one of the nation's earliest incubators, founded in 1984. This facility is focused on pharmaceuticals and biotech, and has produced over 100 spinoff companies in its 24 years of existence. Overall, half of the facilities are affiliated with local universities, while the remainder is operated by private sector landlords or nonprofit entities.

The William Factory Small Business Incubator in East Tacoma has a business model built on the Information Technology sector and the trades. Similar to the TEC in Madison, the William Factory focuses on government contracts. SDS was involved in the business planning for this facility, which was awarded an Innovation Center Certificate

of Excellence. UW-Platteville's adult and continuing education program provides an additional opportunity for coordinating with potential tenants of the IC.
The amount of support offered by individual incubators also varies greatly, ranging from strictly a reduced rent arrangement to mentorships, angel investing and prototyping assistance. As would be expected given the range of industries targeted, the availability of custom space is highly customized for each facility, with popular build-outs including wet labs, advanced manufacturing components, broadband connectivity, meeting space and loading docks.

Regional Demand for Innovation Center

Market demand seeks to uncover what factors suggest that a rural innovation center can be successful. Market demand, in the form of new start-up businesses and existing entities with a need for development assistance must exist in the region, in order to support any type of innovation center. **Four key indicators of market demand for a rural innovation center (five, if you include tools and resources) were identified during the course of this analysis. Collectively, these indicators suggest there exists a valid market opportunity for a technology/manufacturing-focused innovation center in the region.**

Market demand from existing businesses in the region is also a factor leading to success of a rural innovation center, as this can provide an incremental revenue stream commonly referred to an as Affiliate Program. Affiliate programs essentially make all of the programmatic and education components of the innovation accelerator available to existing businesses in the region for a nominal fee. These businesses generally already have space in which they have been operating, and are not candidates for tenancy. However, it is common for established businesses to need outside expertise in a wide range of services. During our investigation, we met with numerous businesses needing help in some of the following areas:

- Hiring sales staff
- Developing a marketing plan
- Developing a business plan
- Prototype development
- Access to capital
- Product diversification
- Market diversification
- Import/export

Many of these established businesses recognize that they have a problem in one or more of the above areas, but they simply do not know where or how to get help (outside of paying $150+ per hour consulting fees). An innovation center cannot provide significant amounts of time with any one affiliate member for a monthly fee in the range of $100. **However, allowing these businesses to partake in the educational programs and workshops at the rural innovation center, along with nominal one-on-one consulting, is often the key to catalyzing growth in these businesses**.

Business Infrastructure

Advanced manufacturing and technology companies require an increasingly educated, highly skilled workforce. This leads regions to enhance and promote quality of life issues to promote/facilitate recruitment. Additionally, a region can work with academia to improve skills of existing workers. Start-up businesses need human capital to fill their management and staff requirements.

Our analysis finds the professional business infrastructure to be adequate. There exists an adequate amount, for the most part, of law, accounting, and insurance entities that serve small business. We found that those businesses that could not find adequate local resources could find them readily in Dubuque, Madison or Milwaukee. We found more than one instance in the region of reduced rate structures for early-stage firms from local law and accounting practices. This leads to an opportunity for the rural innovation center accelerator.

Many innovation centers have been successful in negotiating reduced rate fee structures for their tenants. Given that there will ultimately be numerous organizations in the rural innovation center, the innovation center can be the source of a new client stream for professional service firms. Innovation centers often are successful in negotiating, for example a 50% fee reduction for the first year of services, up to a specific maximum dollar amount. This is ultimately a win/win for tenants and service providers, as the service providers develop a client that stays with them long enough to produce a positive financial return.

Most successful innovation centers play a significant role in educating would-be entrepreneurs about what is required for commercialization of their "intellectual property," and how to access the services each entrepreneur needs. Innovation centers also have the potential to *become a focal point for all things entrepreneurial in the region,* and to transform the entrepreneurial "cluster" into a community with connections and communication/networks that strengthens both the entrepreneurial "cluster" and provides mentoring to the start-up companies that reside in the innovation center. What specific roles any one innovation center plays depends on the quality and availability of services and support infrastructure that already exist in its particular region.

Affordable and appropriate facility space is obviously a key missing ingredient. Affordable refers to the ability to lease small increments of flexible space – only what is required at a certain point in time. Appropriate includes shared business services, shared specialized equipment, etc, which reduce barriers to entry. Innovation centers provide all of these physical requirements in addition to the programmatic aspects. There is one important intangible element to a facility-based rural innovation center: entrepreneurial interaction. When twenty+/- like-minded entrepreneurs are under one roof, they interact and learn from each other, which facilitates commercialization. It is not uncommon for buy/sell relationships to be formed within an innovation center.

Capital Formation and Financing

Access to capital is the single most difficult issue for start-ups nationwide. The situation in the tri-state area is not unique compared to most rural regions. Our investigation found ample evidence of a minimum of six-to-eight potential venture funders – some of whom have a history of making regional angel investments. Experience suggests that these individuals would much prefer to have an innovation center provide periodic and relatively anonymous exposure to pre-screened (therefore higher probability of success) start-ups than to have individuals approach them directly.

Many communities have found success developing small ($2-3 million) early-stage seed investment funds. Ken Johnson, Managing Director of Kegonsa Capital Partners in Madison suggests development of a $10 million debt fund. This type of fund provides inexpensive loans to high-risk ventures with two unique attributes:

- Entrepreneurs are not required to sign personal guarantees
- Lending institution compensation is interest plus an equity share (typically 20%)

Regardless, we suggest that the National Association of Seed and Venture Funds (NASVF) be contacted for guidance in this area. NASVF is a 501(c)3 nonprofit organization that facilitates access to capital for communities throughout the country.

Besides the issue of affordable and appropriate space, we believe that there is in general, a lack of accelerator-specific expertise in the region. This expertise is a critical component of success, and the region should rely heavily on both SDS and NBIA for assistance when the time comes to retain an innovation center CEO.

As previously discussed, there are no traditional manufacturing/technology innovation centers operating in the study area, and only thirteen in the State of Wisconsin. A rural innovation center is designed to meet more than just the space needs of start-up and early stage companies. It is the business and support services, education component, mentoring and daily coaching that make the difference. And, a recent study by the U.S. Department of Commerce states: "Client outcomes depend more on the quality of the incubator program than on the economic conditions of the region. According to the U.S. Small Business Administration, approximately 75-80% of all new start-up businesses fail within the first five years. Conversely, NBIA studies have consistently found that 87% of companies that graduate from an innovation center program survive at least five years or more after they leave the program.

It is very important that the rural innovation center management have significant entrepreneurial experience and are able to create and establish networks with funding sources, stakeholders and other manufacturing and technology innovation centers throughout the U.S.

Mentoring and support are critical to the success of entrepreneurs. To state that most early-stage business founders generally lack business skills is an understatement. From having done over sixty feasibility studies, SDS finds that over 85% of entrepreneurs rank the following as the most important services needed: sales, business plan development, access to capital, marketing and strategic partnering. Our investigation found numerous successful entrepreneurs that indicated a willingness to serve in a mentor capacity, with various caveats.

Entrepreneurs

Some evidence of an entrepreneurial culture must be present, which is exemplified by the following characteristics: The region has a history of various successful entrepreneurial start-ups. An entrepreneurial culture develops over time, as the number of new and established businesses increase, and perpetuates the cycle. From these successes emerge entrepreneurs that typify the culture by sharing their wealth and experience as mentors, investors and founders in still more new start-up businesses.

Our interviews uncovered numerous instances of historical spin-out business formation in a cross-section of sectors as previously mentioned. **Overall, we find the region has more of an entrepreneurial culture than many other geographies where successful innovation centers reside.**

Regional Institutional Partners

During the course of this study, the consultant team found strong institutional support throughout the region for an innovation center associated with UW-Platteville and located in Platteville.

Strong support was expressed by the Greater Dubuque Development Corporation, the Southwest Wisconsin Technical College, county level economic development organizations, workforce development, university extension, Small Business Development Center, and CESA 3.

Organizing such institutional partners around the concept of a regional innovation network can be a powerful means of bringing stability and growth to the regional economy. Such a network has the potential of leveraging the varied resources of each of the entities to support innovation, commercialization, business incubation and acceleration. A description of such a network can be found in the Feasibility section of this report.

Tools & Resources

A successful partnership means that both partners bring resources and talents to the table to contribute to the success of their venture.

The City of Platteville has a number of fi-

nance and development tools to facilitate implementation of an innovation center. Tax Incremental Financing (TIF) allows the City to participate financially in the development of a project subject to the property tax. Some of the sites being considered for the innovation center are already located in TIF districts.

The City's Redevelopment Authority (RDA) can facilitate acquisition, development and low-cost financing of sites located in areas targeted for redevelopment. Downtown Platteville is one of the recommended locations for an innovation center and most of the downtown is currently targeted for redevelopment and under the RDA's authority.

The State of Wisconsin has a number of grant programs available to cities and redevelopment authorities to help fund economic development and brownfield redevelopment projects. The City of Platteville has been very active with the State in both areas. Some state support to the City for an innovation center can be expected depending upon the characteristics of the site selected.

The City of Platteville has a substantial business and industry park that can support spin-off businesses needing a location after they grow out of an innovation center. Located in the park is the Platteville Business Incubator which can also serve as an intermediate location for a start-up firm that has out-grown the innovation center but is not quite ready for their own facility.

The City of Platteville contains census tracts that qualify for the most advantageous New Markets Tax Credits. This federal program provides substantial tax credits to investors who invest in community and economic development projects within the target census tract. Most locations under consideration for an innovation center are located within a qualified census tract for New Markets Tax Credits.

The Innovation Center may require a parking structure, depending upon the site chosen for the facility. Cities are authorized to establish a Parking Authority for the purpose of financing and managing parking facilities. Parking Authorities are allowed to issue tax-exempt bonds of up to 40 years - substantially reducing finance costs.

The City of Platteville budgets general purpose tax revenue for economic development. Given the potential impact an innovation center could have on economic development in Platteville, it is not unreasonable to expect financial contribution to an innovation center from the City's budget.

Leadership and communication is another critical resource the City can bring to this project. Strong local elected leaders are needed to prioritize issues and demonstrate that UW-Platteville, entrepreneurs and regional partners are critical to the economic development of the City.

UW-Platteville also has substantial resources to support implementation of an innovation center. The Real Estate Foundation has substantial experience in negotiating, securing and acquiring real estate, experience that will be critical in securing a suitable site for an innovation center. The Center for New Ventures and UW-Platteville administration staff have significant grant writing expertise that can be applied to secure public grant and foundation funding for an innovation center.

Existing relationships and partnerships with tri-state region economic development organizations, educational institutions and private industry will be critical in establishing a regional innovation network to support the innovation center. Satellite campuses in Rock County and the Fox Cities can play important roles building a larger base of business and industry affiliates who can benefit from an innovation center.

UW-Platteville facilities, labs, equipment and centers of excellence can substantially leverage the resources physically located in an innovation center. If UW-

Platteville allowed access to such resources, under strict guidelines, to innovation center tenants and affiliates the value of the innovation center would be multiplied several fold.

UW-Platteville's intellectual property policy can be a tremendous tool to support an innovation center, if it is clear, provides strong incentives to UW-Platteville faculty and is well publicized. Similarly, clear policies and programs connecting students to innovation center activities can provide resources such as business plan writing, marketing assistance, and product testing while providing invaluable real-world experiences to students.

Rural Business In Incubators

The previously referenced EDA report published in October, 2011 has good news for rural economic developers. A synopsis of key findings of this study include:

1. **No one incubator practice, policy or service is guaranteed to produce incubation program success. Instead, it's the synergy among multiple practices, policies, and services that produce optimal outcomes.**

2. **Top-performing incubation programs often share common management practices.** Practices most represented among high-achieving programs have a written mission statement, select clients based on cultural fit, select clients based on potential for success, review client needs at entry, showcase clients to the community and potential funders, and have a robust payment plan for rents and service fees.

3. **Incubator advisory board composition matters.** Having a firm that has graduated from an incubator and a technology transfer specialist on an incubator's *advisory board* correlates with many measures of success. Additionally, accounting, intellectual property (patent assistance), and general legal expertise on the incubator board often result in better performing programs. The study found that government and economic development agency representatives also play key roles in enhanced client firm performance, as their presence ensures that the incubator is embedded in the community, which is necessary for its success.

4. **Neither the size of an incubator facility nor the age of a program is a strong predictor of client firm success.** "…this research underscores that it is the incubator's programming and management that matter most."

5. **High-achieving incubators collect client outcome data more often and for longer periods than their peers.** Outcome data includes information on revenue, jobs created, equity investments, profitability, return on investment, payroll, taxes and intellectual property revenue. This is important to document the results business can achieve through the focused services of an innovation center. This, in turn, helps in recruiting new tenants and attracts funding, maintaining the sustainability of the facility and its programs.

6. **Most high-achieving incubators are not-for-profit models.**

7. **Public sector support also contributes to program success.** "Thus, this research suggests that some level of public sector investment contributes to greater incubator outcomes in terms of job creation, graduation rates, etc."

8. **Incubation programs with larger budgets (both revenues and expenditures) typically outperform incubators with budget constraints.** "This study found that incubators receiving a larger portion of revenues from **rent and service fees** perform better than other programs. On the expenditure side, **the more programs** invest in staffing and program delivery – relative to building maintenance or debt servicing – the higher probability of improved client outcomes."

9. **All measures of the growth or size of a host region's economy are poor predic-**

tors of incubation program outcomes. Incubator management practices are better predictors of incubator performance than the size or growth of the region's employment or GDP."

10. **Collectively, measures of a region's capacity to support entrepreneurship have limited effect on incubation program outcomes**.

11. **The findings provide empirical evidence that business incubation best practices are positively correlated to incubator success.** Specifically, practices related to the composition of advisory boards, hiring qualified staff that spend sufficient time with clients, and tracking incubator outcomes result in more successful incubation programs, clients and graduates.

National Business Incubation Association research shows that innovation center feasibility is based on a set of criteria that serve as predictors of success. These criteria include:

- Evidence of market demand for innovation center *space and services*
- Availability of suitable real estate/ facility
- Adequate professional business services infrastructure that will work with early-stage companies
- Evidence of a Champion (individual and/or institutional) to drive the project to completion
- Ability to develop a facility and open the doors in a relatively debt-free position
- The likelihood of the innovation center being able to achieve financial self-sufficiency within a three-to-five year time frame

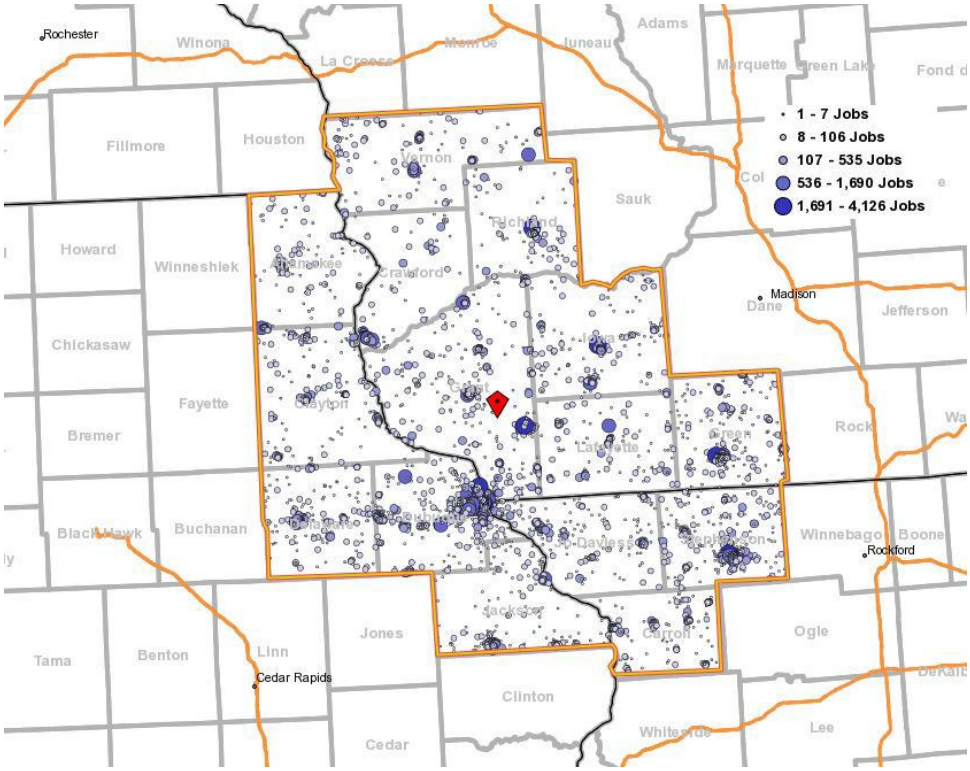
Although developing a rural innovation center facility may be financially challenging, the overriding financial concern over time is eventual financial self-sufficiency.

Target Industry Assessment

Business & Employment

While the region is fairly homogenous from a geographic and demographic perspective, there exists some variation among the industry density and business mix found in each county. The Dubuqe micropolitan area has the highest concentration of area employers and is home to just over one-quarter of the companies in the region and employing 37 percent of all workers. Lafayette County has the smallest economy, with only 350 businesses and 2,600 employees.

Map 1.2 2010 Employment Density



Source: Local Origin Destination Employment Statistics, U.S. Census, 2010

The primary industries identified in the study area include Retail, Manufacturing, and Health Care. However, there is a significant difference in industry clusters when examined based on the density of companies versus employees, as illustrated in Map 1.3.

As mentioned earlier, the dispersion of industry employment varies greatly across the study area, with nearly half of Richland County's employment in the manufacturing sector while Lafayette County has nearly two-thirds of its worker employed in agricultural production. In many cases the presence of one large employer can significantly influ-

ence the cluster information, as is the case in Iowa County where Lands End's Dodgeville location influences a significant retail cluster. These regional differences are highlighted in Map 1.3 on the following page.

Chart 1.2 Industry Clusters by Companies

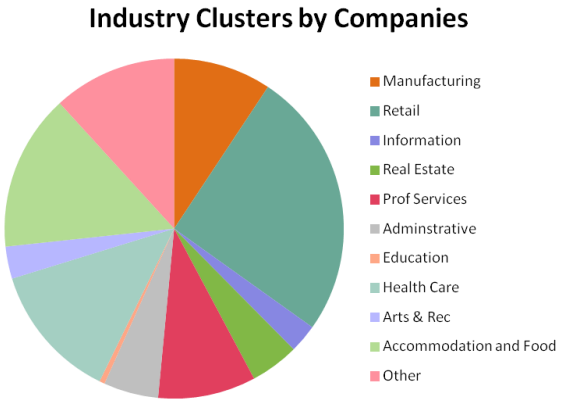
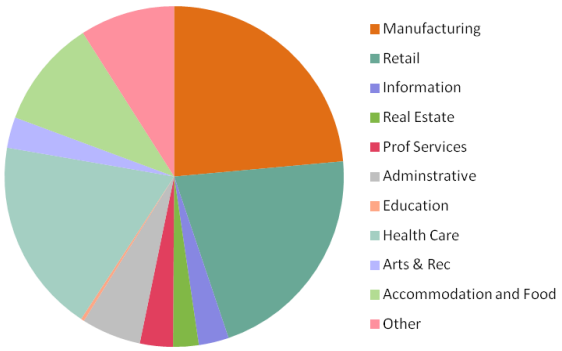


Chart 1.3 Industry Clusters by Employment



Agricultural Production

Agricultural production in the study area, as in all three of the states comprised by the study area, is a significant economic engine. There are more than 20,000 individual farm operations within the study area, which produce agricultural products valued at more than $2.7 billion annually. Approximately 75 percent of this value comes from livestock-related sales, with the other 25 percent from crop production. The goods and services produced locally also drive processing and wholesale activities, which will be discussed further in the location quotient and supply chain analysis.

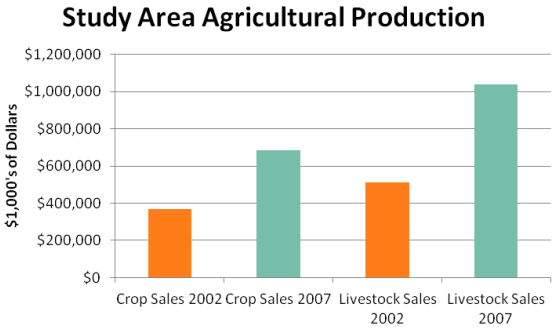
Location Quotient

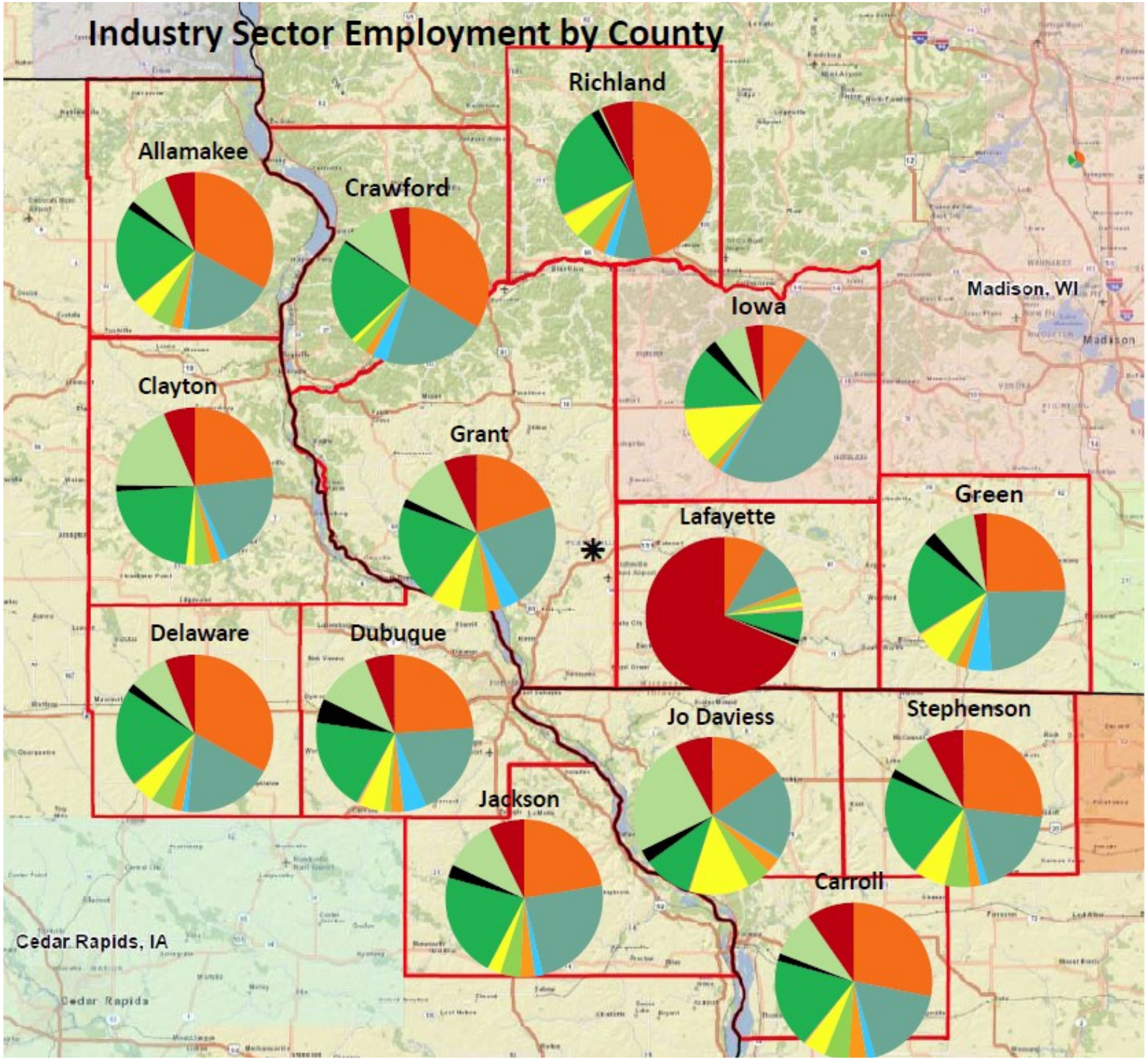
One method commonly used to quantify the concentration of a particular industry within a region is the calculation of a location quotient. This measure analyzes the relative presence of job concentrations within an industry as compared to the national average. High concentrations of jobs often correlate with export industries which produce goods and services that are shipped outside the region, bringing outside dollars into the community. Location quotients can be evaluated by assuming that a location quotient equal to 1 reflects a concentration of jobs which is equivalent to the national average. However, a location quotient coefficient of 2 indicates that the percentage of workers in a particular industry is twice as great as would be expected based on the national average. Because of the overall lack of employment density in the region, location quotient analysis at the 2-digit level does not highlight any significant industry concentration, as illustrated in Table 1.2.

Table 1.1 Study Area Agricultural Production

Number of Farms	20,171
Total Acres Farmland	4,704,872
Average Farm Size	240
Median Farm Size	119
Market Value of Agricultural Products	$2,735,693,000
Average Sales per Farm	$144,985
Source: 2007 US Agricultural Census	

Chart 1.4 Agricultural Production





While there are certain industries which excel in the region, there is not sufficient supply chain depth for an entire industry to appear dominant from a macro perspective.

To identify unique industry sectors which thrive in the study area, NAICS 4-digit and 6-digit codes were used to compare local industry concentrations with the national average. For purposes of this study, industries with location quotients of two or greater were analyzed to identify unique industry clusters. These industry clusters were further assessed to determine the nature of the cluster. Industries which are driven primarily by one company which dominates the industry are an asset, but may not represent a growth opportunity. Similarly, industries which have a concentration based on a geographic or cultural trait (i.e. oil and gas related companies, which have a higher presence due to the higher than average use of propane for home heating) may not represent an opportunity for export growth. Table 1.3 on the following page highlights the location quotients which illustrate areas of potential strength. Table 1.4 also identifies representative companies within the trade area which are associated with each industry cluster. These initial clusters will be further refined to identify growth opportunities and areas of potential synergies with UW Platteville strengths.

Table 1.2: 2-Digit NAICS Location Quotients

NAICS	Description	Study Area Employment	LQ
11	**Agriculture, forestry, fishing and hunting**	**328**	**1.70**
21	Mining, quarrying, and oil and gas extraction	388	0.51
22	Utilities	706	0.88
23	Construction	6,803	0.91
31-33	**Manufacturing**	**25,640**	**1.76**
42	Wholesale trade	7,107	0.97
44-45	Retail trade	24,782	1.34
48-49	Transportation and warehousing	5,625	1.08
51	Information	3,778	0.92
52	Finance and insurance	7,347	0.95
53	Real estate and rental and leasing	1,080	0.42
54	Professional, scientific, and technical services	4,398	0.45
55	Management of companies and enterprises	2,029	0.57
56	Administrative and support and waste management and remediation services	4,819	0.42
61	Educational services	3,244	0.81
62	Health care and social assistance	23,076	1.05
71	Arts, entertainment, and recreation	2,968	1.18
72	Accommodation and food services	12,992	0.91
81	Other services (except public administration)	6,395	0.97

Table 1.3: Industry Sectors With Location Quotients >2 By NAICS Code

Line	NAICS	Description	Employment			LQ	Tie to UW-P
			Year	U.S.	Region		
22	115	Support activities for agriculture and forestry	2009	93,568	281	2.40	Y
23	1151	Support activities for crop production	2009	62,827	178	2.26	Y
26	115112	Soil preparation, planting, and cultivating	2009	11,069	81	5.84	Y
30	115116	Farm management services	2009	3,529	50	11.30	Y
31	1152	Support activities for animal production	2009	20,065	190	7.56	Y
61	2123	Nonmetallic mineral mining and quarrying	2009	84,151	385	3.65	Y
62	21231	Stone mining and quarrying	2009	43,870	190	3.46	Y
64	212312	Crushed and broken limestone mining and quarrying	2009	26,674	170	5.09	Y
66	212319	Other crushed and broken stone mining and quarrying	2009	7,031	20	2.27	Y
67	21232	Sand, gravel, clay, ceramic and refractory minerals mining /quarrying	2009	29,627	205	5.52	Y
69	212322	Industrial sand mining	2009	6,271	175	22.27	Y
90	221112	Fossil fuel electric power generation	2009	64,083	180	2.24	
133	2379	Other heavy and civil engineering construction	2009	65,682	275	3.34	Y
144	23814	Masonry contractors	2009	167,381	660	3.15	
180	311	Food manufacturing	2009	1,434,718	4,325	2.41	Y
181	3111	Animal food manufacturing	2009	50,681	487	7.67	Y
184	311119	Other animal food manufacturing	2009	29,223	487	13.30	Y
216	3115	Dairy product manufacturing	2009	138,224	2,652	15.31	Y
217	31151	Dairy product (except frozen) manufacturing	2009	118,459	2,652	17.86	Y
218	311511	Fluid milk manufacturing	2009	58,448	420	5.73	Y
219	311512	Creamery butter manufacturing	2009	1,916	60	24.99	Y
220	311513	Cheese manufacturing	2009	44,691	2,142	38.24	Y
221	311514	Dry, condensed, and evaporated dairy product manufacturing	2009	13,404	180	10.71	Y
226	311611	Animal (except poultry) slaughtering	2009	155,529	465	2.39	Y
227	311612	Meat processed from carcasses	2009	102,116	395	3.09	Y
228	311613	Rendering and meat byproduct processing	2009	9,897	60	4.84	Y
246	31191	Snack food manufacturing	2009	43,866	175	3.18	Y
248	311919	Other snack food manufacturing	2009	29,665	175	4.71	Y
265	31212	Breweries	2009	26,104	185	5.65	Y
267	31213	Wineries	2009	33,370	130	3.11	Y
306	314129	Other household textile product mills	2009	15,736	60	3.04	
367	321	Wood product manufacturing	2009	385,841	2,144	4.43	Y
368	3211	Sawmills and wood preservation	2009	84,238	278	2.63	Y
370	321113	Sawmills	2009	72,237	184	2.03	Y
371	321114	Wood preservation	2009	12,001	70	4.65	Y
372	3212	Veneer, plywood, and engineered wood product manufacturing	2009	71,817	185	2.06	Y
377	321214	Truss manufacturing	2009	21,640	185	6.82	Y
378	321219	Reconstituted wood product manufacturing	2009	16,476	60	2.91	Y
379	3219	Other wood product manufacturing	2009	229,786	1,604	5.57	Y
380	32191	Millwork	2009	108,236	870	6.41	Y
381	321911	Wood window and door manufacturing	2009	54,264	770	11.32	Y
382	321912	Cut stock, resawing lumber, and planing	2009	22,966	100	3.47	Y
384	32192	Wood container and pallet manufacturing	2009	49,363	285	4.61	Y
386	32199	All other wood product manufacturing	2009	72,187	760	8.40	Y
387	321991	Manufactured home (mobile home) manufacturing	2009	27,729	70	2.01	

Table 1.3 Continued: Industry Sectors With Location Quotients >2 By NAICS Code

Line	NAICS	Description	Employment			LQ	Tie to UW-P
			Year	U.S.	Region		
388	321992	Prefabricated wood building manufacturing	2009	16,958	560	26.35	
389	321999	All other miscellaneous wood product manufacturing	2009	27,500	100	2.90	
426	323113	Commercial screen printing	2009	61,521	321	4.16	
429	323116	Manifold business forms printing	2009	17,758	175	7.86	
430	323117	Books printing	2009	29,746	435	11.67	
435	323122	Prepress services	2009	19,003	70	2.94	
443	32419	Other petroleum and coal products manufacturing	2009	12,750	175	10.95	
445	324199	All other petroleum and coal products manuf.	2009	3,033	175	46.04	
462	325193	Ethyl alcohol manufacturing	2009	8,299	130	12.50	
464	3252	Resin, synthetic rubber, and artificial synthetic fibers and filaments manufacturing	2009	87,038	295	2.70	
465	32521	Resin and synthetic rubber manufacturing	2009	72,858	295	3.23	
466	325211	Plastics material and resin manufacturing	2009	64,017	295	3.68	
471	3253	Pesticide, fertilizer, and other agricultural chemical manufacturing	2009	29,434	195	5.29	
472	32531	Fertilizer manufacturing	2009	18,392	195	8.46	
473	325311	Nitrogenous fertilizer manufacturing	2009	4,373	175	31.93	
504	325998	All other miscellaneous chemical product and preparation manufacturing	2009	33,680	90	2.13	Y
505	326	Plastics and rubber products manufacturing	2009	693,481	2,007	2.31	
507	32611	Plastics packaging materials and unlaminated film and sheet manufacturing	2009	91,423	435	3.80	Y
509	326112	Plastics packaging film and sheet (including laminated) manufacturing	2009	25,099	375	11.92	Y
514	32613	Laminated plastics plate, sheet (except packaging), and shape manufacturing	2009	10,770	175	12.96	
518	32615	Urethane and other foam product (except polystyrene) manufacturing	2009	26,985	130	3.84	
526	3262	Rubber product manufacturing	2009	126,619	925	5.83	
527	32621	Tire manufacturing	2009	53,415	750	11.20	
528	326211	Tire manufacturing (except retreading)	2009	46,384	750	12.90	
530	32622	Rubber and plastics hoses and belting manuf.	2009	16,578	60	2.89	
535	327	Nonmetallic mineral product manufacturing	2009	380,254	1,228	2.58	
539	327112	Vitreous china, fine earthenware, and other pottery product manufacturing	2009	7,053	20	2.26	
553	3273	Cement and concrete product manufacturing	2009	173,467	464	2.13	
556	32732	Ready-mix concrete manufacturing	2009	77,992	211	2.16	
559	327331	Concrete block and brick manufacturing	2009	17,600	60	2.72	
561	32739	Other concrete product manufacturing	2009	52,890	224	3.38	
568	3279	Other nonmetallic mineral product manufacturing	2009	67,665	415	4.89	
569	32791	Abrasive product manufacturing	2009	13,285	375	22.52	
584	33122	Rolling and drawing of purchased steel	2009	23,115	70	2.42	
586	331222	Steel wire drawing	2009	13,915	70	4.01	
606	3315	Foundries	2009	126,376	568	3.59	Y
607	33151	Ferrous metal foundries	2009	70,923	430	4.84	Y
608	331511	Iron foundries	2009	39,676	420	8.45	Y

Table 1.3 Continued: Industry Sectors With Location Quotients >2 By NAICS Code

Line	NAICS	Description	Employment			LQ	Tie to UW-P
			Year	U.S.	Region		
611	33152	Nonferrous metal foundries	2009	55,453	205	2.95	Y
612	331521	Aluminum die-casting foundries	2009	20,438	185	7.22	Y
617	332	Fabricated metal product manufacturing	2009	1,401,482	3,642	2.07	Y
618	3321	Forging and stamping	2009	108,741	525	3.85	
621	332112	Nonferrous forging	2009	7,957	60	6.02	
622	332114	Custom roll forming	2009	18,511	175	7.54	
624	332116	Metal stamping	2009	51,144	280	4.37	
632	3323	Architectural and structural metals manufacturing	2009	350,782	926	2.11	Y
633	33231	Plate work and fabricated structural product manufacturing	2009	162,413	503	2.47	Y
634	332311	Prefabricated metal building and component manufacturing	2009	26,635	205	6.14	
636	332313	Plate work manufacturing	2009	31,792	235	5.90	
637	33232	Ornamental and architectural metal products manufacturing	2009	188,369	502	2.13	
638	332321	Metal window and door manufacturing	2009	54,949	185	2.69	
639	332322	Sheet metal work manufacturing	2009	99,203	275	2.21	Y
656	332618	Other fabricated wire product manufacturing	2009	26,135	70	2.14	
657	3327	Machine shops; turned product; and screw, nut, and bolt manufacturing	2009	355,801	1,209	2.71	Y
658	33271	Machine shops	2009	234,279	629	2.14	Y
660	33272	Turned product and screw, nut, and bolt manufacturing	2009	121,522	592	3.89	Y
662	332722	Bolt, nut, screw, rivet, and washer manufacturing	2009	36,153	505	11.15	Y
668	3329	Other fabricated metal product manufacturing	2009	268,636	1,180	3.50	Y
669	33291	Metal valve manufacturing	2009	95,654	610	5.09	Y
670	332911	Industrial valve manufacturing	2009	35,310	235	5.31	Y
673	332919	Other metal valve and pipe fitting manufacturing	2009	18,646	375	16.05	Y
674	33299	All other fabricated metal product manufacturing	2009	172,982	508	2.34	Y
679	332995	Other ordnance and accessories manufacturing	2009	4,861	70	11.49	Y
681	332997	Industrial pattern manufacturing	2009	5,041	20	3.17	Y
683	332999	All other miscellaneous fabricated metal product manufacturing	2009	71,883	433	4.81	Y
684	333	Machinery manufacturing	2009	1,033,961	4,020	3.10	Y
685	3331	Agriculture, construction, and mining machinery manuf.	2009	201,019	2,733	10.85	Y
686	33311	Agricultural implement manufacturing	2009	79,955	585	5.84	Y
687	333111	Farm machinery and equipment manufacturing	2009	57,036	585	8.18	Y
689	33312	Construction machinery manufacturing	2009	60,863	2,245	29.43	Y
705	333298	All other industrial machinery manufacturing	2009	35,549	170	3.82	Y
706	3333	Commercial and service industry machinery manufacturing	2009	76,960	495	5.13	
708	333311	Automatic vending machine manufacturing	2009	3,605	60	13.28	
713	333319	Other commercial and service industry machinery manuf.	2009	40,812	435	8.50	
718	333414	Heating equipment (except warm air furnaces) manuf.	2009	17,524	70	3.19	
722	333511	Industrial mold manufacturing	2009	31,971	130	3.24	Y
732	333612	Speed changer, industrial high-speed drive, and gear manufacturing	2009	13,074	60	3.66	Y
745	33399	All other general purpose machinery manufacturing	2009	133,624	545	3.25	Y
750	333995	Fluid power cylinder and actuator manufacturing	2009	21,768	175	6.41	Y

Table 1.3 Continued: Industry Sectors With Location Quotients >2 By NAICS Code

Line	NAICS	Description	Employment			LQ	Tie to UW-P
			Year	U.S.	Region		
751	333996	Fluid power pump and motor manufacturing	2009	10,939	175	12.76	Y
753	333999	All other miscellaneous general purpose machinery manuf.	2009	46,619	205	3.51	Y
766	33429	Other communications equipment manufacturing	2009	17,208	60	2.78	
768	3343	Audio and video equipment manufacturing	2009	12,847	120	7.45	
778	334416	Electronic coil, transformer, and other inductor manuf.	2009	10,387	60	4.61	
799	335	Electrical equipment, appliance, and component manufacturing	2009	363,214	2,050	4.50	
804	335121	Residential electric lighting fixture manufacturing	2009	9,552	60	5.01	
816	3353	Electrical equipment manufacturing	2009	125,079	1,160	7.40	
819	335312	Motor and generator manufacturing	2009	37,587	610	12.95	
821	335314	Relay and industrial control manufacturing	2009	35,311	550	12.43	
822	3359	Other electrical equipment and component manufacturing	2009	138,368	880	5.07	
823	33591	Battery manufacturing	2009	25,071	435	13.84	
824	335911	Storage battery manufacturing	2009	18,146	375	16.49	
825	335912	Primary battery manufacturing	2009	6,925	60	6.91	
829	33593	Wiring device manufacturing	2009	41,325	385	7.43	
830	335931	Current-carrying wiring device manufacturing	2009	26,750	385	11.48	
832	33599	All other electrical equipment and component manuf.	2009	40,629	120	2.36	
834	335999	All other miscellaneous electrical equipment and component manufacturing	2009	32,609	120	2.94	
842	3362	Motor vehicle body and trailer manufacturing	2009	95,966	420	3.49	
845	336212	Truck trailer manufacturing	2009	18,811	185	7.85	
847	336214	Travel trailer and camper manufacturing	2009	29,215	175	4.78	
848	3363	Motor vehicle parts manufacturing	2009	431,752	1,415	2.61	Y
849	33631	Motor vehicle gasoline engine and engine parts manuf.	2009	48,340	245	4.04	Y
851	336312	Gasoline engine and engine parts manufacturing	2009	40,721	245	4.80	Y
852	33632	Motor vehicle electrical and electronic equipment manufacturing	2009	52,390	185	2.82	Y
854	336322	Other motor vehicle electrical and electronic equipment manufacturing	2009	42,089	185	3.51	Y
861	33636	Motor vehicle seating and interior trim manuf.	2009	40,921	130	2.53	
862	336360	Motor vehicle seating and interior trim manuf.	2009	40,921	130	2.53	
865	33639	Other motor vehicle parts manufacturing	2009	117,678	750	5.09	Y
867	336399	All other motor vehicle parts manufacturing	2009	104,428	750	5.73	Y
883	3369	Other transportation equipment manufacturing	2009	44,445	175	3.14	Y
885	336991	Motorcycle, bicycle, and parts manufacturing	2009	11,929	175	11.70	Y
893	337121	Upholstered household furniture manufacturing	2009	58,030	175	2.41	

Table 1.3 Continued: Industry Sectors With Location Quotients >2 By NAICS Code

Line	NAICS	Description	Employment			LQ	Tie to UW-P
			Year	U.S.	Region		
895	337124	Metal household furniture manufacturing	2009	8,555	60	5.60	Y
914	339113	Surgical appliance and supplies manufacturing	2009	108,762	375	2.75	Y
926	33993	Doll, toy, and game manufacturing	2009	9,814	175	14.23	Y
928	339932	Game, toy, and children's vehicle manufacturing	2009	7,858	175	17.77	Y
934	33995	Sign manufacturing	2009	77,692	321	3.30	Y
1020	42392	Toy and hobby goods and supplies merchant wholesalers	2009	31,813	185	4.64	
1053	42443	Dairy product (except dried or canned) merchant wholesalers	2009	46,483	306	5.25	Y
1070	42452	Livestock merchant wholesalers	2009	6,901	80	9.25	Y
1080	42471	Petroleum bulk stations and terminals	2009	70,000	210	2.39	
1156	4442	Lawn and garden equipment and supplies stores	2009	151,642	712	3.75	
1268	454	Nonstore retailers	2009	557,395	5,041	7.22	
1269	4541	Electronic shopping and mail-order houses	2009	320,721	4,607	11.46	
1273	454113	Mail-order houses	2009	187,819	4,550	19.33	
1304	483211	Inland water freight transportation	2009	17,183	80	3.71	
1313	4842	Specialized freight trucking	2009	444,089	1,894	3.40	
1316	48422	Specialized freight (except used goods) trucking, local	2009	190,454	706	2.96	
1318	48423	Specialized freight (except used goods) trucking, long-distance	2009	167,041	1,193	5.70	
1382	48833	Navigational services to shipping	2009	12,689	90	5.66	
1389	48849	Other support activities for road transportation	2009	22,682	120	4.22	Y
1409	49312	Refrigerated warehousing and storage	2009	42,711	205	3.83	Y
1411	49313	Farm product warehousing and storage	2009	6,686	40	4.77	Y
1413	49319	Other warehousing and storage	2009	65,999	385	4.65	Y
1422	51113	Book publishers	2009	83,744	760	7.24	
1451	51224	Sound recording studios	2009	5,567	20	2.87	
1479	518	Data processing, hosting and related services	2009	387,170	979	2.02	Y
1662	54142	Industrial design services	2009	13,534	80	4.72	Y
1666	54149	Other specialized design services	2009	7,323	20	2.18	Y
1744	56141	Document preparation services	2009	40,941	245	4.77	Y
1788	56191	Packaging and labeling services	2009	42,131	185	3.50	Y
1802	562211	Hazardous waste treatment and disposal	2009	20,649	70	2.70	Y
1805	562219	Other nonhazardous waste treatment and disposal	2009	2,710	20	5.89	Y
1931	62421	Community food services	2009	34,080	120	2.81	Y

Table 1.4: Sample Cluster Companies

High Location Quotient Sector Example Companies: 200 or more employees	
NAICS	Example Companies
212300	Mulgrew Oil, Mielke's Quarry
237900	Lowe Construction, Allen's Retaining Walls
238140	3-D Construction, Rock Bottom Masonry
311500	Chula Vista Cheese, Foremost Farms, Roth KASE, Lactalis, Westby Cooperative, QLF, MSC
311611	JBS Swift, Weber's Processing
321100	Nelson Hardwood, Mann Woodworking
321900	Kraemer's, Kendel Witte Die & Mold, Tri Star Pallets
321990	Skyline Homes, Hartland Vision Log Homes
323110	RR Donnelley, Heritage Printing, RBS Active-wewar, K&K Logo Design
325200	Blackhawk Biofuels, Valley Ag
326110	Lairdor, Dubuque Plastics
326200	Wise Tire, Team Products
327300	Quality Ready Mix, Bard Materials
327900	Kerndt Trenching, Capco Fiberglass
331500	Richland Center Foundry, Grede, Utility Equip-ment
332100	Stone House Pottery, Dubuque Clampworks
332300	EJ Voggenthaler, EIP Manufacturing
332700	Daleo Machinery, Faith Engineering, ITW Shakeproof
332900	HUSCO International, Monroe Truck Equipment
333100	Farmer's Implement, Anamosa Silos, Lazy Gate Manufacturer's
333110	Henderson Products
333300	National Coatings, BT Brown Manufacturing
335300	Stirn's Marine, Industrial Combustion, Rabbit Manufacturing
335900	Spectrum Brnds, Ernst Roofing
336200	Elite Welding, Boge Trailer
336300	Nelson Division, Miniature Precision, Cummins Prototype
339113	NLF Protective Products
339950	Advanta Signs, Kustom Plastics
424430	Applied Solutions
444200	Sloan Implement, Fassbinder Small Engines, Pioneer Seed
454113	Swiss Colony, Wilderness Adventures
484200	Schumuecker Truck Line, Boyer Trucking, South-west Logistics
493100	Midwest 3PL, Simon's Grain & Feed
511130	Sadlier Publishers, Priority Distribution

UW-Platteville Degree Programs

There are an average of 2,700 degrees and certificates granted annually in the study area, which equals roughly 2 percent of the workforce. In all, 44.5 percent of study area workers and 46 percent of workers have some higher education experience whether certificate, bachelor's degree or master's degree, which is only slightly less than the US average of 47 percent. However, the attainment of an advanced degree is less lucrative in the study area than for the US as a whole, and this gap actually increases with educational attainment, providing less incentive for workers to pursue advanced education.

Chart 1.5 **Innovation Center Industry**

Jobs by Educational Attainment in Region

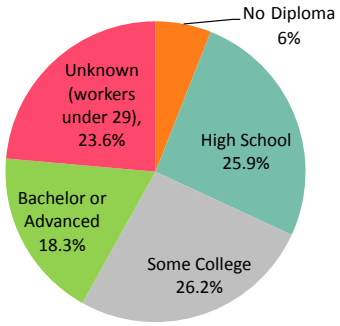


Chart 1.6

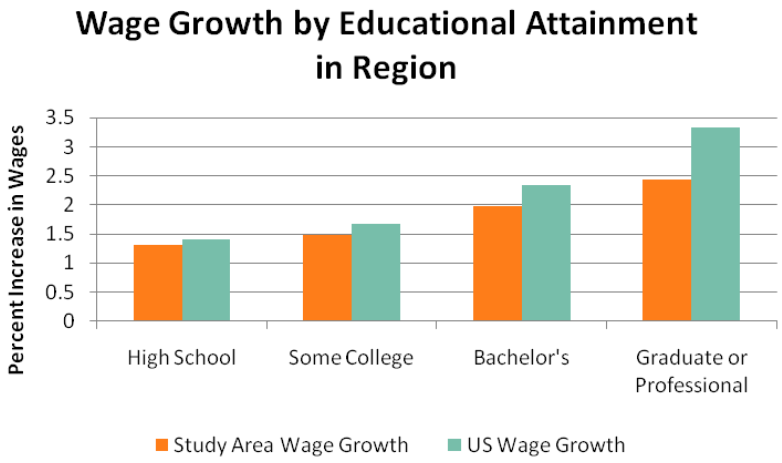
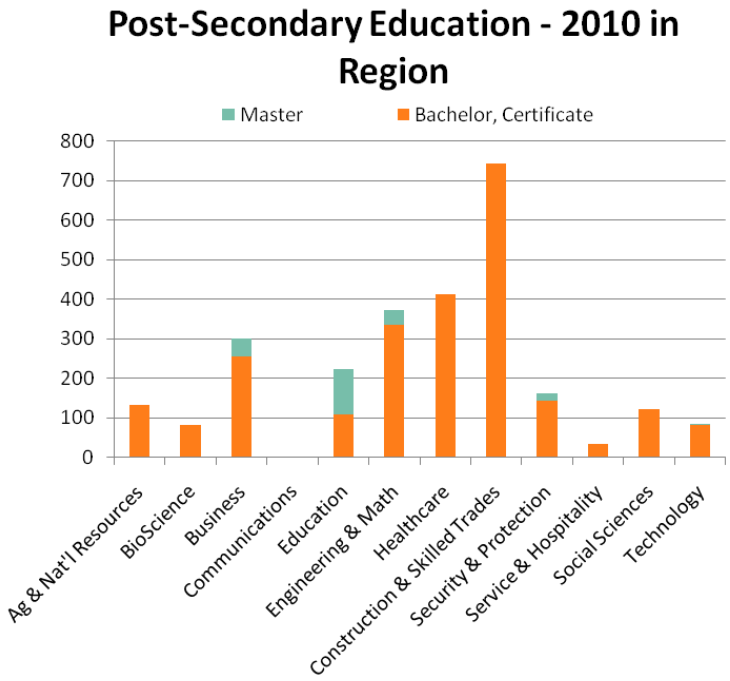


Chart 1.7



Drivers/Targets

Aside from new business creation and patent activity, other measures of innovation frequently include establishment churn (which measures the rate of business creation and dissolution generally associated with startup activity) and the share of high tech employment (companies) and occupations (jobs). **In these measurements, the study area demonstrates significantly less innovation potential than other regions**. One potential explanation for this delay, at least in regard to the technology employment metrics, is the relative scarcity of broadband access in many parts of the study area, the presence of which could encourage the growth of non-employment (sole proprietor) businesses in the technology sector.

Table 1.5: Regional Patents

	Patents per 1,000 businesses	Patents Per 1,000 workers	% Patents held by individuals
Study Area	0.6	.22	26%
United States	14	.51	12%

Chart 1.8

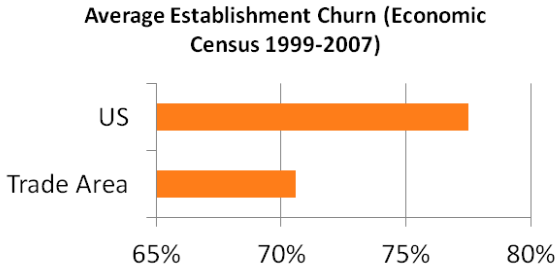


Chart 1.9

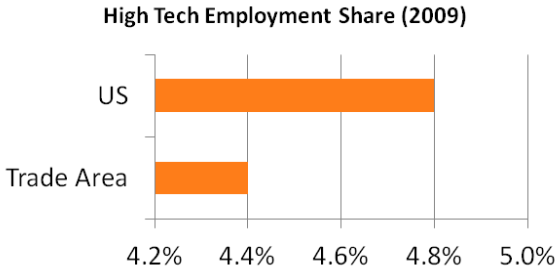


Chart 1.10

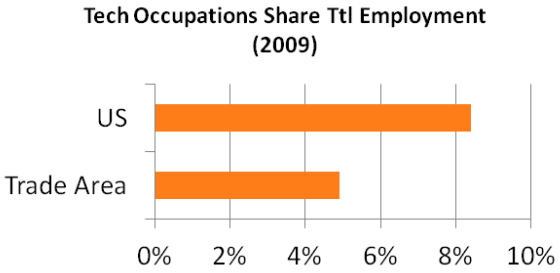
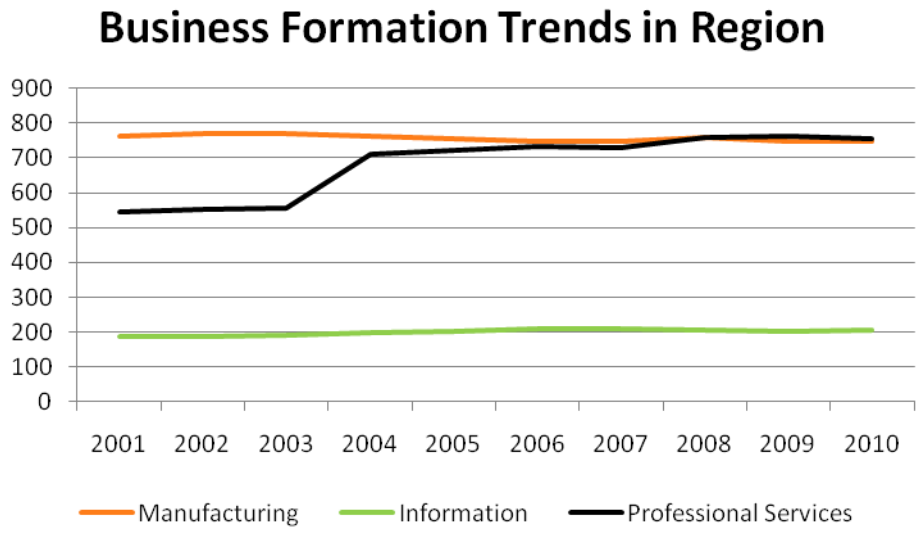


Chart 1.11



Non-employer Activity

Because of the rural nature of the study area, a significant percentage (15 percent) of employment occurs as non-employer businesses, which are more commonly known as sole proprietorships. **This type of entrepreneurial activity includes businesses in nearly every industry sector, and frequently at a rate much higher than the national average.** The only sectors in which the nation has greater non-employer activity are manufacturing and Other, which includes automotive repair, laundry services and other personal services. While the non-employer data illustrates that these businesses include traditional Mary Kay sales and Mechanic type home businesses, it also identifies potentially broader categories such as Metalworking, Accounting, Healthcare and similar services.

Table 1.6

Non-Employment Establishments in Region by Sector 2010	
Total for all sectors	100%
Construction (Specialty Contracting)	17%
Other services (Auto/Equip Repair, Laundry, Barber/Beauty)	16%
Retail trade (Health, Cosmetics)	12%
Health care and social assistance (Ambulance, Home Health Aide)	9%
Professional, scientific, and technical services (Accounting, Photography)	9%
Real estate and rental and leasing (Real Estate Agent)	7%
Administrative and support (Janitorial)	6%
Transportation and warehousing (Trucking)	5%
Arts, entertainment, and recreation (Racing)	4%
Agriculture, forestry, fishing and hunting (Ag)	4%
Finance and insurance (Insurance)	3%
Manufacturing (Metalworking, Furniture)	2%
Accommodation and food services (B&B, Catering)	2%
Educational services	2%
Wholesale trade	2%
Information (Publishing)	1%
Utilities	0%

Best Practices Evaluation

Best Practices Evaluation

Comparable Innovation Centers & Research Parks

Best practices are initiatives or considerations that have been found to be associated with successful incubator/accelerator programs. Best practices are generated over time and are really the compilation of experience regarding what works and what does not.

SDS has been involved with the incubator/innovation center industry for nearly two decades, including membership in the National Business Incubation Association. SDS team members have managed or worked with numerous manufacturing and/or technology-focused innovation centers, and thus have a working knowledge of many of the most successful manufacturing/technology-focused innovation centers throughout North America. SDS also reviewed best practice reports developed by the Ewing Marion Kauffman Foundation, Economic Development Administration, International Economic Development Council and the National Business Incubation Association in creating this report and its recommendations.

More specifically, best practices were the basis for recommendations concerning development of a rural innovation center focused on manufacturing and technology in Southwest Wisconsin and for assumptions utilized in the incubator/accelerator financial feasibility model.

Context

Just as no two innovation centers are funded exactly the same, there are no two innovation center programs that are structured ex-

actly alike, relative to management, operations or financial model. That said, when reviewing existing rural innovation centers with some form of relationship to a college or university, it is easier (in hindsight) to find flawed models rather than exemplars. No innovation center is "perfect." In several instances, programs are not financially self-sufficient *but could be*. There are numerous incubators with facilities similar to what this study recommends.

Development & Operations
We offer the following existing program examples for the City and the University to evaluate, but not necessarily emulate:

Vermont Center for Emerging Technologies (VCET)
Burlington, Vermont
Andrew Stickney, Vice President
802-522-0858
www.vermonttechnologies.com

- 501(c)3
- Burlington population 40K; MSA 100K
- Also has seed fund, funded by state EDO
- Began 2007

Revenue: $300 per month flat membership fee per client/tenant, those with and without space; no space leased; seed fund provides 2% management fee to center; VCET takes 1% equity in each tenant per year in program (no revenue to-date); gets substantial operating capital from ADM and state grants; could/will eventually be financially self-sufficient

Relationship with University of Vermont: university owns building hosting center on campus, donates space free to VCET and covers utilities; positive relationship between VCET and university. University wants increased economic development; VCET wants faculty advisors.
Relationship with Middlebury College: VCET purchased building on college campus; no contractual relationship, but good working relationship back and forth.

Center for Innovation and Entrepreneurship (CIE)
Maryville, Missouri
Larry Lee, Executive Director
660-562-0823
www.nwmissouri.edu/cie

- Focus on technology start-ups and nanotechnology
- Has a Nanoscale Science BS degree program
- Opened September 2009
- 46,500/SF facility houses both the CIE (9000/SF offices; 14,000/SF wet labs = 23,000/SF total) and the nanotechnology baccalaureate program (16,500/SF). Non-revenue producing common area: 7200/SF (15.4%).
- CIE space also includes a certified clean room
- Occupancy: 20%
- Financially self-sufficient: no
- Incubator operates as a division of NW Missouri State University
- Maryville and Nodaway County population (2002) 21,650

A feasibility study was done by a university Ph.D. candidate rather than an experienced incubation professional
New Executive Director hired February 1, 2012 to market CIE

Erie Technology Incubator
Erie, Pennsylvania
Russ Combs, Executive Director
814-871-5609
www.erietech.org

- Opened October 2008 after professional feasibility study in 2006; building is former YMCA
- Erie population: 90,000
- 32,000/SF; 18,000/SF revenue producing (56%)
- Excellent, well-run program, working towards financial self-sufficiency in year five
- Business incubation-experienced CEO; implements NBIA best practices

- Can accommodate 26 tenants; currently has 17 tenants and 6 affiliate members; occupancy impacted by economy
- Began with 70% subsidy by university, today subsidy less than 50%, anticipate breakeven late 2013 (5 years from opening).
- Two graduations (by acquisition)
- Two tenants Gannon faculty; IP originated at Gannon (robotics engineering and software design)
- Two Gannon faculty have invested in other tenants

For every dollar invested to-date, ETI has returned $3.41 to local economy in economic impact (direct capital expenditures)

We could continue to point to other "rural" incubators – successful and otherwise – but we will not find any that match the circumstances unique to Platteville. The Sid Martin Biotechnology Incubator is successful, and is owned by the University of Florida, operating in a town of approximately 10,000 – Alachua, FL. The Technical Innovation Center in Hagerstown, MD operates in affiliation with Hagerstown Community College, operates at a breakeven and has a history of graduates and economic impact. Many rural innovation centers have no ties to any academic institution.

Lessons Learned

The "bottom line" is this: Platteville and the University need to capitalize on the unique regional assets, mitigate the regional liabilities, and create a program that fits within the culture and context of the SW Wisconsin region (including Dubuque). The three most important keys to the ultimate success of the project will be:

- Retain an experienced incubation professional to be CEO (both NBIA and SDS will provide pro bono assistance)
- Develop and operate the innovation center adhering as closely as possible to NBIA best practices.
- Locate UW-Platteville Centers of Excellence inside the facility and build off of faculty expertise.

Site and Facility Assessment

Platteville Innovation Center Initial Site Evaluation Process

The initial site evaluation process for the Platteville Innovation Center/Research Park began with the development of criteria for evaluating seven general areas selected by the steering committee. Based on familiarity with site development issues, the consultant team developed criteria based on five major categories: site size, site suitability, compatibility with surrounding land uses, site transportation and access, and intangibles. The consultants visited the seven areas on December 29, 2011 for on-site evaluation and met with the City's engineer and planner to review potential development issues. As specific sites have not been selected, the consultants based their evaluation on the areas identified by the steering committee, and looked for development or redevelopment opportunities within those areas. The Site Evaluation map (Map 1.4) shows the areas that were evaluated, as well as major corridors and traffic counts. The following is a discussion of site evaluation criteria and the scoring methodology used to rank each site.

Site Evaluation Criteria

Site Size

Each site was originally evaluated based on its capacity to accommodate the Innovation Center (assuming a 30,000 square foot building, one to three stories) and the Research Park (assuming 40 acres available for development/expansion). Specific site or parcel areas are not known at this time, so site size evaluation was based on the amount of land available, or in more developed areas on

the condition of surrounding buildings and the location of properties currently for sale.

Site Suitability
Each site was evaluated for suitability for Innovation Center/Research park development. Specific criteria included:

- Topography: terrain conditions (rolling, steep, flat); areas of steep slopes or especially low areas
- ·Constructability: ease of construction deliveries (site access), access to adequate staging areas, coordination with adjacent traffic patterns (lane closures, safety barriers), phasing, ease of constructing foundations, vertical circulation (more stairs, elevators, mechanical shafts, larger footings, etc.)
- Utilities/Stormwater: proximity and ease of connection to existing water and sewer service; stormwater requirements; proximity and ease of connection to electric/gas/ telephone/fiber.
- ·Environment: Depth to bedrock, proximity to wetlands or ASNRI waters, thermal control requirements, floodplain issues, LUST/brownfield evidence, previous mining location, existing vegetation or structures.

Compatibility
Each site was evaluated for compatibility with existing zoning, surrounding zoning/ land use, the Comprehensive Plan, and municipal jurisdiction.

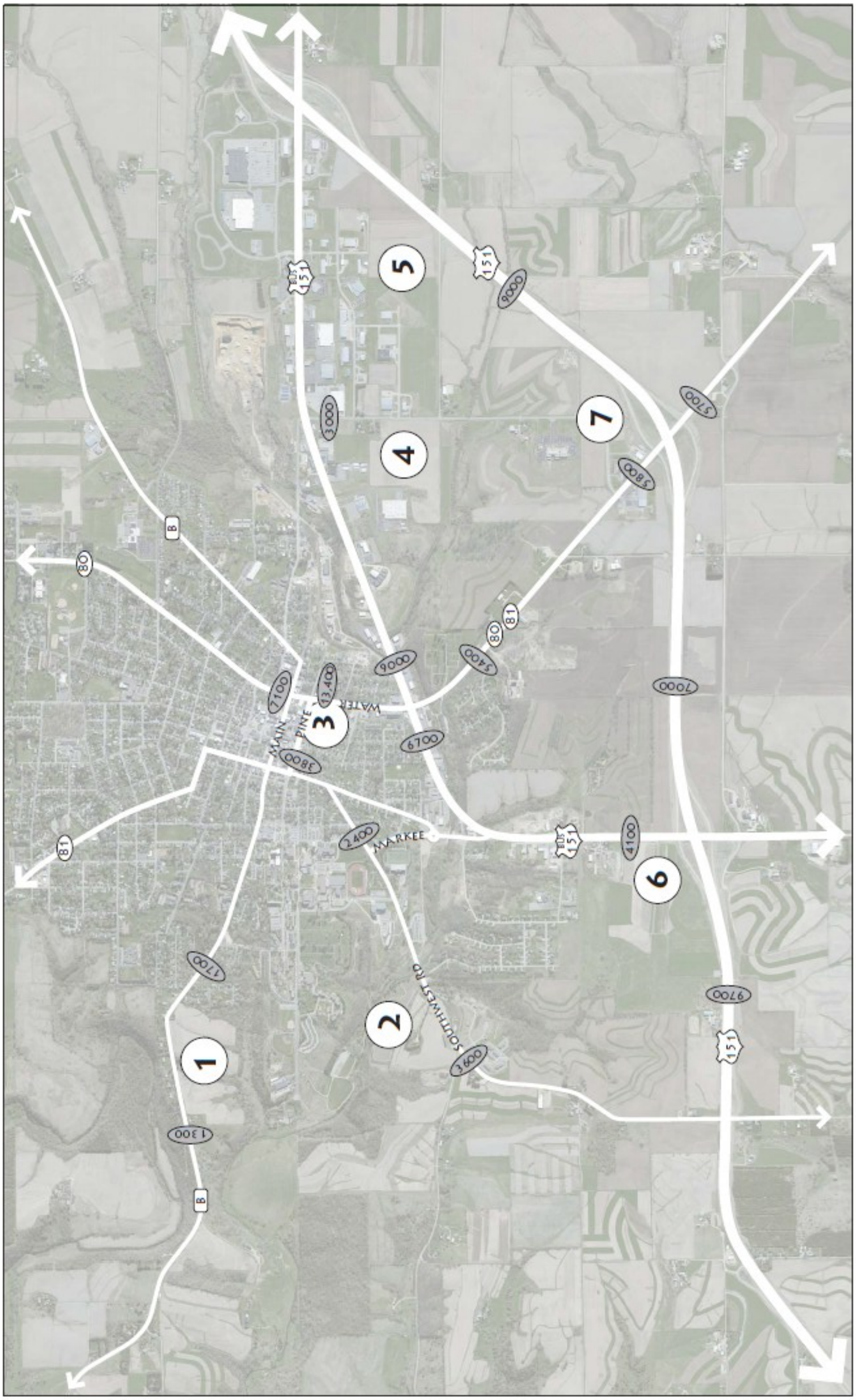
Transportation & Access
Site evaluation for transportation and access issues included the potential for semi access from adjacent roadways (necessity of turn lanes, difficult turning maneuvers), distance to and route from Hwy 151, parking potential, proximity to UW-Platteville and downtown (for pedestrian circulation), Trans 233 issues (building setbacks, development of access roads near a state highway), proximity of State/County highways (access restrictions), and the overall condition of main access routes.

Intangibles
The final evaluation category covered the intangible elements of each site, including visibility from major traffic corridors, traffic counts on adjacent roadways, pedestrian connections from campus and downtown, and availability of business support services (printing, shipping, legal, accounting, food, etc. services).

Site Ranking

Following the site visits, all of the evaluation criteria were summarized in a site evaluation matrix. Each criterion within each category was ranked for suitability on a scale of one to five, with one being least suitable/many constraints, and five being most suitable/few constraints. The total score for each category is the average of the scores of the individual criteria, ensuring that each category is weighted equally.

The Steering Committee reviewed and discussed the ranking matrix and selected three sites for further investigation—sites 3, 6 and 7.



SITE EVALUATION MAP
PLATTEVILLE INNOVATION CENTER

AVERAGE ANNUAL DAILY TRAFFIC (2010)

vierbicher

Site & Facility Analysis of Top 3 Sites

INFRASTRUCTURE, SITE DEVELOPMENT & ENVIRONMENTAL

In evaluating the three potential sites for this analysis, each has various characteristics that provide opportunities, challenges, and cost impacts upon the potential development of each site. Preliminary site plans were developed for each potential location and used to prepare estimated site improvement costs. Land acquisition costs were not considered as part of this analysis.

Site 3:

Site 3 is currently located in a City of Platteville redevelopment master plan. The analysis evaluated various building sites in the vicinity of South Water Street, Alden Avenue and Pine Street. The downtown site involves the purchase and removal of several existing structures/sites.

Site Development: The Site 3 option considers a facility location on the northeast corner of the existing parking lot. This location provides a visual prominence for the Platteville Innovation Center as someone approaches the facility from the south and acts as the "Gateway" to the downtown area. The facility concept takes advantage of the existing site slopes/contours for a three-story building where "high-bay" tenant spaces and loading areas can be provided on the lower level. The loading area can be screened from the street with an architectural wall and landscaping. Some staff parking is considered at the lower level, west of the main building. An upper level parking deck can be considered to provide additional parking adjacent to the building. This would eliminate the potential overlap of parking needs from the Innovation Center and adjacent retail businesses.

The main facility entrance could be located on the west side (first level) of the building, off Pine Street. A second entrance would be from the lower level parking area with vehicle access from Water Street and pedestrian access from either Water Street or Pine Street. This provides direct access to the high bay space and the rest of the facility via elevator. One challenge for a first level west facing main entrance and visitor parking is ease of identifying the location of the entrance for visitors coming from Water Street. Such an entrance would require additional way-finding signage to direct visitors to parking on the upper level.

East of the facility, the existing storm drainage area along Water Street can be restored to a "park-like" setting, with additional landscape features. Compatible development, as well as facility expansion, can occur to the south with potential for sharing the lower level parking with adjacent development.

Infrastructure: Existing storm, water, and sanitary systems are readily available at this site. The existing large diameter culvert that parallels Water Street would be extended further north to accommodate the building footprint. In addition, other smaller storm sewers would need to be relocated around the proposed building and parking structure. In a similar manner, an existing ten-inch sanitary sewer would be relocated around the site.

Development of the site would require demolition of two existing buildings. The cost for demolition has been estimated and included in the site development costs along with costs for abandonment of the existing utilities and disposal of existing pavements. Other cost considerations may include business relocation, property acquisition and disposal of hazardous building debris (depending upon the age and construction of the buildings). Existing electric, gas and communication utilities are readily available in this location.

Environmental: A full environmental screening for potential areas of soil contamination and completion of soil borings has not been performed. The potential for the results of these analyses to significantly impact the ultimate cost of a downtown site is greater than that for the other two sites.

Site 6:

The analysis evaluated a potential site west of Business Hwy. 151/CTH D, and north of US HWY 151. This site is currently utilized for agricultural purposes and within the Town of Platteville.

Site Development: The Site 6 option considers a facility with a main entrance facing CTH D. The potential Innovation Center is located on a small knoll. The concept utilizes a one-story L-shaped building to screen some of the parking and the loading/ receiving areas from the main highways. The building would be visible from CTH D and US HWY 151. The "elbow" of the building would provide common area services and the primary entrance locations for the building. Loading/receiving operations would be placed at the west end of the facility.

This site location allows for potential expansion of the Innovation Center to the south. Also, if a research park is planned in the future, the site/area can be readily developed to accommodate additional structures.

Infrastructure: Storm sewers, water mains, and sanitary mains are not readily available at this site. These services would be extended from Reddy Drive and Pioneer Road north of the site. A new access road to the site would be brought in from CTH D approximately 1300' north of the USH 151 exit ramps (per current DOT access policy). It may also be necessary to add intersection improvements (passing and turn lanes) at the new access road intersection depending upon the traffic volume generated by the Innovation Center. A cost for potential intersection improvements has been included in the estimate. Electric, gas and communications would be brought in along the new access road from the CTH D intersection.

The cost of off-site infrastructure and public access improvements are a significant factor in the overall development cost of this site. Sewer and water would need to be extended approximately 2,100 feet to serve the site and a 1500 foot long access road would need to be constructed. The cost of these improvements for Site 6 is significantly higher than the other sites.

Environmental: A full environmental screening for potential areas of soil contamination and completion of soil borings has not been performed. Based upon our initial screening, it is not likely that the results of these analyses would significantly impact the ultimate development cost of the site.

Site 7:

Site 7 in located north of US HWY 151, east of STH 80/81, and south of Enterprise Drive. This site is currently utilized for agricultural purposes and within the City of Platteville.

Site Development: The Site 7 option considers a facility located just south of the Enterprise Drive/Eastside Drive intersection. The main building entrance would face Enterprise Drive. The potential Innovation Center for this site consists of a one-story, modified L -shaped building, with staff and visitor parking located on the north side. Loading/ receiving areas are located at the west end of the building.

Again, the "elbow" of the building would provide common area services and the primary entrance location for the building.

This site location allows for potential expansion of the Innovation Center to the south. Also, if a research park is planned in the future, the site/area can be readily developed to accommodate additional structures, roadways to the west and south of the potential Innovation Center site.

Infrastructure: Storm sewers, water mains, and sanitary mains are not readily available at this site, but are reasonably close to the site on Eastside Drive. New entry driveways are anticipated east and west of the Enterprise/Eastside intersection to provide access to the parking and loading areas on the site. A portion of Enterprise Drive would be extended to accommodate the driveway

entrance east of the Eastside / Enterprise Drive intersection. Electrical service to the site would be brought in from Enterprise Drive.

Off-site infrastructure and public access improvements increase the overall cost of developing at this site. However, these costs are not as significant as the off-site improvement costs at Site 6.

Environmental: A full environmental screening for potential areas of soil contamination and completion of soil borings has not been performed. Based upon our initial screening, it is not likely that the results of these analyses would significantly impact the ultimate development cost of the site.

CONCEPT SITE PLANS

Conceptual site development plans for each of the three potential sites are shown on the following pages. Each site concept illustrates:

- Possible building placement/location on the site
- Parking arrangement
- Loading areas
- Sidewalks
- Location of building entries
- Landscaping areas
- Noted other site features

ESTIMATES OF SITE DEVELOPMENT COSTS

Facility Characteristics

SIZE, FUNCTIONS AND AMENITIES

The analysis for the Platteville Innovation Center has determined approximately 30,000 SF would be an appropriate size for the initial building. At Site 3, there is some additional space required for the stairs and elevator. For this analysis, the space allocation for the stairs and elevator have been noted as an additional square foot allocation, above the base 30,000 SF building total. In order to facilitate the growth and operations of the Innovation Center, numerous functions are required for common areas and facility needs. The following functions and room sizes have been determined:

Building Characteristics: The following baseline characteristics have been included in evaluating the potential Innovation Center facility for each site:

- Business Use Occupancy (Wisconsin Building Code)
- Non-Combustible Construction (Type 2b – Building Code)
- Concrete foundations and slab on grade.
- Exterior wall construction of light gage metal framing (metal studs), rigid wall insulation, air cavity, with brick veneer/metal panel exterior finish.
- Steel columns and steel roof joist framing with metal roof deck.
- Adhered single-ply membrane roofing over standard 4-inch thick rigid roof insulation.
- Roof access hatch
- Aluminum Storefront entrance & window system and glazing
- Casework in break room area
- Interior wood doors, metal frames, and hardware at common area spaces
- Overhead door at loading dock
- Dock leveler and bumpers
- Roof screening for mechanical rooftop equipment
- Interior metal stud and drywall partitions in common areas, painted finishes
- Acoustical ceilings at common areas. (No ceilings are included at the initial build-out in tenant areas. Ceiling in those areas would be com-

pleted at a future date as a tenant improvement.)

- Flooring finishes in common areas (carpet at offices/conference rooms/lobby area, vinyl systems in main corridors, tile at entry and restrooms. Tenant spaces to remain unfinished until future build-out.)
- Site signage and interior building signage
- Toilet room accessories
- Corner guards
- Fire extinguishers & cabinets
- Marker boards in conference rooms
- Window blinds/treatments
- Outdoor patio area adjacent to the break room
- Plumbing systems: toilet room fixtures, hot & cold water systems, water heater, sanitary systems, storm piping. Piping mains extended along common corridors with capped laterals to future tenant spaces.
- Fire protection system
- Rooftop VAV air handling system, building automation/controls
- Electrical service
- Lighting for common areas, with minimal lighting in un-finished tenant spaces. Lighting controls
- Power for common areas; panels for tenant spaces
- Fire alarm system
- Base telephone/data to common areas (extension to tenant areas in future build-outs)
- Security for perimeter entrances
- Emergency generator (final size to be determined upon analyzing potential building loads)

- The following characteristics have been included for Site 3 as a result of the two-story conditions:
- Sheet piling for foundation wall at hill
- A poured concrete floor on metal deck and steel floor joists is anticipated for the upper floor level.
- Waterproofing of foundation wall
- Foundation drain tile system and sump
- Precast concrete framing and decking for upper parking area
- Concrete masonry walls for stair and elevator shafts
- Steel framed stair with guardrails/ handrails, and floor finish
- Two-stop elevator (4,000 lb. capacity)
- Fire-rated shafts for mechanical systems between floors

Typical Room/Functions at each Site

Table 1.7

ROOM/FUNCTION	SIZE (SF)
Lobby/Reception	150
Director's Office (1-person)	150
Conference Room (Small / 6-8 persons)	150
Conference Room (Large / 12-16 persons)	240
Technology Transfer Office (1-person)	120
Administrative Office/Area (1-2 persons)	150
Copy room	140
Break room / Vending	300
Loading Dock Area	300
Common Storage Room/Area	500
Men's Toilet Room & Shower (3 water closets, 2 urinals, 3 sinks & 1 accessible shower)	400
Women's Toilet Room & Shower (5 water closets, 3 sinks & 1 accessible shower)	400
Janitor's Closet	50
Electrical Room	300
Mechanical Room (water heater, fire protection system, roof access ladder)	150
Corridors/Vestibules & other misc. common areas	4,000
Tenant Spaces	22,500
Total	30,000
Stairs (at Site 3, two stair towers, connecting three floor levels)	960
Elevator (at Site 3, connecting two floors)	120

FACILITY DIAGRAMS

The facility diagrams on the following pages provide a conceptual layout of the various functions and features of each site option.

OPINION OF CONSTRUCTION COSTS

The Innovation Center construction costs below are based upon data obtained from previous projects of similar character, materials, and sizing. Adjustments have been made to accommodate unique site conditions. For example, Site 3 will include additional costs associated with an "urban" construction site, site terrain, limit staging areas, demolition of existing structures, and characteristics note previously (i.e., stairs, elevator, etc.) The costs below do not include the site development costs noted later in this report.

Site 3:

Table 1.8

Discipline	Cost
General Construction	$3,950,000
Plumbing & Fire Protection	$295,000
HVAC	$690,000
Electrical	$610,000
Sub-Total	$5,545,000
Construction Contingency	$388,150
Total	$5,933,150
Cost Per Square Foot	$198

The cost of a below ground parking deck at the lower level of the facility has been included in the general construction costs.

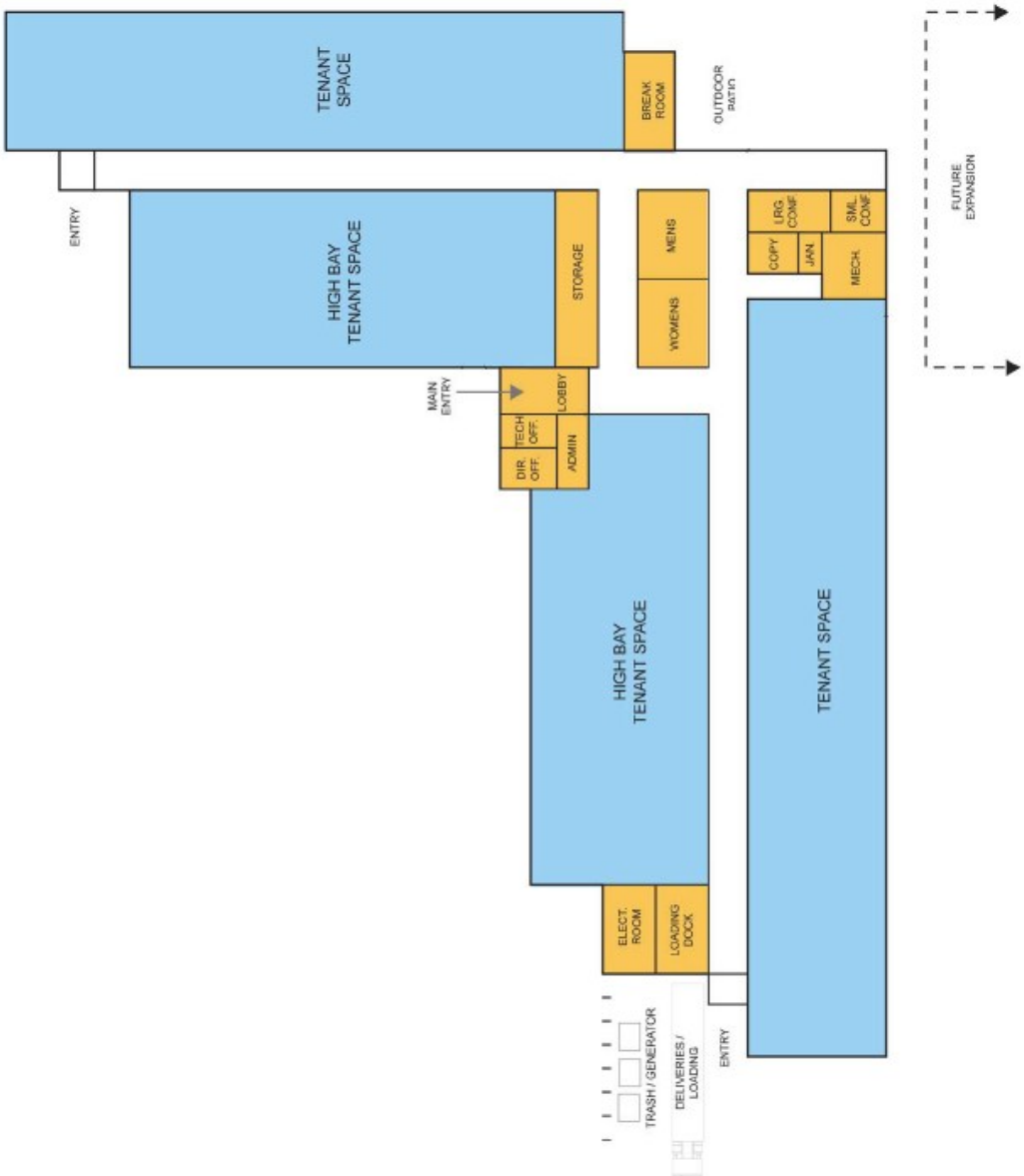
Sites 6 or 7:

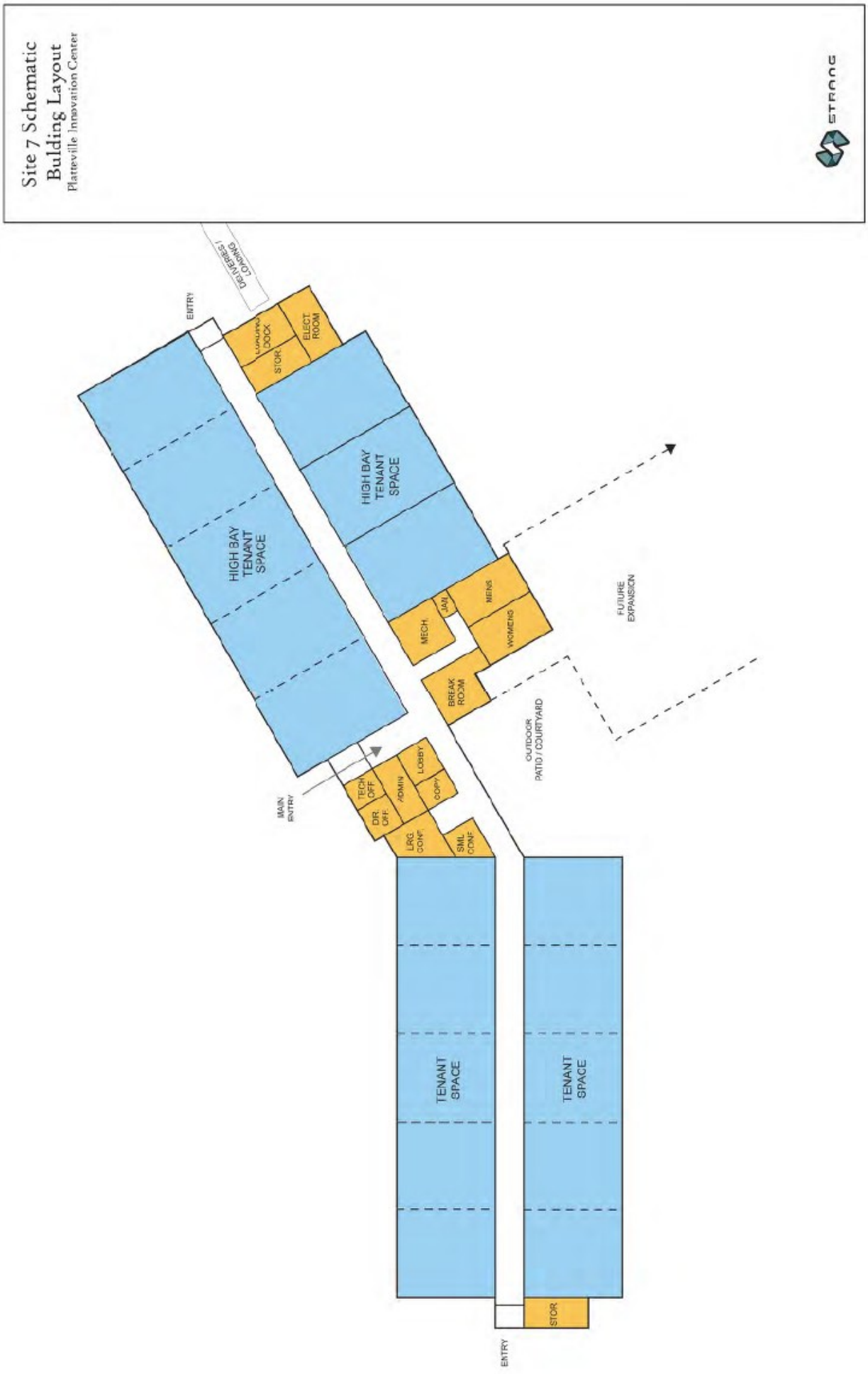
Table 1.9

Discipline	Cost
General Construction	$2,580,000
Plumbing & Fire Protection	$270,000
HVAC	$630,000
Electrical	$480,000
Sub-Total	$3,960,000
Construction Contingency	$277,200
Total	$4,237,200
Cost Per Square Foot	$141

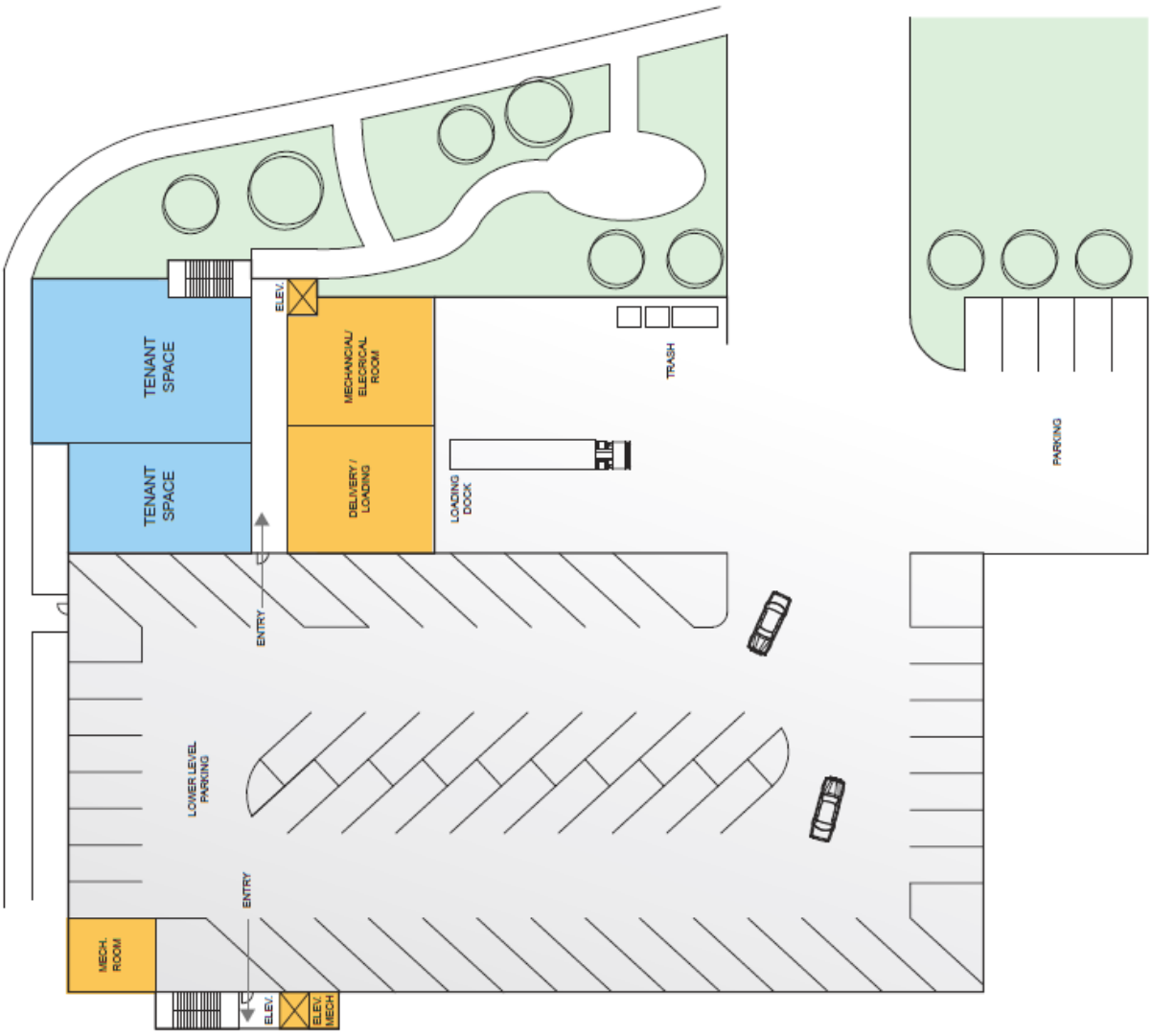
Site 6 Schematic
Building Layout
Platteville Innovation Center

STRANG

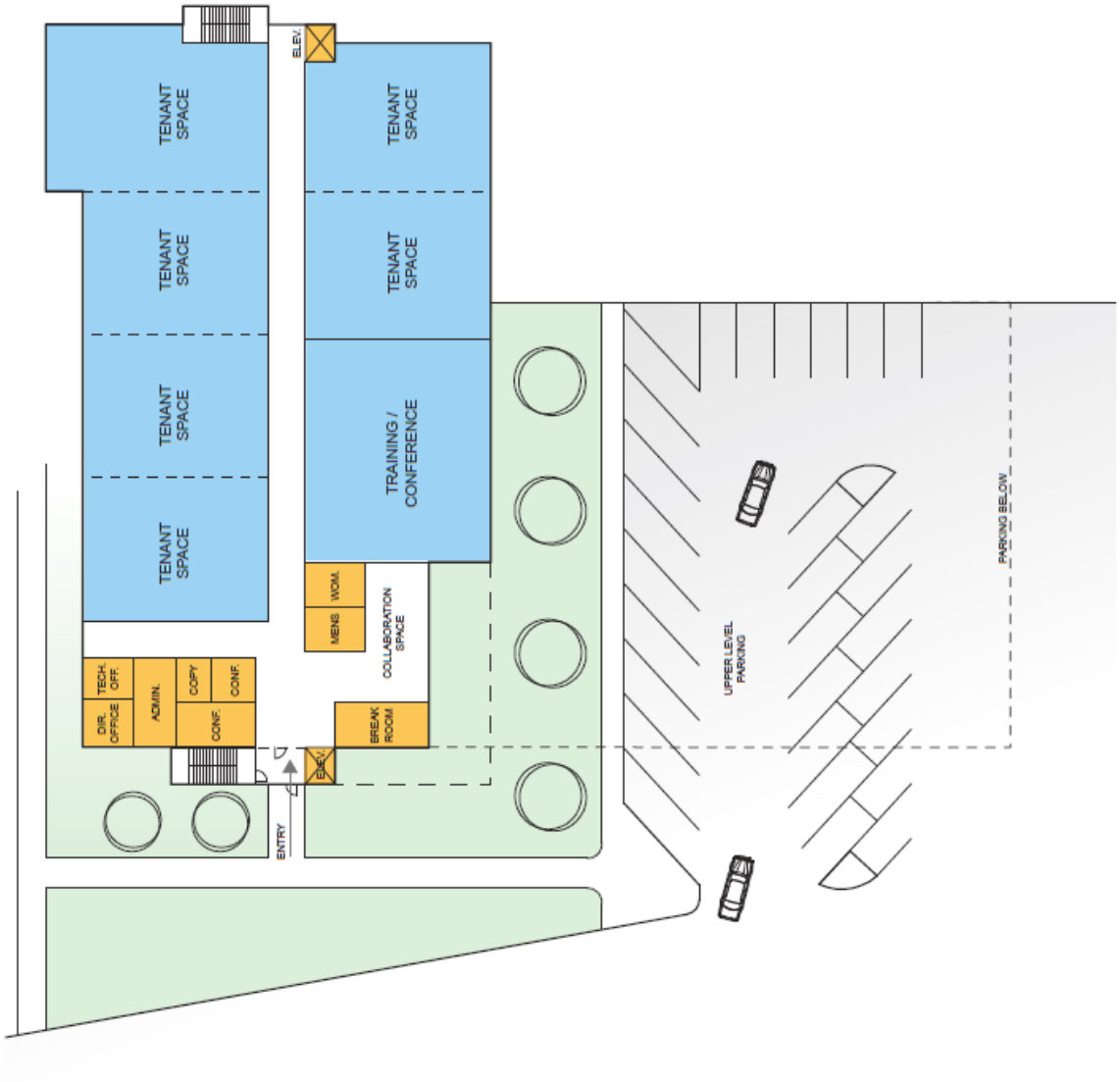



Site 7 Schematic
Bulding Layout
Platteville Innovation Center
STRANG
DELIVERIES / LOADING
ENTRY
LOADING DOCK
STOR.
ELECT ROOM
HIGH BAY TENANT SPACE
HIGH BAY TENANT SPACE
MECH.
JAN.
MENS
WOMENS
BREAK ROOM
FUTURE EXPANSION
OUTDOOR PATIO / COURTYARD
MAIN ENTRY
TECH OFF
DIR. OFF.
ADMIN
LOBBY
COPY
LRG CONF.
SML CONF.
TENANT SPACE
TENANT SPACE
STOR.
ENTRY

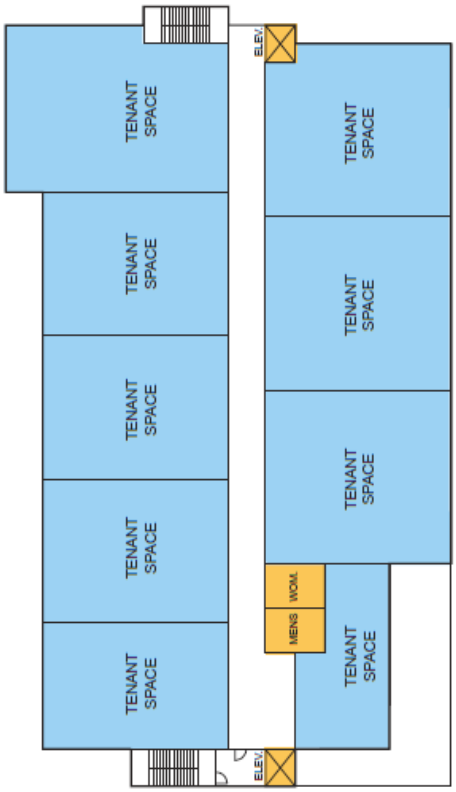
Site 3 Schematic Building Layout
Lower Level of Three



Site 3 Schematic Building Layout
First Level of Three



Site 3 Schematic Building Layout
Upper Level of Three



Part II: Feasibility

Innovation Center

Innovation Center Feasibility

The market analysis assessed opportunities for new business formation that could be supported by the development of an innovation center program. Both qualitative and quantitative measures were considered to indicate potential demand for innovation center space and services.

A general guideline from NBIA in innovation center development is to determine if the market for an innovation center can support at least a 30,000/sf facility, with approximately 75% (22,755/sf) leasable space. The 30,000/sf figure is based on NBIA research data that suggests this is the minimum size necessary to generate enough rent to support approximately 60% of the operating cost of the accelerator. This is not to say that a 26,000/SF leasable space facility is not financially viable, or that a 40,000/SF facility is too large, but simply a starting point for investigation.

A 30,000/sf facility on average, would provide enough space for 20-22 start-up businesses. Given that tenants of the "average" technology incubator have an average time in the incubator of 33 months and a median of 36 months, it follows that a 30,000/sf facility would graduate about 7 tenant companies a year, and in turn have to recruit a like amount of businesses to maintain full occupancy. It then follows that the regional dealflow of manufacturing/technology businesses would have to be a multiple of 7, in order to identify 7 viable businesses per year that meet the basic requirements for tenancy (including being able to afford rent in the incubator).

Innovation Center

Users can enter system at any point

Tenant	Member	Public	Education	UW Platteville Creative Activities
Rent Space			Teachers | K-Grad. School Students | High School Clubs	
Use Equipment | Access Resources			Student Entrepreneurs	
Business Startup | Network/Interact | Certification | Inventor + Entrepreneur Club			Faculty Projects, Centers of Excellence, Student Employment	
Attend Classes/Workshops				
Continuing Education				

Develop Habits of Creativity	Solve Problems Meet Needs	Build Culture of Entrepreneurship	Build Skills & Knowledge	Product Development	Business Startup & Management	Intellectual Property	Finance	Marketing

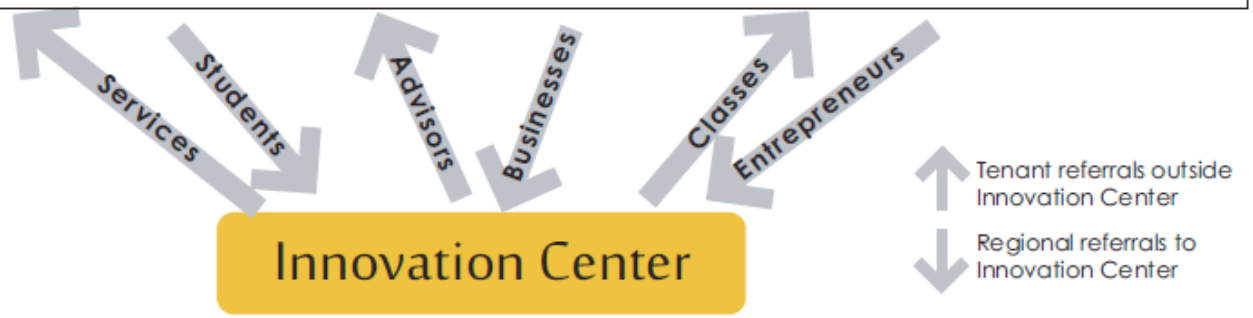
Inventor
Entrepreneur
Stage 2 Business
Mature Business

UW-Platteville & Regional Innovation Center Partners

SB000998

Regional Innovation Network

EDUCATION	SWTC	UW Richland Center	UW Rock Co.	**UNIVERSITY OF WISCONSIN- PLATTEVILLE** Blackhawk Tech	CESA #3	Platteville STEAM Charter School	Highland Community College	Northeast Iowa Community College	
WORKFORCE DEVELOPMENT	Workforce Development Board of Southwestern Wisconsin			Workforce Development Board of Northeastern Iowa			Workforce Development Board of Northwestern Illinois		
EXTENSION	UW Extension		Iowa Extension		Illinois Extension		SBDC WI	SBDC IL	SBDC IA
ECONOMIC DEVELOPMENT	Iowa County EDC Lafayette County EDC	Richland County EDC	Crawford County EDC Green County EDC	Grant County EDC	PAIDC Chambers of Commerce	Tri-County ED Alliance Greater Dubuque Development Corp	Prosperity Southwest SWRPC	Blackhawk Hills RC+D	
BUSINESS INCUBATORS	Kitchen Incubators: Mineral Point Prairie du Chien Gays Mills	Platteville Incubator	Benton Incubator	SW Tech Incubator	Eiger Labs Rockford	Bioventures Center Coralville, IA	New Ventures Center Quad Cities, IA	U of N Iowa Innovation Incubator Cedar Falls, IA	
SUPPORT SERVICES	Finance/ Investors	Accounting	Legal	Suppliers	Consultants	Government- WEDC, DATCP, etc.	Southwest Regional Planning		



Given the potential deal-flow previously cited, coupled with new business formation independent of these sources, adequate potential rural innovation center tenants appear to be present. We conclude that adequate demand is present for a manufacturing/technology rural innovation accelerator to sustain such a facility of at least 30,000/SF.

Also, experience suggests that once a rural innovation center is up and running, and a marketing program has time to increase awareness, incremental deal-flow will find the innovation center through various sources, including the professional service providers affiliated with the rural innovation accelerator.

Financial Self –Sufficiency

Documenting the demand for a rural innovation center and business development services and support is not adequate information for decision-making that could involve investment of approximately $8 million. To understand if the demand justifies the expenditure of such a large sum, it is important to determine the costs of both developing and operating such a facility, to determine sustainability, and to identify issues that need to be addressed prior to launching such an initiative.

A. Geographic Market Served

NBIA periodically surveys incubators/ accelerators in North America and publishes best practices. The general rule of thumb is that an innovation accelerator can serve an area within a radius of approximately sixty miles. However, that depends on both the existence of other innovation accelerators within that area (such as to the East with Madison), as well as whether the area is urban or rural (rural region can draw from a slightly greater distance).

B. Facility Considerations

Facility considerations will delineate options and recommendations for several decisions that involve the physical structure: location, size of the facility, allocation of different types of space (office, production/manufacturing, storage, shared and common space, unit size, etc.

The appropriate size of the facility is the next question. The NBIA *guideline* for the minimum size of an innovation accelerator is approximately 30,000/SF. NBIA research has shown that with at least this gross square footage, configured so that approximately 75% of the space (22,500/SF) is leased/revenue generating, the average innovation accelerator can generate approximately 60% of its operating revenues from rental income. This contributes to financial sustainability. SDS recommends that a 30,000/SF facility be considered.

The next step is to determine how the lease space (22,500/SF) is allocated. This depends on a number of factors such as how early in the stage of development a company is admitted to the incubator and how long the different types of companies stay. It should be noted that graduation from an incubator is highly dependent on the company being able to raise adequate funding for the next stage of development. The average length of time that a company resides in a manufacturing/technology accelerator is 33-36 months.

Non-lease space is extremely important in a business accelerator. It includes common areas such as shared-specialized equipment area, conference rooms, a kitchen/lunch room, library, workroom (copier, printer, fax, mail processing in and out, etc.), and reception area. Non-lease space also includes space for shared-specialized manufacturing equipment or functions that can be shared by tenant companies, such as a multi-operating system computer platform lab. The facility design should be such that it promotes, rather than inhibits, entrepreneurial interaction and creativity amongst the tenants.

The above discussion reviewed recommendations that will become the assumptions for financial projections to determine

financial feasibility of a Platteville rural innovation center. While other "do's and don'ts" could be discussed relative to facility design, these are better saved for the design process itself which should be managed by people knowledgeable about building innovation center facilities in order to reflect lessons learned.

C. Occupancy Projections

Just as market demand does not always translate into customers, identification of a significant number of start-up companies with a demand for space and services does not always result in tenants. While there are virtually no small increments of affordable and acceptable "Class B" space in most of the region, available for rent by start-up companies, some entrepreneurs will choose to continue to operate their companies out of their "garages," or other semi-suitable locations. Typically the value-added that includes mentoring, assistance with access to capital, interaction with experienced accelerator staff, other entrepreneurs, and access to networks of resources offsets concerns about rate structures to a large degree.

No more than 22 businesses will likely occupy the facility at any one point in time, although that could vary by one or two companies at any one point in time. Based on our experience in scores of other start-up innovation centers, we conservatively (worst-case scenario) estimate that it may take up to 24 months of operation to reach full occupancy (90%), which would produce revenue from 20,510/SF at +/-90% occupancy.

D. Financial Feasibility

Financial projections for the first five years, and the assumptions on which they are based, are presented in Table 2.0. These assumptions reflect the recommendations made in previous sections of this report and SDS' knowledge of a broad range of technology and manufacturing innovation centers throughout the U.S.

The percentage of NBIA survey respondents indicating that they can operate *without financial subsidies* has grown consistently over the years:

Percent of NBIA survey respondents that report ability to operate without financial subsidy:

- **1997 13%**
- **2002 45%**
- **2006 87%**

There are five income streams shown in the projections. The first of these are the rental fees charged for space occupied by the tenant companies. The second are **service fees** which amount to a flat rate of $100 per month per company to defray the cost of phones, internet access, copying, faxing, security and janitorial services. The third income stream is derived from **Affiliate Members**. Affiliate Members are non-tenant existing firms that want to take advantage of the programs and services of the innovation center, and pay a flat rate of $100 per month with a minimum one year agreement.

The fourth income stream presumes that the innovation center will have an **equity agreement** with each tenant firm, which would accrue to the innovation center at the rate of 1% of equity per year (suggested) the company is a tenant in the innovation center. It is not anticipated that equity revenue will be generated until the fourth year of operation. Equity income would be derived upon a liquidity event, or profitability of the company. It is not anticipated that any equity income will be derived before year four, and theoretical maximums will be reduced in anticipation of

(a) dilution of equity with subsequent rounds of funding, and
(b) some firms will not be successful to the point of a liquidity event or profitability.

For purposes of conservative planning, we are not budgeting *any* equity income during the first five years, although some may be likely. The fifth and final income stream is derived from **sponsors and grants**. The rural innovation center, operating as a nonprofit entity, will have the opportunity to garner sponsorship income from key stakeholders as well as grants focused on entrepreneurship and economic development. **We have budgeted nominal income from sponsorships and grants in the interest of being conservative in our financial projections, based on typical numbers generated in similar programs.**

On the expenditure side, there are two major costs: staffing and facility operating expense. **Our financial projections assume a developed, furnished building that opens the doors in a debt-free position**. Staff should be hired that have expertise in business incubation/innovation centers, and entrepreneurship. The five-year pro forma budget does not detail staffing positions for the sake of clarity. However our budgeting assumed a staff of two, including a CEO and a receptionist, as full-time employees.

We would normally recommend a staff of three to include a building/operations manager. However, given the need for a technology transfer function within the innovation center, we presume that UW-Platteville may consider funding such a position due to its vested interest in the success thereof. It is the staff that makes the difference in whether the tenant companies succeed. All staff should have functional experience, but the innovation center CEO must also have previous incubator/innovation center experience.

Facility operational expense is dependent upon utility rates, including telephone and internet access. Our projections are based on surveying actual costs at other innovation centers in climates similar to the tri-state region.

The "bottom line" of the financial projections is that the rural innovation center is **projected to begin to be cash-positive in year three, but will incur a cumulative operating loss of about $260,000** during the initial five-year period of operations, as demonstrated in the detailed financials available on Table 2.0. Thereafter, the innovation center should operate in a break-even/cash-positive position. This operating loss is typical of virtually all start-up innovation center initiatives, rural or otherwise, and must be taken into consideration when raising funds to build a facility and launch the rural innovation center. Summary occupancy and cash flow projections are provided on the following pages.

Table 2.0

Financial Projections for Proposed Platteville Innovation Center

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Tenant Companies	**9**	**16**	**22**	**22**	**22**
Production/Assembly Companies	5	10	14	14	14
Office Only Companies	4	6	8	8	8
Sources of Funds					
Rental Income	$59,430	$118,860	$178,290	$178,290	$178,290
Service Fees	$10,800	$19,200	$26,400	$26,400	$26,400
Affiliate Client Income	$3,600	$10,800	$18,000	$18,000	$18,000
Equity					
Sponsors/Members	$5,000	$10,000	$15,000	$37,500	$50,000
Total Revenues	**$78,830**	**$158,860**	**$237,690**	**$260,190**	**$272,690**
Uses of Funds					
Staffing					
Wages (3% COLA)	$128,000	$131,840	$135,795	$139,869	$144,065
Benefits & Taxes (20%)	$25,600	$26,368	$27,159	$27,974	$28,813
Professional Services					
Accounting	$7,000	$7,000	$7,000	$7,000	$7,000
Legal	$4,000	$4,000	$4,000	$4,000	$4,000
Facility Expense					
Prop & Liability Insurance	$4,500	$4,500	$4,500	$4,500	$4,500
Janitorial Services/Maintenance	$12,000	$12,000	$12,000	$12,000	$12,000
Utilities	$36,000	$36,720	$37,454	$38,203	$38,968
Office					
Office & Computer Supplies	$3,600	$4,000	$4,400	$4,400	$4,400
Telephone & Internet; Fax & Copier	$5,000	$5,800	$6,900	$6,900	$6,900
Postage/Shipping	$100	$150	$200	$200	$200
Marketing	$6,000	$3,000	$3,000	$3,000	$3,000
Travel	$2,000	$3,000	$4,000	$4,000	$4,000
Business Expense					
Subscriptions & Publications	$50	$50	$50	$50	$50
Conferences & Workshops	$750	$750	$750	$750	$750
Membership Dues	$750	$750	$750	$750	$750
Education/Events/Other Client Support	$3,000	$6,000	$8,000	$8,000	$8,000
Total Expenditures	**$238,350**	**$245,928**	**$255,959**	**$261,596**	**$267,396**
Net Sources Over or (Under) Uses	**($159,520)**	**($87,068)**	**($18,269)**	**($1,406)**	**$5,294**
Cumulative Net Loss					($260,969)

Financial Assumptions:

Service fees are $100/month/company and cover the cost of copying, faxing, and reception services.

Affiliate client service fees are assumed to be $100/month/company, starting with 3 affiliates and increasing to 15 in year three.
No income from equity in client companies is assumed during this five year period.
Sponsorship income is assumed to be $5,000 in the first year with increases to $50,000 by year five.

In-kind services are assumed for exterior maintenance and security and are not shown as either the income or expense line items.
Staffing and compensation assumptions are as follows:

Two staff members, one professional and one administrative, are assumed starting in year one with a 3% COLA increase annually.
Benefits and taxes were estimated at 20% of salaries.
Facility expenses are estimates only, as are the remainder of other expense categories.
Utilities are assumed to increase 2% annually.

Phone service is for staff only; it is assumed that tenants will use cellular services at their own expense.

Table 2.1

Occupancy and Rental Income Projections for Platteville Innovation Center

		Monthly Occupancy and Lease Revenue by Year				
		Year 1	Year 2	Year 3	Year 4	Year 5
Production & Assembly Space by Cohorts						
SF Available						
10 @ 500sf	5,000	500	500	1000		
10 @ 800sf	8,000	500	500	1000		
	13,000	500	500	500		
At 90% Occupancy			500	500	1000	
9 units or 4,500sf			500	500	1000	
9 units or 7,200sf			500	500	500	
Mo. SF Lease Rates: $.75				500	500	1000
(no annual increase)					500	1000
					500	500
					500	500
						500
						500
						500
		800	800	1600		
		800	800	1600		
		800	800	800		
			800	800	1600	
			800	800	1600	
			800	800	800	
				800	800	1600
					800	1600
					800	800
					800	800
						800
						800
						800
Monthly Prod/Assembly SF Leased		**3,900**	**7,800**	**11,700**	**11,700**	**11,700**
Monthly Prod/Assembly Rental Income		$2,925	$5,850	$8,775	$8,775	$8,775
Annual Prod/Assembly Rental Income		**$35,100**	**$70,200**	**$105,300**	**$105,300**	**$105,300**

		Monthly Occupancy and Lease Revenue by Year				
		Year 1	Year 2	Year 3	Year 4	Year 5
Offices and Cubes						
SF Available for Offices						
10 officess @ 500sf	5,000	1500	3000	4500	4500	4500
10 offices @ 350sf	3,500	1050	2100	3150	3150	3150
	9,040					
At 90% Occupancy						
9 units or 4,500sf						
9 units or 3,150sf						
Mo. SF Lease Rates for Offices: $.85						
(no annual increase)						
Monthly Office SF Leased		**2,550**	**5,100**	**7,650**	**7,650**	**7,650**
Monthly Office Rental Income		$1,913	$3,825	$5,738	$5,738	$5,738
Annual Office Rental Income		**$22,950**	**$45,900**	**$68,850**	**$68,850**	**$68,850**
SF Available for Cubes						
4 cubes @ 135sf	**540**	135	270	405	405	405
At 90% Occupany: 3 cubes or 405sf						
Cubes @ $115 each/mo						
(no annual increase)						
Monthly Cube SF Leased		**135**	**270**	**405**	**405**	**405**
Monthly Cube Rental Income		$115	$230	$345	$345	$345
Annual Cube Rental Income		**$1,380**	**$2,760**	**$4,140**	**$4,140**	**$4,140**

Table 2.1 Continued

Occupancy and Rental Income Projections for Platteville Innovation Center

Totals for All Spaces	Monthly Occupancy and Lease Revenue by Year				
	Year 1	Year 2	Year 3	Year 4	Year 5
Prod/Assembly	13,000	13,000	13,000	13,000	13,000
Office & Cube	9,580	9,580	9,580	9,580	9,580
Total Leasable SF	22,580	22,580	22,580	22,580	22,580
Prod/Assembly SF Leased	3,900	7,800	11,700	11,700	11,700
Office Cube SF Leased	2,685	5,370	8,055	8,055	8,055
Total SF Leased	**6,585**	**13,170**	**19,755**	**19,755**	**19,755**
Percent Leased	**29%**	**58%**	**87%**	**87%**	**87%**
Percent Leased by Type					
Production & Assembly Percent Leased	30%	60%	90%	90%	90%
Office & Cube Percent Leased	28%	56%	84%	84%	84%
Monthly Lease Income by Type					
Production & Assembly Rental Income	$2,925	$5,850	$8,775	$8,775	$8,775
Office & Cube Rental Income	$2,028	$4,055	$6,083	$6,083	$6,083
Total Monthly Lease Income	$4,953	$9,905	$14,858	$14,858	$14,858
Total ANNUAL Lease Income	**$59,430**	**$118,860**	**$178,290**	**$178,290**	**$178,290**
# Companies by Type of Space					
Production & Assembly	6	12	14	14	14
Office Only	4	6	8	8	8
Total Client Companies	**10**	**18**	**22**	**22**	**22**

Assumptions for Occupancy and Lease Revenue Projections

Facility

The building is assumed to have 30,000 gross SF with 22,580 SF of net leasable space; leasable SF is 75% of total gross SF.

Tenant Companies

Full occupancy is defined as 90% of leasable space

Companies would grow while in the incubator, increasing the amount of space they rent during their occupancy.

There is a differential between the number of units (or suites) and the total number of companies that would occupy the incubator during any one time period:

	Units	Companies	
Production/Assessmbly	20	14	Units are 500 or 800 SF with some companies occupying multiple units.
Offices	20	8	Units are 350 or 500 SF in size with some offices leased by companies also leasing production/assembly space.
		22	Probable Maximum Tenant Companies

Length of Occupancy

For this analysis, it was assumed that companies graduate after three years.

Lease Rates

SF lease rates differ by type of space.

It is assumed that the above rates are below market rates, especially as commercial rates would also include a share of common space and utilities.

Lease rates in the incubator include all utilities, and maintenance.

Entrances and Exits

The number of new tenants each year equals the pro rata share based on length of occupancy:

Companies who become tenants are assumed to start at the beginning of the year and exit at the year's end simply for ease of modeling occupancy and rental income.

Organization & Governance

Funding

In the two-year development budget that follows, SDS estimates that a facility can be constructed ($5MM) and furnished ($300K), excluding shared manufacturing equipment or other manufacturing-related equipment, at a cost of approximately $8.6 million. The **Economic Development Administration**, part of the U.S. Department of Commerce, has historically been the single largest funding resource for incubation facilities at the federal level. A typical EDA grant for an incubator facility is approximately $2 million. Historically, communities had to have a 1:1, dollar-for-dollar match on EDA funds received.

However, with the current state of the U.S. economy, not only have EDA budgets increased, but the local matching requirements have been reduced to 20-30%, based on community criteria. EDA funding represents the best opportunity to seed a rural innovation center financially. Also note that the value of any land donated for the rural innovation center site can be considered as all or part of the local matching requirement. There is normally no deadline for submission of proposals, but given the state of the federal economy, we suggest proceeding sooner rather than later.

Even if successful obtaining $2 million from EDA, there will be a need to raise additional funds. The regional partners should begin investigation now regarding potential availability from any state economic development resources, primarily WEDC.

The Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program provides funds to communities for use in local economic development efforts. To receive CDBG funding a project must meet one of the following three criteria:

- Benefit low and moderate income persons
- Aid in the elimination or prevention of slums and blight
- Meet a serious and immediate community health or welfare need

However, **States have the authority to administer CDBG funds for local governmental units that *do not receive CDBG monies directly from HUD.*** The State CDBG Program serves cities with populations of less than 50,000 and counties with less than 200,000 residents. Each state develops funding priorities and criteria for selecting projects.

Rural Housing & Economic Development Program (RHED) provides grants for economic development activities as well as grants to build the capacity of EDO's. Eligible applicants are local rural non-profits and/or economic development agencies. Applicants can receive up to $400K for particular programs and up to $150K for organizational enhancement.

The United States Department of Agriculture (USDA) makes grants available through the Rural Business Enterprise Grant (RBEG) Program (administered at the federal level), and through the Rural Business Opportunity Grant (RBOG) Program administered at the State level.

New Markets Tax Credit (NMTC) program was originated by Congress in 2000 as a way to promote economic development in low-income communities. The program provides tax incentives to investors who make equity investments in rural and urban low-income communities. Since 2004, the Wisconsin Community Development Legacy Fund has received four allocations of New Markets Tax Credits totaling $405 million.

BUSINESS BENEFITS OF NMTC

§ By raising capital that can be used to grow a business before a return on the funds is due to the investor. Strong equity capital relieves some short-term cash flow pressures, allowing the business to expand.
§ About 10% or more of the project cost can be covered with tax credit equity gained from selling the tax credits. In most cases, the equity does not need to be paid back. If a project requires $10 million in financing, and it receives a $10 million allocation of New Markets, the deal receives a net equity infusion of $1 million. The project will now require only $9 million in traditional financing.
§ Participation loans can be done with banks at interest rates 1.5 to 2% below prevailing market rates.
§ Equity capital can make a business more creditworthy, which can lower costs of financing and better enable the leveraging of additional financing sources. Equity capital also helps a firm absorb unforeseen setbacks and temporary economic downturns.

NMTC proceeds have financed a variety of activities in distressed urban and rural communities throughout the United States, including alternative energy companies, charter schools, health care facilities, timberlands, child care providers, supermarkets, manufacturers, processors, distributors, and business incubators. An example of a business incubator is development of Tech-Town, a high-tech business incubator in Detroit that will provide opportunities for minority, women and other small business owners.

All of the considered sites are eligible for financing through the New Markets Tax Credit program by virtue of being located within a low income census tract with a minimum of 20 percent poverty rate. The surrounding census tract is categorized as a Primary Severely Distressed area, which receive a lion's share of funding under the program. This is a competitive advantage, but only for developers with experience in the program, which can be complicated.

The program works by providing a 39 percent tax credit over seven years to qualified investors who fund projects in distressed areas. This is a distinct difference from the more common low income or affordable housing tax credits, which go directly to developers. However, the impact of the incentive can be a reduction in the cost of capital by up to 50 percent.

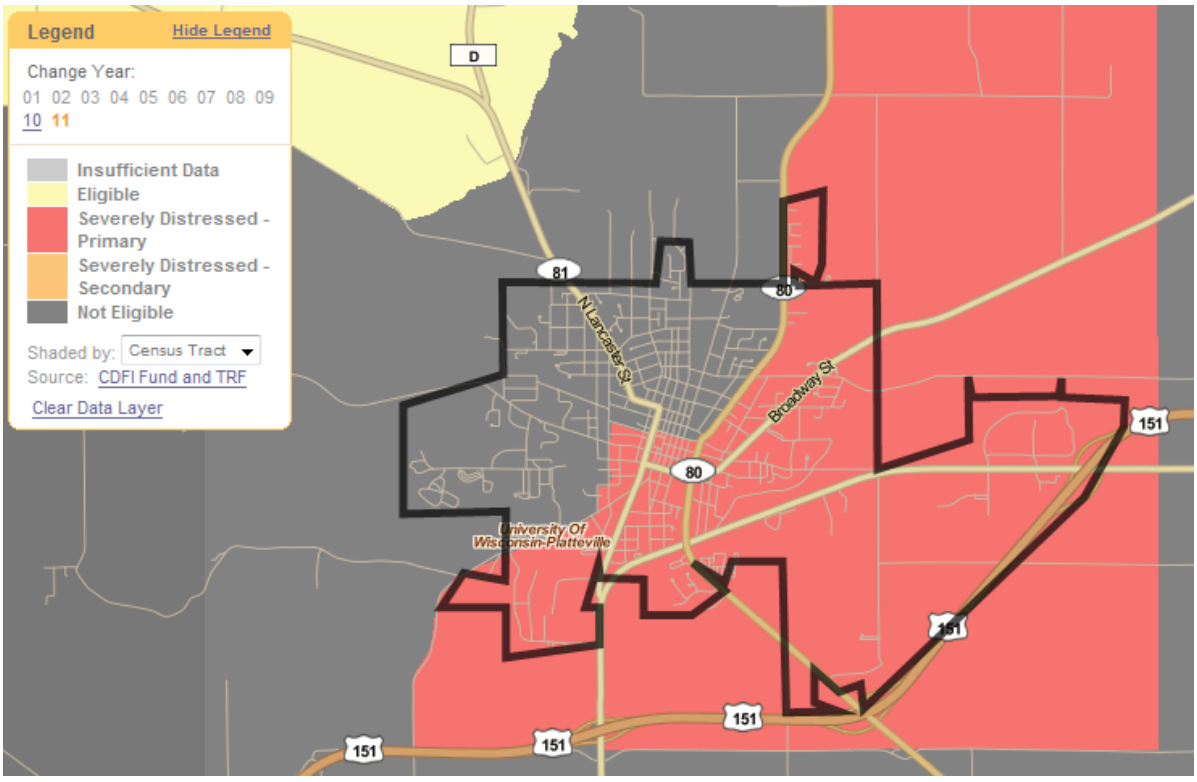
Depending on the project and investor type, subsequent loans to developers can be in the form of a blended investment which includes some direct funds and other new markets money, or direct equity participation. The direct equity option provides the greatest leverage for the developer. The process for obtaining these credits is competitive, with approximately 3 applications for every awarded grant. Projects must include some component of commercial development, and may also include residential. The general threshold for project scale where this type of funding is appropriate is where total project cost will exceed $4 million. At this price, the cost of applying and administering the funds is sufficiently offset by the reduced cost of borrowing.

Fiscal Impact

The fiscal impact of the rural innovation center can be estimated based on historical data from NBIA. Essentially economic impact from an innovation center is calculated by the sum of (a) total sales projections of client firms over the first five years of operations, plus (b) cumulative estimated wages paid, and (c) amount of investment capital attracted.

Occupancy projections can be coupled with established NBIA data to estimate number of jobs created over the initial five years of operation coupled with average wage estimates in manufacturing/ technology innovation centers nationwide. The NBIA publication *2006 State of the Business Incubation Industry,* NBIA Publications 2007 contains most of the data for the above analysis. This data, coupled with regional average home ownership rates will then allow fairly accurate estimates of

Map 2.0 Platteville New Market Tax Credit (NMTC) Program Eligibility and Severely Distressed Status, as of 2011



property tax generation as a result of the jobs created and wages paid at the innovation center.

A. Implementation Timeline

From the time a decision is made to go forward with establishing a rural innovation center and developing the support services that start-up companies need, it will take at least 24 months to secure funding, construct a facility, and have the first tenants take occupancy. To assure that the innovation center is successful from the day the doors are open, it is important that these 24 months are utilized effectively. The key tasks to be accomplished during this 24 month start-up period are:

- Secure funding for construction and furnishing
- **Secure incremental $260K to cover initial operating loss until breakeven is achieved**
- Prepare architectural drawings, retain contractors and initiate construction.
- Incorporate non-profit organization to manage the innovation center; recruit stakeholders for board
- Develop more formal collaborative working relationship with UW-Platteville, GDDC and NBIA
- Develop operating policies and procedures

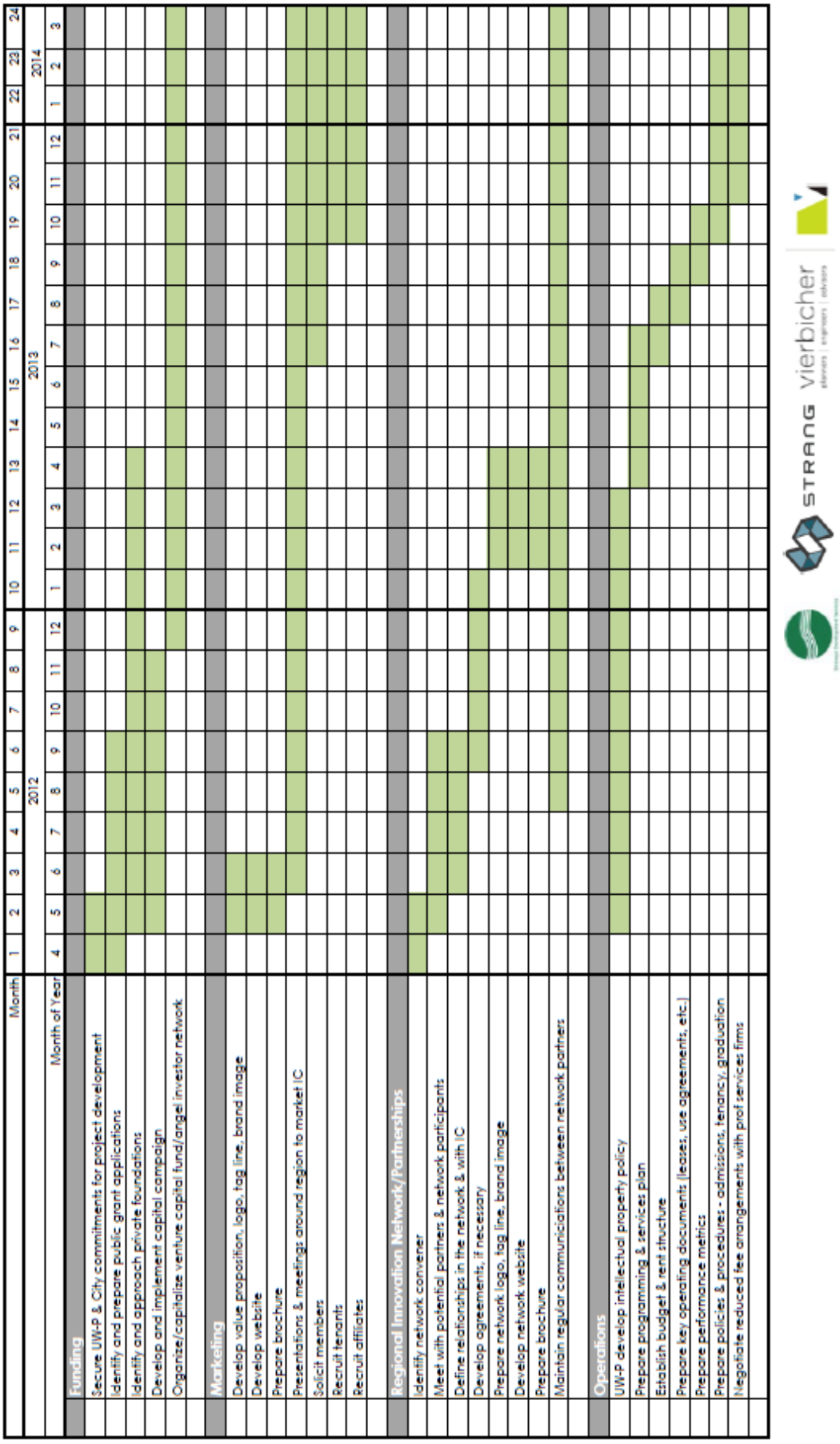
SDS recommends that UW-Platteville's Center for New Ventures consider being responsible and accountable for all of the tasks during the two years prior to the innovation center opening its doors. During this phase, a full-time manager is typically not needed, so monies can be saved. Consideration should be given to hiring a part-time "project manager" that can facilitate decision-making at key points along the development continuum, act as an additional "champion" for the project, especially to the uninitiated, and assist in identifying qualified candidates for the incubator CEO position at the appropriate time.

D. Marketing Program

The financial sustainability of an innovation center significantly depends on the ability of the management to keep occupancy rates in the 90% range. Thus, a well-designed marketing plan is critical. Marketing is important for several reasons, not the least of which is that most people will not understand the value-proposition inherent in innovation centers. A marketing plan is outlined on the following pages based on best practices studied and promoted by NBIA in their most recent publication on this topic: *A Practical Guide to Business Incubator Marketing.*

Platteville Innovation Center Implementation Schedule

Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
	2012									2013												2014		
Month of Year	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3
Project Management																								
University & City commitment to move forward w/ IC																								
Identify project champion																								
Retain part-time project manager																								
Status report to Board of Directors																								
Determine necessary UW-P culture/org changes to support IC																								
Site																								
Options to purchase																								
Identify related uses/projects																								
Select & secure site																								
Prepare concept site plan for IC & related uses																								
Site Survey																								
Soil Borings																								
Plan/secure entitlements/permits - addt'l docs may be required																								
Acquire site - appropriate entity (not UW-P or City)																								
Retain civil engineer																								
Prepare site plans and specs																								
Bid site preparation & development																								
Site development/construction																								
Site landscaping																								
Facility																								
Develop conceptual layout & massing plan for selected site																								
Retain architect																								
Develop building plans & specs																								
Obtain building permits																								
Bid building construction																								
Construction																								
Purchase/install furniture, fixtures & equipment																								
Grand opening event																								
Organization																								
Identify Board members																								
Retain attorney (pro bono?)																								
Prepare & file incorporation, bylaws & 501(c)3 documents																								
501(c)(3) review & designation																								
Monthly Board meetings																								
Establish & populate Board committees																								
Prepare strategic plan																								
Prepare org structure & operations plan																								
Recruit & hire staff																								


Month
Month of Year
2012
2013
2014
Funding
Secure UW-P & City commitments for project development
Identify and prepare public grant applications
Identify and approach private foundations
Develop and implement capital campaign
Organize/capitalize venture capital fund/angel investor network
Marketing
Develop value proposition, logo, tag line, brand image
Develop website
Prepare brochure
Presentations & meetings around region to market IC
Solicit members
Recruit tenants
Recruit affiliates
Regional Innovation Network/Partnerships
Identify network convener
Meet with potential partners & network participants
Define relationships in the network & with IC
Develop agreements, if necessary
Prepare network logo, tag line, brand image
Develop network website
Prepare brochure
Maintain regular communications between network partners
Operations
UW-P develop intellectual property policy
Prepare programming & services plan
Establish budget & rent structure
Prepare key operating documents (leases, use agreements, etc.)
Prepare performance metrics
Prepare policies & procedures - admissions, tenancy, graduation
Negotiate reduced fee arrangements with prof services firms
STRANG
vierbicher

Platteville Innovation Center
Construction & Pre-Operation Budget
09/12/12

Uses of Funds	Sources of Funds					Total
	Capital Campaign	UW-P	City of Platteville	Public Grants	Foundations	
Project Management						
Project Manager		$60,000	$60,000			$120,000
Project Management Expenses - Mileage, Meals, etc.		$3,750	$3,750			$7,500
Champion Expenses - Mileage, Meals, etc.		$3,750	$3,750			$7,500
Sub-total Project Management	$0	$67,500	$67,500	$0	$0	**$135,000**
Site						
Options to purchase					$10,000	$10,000
Prepare concept site plan for IC & related uses		$7,500	$7,500			$15,000
Site Survey					$7,500	$7,500
Soil Borings					$10,000	$10,000
Plan/secure entitlements/permits - addt'l docs may be required					$5,000	$5,000
Acquire clean site - appropriate entity (not UW-P or City)					$800,000	$800,000
Sub-total Site	$0	$7,500	$7,500	$0	$832,500	**$847,500**
Construction						
Engineer - site plans,specs & bidding, staking, inspection				$66,900		$66,900
Architect - building design, plans, specs				$385,000		$385,000
Permits & Fees				$5,000		$5,000
Site Development				$668,100		$668,100
Construction	$3,400,000			$2,500,000		$5,900,000
Purchase/install furniture, fixtures & equipment (tech, phone, etc.)	$300,000					$300,000
Grand opening event	$5,000					$5,000
Sub-total Construction	$3,705,000	$0	$0	$3,625,000	$0	**$7,330,000**

Uses of Funds	Sources of Funds					Total
	Capital Campaign	UW-P	City of Platteville	Public Grants	Foundations	
Organization						
Prepare & file incorporation, bylaws & 501(c)3 documents		$750	$750			$1,500
Monthly Board meetings (22 months)		$500	$500			$1,000
Prepare strategic plan (includes Chuck Stein)		$2,750	$2,750			$5,500
Expenses to recruit & hire staff		$750	$750			$1,500
Sub-total Organization	$0	$6,000	$6,000	$0	$0	**$12,000**
Funding						
Grant Writing		$25,000	$25,000			$50,000
Sub-total Funding	$0	$25,000	$25,000	$0	$0	**$50,000**
Marketing						
Develop value proposition, logo, tag line, brand image					$2,500	$2,500
Develop website					$10,000	$10,000
Prepare brochure/collateral material					$5,000	$5,000
Mailings - Printing & Postage					$5,000	$5,000
Sub-total Marketing	$0	$0	$0	$0	$30,000	**$30,000**
Regional Innovation Network/Partnerships						
Contribution toward Network Expenses				$5,000		$5,000
Sub-total Network	$0	$0	$0	$8,000	$0	**$8,000**
Total Construction & Pre-Operation Budget	**$3,705,000**	**$106,000**	**$106,000**	**$3,633,000**	**$862,500**	**$8,412,500**

Recommendations

Obtaining funding will not be easy nor will it happen as fast as anyone would like. But regardless, it will take *commitment, passion and dedication* to not only obtain the funding, but overcome unforeseen obstacles that could inhibit realization of a rural innovation center for the tri-state region.

1. We recommend the City and University formally resolve to move forward with development of an innovation center immediately, to capitalize on the momentum already generated by this analysis.

2. Establish a 501(c)3 nonprofit corporation *as a distinct entity*. It is critical that innovation centers not be tied to any institutional bureaucracy. Innovation centers, and the early-stage businesses therein, operate in a fast-paced environment, and decision-making must be timely. Numerous innovation centers throughout the U.S. have gained the 501(c)3 designation based largely on the educational component of the innovation center program. Sample articles of incorporation and by-laws can be obtained from NBIA or other innovation centers throughout the U.S. In the event the IRS will not grant a 501(c)3 designation, a fall-back position would be a 501(c)6. The difference being that "c 3's" enjoy favored tax status (charitable), while "c 6's" are simply designated nonprofit. The "c 3" is advantageous when private sector funding is involved.

This nonprofit will be responsible for managing the innovation center and for providing business development services, programs and support that early-stage start-ups need to grow and succeed. As the City and University will want a measure of control over the entity they can do so by owning and leasing the innovation center facility to the entity corporation for $1 per year as long as it is *not* on University property). Obtaining a 501(c)3 or 6 designation from the IRS can take up to nine months, and the application process should commence soon after a decision to move forward takes place.

3. Consider retention of a part-time project manager (long term) to be responsible and accountable for the planning and start-up process of the innovation center during the two-years prior to its opening; this person should have accelerator development experience.

4. Determine an individual Champion who can spearhead project-specific needs beginning in the short term, and continuing until a CEO is retained. The Champion will initially be responsible for the implementation of a proactive, broad-based marketing program which will be developed as part of Phase II. Initial objectives are to begin the process of promoting the understanding of the business innovation center throughout the region; begin development of a web site for the center; and promote awareness on a regional basis.

5. The Champion should begin to identify and recruit board members (even as an advisory board until such time as the entity is incorporated) as soon as practical.

Board members for the nonprofit should be drawn from key entrepreneurial stakeholders who have proven entrepreneurial business success. Also, the newly formed nonprofit entity begin continue active engagement with NBIA. Although selection of board (advisory) members is clearly a local decision, we would recommend board composition along the following lines:

- One representative from the City of Platteville
- One representative from the University of Wisconsin - Platteville
- One attorney with small business experience
- One accountant with small business experience
- At least five successful entrepreneurs (excluding large corporate CEO's)

Other individuals representing key entities can be ex-officio members.

We recommend that regardless of the board composition, successful private-sector entrepreneurs should always com-

prise something greater than fifty percent of the total voting members.

6. Focus is a critical part of success of any innovation center, especially a new one. During the course of our investigation, numerous individuals have suggested that the innovation center assume responsibilities in several divergent areas, few of which have any relation to entrepreneurship. The incubation landscape is littered with failed programs that tried to do too many things. This relates back to mission and acknowledged best practices. It is critical for the innovation center to stay focused on the commercialization process through the nurturing of early-stage businesses, and assisting existing businesses that will benefit from the center's programs. A suggested mission statement is included on the following pages.

7. Another key to success will be the incorporation of technology transfer/ commercialization services within the innovation center. Based on experience at other university-involved innovation centers, we estimate that up to 25-30% of the entities occupying the innovation center will likely have a basis in IP that originated at UW-Platteville.

Having a formal or semi-formal "IP formula" that is not only communicated, but understood by faculty and students alike, will ultimately facilitate deal-flow to the innovation center. By "IP formula," we simply mean some standard delineation of ownership of IP amongst originators, the university and entrepreneurs. No policy, formal or otherwise exists today, and most faculty have no perception or wrong perceptions relative to incentive to commercialize. From our interviews, we believe that most faculty believe there is no incentivize to commercialize any IP they may develop. This clearly inhibits commercialization, and opportunities for UW-Platteville to realize incremental revenue.

Part III: Operating Plan

INTRODUCTION

Strategic Development Services (SDS), in conjunction with both Vierbicher and Strang, conducted a feasibility study in the January-February 2012 period for a business IC for both the City and University. The feasibility study consisted of sixty-three interviews with a broad cross-section of the leadership in the greater southwest Wisconsin region, focus group surveys and secondary market research.

The SDS study concluded that a manufacturing/technology IC is indeed feasible, and that a marketing program will enhance demand for IC services over time. The following business/operating plan is based on accepted best practices drawn from scores of successful incubators, accelerators and innovation centers, as well as recommendations from the National Business Incubation Association (NBIA), the Economic Development Administration under the U.S. Department of Commerce, the International Economic Development Council and the Kauffman Foundation.

IC's speed the process of commercialization by providing a variety of resources and services to early-stage businesses, many of which would not be available otherwise. The goal is to create financially stable and profitable manufacturing and technology businesses that will enhance wealth creation in the SW Wisconsin region and also generate incremental revenue for UW-Platteville through commercialization opportunities with university intellectual property.

IC's are generally "virtual" (services only), or facility-based. Although any program can be labeled an incubator/accelerator/innovation center, SDS finds no traditional IC's operating anywhere in the SW Wisconsin region.

We believe that the proposed IC, will provide an infrastructure of high value-added programs and services to help tenant firms overcome the common denominator problems most early-stage business face:

- Lack of general business skills and mind-set
- Access to a network of experts to help solve critical issues
- The challenge of access to capital, and typically not being "bankable" by conventional financial sources
- Barriers to market entry, such as shared resources and access to specialized equipment

A key part of this business/operating plan, and the overall long-term success of the IC is the development of an Affiliate Program which will serve existing manufacturing and technology companies in the region that need assistance to grow and diversify. During the course of our feasibility analysis, we encountered numerous of existing businesses that need outside, affordable, professional assistance with everything from access to capital, to export, to regulatory assistance to market and product diversification. An Affiliate Program will allow these existing businesses to partake of assistance from the IC without the necessity of being on-site tenants.

PURPOSE/MISSION STATEMENT

Research has shown that a foundational best practice is to obtain consensus on an IC's mission, and to develop a strategic plan with quantifiable objectives to achieve that mission. Statistically, 84% of all businesses that graduate from an IC remain in the region, contributing to the diversity and vitality of the regional economy through both job and wealth creation.

SDS proposes that a mission statement along the following lines be adopted:

"The Platteville Innovation Center is a non-profit technology business innovation center dedicated to stimulating the development of manufacturing and technology businesses and promoting the formation, growth, and retention of manufacturing and technology companies that will generate new job opportunities in the tri-state region of SW Wisconsin, NW Illinois and NE

Iowa. It is an entrepreneurial environment that fosters innovation and collaboration among its tenant and client firms as well as the public and private sectors, while providing a cadre of support services, applied research and centers of excellence customized to the unique needs of each tenant or client."

In order to achieve its mission, the IC will evaluate the needs of the clients/tenants and provide assistance in the following areas:

- Advice on a wide range of business, manufacturing and technology issues
- Access to a network of experts to help solve critical problems
- Assistance in management team enhancement
- Shared office services and specialized equipment
- Assistance in obtaining debt and equity financing
- Provision of a creative, innovative and dynamic work environment where entrepreneurs can synergistically interact

Specific actions by the IC to achieve its mission will be to evaluate the needs of the individual clients and tenants and provide agreed upon services using IC staff, outside professionals, other business assistance organizations and members of academia to provide such services as:

- Business plan development
- Access to debt and equity capital
- Market research
- Strategic partnering
- Human resource development
- Access to professional services
- Shared services and specialized equipment

I. OPERATIONAL STRUCTURE

A. Organization

We recommend the IC be organized as a public/private partnership involving the region's government agencies, professional service firms, leading businesses, academia and utilities. Broad-based community partnership and support is critical to both short- and long- term success. We recommend that the board of directors be heavily weighted toward private sector individuals, particularly successful entrepreneurs.

The IC has a primary mission to increase the probability of success of its client and tenant firms. Providing a nurturing environment in which the professional staff is available as needed for assistance is the essential ingredient in graduating successful businesses. However, due to financial constraints inherent to nonprofit organizations, this must be accomplished with minimal, yet well-experienced and competent staff.

The executive director will need significant help from partners, stakeholders and other interested parties in order to provide advisory boards, mentors for each tenant, and interns for each business. Mentors will typically come from the ranks of experienced business entrepreneurs, as well as attorneys, accountants and executives from selected major corporations.

The executive director will be the chief operating officer and will be responsible for day-to-day operations. The only other paid staff we recommend for initially operating the IC is a combination administrative assistant/receptionist. This position would perform secretarial, administrative and bookkeeping ser-

vices for the IC, as well as interact with tenants on facility-related issues such as rental payments, collection of fees, maintenance issues, and other issues related to the tenant lease. Unpaid staff in the form of interns should be aggressively used.

Interns provide a significant resource at little or no cost. The benefit to the interns is "real world" experience. In many cases, academic institutions give course credit, or partial credit for intern experience within specified parameters. We recommend this opportunity be explored with UW-Platteville as soon as practical.

Additionally, we have recommended that the IC serve a role in commercialization of UW-Platteville intellectual property. In effect, the IC could serve as the technology transfer office (TTO) for UW-Platteville. However, the IC, at least during the first five years of operation, will not be able to sustain the incremental expense of what would be, in effect, a TTO officer. It is suggested that UW-Platteville give consideration to funding this position which would report to the IC executive director, as it will serve as the catalyst for development of revenue streams to UW-Platteville from the commercialization of home-grown intellectual property.

B. Governance and Incorporation

We recommend the IC be incorporated as a Wisconsin, 501(c)3 non-profit corporation. There would be no stock or stockholders, only a single class of members. The Internal Revenue Service classifies groups in this category as having charitable, educational and related missions. The benefits of 501(c)3 status include: exemption from federal, state and local income taxes; ability to receive funds from foundations; and corporate or individual donations are deductible as a charitable contribution. However, 501(C) 3 status prohibits: lobbying or support of political candidates; receiving income unrelated to the IC's primary mission; or providing venture capital to a tenant or client business. ***Action Item: we recommend seeking out a local attorney who will file the incorporation documents and apply for the 501(c)3 status with the IRS on an in-kind (pro bono) basis immediately.*** The typical cost to file such an application is in the $2500-$3000 range. Our experience is that this process could take up to nine months to obtain approval from the IRS. **Successful IRS 501(c)3 applications may be obtained upon request from NBIA.**

The corporate purpose is for education and economic development. The IC will offer such services as training programs, workshops, referral services and one-on-one counseling to start-up and existing businesses in the region.

1. **Members:** The articles of incorporation and by-laws should provide for a single class of members entitled to vote. Additional classes of non-members may also be provided for.

2. **Voting Members/Directors:** the voting members should be restricted to members from the private sector (primarily entrepreneurs), economic development officers, representatives of academic institutions and or public sector officials. We recommend that the board composition be at least 51% private sector, primarily entrepreneurs.

3. **Management / Staffing:** The IC will be managed by an Executive Director, assisted by an Administrative Assistant/Receptionist and augmented by interns and other educational staff as needed. All staff and interns report to the Executive Director. The Executive Director shall report to the board of directors.

4. **Corporate Purpose:** The IC should be organized exclusively for educational and economic development purposes as authorized under IRC 501(c)3, and should create and sustain a formal network that will support educational and economic development interests of the region.

5. **Services to be Provided:** Among other services, the corporation will sponsor seminars, offer training and informational training programs and provide referral services. Such services will relate to business organization, business administration, marketing, business plan development, securing funding, etc.

6. **Funding Sources:** Grants or charitable contributions from private sector stakeholders, public sector stakeholders, voting members, other 501(c)3 organizations and foundations, and the state department of economic development (WEDC), and/or US Department of Commerce, Economic Development Administration, and local government will be the primary sources of capital funding. The IC will also receive rental income from tenants, which is the primary source of operational funding. The articles of incorporation should also provide that the IC may receive equity interests in the form of stock of tenant or affiliate companies in the future. Any grants, fees or equity-related proceeds received by the nonprofit IC must be used for educational and economic development purposes in the corporation.

7. **Liquidation Rights:** If the nonprofit IC is liquidated, its assets must be transferred to other nonprofit organizations qualifying under IRS 501(c)3.

8. **Form Agreements:** The IC will use standard form agreements and disclosure statements identifying the services to be provided each tenant. These documents are readily available from the National Business Incubation Association in its publication *Put It In Writing*. These agreements are intended to protect the corporation, its members, and their affiliates from legal claims by failed tenants.

9. **Bylaws:** A copy of the Tacoma-Pierce County Small Business Incubator bylaws (dba William M. Factory Small Business Incubator) are included as an example, in **Appendix A,** with permission.

II. FACILITY AND LOCATION

Perhaps the single most important consideration in designing any IC facil-

ity is the enduring need for *flexibility*. The one constant, especially in an IC is change. Each tenant has different requirements, and tenants will be turning over continually. The architect selected should ideally, have previous experience designing business incubators/accelerators/innovation centers.

Current design standards include use of modular spaces, moveable walls, overhead doors, etc., for maximum flexibility.

As the IC will house primarily manufacturing and technology companies, the following criteria should be included in the design:

- High capacity electrical (3-phase)
- Loading dock
- Floor load capacity
- Ceiling heights (typically 18-20 feet in production areas)
- HVAC
- Ventilation
- Cat 5 cable/WiFi

A. Facility Considerations

1. Image: The image of IC is important in many ways. Although many entrepreneurs may be willing to work out of their homes or garages, most of them want to project an image of success to their customers, potential investors and peers. Simply having a "workable" facility is not enough in today's competitive business environment. Despite the significant value-added, the IC will be in a "competitive" real estate environment, and needs to create a facility and ambiance conducive to creativity, and a facility in which both stakeholders and clients *want* to be.

2. Security: Many tenants will not work specific time periods, so the facility must provide 24/7 access, and an appropriate security system to limit access to only authorized personnel. Considerations must be made for the protection of tenants both external to the facility, and internally, within the facility for tenant personal, business and intellectual property protection.

3. Access and Parking: the IC must be accessible to tenant businesses, customers, suppliers, shippers, investors, mentors and others.

B. Facility Design and Layout Objectives

The following objectives should be taken into consideration as plans for the facility become more concrete:

1. Flexibility: Over the life of the facility, the one constant will be change, with an endless permutation of needs of tenants of varying sizes, at different stages of maturity, etc. While on-site, the tenants will typically increase as to size and complexity of their enterprise. The reconfiguration of space and installation of incremental communications and/or T-1 lines are just a few examples of what should be considered in the design and layout of the facility. *Flexibility must be a primary consideration throughout the development process.*

2. Entrepreneurial Interaction: IC's tend to foster a sense of

community amongst the tenants, and the goal is to promote entrepreneurial interaction. Consideration should be given to a design that promotes interaction in areas such as reception, kitchen/lunch room, copy room, meeting and training rooms. The facility design should be such that it promotes entrepreneurial interaction on a daily basis.

3. Space Configuration: Typical office space requirements for early-stage manufacturing/technology businesses run from 350-500/SF, and require hard wall offices with locking doors *between* spaces to facilitate expansion. Although cubicle space may be provided, it is not appropriate when protection of intellectual property is a consideration.

   Space for assembly/ production, light manufacturing will initially require 500-800/SF, and increase to 1200 -1500/SF as the businesses mature.

4. Common Areas: A reception area, kitchen (with refrigerator, vending machines, soda machines, microwave, coffee, etc.), copy room (with high-speed copier and production area) conference rooms, board room (for presentations to potential investors), training rooms and meeting/presentation rooms should all be centralized to encourage entrepreneurial interaction.

   To the extent that finances allow, the training rooms and board room should be equipped with high-quality teleconferencing capabilities and an LCD video projector.

5. Shared Equipment: Shared-use areas should be integrated into the design to encourage use and also to promote entrepreneurial interaction. Basic, specialized machining, welding and other equipment can be recommended by appropriate UW-Platteville faculty.

6. Electrical: the IC should have sufficient power for tenants including 3-phase power for manufacturing operations. Electricity for office configurations should be zoned so that reconfiguration is not inhibited.

III. MARKETING PLAN

A comprehensive and sustained marketing program should be implemented as soon as practical. In innovation centers, the marketing program is a *continuum* – an ongoing process that does not end. Many parts of a marketing program can be implemented by the IC Champion(s), prior to the retention of an Executive Director. Other marketing activities will necessarily have to be delayed until this position is filled.

The IC will be marketing the *services* that it provides. As a service provider, the IC *must have a customer service orientation.* Marketing is the sum of all activities to promote the services in the market area. A marketing plan need not be expensive to implement. Most of the following suggestions do not cost anything but time to implement. Marketing activities with a cost associated should endeavor to be accomplished through in-kind contributions.

Since the concept of an innovation center is new to the area, it will not be well understood, and the value-proposition unclear, the importance of a sustained, comprehensive marketing plan becomes critical to the ultimate financial success of the IC. We believe that ***branding is a key ingredient to the success of most marketing programs, and a logo and tag line need to be developed prior to implementation of a marketing initiative.***

Brand Positioning Statement

We recommend adoption of a Brand Positioning Statement along the following lines:

"The Platteville Innovation Center promotes the formation of investable, sustainable manufacturing and technology-based businesses by providing qualified entrepreneurs with the specialized infrastructure, guidance and relationships necessary to launch and realize their vision."

Rather than "go it alone," IC clients can increase their probability of success and accelerate the growth of their businesses by complementing their manufacturing and technology expertise with the insights gained from full-time and volunteer business professionals who have "been there and done that" in early-stage companies. Through collaboration, intellectual honesty and professional partnering, the IC will play an integral role in the growth of new and existing ventures, improving their success rate and connectivity.

Marketing Strategies

- **Services Strategy:** Describe the specific features and benefits of the IC to tenants, clients and stakeholders. Potential tenants and clients will not understand why they should pay market rates for space, when less expensive space may be available elsewhere. The ***value-proposition must be clearly articulated.*** Prospective tenants will not necessarily automatically understand the value proposition. They may not appreciate the value of developing strategic partnerships, of having experienced mentors, etc.

- **Location Strategy:** Describe the location and the numerous benefits thereof to tenants. Again, many prospective tenants will not necessarily perceive the value of such things as being proximate to twenty-plus like-minded entrepreneurs, having access to experienced mentors, etc.
- **Price Strategy:** Clearly articulate the value-proposition so prospects can understand the true value of the IC for price paid
- Investors and stakeholders will also benefit from a clear understanding of the value-proposition.

A. Goals of Marketing Plan

- Identify potential stakeholders and partners
- Attract potential tenants and affiliate members
- Recruit mentors and professional service providers and any other intermediaries that may assist in program delivery
- Public awareness and education

B. Channels to Market

- **One-on-one meetings with** CEO's and elected officials. There is no more effective marketing activity than meeting individually with business and community

leaders and elected officials. We have discussed numerous times the lack of understanding in any community regarding innovation centers. Most stakeholders do not understand how an innovation center program can have a positive impact on their business or organization, and in-depth meetings allow for a detailed exchange of information leading to understanding.

- **Public speaking opportunities (Rotary, Kiwanis, etc.).** We recommend that initially the IC Champion(s) and subsequently the Executive Director develop a *ten minute "Stump-tour" speech* that clearly and concisely articulates the value proposition, value-added and benefits of the IC. This should be accompanied by a PowerPoint presentation that can be used for speaking engagements. Also, due to misconceptions about IC's, we recommend discussing some of the key points.

  Some of the most common *misconceptions* about IC's include:
  - Perception: IC's subsidize start-up business formation. Reality: IC's focus on access to capital opportunities for start-ups.
  - Perception: The main value is inexpensive rent. Reality: IC's charge at or slightly above market rates for space. The main value proposition is the mentoring and coaching by experienced entrepreneurs and professionals to accelerate the pace of commercialization.
  - Perception: IC tenants are weak businesses that could not be successful on their own. Reality: IC tenants have been rigorously screened for admission, and therefore have a much higher probability of success than average start-ups, and they have high growth and job creation potential.

  Target audiences:
  - Any entrepreneurship classes at UW-Platteville or other academic institutions in the market area
  - Groups of SBDC or GDDC clients
  - Statewide angel/venture/seed fund groups
  - Civic and community groups
  - Professional/trade associations
  - Local, regional, and state conferences (including public sector). This is particularly important in laying the groundwork for public funding in future years, as needed for incremental equipment, expansion, capital repairs, etc.

- **Seminars, workshops. Once the IC is established, it has a tremendous opportunity for self-promotion by offering specialized seminars and workshops that will appeal to not only tenants, but also to other prospective Affiliate Member businesses in the region. These programs could feature everything** from a local accountant

presenting "Commercial Accounting 101" or an attorney presenting on various topics such as "Most common legal issues facing small businesses," to local entrepreneurs discussing how they got started, how they dealt with regulatory issues, human resources, finance and other common obstacles. Others could be on import/export, market segmentation, identification, diversity, etc.

As the program matures, programs can be more sophisticated and address such issues as protection of intellectual property, how to apply for SBIR grants, and so on.

In some instances, IC's have been able to generate a modest revenue stream by charging for some of these offerings. We would suggest though that tenants and Affiliate Members should always gain free admission (with a firm RSVP policy).

Despite the opportunity to create a revenue stream, the following priorities should be followed regarding seminars and workshops:

- First priority: to serve tenants and affiliate members
- Second priority: to market the IC to prospective tenants or affiliate members
- Third priority: to generate awareness
- Fourth priority: to generate incremental revenue

- **Various media outlets.**
  - Personal contacts (editors and reporters): The executive director should proactively build a relationship with the business editor of the local news media, as well as the managing editor and publisher. It is important that the media understand the IC in-depth, and be convinced of its value in economic development, so that reporting is consistent and accurate. Similar relationships should be developed with business reporters in broadcast media as well.
  - PSA's: Public Service Announcements are required of all radio and television stations by the FCC, the IC can take advantage of PSA's to self-promote, articulate the value proposition, promote events or provide educational programming.
  - Radio/TV talk shows: Many local radio and television stations devote weekend programming to business topics. Again, the IC must be proactive in developing the relationships that will facilitate participating in this type of programming.
  - Local, regional and state public forums: elected officials typically have very "full plates," and have to be on top of a wide range of issues. Consequently, it is often difficult to get their attention for a length of time that enables comprehensive understanding. Therefore, the IC should

make every effort to get on the agenda at all levels of government to "tell the story," promote understanding and gain support from elected officials.

- Press conferences: Press conferences need to be utilized strategically and only when there is an obvious "hook," such as a visiting dignitary (Governor, Senator, Commerce Department, EDA representative, etc.) or when there is a "big story," such as a tenant getting a substantial angel investment, IPO, etc.
- Facility opening or expansion: Certainly the opening or expansion of an IC is cause for a media event. An Open House for the community at-large can be sponsored by a key stakeholder, and it represents an opportunity to bring the diverse interests from across all sectors together to celebrate this tangible investment in economic development.
- Graduate companies: the IC must constantly reinforce the positive outcomes, and having celebrations, press releases, etc., around graduations, with emphasis on jobs created, wealth created and payroll increases is the best way to promote the IC in a positive, tangible quantifiable manner.
- New, high-profile board members: the IC will get its initial credibility from its affiliation with UW-Platteville and the Champion(s). However, once there is a tangible facility, more credibility will be needed if for no other reason than to help "justify" the cost of the facility. High-profile, recognized leaders, either as board members, advisors or in honorary positions will serve as sources of initial credibility until the IC's results can speak for themselves.

- **Written materials for distribution (brochures):** We recommend that a creative marketing brochure be developed (obtain in-kind assistance from a regional PR/ Marketing firm) that articulates the value proposition and the benefits/ advantages of being a tenant or Affiliate Member. This brochure should outline the admission process and requirements, costs, benefits and services provided. The brochure information should be mirrored on the web site.

  People will want to know who is involved, what is the vision and how does an IC work?

  Additionally, we recommend development of a small fact card that could be carried by all staff and board members for handout to interested parties. This card would contain information along the following lines:
  - Anticipated IC payroll to include all tenants and their employees and IC staff.
  - Income tax paid by ten-

ant employees and IC staff estimated based on occupancy projections in feasibility study)
- Investment capital acquired
- Dollar amount of grants received
- Patents pending/issued
- Leverage of investment

- **Web site:** A web site should be developed that articulates all of the above relative to marketing and becoming a tenant. The web site should contain program information, benefits/value-proposition, and online applications. Site may link to key stakeholders.

- The IC should attempt to find a local web-design firm that would develop an IC web site on an in-kind basis. This should be done well in advance (six months) of opening so that the web site can act as a sales tool. The web site should be constantly promoted in all forms of the marketing plan, and should include:
  - ◊ Electronic application, clearly listing macro and micro admission requirements
  - ◊ What is an IC (and what it is not) – constant articulation of the value proposition
  - ◊ Board of directors/IC staff and contact information
  - ◊ Sample lease forms
  - ◊ Events, news, job openings
  - ◊ Stakeholders/investors
  - ◊ Tenant/Affiliate Member profiles

- **Facility Tours:** Tours of the facility should be available at virtually all times for any interested parties, with advance notice.

- **Networking/connectivity:** The IC has the opportunity to become the focal point in the region for all things entrepreneurial. A key need, particularly in rural communities, is the development of networks amongst business clusters, entrepreneurs, investors and CEO's. Many IC's have regular events such as:
  - ◊ Monthly networking events either on-site at the IC, or periodically at an Affiliate Member location. These can be informal and relatively unstructured, giving participants an opportunity to mingle and exchange ideas. Typically include snacks and beverages (beer and wine as allowed by law).
  - ◊ Christmas pot luck lunch
  - ◊ Summer (hosted) barbeque (sponsored)

IV. OPERATING PLAN / POLICIES AND PROCEDURES

A. Commercialization and Growth Strategies

Start-ups need a model to follow throughout their development. If owners and management teams understand the stages of their firm's development and transition issues, they can manage growth and development with greater facility and success.

New ventures typically go through three important stages before emerging from an IC program as successful, stand-alone companies.

New or would-be entrepreneurs are often unaware of these stages and the necessary progression through each phase. Awareness and planning for these issues allows managers to utilize strategies to achieve their goals.

- **Stage 1:** Conception and Development: This phase describes the period between the initial idea and the introduction of the first product. The product is conceived, and early development begins. The design and plan for the company is formulated. Initial funding and a proof-of-concept prototype may exist at this stage.
- **Stage 2:** Model Development: The product is developed and tested. Typically the product will go through in-house controlled design tests (alpha tests) to ensure the product is in working order, and then live field testing where the product is delivered to and tested by one or more select (potential) customers (beta tests).
- **Stage 3:** Commercialization: Refers to the time between product introduction and attainment of profitability. It is the beginning of a volume production build-up as the company goes to market with its product.

B. Board of Directors

ICs need a clear, market-focused structure for accelerating the maturation of successful businesses. One critical requisite for a successful IC is a well conceived and active/ engaged board of directors. Directors need to be able to review, broker and advocate for resources needed by the IC.

The role of the IC board of directors is to determine the mission and approve policies and procedures designed to accomplish the mission. The board will ensure that the executive director operates the corporation according to the corporate bylaws as well as federal and state laws and regulations, particularly those relating to the tax-exempt 501(c)3 status.

While the board is charged with setting policy to guide IC staff, the structure must allow the executive director to run the IC on a day-to-day basis, and be able to make timely decisions that arise each day, without board involvement.

1. **Board Responsibilities:** The board has many responsibilities, all of which have an underlying objective of ensuring that the IC attains its mission. In addition to policy development, the board should also be responsible for:
   a. Develop and update a strategic plan for the IC
   b. Serve as the liaison with the public sector
   c. Market the center to potential stakeholders and tenants
   d. Support the executive director in establishing networks
   e. Support the operation of the IC and monitor budgets
   f. Support funding activities
   g. Support the development of successful tenant businesses
   h. Minimize interference with IC management
   i. Remove ineffective board members as needed
   j. Minimize time spent on general governance

2. **Optimal Board and Advisor Group Composition**
   a. Experienced entrepreneurs with a clear vision of the IC's mission
   b. Professionals with connec-

tions in the investment and professional services communities

c. Service providers and mentors who have the knowledge and capacity to work with tenant businesses
d. Venture capitalists and angel investors with an understanding of debt and equity financing of new ventures in technology
e. Technologists with the capacity to evaluate the technologies of potential applicants
f. At least one economic development professional to ensure that the IC continues to complement regional macro-economic development goals.
g. At least one advanced manufacturing professional to provide guidance on key issues and assist in the evaluation of potential manufacturing tenants.

Who participates is more important than how many participate. *It should also be pointed out that given the IC mission, it is not desirable to have an all-inclusive board, as one would find at most universities, or in quasi-public entities.*

Ex-Officio members could include individuals from the numerous entities and organizations that have a stake in the success of the IC, particularly those that have key skill sets or a knowledge base that could benefit the board members.

However, since the IC can benefit from being inclusive, we recommend that an ***Advisory Group*** be formed in addition to the board of directors. The advisory group could meet semi-annually, or even quarterly, with the executive director to discuss mutually beneficial opportunities to enhance the success of the IC. The advisory group would not be limited to, but could include: other economic development leaders and professionals, select representatives from academia as well as leaders of public/private partnerships with a focus on economic development, job training, business development, etc.

Upon recommendations from the executive director, the board, or a subset thereof (Admissions Committee), will approve applications for tenant membership. The board will assist the executive director in educating the public about the IC mission, and will oversee budget considerations. While the board should not be involved in day-to-day operations, the executive director may ask certain directors to assist in resolving specific issues. The executive director may also seek assistance from directors in mentoring tenants, or introduce tenants to other resources and support systems.

1. Outside Committees

The board of directors may establish several committees to help with operations. The following list of committees could be pared down or expanded to meet changing requirements. A description of these committees is outlined below. Membership can be augmented as needed.

a. **Executive:** This committee consists of the board officers and chairpersons of all permanent committees. This committee is the primary operating entity that the executive director works with on a regular basis to implement policy set

by the board and to assist with decisions between board meetings.

b. **Budget and Audit:** This committee will review all financial statements, monitor the annual budget versus actual performance and review the annual audit with an external auditor. This committee may assist in fundraising as well as access to capital issues for tenants. Ideally this committee would include a CFO and others from the realm of finance or accounting.

c. **Compensation:** This committee will set salary ranges and benefits for paid staff. It will set performance criteria and undertake performance reviews annually for the executive director. This committee should include at least one individual with a human resources background. Initially could be done by Executive Committee.

d. **Strategic Planning:** This committee is responsible for setting long-term goals and strategies for the IC. It would recommend changes in goals and strategies to the board for their acceptance. Initially could be done by Executive Committee.

e. **Operations:** This committee oversees operations and monitors progress of existing tenants. It will establish operational objectives and performance standards for the IC in accordance with its mission, and oversee quarterly progress toward pre-established benchmarks with tenants.

f. **Nominating and Bylaws:** This committee will represent the stakeholders' interests, and will recruit new board members, set length of service for board members and assure that the IC operates in compliance with its bylaws.

g. **Admissions:** This committee will render final decisions regarding the acceptance or denial of potential tenant firms as recommended by the executive director. Most committees are standing committees. We recommend that the Admissions Committee be tailored by the Executive Director to each particular applicant, based on their science, size, requirements, etc.

h. **Fundraising and Public Affairs:** This committee will provide staff support, arrange meetings with foundations, and coordinate strategic fundraising. The committee will assist staff in public relations and marketing for the IC and its clients. This committee should have at least one marketing professional and one public relations professional.

C. Staffing Plan

Entrepreneurial companies face complex and challenging issues. The goal of the IC is to work closely with tenants, helping them identify goals, milestones, opportunities, and help in adapting to changes in environment. To accomplish this goal, the IC fosters a sense of teamwork: the staff and tenants share responsibility for the company's success.

The intent is to effectively serve tenant companies with the smallest, most flexible staff possible. This will allow more funds to flow directly to programs. The staff will need to carefully analyze each tenant's needs. After a service proposal is created, the tenant will be assigned a team of mentors, made up of directors and stakeholders. This team acts as a de facto board of directors for the start-up business.

1. Staff Position Descriptions

a. **Paid Staff**

Staff salaries and benefits are one of the most significant expenditures in the operating budget. However, research by NBIA documents that a common denominator of failure in rural incubators is underpaid staff. SDS recommends that the compensation committee regularly poll NBIA regarding compensation data so as to attract and retain effective, professional management and staff.

Understaffing of not-for-profit organizations is a frequent problem, and has particularly dire consequences in an IC environment. Highly skilled and adequate, effective and professional staff must be constantly available for entrepreneurial problem solving, coaching and advice, or success measurements will decline.

The following staff position descriptions represent minimum staff required to operate an IC facility. We believe that bookkeeping, accounting and legal services can often be gained as in-kind commitments to the IC, at least in the early years of operation. As the IC eventually begins to have a positive cash flow, the board may consider adding incremental positions to the staff.

1) **Executive Director:** The executive director will lead the marketing effort, implement the marketing plan, search for, evaluate and negotiate with prospective tenants. The executive director must be much more than simply a referral source, and in fact, should be "the entrepreneur's entrepreneur." A sample executive director job description is attached **as Appendix B.**

- **Qualifications:** A bachelor's degree with proven *business experience in technology or manufacturing start-ups*; experience in the transfer of technology; good networking skills and experience in the incubation/accelerator/innovation center process.
- **Reporting Relationship:** The executive director serves at the pleasure of the board of directors, and the executive committee of the board shall be responsible for evaluating the performance of the executive director.
- **General Responsibilities: The executive director functions as the chief executive officer of the IC,** and is responsible for the management of all activities so as to achieve the

mission of the IC.

- **Working Relationships:** Clients, all potential sources of IP (existing manufacturing / technology businesses, UW-Platteville, law and accounting firms etc.); angel capital groups and other sources of both debt and equity capital; key trade, civic and professional organizations; and other stakeholders that compliment the purpose and mission of the IC
- **Authorities:**
  - Retain and terminate employees and contractors
  - Execute contracts and legal documents with legal entities
  - Screen and evaluate tenant candidates according to prescribed admission criteria
- **Responsibilities (delegated by the board to the executive director):**
  - Organize board meetings and serve as staff liaison to board
  - Manage tenant disputes and concerns
  - Oversee implementation of marketing plan
  - Seek, analyze and recommend tenants for admission, according to established prerequisite guidelines and standards
  - Prepare, modify and execute strategic plan
  - Develop and implement an annual operating plan
  - Provide timely and informed communications to the board relative to operations
  - Direct employees, tenants and contractors to achieve agreed upon objectives
  - Supply timely and cogent services to tenants to enhance/ maximize opportunity for success of the tenant businesses
  - To carry out all commitments made contractually between the IC and other legal entities
  - Conduct the affairs of the IC in accordance with applicable state and federal laws

2) **Administrative Assistant / Receptionist:** The administrative assistant / receptionist will be the day-to-day interface for tenants on facility and service related issues, including lease payments, utilities, insurance, etc. This position will also provide receptionist and secretarial services to tenants

b. Uncompensated Staff

- **Interns:** Interns could potentially be recruited primarily from UW-Platteville, but could include students from other schools in the area. The "quid pro quo" is "real world" business experience. Negotiations with the academic institutions should aim in the direction of providing credit towards certain

courses for successful completion of internships at the IC.

- **Business Advisors:** We recommend that local service providers (primarily accountants and attorneys) be asked to make a quantified in-kind (pro bono) commitment of at least $5000 per year of billing tenants at 50% (to be negotiated) for early stage advice and counsel to new tenants.

D. Performance Metrics/Tracking

NBIA research shows that IC's that keep track of performance metrics, outperform their peers that do not. We believe this is an essential element for success, and provides significant value to all constituents. Appropriate performance metrics could include:

- Number of graduate businesses over time
- Capital invested in tenants/ affiliates
- Incremental sales of client firms
- Incremental payroll of client firms

VI. TENANT RECRUITMENT, ADMISSION AND GRADUATION CRITERIA

A. Tenant Recruitment

The success of the IC hinges on its ability to attain its mission, and it must target manufacturing and technology ventures at the stage of development that best conform to this mission. The IC must focus on the existing clusters in the region that can best take advantage of the IC's value-added services, while allowing the IC to fulfill its mission.

Tenant recruitment is a function of marketing the IC's services directly to entrepreneurs and to the networks that support them. A comprehensive marketing plan outline has been addressed earlier in this document. *During the early stages of development, the IC will need to rely on the reputation of its board members and management team to establish credibility.* However, it will be the IC's ability to provide value to tenants, and support the creation of successful technology businesses that will sustain its credibility over time.

Businesses that are accepted into the IC (as tenants or affiliates) receive numerous benefits, tangible and intangible, including:

- Reduced barriers to entry: space is flexible and affordable, and admission provides access to shared and tailored business services, many of which would not otherwise be available.
- Mentoring and Strategic Relationships
- Professional Environment

The tenant selection process is one of the most important components of success. The process must be customized to the mission of the IC, and ensure that businesses that are successful in the screening process can benefit from the value-added services offered.

Expectations must be balanced with market perceptions. When a center first opens, it will lack credibility needed to attract the best businesses in the market, and it often takes two to three years before the value of the IC will be fully understood in the market. Therefore, selection criteria may need to evolve in response to market conditions.

Despite all of the recommendations and guidelines we offer, the key point in tenant recruitment, admission and graduation criteria must always be *flexibility*. We believe an experienced executive director should always be allowed latitude in decision making when it comes to tenant situations, as the executive director knows the tenants better than anyone.

That said, some basic guidelines to consider are:

a. Accept a diverse range of tenant businesses to increase synergy and diminish direct market competition.
b. Applicants should fall within a broad definition of a for-profit manufacturing or technology business that *are investable and sustainable businesses,* (engaged in inter-state commerce) and produce products or services that can be commercialized within the timeframe they are supported by the IC.
c. Applicants should be in the early stages of development (typically within the first two years of operations). Exceptions may be made for "turn-around" businesses or those undergoing substantial restructure.
d. Applicants must demonstrate ability to pay rent and fees of the IC while developing a positive cash flow.
e. Applicants must present a management team that the IC staff and board believe is capable of handling the technical aspects of the business.
f. Applicants must identify a product, technology or service that can benefit from the value-added services and guidance provided by the IC.
g. Applicants must demonstrate economic benefits in the form of job or wealth creation.

Throughout the recruitment process, IC management and board must consider the following questions:

- Do potential tenants perceive value in the services offered, and does this value exceed the cost?
- Do the service providers who support potential tenants perceive sufficient value in each of the services offered to cause them to refer tenants or provide third party endorsements to the IC?
- Are the services offered sufficiently unique to differentiate them from services provided by other organizations?

B. Admission Criteria

To be considered for admission to the IC, an applicant should be a resident of the region served by the IC, and have a business plan with a unique manufacturing or technology-focused product, technique or process. The potential business must be *scalable* (i.e., have the potential for job creation and investment) rather than a consultancy or wholesale business. Applicants will fall into two categories: those with a small business already established, and "start-from-scratch" new businesses. Given that the mission of the IC is to be business creation rather than social engineering, admission criteria should specifically *exclude* financial need.

1. Existing Businesses:
SDS found empirical evidence of numerous small manufacturing and technology businesses in the region that need assistance in order to maximize their opportunities, yet the business owners do not have the necessary experience in certain areas to know what to change in order to solve problems and maximize opportunities. This relates primarily to product and market diversification. Many of these businesses have excellent products, and are cutting-edge, but typically suffer from a lack of knowledge in key areas, such as market research, or human resource development. These businesses will gain tremendous benefit from the program and service offerings of the IC. They will also reach the success stage and graduate earlier than new start-up ventures. Existing businesses *can potentially be either tenants or affiliate members.* Tenants sign lease agreements and occupy incubator space. Affiliates pay a nominal ($100 suggested) monthly fee to access IC services, programming, and benefits, but do not occupy physical space in the facility.

2. New Businesses:
In the long run, new start-up businesses will comprise the majority of applicants. These businesses will need significantly more hands-on support and nurturing than existing businesses. These applicants will typically be individuals that are identified by stakeholders, as well as faculty and students that in general will have at least three to five years of business experience working for other companies, although some business may be started by recent graduates or even undergraduates.

3. Admission Guidelines:
Some guidelines for selection could include:
   - Business must be engaged in inter-state commerce
   - Business should be scalable to at least $X million sales
   - Quality and sophistication of the technology, product or concept
   - Growth in employment: does the business have the potential to create jobs in the region?
   - Occupational background of entrepreneurs / management team: is it pertinent to the marketing, production, and sales requirements of the business?
   - Prospect expectations: what does the prospect expect from the IC process?
   - The need for IC services. If they do not need services, they should not be tenants.
   - Business or strategic plan in place.
   - Background check.

The admission process will involve screening of applications submitted online, followed by an initial interview by the accelerator's professional staff of those applications submitted and approved. This review ideally would include informal meetings with the entrepreneurs / founders of the candidate business and an analysis of their business plan or strategic plan which should address the criteria outlined above.

If the initial analysis is favorable, the principals of the applicant business will make a formal presentation to the executive director, who will have access to reports on the business and will make recommendations on acceptance or rejection to the accelerator's Admissions Committee, which will make the final decision. Acceptance may be provisional, based on conditions stipulated by either the Admissions Committee or the executive director.

We recommend that the IC due diligence focus on the investable business concept, and either formally or informally, have applicants address the following questions to the satisfaction of IC management:

- What the business proposes to do
  - ◊ Description of the business proposition
  - ◊ Products and services
  - ◊ Problem that these products will solve
- How will the business do it
  - ◊ Proprietary advantage
  - ◊ Key differentiators
- How large is the market opportunity
  - ◊ Annual sales in the market
  - ◊ How much can be displaced or captured
- What are the competing solutions
  - ◊ How is the problem being solved today
  - ◊ Who provides these solutions
  - ◊ Why is this solution superior
- How will the business make money
  - ◊ Revenue model
  - ◊ Product sales
  - ◊ Licenses
  - ◊ Recurring fees
- Who will be the customers and partners
  - ◊ Identify the market
  - ◊ Who are the decision makers
  - ◊ How long is the sales cycle
  - ◊ What are the channels of distribution
- When can we expect success
  - ◊ Major milestones
  - ◊ Challenges and impediments
- What does the business need to be successful
  - ◊ Resources required
  - ◊ Milestones
- Who are the management and what are their credentials
  - ◊ Technical competency
  - ◊ Manufacturing competency
  - ◊ Business experience
  - ◊ Unique strengths

Evaluation Process:

- How does proposed business fit the IC's mission
  - ◊ Investable
  - ◊ Sustainable
  - ◊ Manufacturing or technology-based
  - ◊ High-value/wage job creation
- Is management team capable
  - ◊ Experience
  - ◊ Knowledge of market
- Are founders "coachable"
  - ◊ Need for assistance recognized and valued
  - ◊ Willing to commit to IC's development process
- How large is the market opportunity
  - ◊ Will it attract investors
  - ◊ Can it sustain growth

- ◊ Is there a "first mover" advantage
- Is there a proprietary advantage
  - ◊ Patent
  - ◊ Know how
  - ◊ Partnerships

Engagement:
A sample lease agreement is attached as **Appendix C,** reprinted with permission from the William M. Factory Small Business Incubator.

- Lease Agreement (Cash)
  - ◊ Ninety day renewable
  - ◊ Client pays for space used
- Client Service Agreement
  - ◊ Commitment of resources
  - ◊ Specific activities

A common problem in some IC's has been that the *admission processes gets bogged down in bureaucracy and layered decision making*. The process described above is efficient and has enough checks and balances to assure a fair and equitable selection. The admissions committee should be a dynamic group, tailored to each client by the executive director.

Once admitted to the ICs program, a business should have to fulfill a prescribed set of requirements in order to remain part of the program,(in addition to meeting quarterly benchmarks) on a quarterly basis. Such requirements must be contained in the Tenant/Client Agreement, and could include:

- Full participation in programs that are deemed necessary for training and advising tenant and client businesses
- Mutual agreement on when the tenant business should achieve profitability and set a target date for graduation (periods will vary by the complexity of the technology and other fctors)
- Quarterly reports showing business financial status and progress in achieving goals.
  - ◊ Mandatory time spent leading tours and promoting the IC.
  - ◊ Housekeeping requirements.
  - ◊ IC equity position (on a case-by-case basis)
  - ◊ Timely payment of rent
  - ◊ Financial responsibility for damages.
  - ◊ Right of entry and inspection by custodial services and professional staff as they see fit.

C. Graduation Criteria

After a tenant or client business has become a successful independent business that no longer needs the IC's assistance (on a "full-time" basis), the business will graduate from the program. This is seldom clearly defined. Graduation should be a progressive process, possibly reducing support over a scheduled period of time leading to eventual exit. The executive director will have the right to modify the occupancy period and determine exit and graduation criteria for admitted businesses.

A sample Exit Interview attached as **Appendix D,** reprinted with permission from the Entrepreneur Technology Center.

The IC will establish graduation criteria that will be standard for all clients and will work with admitted businesses to establish specific criteria based on the businesses stage of development and needs. Graduation criteria could be based on the following characteristics:

- A balanced and experienced

management team.
- Substantial financial stability.
- Significant product sales and backlog indicating market demand.
- Evaluation of the need for and use of the services provided by the IC.
- A well thought out operating plan.
- Employment generation.
- Milestones (revenue, FDA approval, IPO, place to move)

as indicators of the value of the IC:
- Level of equity investment (seed, angel, venture, etc.) and amount
- Revenue generated: amount and percentage increases
- Profitability: amount and percentage increase
- ROI: average return on investments made in the entire portfolio of tenant businesses

D. Bad Debt

As start-up IC businesses involve significant risk, the selection of client and tenant companies requires in-depth due diligence. Given the inherent risks, the executive director inevitably will have to deal with failed companies, and as a result, bad debt. The IC's bad debt policy should be initiated very quickly and should be progressive in nature. A proposed policy detailing conditions under which companies will be progressively restricted or evicted should be a part of all lease agreements.

E. Procedures

By setting up procedures to monitor its activities and accomplishments, the IC will produce data to show partners and stakeholders the IC's progress in achieving its goals. It can also monitor the effectiveness of its programs and services in helping tenants and clients. Key indicators to track should include:

1. Wealth Creation: Wealth creation can be measured using several different indicators. Specific data can be collected for each of the following items
2. Economic Benefits:
   - Jobs created: average number per tenant and total
   - Payroll generated: average payroll per tenant and total
   - Taxes generated: average amount paid per tenant and total
   - Incremental revenue for UW -Platteville from commercialization
3. Intellectual Property: IP may be measured by the number of patents applied for and granted to tenants
4. Business Success Rate: the success rate of tenants can be measured in terms of longevity of business, number acquired or number that have discontinued operations.

VII. SERVICES

Although the service plan attempts to detail tangible service and product offerings, there are numerous intangibles associated with IC tenancy. Among these are the synergies derived from being in an entrepreneurial, highly creative environment, where ideas are shared and there are opportunities for mutual problem

solving and even aspects of mentoring from one entrepreneur to another. There are economies of scale to be derived in raw material purchases, shared supplies, etc.

A. Service Provision

A primary mission of the IC is to increase the probability of success of its tenants and clients. Providing a nurturing environment in which the professional staff is available as needed for assistance is a key ingredient in graduating successful businesses. Also, the IC must promote to all potential clients and tenants the advantages of participation as well as the wide range of services offered.

1. Bundled Office Services:
   The IC will make available fee for service packages such as: faxes, copiers, reception services, wireless telephone / communications equipment. Based on observations at numerous other ICs across the country, we recommend fee for service options be consistently charged (in financial pro forma have budgeted a flat $100 per month per client). Experience tells us that if these services are provided free of charge, their value to the tenants and clients diminishes in perception. Also, it is the duty of the IC to prepare these businesses for the "real world" where such services cost hard dollars. Tenants and clients should be surveyed periodically regarding unanticipated office services that could be added to the above.
2. Sales Services:
   Local and regional businesses often fail to reach their full market potential due to lack of knowledge of the channels of distribution. The IC will need to provide training and assistance to help entrepreneurs learn how to reach customers through e-commerce, business-to business channels and export markets.
3. Information Services:
   The IC will develop a database of regional businesses, as well as a database on regional entrepreneurs that could serve as instructors or mentors. Also, a master stakeholder list will be developed into a database.
4. Accounting Services:
   The IC will provide (may be outsourced) training in record keeping as well as professional bookkeeping and accounting services.
5. Facility Services:
   The IC will provide shared, specialized equipment depending on the needs of the tenant mix. Much of this equipment can be garnered in the form of donations of used equipment due to the favorable tax treatment of such gifts. This equipment will be included in the rental rate for tenants, and offered on an as available basis. An example would be a multi-operating system platform of computers for de-bugging new software applications. The IC will provide at no *additional* cost: furniture, conference rooms, kitchen facilities, mail pick up and delivery, utilities, janitorial services, receptionist, notary public and audio visual equipment. Again, our experience is that much of this can be obtained in the form of donations due to favorable tax treatment.
   a. Access to Specialized Equipment: IC's can help reduce barriers to entry, and allow tenants to conserve scarce resources, allowing more capital to be focused on commercialization, by providing specialized equipment, or access

to specialized equipment, that is costly. This equipment can be provided at no or low cost to tenants. The IC should consider acquisition of such things as specialized machine tools, machines for prototype development, etc., depending on make up and needs of initial tenants.

6. Access to Capital:
Suffice to say, that forging close relationships with the various sources of both debt and equity capital, and matching the appropriate resources to each tenant client, is a key role of the executive director.
7. Negotiation Services:
New entrepreneurs typically are not skilled in business fundamentals, including negotiating, and newer concepts such as "reverse auctions." Tenants and clients will require sound advice in negotiating deals with other companies such as wholesalers, raw material suppliers, service providers and myriad retail outlets, as well as sources of capital. The IC will need to facilitate negotiations for its businesses, and should consider negotiations as an educational offering.
8. Advisory Services:
Each tenant or client firm should have at least one or more advisors/mentors that meet with each business no less than monthly. Advisors will be recruited from the master list of stakeholders, and matched with clients under the direction of the executive director.

a. Surveys of start-up businesses indicate the following key areas where entrepreneurs would like to have advisory guidance:
   - Strategic Partnering
   - Product Development
   - Access to Equity Capital
   - Financial Analysis
   - Marketing
   - Manufacturing Process
   - Access to Debt Capital
   - Market Research
   - Pricing
   - Legal /IP
   - Accounting
   - Human Resources
   - Web-Site Development
   - Export assistance

a. Strategic Partnerships: Strategic partners can provide tenants with an established framework for handling technical, production, and/or sales/distribution aspects of the new business venture. The IC will provide value by developing relationships with potential strategic partners and help facilitate these relationships with tenants.
b. Educational Programs: The IC can provide value by providing training programs on various business topics directly or through affiliations with other training providers.
   - Topics should be identified by surveying tenants
   - Topics should be presented by credible individuals with specific expertise in the subject area
   - Frequent, but short programs are most popular with busy tenants
c. Networking: Entrepreneurial start-up technologists are typically extremely focused on their businesses, and can easily become isolated, es-

pecially in rural areas. The power of entrepreneurial interaction has long been recognized as a significant value of ICs that creates synergies not available outside of IC programs. It is essential for the IC to drive networking opportunities, not just amongst the tenants themselves, but also with the business community at-large and various stakeholder constituencies.

B. Educational Offerings

Another element of success will be to educate the public at-large about the services of the IC and the benefits derived in terms of economic development in the region. The IC will utilize qualified faculty from UW-Platteville or other academic institutions, as well as top local business leaders to deliver workshops in their respective areas of expertise. The IC should make every attempt to enlist pro bono educational offerings as part of the total rental "package". Non-tenant and non-affiliate entities should be allowed to participate in educational offerings on a fee basis.

1. Workshops:
The IC will promote workshops to the community at-large to gain attendance. Informal surveys will be conducted to determine appropriate topics for future workshops. Potential first year topics could include:

- How to protect IP
- Keeping business records and bookkeeping
- Fundamentals of sales and marketing
- Strategic planning

C. Service Delivery

The executive director will be responsible for securing individuals and organizations from virtually all of the various stakeholder constituencies to deliver services to clients and tenants. These individuals will come from the ranks of professional firms, other businesses, academia, and government resources. The executive director will tailor service delivery to each business according to their needs, and document same in the service agreement.

Service providers should periodically document in writing their perspectives on opportunities and challenges facing the businesses with which they are working.

1. Services: Services to be provided directly by IC programs:
   - Finance committee advice
   - Financial pro forma development assistance
   - Management training
   - Marketing strategy assistance
   - Business networking introductions
   - Capital access introductions
   - Grant writing, advice and counsel
   - Market research
   - Market plan development
   - Acquisition of business insurance
   - Human resource development
2. Business Coaching: The IC management must be much more than simply a referral source. True value is created when staff can facilitate the use of specialized resources or instruct a tenant on how to do something so that the tenants can complete

the task themselves. Staff serves as a sounding board for tenants as they face various challenges, and identifies specific needs before they become significant problems for the tenants. Tenant firms cannot wait one or two weeks to schedule an appointment. They are in a fast paced environment and need coaching where staff has the opportunity to interact with tenants on a daily basis.

3. Mentoring Programs: Experienced entrepreneurs are the most valuable form of mentoring. There is no substitute for an outside, third-party perspective to provide experienced guidance through the inevitable challenges start-up businesses face. It is critical that the IC develop a pool of experienced entrepreneurs who will share their experiences with tenants, and develop one-on-one relationships that develop into strong relationships relative to business decision-making that staff and advisory boards can rarely attain. Mentors frequently become investors and/or board members of tenant businesses.
4. Professional Services Network: The IC must develop a professional services network, which is a collection of experts from the area that are willing to provide services to tenants at low cost or reduced rates. The network should consist of accountants, attorneys, marketing specialists, venture capitalists, faculty, technology specialists and others whose mission or goal is to support new technology businesses. These resources are typically not available to individual start-up businesses, and thus *the value of the IC is its ability to make these valuable resources available to tenant businesses.* It is literally "talent that money cannot buy."
5. Interns: Having an internship program is important from two perspectives: interns will provide valuable services to the accelerator and tenant/client firms; they will gain first-hand knowledge of starting a business which would lead many of them to consider candidacy as tenants or clients upon graduation. The program will offer internships to primarily undergraduates at the surrounding academic institutions, exposing them to all aspects of starting a business. The students will primarily come from computer, science, engineering, technology and business related curriculums

   Interns will gain first-hand insight and frequently work up to 20 hours per week. Internships are generally be unpaid positions for undergraduate students that will afford them the experience necessary to either gain employment at a successful graduate company, or potentially become an entrepreneurial client or tenant.

VIII. PROJECT TIMELINE

Short Term Goals (April-June 2012)

- Consider appointment of an individual Champion
  - ◊ Implement marketing plan
  - ◊ Continue to develop community consensus
- Brief key constituencies on progress
- Finalize facility location
- Apply for 501©3 tax status
- Apply for various sources of funding at all levels of government

Intermediate Goals (July 2012 – March 2013)

- Begin recruiting board of directors
- Secure funding commitments
- Develop facility plans
- Finalize facility plans
- Develop logo and tag line
- Advertise / solicit bids in competitive process (January 2013)
- Bid opening, execute contract with builder (February-March 2013)
- Obtain building permits (March 2013)

Long Term Goals (April 2013-March 2014)

- Begin construction with February target date for completion
- Begin search for executive Director (ideally hire six months prior to opening - Oct)
    - ◊ Implement marketing plan immediately (Oct)
- Begin tenant selection (December)
- Obtain certificate of occupancy (February)
- Grand opening / move in (March)

Insert
Exit Interviw PDF
Exec Director Job Description pdf
By-laws pdf
Lease agreement pdf

Appendix A **BYLAWS**

TACOMA-PIERCE COUNTY SMALL BUSINESS INCUBATOR

ByLaws

(dba) William M. Factory Small Business Incubator

(As amended- November 30, 2007)

ARTICLE I. MISSION

The Tacoma-Pierce County Small Business Incubator is a non-profit corporation under the laws of the State of Washington. The primary area of operation and influence of the Tacoma-Pierce County Small Business Incubator is that area of Tacoma, Washington bounded by Puyallup Avenue on the North, the old Milwaukee Railroad railbed on the West and the Tacoma City Limits on the South and the East, popularly known as "East Tacoma." The Tacoma-Pierce County Small Business Incubator considers itself to be a Community Development Organization as defined by the U.S. Department of Housing and Urban Development and Other Federal agencies.

The Tacoma-Pierce County Small Business Incubator will provide an opportunity to nurture carefully selected, smaller, locally owned entrepreneurs through their formative years. Recruiting and assisting these businesses, with high potential for growth, equates to increasing job opportunities for lower-income and unemployed Tacoma-Pierce County residents. This sets the stage for future growth, job generation, creation of an expanded tax base and revitalization of the area.

The Tacoma-Pierce County Small Business Incubator will provide professional and technical services to Incubator tenants, residents, and other businesses in the Tacoma-Pierce County area. This assistance will be provided by:

a. Providing management, financial and marketing advice and information in a timely and organized fashion.
b. Lowering fledgling businesses' break-even point by cost sharing of many overhead expenses.
c. Permitting the entrepreneurs to focus their energies and strategies on producing and selling as they learn to manage their own businesses.
d. Maintaining open lines of communication with educational facilities in the Tacoma-Pierce County area and assisting the fledgling businesses in obtaining the necessary technical and educational assistance and training for their employees.

ARTICLE II. OFFICES

The principal office of the Tacoma-Pierce County Small Business Incubator shall be located at its principal place of business in Tacoma, Washington, the County of Pierce, or such other place as the Board of Directors may designate. The organization may have such other offices as the Board may designate or as the business of the organization may require from time to time.

ARTICLE III. MEMBERSHIP

No Members. The organization shall have no general members.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. General Powers. The affairs of the organization shall be managed by an autonomous, self-elected Board of Directors. The Board may have additional ex-officio (non-voting) members appointed to that position by the Board of Directors. Ex-officio board members will be individuals experienced in business, the trades, or such other disciplines as the Board may deem appropriate, capable of advising both the Board and tenants.

Section 2. Specific Powers.

a. Policies and Objectives

(1) Set policy to assure the goals and objectives of the Tacoma-Pierce County Small Business Incubator are met as set forth in Article I of these ByLaws.

(2) Review, on a continuing basis, Incubator objectives and progress;

(3) Formulate policies concerning relationships with community groups and/or organizations.

(4) Study and recommend future organizational growth considering immediate, intermediate and long-range conditions and objectives;

b. Staff.

(1) Organization. Approve staff organization and delegation of authority.

(2) Executive Director.

(a) Develop the job description for the Executive Director position;

The Board of Directors shall set the compensation of the Executive Director and subordinate staff positions. The executive Director will be responsible for the operation of the Incubator with duties and responsibilities as set forth in Article VIII.

(b) Develop performance evaluation criteria for the Executive Director position;

(c) Consult with the Executive Director in preparation of personnel rules, staff job description and staff performance evaluations;

(d) The Board of Directors shall set the compensation of the Executive Director and subordinate staff positions. The executive Director will be responsible for the operation of the Incubator with duties and responsibilities as set forth in Article VIII.

(e) The contract with the Executive Director shall provide for termination whenever, in the judgment of the Board, the best interests of the Incubator would be served thereby. A two-thirds (2/3) vote of the Board of Directors is required to terminate the Executive Director's contract. Termination action shall be effective at the date specified by the Board.

(3) Staff.

(a) Set personnel policies, including compensation levels of employee positions.

(b) The Board shall have the right to review and, by two-thirds (2/3) vote; reverse any staff termination initiated by the Executive Director.

(c) The Board may, by two-thirds (2/3) vote, direct the Executive Director to terminate any member of staff.

c. Budget.

(1) Review and approval of the annual budget developed by the Executive Director.

(2) Review and approval of all requests for Grants and Funding.

(3) Review and approval of the quarterly financial statements of the Incubator.

Section 3. Directors, Qualifications and Tenure

a. Directors. The Board shall consist of not less than 5 or more than 11 Directors. The number of Directors may be changed from time to time by amendment to these ByLaws, provided that no decrease in the number shall have the effect of shortening the term of any incumbent Director.

b. Ex-officio Members/Advisory Council. In addition to the Board Directors, the Executive Director of the Incubator shall serve as a non-voting, ex-officio member of the Board. In addition ex-officio members may be selected by the Board.

c. Qualifications.

- The selection of Directors and ex-officio members shall be made without consideration of race, color, sex, or disabling condition.
- The selection of Directors and ex-officio members should take into consideration the business, professional and community experience in an effort to provide a Board with the knowledge and experience necessary to manage a small business incubator. A good faith effort shall be made to select at least on individual from each of the businesses, banking and legal professions.
- No tenant, contract or direct hire employee shall serve on the Board, other than the Executive Director, who shall serve in an ex-officio capacity.
- Directors shall work or reside in municipalities or unincorporated areas within the boundaries of Pierce County with a majority of the Board representing the East Tacoma service area.

d. Tenure. Each Director shall serve a three year term. The Director may serve as many terms as appointed to the Board.

Section 4. Selection of Board of Directors

(1) Initial Directors. The initial Board of Directors of the Tacoma-Pierce County Small Business Incubator shall be comprised of the final Advisory Board appointed by the United Neighborhoods of Tacoma before disassociation.

(2) Vacancies. Replacement Board members for vacated positions on the Board shall be elected by a majority vote of the remaining Board members.

Section 5. Compensation. The Board of Directors shall serve as volunteers without compensation.

Section 6. Conflict of Interest. Neither Officers, Directors, contractors nor Employees of the Small Business Incubator shall provide a direct or indirect financial benefit from the Small Business Incubator to any member of the Board of Directors during their term of office, nor for two years immediately thereafter.

Section 7. Removal.

- **a.** Any members of the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Incubator would be served thereby. A two-thirds (2/3) vote of the Board of Directors is required to carry out this action. Such action shall be effective immediately upon the Board's vote to remove.
- **b.** Directors may be removed for three (3) consecutive absences from Board meetings by a 2/3 vote of the Board of Directors.

Section 8. Resignation. Any Director may resign by submitting a written resignation with the Secretary of the Board of Directors.

ARTICLE V. BOARD MEETINGS

Section 1. Regular Meetings. The Board shall meet at least monthly on a regularly scheduled meeting date and time. The Board may specify the date, time and place for holding regular meetings by resolution.

Section 2. Special Meetings. Special meetings of the Board may be called at the request of any Board member, if the request is approved by two-thirds (2/3) of the Board members. Special meetings are governed by the same Rules and Procedures applicable to regular meetings.

Section 3. Meeting Notice.

- **a.** Written notice stating the place, day and hour of any meeting of the Board shall be delivered, either personally or by mail, to each member. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the member of the member's address as it appears on the records of the Incubator, with postage thereon prepaid.
- **b.** Any member may waive notice of any meeting. The attendance of a member at any meeting shall constitute a waiver of notice of such meetings, except where a member attends a meeting for the exclusive and express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.
- **c.** The business to be transacted or the purpose of any special meeting will be specified in the notice.

Section 4. Place of Meetings. All meetings shall be held at the principal office of the organization or at such other place designated by the Board.

Section 5. Order of Business. The order of business at any regular or special meeting of the Board shall consist of the following:

- Calling of the roll;
- Reading and approval of minutes;
- Financial Report;
- Tenant Report;
- Unfinished Business;
- New Business;
- Reports of Officers, Executive Director and committees;
- Notice of next meeting;
- Adjournment.

Section 6. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. In the event a quorum is not present, a telephone poll may be used, enabling absent Board members to vote.

Section 7. Manner of Acting.

a. The act of a majority of the Directors present at a meeting, at which a quorum is present, shall be the act of the Board of Directors.
b. No voting by proxy shall be allowed.
c. All questions of parliamentary procedure, if not provided for in these bylaws, shall be resolved by reference to Robert's Rules of Order Newly Revised Edition.

ARTICLE VI. OFFICERS

Section 1. Officers of the Board of Directors

a. The Officers of the Board of Directors shall consist of a Chair, Vice-Chair, Treasurer, and Secretary. The duties of each shall be those customarily attributed to them under usual Board practices, and as set forth below.
b. The Officers of the Board of Directors will be elected by the members of the Board by nomination to, and majority vote of, the sitting Board in an annual election to be held in June of each year.
c. Any member of the Board may recommend candidates to the Nominations subcommittee.
d. The Nominations subcommittees shall submit recommendations to the Board for approval.
e. Any member of the Board may nominate candidates from the floor.

Section 2. Vacancies. In the event of a vacancy for an Officer of the Board, the Board will, within sixty (60) days, appoint a new Officer to serve for the duration of the term of the Officer who vacated.

Section 3. Chair.

a. The Chair shall:

(1) When present, preside at all meetings of the Board of Directors;
(2) After his/her term as Chair has expired, preside at the meetings of the Board of Directors until such time as the Chair has been seated;
(3) Take part in Board meetings and exercise the power to vote;
(4) Subject to the requirements and limitations of Article VII, Section 8, appoint Board Members to both standing and ad hoc committees, serve as Chair of the Executive Committee, designate Chairs of committees, and fill any vacancy occurring;
(5) Perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice-Chair.

a. In the absence of the Chair or in the event of his/her inability or refusal to act, the Vice-Chair shall perform the duties of the Chair, and when so acting, shall have the powers of and be subject to all restrictions upon the Chair, and shall perform such other duties as from time to time may be assigned to him/her by the Chair of the Board of Directors. In the event of the Chair's death, resignation or incapacity, the Vice-Chair will assume the duties until such time as the Board has designated a replacement.
b. The Vice-Chair shall serve no the Executive Committee.

Section 5. Secretary/Treasurer. The Secretary/Treasurer shall be responsible to assure:

a. Consult with the Executive Director in preparation of a proposed budget and submit it to the Board of Directors for approval;
b. Assure a full and proper report of the financial standing of the Incubator is given to the Board at each meeting;
c. Assure that a quarterly report is prepared of the Incubator's finances;
d. Assure that an annual independent audit is performed of the previous year's accounts.
e. Minutes of the Board meetings are taken, assuring that all Board action is printed, published and indexed;
f. All notices are duly given in accordance with provision of these ByLaws or as required by law;
g. Protection of the Incubator's records and Board minutes;
h. Serve on the Executive Committee;

ARTICLE VII. COMMITTEES

Section 1. Committees of the Board. The Board of Directors, by resolution adopted by a majority of the Board members, may designate standing committees. All recommendations of the standing committees must be presented to the Board of Directors for ratification.

Section 2. Special Committees. Other committees shall be appointed in such a manner as may be designated by resolution adopted by a majority of the Board of Directors.

Section 3. Terms of Office. Each member of a committee shall serve a term of one year until his/her successor is appointed, unless the committee shall be sooner terminated, or unless such member is

removed from such committee by the Chair of the Board of Directors or unless such member shall cease to qualify as a member.

Section 4. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of original appointments.

Section 5. Quorum. Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at the meeting at which a quorum is present shall be the act of the committee.

Section 6. Rules. Each committee may adopt rules for its own government not inconsistent with these ByLaws or with rules adopted by the Board of Directors.

Section 7. Minutes. Each committee shall keep regular minutes of its proceedings and all committees shall report to the Board of Directors. Minutes of each committee meeting shall be provided to the Board of Directors for information.

Section 8. Standing Committees.

a. Standing committees of the Board of Directors shall be named, constituted and instructed as follows:
  (1) Executive Committee: The Chair of which shall be the Chair of the Board of Directors and the remaining members of which shall be the other Officers of the Board. The Executive Committee will convene at the request of the Chair of the Board and at the request of the Executive Director. The Executive Committee shall:
    (a) Take any action necessary to respond to business that they determine cannot be delayed until the next regularly scheduled Board meeting.

ARTICLE VIII. EXECUTIVE DIRECTOR

Section 1. Responsibilities. The Executive Director's responsibilities shall be to:

a. Implement all policies established by the Board of Directors;
b. Develop and evaluate programs and recommend their implementations to the Board of Directors;
c. Hire and supervise employees;
d. Supervise business affairs to ensure that funds are collected when due and expended as set forth in these ByLaws and the agreements set for in the various contracts and grants with government agencies;
e. Enter into and monitor all outside contracts and vendors of the Incubator;
f. Prepare budgets, financial reports and other fiscal reports necessary to apply for funding and report to the Board of Directors.

g. Present to the Board of Directors and/or its committees monthly reports reflecting the operation of the Incubator. These reports shall include reports of financial condition and activities;

h. Serve as an ex-officio member of the Board of Directors. Serve as an ex-officio member of Board committees when requested;

i. With approval of the Board, serve on committees, task forces and other community groups that impact services to Incubator clients or the mission of the Incubator.

j. Perform other duties as assigned by the Board of Directors.

Section 2. The duties and responsibilities of the Executive Director will be detailed in a job description for this position and in the contract for services executed between the Tacoma-Pierce County Small Business Incubator and the Executive Director.

ARTICLE IX. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. No contracts shall be entered into on behalf of the Tacoma-Pierce County Small Business Incubator and no evidence of indebtedness shall be issued on its name unless authorized by these by-law or action of Board of Directors.

Section 2. Loans. No loans shall be entered into on behalf of the Tacoma-Pierce County Small Business Incubator unless authorized by a resolution of the Board of Directors.

Section 3. Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Tacoma-Pierce County Small Business Incubator shall require a two-party signature by the acting Chair and the Executive Director or their designees.

Section 4. Deposits. All funds of the corporation, whether acquired by gifts, contracts or any other legitimate means, not otherwise employed, shall be deposited to the credit of the Tacoma-Pierce County Small Business Incubator in such banks, trust companies or other depositories as the Board or Directors may select.

Section 5. Fiscal Year. The fiscal year shall be July 1 through June 30 of the following calendar year.

Section 6. Books and Records. The Tacoma-Pierce County Small Business Incubator shall keep correct and complete books and records of accounts. This shall include the minutes of the proceedings of its Board of Directors and committees having any of the authority of said Board. These books and records shall be maintained at its principal office. A record giving the names and addresses of the Board of Directors entitled to vote must be maintained for at least three years after the closing of each fiscal year. All books and records of the corporation may be inspected by any member of the Board of Directors.

Section 7. Audit of Books. An independent auditor shall be designated by the Board of Directors, prior to the close of business in each fiscal year, who shall examine the books of account of the corporation and shall certify to the Board the annual balances of said books, which shall be prepared at the close of

the fiscal year under the direction of the Executive Director. In conjunction with the annual financial statements, an independent audit shall be conducted at the Board's discretion or as required by applicable laws, contracts, or government agencies. No Board member, Director, tenant or corporation of which such individual is a member, shall be eligible to discharge the duties of auditor.

Section 8. Bonding. All officers and employees of the Incubator who are charged with handling money on behalf of the Tacoma-Pierce County Small Business Incubator shall be bonded against misappropriation or misconduct. These individuals shall be bonded in an amount fixed by the Board of Directors.

ARTICLE X. INDEMNIFICATION

Section 1. A member of the Board of Directors or an officer of the Tacoma-Pierce County Small Business Incubator is not individually liable for any discretionary decision of failure to make a discretionary decision within his or her official capacity as Director of Officer unless the decision or failure to decide constitutes gross negligence (Revised Code of Washington 4.24.264, adopted 1987).

Section 2. The Tacoma-Pierce County Small Business Incubator, through insurance coverage or otherwise, shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceedings to which the director was a party because of being a director against reasonable expenses incurred by the director in connection with the proceedings (Revised Code of Washington 238.08.520, adopted 1989).

Section 3. The Board of Directors may provide for the indemnification of any director or officer by a majority vote of directors not at the time parties to the proceedings under discussion.

ARTICLE XI. BYLAW REVIEW AND AMENDEMENT

Section 1. Review. These ByLaws shall be reviewed at least annually by the Board of Directors.

Section 2. Amendments. These ByLaws may be altered, amended and/or new ByLaws may be adopted by a majority vote of the Board of Directors.

Section 3. Notice. Upon two weeks' notice to all Board members, amendments to these ByLaws may be proposed for adoption at the next scheduled meeting of the Board.

Section 4. Effective Date. These ByLaws will become effective as of the date of adoption by the Board of Directors of the Tacoma-Pierce County Small Business Incubator.

ARTICLE XI. DISSOLUTION

The Tacoma-Pierce County Small Business Incubator may be dissolved by a two-thirds (2/3) affirmative vote of the Board of Directors. In the event of dissolution, all non-obligated assets shall be transferred to the Eastside Boys & Girls Club of Tacoma, a non-profit organization filed with the Internal Revenue Service under Section 501-(C3) of the Internal Revenue Code.

Appendix B

Executive Director/Manger

The Executive Director is the principal, salaried, professional staff member of the corporation. The director is responsible for implementing the projects, programs, policies, and activities of the corporation at the direction of and with the cooperation and assistance of the board of directors and the executive committee. The director is responsible for the day-to-day operational and financial activities of the corporation and for the supervision of other corporation salaried staff. In order to fulfill these broad responsibilities the executive director's specific duties include the following:

- **A.** Allocating the corporation's resources to implement the mission, goals, objectives and policies of the organization and initiating and executing programs, projects, and activities and making the decisions required for the day-to-day operations of the corporation.
- **B.** Delegating authority, clearly delineated and appropriately limited, to the staff as deemed necessary and proper.
- **C.** Carrying out all staff personnel actions, including hiring, terminating, appraising performance, assigning tasks and writing job descriptions, and compensation review and adjustment.
- **D.** Reviewing personnel actions with the executive committee.
- **E.** Building team spirit and maintaining a high level of morale within the staff. The director shall provide appropriate training opportunities for the staff.
- **F.** Maintaining positive and mutually supportive working relationships with other organizations involved in economic development in the state and with the tenants of the incubator and other corporation facilities.
- **G.** Promoting economic development in the region and providing advice and counsel to individuals and groups requesting assistance with all aspects of economic development.
- **H.** Negotiating and executing incubator tenant leases and verbal agreements.
- **I.** Writing checks up to a value of $5,000 on behalf of the corporation; financial obligations exceeding $5,000 must be co-signed by one of the officers of the corporation.
- **J.** Executing necessary financial obligations up to a total value of $5,000 on behalf of the corporation; financial obligations exceeding $5,000 in value must be reviewed and approved by the executive committee or board, as appropriate.
- **K.** Taking appropriate actions, regardless of value of the transaction, in emergency situations, when immediate action on any financial transaction of the corporation is required.
- **L.** Drafting an annual budget by May 1 for review by the Executive Committee and final approval by the board at its June meeting.
- **M.** Preparing a cash budget projected 12 months into the future solemnly cash periods.
- **N.** Preparing monthly financial statements for review with the executive committee; quarterly actual versus budget comparisons shall be prepared for committee and board review.
- **O.** Making line-item budget revisions, as required, that do not affect major budget subdivision totals; preparing and presenting to the board a midyear budget review including recommended modifications, as appropriate.

P. Generating agendas for monthly board meetings to be reviewed with the president and, with the executive committee, preparing agendas for the annual meeting and the annual planning retreat.

Q. Reporting the status of projects and activities of the corporation to the board at the monthly meeting and recommending new programs, projects, and activities to the board as appropriate.

R. Implementing new activities and projects that are consistent with the corporation's mission, goals, and objectives provided the activities will not place the corporation in a deficit budget position. If the risk of a deficit exists, then the project of activity should be reviewed and approved by the committee or board, as appropriate.

S. Recommending new board member candidates to the committee and the board.

T. Seeking advice and assistance, when necessary and appropriate, from the board, committee and legal counsel.

U. Preparing corporation press releases and responding to news media inquiries.

V. Performing any other duties as assigned by the board or committee.

Appendix C **WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR LEASE AGREEMENT**

This lease made at Tacoma, Washington, this _____, by and between the William Factory Small Business Incubator, a duly authorized Non-Profit Corporation, hereinafter referred to as LESSOR and _____ hereinafter referred to as LESSEE. This lease expires June 30, 2011 unless otherwise renewed as agreed upon by both parties. That in consideration of the mutual promises, covenants, conditions, and terms to be kept and performed; it is agreed between the parties hereto as follows:

Section 1: Not withstanding anything to the contrary herein, this agreement consists of this document and INCUBATOR GUIDELINES attached hereto as Attachment A, Incubator Guidelines; Attachment B, Incubator First Source Guidelines; and Attachment C, Incubator Guidelines Tenant Monitoring System and the Acceptable Use Policy (AUP).

Section 2: LESSOR hereby agrees to LEASE room number: Suite 233, as a "desk tenant" in a shared private office space, herein after referred to as the LEASEHOLD.

Section 3: LESSEE shall pay the LESSOR as rent, the sum or $ 250 monthly. Payments are due the first (1st) day of each month plus LESSEE's service charges. Telecommunication charges are $40.00 per DID (Phone Number and handset), $5 per additional handset and actual long distance charges. Internet access is included as a desk tenant. Copies and incoming faxes are billed at $.10 per copy. All LESSOR property in Suite shall not be temporarily or permanently moved unless done so by LESSOR management. All LESSOR property including but not limited to furniture and technology shall be inventoried on the LESSOR's inventory sheet and updated as changes are made by management. Any missing inventory will be the responsibility of the LESSEE and may result in full retail recovery cost. Upon signing this lease the LESSEE shall select what NAICS code that their organization is related with and shall be attached to this lease. Lessee and its agents shall also abide by the Acceptance Use Policy attached and any updates that may occur.

Section 4. If LESSEE fails to pay any rental payments on or before the tenth (10th) day of the month for which it is due, the LESSOR has the right to request a mandatory meeting with the LESSEE to discuss payment delinquent status. Furthermore, the LESSOR has the right to charge the LESSEE a penalty a five percent (5%) of the monthly rent after the 10th day of nonpayment. Additionally, an interest rate of one percent (1%) per month shall be owed on delinquent accounts.

Section 5: LESSEE shall post a security deposit with LESSOR equal to one month's rental payment and the last month's rent. Such deposit will be returned provided the LESSEE shall vacate the LEASEHOLD following proper notice, leaving it and all equipment in the condition in which it was received, all keys returned, and be current in all rental and service payments. If leased space is not clean or is need of repairs upon LESSEE move out, the LESSOR has the right to deduct the cost of cleaning and/or repairs from the LESSEE security deposit and reserves the right to charge the LESSEE one additional month's rent to prepare the lease space for a new tenant/lessee.

Section 6: LESSOR, without in any way limiting its remedies or right to recovery, may apply all or any part of the security deposit to repair or replace any missing or damaged fixture or to perform any unfilled obligation of LESSEE sublet the lease.

Section 7: LESSEE shall provide at its own cost routine maintenance of the leased space.

Section 8: LESSOR shall perform all necessary repairs, replacements, and required maintenance with respect to general plumbing, wiring, roof, supporting structural members and heating. However, LESSEE shall be responsible for repair costs associated with improper use by LESSEE of heating controls. LESSOR shall have no other repair, replacement, or maintenance obligations, all items which are not specifically enumerated being considered routine maintenance. LESSEE will be responsible for special electrical or plumbing needs with prior approval.

Section 9: LESSEE may, with the prior written consent of LESSOR's Executive Director, make repairs that are obligations of LESSOR. Such reimbursement shall be limited to the specific item and specific dollar amounts, which the Executive Director has approved in advance and both parties agree to accept.

Section 10: LESSEE may, with the prior written consent of LESSOR's Executive Director, make alternation to the LEASEHOLD at his or her own expense, provided such alternation does not impair the structure in which the LEASEHOLD is situated.

Section 11: At the termination of this lease, and with the prior written consent of LESSOR's Executive Director, LESSEE may remove any alterations which it has made pursuant to section 10, provided such removal can be and is done without damaging the LEASEHOLD or the structure in which it is situated. Any alterations left after termination shall be the property of LESSOR without cost to LESSOR.

Section 12: This lease may be renewed provided:

- **a.** LESEE will give at least thirty (30) days written notice to LESSOR of their intention to renew said lease;
- **b.** LESEE is current in his or her payments to LESSOR and not in violation of any of these terms and other conditions of this lease;
- **c.** Rental rates are agreed upon; and
- **d.** LESSOR's building and space are available

Section 13: In addition to the LEASEHOLD, LESEE shall have nonexclusive right to access common areas as LESSOR determines to be necessary to use the LEASEHOLD. LESSOR may provide keys to such common areas for LESEE's use for appropriate businesses purposes.

Section 14: LESEE shall carry at least the following minimum amounts of insurance. It shall maintained in full force and effect during the life of this lease Agreement and shall protect the William M. Factory Small Business Incubator and its Board of Directors, and their employees, agents or representatives from damages of property arising in any form from negligence or wrongful acts of omissions of their agents, employees, or representatives in the performance of any obligations covered by this Agreement:

a. Public liability insurance for damages and injuries, in an amount not less than $_____ for any one person and in an amount of no less than $_____ for any one accident or occurrence. LESSEE shall furnish to LESSOR certificate showing that the insurance described is in full force and effect prior to the commencement of this lease Agreement. Failure to provide continuous coverage as stated will create default in this agreement.

Section 15: LESSEE shall indemnify and hold LESSOR and its Board of Directors harmless from all claims or liabilities of any type of nature to any person, firm or corporation, including any agents or employees of LESSEE, arising in any manger from LESEE's performance of operations and business covered by this agreement.

Section 16: That LESSEE shall promptly execute and comply with all statutes, rules, orders, ordinances, requirements and regulations of the City, State, or Federal Government and any and all of its departments and bureaus applicable to said demised premises for the correction, prevention or abatement of nuisances or other grievances in, upon or connected with said premises, during the said term, and that periodic no-notice safety inspections may be conducted by the Tacoma Fire Department, and insurance company or other lawful inspectors, except that all structural alteration or additions shall be made LESSOR at its expense.

Section 17: LESSEE shall not assign this agreement/lease or sublet or sublease the premises of any party thereof without LESSOR's prior written consent, or occupy the premises for residential use, or permit or suffer the said Premises to be occupied for any business, person or purpose deemed disreputable. LESEE is responsible for damages caused by LESSEE's use- including its agents, employees and visitors- including damages to other areas of the building and property.

Section 18: LESSEE for itself, its successor and assigns and for all persons claiming or to claim a sublet it or them, hereby expressly covenants and agrees that if at appointed in insolvency proceedings, then in that event this lease forthwith shall terminate and be at an end at the opinion of LESSOR, this covenant being one of the considerations whereby LESSOR is induced to make this Lease.

Section 19: If LESSEE defaults in payment of rent or in the performance of any of the covenants continued in this lease or in the event LESSEE fails to prevent, correct or abate nuisances or other grievances, which is directly or indirectly interferes with, harms or dangers the operations or products of another tenant or tenants of LESSOR building or in the event that LESSEE shall be insolvent or bankrupt or shall make an assignment for the benefit of creditors, LESSOR may terminate this lease, and at the expiration of ten (10) days the term of the lease shall cease and expire as if it were the expiration of the original term.

That in case this lease shall be terminated, cancelled or forfeited by the sublet, any of the terms and conditions herein contained or the demised premise be vacant for a period of ten (10) days, LESSOR shall immediately have the right to re-enter and take possession of said premises and re-occupy the same without notice and without being liable for damages, and also any part of the premises herein demised that may have been subleased. LESSOR may re-let the Premises for the remainder of the term

at the best rent it can obtain for the account of the LESSEE who shall make good any deficiency, which shall be payable monthly.

Section 20: That LESSOR, it's employees or agents, shall have at reasonable times, access to any part of said premises for the purpose of examining same or make any necessary repairs or changes in plumbing, electric wiring, or pipes, gas pipes, heating or other alterations and repairs in any part of the Premises hereby leased, which it may be incumbent upon LESSOR to make.

Section 21: The LESSEE covenants both for itself and its agents and employees faithfully to observe and keep all necessary rules and regulations of the building which affect said premises and will at its own cost and expense make any and all necessary alterations or changes in the premises which may be necessary because of any act of LESSEE, its employees and agents in violation of any law, ordinance, rule or regulation of any City, State, or Government Body, except that all structural alterations or additions may only be made upon the prior written approval of the LESSOR; that upon the failure of LESSEE to make or proceed to make, any such changes or alterations within thirty (30) days after being required to by any order, rules, regulation or ordinance last above referred after receipt of said order or notice, that then and in that event the said LESSOR may enter the premises at its option and do perform said alterations or make said LESSOR may enter the premises at its option and do and perform said alterations or make such changes at the cost and expense of LESSEE, which said expense shall be deemed as rent and added to the next monthly installment of rent then accruing and be collectible as such.

Section 22: In case of any damages or injury to the glass in demised premises or damage or injury to the same premises of any kind whatsoever, said damage or injury being caused by the carelessness, negligence or improper conduct of LESSEE, its agents, guests, or employees, then said LESSEE shall cause said damage or injury to be repaired in equal quality and type as speedily as possible at its own cost and expense, otherwise the same shall be replaced and repaired by LESSOR at the cost of LESSEE.

Section 23: LESSOR agrees that it will keep said building open and in operation during regularly accepted business hours, that is Monday through Friday, 9:00 A.M. to 5:00 P.M., excluding holidays and emergencies.

Section 24: Any payment, where appropriate, may be in the form of service to the project. Only the Executive Director, at his or her discretion, will authorize service lieu of payment.

Section 25: LESSEE agrees at the term of this lease to keep the floor of these premises in a clean and sanitary conditions, to use all necessary and approved safeguards and fire risks, to maintain drip pans sublet under ant of its vehicles or machinery to prevent oil, grease, ink or other materials from sinking into leased premises or common areas including the parking garage. LESSEE shall not cause any holes to be made in said floor or walls for the purpose of anchoring machinery, shelving, and office partitions or for any other reason whatsoever, unless express authorization is obtained from LESSOR.

Section 26: LESSOR will provide all signs and signage and no other shall be utilized except upon the LESSORS prior approval. If the LESSEE violates this stipulation and installs signage (i.e. door signs) and

damage occurs from this signage removal, the LESSEE will be responsible for all repair costs associated with unauthorized signage installation.

Section 27: It is expressly understood and agreed by and between the parties to this Agreement that LESSOR shall not be liable for: any damage or injury caused by water which may be sustained by LESSEE or other person; or any damage or injury resulting from the carelessness, negligence, or improper conduct on the part of any other lessee or agents or employees; or by reason of the breakage, leakage, or obstruction of the water sprinkler of Said pipes, electric conduits or wiring or other leakage or breakage in or about said building, unless due to LESSOR's negligence or neglect.

Section 28: LESSEE further agrees that it will not encumber or obstruct the sidewalk or access ways in front of or adjacent to said building or allow the same to be obstructed, and that no goods, materials or machinery or other articles shall be stored on said sidewalk or in the hallways of the leased premises, or left there for a period longer than shall be absolutely necessary to transport them to or from Premises of LESSEE.

Section 29: LESSOR agrees to provide suitable trash and recycling containers with regularly scheduled pick-up service sufficient to handle normal business needs. LESSEE agrees to use appropriate recycling practices- as described by Incubator management- and prevent unsightly accumulation of trash and debris in its office, common areas and exterior locations. LESSEE is responsible for the offsite disposal of any large boxes, shipping containers or pallets, and all non-bagged debris. If the LESSEE does not properly dispose of oversize garbage/recycle items, the LESSOR will charge a $25 haul-away cost for each item that does not fit in the provided receptacles or for items not recycled.

Section 30: LESSEE is responsible for the smoking of all its employees, agents, and representatives within 50 feet of the building. The only smoking permitted consistent with the Tacoma-Pierce County Health Department regulation is in the designated smoking area in the North section of the parking garage. All smoking products, including cigarette butts, are to be properly disposed in the smoking container at this designated site. All other wrappings and smoking debris are to be properly disposed in a garbage container.

Section 31: LESSEE is responsible for the use of the premises- including protection of all building keys – by any of its employees, agents, and representatives. All such persons shall maintain locked building premises whenever entering or leaving the building prior to 8:00 am on normal business days; entering or leaving the building after 5:00 pm on normal business days; and at all times during weekends and holidays. No building or office keys shall be copied or made available to others not specifically approved- in writing- by Incubator management.

Section 32: The LESSOR has the right to charge the LESSEE a $25 per lost or damaged key (including office, building entrance and mailbox keys) charge. If the LESSOR determines that the door must be re-keyed, there will be a $100 fee charged to the LESSEE.

Section 33: LESSEE agrees to follow scheduling procedures for use of Third Floor Boardroom and Second Floor Atrium conference room, including posting LESSEE's name on the master calendar to include the

date and times in which the conference room(s) is used. LESSEE also agrees to clean all common meeting areas immediately following LESSEE's use of such areas. LESSEE shall abide by the written cleaning instructions provided in the room and appropriately clean all other common areas after LESSEE's use.

Section 34: LESSEE agrees to maintain cleanliness in the Third Floor kitchen area, including the proper disposal of food and beverage items, cleaning the sink and microwave, and removing tainted food products from the refrigerator.

Section 35: LESSEE agrees to park all vehicles, including private automobiles of employees, in designated parking areas.

Section 36: The LESSEE agrees they will not use portable space heaters in offices unless they have received permission from the LESSOR.

Section 37: The LESSEE agrees they will not have any animals in the offices of buildings at any time. If the LESSEE violates this agreement, the LESSOR will provide one warning to remove the animal. Upon a second animal violation, the LESSOR will have the right to request the LESSEE to vacate the premises within 30 days. Additionally, the LESSOR will withhold carpet cleaning costs from the LESSEE's damage deposit if the LESSEE has an animal in their office.

Section 38: This LEASE is non-assignable. Parties agree that in event of any dispute concerning this contract, venue shall be in Pierce County.

Section 39: If Lessee is a corporation or other entity, the individual signing this Lease will also personally and individually responsible for all rent, service, or other obligations arising out of this Lease.

Section 40: In the event that a dispute arises between the parties and either party secures the assistance of legal counsel, the non-prevailing party shall pay the prevailing party his or her actual attorney's fees and costs incurred, with or without suit or other legal proceedings. For the purposes of this clause, the term "prevailing party" is defined as the party in whose favor a net monetary judgment or settlement is awarded or secured after all offsets, claims, counterclaims and allowances have been resolved, exclusive of the attorney fee award.

In witness whereof, LESSOR has presented this signed and sealed, and the LESSEE has signed and sealed, the day and year first above written. SIGNED AND ACKKNOWLEGED
LESSEE:
Signature: _____ Title: _____

Business Name or Organization: _____
LESSOR:
Signature: _____

Title: _____
Organization: _____
Date: _____

WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR
LEASE AGREEMENT

ATTACHMENT A
INCUBATOR GUIDELINES: TENANT SELECTION

Section 1: All requests for tenant space and leasing arrangements will be reviewed and approved in accordance with the Incubator's Client Selection, Participation and Graduation policies.

Section 2: Tenants must meet the following criteria:

a. Compatibility with zoning requirements.
b. Appropriate space availability
c. Appropriate business type (not retail, warehousing, or manufacturing) with low incidence of foot traffic
d. Willingness to execute a tenant agreement including:
    1) First Source Hiring Agreement
    2) Willingness to relocate within Tacoma/Pierce County upon leaving THE WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR.
    3) An individualized business assistance plan which includes an appropriate educational segment.
e. Other weighted tenant selection criteria will include:
    1) Job creation and growth.
    2) Demonstrated need for Incubator services.
    3) A significant percentage of the business being owned by the active principals.
    4) The business being primarily minority and/or female owned.
    5) The business being primarily owned by Tacoma/Pierce County resident(s).
    6) A preliminary business plan having been prepared consisting of a feasibility study and forecast of financing.

Section 3: Criteria for judging the viability of new businesses include:

a. Reasonable expectations of the firm including financial forecasts.
b. Background and ability of active principles to operate the business.
c. Adequate identification of and access to capital for business purposes.

Section 4: Criteria for Evaluating Businesses include:

a. Normal financial ratios (to ensure business is not unduly indebted).
b. Adequate financial exhibits.
c. Demonstrated access to funds to support current and operational growth.
d. Successful past profitability and growth record.

Section 5: Tenancy will be based upon the ability of the company to create new jobs. As part of the Lease Agreement, a job creation plan will be submitted and the Tenant's Lease will be reviewed annually as to their adherence to the job creation plan. Businesses which are not reaching projected job creation goals may have their leases terminated with a 90-day notice.

Section 6: Startup business Incubator services will be limited to three years, unless otherwise extended to mutual agreement.

Section 7: LESSEE will submit quarterly performance reports at the end of March, June, September, and December. LESSEE should expect to hold monthly review meetings with Incubator Staff to review sales, targeted job levels and business plan changes.

LESSEE:

Signature: _____

Title: _____

Business Name or Organization: _____

LESSOR:

Signature: _____

Title: _____

Organization: _____

Date: _____

WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR
LEASE AGREEMENT

ATTACHMENT B
INCUBTAOR FIRST SOURCE GUIDELINES

I. GENERAL TERMS

A. WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR wishes to assure continuing employment opportunities for economically disadvantaged county residents with employers located within Pierce County area.

B. The EMPLOYER wishes to use PIERCE COUNTY WORK SOURCE, THE TACOMA LOCAL EMPLOYMENT AND APPRENTICESHIP PROGRAM, WASHINGTON STATE WORK FIRST, TRIBAL EMPLOYMENT REFERRAL OPPORTUNITIES and similar programs as a first source for recruitment, referral and placement of employees. The aforementioned agencies offer employment, recruitment, referral and placement service.

C. These guidelines shall take effect when signed by the parties below and shall be in full force and effect for the period of the Lease for the Incubator Business.

D. In all hiring or employment made possible by or resulting from this contract there will not be any discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin, and affirmative action will be taken to ensure that applicants are employed, and the employees are treated fair during employment without regard to their race, color, religion, sex, or national origin. This requirement shall apply to, but not be limited to, the following: employment, upgrading,

termination; rates of pay or other forms of compensation; and selection for places available to employees and applicants for employment, notices to be provided by HUD, setting forth the provisions of this clause.

E. All applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin. Each participant in this contract will comply with all requirements of HUD Title VI of the Civil Rights Act of 1964 and any subsequent acts. The LESSEE further agrees to comply with all terms and conditions of City, County, and State laws pertaining to non-discrimination and affirmative action.

F. Preference will be given to create employment opportunities for lower income and unemployed Tacoma residents.

II. RECRUITMENT

A. "Covered positions" include all employers job openings created as a result of internal promotion, termination, and expansion of Employer's work force.

B. At least fourteen (14) working days prior to the anticipated hiring dates, the Employer will notify the agencies of the need for new employees in covered positions.

C. For covered positions, notification to the agencies shall include, but need not be limited to, the number of employees needed by job title, hiring dates, rates of pay, hours of work, anticipated duration of employment and work to be performed. In order for the agencies to determine whether the person meeting Employer's personal needs, job descriptions—including minimum qualifications stated in quantifiable and objective terms—shall be provided.

D. Positions, which are not managerial, highly technical, or professionally created in the future by the EMPLOYER, shall also be regarded as positions covered by these guidelines. Positions of a supervisory nature or which require two or more years of formal training are not considered covered positions.

E. The EMPLOYER may also notify the State of Washington's Employment Security Department of all positions vacancies, which are not "covered positions" as defined in pay and the anticipated hire dates. The EMPLOYER will also notify the agencies of the date by which it must refer qualified applicants to the EMPLOYER for management, technical and professional vacancies; however, the EMPLOYER will not be bound to hire from these referrals.

F. Job openings to be filled by internal promotion from the employer's local work force need not be referred to the Incubator for placement and referral.

III. REFERRAL

A. It will be the responsibility of the agencies to notify the EMPLOYER, no later than five (5) working days prior to the anticipated hiring date of the number of applicants it will refer. Agencies are expected to make every reasonable effort to refer at least one (1) qualified person for each job opening.

B. In the event agencies cannot refer the total number of qualified personnel requested, the EMPLOYER will be free to directly fill positions. In this event, EMPLOYER will make a good faith effort to hire local or Pierce County residents otherwise unemployed.

C. Agencies may track job retention of employees placed under these guidelines for 90 days following placement. EMPLOYER will cooperate in these follow-up efforts.
D. Agencies may monitor Employer's performance under these guidelines. EMPLOYER will cooperate in agencies monitoring efforts.
E. After EMPLOYER has selected its employees, agencies will not be responsible for employees' actions and EMPLOYER hereby releases agencies from any liability for their actions.

LESSEE:
Signature: _____Title:_____

Business Name or Organization: _____

LESSOR:
Signature: _____

Title: _____
Organization: _____Date:_____

WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR
LEASE AGREEMENT

ATTACHMENT C
INCUBATOR GUIDELINES: TENANT MONITORING SYSTEM

In order to attain the goals of the Project in general, LESSEE hereby agrees as follows:

1. In addition to all other training, LESSEE shall provide written reports quarterly, including, but not limited to, a summary of the business's employment, gross revenues, contracts obtained and requests for Incubator assistance.
2. If LESSEE is in default in its obligation to pay rent, LESSEE shall make books, records, and other financial information available to Landlord, for review during business hours.
3. LESSEE shall use its best efforts to utilize employment referrals from agencies and/or hire from low-and moderate-income areas.
4. During the Term of the Lease, and afterward, LESSEE shall use its best efforts to locate any future company offices or related facilities within Tacoma/Pierce County.
5. In the event the LESSEE elects to incorporate under State of Washington Laws this Lease shall be terminated upon receipt of notices from LESSEE and a new Lease made in the name of the Corporation shall be executed, based on the terms and conditions contained herein.

LESSEE:
Signature: _____
Title: _____

Business Name or Organization: _____

LESSOR:

Signature: _____

Title: _____

Organization: _____

Date: _____

WILLIAM M. FACTORY SMALL BUSINESS INCUBATOR

LEASE AGREEMENT

ATTACHMENT D

INCUBATOR GUIDELINES: PROJECT ASSURANCES

LESSEE hereby assures and certifies to comply with all regulations, policies, guidelines and requirements of the Title I of the Housing and Community Development Act of 1974 as amended, referred to as "the ACT." Also, LESSEE assures and certifies to the Municipal Authority and the City of Tacoma that the project:

A. Will comply with the requirements that no person in the United States shall on the ground of race, color, or national origin will be executed from participation in, be denied the benefits of, or be otherwise subjected to discrimination in any program or activity receiving Federal financial assistance.
B. Will comply with Title VIII of the Civil Rights Act of 1968 (P.L.90-284) popularly known as the Fair Housing Act, which provided that it is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States and prohibits any person from discriminating in the sale or rental of housing, the financing of housing, or the provision job brokerage services, including in any way making unavailable or denying a dwelling to any person because of race, color, religion, sex, or national origin.
C. Will comply with the requirements that no person in the United States shall on the grounds of race, color, national origin, or sex by excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the Community Development funds. The Act further provides that any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973, shall also apply to any program or activity funded in whole or in part with funds made available pursuant to the Act.
D. Will comply with Section 3 of the Housing and Urban Development Act of 1968, which requires, in connection with the planning and carrying out of any project assisted under the Act, that to the greatest extent feasible opportunities for training and employment be given to lower income persons residing within the unit of government or metropolitan area in which the project is located, and that contracts for work in connection with the project be awarded to

eligible business concerns which are located in, or owned in substantial part by personas residing in the same metropolitan area as the project.

E. Will comply with Executive Order 11246, as amended by Executive Order 11375 and 12086, which provides that no person shall be discriminated against on the basis of race, color, religion, sex or national origin in all phases of employment in the performance of federally assisted construction contracts. Contractors and subcontractors on federally assisted construction contracts shall take affirmative action to ensure fair treatment in employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training and apprenticeship.

F. Will comply with Section 110 of the Act which requires that all labor and mechanics employed by contractors and subcontractors on construction work financed in whole or in part with assistance received under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the David-Bacon as amended.

G. Will comply with Executive Order 11063, as amended by Executive Order 12259, which provides that all action necessary and appropriate be taken to prevent discrimination because of race, color, creed, or national origin in the sale, rental leasing or disposition of residential property and related facilities or in the use or occupancy thereof where such property of facilities or in the use or occupancy thereof where such property or facilities are provided with federal assistance.

H. Will comply with provisions of the National Environmental Policy Act of 1969.

I. Will comply with Section 202(a) of the Flood Disaster Protection Act of 1973, which prohibits the use of Federal assistance for a project in an area of special flood hazard.

J. Will comply with Executive Order 11985, relating to the evaluation of flood hazards and Executive Order 11288, relating to the prevention, control and abatement of water pollution.

K. Will comply with the relocation requirements of the Title II and the acquisition requirements of Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the implementing regulations.

L. Will comply with Section 401(b) and Section 302 of the Lead-Based Paint Poisoning Prevention Act, which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance in any form and establishes procedures to eliminate as far as practicable the hazards of lead-bases paint poisoning with respect to any existing housing which may present hazards.

M. Will comply with the regulations, policies, guidelines and requirements of OMB Circular No. A-102 revised A-110 and A-122 as they relate to the acceptance and use of Federal funds under this federally-assisted program and the conflict-of-interest requirements of the Community Development Block Grant regulations (570.611).

N. Will give the Tacoma-Community Redevelopment Authority, the City of Tacoma, HUD, the Comptroller General or any authorized representatives access to and the right to examine all records, books, papers, or documents related to the grant.

O. Will assist the City of Tacoma in its compliance with Section 106 of the National Historic Preservation Act of 1966 as amended (16 U.S.C. 470), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966.

LESSEE:
Signature: _____

Title: _____

Business Name or Organization: _____

LESSOR:
Signature: _____

Title: _____

Organization: _____

Date: _____

William M. Factory Small Business Incubator

LEASE AGREEMENT

Acceptable Use Policy (AUP)

1. **Definitions**
   - **1.1** **Service:** Any type of technology used to provide a service. This includes internet, phone, and any other technology that uses the internet and phone to operate.
   - **1.2** **End Point Devices:** Any type of hardware that is connected to the computer network which includes but not limited to computer systems, voice over internet protocol (VOIP) phones, printers and cell phones.
   - **1.3** **Illegal Purpose:** Can be but not limited to pornography, copyright violations, and illegal file sharing; sending harassing or threatening content; sending spam; engaging in phishing and other fraudulent activities; hacking into another system without or outside the network; distributing malicious code, accessing data on the network without permission; intercepting data on the network intended for others (using " sniffers" or otherwise); using spoofing techniques to disguise email addresses or other network activity.
   - **1.4** **Client/Tenant/Company:** Any entity who signed a lease with the Small Business Incubator.
2. **Internet Services**
   - **2.1** You must not use your service for any illegal purpose.
   - **2.2** Your traffic over the internet may traverse other networks, or use other services, which are not owned or operated by WFSBI. You must abide by the relevant acceptable use policies and other terms and conditions impose by the operators of those networks and services.
   - **2.3** WFSBI may, at its sole discretion, run manual or automatic systems to determine compliance with this AUP (e.g. scanning for open mail relays or "smurf" amplifiers). By accessing the internet via WFSBI you are deemed to have granted permission for this limited intrusion onto your networks or machines.
   - **2.4** You must only send IP packets which have a source address originating within any ranges of IP addresses for which we have agreed to provide you with connectivity.
   - **2.5** Your usage of the internet must conform to community standards.
3. **End Point Devices**
   - **3.1** Network hardware such as routers, switches, and wireless access points are prohibited from being connected to the network unless written consent is granted from IT management which will be in client file.
   - **3.2** VOIP phones that are provided for service are property of WFSBI shall not be removed from your suite or defaced in any way which includes but is not limited to writing on or physical damage of the end point. Violations of this will result in a bill to client who is receiving the service for the full retail price of the endpoint.
   - **3.3** Printers, copy machines, and scanners shall be used when an account is established to use these endpoints. Removing paper, staples or any other supplies without purchase is prohibited. Violations will be assumed as theft and could result in an invoice to the responsible client and/or termination of the responsible client's lease.

4. Door Access Control

4.1 It is the responsibility of the LESSEE to ensure compliance with the access control policies within their organization.

4.2 All access control cards/badges assigned to an individual are to be used by that person only.

4.3 All access control keys assigned to an individual are to be used by that person only.

4.4 The non-compliance with these rules can result in termination of the lease.

4.5 Any lost access cards or keys will be charged at $25 to the LESSEE.

Appendix D

EXIT INTERVIEW

Company Name:

Interviewee(s):

Interviewer:

Date:

1) When was the company admitted and when did/will it graduate from ETC? Was the company a tenant or an affiliate?
2) How did you hear about the ETC?
3) Why did you want to come to the ETC?
4) How many employees did you have upon entering the incubator? How many to date?
5) What new products and/or services were launched while you were a client of the ETC?
6) Were patents filed or technologies licensed? Please provide details.
7) What type of grants, loans, awards if any have been received since being at the ETC?
8) What did you expect to receive in terms of business advice and mentoring? Were your expectations met, not met, or exceeded? Please discuss.
9) What is the greatest value of being in an incubation program? What is the least value?
10) Were any relationships developed between your company and other tenants? If so, was this beneficial to them? (Examples: services, contracts, exchange services, etc.)
11) Overall, what is your impression of the incubation program and our services?

    What did you like/dislike?
    Was service satisfactory?

12) What should we improve?
13) Was the ETC responsive to your requests? Did staff follow up promptly?
14) What has been your biggest challenge? (Examples: funding, product launch, seeking new space, prospective hires, etc.)
15) What recommendations would you give a prospective tenant entering the incubation program at the ETC?
16) Please rate your overall experience with ETC:
    1. Poor

2. Fair
3. Good
4. Very Good
5. Excellent

Closing comments.