

Cecil County Incubator Feasibility Study

Progress Update Meeting

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Outline

- Review of Key Phase 1 Conclusions
- Vision
- Business plan
 - Legal structure
 - Governance
 - Management
 - Facilities / Operational Resources
 - Services
 - Marketing plan
 - Staffing
 - Financial model
 - Performance Metrics
- Funding sources
- Implementation Plan



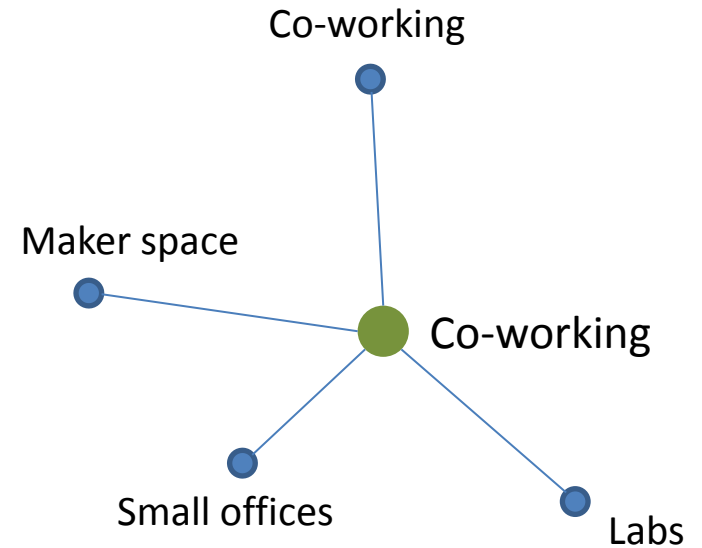
Resources

- Space

- Central location, ideally with easy access to other amenities
 - Co-working space (open plan, meeting rooms, phone booths, etc.)
 - Management office
- Partner space
 - Additional space, additional locations, specialist facilities, etc.

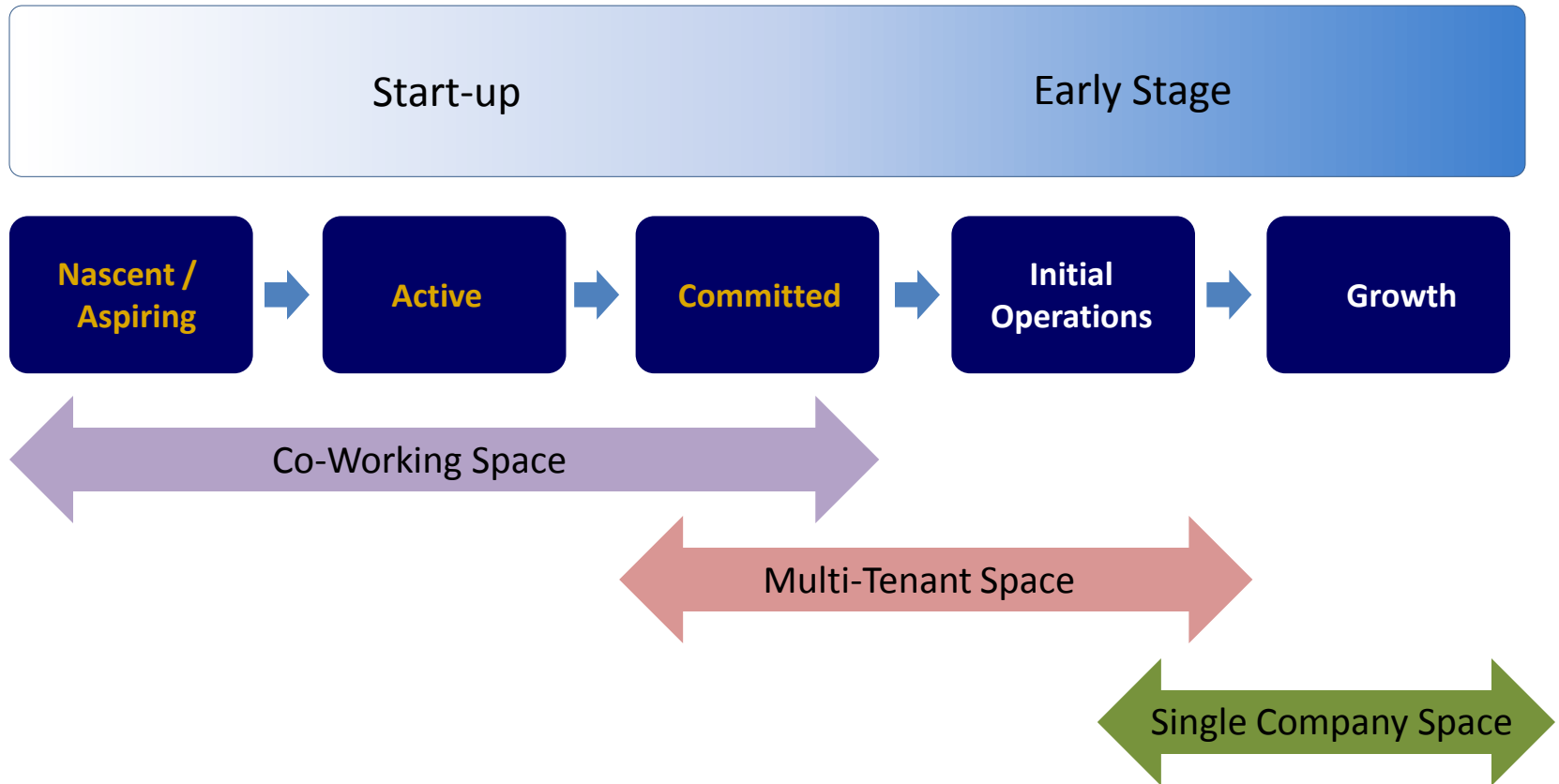
- Services - leveraging partners

- Mentoring
- Training / Education
- Networking
- Internships
- Advisory boards





Entrepreneur / Company Space Requirements





Proposed Model

- **Model**
 - Partnership-based
 - Community-wide initiative
 - Multiple resources and locations
- **Governance**
 - Non-profit
 - Partnership model – anyone providing resources is a partner
 - Board oversight – representatives of all partners
- **Operational**
 - Space + Services
 - Membership-based
 - Low cost

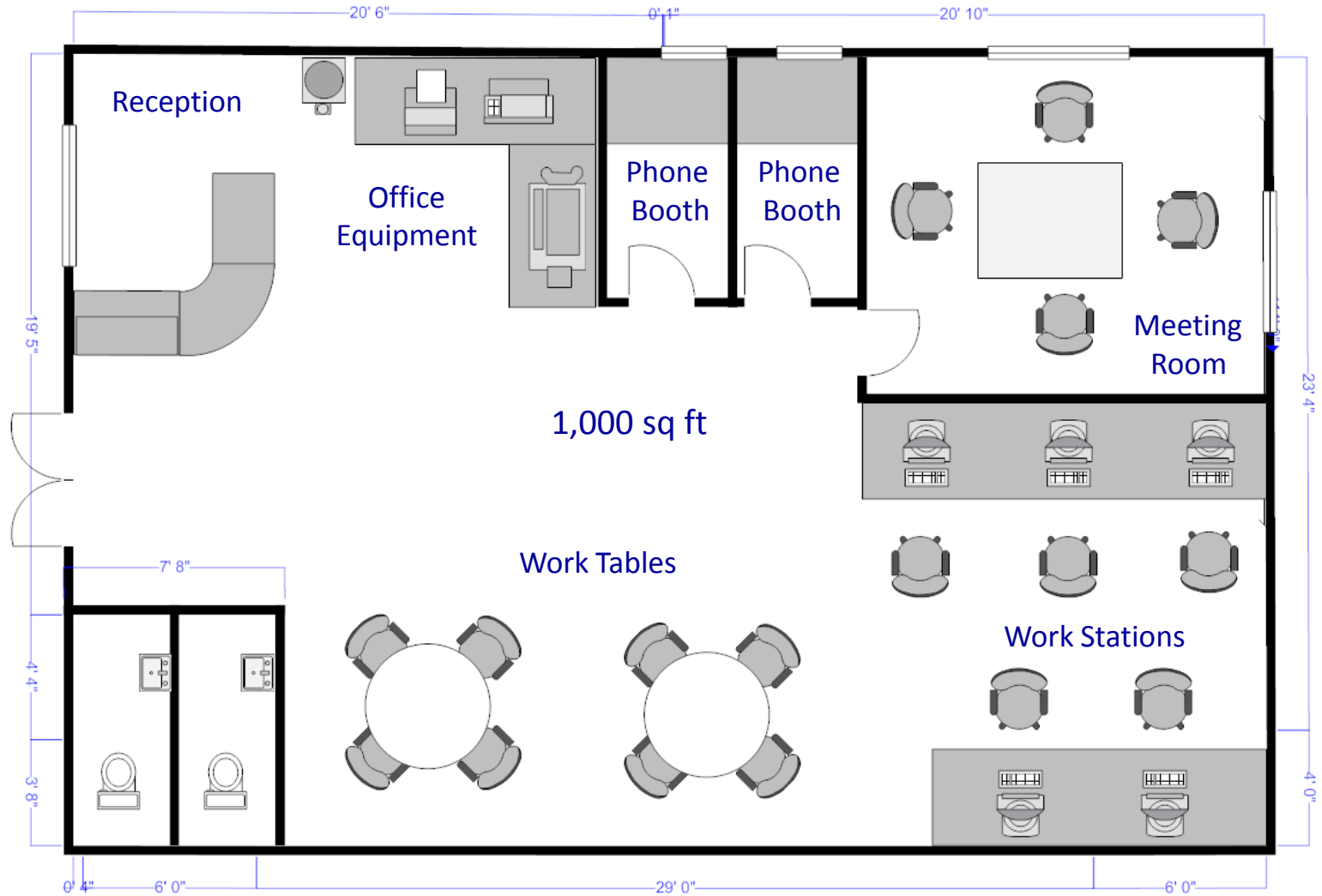


Vision

- An integrated framework of support for entrepreneurs to:
 - Create **new companies** that will be **anchored in Cecil County**
 - Provide resources for **existing early stage companies** to become established in Cecil County
 - Support their **long-term growth**
- A unique resource within the region – combining:
 - **Co-working Space**
 - **Incubator Space** (that co-working users can graduate into)
 - **Growth Space** for Incubator graduates
- Supported by multiple partners
 - Delivering services **on-site and at their own locations**
 - Cecil College
 - Cecil County Libraries
 - SBDC
 - Chamber of Commerce

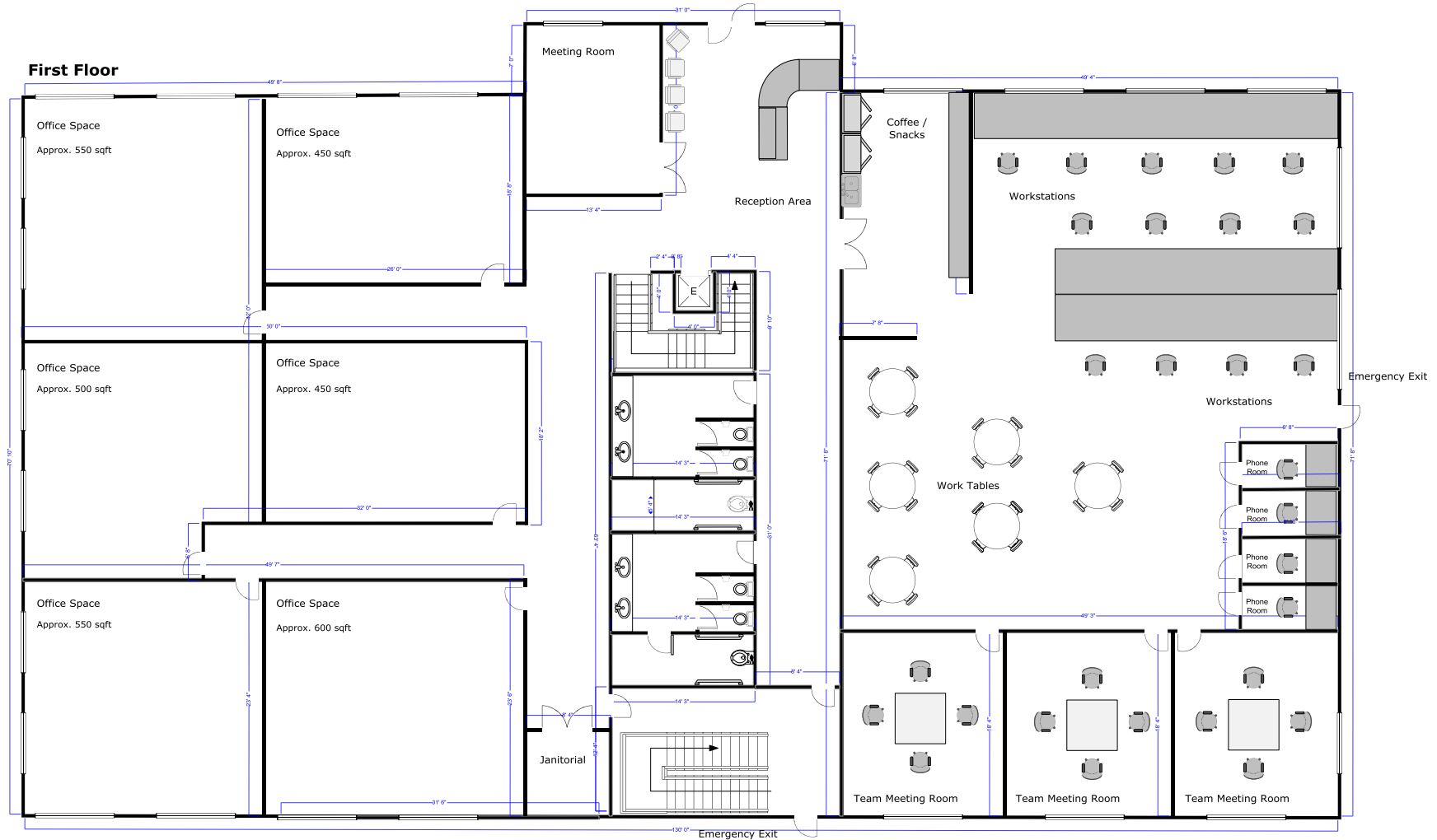


Example Small Co-working Space





Example Co-working + Multi-Tenant Space





Business Model

- Legal structure
 - 501 c 3
- Governance
 - Board drawn from Partners
- Management
 - Manager / CEO



Business Model

- Facilities

- Phase 1: Co-working Space

- 2,500 – 5,000 sq. ft. basic office
 - Legal, accounting , library services (on-site and / or at library location), etc.
 - Internet connectivity
 - Web site for sign-up, payment, space / training bookings, etc.
 - Some individual office space on site and / or via Cecil College

- Phase 2: Incubator Space

- 15,000 – 20,000 sq. ft. purpose-designed
 - Potentially co-locate the co-working space
 - Provide individual office units, meeting rooms, event / training space, (maker space)

- Phase 3: Multi-tenant Space (3 – 4 buildings over time)

- 20,000 – 40,000 sq. ft. purpose-designed
 - Individual units based on 1,000 sq. ft. modular plan
 - Provide individual office units, meeting rooms, event / training space



Business Model

- **Services**
 - Business support / information services via partners (Library, Chamber of Commerce, SBDC, Community College, etc.)
 - Education / training (Tech Council, CC, CoC) – not necessarily on-site
 - Networking events
 - Possible acceleration program / boot camp – delivered by partner(s)
- **Marketing Strategy / Plan**
 - Build relationships with key potential sources of clients (Cecil College, High School)
 - Explore corporate partnerships (corporate venturing)
 - Target students (incl. high school), technical workers, home workers
 - Local radio / TV/ newspaper for launch
 - Flyers / stickers, local radio / TV/ newspaper for launch
 - Web site / Social media



Business Model

- **Staff**
 - CEO / Director or Manager (acting as navigator for clients)
 - Co-working Space reception / office staff
(7.30am – 8.00pm cover and supporting CEO / Manager)
 - Transitioning to incubator
- **Financial model**
 - Membership-based – daily, weekly, monthly
 - Sponsorship
 - Pro-bono services
- **Performance Metrics**
 - Number of clients, new businesses, incubator graduates, companies attracted
 - Number of employees of business launched by clients / attracted
 - Participants in training programs / events
 - New programs launched (e.g. corporate venturing partnerships)



Business Model

- **Funding Sources**

- Scope for revenue generation but probably not fully covering costs
- Sponsorship
- Debt on incubator building
- Bond issue

- **Implementation Plan – Phase 1**

- Agree overall strategy with partners
- Establish 501 c 3
- Lease space (2 year initial lease, with 1 year extensions)
- Begin launch marketing
- Do essential clean up / refit of space (minimum required consistent with branding)
- Hire staff
- Set up IT system
- Welcome first users



Business Model

- **Implementation Plan – Phase 2**

- Confirm incubator plan elements / requirements
- Assemble building finance package
- Design building
- Finalize financing package
- Contract for construction
- Welcome first users

- **Implementation Plan – Phase 3**

- Commence outline planning, including finance, for first additional building immediately following incubator construction
- Implement construction in response to the anticipated demand.



Co-working Financial Model

Co-working Space Revenue		Year 3							Monthly	Annual
Office space		Total					Monthly	Annual	Total	Total
Unit size (sq. ft)	125									
Available units	2	250								
Rent / Unit / Month	\$350									
Average Utilization	90%									
Revenue								\$630	\$7,560	
Co-working space		Total	Per Month				Monthly	Annual	Total	Total
	Users	100%	1 Day	3 days	5 days	10 days	20 days			
			5%	50%	30%	10%	5%			
Average number of users per month	60	3	30	18	6	3				
Days / month / user		1	3	5	10	20				
Seat days per month		3	90	90	60	60	303			
Rate / unit time		\$20.00	\$20.00	\$18.00	\$17.00	\$15.00				
Package Rate		\$20.00	\$20.00	\$140	\$170	\$300				
Average revenue / month		\$60	\$1,800	\$1,620	\$1,020	\$900	\$5,400	\$64,800		
Meeting space		Total					Monthly	Annual	Total	Total
Unit size (sq. ft)	250									
Number of meeting rooms	2	500								
Average Rate per hour	\$30.00									
Average hours per week per room	25									
Monthly revenue	\$1,500						\$1,500	\$18,000		
Estimated Total Revenue Potential								\$7,530	\$90,360	
Average Day Usage			0	5	5	3	3	15		
Space (sq. ft.) per user								100		
Total Space								2,265		



Incubator Financial Model - 1

Incubator Space Revenue Model 20,000 sq ft building

Debt Service per month **\$42,500**
 Building

Type of Space	Size sq. ft	Number	Total	Clients	Cost Recovery	
					Rental Rate	Total Rent
Office 1	125	8	1,000	8	\$415	\$3,320.31
Office 2	200	8	1,600	8	\$664	\$5,312.50
Office 3	300	4	1,200	4	\$996	\$3,984.38
Office 4	500	6	3,000	6	\$1,660	\$9,960.94
Dry Lab 1	400	4	1,600	4	\$1,328	\$5,312.50
Dry Lab 2	600	4	2,400	4	\$1,992	\$7,968.75
Meeting 1	250	2	500			
Meeting 2	500	1	500			
Reception	750	1	1,000			
Event Space	1500	1	1,500			
			12,800	34		
Common Area			2,560			
Total			15,360			\$35,859.38



Incubator Financial Model - 2

Space	Year 3						Monthly Total	Annual Total
	Office 1	Office 2	Office 3	Office 4	Dry Lab 1	Dry Lab 2		
Unit size (sq. ft.)	125	200	300	500	400	600		
Rent / Unit / Month	\$300	\$375	\$450	\$550	\$600	\$800		
Available units	8	8	4	6	4	4		34
Average Utilization	35%	35%	35%	35%	35%	35%		
Clients	3	3	1	2	1	1		12
Revenue	\$840	\$1,050	\$630	\$1,155	\$840	\$1,120	\$5,635	\$67,620
Per Month								
Meeting Space	Meeting 1	Meeting 2						
Average Rate per hour	\$30.00	\$35.00						
Unit size (sq. ft.)	250	500						
Average hours per week per room	15	10						
Monthly revenue	\$1,800	\$1,400					\$3,200	\$38,400
Event space	Event 1							
Unit size (sq. ft.)	1,500							
Average Rate per hour	\$100.00							
Average hours per week per room	16							
Monthly revenue	\$6,400						\$6,400	\$76,800
Estimated Total Revenue Potential							\$15,235	\$182,820



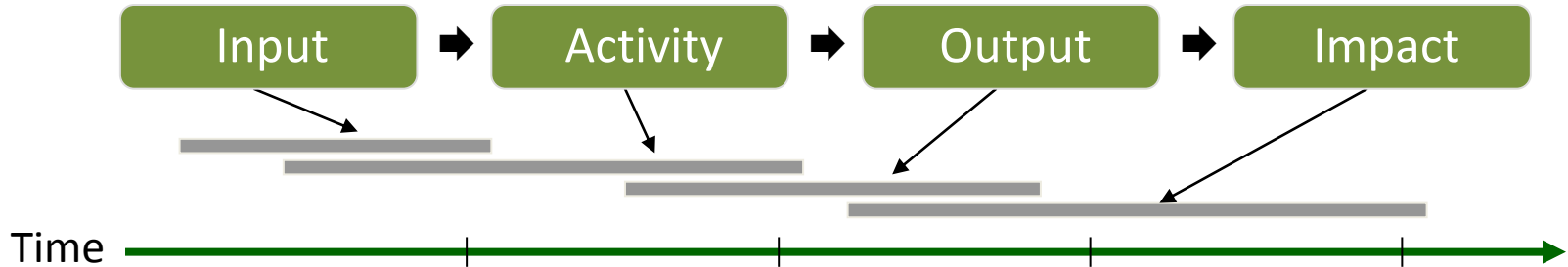
Financial Model Summary

	Coworking		Coworking + Incubator		
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Co-working Space	\$45,360	\$65,160	\$90,360	\$101,160	\$111,960
Incubator Space	\$0	\$0	\$182,820	\$293,220	\$355,380
	\$45,360	\$65,160	\$273,180	\$394,380	\$467,340
Expenses					
Exec Director	\$0	\$0	\$90,000	\$90,000	\$90,000
Co-Working Space Manager	\$54,000	\$54,000			
Receptionist / Admin	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Receptionist / Admin	\$0	\$0	\$30,000	\$30,000	\$30,000
Co-working Space Operations	\$89,400	\$89,400	\$30,000	\$30,000	\$30,000
Incubator Operations			\$594,500	\$594,500	\$594,500
	\$173,400	\$173,400	\$774,500	\$774,500	\$774,500
Surplus (Deficit)	(\$128,040)	(\$108,240)	(\$501,320)	(\$380,120)	(\$307,160)

Note: There will be a need for some initial start-up costs in year 1 for basic office equipment

Note: All staff costs include benefits

Performance Metrics



- **Direct** (measurable at the individual company level):
 - Entrepreneurs supported (**activity**)
 - Patents utilized (**activity**)
 - Capital raised by clients (**output**)
 - Grant funding obtained by clients (**output**)
 - Products Launched (**output**)
 - Job creation (**impact**)
- **Indirect** (measurable in aggregate)
 - Sector development (**impact**)
 - Geographical market reach (**impact**)
 - Reduction in Commuting (**impact**)
 - Community revitalization (**impact**)



Outputs

- Coworking clients served
 - Capacity of **125** members
 - Expect ongoing turnover - approx. **200** clients by year five
 - Approx. **30** graduating into the incubator
- Incubator clients served
 - Capacity of **34** clients
 - Expect ongoing turnover - approx. **45** clients by year five
 - **8 – 10** graduating into growth space



Overall Approach

- 1) Start with co-working space in Elkton
 - 3,000 – 5,000 sq. ft.

- 2) Develop a new facility
 - 15,000 – 20,000 sq. ft.
 - Incubator space (+ co-working space)

- 3) Develop grow-on space
 - In response to demand, but likely 20,000 – 40,000 sq. ft. buildings



Summary - 1

- Support for entrepreneurship in the County is highly desirable for economic development
 - Create companies that are likely to remain anchored within the county
 - Diversify the industry and employment base of the county
 - Provide opportunities for county residents who currently commute to other locations
 - Build a broader awareness of the opportunity for entrepreneurial career paths which are likely to become increasingly important in the future
 - Provide opportunities for commercialization of IP developed within the county
 - Provide opportunities for training and work experience for students within the county
- There is an opportunity to create a community-wide partnership that will:
 - Provide services to entrepreneurs in the County
 - Build on existing relationships
 - Leverage multiple resources / locations
 - Provide benefits to all organizations involved



Summary - 2

- **Coworking space will provide a valuable resource:**
 - Relatively low cost
 - Can support a relatively large population of clients
 - Provides a location for service delivery by partner organizations
 - Addresses the earliest stages of the entrepreneurial process
- **Incubator space would be beneficial as the initiative builds momentum**
 - Provide space for **entrepreneurs / companies 'graduating'** from the co-working space
 - Provide space for existing **companies moving into the County**
- **Modular multi-tenant space would be a useful subsequent addition:**
 - Accommodate companies graduating from the incubator
 - Provide space for existing **companies moving into the County**
- **Opportunity to create a research / technology park to bring these resources together in one location at the Basell site**



Thank You

Axcel Innovation LLC