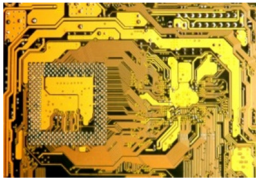


## Incubator Feasibility Study and Business Plan



## Phase 2 Business Plan and Financial Feasibility Study



For

Cecil County, Maryland  
Office of Economic Development



Prepared by Axcel Innovation LLC  
November 30, 2015



# Cecil County, MD

## Incubator Feasibility Study and Business Plan Phase 2 – Business Plan and Financial Feasibility Study

### Report Contents

1. Executive Summary .....	1
2. Company Creation, Entrepreneurship, and Business Incubation .....	3
2.1 Trends in Entrepreneurship – From Tenants to Clients .....	6
3. Proposed Model .....	10
4. Business Plan .....	14
4.1 Overview.....	14
4.2 Legal Structure and Governance .....	15
4.3 Operational Model.....	16
4.4 Management and Staffing.....	17
4.4.1 Executive Director .....	17
4.4.2 Reception / Administrative Staff .....	17
4.5 Facilities.....	18
4.5.1 Phase 1: Co-working Space .....	18
4.5.2 Phase 2: Incubator Space .....	20
4.5.3 Phase 3: Multi-tenant Growth Space .....	21
4.6 Services .....	22
4.7 Marketing Strategy / Plan.....	24
4.8 Financial Model.....	26
4.8.1 Summary Sheet .....	27
4.8.2 Coworking Revenue Model .....	27
4.8.3 Incubator Space Revenue Model .....	28
4.8.4 Client Volumes .....	28
4.9 Performance metrics.....	29
4.9.1 Inputs .....	30
4.9.2 Activity .....	30
4.9.3 Outputs .....	31
4.9.4 Impacts .....	31
5. Implementation Plan .....	33
5.1 <b>Phase 1: Co-working space</b> .....	33
5.2 Phase 2: Develop a new Incubator facility.....	34
5.3 Phase 3: Develop grow-on space .....	34
5.4 Potential Location .....	35

## 1. Executive Summary

Axcel Innovation LLC was retained by the Cecil County Office of Economic Development to undertake a two stage process to determine if there was sufficient justification to develop a plan for the creation of a business incubation program in Cecil County, and if so, to develop a plan for doing so.

This report addresses the second of the two phases, the development of a Business Plan and a Financial Feasibility Study, builds on the conclusions drawn and recommendations made in the Phase 1 report which presented the results of a Market Feasibility Study.

Some contextual material presented in the Phase 1 report is also reproduced in Section 2 of this report as it has direct relevant to the conclusions and recommendations made. Some diagrams and associated data presented in the Phase 1 report are also reproduced in this report where their inclusion is pertinent to the discussion being presented.

The business plan presented in this report builds on the recommendations of the Phase 1 report, and presents a plan that comprises three phases, which taken together represent an integrated Entrepreneurship Center. The Center will require an Executive Director and additional support staff, and it is recommended that it is established as a 501(c)(3) tax-exempt organization, with an appropriate board structure. Board members would be drawn from the partner organizations that, during Phase 1 of the work, expressed a strong interest in participating in the initiative. These would include:

- Cecil County Economic Development Department
- Cecil College
- Cecil County Libraries
- The SBDC
- Cecil County Chamber of Commerce
- The SBDC
- North-East Maryland Tech Council
- Union Hospital
- MEDCO
- TEDCO
- Cecil County Public Schools

This is not intended to be an exhaustive list of prospective partners and new partners should be welcomed at any time, including private sector companies.

It is recommended that the development of the Entrepreneurship Center should be implemented sequentially, as follows:

- 1) The creation of a co-working space within the County to support all those County residents who wish to explore or pursue an entrepreneurial pathway in the early stages of that process. Most coworking spaces do not currently provide business support services but it is proposed that in the present case, these services can, and should be provided, leveraging the resources of the many organizations within the County that have expressed a desire to participate in the initiative
- 2) The creation of 'incubator space' to accommodate those companies that emerge from the co-working space (or other sources, including from outside the County) and need dedicated office space rather than the more open-plan environment associated with the co-working space model.

This additional space would be managed by the same staff team as the coworking space, would be closely integrated with the co-working space component, and would ideally be co-located with it provided an appropriate building can be found or constructed for the purpose.

The incubator space would be expected to provide small office units appropriate to early stage companies employing (or founded by teams comprising) up to four people. The staff team and partners of the Entrepreneurship Center would continue to provide support services to these companies, and the building in which the incubator space was housed would also provide amenities such as meeting rooms, an event space, and a kitchen area.

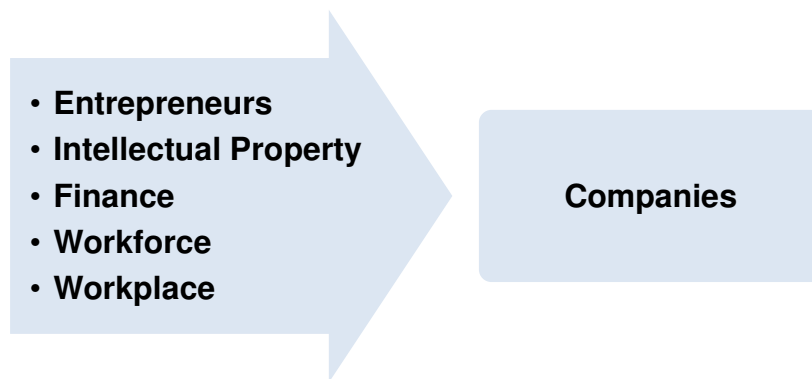
- 3) The development of multi-tenant space offering larger scale single-occupancy units for companies graduating from the incubator. This would ideally be in a purpose-built facility utilizing a design in which multiple 'modules' of 1,000 sq ft could be combined to provide a units of a range of sizes to meet the needs of different clients. This approach has successfully been deployed in other locations, and if the building is designed to allow drainage and ventilation appropriate for small-scale laboratory use, provides and extremely flexible resource.

The business plan includes an initial marketing strategy and a detailed financial model for the Entrepreneurship Center.

There appears to be an opportunity to pursue the implementation of the plan at the property currently housing the new Cecil County School of Technology. By locating the proposed Entrepreneurship Center in proximity to the school, and in proximity to several of the major technically-oriented employers in the County, additional leverage could be achieved, and a location created that would be unique within the region. A very strong brand could then be developed for the site as a Technology Park, not only to the benefit of the Entrepreneurship Center, but for the many partners involved, and for the County as a whole.

## 2. Company Creation, Entrepreneurship, and Business Incubation

The creation of new companies is, in theory, a relatively simple one, as illustrated in the following diagram, which can be represented as follows:



In this context, 'Intellectual Property' can mean anything from patents to a new business concept, or simply the knowledge that an individual has regarding how an existing business model can be deployed productively. The need for a location – some physical space in which the company can be established and function has traditionally meant office buildings, factories, warehouses, laboratory facilities, and other types of buildings dedicated to a particular purpose, but increasingly in certain fields, now also includes entrepreneurs' homes.

### Start-up Companies and Economic Development

In an economic development context, the interest in the creation and growth of private sector companies is in their role as a source of wealth creation, either through their contribution to the tax base, or through the employment of a workforce. New companies are often innovative in their business model or in their use of new technologies and can 'pivot' – changing direction in response to new technology, market information, or other external factors faster than larger more established companies. History suggests that established companies may be acquired, may shrink or fail as markets change, or may, in some cases, even relocate, emphasizing the value of new companies within a local or regional economy.

New companies also face considerable challenges, however. Their business models may be untested, their management capabilities may be limited, and they are typically financially constrained which can impact on their ability to acquire the resources they need to grow, or even to survive.

Equally, while potentially more monolithic and slower to change, established companies are more likely to have the financial reserves to enable them to weather difficult times and reposition themselves, and can provide continuity in the economy that is of considerable value. They also generally have much better access to the relevant market(s) than do start-up companies, with an existing customer base and a practical and pragmatic understanding of how their markets function.

In reality, a balance of new and more established companies provides a desirable combination of innovation and durability, and a flow of new businesses into an economy is almost always seen as a necessary condition for a healthy economy that can be sustained, and potentially grow. The interplay between new and established companies can also be highly productive – with early stage companies being able to innovate and refocus as the understanding of new products or services are developed while the larger companies can provide vital channels to market through partnering arrangements.

### High Growth Businesses

There has historically been debate within the economic development community concerning the extent to which economic development activity should focus on the subset of companies that exhibit, or are expected to exhibit, high growth, but efforts to identify these companies at an early stage have had mixed results, and have often led to economic development approaches that have been considered to be focusing support on companies that have already succeeded and are supported at the expense of other companies for which targeted assistance would have a much greater impact.

### Market or Technology Focus

A further consideration in assessing support for start-up and early stage companies is the question of adopting a focus on specific technologies or markets, which generally arises out of existing strengths that are believed to exist in a local or regional economy. While there can be a strong logic to support these approaches, it is important to bear in mind that many companies that are in less exciting fields can grow rapidly, such as Kinko's (now FedEx Office) - providing photocopying services, and 1-800-Got-Junk - essentially doing trash collection. Equally, in a rapidly-changing technological environment it can be extremely difficult to predict what new markets may exist, even in the near future, and which companies will be best placed to address them. New companies may also be able to revitalize existing markets in previously unforeseen ways.

For these reasons, unless there is an overriding set of local factors, it is often more advantageous to take a broad approach to business creation, from which a natural emphasis is likely to emerge, reflecting the strengths of the local entrepreneurial ecosystem and its ability to address specific markets.

### Support for Companies or Entrepreneurs?

For a long time, the answer to this question was that support should be provided to companies. Many economic development initiatives, including business incubation programs, were targeted at start-up companies – with many employing selection criteria that implicitly (or sometimes explicitly) excluded individual entrepreneurs that had not yet formed a company. The hurdle of creating a company in some form functioned as a preliminary filter for those who did not have the drive or the resources to move forward and convert their business idea into a traditional form.

There are several problems with this approach however:

- ◆ It fails to acknowledge that all companies in their earliest stages are driven by individual entrepreneurs or by small teams of individuals, and that it is the intellectual and emotional qualities of the entrepreneur(s) that to a large extent govern the success or failure of the enterprise.
- ◆ The nature of entrepreneurship has changed radically in recent years, with companies being able to access an extraordinary array of resources at very low cost through the medium of the internet, enabling people to create viable businesses that would once have not made it through the program entry requirements.
- ◆ Skills and experience are a major challenge for many aspiring entrepreneurs, who are trying to fill a range of roles in their business for which they have never been trained and have no relevant experience.
- ◆ Nascent entrepreneurs need networks to help build their knowledge and connect with potential partners and advisors if they are to move to the stage of creating a new company. Programs that do not address this and maintain a focus on a small select group of companies very probably lead to many opportunities never coming to fruition.

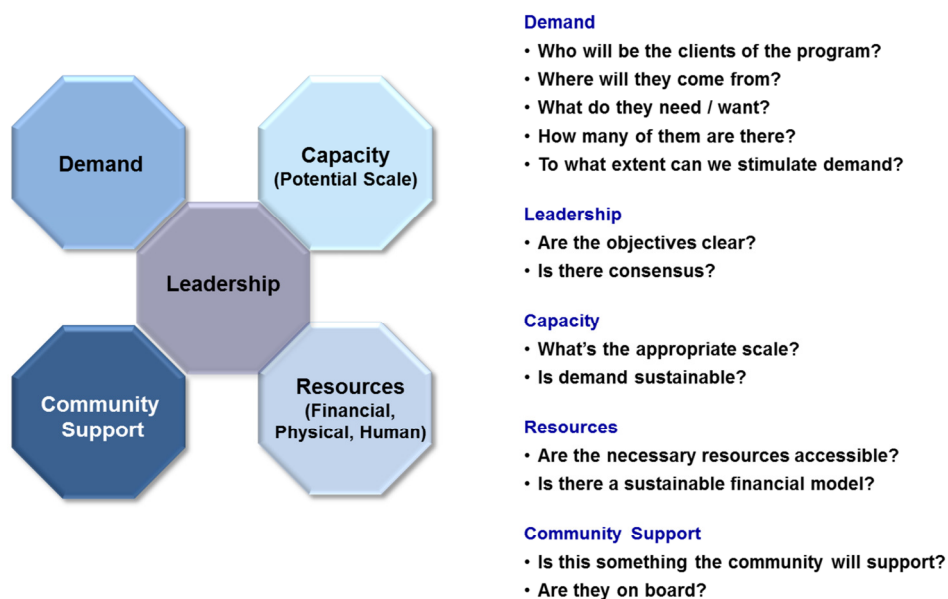
Given these considerations, support for the individual entrepreneur is an increasingly high priority for initiatives that are intended to support business creation and growth.

### Feasibility

The feasibility of incubation programs and related initiatives hinges on identifying where, and in what ways, the entrepreneurial process is not operating effectively to deliver the desired outcomes; what approaches could address these elements of the process; and whether a model can be devised in which the necessary resources can be accessed to deliver the desired outcomes on a sufficient scale.

Incubation is not, however, a purely mechanical process. It takes place within a community comprising real people whose support and participation is extremely important.

There are consequently five key elements that, in the experience of the Axcel team, must be considered in addressing the question of feasibility, as summarized in the following diagram:



Those elements that fall in the center and left of this diagram – Leadership, Community Support, and Demand were the subject of the Phase 1 feasibility report. The question of the resources required and the potential scale of any proposed program of activity are addressed in this Phase 2 report.

## 2.1 Trends in Entrepreneurship – From Tenants to Clients

Business incubation as a concept originated in the late 1960s as a response to a lack of resources available to early stage companies – particularly in respect of the availability of office and manufacturing space of an acceptable quality that could be rented on a flexible basis. Over the subsequent decades, a strong emphasis remained within the business incubation community on providing space. Most, if not all, incubators were modelled on providing a location for a relatively small group of early stage companies who were viewed as tenants. The limited amount of space that could be provided led to the implementation of selection procedures and graduation requirements to try to maximize the impact of the available space which was generally a relatively expensive resource.

It was apparent that by bringing a group of small companies together in a single location, services could also be provided to them on a shared basis in a way that would not otherwise be financially viable, with most incubators providing a shared reception service and other secretarial and administrative support.



Of particular value for many incubator tenants was access to meeting rooms and the use of telephone systems with multiple lines which allowed a single receptionist to answer calls in the name of the individual tenants, route calls, and take messages as necessary. Access to shared office equipment was also often seen as highly attractive.

Over time, incubator programs began to be created to cater to specific types of companies, often in purpose-built facilities, and often providing access to specialist equipment and facilities such as lab space and associated equipment, high bandwidth internet connectivity (at a time when this was often difficult to access, and expensive), and food production facilities. The challenge for these projects was that the cost of establishing them was far higher than could be recouped through rent or other charges – the paradox being that the early stage companies that were their intended focus could not afford to use them unless the costs were heavily subsidized. In some cases, grant funding was used to finance the physical facilities with the consequent absence of any debt service, allowing more realistic rents to be charged.

It also became common for incubation programs to offer a wider range of services to their tenants, including training programs, networking opportunities, and business support services including mentoring programs. These would generally be provided by third parties, often on a pro-bono basis. The basic paradigm nonetheless continued to be one of physical facilities leased to tenants with fixed lease terms.

In the last decade, there have however been significant changes in the nature of entrepreneurship which have equally significant implications for business incubation programs and other initiatives aimed at supporting entrepreneurs and early stage companies. These changes fall broadly into two categories, which are in reality somewhat inter-related, with a third which is now emerging:

- ◆ **Telecommunications Technology**

In a relatively short period of time, the opening of the Internet for commercial use has fundamentally changed society and how entrepreneurs and early-stage businesses can operate. Companies are now able to access a range of online services providing resources that would until very recently not have been available. These services, often provided by other start-up companies, are available at very low cost through the medium of the internet. In addition to marketing, sales channels, payment processing, order fulfilment, customer support, and a bewildering array of highly specialized services that would once not have been available outside of major population centers are now available to anyone with an internet connection.

◆ Globalization

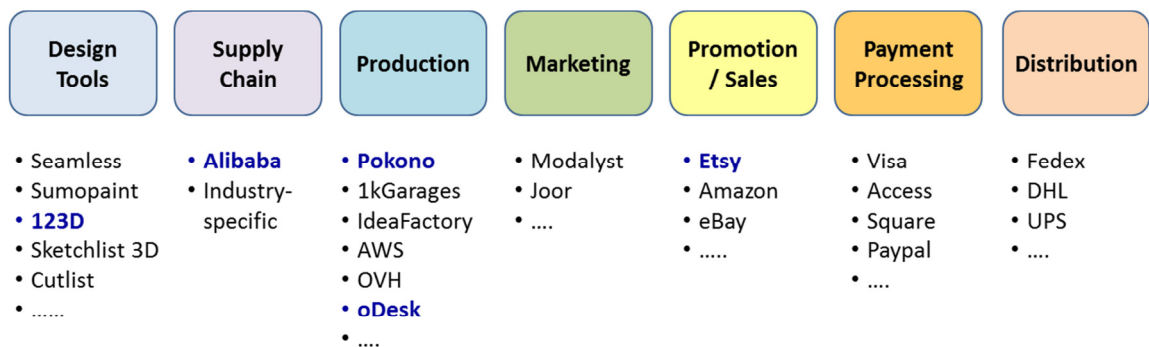
The increasing globalization of industries has led to the creation of a situation where, possibly for the first time in history, a small company can source supplies and sell their products anywhere in the world. This has been facilitated by reductions in trade barriers, but also by the globalization of financial systems and the creation of payment processing companies such as PayPal, and by the increasing sophistication of global transportation and logistics operations. Combined with the ubiquity of the internet as a medium for communications and business transactions, a situation has been created where any individual or organization can operate on a global basis at a cost which is at historically low levels, and with fast, reliable, supply chain and distribution networks.

◆ Advanced Manufacturing

In the last five years, a range of manufacturing technologies have reached a level of maturity sufficient for them to become available at a cost that is viable even for individuals to utilize. These include various approaches to additive manufacturing (3D printing), computer-controlled subtractive manufacturing (milling machines and other machine tools), and associated tools such as laser cutters. It is now possible to set up a highly sophisticated machine shop that would once have required hundreds of thousands, or even millions of dollars to create, for less than the price of an average family car.

Even this, however, is becoming superseded by companies that combine these tools with Internet-based services so that products can be designed using highly sophisticated (and often free) software, transferred online, and used to print / cut / machine the actual product, which is then shipped out to the designer (overnight if required) – all at a cost of a few dollars.

The following diagram illustrates the extent to which the combination of the Internet, globalization of markets, and advanced manufacturing technologies are creating a new paradigm. It shows a notional value chain from product design and development to distribution (in the interests of space, the diagram does not include post-distribution customer support and other after-sales activities, but these could easily be added).



The bulleted lists show a selection of companies, products, and services, chosen at random, that are available to entrepreneurs via the internet, at very low cost (and in some cases at no cost). *(Highlighted names are examples of larger companies that have established a strong position in the market)*

These resources have become so extensive that an exhaustive list of all such services would be impossible to create, but they span design for physical products (123D, Seamless) and software, production of physical products (e.g. Pokono, IdeaFactory), and the infrastructure for high capacity on-line systems (AWS), and their marketing and sales (e.g. Modalyst for textile-based products, Etsy for hand-crafted products).

It is now possible for a few hundred dollars a month to operate a remotely-hosted web infrastructure that would have cost hundreds of thousands of dollars to acquire and maintain only a few years ago. A home-based worker designing and making textile products can access a worldwide customer base, and a two or three person company can design, manufacture, and distribute products without necessarily ever having held them in their hands. All can access cutting edge resources that would until recently have been the sole domain of large manufacturing companies.

The diagram does not include the range of 'back office' support resources that are required to support the operations of a business, such as accounting, routine legal work, or telephone systems and receptionists, all of which can now also be obtained online, at low cost.

The importance of these trends in the context of entrepreneurship is substantial. They effectively lead to what might be referred to as the democratization of entrepreneurship, enabling anyone even with modest financial resources, to build a viable business in almost any industry or market with minimal capital investment, and to use operational resources that are highly cost effective, scalable, and can continue support a company whether it remains a one-person operation or grows to a much larger scale.

The impact on incubation programs is also significant – there is much less of a need to accommodate companies in their own dedicated offices or provide other resources such as shared telephone systems, and much more of a need for highly flexible space that can be utilized by individuals or by entrepreneurial teams on an as-needed basis. Once the idea of renting office space to tenants is replaced by providing space and services to clients on a highly flexible basis, a much larger population of entrepreneurs can be supported, reducing the overall resource requirement, and consequently, the cost. The implications of these developments for the proposed incubation program in Cecil County are discussed later in this report.

### 3. Proposed Model

Cecil County is the Northernmost County in Maryland, and has close links with the State of Delaware. New Castle County, DE, is for example the single largest work location for Cecil County residents other than Cecil County itself. It is also the largest source of people who commute into Cecil County for work.

Cecil County is also the only Maryland county included in the Philadelphia-Camden-Wilmington Metropolitan Statistical Area (MSA) as defined by the US Federal Office of Management and Budget (illustrated in the figure to the right) – a major East Coast center of economic activity.

New Castle County is also home to the University of Delaware which attracts more than \$140 million per year in research funding and an overall economic impact for Delaware in excess of \$2.9 billion (2010 data).



The nearest neighbor to the South is Harford County, the economy of which is impacted very significantly by the presence of Aberdeen Proving Grounds (APG) which benefited substantially from the most recent BRAC round. Data presented in the Phase 1 report shows however, that the impact of APG on Cecil County is limited, and that the majority of the economic impact occurs in Harford County itself.

Cecil County is consequently situated between two centers of economic activity, both of which have their own focus on business incubation. The challenge for Cecil is therefore to define how entrepreneurship can contribute to the economy of the County in its own right and not simply as a source of entrepreneurs for Harford to the South or Delaware to the North. Any economic development strategy for Cecil County must consequently focus on identifying and leveraging the benefits of its location within the MSA while also developing a unique identity that will encourage people and businesses already resident in the county to remain there. The proposed vision for entrepreneurship is therefore for Cecil County to be a recognized center for business creation and growth within the wider region through the provision of a comprehensive, integrated framework of support enabling and encouraging entrepreneurs to:

- ◆ Create new companies that will be anchored in Cecil County
- ◆ Bring existing early stage companies to the County
- ◆ Achieve long-term growth through a location within the County.

Achieving this vision will entail the development and management of a combination of physical facilities and services tailored to the needs of entrepreneurs.

### Services

A key component of this vision is the wide range of existing organizations and individuals who are already working together to provide services companies, and who have expressed a strong commitment to further support entrepreneurship.

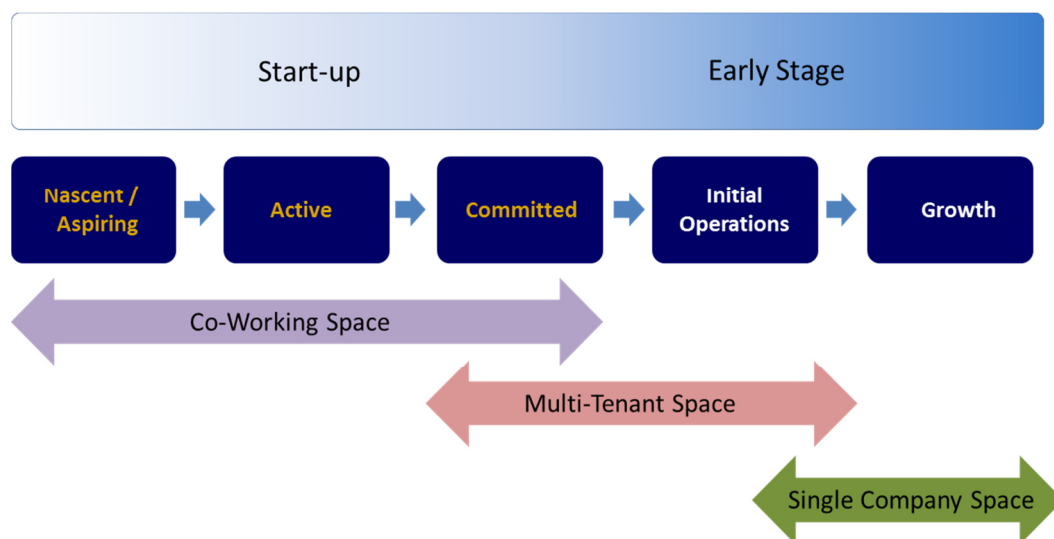
The role for an entrepreneurship initiative within the County will be to help co-ordinate the delivery of services to clients and to act as a 'navigator' helping entrepreneurs identify the available support appropriate to their specific needs at any given point in time.

### Physical Space

It has become increasingly widely recognized that established models for business incubation have often focused on a specific subset of early stage companies that are at a stage where they have sufficient resources to be able to pay near-market rent for office and / or lab space, and are considered to have sufficient growth potential to justify the commitment of resources to support their growth. This is often driven by the need for the incubation program to generate sufficient revenue to pay rent or service the debt for the space in which it is located. Such models generally focus on selecting and supporting a relatively small number of client companies and consequently exclude many others – particularly those that are at a very early stage of development.

A more inclusive view of entrepreneurship has developed in recent years that recognizes the reality that the factors that affect the growth and survival prospects of companies are complex and often unpredictable and 'picking winners' is extremely difficult even for experienced investors. An approach that aims to support all entrepreneurs, at all stages of the entrepreneurial process, and allows the winners to emerge from the process is more likely to be successful in the long term.

The needs of entrepreneurs with regard to physical space have also continued to evolve. The various factors discussed in Section 2.1 of this report have led to the ability of very small companies (and in many cases one-person ones) to access a comprehensive range of external resources without the need for a large physical presence in their 'home' location. This is reflected in the rapid growth of co-working spaces across the country offering a suitable working environment on a very flexible basis, at low cost. Many companies do nonetheless continue to develop in a way that leads to a requirement for their own dedicated space and this gives rise to the concept of a continuum of different types of space within which the needs of individual entrepreneurs and companies at different stages of development can be met, as illustrated in the following chart:



The proposed model is believed to resonate strongly with many of the findings of the stakeholder analysis, reproduced here in summary form, for reference. The characteristics that were felt by those interviewed to be important for the proposed program included:

- ♦ **Affordable space** that is appropriate to the needs of individual entrepreneurs and early stage companies. In particular the view was expressed by some interviewees that it was counter-productive to create 'high end' space for incubation programs as, in the absence of substantial grant funding that avoids the creation of debt obligations, this tends to drive up costs for the users. Further, this approach requires a focus on keeping facilities rented versus staying focused on the needs of the entrepreneurs themselves.
- ♦ **Flexible space** that can be utilized by different users in different ways. The newly-relocated Emerging Technology Center in Baltimore was provided as an example of this, offering a variety of different types of space and amenities, and supporting a larger population of users than was the case at its old location.
- ♦ The provision of **business growth services** in addition to space. While this has in the past been a stated element of most incubation programs, the execution has often somewhat fallen short. Many interviewees expressed the view that provision of space alone, without appropriate services, is of limited value and unlikely to generate significant impact.
- ♦ **Management resource**. The view was expressed by several interviewees that a key distinguishing factor for incubation programs is the presence of a manager, or management team, who can work with clients to identify their needs and find

solutions. This relates to the point regarding the provision of business services, with the role of the manager being to organize and coordinate the service provision component of the program.

## 4. Business Plan

### 4.1 Overview

The overall plan proposed for the entrepreneurship program is one that provides an integrated framework of support for:

- ◆ Entrepreneurs to create new companies that will be anchored in Cecil County
- ◆ Existing early stage companies to become established in Cecil County
- ◆ Companies located within the county to achieve long-term growth

This will be achieved by creating a unique combination of resources combining:

- ◆ Co-working Space
- ◆ **Incubator Space** (that co-working users can graduate into)
- ◆ **Growth Space** for Incubator graduates
- ◆ **Business services** provided through an existing network of partners within the County, the wider region, and the State, including:
  - Cecil County Economic Development Department
  - Cecil College
  - Cecil County Libraries
  - The SBDC
  - Cecil County Chamber of Commerce
  - North-East Maryland Tech Council
  - Union Hospital
  - MEDCO
  - TEDCO
  - Cecil County Public Schools

These services may be delivered on-site at locations operated through, or on behalf of the entrepreneurship program or at businesses' own locations, as appropriate.

In addition, private sector organizations within the County can have a significant role as partners, with the capability to provide opportunities for entrepreneurs, to encourage the formation of new companies leveraging their intellectual property, to offer internships, and engage in other activities to develop the entrepreneurial ecosystem within the County. It is appreciated, however, that engagement with these organizations is likely to develop over time and for that reason they are not explicitly listed by name as partners here. It will be the responsibility of the



Executive Director to engage with them and develop the necessary relationships that will lead to strong partnerships for the entrepreneurship program.

This is a model that is intended to leverage and build on the strong partnerships and relationships between existing organizations within the County, recognizing the contribution that each can make to the overall initiative.

The remainder of this document provides further details of the key elements of the plan by which the model can be translated into reality.

## 4.2 Legal Structure and Governance

It is proposed that a new non-profit organization is established to oversee and manage the entrepreneurship program. For the purposes of this document, this organization is referred to as the 'Entrepreneurship Center', but this is not intended to preclude the use of a different name in practice.

The creation of a tax-exempt organization is not only consistent with the vast majority of incubation programs but in the present case provides an ideal structure through which the many anticipated partners that will be involved in the program can participate in its ongoing planning and oversight. It is critical for a program of this kind to be strongly engaged with the community and it should be expected that it will need to evolve over time in response to changes in the external environment, for which the participation of local partner organizations will be vital.

While there are several forms of tax-exempt status that might be utilized for a program of this kind, the most suitable would appear to be exemption under section 501(c)(3) of the Internal Revenue Code which specifically includes organizations operated for educational and scientific purposes, although in the present case the clients of the organization may not necessarily have a technical or scientific focus.

### Governance

The Entrepreneurship Center should be governed by a board, which should be drawn from the various partner organizations that will be involved in the delivery of services or other forms of support to its clients. Unless otherwise prohibited by the requirements of obtaining 501(c)(3) status, or by any other aspect of corporate law or relevant state legislation, it is proposed that any organization that provides material support to the organization, whether in the form of funding or through provision other resources or services to the organization or its clients on its behalf, should be considered a 'partner'. This designation may not have any specific legal status, but the designation should be enshrined in a Memorandum of Understanding (MoU) between the Entrepreneurship Center and each partner, that lays out the intentions, expectations, and commitments made by both parties. Any organization signing such an MoU should be entitled to a seat on the board of the Entrepreneurship Center.

The board will have responsibility for ensuring that appropriate corporate governance processes are in place for the Entrepreneurship Center, for the approval of appropriate organizational metrics and their ongoing review, and for approval of the organizational strategy.

### 4.3 Operational Model

The basic operational model proposed for the Entrepreneurship Center is as a membership-based organization, similar in principal to a health club.

The membership-based model has a number of useful characteristics:

- ◆ All users must sign up and in so doing agree to abide by a set of rules or codes of behavior.
- ◆ Members can be issued with individual IDs that enable their use of the facilities and services of the Center to be tracked which is extremely valuable for the purpose of reporting on organizational metrics to partners, sponsors, and other interested organizations such as state-level economic development organizations. The individual ID will also be essential should access to the Entrepreneurship Center be provided outside of the hours when staff are available.
- ◆ Membership should also help to inculcate a sense of ownership among the users, which is highly desirable for an organization of this kind.
- ◆ Different categories of membership can be created, representing, for example, the level of use of the Center's facilities (e.g. daily, weekly, monthly), the specific needs of the user, the level of services required, or a specific category of user such as students. This facilitates the implementation of a pricing model that links the cost to the user to their circumstances and needs.

There are various web-based software solutions that support the operation of membership-based models for coworking spaces and incubators that are likely to be applicable for the Entrepreneurship Center.

Evidence from other incubators and co-working spaces suggests that there is an expectation among prospective members that the associated facilities will be accessible beyond normal business hours. This is consistent with the reality that many entrepreneurs are obliged to work on planning or executing on their plan for a new business while continuing other existing commitments including jobs necessary to cover their living expenses. Incubators following the established model have typically been accessible to their tenants at any time, with tenants generally having keys (or key cards) that provide access 24 /7. It is not uncommon for co-working spaces to be open from 7.00am until 10.pm with after-hours key card access being provided to selected member categories (usually those who pay to make full-time use of the facility).

There is clearly a need to strike a balance between the cost and practicalities of providing staff for prolonged opening hours and the potential challenges of providing keycard access to clients, and this is something that may require a degree of experimentation in practice to establish the optimum balance. This is discussed further in Section 4.3.2.

## 4.4 Management and Staffing

### 4.4.1 Executive Director

The operational management of the Entrepreneurship Center should be undertaken by an Executive Director. This individual will also have responsibility for working with the board to review and develop the strategy of the organization and for developing the associated operational plan and operating budget. They will present any revisions to the strategy, and an annual operational plan to the board for formal approval. Each annual operational plan should cover a three year period.

The Executive Director should also present a quarterly report to the board, providing information on key metrics agreed by the board as part of the strategic plan, and any other significant matters that have arisen during the quarter.

Beyond these planning and reporting responsibilities the primary role of the Executive Director will be to act as a 'navigator' for the members of the Center – assisting them in identifying appropriate resources to support their entrepreneurial activities, provided either by the Center directly, or through its various partner organizations. The Executive Director should become the "face" of the Center in the community.

The Executive Director will also be responsible for tracking the progress of members in developing and implementing their plans. It should be recognized that depending on the number of active members, the workload associated with this responsibility could become challenging. The use of client management software should make the process simpler and also aid the process of reporting against the agreed metrics to the board. It may nonetheless become necessary to implement a tiered reporting structure in reflecting the level of usage of the facilities and / or services of the Center.

### 4.4.2 Reception / Administrative Staff

In addition to the Executive Director, there will be a need for one or more additional members of staff to ensure that there is reception service during all hours when the Center is open (excluding an access-controlled out of hours use), and to assist the Executive Director in their duties, including assisting clients to access resources, generating activity reports, and other routine responsibilities.

As a starting point, it is recommended that the Entrepreneurship Center space is available to members from 8.00am to 8.00pm – a period for which it should be practical to provide staff cover with an Executive Director and either a full-time administrative assistant, or possibly with two part-time assistants.

## 4.5 Facilities

It is proposed that the Entrepreneurship Center provides three different types of physical facility, each of which is intended to cater to entrepreneurs at a different stage of the business creation and growth process. It is also recommended that these facilities are developed in a phased manner, in order to build capacity as the entrepreneurial ecosystem within Cecil County develops, as follows:

### 4.5.1 Phase 1: Co-working Space

It is proposed that the first phase of the development of the Entrepreneurship Center should be a coworking space. The reasoning behind this is discussed in more detail in the Phase 1 report, but in summary, the co-working space is intended to meet several needs:

- ◆ It will represent a relatively low cost means to establish a presence for the Entrepreneurship Center within the County
- ◆ It will focus on the needs of early stage entrepreneurs within the County building a pipeline for subsequent phases.
- ◆ It will help to validate the market for other kinds of space and services and allow the County to move forward in a prudent manner with respect to the commitment of resources on a larger scale

It is envisaged that the co-working space will require a relatively small amount of physical space, which can be leveraged to serve a larger client group than would be feasible using a traditional incubator model. It is anticipated that 2,500 – 5,000 sq. ft of space will be sufficient in the first instance. The coworking space will provide a range of forms of support for early stage entrepreneurs, including:

- ◆ Access to legal, accounting, market research, and other information services through partner organizations.
- ◆ Broadband internet connectivity
- ◆ Flexible workspace including shared work areas and meeting rooms, and private phone 'booths' where members can make calls using cell phones
- ◆ Shared equipment including printers, scanners, and copiers



to be able to provide support to these kinds of workers, not only because they will provide an important cornerstone of the County's employment base over time, but also because they will be a flexible resource for new companies within the County, and some will over time become more established and grow to become larger scale operations.

#### 4.5.2 Phase 2: Incubator Space

Phase 2 of the development of the Entrepreneurship Center is envisaged to be similar to the kind of space available via the established incubator model – that is, with a combination of small offices for individual companies and shared space such as meeting rooms, training space, and other amenities.

This would be housed in a larger space than required for the co-working space. The specific sizing will depend on the options for location available at the time of its establishment but would be expected to be in the range 10,000 – 15,000 sq. ft.

Many incubator facilities are retrofitted into existing office, light industrial, or even retail space although it is not uncommon for purpose-designed facilities to be created. The capital expenditure associated with constructing a new facility is inevitably substantial, but depending on rental levels for other available space, may prove to be the preferred option. This is particularly the case if the facility is intended to tie in with other relevant development. MEDCO has indicated a willingness to assist with assembling a finance package for such a building if that is the preferred option, and the financial model provided in Appendix 1, and discussed in Section 4.8 includes indicative projections for the associated cost and debt service.

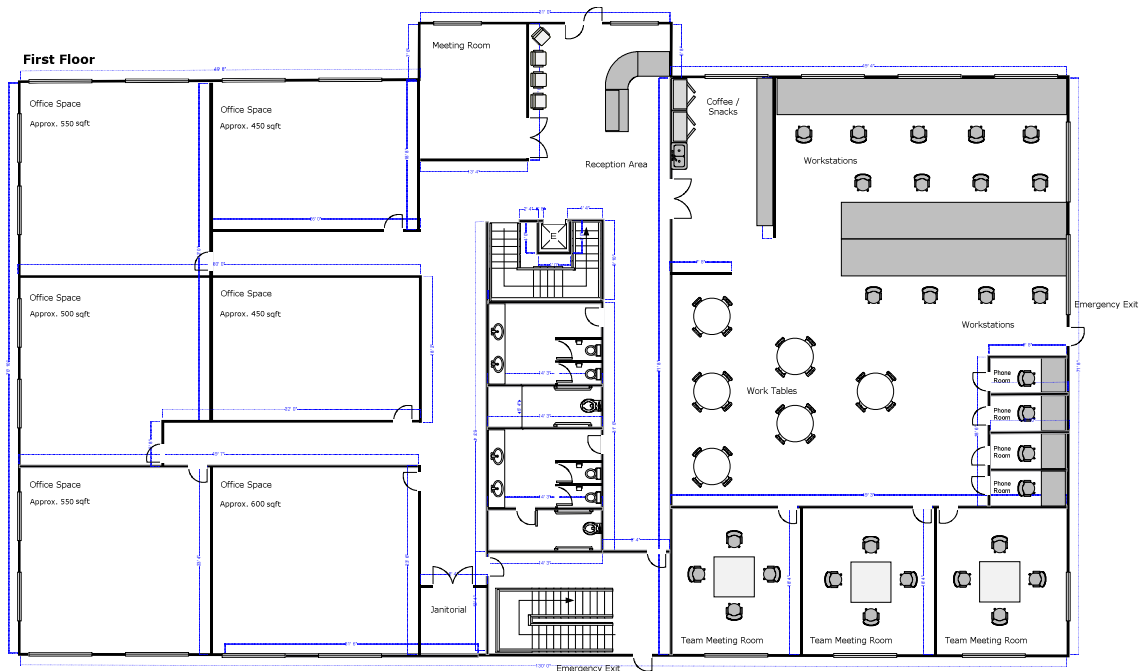
In practice, there may be compelling advantages to consider co-locating the co-working space and the more traditional incubator space, including:

- ◆ Increased operational efficiency, through sharing of staff
- ◆ Increased efficiency in the design and use of the overall building space through the provision of amenities shared between the coworking space and the incubator space, such as a training / event space, meeting rooms, printing resources, etc.
- ◆ Increased scope (through larger demand) for the provision of some level of social / refreshment space, such as a small coffee shop. This kind of social space is extremely important in supporting interaction between members but is often left out of building plans in the interests of maximizing usage of the available space to house clients / members.

At present, there is a high degree of interest in maker spaces that provide anything from a few hobbyist 3D printers to a wide range of computer controlled manufacturing tools including lathes, milling machines, laser cutters, and other resources. Consideration should be given to including such a space in the incubator facility, subject

to a more detailed analysis of potential demand and the kinds of resources that would be of interest to members as they stand at that point in time.

The following schematic shows a notional floor plan for a facility that combines co-working space and more 'traditional' incubator space.



In this case, the two types of space are shown with equal amounts of floor space, but in practice it is probable that the split between the two would be more asymmetrical, with, for example, a 60% / 20% / 20% split between incubator space / coworking space / space for shared amenities (including a reception area / lobby).

#### 4-5-3 Phase 3: Multi-tenant Growth Space

In order to maximize the probability of companies that graduate from the incubator space staying in Cecil County, it is possible that there will be a need to create a third type of space that can offer larger amounts of contiguous space for individual companies (typically in the 1,000 – 2,500 sq ft range). This kind of space can be designed around 1,000 sq ft 'modules' that can be reconfigured and combined at relatively low cost to provide larger spaces or used as individual 1,000 sq ft units.

This space can also be designed in a manner that anticipates a variety of uses including:

- ♦ 'Dry lab' space that would accommodate small-scale electronics assembly operations or similar uses

- ◆ Chemistry lab space that would be suitable for use of laboratory chemicals but not biological materials.
- ◆ Biochemistry lab space that would be suitable for use with biological materials which may require specialist handling and storage facilities beyond those typically required for a standard chemistry lab.

The lab spaces differ from more general space in a number of respects:

- ◆ The need for additional drainage to handle sinks, safety showers, cooling water, etc. This does not generally result in significant additional expense if it is included at the design stage and the necessary infrastructure is put in place during construction, and relates largely to provision of pipework to enable water supply to any individual 1,000 sq. ft module, and the inclusion of pipework, floor grates, etc. for drainage before the floor slab is poured. Retrofitting this kind of capability is very significantly more expensive (usually prohibitively so).
- ◆ The need for ventilation to allow for fume extraction and ventilation of work areas beyond what would be required in a normal office environment. It should be noted that modern laboratory equipment does not generally vent any hazardous materials into the open air.
- ◆ The need for additional storage facilities for things such as gas cylinders (usually carbon dioxide, oxygen and other materials with low hazard ratings), dry ice, and low temperature storage for some materials.

The use of some biologically active materials requires specific safety measures that may impact on building design but such facilities are expensive to create and are not generally created on a speculative basis in facilities of the type discussed here.

Buildings designed to provide the Phase 3 growth space would typically be expected to be larger than the co-working or incubator-type space, and might be expected to provide 20,000 – 40,000 sq. ft of space in total.

There may be value in including shared space such as meeting rooms and event / training space in these buildings, but these are generally easily accommodated within the modular footprint if there is demand for them.

## 4.6 Services

It can be, and often is, argued that the services offered to the clients of incubation programs are of greater value than the physical space, and there is a strong argument for this view. Most first-time entrepreneurs lack experience in creating and growing companies, and the networks that more experienced entrepreneurs typically acquire. They are frequently unaware of the full range of sources of support that are available to



them and lack experience in how best to approach them for assistance. Many also lack management experience and may have a limited understanding of core business disciplines such as marketing and financial management.

Few will have had responsibility for the development of business plans and undertaking the kind of strategic analysis and planning that more established companies routinely undertake (in some form).

There is a great deal of assistance that can be provided in these and other areas that can significantly increase the probability of success for the entrepreneur and many can be provided at relatively low cost, often through existing providers, including many of the organizations that have been identified as potential partners for the proposed program in Cecil County, including business information services and training in relevant skill areas.

There is also an increasing use of mentoring to support early stage companies, often coupled with business acceleration services. While the accelerator model can take a number of different forms, and is often focused on specific types of company or markets, the basic principal is one that can be more widely applied. This puts a significant emphasis on customer discovery – the identification of prospective customers and their specific needs as a basis for shaping the plan for the business. This is something that the marketing function in an established company undertakes (or should undertake) as a key part of its activities, but is often challenging for first-time entrepreneurs to tackle.

At present no business acceleration program exists within Cecil County, but this could be encompassed by the Entrepreneurship Center and leverage the resources of its various partners.

There are three key roles that are required to ensure that members are effectively connected with the services and other resources they require, and these would be a major component of the role of the staff of the Entrepreneurship Center.:

- ◆ Working with members to identify their needs
- ◆ Networking and key introductions for members to subject matter experts, experienced talent and sources of capital
- ◆ Working with partners and other external resources to identify appropriate sources of assistance
- ◆ Tracking the delivery of services and the extent to which the entrepreneur is able to incorporate the results into their plans and operations in a way which positively impacts on the viability of the business (there are commercial software packages that are designed for this purpose).

The role of the staff therefore becomes one of being a hands-on guide or navigator, assisting clients with the development of their business and monitoring the outcomes.

#### 4.7 Marketing Strategy / Plan

Like any marketing strategy, the marketing strategy for the Entrepreneurship Center must contribute directly to the delivery of the key outcomes for the organization as a whole. This can be considered to translate into three primary objectives (not listed in any order of priority):

- ◆ Communication with key stakeholder groups
- ◆ Identification and attraction of potential partners
- ◆ Identification and attraction of prospective members

The marketing plan must then translate these objectives into specific actions and needs to address:

- ◆ appropriate communication channels
- ◆ design of services that meet the needs of members
- ◆ pricing of services

#### Key Stakeholders and Partners

In the present case, given the geographical focus of the program (Cecil County), the key stakeholders are known (although these may change over time), and many have expressed a willingness to become partners in the program, providing support in various forms. It is nonetheless essential that the Entrepreneurship Center team maintains an ongoing dialog with its partners to ensure that their own organizational objectives are being met or supported through their involvement with the Center. It is also vital that the Center team continues to proactively seek potential new partners in the public and private sectors, and in the non-profit space (including foundations), that may be able to support its activities in some form.

#### Prospective Members

The identification of prospective members can also be supported by the Center's partners, by sharing general promotional materials, the web address of the Center, and appropriate contact information as part of their daily operational activities, and also through participation in events designed to attract new members.

The Center itself will nonetheless need to develop a launch plan, and also a plan for ongoing promotion and awareness to ensure that the maximum number of prospective members within the Cecil County community are aware of the existence of the Center and what it can offer to entrepreneurs.

The launch plan would be expected to include:

- ◆ Traditional collateral materials such as stickers and flyers that can be distributed through shops, businesses, partner organizations, and other outlets within the county
- ◆ Air time and potentially an event with local radio and TV stations to highlight the presence of the Center and its activities
- ◆ Coverage in local newspapers and online news sources
- ◆ A social media campaign leading up to and following the launch.
- ◆ A user-friendly web site for the Center with contemporary design features that convey an appropriate message to visitors and acts as a gateway for new members to sign up and for existing members to access relevant information.

Target audiences would be students (high school, Cecil College), County residents who work outside the County, residents who are currently employed within the county but who may aspire to an entrepreneurial pathway, people who work in the County but live in neighboring counties. This latter group would not be intended to be a major focus but should equally not be ignored.

Ongoing promotional activity would be expected to include participation in events organized by partners, outreach to media to highlight member success stories and milestones for the Center (such as 100<sup>th</sup> member, job creation statistics, etc.), and special events.

### **Products and Services**

This document provides an initial starting point for the definition of the appropriate services for entrepreneurs in Cecil County, based on experience of similar programs in a wide range of locations coupled with the existing experience of key partners such as the Chamber of Commerce, Cecil County Public Libraries, and Cecil College.

The ongoing review of offerings and engagement with partners, current members, prospective members, and other stakeholders to identify new needs should be considered an essential part of the marketing role. This then provides a solid foundation for the development of new offerings, and where appropriate, the retirement of existing ones.

## 4.8 Financial Model

The development of a detailed financial model to translate the overall plan into financial terms is an essential requirement for any proposed new initiative such as a business incubation program or other entrepreneurship support program. In particular, such a model provides a means for testing the sensitivity of the financial analysis to different variables, such as pricing, timing of different elements of the program, staffing levels, and client volumes.

To this end, a spreadsheet model has been provided to the Cecil County Office of Economic Development based on the recommendations made in this report, to support a framework for the further development of the Entrepreneurship Center concept. The key elements of that model are described here.

The financial model is structured as a number of separate worksheets, each of which addresses a different component of the model, as follows:

- ◆ Co-working start-up costs
- ◆ The co-working revenue model
- ◆ A simple sheet to incorporate potential sponsorship
- ◆ Routine operational expenditure for the co-working space. There are two versions of this worksheet
  - One which assumes the coworking space exists as a stand-alone operation, which it most probably will in the first instance.
  - One which assumes that the coworking space is co-located along with the incubator space.
- ◆ Staff costs for the coworking space
- ◆ The Incubator Space revenue model
- ◆ Staff costs for the incubator space
- ◆ Routine operational expenditure for the incubator space
- ◆ A simple sheet to incorporate potential sponsorship for the incubator space
- ◆ A summary sheet that combines data from all of the other sheets.

It is intended for each of these sheets to be largely self-explanatory, but several of them are sufficiently detailed that additional explanation appears warranted, as follows:

#### 4.8.1 Summary Sheet

The summary sheet shows three different scenarios:

- ◆ 'Coworking', which assumes that only the coworking component of the project is implemented
- ◆ 'Incubator', which assumes that only the Incubator Space component of the project is implemented.
- ◆ A third combined scenario which assumes that the coworking space is implemented initially, followed in year three by the implementation of the incubator space component. This scenario assumes that the staffing requirements will change when the incubator component comes online, that some costs associated with the co-working space operating a stand-alone entity will disappear, and that additional costs associated with the incubator space will be incurred.

#### 4.8.2 Coworking Revenue Model

The data for the coworking revenue model is broken out by year for a five year period. The model provides a lot of detail so as to make the underlying assumptions as clear as possible. These assumptions are summarized as follows:

##### Space

It is assumed that the overall coworking space is divided for three separate types of use:

- ◆ Office space – individual offices that could be rented to one entrepreneur or company, or on a shared basis (e.g.1 day per week).
- ◆ Co-working space – largely open plan space which users share. This space could include some areas with different types of seating and one or more phone booths for private calls (using members' own cell phones).
- ◆ Meeting space – one or more small meeting rooms

##### Rent / Fees

For each type of space the number of units and rent per month, per day, or per hour is indicated. For the co-working space component, several different levels of usage are modeled, each of which has its own charge rate. The revenue model also indicates what percentage of the overall population of users is expected to fall into each category. From these assumptions a revenue figure is derived for each category of users and these are aggregated into a monthly revenue figure (and then an annual figure).

### Average usage

As the physical space has a finite capacity to accommodate users, it is important to verify that the revenue model does not assume a larger number of users than can actually be accommodated. The model therefore calculates an average number of daily users, and based on an allocation of space per user, the total space required.

A total number of users for the year is assumed and this is divided into each category of user according to the percentages set.

#### 4.8.3 Incubator Space Revenue Model

The revenue model for the incubator space follows a similar pattern to that for the coworking space, but in this case, rather than identifying different types of user the model is driven by various different types of space:

- ◆ Office space
- ◆ Lab space
- ◆ Meeting rooms
- ◆ Event space

The model assumes that the space is divided in to offices and lab space of a range of different sizes.

As with the coworking revenue model, the potential revenue for each type of space is calculated on a monthly basis and then aggregated into an annual total.

#### 4.8.4 Client Volumes

The approach taken for the revenue model allows potential client volumes to be derived for each year of operation. At a broad level, this can be derived from the input numbers for the total number of clients in each year, but the model also provides a more detailed calculation based on the assumption that there will be a loss of clients due to various reasons including graduation, and that new clients will also be attracted.

The models provide the following estimates for new clients, noting that these figures reflect the assumption that the co-working space will be created first, with the incubator space coming online in year 3:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Coworking</b>	28	40	40	45	40	<b>193</b>
<b>Incubation</b>			12	14	19	<b>45</b>
	<b>28</b>	<b>40</b>	<b>52</b>	<b>59</b>	<b>59</b>	<b>238</b>

#### 4.9 Performance metrics

The question of performance metrics is a critical one for incubation programs. Failure to define at the outset what the appropriate metrics are can lead to situations where a program is deemed to have failed simply because in the absence of an agreed set of metrics there is no objective measure of success.

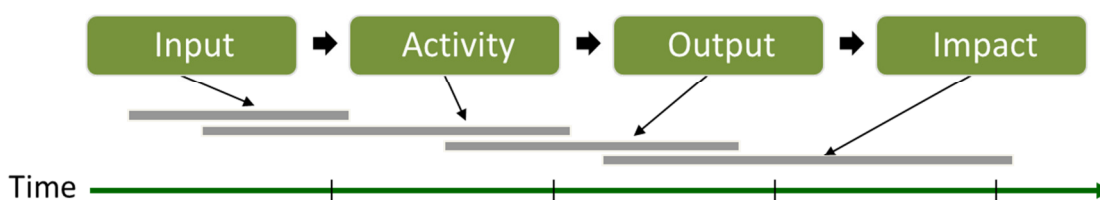
Metrics systems need to reflect the actual plan that they are intended to track. They also need to reflect the different kinds of measures that can be tracked at different points in time. The essential purpose of a project is usually captured by measures of long-term impact but these are, by definition, not measurable in the short term. It is therefore necessary to define additional metrics that reflect progress towards the desired long term impacts.

The metrics can therefore be considered to fall into four categories:

- ◆ Input measures – tracking short-term inputs that demonstrate that the resources intended for the project were actually made available and deployed. This type of metric is often ignored in performance measurement systems with the result that a project (or project manager) may be considered to have underperformed when in fact, the resources required to achieve the intended long term impacts were never made available.
- ◆ Activity measures – tracking ongoing levels of activity (as defined by the project) that derive from the deployment of the inputs. These are the most common type of performance measures utilized. They show progress in the implementation of the agreed plan and are usually relatively easy to measure.
- ◆ Output measures – tracking the final results of individual activities, demonstrating whether or not those activities yielded the results expected once the activity is complete.

- ◆ Impact measures – tracking the long-term impacts that result from the outputs of each area of activity. These may only be evident some time after the associated activities are complete, and often consequently receive less of a focus than they should

It should be emphasized that all metrics should be clearly linked in a logical flow. Not only does this ensure that the metrics used are the appropriate ones, but also serves as a check on the underlying logic of the project – if inputs cannot be linked through to impacts for each area of activity, it may be that the activity will not actually contribute to the overall purpose of the project, and should be re-examined.



The following subsections discuss the different metrics that could be used in each category. This is provided as a guide however and it should be for the board of the Center to agree the measures that they believe are the most appropriate for the initiative.

#### 4.9.1 Inputs

The primary input required for the proposed Entrepreneurship Center is **financial support** as this will facilitate obtaining the physical space and staff required for the Center to function. There may however be other inputs required such as **in-kind contributions** from partners.

#### 4.9.2 Activity

The most direct measures of activity are those that relate to the **number of members** using the program, and the associated metrics such as the number **of members receiving specific services**. There is a range of financial metrics that can also be tracked to determine if the operational model is being implemented as intended and that the associated **revenues** and **costs** are in line with the approved budget. The value of tracking metrics regularly is that remedial action can be taken if discrepancies are large or continue beyond what is considered reasonable or sustainable but it is important to realize with an initiative of this kind, that there may be variances, particularly in the early years, that reflect a deepening understanding of the market and that some 'course corrections' may be required that do not necessarily reflect fundamental long-term problems.



Activity metrics could include **grant funding** or **sponsorship attracted** to support the project. Even if these were not part of the original plan it may be of value to include them in the metrics framework as placeholders in recognition that they may arise in future. It is better to have a comprehensive metrics framework from the outset rather than to add on additional metrics in an ad hoc manner.

Other activity measures could include **acquisition of appropriate physical space** for the initiative, **recruitment of staff**, **completion of MoUs** with partners, or **completion of the launch event on schedule**.

#### 4.9.3 Outputs

Outputs may take a number of forms:

- ◆ **Direct** (measurable at the individual client level), such as:
  - Job creation
  - Capital raised
  - Grant funding and contracts attracted
  - Products and services launched
  - Patents utilized
- ◆ **Indirect** (measurable in aggregate), such as:
  - Development and growth of target industry sectors
  - Industry and geographical market reach of client companies
  - Contribution to the County tax base
  - Reduction in Commuting
  - Community revitalization

#### 4.9.4 Impacts

Impact measures should reflect the underlying purpose of the initiative, which in the present case, may be captured as follows:

- ◆ **Creation of new companies** that are anchored in Cecil County
- ◆ **Attraction of new companies** that develop a long-term presence in Cecil County

- ◆ **Creation of jobs** within the County that are sustainable in the long term
- ◆ Contributions to the County tax base

Each of these are measurable but may involve a degree of subjectivity unless appropriately worded. A long-term presence in the County could, for example, be defined as remaining in the County for a minimum of five years, or some other specific time frame. Similarly sustainability of jobs might require a more specific definition, particularly as there are many changes under way in the US workforce including a strong trend towards people being employed on a contract basis. It is possible that sustainability may be measured indirectly through a combination of other measures – sustained growth in the workforce coupled with a low unemployment rate for example may be an acceptable proxy.

The importance of some measures may also change over time. There is for example, an evident trend towards companies of all sizes utilizing external resources for many of their core functions with the result that even companies with a significant share of large markets may not employ a large workforce. In this context, measures such as their contribution to the tax base (which may be sales-related) may become a more accurate measure of their success than job creation.

## 5. Implementation Plan

This section of the report provides an overview of the recommended implementation plan for the Entrepreneurship Center. This is intended as a guide and It will be important for the Executive Director and the board of the 501(c)(3) to agree the final implementation plan in a form that they satisfied reflects their objectives and any relevant external factors.

It is recommended that the plan is implemented in three phases. Each phase can to some extent be considered as free-standing, and could be implemented independently, but the intended logic is as follows:

### 5.1 Phase 1: Co-working space.

The creation of the co-working space can, in principle, commence immediately (subject to the necessary funding approvals), and should help to prime the pipeline with companies that may need the incubator space and will also provide a means to validate assumptions encapsulated in the plan with respect to the size of the market, typical needs of members, and other operational activities.

It is envisaged that the co-working space can be established in 3,000 – 5,000 sq. ft. of space (and this is incorporated in the financial model), which is likely to be available in the existing stock of commercial space in the County.

The key steps for the implementation of Phase 1 will include:

- ◆ Agreement of the overall strategy with partners
- ◆ Establishing the 501(c)(3)
- ◆ Leasing space (2 year initial lease, with 1 year extensions)
- ◆ Beginning launch marketing
- ◆ Carrying out essential clean up / refit of space (minimum required consistent with branding)
- ◆ Hiring staff
- ◆ Setting up the IT system
- ◆ Welcome of first users

## 5.2 Phase 2: Develop a new Incubator facility

While there may be some risk of confusion with regard to terminology, the 'incubator' label is used here to reflect space that is more similar to the kind of space that has become associated with business incubators, rather than multi-user, predominantly open-plan, co-working space. A more neutral label might be 'multi-tenant space' although this would cover a much wider range of types of facility than is intended here.

It is envisaged that the Incubator Space will be on a scale that can be accommodated in a 10,000 – 15,000 sq ft floor plan, and also that it may be appropriate to co-locate the coworking space in the same building at this point. The creation of the Incubator Space is expected to occur in year three of the plan in recognition that it may require construction of a new facility which is likely to take a minimum of eighteen months to go through the necessary approvals and procurement processes and be constructed.

Key steps in the implementation of Phase 2 will include (assuming that new construction is required):

- ◆ Confirming the incubator plan elements / requirements
- ◆ Assembling the building finance package
- ◆ Design building
- ◆ Finalize financing package
- ◆ Contract for construction
- ◆ Welcome of first users

## 5.3 Phase 3: Develop grow-on space

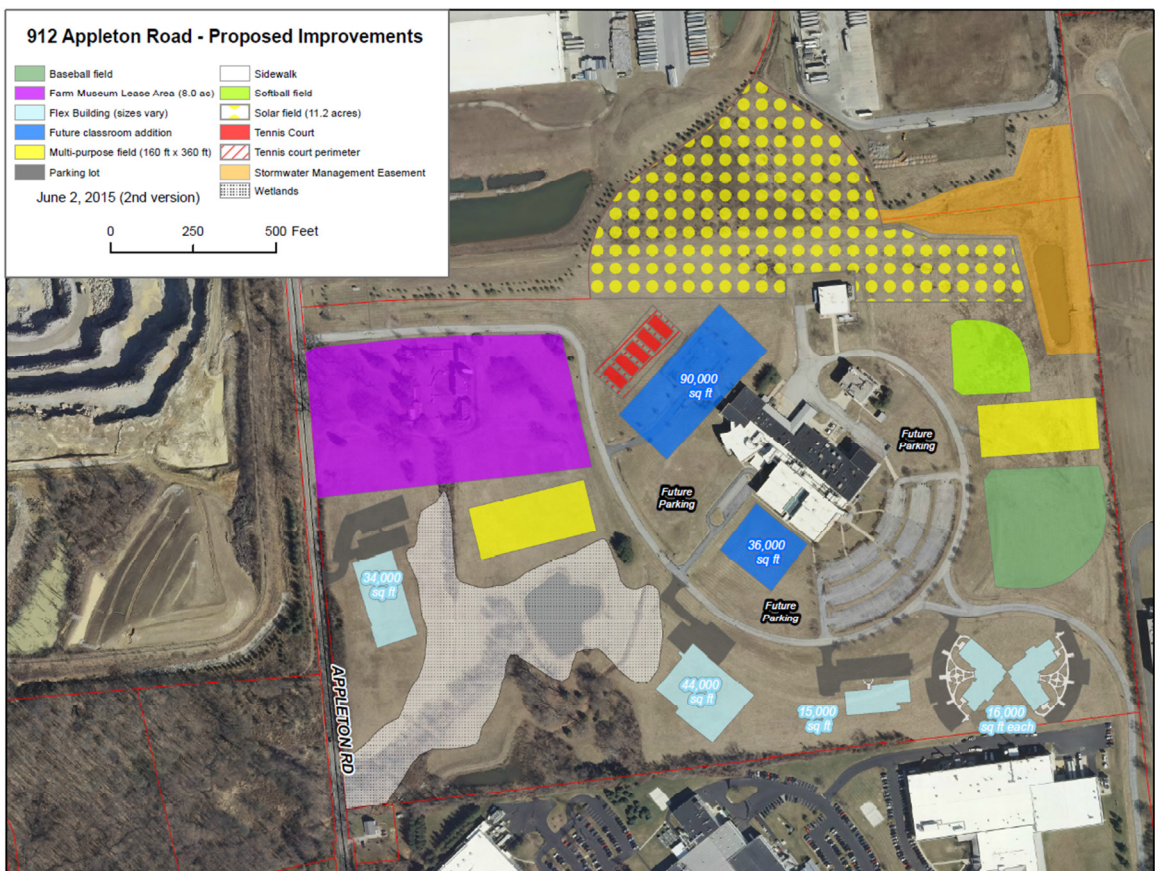
The development of grow-on space is almost certainly likely to be a necessity if Phases 1 and 2 deliver the outputs that are anticipated. This does not necessarily mean that this phase should be undertaken by the public sector, but it is likely to be in the interests of the County to help to shape and facilitate the development in order to maintain the integrity of the overall model. The size and nature of the building or buildings developed will be shaped by the level of demand that can be characterized at the time.

A specific project plan will need to be developed for the Phase 3 space at the time when the decision is made to proceed with it.

### 5.4 Potential Location

While the identification of specific sites for each of the phases described in the plan falls outside the scope of the current work, it has become apparent during the progress of the work plan that there is an opportunity to envision the development of the proposed Entrepreneurship Center in the context of other developments that are taking place within the County in relation to the site generally referred to as the 'Basell' property, reflecting its former ownership.

This site has been acquired for use by Cecil County Public Schools and is now home to the Cecil County School of Technology. The following site plan shows the current level of development of the site along with notional allocation of remaining land for additional buildings (it should be emphasized that this site plan represents nothing more than a concept at this stage, and has not been formally approved in any form, other than with respect to the use of the existing buildings for the School of Technology, and Farm Museum).



Given the availability of this site, there is a logic that would suggest the use of some of the available land for the development of the facilities for the Entrepreneurship Center.

The implementation of all three phases of the plan would result in a unique location that included the School of Technology, the Co-working space, the Incubator Space, and the growth space all in close proximity to several of the County's largest employers. The potential for synergies to be developed in this situation is considerable with, for example, scope for internships, skills development programs, incorporation of entrepreneurship into the school curriculum, and potential opportunities for companies coming through the Entrepreneurship Center to develop relationships with existing companies. The cumulative economic impact of such a concentration of resources could be considerable, and the site as a whole could be branded as a technology park, from which additional leverage could be obtained in the context of attracting companies to the County from elsewhere.