Cecil County Incubator Feasibility Study

Progress Update Meeting

Gary Evans & David Lohr

June 3, 2015
Agenda

• Review of Phase 1
  – Economic Context
  – Demand Assessment
  – Economic Development Purpose
  – Market Analysis Report
  – Performance Metrics
  – Conclusions and Recommendations

• Phase 2
  – Economic Context
Business Incubation Requirements

- Demand
- Capacity (Potential Scale)
- Leadership
- Resources (Financial, Physical, Human)
- Community Support
Industry Base
## Change in Establishment Numbers 2007-2012

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<th>Industry Code</th>
<th>Description</th>
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</table>
Innovation Ecosystem

**Strong:**
- Commuting patterns
- Unemployment
- Skills
- (Education levels)
- Education infrastructure

**Not distinctive**
- Statewide programs
- Limited local provision
- Angel activity in region

**Changing:**
- Bus. tax, Incentives
- Regulation

**Mixed:**
- Limited at local level
- Strong at State level

**Good:**
- Road, rail, (air)
- Telecoms
- Sites
- Strong logistics capability

**Strong:**
- EDC, Tech Council, CoC
- State-level organizations

**Good in large companies**
- Some smaller companies but scope for growth
- School system
- Community College
- High level of patent activity
- Good innovative capacity

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Aberdeen Proving Ground

Cecil

Harford

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The Entrepreneurial Process

**Nascent**
Interested in the idea of being involved in an entrepreneurial venture but without any specific plan

**Aspiring**
Have identified one or more ideas that they would be interested in developing further but are not proactively pursuing them

**Active**
Have taken action to research one or more ideas and develop a plan in some form to progress one or more of them, potentially having brought others into the process

**Committed**
Have begun the implementation of their plan, forming a company, and committing substantial time and resources to its development
### Projected Levels of New Business Formation for Cecil County

<table>
<thead>
<tr>
<th>Estimation Method</th>
<th>Manufacturing / Technical Companies</th>
<th>Transportation / Logistics Companies</th>
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</thead>
<tbody>
<tr>
<td>Historical data (based on establishments)</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>Historical data (based on population)</td>
<td>39</td>
<td>14</td>
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<tr>
<td>Kauffman Entrepreneurship Index</td>
<td>42</td>
<td>15</td>
</tr>
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</table>

23 – 42 Companies per year in:
- Manufacturing
- Information
- Professional, Scientific, and Technical Services
- Educational Services

8 – 15 Companies per year in:
- Transportation and Logistics
Overall Demand Assessment

• Who will clients be?
  – County residents
  – Outward commuters
  – (Inward attraction)

• Where will they come from?
  – Existing companies
  – Community college
  – Current commuters
  – (High school)
  – (Inward attraction)

• Industries
  – Chemistry
  – Engineering
  – Anything

• Stakeholders
  – Highly supportive

• What do they need / want?
  – Networking
  – Workspace
  – Guidance (Mentors, Advisors)
  – Training (business, technical)

• How many?
  – 30 - 50 per year

• Sustainable?
  – Yes

• Demand stimulation
  – Largely untapped at present

• Competition
  – Mainly from North

• Scale
  – Small initially
## Potential Models

<table>
<thead>
<tr>
<th>Model</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional incubator</strong></td>
<td>• Can be good for companies needing specialist facilities</td>
<td>• Not suited to large client population</td>
</tr>
<tr>
<td></td>
<td>• Can be good for companies needing specialist facilities</td>
<td>• Less relevant to contemporary start-ups</td>
</tr>
<tr>
<td></td>
<td>• Can be good for companies needing specialist facilities</td>
<td>• Challenging financial model</td>
</tr>
<tr>
<td><strong>Co-working Space</strong></td>
<td>• Highly flexible</td>
<td>• Does not address need for services (mentoring, business advisory, etc.)</td>
</tr>
<tr>
<td></td>
<td>• Can support large client population</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Limited financial support required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Can be coupled with multi-tenant space</td>
<td></td>
</tr>
<tr>
<td><strong>Co-working Space + Services</strong></td>
<td>• As above but provides client services</td>
<td>• Requires client management resource</td>
</tr>
<tr>
<td></td>
<td>• Provides focal point for service delivery</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provides strong marketing message</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensures access to relevant services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial support focused on services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Can be highly cost-effective</td>
<td></td>
</tr>
<tr>
<td><strong>Multi-tenant Space</strong></td>
<td>• No staff or services overhead</td>
<td>• Not appropriate for the earliest-stage start-ups or individual entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>• Can work well for companies past the initial planning / start-up phase</td>
<td>• Limited scope for networking</td>
</tr>
<tr>
<td><strong>Co-working + Services + Multi-tenant Space</strong></td>
<td>• Provides a pathway from the earliest stages of the entrepreneurial process</td>
<td>• Additional space requirement</td>
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</tbody>
</table>
Entrepreneur / Company Space Requirements

- Nascent / Aspiring
- Active
- Committed
- Initial Operations
- Growth

Co-Working Space

Multi-Tenant Space

Single Company Space
Phase 2

• Business plan
  – Legal structure
  – Governance
  – Management
  – Facilities / Operational Resources
  – Services
  – Marketing plan
  – Staffing
  – Financial model
  – Performance Metrics

• Funding sources

• Implementation Plan
Model

• Model
  – Partnership-based
  – Community-wide initiative
  – Multiple resources and locations - not a single ‘place’

• Governance
  – Non-profit – may require a separate 501c3
  – Partnership model – anyone providing resources is a partner
  – Board oversight – representatives of all partners

• Operational
  – Space + Services
  – Membership-based
  – Low cost
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
Example Small Co-working Space

1,000 sq ft

Office Equipment
Phone Booth
Phone Booth
Meeting Room
Work Tables
Work Stations

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Example Co-working + Multi-Tenant Space
Coworking Space
Coworking Space
Coworking Space
Coworking Space
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)
Summary

• An incubation program would be of benefit to the County and would help to:
  – 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:
  – Build on existing relationships
  – Leverage multiple resources / locations
  – Provide benefits to all organizations involved
Thank You

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