Business Incubation Case Study
1. Intro to Business Incubation
   A. General
   B. Northwest Regional Planning Commission
2. Virtual Incubation
3. Physical Business Incubation
4. Building Your Own Incubator
Business Incubation: Introduction
Business Incubation is...

the process of accelerating the growth and success of start-up and early stage companies through an array of business support resources and services that could include:

- Physical space
  - Capital
  - Coaching
- Common services &
  - Networking connections.
Another Tool in the Toolbox...

Business Incubation
...one more economic development strategy at our disposal.

STRATEGY 1  Business Retention & Expansion
STRATEGY 2  Business Recruitment
STRATEGY 3  Downtown Redevelopment
STRATEGY 4  Business Incubation
Why Businesses Fail

1. Lack of Know-How
   - Little understanding of business fundamentals
   - Little prior business experience
   - Poor preparation, initiation and planning

2. Lack of Capital
   - Many start up with too little capital
Survival Rates Improve

Incubation significantly boosts new business survival rates.

About 48% of businesses are still alive by Year 5. (52% are DEAD!)

In an incubation environment the 5-year survival rate is **87%**
It’s a long term strategy

- Company enters Incubator
- Average 2.5 years company starts to take off
- 3-6 years company graduates from incubator
- 7-10 years things get exciting

YEARS
Success Varies

- < 10 emp.: Struggle
- 10 - 50 emp.: Moderate
- 50 - 75 emp.: Success
- 75+ emp.: Home Run

FAIL

SUCCESS
But It Really Works!

<table>
<thead>
<tr>
<th>Company</th>
<th>Age</th>
<th>Emp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4 years</td>
<td>47</td>
</tr>
<tr>
<td>B</td>
<td>5 years</td>
<td>34</td>
</tr>
<tr>
<td>C</td>
<td>5 years</td>
<td>18</td>
</tr>
<tr>
<td>D</td>
<td>5 years</td>
<td>17</td>
</tr>
<tr>
<td>E</td>
<td>7 years</td>
<td>14</td>
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Results to date
40 Companies
373 jobs
$53 Million in Annual Sales
$16.8 Million Annual Payroll
$42.2 Million Private Investment
Grantsburg Enterprise Center
20,000 sf Incubator
2 tenants

12,000 sf Incubator
3 tenants

Grantsburg Enterprise Center
20,000 sf & 12,000 sf
Grantsburg, WI
Pop. 1,200

Incubator graduates
Siren Enterprise Center
16,000 sf
Siren, WI
Pop. 806
Spooner Enterprise Center
(four facilities)
60,000 sf
Spooner, WI
Pop. 677
“Virtual” Business Incubation

(Start here)
Too many vacancies downtown!

Business Plan Contest

Round 1 – 1 page describing idea
Round 2 – Business Plan
Round 3 – Presentation / Q&A

Prizes

$10,000 start-up capital
$2,000 sign & awning grant
Website
Newspaper & Radio advertising
Chamber membership
Coaching / mentoring (SBDC & SWIF)
Building Renovation
Elena’s Bakery “The Sweet Spot”
Stamp-N-Storage

- Business Plan Contest
- Prizes
  - $5,000 working capital
  - Coaching / mentoring

https://youtu.be/k9RX5WAxtbA
Physical Business Incubation
Goals

1. Populate industrial park
2. Diversify local economy
3. Spark entrepreneurial activity
4. Build tax base
5. Additional customers for power utility
6. Create jobs
Industrial Park

Location
Building Layout

- 80’ wide bays
- Bathrooms
- 2 Docks
- 2 Docks roughed in
- 3 drive-in doors
- Utilities separately metered
Admission Criteria

✓ Manufacturing
✓ Must “Export”
✓ Physical growth required
Company Requirements

✓ Coach / mentor (SBDC and / or Initiative Foundation)
✓ Monthly check in w/ Incubator Staff
✓ “Drop money to bottom line”
✓ If successful – establishing their own facility.
Dealing with Private Sector

Won’t compete with private leasing.

✓ We’re not “renting space” – *we’re incubating companies.*
✓ No “lifestyle” businesses
✓ No service businesses
✓ Selective admission criteria
Features

- Low rents ($3.84 psf)
- Education
- Resources
Grantsburg Enterprise Center
Grantsburg Enterprise Center
Grantsburg Enterprise Center

Interior
Grantsburg Enterprise Center

Interior
Hutchinson Enterprise Center

- 20,000 sf
- 5 bays (each 4,000 sf)
- 2,000 sf offices
- Conference Room
- Work Room
- Break Room
- Guest Offices (2)
- Key card entry system
- SB2030 energy standard
Hutchinson Enterprise Center
Hutchinson Enterprise Center
Hutchinson Enterprise Center
Hutchinson Enterprise Center
Hutchinson Enterprise Center
Hutchinson Enterprise Center
Hutchinson Enterprise Center

- Laser marking, laser etching and laser engraving
- Many of the products are class III implantable devices.
- Obtaining ISO 9001 Certification
  - 8,000 sf
  - Current employment 3 Ft / 2 PT
  - 2-Year projection 10 FT
  - 3-year projection 15 FT
Hutchinson Enterprise Center
Hutchinson Enterprise Center

- Manufacturer of precision cut foam, polystyrene and Styrofoam.

  “If you can dream it, we can built it with foam!”

- 5,000 sf

- 3 FT employees
Hutchinson Enterprise Center
Hutchinson Enterprise Center
# Construction Budget

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Architectural &amp; Engineering</td>
<td>$55,000</td>
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<tr>
<td>Construction Monitoring</td>
<td>$38,030</td>
</tr>
<tr>
<td>Site work / Parking lots / Footings &amp; Foundations</td>
<td>$705,140</td>
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<tr>
<td>Building / Interior SOG / etc.</td>
<td>$1,332,860</td>
</tr>
<tr>
<td>Alternates</td>
<td>$182,200</td>
</tr>
<tr>
<td>Miscellaneous (Key Card Entry / I-T items)</td>
<td>$17,752</td>
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<tr>
<td>Contingency</td>
<td>$128,681</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,459,663</strong></td>
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Base bid was $2,038,000
Alternates Included

<table>
<thead>
<tr>
<th>Alternate</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>Offices</td>
<td>$138,800</td>
</tr>
<tr>
<td>Concrete truck lot</td>
<td>$11,300</td>
</tr>
<tr>
<td>Windows / Drywall</td>
<td>$25,000</td>
</tr>
<tr>
<td>8’ Metal Liner</td>
<td>$7,100</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$182,200</strong></td>
</tr>
</tbody>
</table>
Funding Your Incubator
Funding Your Incubator

I. Tax Increment Financing
   A. Existing Tax Increment
   B. Economic Development TIF District

II. MIF Dollars
   A. De-federalized
   B. Federalized

III. City
   A. Excess Bond Fund
   B. General Fund Balance

IV. Federal EDA
Action Steps

✓ Join InBIA.

✓ Attend InBIA Annual Conference.

✓ Visit Hutchinson.

✓ Do a “virtual” incubation project.
Review

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Questions?
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