NCGrowth

INCUBATOR GUIDE

Is an incubator right for your community?

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Authors: Will Leimenstoll and Carolyn Fryberger
Research Support: Ashley Brown
Design & Layout: Erin O'Quinn

Special Thanks: Maya Anderson, John Austin, Kiersten Chresfield, Scott Langford, Mark Little, Sadie Nott, Dave Olverson, Alyse Polly, Hillary Sherman, Rachel Taylor, Jonathan Thill, Stan Turner, Camille Warren, & Jess Wilkinson

NCGrowth-SmartUp is an award-winning applied economic development university center with a goal of directly addressing inequality, poverty, underemployment and other factors that keep people and communities from reaching their greatest potential. NCGrowth's team includes expert staff across the Carolinas, academic advisors from multiple universities and hundreds of local partners. Together we are transforming communities by (1) providing technical support to promising businesses so they can grow, hire more people, and create wealth; (2) helping towns/counties/tribes create robust local economies with equitable opportunities for residents; and (3) providing policymakers across the U.S. the tools to learn how to achieve success. Learn more at ncgrowth.unc.edu.

NCGrowth-SmartUp is part of CREATE, an economic development research center at the UNC Kenan Institute of Private Enterprise working to tackle the problem of severe and increasing wealth inequality by generating shared economic prosperity through a combination of research, data analytics, homegrown interventions and policy development. Learn more at createprosperity.unc.edu.

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EXECUTIVE SUMMARY

Community leaders work hard to create local jobs, increase the tax base, revitalize neighborhoods, reuse older buildings, reduce poverty, and improve residents' lives. A business incubator is just one of many means of working towards these ends.
When successful, incubators provide affordable space and wraparound support services to new businesses in order to improve their chances of success. At least one study shows that firms that spin out from incubators create more jobs and succeed at higher rates than their non-incubated peers[i]. Well-run incubators can also breathe new life into a community, target groups underrepresented in the existing business community, and support local artists. However, they do not work everywhere, especially in rural regions dominated by a single industry.

Communities considering starting an incubator should first consider the following:

- ***Is there demand?*** Have small business owners and people thinking about starting a business been asked what they want and need?
- ***Who will lead & partner?*** Incubators need both a clear leader and supportive partners.
- ***How will the incubator be financed?*** Grants are often used to start an incubator; however, ongoing operating costs are usually covered by tenants' rent payments and local subsidies
- ***Where should the incubator be located?*** Is space readily available, ideally downtown?

If, after these considerations, a community believes an incubator is viable, a feasibility study and *pro forma* should be completed to pursue external non-profit or governmental funds.

In order for an incubator to thrive it should have the following:

- ***A Leader*** – Someone who supports tenant businesses and is the face of the incubator itself
- ***Location-based Services*** – Affordable workspace, conference rooms, amenities etc.
- ***Strong Partnerships*** – Supportive local governments, anchor institutions, & businesses
- ***Business Mentorship Programming*** – Offer advisory services & general mentorship
- ***Events*** – Plan & host pitch days, seminars, networking socials, & product showcases
- ***Tenant Business Evaluation & Selection*** – Vet potential tenants to ensure quality & fit
- ***Post Incubation Placement Support*** – Smooth businesses' exits from the incubator
- ***Early Customer Program*** – Connect tenant businesses to local customers

Incubators do not work in many places, but many other tactics are available to drive economic development and achieve related community goals. These include:

- **Reach Out to All Community Demographics Before Implementation**
- **Listen to Entrepreneurs**
- **Think Regionally, Especially in Rural Communities**
- **Host Events that Showcase & Appeal to Local Businesses**
- **Mentor & Teach**
- **Co-Locate Resources in a Shared Space**
- **Buy Local Campaign**
- **Start an Investment Circle or Co-op**
- **Enable Incremental Business Growth**
- **Maker Friendly Regulations & Building Codes**
- **Build Authentic Sense of Place**

“An incubator is a multi-tenant facility that provides young or startup businesses with affordable space, shared support services and business assistance to foster successful entrepreneurial development.”

-U.S. Economic Development Administration

1. WHAT IS AN INCUBATOR?

An incubator, simply put, is an entity that combines affordable workspace, strong community partnerships, and business advisory services to support entrepreneurs and their businesses.

Within this definition, there is room for different incubator models with varying amounts of space dedicated to different functions, services and types of business assistance. Each one caters to the needs of different businesses and industries, and the priorities of the varied partners, and stakeholders that support incubators. The chart below describes some of the most common incubator typologies and how they differ from one another.

Types of Business Incubators:

	Underlying Issue: Address the...	Main Objective	Secondary Objective	Sectors Involved
Mixed Incubators	Large vs. Small Business Gap	Create Startups	Employment Creation	All Sectors
Economic Development Incubators	Regional Economic Disparity Gap	Regional Development	Business Creation	All Sectors
Tech Incubators	Regional Tech Gap	Foster Tech Entrepreneurship	Stimulate Innovation/Tech Growth	Focus on Tech (May be specific within ex. biotech)
Social Incubators	Social/Civic Gap	Integration of Civic Community	Employment Growth	Non-profit sector
Basic Research Incubators	Research/Discovery Gap	General Research	Spinoff Firms	Science/Tech/Academic

Source: Aernoudt (2004)

According to this chart, if the community aims to promote local growth and development, an economic development incubator is better suited than a basic research incubator. Likewise, a technology incubator is best suited to a place aiming to support businesses in that particular niche. Finally, a social incubator can be a force for unifying and growing non-profits or other ventures focused on social justice or other community goals.

NCGrowth has done extensive work studying the feasibility of incubators and supporting them across North Carolina. Most of these would be considered Economic Development Incubators. This document is the culmination of that work and covers the following for communities aiming to support local businesses:

- What an incubator is and how it works
- Ways to determine the feasibility of and demand for a local incubator
- Initial steps for setting up and running a successful incubator
- Alternative methods of achieving local economic development

WHAT IS *NOT* AN INCUBATOR

An incubator does not solely consist of below-market-rate space leased without vetting of potential tenants, nor is it just a series of business assistance workshops open to any interested attendees. An incubator **combines these two features to pursue a goal of supporting and expediting business growth**. Incubators also seek to 'graduate' their businesses rather than host them in perpetuity. Incubator graduates should be able to sustain their businesses on their own, rent market-rate space locally, and create jobs within the community.

Furthermore, incubators are not a one-size-fits-all solution to a community's economic development goals. Incubators work in places where demand exists, where a team of partners and a clear leader are ready to get to work together, and where a physical location can be identified. Without any one of these three things, an incubator will not work, and valuable time, money, and energy may be wasted. In these situations, **there are lots of other ways** for a community to create jobs, fill vacant commercial space, support local entrepreneurs, and/or pursue other goals that often justify the creation of an incubator.

Differences Between Incubators, Coworking Spaces, & Accelerators

Incubators, coworking spaces, and startup accelerators share similarities in that they each provide services to new and/or growing businesses; however, they are also distinct from one another. The following chart outlines some of the key differences between these three entities that have emerged in the last few decades. For instance, coworking space can be rented out by any tenant able and willing to pay the rent, while an incubator is specifically targeted towards growing small businesses. A startup accelerator meanwhile offers intensive support services and mentorship but does not typically provide below-market long-term office space like an incubator does.

	Primary Goal	Leasable Office Space?	Shared Common Resources? (conference rm., printing etc.)	Advisory Services & Mentorship?
Incubator	Start, grow, and support small businesses	Yes	Yes	Yes
Coworking Space	Offer well-designed work space to any and all users	Yes	Yes	No
Startup Accelerator	Speed growth of a cohort of businesses & get a share of equity in them	No	Yes	Yes

Source: Coworkingresources.org[ii]

WHO IS AN ENTREPRENEUR?

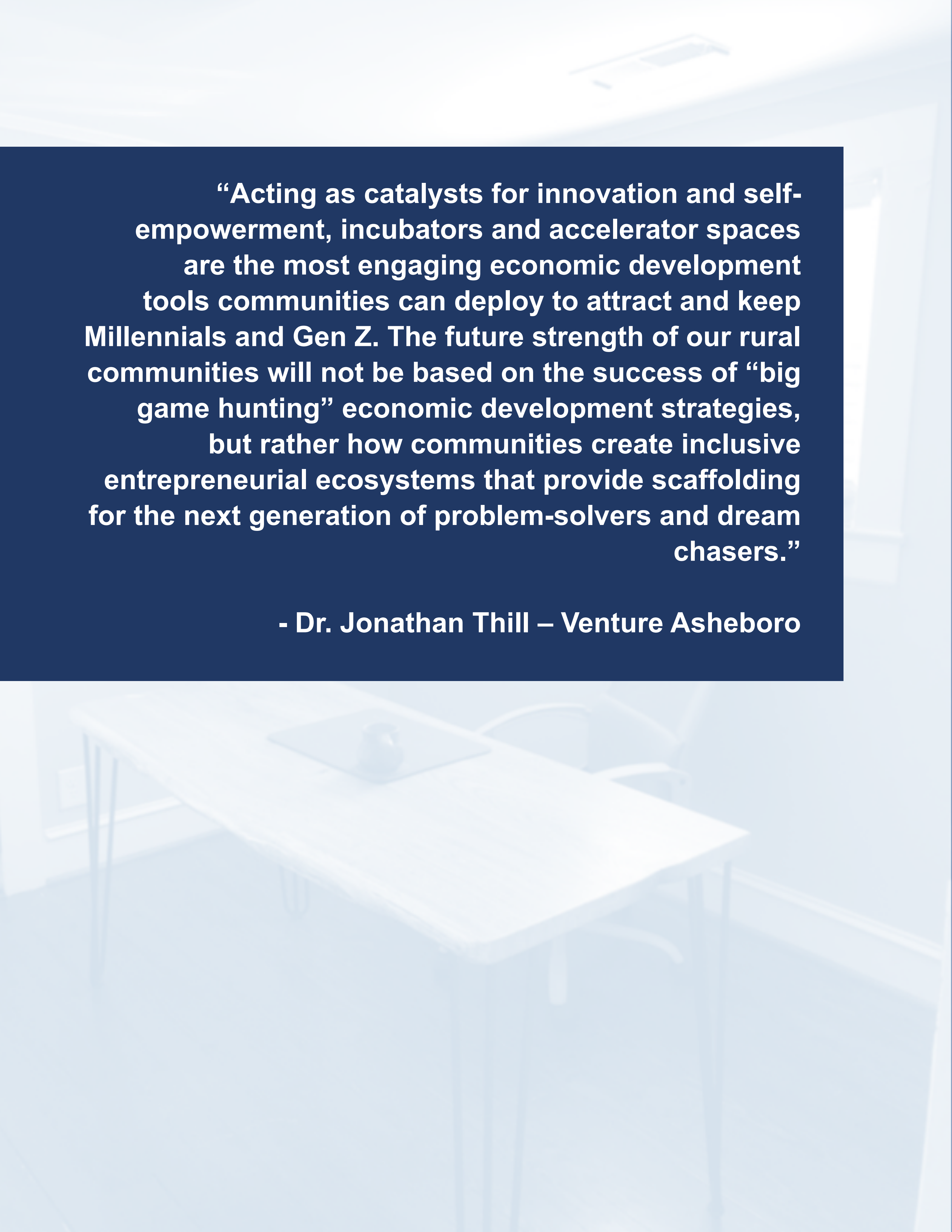
Incubators exist to support entrepreneurs – people who start or work at new and/or small businesses. While many think of young tech experts when they hear the term "entrepreneur," this term can apply to **anyone starting or leading any type of business or organization.**

Understanding that entrepreneurship exists in all sectors is important for communities considering starting an incubator. Your community does not need to be the next Silicon Valley to have entrepreneurs in your midst. Brewery owners, doctors, barbers and salon artists, professional photographers, local manufacturers, fitness studio owners and so many other people found in every community are in fact entrepreneurs. Broadening the definition of who is an entrepreneur and then talking to these people in the community can provide a sense of how best to support them with an incubator or without.

While many communities pursue incubators as a way to attract and retain young people in the community, entrepreneurs are often not Millennials or members of Generation Z. In fact, the average age of someone successfully starting a business in the United States is 45[iii]. As a result, building an incubator targeted solely at Millennials or Generation Z may lead to the incubator being **under-utilized** and **may not even attract these younger residents to your community.**

“Acting as catalysts for innovation and self-empowerment, incubators and accelerator spaces are the most engaging economic development tools communities can deploy to attract and keep Millennials and Gen Z. The future strength of our rural communities will not be based on the success of “big game hunting” economic development strategies, but rather how communities create inclusive entrepreneurial ecosystems that provide scaffolding for the next generation of problem-solvers and dream chasers.”

- Dr. Jonathan Thill – Venture Asheboro



2. HOW TO THINK ABOUT STARTING AN INCUBATOR

There are many factors that need to be thought through in order to determine whether starting an incubator is the right decision for a community. A community considering an incubator should complete the following when evaluating whether an incubator can work well in their community:

- An Economic Development Vision
- A Survey of Existing Entrepreneurs
- A Demand Study
- Identification of a Clear Leader
- A Feasibility Study
- A Financial *Pro Forma*
- An Incubator Management Plan
- Siting of a Potential Location

Economic Development Vision

Communities pursue incubators for a variety of reasons. Starting by understanding the community's "why" is crucial. Understanding why an incubator is appealing and clarifying the over-arching goals of a community's economic development efforts at the outset will guide the process of determining whether an incubator fits or not. If an incubator will not guide the process of determining whether an incubator fits or not. If an incubator will not work in a community, knowing the driving motivation behind it will also help community leaders determine the best alternative to pursue in its place.

Some common motivators of incubator creation are:

- Downtown Revitalization
- Reuse of a Historic/High-profile Building
- Job Creation
- Diversification of the Business Community
- Reduction of Economic Barriers for Underrepresented Groups

With this in mind, community leaders can focus their demand study and entrepreneur survey on downtown specific issues. Furthermore, if an incubator is not a good fit, they can pursue place-based alternatives to an incubator like **‘First Fridays’** and **building an authentic sense of place** rather than alternatives that are solely entrepreneurship focused.

In building a vision, community leaders should proactively reach out to community members who have been historically underrepresented in decision-making. Not proactively reaching out to historically underrepresented groups such as people of color, women, immigrants, low-income residents and others means that community feedback will be dominated by the usual suspects. These usual suspects are unlikely to be representative of the community as a whole and thus will skew the community’s vision in favor of their interests. Proactively reaching out to underrepresented groups will ensure that the economic development strategies chosen have broad community support and the potential to generate greater transformative impact.

Survey/Interviews of Existing Entrepreneurs

In addition to looking at the economic and demographic data, leaders should conduct an informal census or survey of entrepreneurs before moving forward with an incubator. Doing so can give a community a sense of whether its entrepreneurs want an incubator or if they have other ideas for how local leaders could best support them. If possible, segmenting responses based on entrepreneurs’ characteristics can provide even more helpful info about what specific groups want and do not want. Ultimately, this survey feeds directly into the demand study and can inform the long-term economic development vision as well.

Communities can survey incubator demand via many means:

- Interviewing local business owners about their challenges and needs
- Hold a focus group or roundtable of local entrepreneurs
- Hosting a pitch competition with a cash prize
- Conducting a paper or online survey of business owners
- Regularly hosting and consulting with a roundtable of business leaders

Surveying entrepreneurs and business leaders in the area is an especially effective tool for not only evaluating demand for an incubator, but also for understanding what types of services would be most valuable to small businesses. Asking questions like: What are their biggest business hurdles, what civic or educational resources have they found most useful, and who do they look to for information on local resources is a good place to start. Conducting this survey online or in-person at community events can ensure high participation rates. Going a step further and hosting an entrepreneurship or networking event at which to launch the survey is a great way to build up the entrepreneurship community while getting valuable data. Similarly, proactively reaching out to minority-owned businesses and diverse community leaders will ensure that all of a community’s entrepreneurs are engaged in the process, not just the usual leaders. Survey design is crucial for getting useful data and thus NCGrowth has developed a survey design template and survey step-by-step guide accessible below:

- Survey Design Template Accessible Here **[COMING SOON]**
- Community Survey Step-by-Step Guide Accessible Here **[COMING SOON]**

Demand Study

An incubator will not survive and will not benefit the community if there are too few entrepreneurs or potential entrepreneurs to make use of it in a given community. A crucial step in evaluating the potential for an incubator is understanding the demand for one by asking existing entrepreneurs and businesspeople if, and how, they would benefit from an incubator.

Questions to consider include:

- Is there an active entrepreneurial community in the area?
- Are local residents moving elsewhere to start businesses?
- Is local office or warehouse space hard to find or prohibitively expensive?
- Is there already a Small Business Center at a local community college?
- Are there local entrepreneurs already known to community leaders?
- Are community college programs already at capacity or unable to provide the business services entrepreneurs want?
- Is the community's overall population growing?

Quantifying these aforementioned aspects of the community is important for proving the feasibility of and demand for an incubator. Full market analyses and/or industry analyses are additional tools to use to understand the role an incubator could play in a community. The **ESRI Business Analyst** reports can be very useful sources for this work, but are not freely available. Many regional governing councils in **North Carolina** and **South Carolina**, however, can provide free access to them for their municipalities, as can the **NC Rural Economic Development Division**, the **Regional EDA offices**, and the **NC Labor & Economic Analysis Division** (in North Carolina). The NC Labor & Economic Analysis Division even provides an economic snapshot report of each county in NC on a regularly recurring basis, which can serve as a strong foundation for an incubator feasibility study. These entities also aggregate significant amounts of local and regional data from the **U.S. Census Bureau**, the **U.S. Bureau of Economic Analysis**, and the **National Bureau of Economic Research**. They are typically eager to share it with local municipal leaders free of charge.

Clear Leader

Incubators rely on community partnerships in order to succeed. However, in addition to a network of supportive institutions, people, and organizations, incubators need a specific leader or steward to spearhead their start and operation. In most communities the initial incubator leaders have been local governments, chambers of commerce, or private individuals and businesses. Having at least one full-time staff member who serves as the incubator's leader has been crucial to long-term success in many incubators including **Venture Asheboro** and the **Wilmington Business Center**. The proposed leader should be clearly named in the incubator management plan and the cost of a full-time staff member should be set out in the pro forma.

Feasibility Study

The feasibility study should build off of the demand study to establish whether a critical mass of support factors exists or not. A feasibility study should succinctly and accurately answer the following questions (at minimum):

- Is there demand for space and services from entrepreneurs?
- Is there a lack of existing supply to meet this demand?
- Is there demonstrated community support for an entrepreneurship program and facility, including a committed leader?
- What programming & services will be offered, and by whom?
- What are the expected costs of operating, and how will these be covered?

A feasibility study should provide additional detail on what type of incubator the applicant hopes to pursue and what makes them believe it has the potential for success. It should include a management plan detailing what programming and services will be provided, expected operational costs, and how these will be covered.

Financial *Pro Forma*

A financial pro forma, or projection of future revenues and expenses, should establish financial predictions that demonstrate the viability of the incubator and show a positive cash flow within a reasonable amount of time, often 3-5 years. This pro forma can include public and private funding sources, as well as revenue from the below-market rent charged to clients. Projected expenses should include expected costs associated with supporting the businesses in the incubator and costs associated with incubator programming.

- *Pro Forma* Step-by-Step Guide Accessible Here **[COMING SOON]**

Incubator Management Plan

The management plan should be a thorough document outlining how the incubator will be operated and overseen over time. Not only is this required as part of grant applications by external funders, but it also is a smart way to outline a community's vision for the incubator and attract partners. At minimum, it should include:

- **Tenant selection policy**
  - Define the types of tenant businesses sought and criteria for their selection.
- **Tenant lease agreement terms**
  - Outline shared services to be provided, space available to offer to each tenant, and proposed rental rates to charge incubator tenants.
- **Business assistance policy including sources of support**
  - Describe types of assistance to offer tenant businesses, a list of private and public partners offering support, and a schedule of when/how assistance will be provided.
- **Tenant records review policy**
  - Establish periodic access to tenant's business records to assess tenant's financial health and their ability to pay subsidized rent to the incubator managers.
- **Tenant graduation policy**
  - Include maximum (and minimum) lease length for tenant businesses, options to renew incubator lease if desired, and policy for aiding incubator tenants in finding new space post-graduation.
  - Communities that do not have a lot of vacant buildings available for graduating firms may want to consider a graduated lease policy where incubator firms' rent increases to market rate over time instead of requiring that they move out.
- **Incubator staffing plan**
  - Include description of number of staff and responsibilities of staff who will be focused on supporting the incubator and its tenants and/or other information about who will do what to support incubator tenants.
- **Operational costs and potential revenue sources**
  - Estimate annual cost to operate, maintain, and staff the space and provide necessary support and advisory services.
  - Common revenue sources include tenant rent, leasing to anchor tenants (like SBCs, community nonprofits etc.), fees for programming and events, and economic development grants from municipalities and local partners.

Location/Facilities

The overall goals of an incubator should be considered when choosing its location. Is the goal solely to spur entrepreneurship or do founders want to revitalize downtown or another underinvested part of the community? Is there an existing cluster of similar firms in a particular neighborhood or office park where startups want to be located?

Incubator developers should look at locations that allow businesses to grow and graduate successfully, that further the community aims of the incubator, and that are accessible to the entrepreneurs who will be part of the incubator. Importantly, if applying for EDA grant dollars it is strongly recommended to rehabilitate an existing building rather than build from scratch.

Acquisition and/or redevelopment of the chosen location should be financially feasible for the incubator's sponsors. If funding is limited, an incubator partner or anchor institution with vacant space could provide space in lieu of a financial contribution to the incubator. Grants from organizations such as the EDA and **Golden Leaf** (in North Carolina) can be use for redevelopment projects that include incubators. Tools like **Historic Rehabilitation Tax Credits (HRTC)** are useful if the incubator is proposed in an existing building of a certain age.

WHAT ABOUT THE PRIVATE SECTOR?

While many incubators are started and operated by a public or nonprofit entity, others have been successfully started by leaders from the private sector as for-profit ventures. **Venture Asheboro** is an example of a non-profit/for-profit partnership that operates an incubator successfully in a rural setting. Essentially, Venture Asheboro's physical incubator services (office space, amenities etc.) are operated as a for-profit entity while the advisory & mentorship services are provided via a separate non-profit. From the tenant business' perspective however, the two work in tandem together. Having a non-profit/for-profit incubator partnership ensures that a sustainable business model is developed to both manage the physical space and provide access to mentoring, classes, counseling, and educational opportunities that support less experienced entrepreneurs. Such a partnership splits the leadership responsibilities of the physical space from the entrepreneurship support, which allows the impact of the support to extend beyond the physical location. While a clear leader exists to advocate for the incubator, municipal partnerships and/or funding may still be critical for ensuring that workspace can be offered at an affordable rate.

Given the success of some privately-run incubators, communities should consider whether the value of an incubator can be provided by the private sector and/or if the private sector can complement the incubator. Rather than applying for grants, local economic development teams can focus their energy on recruiting a business partner to run the incubator.

Alternately, are local firms like marketing agencies or CPAs interested in providing advisory services at a low or bundled cost to tenant entrepreneurs? Are local business leaders interested in simply growing the economic pie and sourcing more local suppliers? Such partnerships with the private sector can be complementary for local businesses and for the incubator too. Ultimately, if demand exists for it, or can reasonably be developed, moving forward with an incubator complemented by the private sector can lower the risk associated with the incubator that must be borne solely by the public or non-profit sectors.

"A coordinated marketing campaign has to begin before the incubator exists to acclimate the prospective clients in the area. It's an education required to get interest and occupancy up."

– Todd Lyden – Bladen County Small Business Center (Elizabethtown, NC)

3. KEY ELEMENTS OF A SUCCESSFUL INCUBATOR

The "Must Haves" for an incubator to get started in addition to financial solvency are: a leader, physical space to offer to growing businesses, strong civic partnerships, and mentorship programming for tenant businesses. These are outlined on the left-hand column below. Consider the right-hand elements below as **"Good to Haves"** as an incubator grows. Click on the icon for each element to skip down to the corresponding section.

Leading Entity
Have a leader who takes responsibility for incubator's start & ongoing operation

Location Services
Offer below market office space, amenities, and shared conference rooms, etc.

Strong Partnerships
Proactively engage local govt., anchor institutions, & business leaders for support

Programming & Mentorship
Provide mentorship, permitting, marketing, & accounting support & training

Events
Host pitch days, networking happy hours, & other events to support & grow businesses

Applicant Evaluation & Selection
Choose tenant businesses based on clear, relevant requirements to ensure quality

Post Incubator Placement Assistance
Plan for & support tenant businesses' graduation & next steps after incubation

Early Customer Programs
Create processes for incubator partners to be early customers of tenant businesses

LEADING ENTITY

Incubators that succeed do so in part because they have a clear individual and/or organization that takes responsibility for carrying them forward. Such an entity is not just important for getting an incubator off the ground but also for keeping it operating smoothly over the long term.

Often, an incubator is first considered by local government staff or members of the local chambers of commerce. However, these entities have other responsibilities that take precedence over the incubator. Having a local person dedicated, and usually paid, to spearhead the incubator concept is crucial for building relationships with potential donors, partners, and businesses. Having this person paid to manage the incubator operations, support member businesses, and advocate on behalf of the incubator is key to long-term success as well. **Venture Asheboro** and the **Wilmington Business Center** are two examples of incubators whose fates have hinged on the existence of leaders who take responsibility for their success.

LOCATION SERVICES

To be an incubator, there must be a physical space for budding businesses to flourish. The space can be designed as shared coworking style office space or small separated offices for each business. For specialized incubators, the space could be wet lab space, warehouse space, light manufacturing space, or other types of space fundamental to supporting the businesses involved. In addition to physical space, many incubators offer the following tangible benefits and amenities:

- Below Market Rate Lease Terms
- Shared Conference and Meeting Rooms
- Shared Break Room/Kitchen Space & Common Areas
- Subsidized/Shared Utilities Including High-Speed Internet
- Free Printing & Copying Capabilities
- Business and Accounting Software Access
- Private Offices or Call Booths
- Cleaning Services
- Coffee/Snacks provision
- Reception Services
- Mail & Package Management
- Physical Address for Shipping & Official Mail
- Designated Parking

Not all of these amenities are necessary for every successful incubator program, at least not at the outset. However, these amenities should be viewed as a good basis for what potential entrepreneurs may find attractive about an incubator.

STRONG PARTNERSHIPS

Successful incubators create opportunities for small businesses not just by offering space but also by offering connections to other like-minded individuals. This process happens through partnerships that provide mentorship, access to funding, access to commercial space, access to other startups/established companies in the community, and local government and nonprofit support. Below are examples of community partners that should be aligned with the mission of a successful incubator.

Anchor Institutions

Local institutions, especially colleges and universities, are crucial partners in three ways. First, they can be a source of entrepreneurial talent and future incubator tenants. It is important to ask local universities, hospitals, or military bases if they have people who are interested in starting their own businesses and could benefit from an incubator.

Second, these institutions have leaders, faculty, and staff that can provide expertise in areas such as small business finance, marketing, etc. A strong institutional partnership is one where the institution's leaders are willing to participate in the incubator programming and share their skills to help the tenant businesses grow.

Finally, local universities and other anchor institutions have a vested interest in the vitality of their host city or region. They may therefore want to help fund an incubator, make in-kind donations, or be early customers to incubated companies. Furthermore, simply getting institutional buy-in and support can lend credibility to an incubator and its small businesses.

Small Business Centers

As a subset of the local institutions mentioned above, community colleges often have **Small Business Centers (SBC)** that provide mentorship, seminars, and consulting services to local small businesses. Not only can an SBC be a key partner in identifying entrepreneurial talent, but they typically are already providing advisory services to local businesses. An SBC is typically one of the first potential partners an incubator leader should approach and in some cases, like **Elizabethtown, NC**, SBCs have co-located their services in or close to an incubator. SBCs can also often be better leveraged by a community to serve as a substitute to an incubator.

Local Governments and Nonprofits

An incubator must be aligned with the goals of the local government because city or county resources are often imperative to the success of the project. Local chambers of commerce, downtown development nonprofits and similar quasi-public stakeholders can be major incubator boosters as well. These entities also often own, maintain, or otherwise provide services to the incubator itself free of charge or at a discounted rate. For instance, in **Greenville, NC**, the county provides maintenance, legal, and accounting support to the incubator for free.

Local Businesses, Mentors, and Investors

Local business leaders can support incubators and their tenant businesses as investors in the entrepreneurs, early customers, advisory programming providers, and mentors.

Local investors or investor groups can address the fundraising challenge small businesses face to enable initial business operations. Many new businesses are able to source their first dollars privately through friends and family, but rurally based businesses in particular may struggle to get their first conventional bank loan. This is where local wealthy individuals can provide needed gap funding for a promising small business.

Incubators can also help by teaching entrepreneurs how to operate as leanly as possible, which can reduce their overall capital needs. According to ***The Lean Startup*** by Eric Ries, requiring pre-orders before starting production and taking similar conservative steps can keep costs down when a firm is starting. **Venture Asheboro** has been especially focused on building this skill.

Tenant businesses will also need access to quality, affordable business services in order to succeed. Local business leaders may be willing to offer free or low-cost services in areas such as marketing, finance, operations, and other consulting capacities as well. Sharing these services not only benefits the incubated businesses but can also benefit existing local businesses by providing them with a new revenue source and future clients.

Local business leaders can also provide valuable mentorship to incubator businesses. These local business leaders have already proven their ability to operate successfully in the local market and thus have a lot of knowledge to offer to rising entrepreneurs.

PROGRAMMING & MENTORSHIP

Two key components of a successful incubator are the provision of programming that entrepreneurs find valuable and general mentorship and advice during the challenging startup period. Below is a list of services that fall into these two categories that are typically offered by an incubator. Many of these services can also be offered by economic development teams without requiring the creation of a full-fledged incubator.

Permitting and Regulatory Guidance

Regulations and permits of all kinds exist to protect the interests of the public but can create a frustrating and complicated web of hoops to jump through for entrepreneurs. Incubators are well-positioned to provide guidance and best practices for navigating this web simply by virtue of seeing so many firms go through the processes.

Incubators can be especially helpful with local permits and regulations because of their connections to local civic leadership.

Business Plan Assistance

Most incubators require that potential member businesses draw up a business plan as part of their application to the incubator. However, these business plans may not be well-organized enough to provide incubator businesses with the tools they need to thrive long term. Incubator staff and/or partners can provide an outside perspective on a firm's business plan and offer thoughtful help.

Investor Recruitment Assistance

Accessing capital is a challenge for any business and is especially difficult for new businesses and first-time entrepreneurs. Incubators, at minimum can, offer trainings on how to successfully present a business plan to investors, educate on the key metrics that investors look for, and generally teach how to market a business to potential investors. In many cases, incubators can go even further and actually connect tenant businesses to local potential investors and high net worth individuals. Economic Development leaders can even work with local investors to create an **investment circle** that specifically invests in local incubator businesses as either a complement to or alternative to an incubator.

Finance Structure Assistance

Thinking through the ideal financing structure or capital stack is a daunting prospect for many entrepreneurs. Understanding and explaining the pros and cons of different types of debt and equity funding is a key service offered by many incubators. Incubators can offer this service by hosting a training for all tenant businesses and/or by offering one-on-one finance counseling individually to tenant businesses.

Product Prototyping

Testing and evaluating a service or product is an important part of taking a business from startup to profitability. Prototyping can help the entrepreneur discover their blind spots in thinking about their product or service and even help them discover additional markets for it. Having the opportunity to prototype services or products within an incubator setting provides entrepreneurs with honest, knowledgeable and constructive feedback at little to no cost. It ensures that, whenever the idea comes to market, it has been fully vetted.

Marketing and Advertising

By providing marketing and advertising expertise at little to no cost, incubators provide tenant businesses with a leg up in comparison to their non-incubated peers. Whether incubator staff are providing in-depth customized marketing advice to each tenant firm, the incubator is partnering with an ad agency pro bono, or the incubator is just offering free printing, marketing support can come in many forms.

Employee Hiring/Managing Support

Learning to build and manage a team is a challenge for many entrepreneurs. For some it may be their first-time managing people. Others may struggle with sharing and delegating the execution of a big idea into which they have poured significant energy and time. Regardless, an incubator can help by offering services that otherwise would require additional hiring and/or offering trainings and consulting on team leadership and management.

Accounting and Payroll

Managing a new business' accounting and payroll systems can be a big headache for entrepreneurs trying to get their firm started. However, getting these practices wrong early on can set bad precedents as the firm grows. Incubators can have an accountant staff member or external partner provide accounting and payroll services and/or offer templates, training, or advising to tenant businesses.

Market Research

Conducting market research can be a time-consuming aspect of preparing to bring a new product or service to market. Incubators can help by offering a general summary of the local market context, offering access to raw market data that could be useful to entrepreneurs, or even offering tailored research about a specific market or industry.

Employee Training

New growing businesses need talent and ideally talent that already has crucial skills. Trainings can teach things such as social media skills, marketing, customer service, or more technical skills such as finance, accounting, or statistics. Incubators can offer employee training to entrepreneurs themselves, train them to teach their staff on their own, and/or offer broad-based skills training to the community at-large. Such at-large trainings can indirectly support incubated businesses by growing the pool of local talent from which they can recruit. This last service is especially useful in rural communities.

Legal Advice

Legal challenges can bedevil startups as they start to scale up and grow but lawyers and other legal professionals can be expensive to retain. Incubators with partnerships with law firms can sometimes offer pro bono legal advice to budding firms. Such a enables startups to avoid spending their limited capital on these services. At the very least incubators can offer legal trainings on particular laws and regulations relevant to their businesses.

Entrepreneurship Training

Numerous entrepreneurship and business curricula are well-established for helping startup leaders get to profitability and commercial success. In addition to providing their own trainings and advisory services incubators can also add value by connecting startup businesses to these other programs. Key leaders in this field include **Kauffman FastTrac** and the Rotary Club's **Launch My City.** Even establishing connections with nearby Master of Business Administration programs can enable tenant entrepreneurs to get the additional training they may need as their business grows.

General Mentorship

Entrepreneurs often simply need to hear advice, wisdom, and/or feedback from people who have charted this path before them. While every startup is different, there are similar lessons to be shared from founder to founder. Incubators can offer mentorship by connecting entrepreneurs to local partners willing to serve as coaches, by connecting entrepreneurs to one another, or by having experienced staff able and willing to lend advice and support as needed.

EVENTS

Hosting entrepreneurial and networking events as part of the incubator program is a great way to engage both existing and potential incubator tenant businesses. It can also engage local business, governmental, and institutional leaders that may serve as valuable partners to the incubator. Many of these events can be hosted by local economic development teams to spur entrepreneurship and growth even without a full-fledged incubator.

Pitch Events

Businesses within the incubator program should have regular 'pitch' events; essentially opportunities for incubator businesses to share their service or product proposals and receive feedback from peers and advisors. These can be general showcases or competitions between incubator businesses. In addition to demonstrating the work that these entrepreneurs are doing, these events have the potential to foster local investor connections as well as create community contacts that will expand incubator businesses' networks and support the incubator itself.

External Networking Events

In addition to pitches, the incubator program can hold networking events or sessions that are targeted at specific outcomes. For example, a networking gathering over a meal or beverage could connect established business leaders in similar and adjacent industries to the incubator cohort. Another event could be centered around feedback from representatives of potential customers or focused on introducing incubator businesses to local anchor institution leaders. Social networking events connecting the incubator cohort with local investors could provide valuable informal feedback prior to a more formalized pitch showcase. Not only do these external networking events benefit the tenant businesses, but they also benefit the incubator itself by providing opportunities for outside community members to see the value of the incubator. Potential external networking events include:

- Lunch & Learns – Invite people to hear a successful entrepreneur or business leader describe their career journey
- Hack-a-thons – Gather local entrepreneurs and challenge them to solve a problem facing the community or a particular business
- Happy Hour
- Coffee/Breakfast session
- Dog-friendly 'Yappy Hour'
- Pop-up Meals – Host a meal in a unique location catered by a startup food business
- **One Million Cups** – Resource for hosting effective networking events of all kinds

Internal Networking Events

The incubator should also hold networking events or happy hours targeted at the cohort members as an internal group. Building camaraderie amongst the tenant businesses through these events increases the likelihood that these leaders will want to stay in the region upon graduation. Having chances to get to know one another can also foster opportunities for entrepreneurs to bounce ideas off one another and learn from each other's challenges and successes. Such peer learning is a key value-add of having an incubator rather than just a coworking space. Potential internal networking events include:

- Tour a local business or local destination together

- Happy Hour
- Morning coffee/breakfast hour
- Webinar viewings
- Internal lunch & learns and/or seminars on specific topics
- Incubator tenants' retreat – day long or overnight excursion
- **One Million Cups** – Resource for planning and hosting effective networking events

APPLICANT EVALUATION AND SELECTION

In order to ensure resources are invested in businesses that have the potential for profitability, the incubator must create a robust pipeline of entrepreneurs applying to the incubator as well as a process for evaluating and selecting tenant businesses. The success of an incubator program is dependent on the quality of its tenant businesses so choosing these firms is an especially important part of the process.

Recruiting Applicants

In addition to local press announcements and physical marketing at the incubator itself, the incubator's partners will be key to recruiting applicants. Successful incubators should begin recruiting potential tenants as soon as financing and a physical space are assured. Waiting until the doors open to spread the word will mean empty unleased space that causes financial strain and drains enthusiasm for the incubator in its crucial early months. It will be important to work with each of the following stakeholders to find ways to reach out to their respective communities:

- Faculty at local colleges and universities
- Military Business Centers in communities with a military presence
- Staff/Faculty at local Small Business Centers
- Leaders of local nonprofits and booster organizations
- Chambers of Commerce
- Existing Businesses
- Churches & Other Faith-Based Organizations
- Cooperative Extensions

- Local/Regional Economic Development Commissions & Organizations

In addition to relying upon community partners to attract interested applicants, social media, online, and flyer marketing should be utilized. Community members involved with the incubator should also seek speaking engagements in front of key groups or at preexisting events to promote the incubator and be visible to potential entrepreneurs.

Additionally, hosting events ahead of the incubator's opening day that are geared towards the broader community is a great way to create buzz and source potential tenant businesses. Such events give the community ownership and/or connection to the incubator and speed word of mouth marketing.

Business Plan

When evaluating incubator applications, each business should have at least a rough business plan that lays out their value proposition, their steps toward profitability, their assets and their major challenges, and a timeline over which they plan to execute. Mentors at an incubator often help tenant entrepreneurs refine their business plans more thoroughly.

It will be important to have a panel of experts, including representatives from local businesses, the SBC and/or local universities review and evaluate the initial business plan for each applicant. These experts should be looking for feasibility and market potential as well as operational bottlenecks that an incubator can ease.

Business Type

The incubator should have clear guidelines for the types of businesses they want to serve. Should the incubator focus on businesses that will help revitalize downtown? Should it focus on technology businesses in conjunction with a specific program at a local university? Should it focus on women and minority-owned businesses? Should it focus on a key industry already clustered locally? Should it focus on startups and/or existing businesses poised for growth? Answering these questions is up to each incubator, but each answer should be aligned with the overall economic development vision, the goals of the community and the sponsors of the incubator, and crucially: market demand.

Breakeven Analysis

Applicant businesses should be able to provide a breakeven analysis; essentially a mechanism of identifying the number of sales per month required for the business to breakeven rather than lose money. Being able to provide this number and explain how the entrepreneur got to it demonstrates a basic understanding of the business's financial underpinnings including fixed costs, variable costs, and pricing.

Financial Requirements

Each entrepreneur should be able to provide both personal and business financial information including tax returns. Each incubator can determine the specific financial requirements appropriate for their space, but entrepreneurs in good personal financial standing have a better chance of obtaining business funding and thus have a greater chance of success. That being stated, if the goals of the incubator are to provide opportunities for historically underrepresented groups, flexibility in terms of personal financial stability may be required. Regardless of incubator goals, financial standing should not be the only consideration in selection but one component of many.

Tenant Lease Agreement and Graduation Policy

Tenant lease agreements should outline agreed upon below-market rental rates for office space as well as requirements for participation in the incubator program. The lease should outline the shared advisory services and any other benefits that the selected entrepreneurs will have access to and outline which parts of the programming are mandatory rather than optional. It should also clearly outline a graduation policy given that the purpose of this incubator program is to help businesses grow, flourish, and expand.

As a reference point, the EDA recommends that incubators require graduation within 3 to 5 years. Some incubators set revenue or profitability graduation metrics instead of or in addition to calendar-based ones. In smaller communities especially, graduation may entail increasing the tenant business' rent to market rate over time rather than requiring that they vacate and move to other space which may not be readily available.

A sample INCUBATOR lease agreement is **available here**. **[COMING SOON]**

Tenant Records Review Policy

In addition to requiring financial documents during the application process, the incubator agreement should stipulate that the organization running the incubator have access to financial and operational records of the business. An audit should be conducted quarterly to understand current challenges and successes and the future trajectory of the incubator's businesses. Such audits can help the incubator align its programming with tenant needs, and also protect the incubator and its sponsors in case of a bad actor attempting to fraudulently take advantage of the incubator's resources.

POST INCUBATOR PLACEMENT ASSISTANCE

Businesses that have graduated from the incubator with a profitable future are an asset that the community does not want to lose to competing regions. As such, the incubator should develop a placement assistance program for these growing businesses that includes:

- Partnering with local real estate agents who show graduating entrepreneurs available spaces
- Educating incubator businesses on key challenges of the transition out of the incubator
- Making limited resources available to graduating entrepreneurs during the following 6 months – 1 year
- Hosting a celebration/networking event at each business' graduation
- Partnering with County & Regional Economic Development Commissions & Staff

In addition to these services for incubator businesses, some incubators may want to develop a plan to offer gradual rent increases or office space without programming as transitional steps between graduation and full independence for their entrepreneurs.

EARLY CUSTOMER PROGRAM

Stakeholders and partners may be able to further help entrepreneurs in the incubator by becoming early customers of the business. When products and services align with the needs of any of the identified stakeholders, there should be a process by which partners can become customers of the incubator business. Doing so will help generate revenue for tenant businesses and provide businesses with locally based suppliers.

Establishing appropriate guidelines for partners seeking to be early customers and sharing these with all tenant businesses can help set expectations among partners and tenant businesses alike and avoid conflicts of interest. These guidelines will be important for protecting incubator businesses from being exploited unfairly by local partners and important for protecting local partners from being viewed solely as potential customers.

“True economic development requires re-distribution of power to communities that have historically been excluded; at a minimum, that means centering their voices and perspectives. Without intentional effort, only the interests of those in seats of power will be included and valued.”

- Camille Warren – Duke Innovation & Entrepreneurship Initiative

4. HOW TO PAY FOR AN INCUBATOR

Communities finance incubator set-up and operation in a variety of ways. Typical funding for incubator setup **includes federal and state grants, municipal dollars, institutional gifts, and private capital.** Ongoing funding for incubator operations is usually harder to source and maintain than startup capital. Usually **a combination of public subsidy and rent checks from tenant businesses** is used to operate an incubator over the long-term, though some like **Venture Asheboro** have succeeded using tenant payments alone.

NCGrowth has developed an incubator pro forma template to help guide communities mapping out the financing of an incubator from start through operation. **[ACCESS HERE – TO BE ADDED]**

Incubator Setup Finance

Setting up an incubator requires, at minimum, studying feasibility and market demand, upfitting a workspace, and hiring a manager for the space. In many cases it also entails acquiring a building or property, site design, construction and/or repairs, marketing, and coverage of initial operating costs until the space leases up. These costs can all add up quickly. For instance, a small 8 office incubator cost more than $600,000 to set up in **Elizabethtown, NC** (excluding the cost to acquire the building itself)[iv].

Local anchor institutions, local business leaders, and the local government are often crucial funding providers at this stage of an incubator's growth. Additional federal grants are available from the EDA, but the application process is competitive, and the pool of available funds has declined in recent years. Additionally, using EDA funds for an incubator comes with a number of strings attached. First, EDA funding is almost exclusively available for incubator setup; not for incubator operations. Second, **when EDA funds are used to begin an incubator the grant process restricts the incubator building from being used for any other use for at least twenty years. Additionally, the EDA puts a lien on the funding that requires compliance with multiple federal purchasing policies that may be difficult for smaller communities to meet.** For these reasons it is important that EDA funding not be viewed as the first potential revenue source for an incubator but rather approached with caution in addition to less stringent options.

Common funding resources for incubator setup are listed below:
- Rural Business Development Grants from the U.S. Department of Agriculture
- Local Community Foundations
- Local Universities & Community Colleges
- Local Chambers of Commerce
- Local Downtown Development Associations
- Local High Net Worth Individuals
- Economic Development Administration Funding Opportunities

Incubator Operation Finance

Once an incubator is established it must have adequate funding to meet the needs of its tenant businesses. Typical operating costs & revenue sources are outlined below:

How to Finance Incubator Operations:

Operating Costs	Operating Revenue Sources
Mortgage or Rent	Local Government Subsidy
Incubator Staff	Tenant below-Market Rent
Utilities (Water, Electricity, WiFi)	Partner at-Market Rent; SBC, Non-Profits etc.
Taxes	Local Non-Profit Grants
Amenities Provision	Local Chambers of Commerce
Marketing & Advertising	Event Fees
Hosting Events	Business Training Fees
Business Training	Local Universities/Community Colleges
Property Maintenance	State Government

Tenant businesses are usually charged a monthly rent that includes their share of utility and amenity costs. Such all-in leases are preferred to those that exclude these expenses because it is simpler for tenant businesses to pay a flat fee and it encourages them to make full use of the incubator and its resources rather than worry about incremental expenses adding up.

Conferring with any local owners of commercial property about what they charge for their space will provide a ballpark figure of what market rate rent is in the area. Hopefully the incubator's other revenue sources will enable the incubator leaders to charge rents that are cheaper or "below-market". However, if the rental rate necessary to cover operating costs exceeds what tenant businesses can be expected to pay, then it may be a signal that more subsidy is needed or that an incubator is not feasible in this location at this time. An additional means of covering incubator operations costs is to house an anchor tenant (or multiple) that can pay full market rent. Such anchor tenants could be local non-profits, a community college's small business center (SBC), a university-affiliated office, or even a municipal department. **Elizabethtown, NC's incubator** has multiple such anchor tenants including an SBC and a local Habitat for Humanity affiliate. Not only can such anchor tenants pay market rent, but they also can lend credibility and stability to the incubator early on.

5. WHEN AN INCUBATOR IS NOT A GOOD FIT

An incubator is not the solution to the challenges of every community, or the solution for every challenge a community may face. Much of the time, the goals of an incubator can be reached without one. There are instances where moving forward with an incubator could sap limited resources from more productive uses or purposes, or the demand simply does not exist. In these places there are many paths forward to address economic development goals more effectively.

WHY AN INCUBATOR MAY NOT WORK?

A study by Amezcua, Ratinho, Plummer, and Jayamohan[v] has shown that incubators are much less effective in two particular types of communities: Large cities with diversified economies and rural regions with highly concentrated economies. They also are less effective when affordable office space is already readily available.

Diversified Urban Centers

In large cities with diversified economies most of the value provid-ed by incubators can already be found in the community. Infrastructure, talented potential employees, leasable office space, and business services are readily available with enough existing paths for entrepreneurs seeking to access them.

Rural Specialized Economies

In rural regions dominated by a single industry or firm the lack of economic diversification locally makes it hard for new businesses to break in even with an incubator’s help. Additionally, resources specific to the given industry already exist in that region, which makes it challenging for an incubator to provide value to firms trying to break in.

Vacant Affordable Workspace

If affordable and unleased office or warehouse space already exists there is likely little demand for an incubator. If such space is already on the market at an affordable price and is struggling to lease up that is likely a sign that the community’s challenges will not be addressed by more low-rent space alone because the location-specific services an incubator would offer already exists. If this is the case, pivoting to focus on providing business mentorship programming only could be more fruitful.

Alternatively, if few office/warehouse space options exist and the market is not building more, then the market may be ignoring a niche that an incubator could serve. Similarly, if workspace is available for lease but the prices are out of range for most entrepreneurs, then an incubator could fill that gap by providing office space at below-market prices.

COMPARABLE & COMPLEMENTARY TO AN INCUBATOR

If an incubator is not right for your community, there are plenty of economic development techniques that can and should be pursued. Below are some comparable ways to drive entrepreneurship in your community as well as links to resources for learning more about them. Many of these strategies can even be pursued alongside an incubator.

Listen to Entrepreneurs

Ask existing entrepreneurs what they need in terms of economic development

Think Regionally

Broaden scope of work to find & highlight undervalued strengths & allies nearby

Host Events

Host community events that showcase & appeal to local businesses & entrepreneurs

Mentor & Teach

Offer business mentorship programming & relevant trainings to entrepreneurs

Co-locate Resources

Provide shared business services & rentable space in a single location

Buy Local Campaign

Start a 'Buy Local Campaign' to incentivize shopping at small local businesses

Start an Investment Circle

Enable local investors to provide funds to startups

Enable Incremental Growth

Reshape laws so businesses have options to expand incrementally

Maker-Friendly Regulations

Adapt laws to allow small-scale-manufacturers to operate

Build Authentic Sense of Place

Preserve & highlight the things that make a community unique

Listen to Entrepreneurs

The best first step for any community, especially smaller rural ones, is to learn who is already an entrepreneur, how entrepreneurs are already supported in the community, and what they actually need from community leaders. Reaching out to anyone who may be involved in entrepreneurship currently to take a 'census' or 'inventory' will enable you to begin setting up networking events for entrepreneurs and learn more about what their needs are. Learning about their challenges will help curate the best solutions for them. Learning what they like about doing business in your community will also strengthen community leaders' recruitment pitches to potential businesses.

While many think of young tech experts when they hear the term "entrepreneur," this term applies to **anyone starting or leading any type of business or organization**. Understanding that entrepreneurs exist in all sectors is important for communities considering starting an incubator. Your community does not need to be the next Silicon Valley to have entrepreneurs in your midst. Brewery owners, doctors, barbers and salon artists, professional photographers, local manufacturers, fitness studio owners and so many other professionals are in fact entrepreneurs. Broadening your definition of who is an entrepreneur and then talking to these people in your community can provide a sense of how best to support them with an incubator or without.

Good places to start getting to know local entrepreneurs are:

- Local Community Colleges or Universities
- Established Local Businesses
- Chambers of Commerce
- Office & Retail Real Estate Agents & Brokers
- Local Makerspace Owners and Operators
- Economic Development Teams
- Churches & Civic Organizations
- Libraries

Once connected with these aforementioned networks leaders can hold listening events, distribute surveys, and hold small group informal networking events over coffee or other beverages to learn more about needs and challenges within the entrepreneurship community. Hosting a local pitch competition advertised through these networks can also be a way to identify entrepreneurs and get their attention via prize money, technical assistance, or simply free marketing.

Think Regionally

Thinking regionally when aiming to drive economic growth can broaden the perceived resource base and market base whether pursuing an incubator or not. This is especially true in rural regions where customers, entrepreneurs, and anchor institutions are widely dispersed. If an incubator exists within your region, limited economic development funds could be better spent connecting local entrepreneurs with that regional incubator rather than starting anew. Likewise, thinking regionally about community assets and strengths may lead to realizations that your entrepreneurship ecosystem is more skilled than initially thought. Even simply advertising entrepreneurship events and/or other business services more broadly than initially envisioned can reflect a regional mindset that bolsters economic development for all.

Host Events

Even without an incubator, communities can sponsor and/or support community events that help grow local businesses. Sponsoring a pitch day at City Hall or at the local community college or even better at a popular cafe or brewery is a good way to engage entrepreneurs. Hosting a small business owners' networking coffee or happy hour are other great ways to foster local entrepreneurship and build community without an incubator. More examples are listed below:

First Fridays or Third Thursdays

Hosting 'First Fridays' or 'Third Thursdays' or similar events when local businesses agree to stay open late or open early can also be great events to host on behalf of local small businesses. These drive traffic and business to local shops and give startups a lift by providing them with additional publicity.

Pitch Events

'Pitch' events are essentially opportunities for incubator businesses to share their service or product ideas and get feedback from peers and advisors. These can be informal community driven events where entrepreneurs pitch to a community member who offers a small award (free office space, free childcare, etc.) or formal competitions with judges and prize money or investments for the winner(s). In addition to demonstrating the work that these entrepreneurs are doing, these events have the potential to foster local investor connections as well as create community contacts that will expand startup businesses' networks.

Networking Events for Entrepreneurs + Established Business Owners

Connecting new entrepreneurs and younger business owners with established local business leaders over coffee or other beverages can be mutually beneficial. New startup leaders gain sage advice from people who have been in their shoes before. Established business owners hear about new trends, give back to their community, and may find new suppliers or customers.

Casual Networking for Entrepreneurs Only

Giving local entrepreneurs a casual environment in which to compare experiences and challenges and learn from one another is crucial for building a supportive startup community. Starting a business is hard work and can be quite isolating. Getting startup leaders together at a local café or bar without potential investors or elected officials in their midst lets these people share their successes and failures more openly and honestly and forge strong bonds together.

Networking Events for Entrepreneurs + Elected & Civic Leaders

Connecting entrepreneurs with local government and civic organization leaders can help demystify some of the regulatory or permitting issues new businesses may face. Similarly, interacting with entrepreneurs could give civic leaders new ideas about how to reshape policy to support new businesses and help them grow in place. Such gatherings can occur over coffee, other beverages, or meals.

Entrepreneurship Webinar Viewings

Many national and state-level economic development entities offer numerous webinars related to entrepreneurship. Hosting a viewing of such webinars open to any and all local community members could help connect local entrepreneurs with one another as well as with new knowledge. Such webinars can be viewed in a municipally-owned building or, if possible, at a trendy bar or café which could be a draw in itself.

Regulatory/Permitting Webinar Viewings/Seminars

Navigating regulations and permitting processes is a big challenge for small businesses. Many state and federal agencies and non-profits have webinars aimed at teaching how to navigate these processes and/or will send a spokesperson to a community to teach on the subject. Bringing people together for such educational opportunities expands their impact and strengthens the local entrepreneurship community.

Lunch & Learns with Successful Entrepreneurs

Hearing how a successful business owner overcame serious challenges and obstacles in order to grow a successful business can help inspire and educate budding entrepreneurs. Providing a successful business leader with the opportunity to speak during lunch and answer questions from the entrepreneurship community may also energize that business owner and turn them into a bigger supporter of the community's broader economic development efforts.

Hack-a-thons

Gather local entrepreneurs together and have them work through a difficult challenge a local business or municipal leader is facing. Hack-a-thons do not need to be tech-oriented; they can be used to solve any type of problem or challenge. Hack-a-thons give people and organizations an opportunity to think creatively and collaborate to solve a real challenge facing the community.

Community Service Days for Entrepreneurs

Volunteering together is a great non-traditional way for people to network. Most entrepreneurs are already community-oriented and thus predisposed to want to spend some time giving back. Volunteering together is a great way for the entrepreneurship community to bond with one another while making the community in which they live a better place overall.

Engage with Civic Groups to Invite Entrepreneurs as Speakers

Civic groups like the Junior League, the Rotary Club or Lion's Club are popular in many communities and often high-profile community leaders are amongst their members. These groups meet regularly and may have opportunities for entrepreneurs to come speak about the rewards and challenges of starting their business. Such a speaking opportunity can benefit the entrepreneur by giving them an opportunity to get feedback from knowledgeable potential mentors and/or attract new clients. Their speaking can also be helpful to the entrepreneurship community in general as they can raise awareness of the importance of entrepreneurship and the challenges faced in their specific locality.

Tours of Local Businesses

Touring local businesses as a group of entrepreneurs is another non-traditional networking event that serves multiple purposes. First, it brings the entrepreneurship community together to build stronger bonds. Second, such tours offer local businesses the opportunity to show off what they have built to the people who most understand the work it took to get there. The businesses being toured will most likely appreciate the attention they receive and thus will become more involved with future entrepreneurship efforts in the area.

Finally, such tours offer budding entrepreneurs the opportunity to ask questions of these successful businesspeople in a less formal format than is offered at a Lunch & Learn or similar event.

Happy Hours or ‘Pop-up’ Meals in Local Businesses

Hosting a happy hour, coffee hour, lunch, or dinner in a locally-owned store is another way to bring entrepreneurs together and to give attention to a worthy local business. Hosting a happy hour at a local shop rather than at a more typical bar or restaurant has a novelty to it that will make the event more attractive to potential attendees. It also benefits the host business by generating extra foot traffic for them at a usually slow time of day. A common name for this type of event is “business after hours” if it is held in the evening.

Happy Hours or ‘Pop-up’ Meals in Public Spaces

Like the “business after hours” events, hosting networking events in Town Hall or other unique public spaces has a novelty effect too that is attractive to potential attendees. Hosting a happy hour in town council chambers, a local park, or even a water treatment plant is a great way to get entrepreneurs and municipal leaders to mingle in an unconventional spot.

Mentor and Teach

One of the main resources incubators often provide to member businesses is expertise on a variety of small business issues including permitting and regulatory issues, tax accounting, and business plan development. Without an incubator a community can still offer these services, mentorship, and expertise to local entrepreneurs by bringing speakers in for in-person trainings and/or webinars. A community can go further by retaining such professionals to offer advisory services and consulting on an ongoing basis to local startups rather than as a one-off. Communities can also reach out to existing business leaders and ask them to sign up to serve as ongoing mentors to entrepreneurs. Communities can even tap into existing mentorship networks via **SCORE, an online resource for business mentorship** developed by a non-profit focused specifically on supporting business mentorship in the US.

Offer Business & Entrepreneurship Training via Existing Curriculum

Numerous entrepreneurship and business curricula are well-established for helping startup leaders achieve profitability and commercial success. Communities can support entrepreneurs by connecting startup businesses to these other programs. Key leaders in this field are Kauffman FastTrac and the Rotary Club's **Launch My City**. Even establishing connections with regionally significant Master of Business Administration programs can enable entrepreneurs to get the training they may need as their business grows.

Co-locate Resources

Without a fully-fledged incubator a community can still put commonly used business resources into a single location that also has rentable conference rooms, event space, and other amenities. While such a space will not provide daily workspace for new businesses nor will it offer wraparound services, it can lower costs for businesses as they grow by allowing them to postpone the point at which they must begin leasing their own professional office space.

Such a shared business resource space can also serve as a hub for the local entrepreneurship community more generally and foster connections between entrepreneurs as they come and go. Member businesses can pay according to a monthly subscription model or pay per reservation/use of the space.

Communities can go a step further and co-locate their relevant permitting and regulatory staff alongside the resource hub. Doing so can speed and ease the process of navigating various hurdles and steps to officially starting a business in a given community.

Buy Local Campaign

Starting a buy local campaign with prominent branding, signage, programming and booster events is a great way to enable the community to support local businesses. **One study** has shown that a well-run buy local campaign can nearly double sales growth in independently owned stores[vi]. Some communities have gone as far as having **locally-based currency** spendable only at locally-owned stores and restaurants[vii]. Regardless, steps to encourage residents to invest locally rather than shop at large chain stores can positively impact the bottom line of local entrepreneurs and cause residents to think about how their spending habits impact the local economy.

In addition, and/or as a complement to efforts to encourage local shopping by customers, there are successful models of working with chain businesses to support downtown and small shops. The arrival of a Walmart in Oakland, MD became a success story for downtown because the county's Main Street team worked with downtown stores to adapt their product offerings and customer service techniques so that when Walmart arrived, they would be offering customers a competitive alternative to the big box retailer.

- **The American Independent Business Alliance's Guide to Buy Local Campaigns**
- **Institute for Local Self-Reliance's Guide for How to Start a Buy Local Campaign**
- **National Federation of Independent Business' Guide to a Shop Local Campaign**

Start an Investment Circle

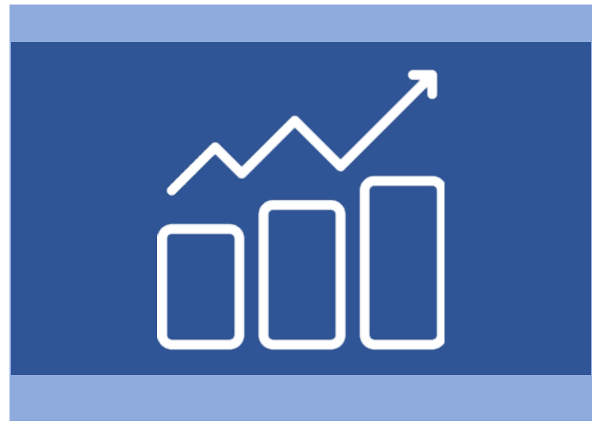
Investment or lending circles are ways for like-minded individuals or organizations to come together to pool funds that they can then lend out to deserving parties. Since most small businesses are started using personal savings rather than institutional capital, an investment circle or co-op can offer capital to entrepreneurs who either have limited personal wealth or have already used their savings but are not ready to leap into sourcing traditional equity or debt capital.

An investment circle is an especially great idea for communities considering an incubator for a specific niche like downtown businesses, businesses started by historically underrepresented groups, or businesses in a particular focus industry. An investment circle can readily be built to rally investors around just such a focus. **The North East Investment Cooperative** in Minneapolis, MN is an investment co-op that was started by residents aiming to revitalize their own neighborhood of Northeast Minneapolis[viii].

An important caveat for investment co-ops specifically, which are a more sophisticated type of investment circle, is that many states have securities laws that make it challenging for co-op owners to invest beyond the annual dues they pay. While no such rules prevent investment circles from being started in any community, be sure to understand how local laws affect co-ops before moving forward with that particular strategy. However, these rules are slowly changing and new mechanisms for investing, like crowdfunding; essentially soliciting money from a large number of people, are on the rise. **North Carolina's NC PACES Act of 2016** legalized investment via crowdfunding to support local businesses in the state and similar laws in other states have done the same.

- **Institute for Local Self-Reliance's description of Investment Cooperatives**
- **Co-operatives First's Description of the Various Types of Coops that Exist**
- **Northeast Investment Cooperative's Steps to Starting an Investment Coop**

Enable Incremental Growth



Many businesses would benefit from having access to incremental options that fill the gap between home/garage operations and fully-fledged office or retail space. In many localities however, such options are in short supply or simply disallowed. Zoning regulations often keep small businesses from operating in residential districts or make permits for such operations prohibitively expensive. Food trucks and food halls are two such examples of incremental options in the restaurant industry that have recently grown in popularity.

Educating entrepreneurs about the local building and zoning codes and permitting processes is a smart first step towards making these important regulations easier to navigate. Ensuring your local building and zoning code does not unnecessarily hamper incremental growth is a good second step towards encouraging small businesses to flourish. Creating or subsidizing pop-up spaces, micro-retail spaces or hosting events for small vendors to sell their wares is a great third step to further support budding businesses growing incrementally.

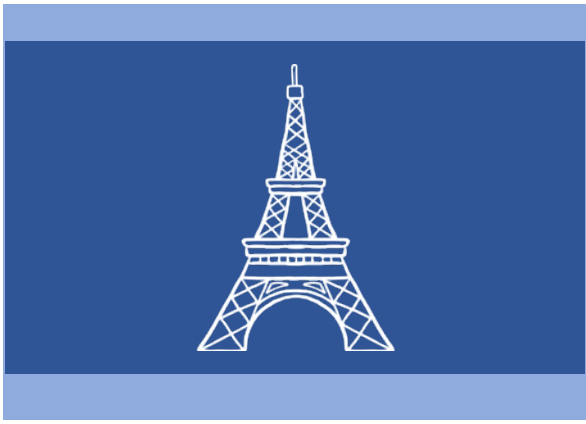
- **Zoning and Reg. Challenges and Fixes for Pop-up Retail**
- **Strong Town's Incremental Dev. Friendly Zoning Guide**
- **Clearzoning's Guide to Zoning for Food Trucks**

Maker-Friendly Regulations

Makers, defined as small-scale manufacturers and producers, are a major growth industry in many regions across the country. Makers are producing all kinds of products like coffee, beer, bread, pottery, soap, and furniture. However, their production activities can often occur in smaller and/or less industrial spaces than is needed for conventional manufacturing. Unfortunately, these makers are sometimes stymied by light manufacturing zoning or building codes that limit what they can do or produce without being in an official industrial area. Addressing these issues and taking other steps to make it easier for small-scale manufacturing to succeed locally enables these makers to produce and sell goods in downtowns or other neighborhoods that may be high priorities for economic development investments.

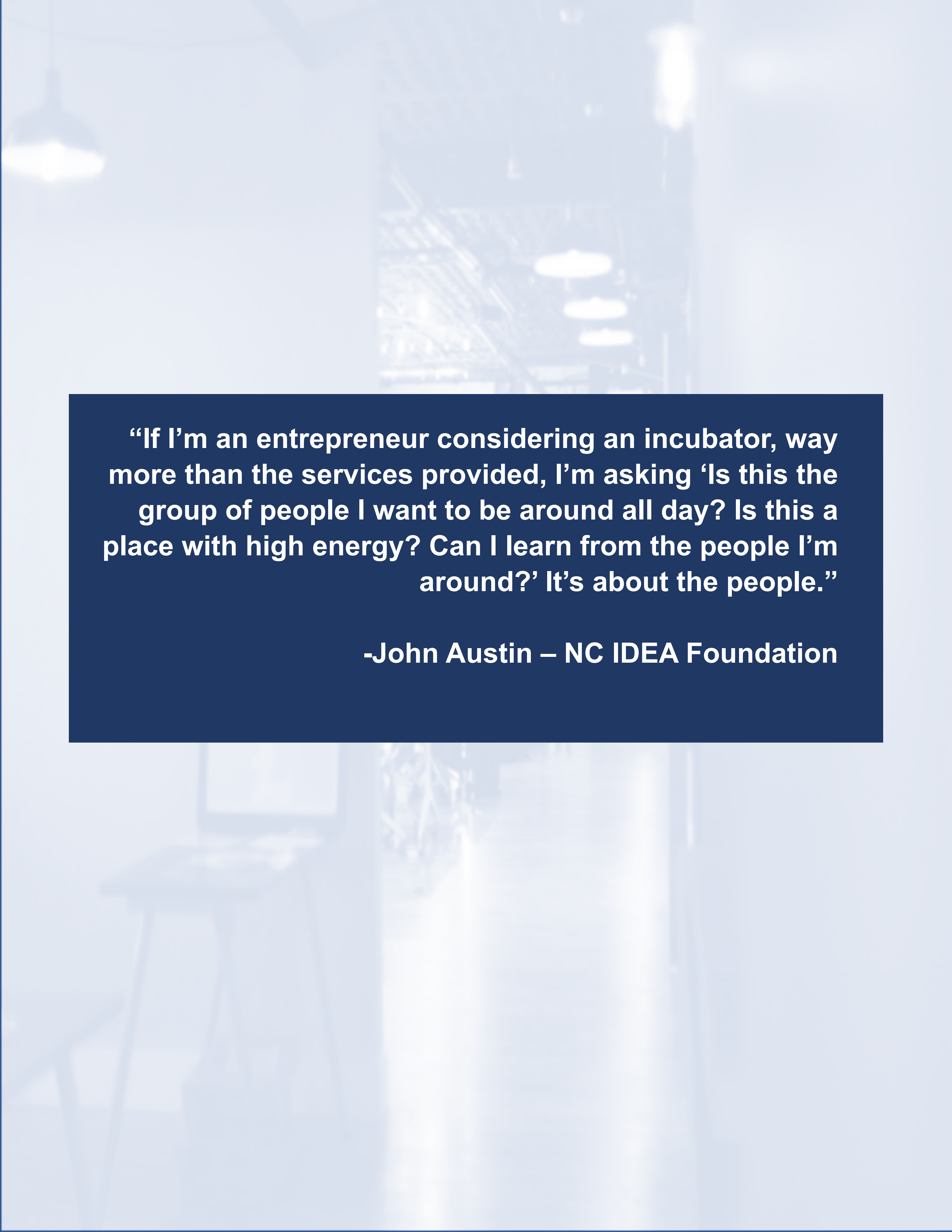
- **Smart Growth America's Small-Scale Manufacturing & Neighborhood Revit. ReportListen to Entrepreneurs**
- **4 Ways Cities Can Help their Maker Economies Flourish**
- **National League of Cities' Discovering Your City's Maker Economy Report**

Build Authentic Sense of Place



Just because that abandoned building on Main Street is not right for an incubator does not mean its redevelopment would not be productive and/or beneficial to the community. Lots of research shows that having a sense of place is an increasingly attractive draw for residents and businesses, especially in small towns[ix]. Some of the best ways to create a sense of place are to preserve and reuse historic buildings, support public art, invest in streetscaping features that enhance walkability, and create vibrant events and programming. Investing resources into these endeavors can drive economic growth and multiple sources of funding and expertise are available to assist:

- **Creative Placemaking Resources from the National Endowment for the Arts**
- **Creative Placemaking Resources from the Local Initiatives Support Corporation**
- **Creative Placemaking Resources from the Urban Land Institute**
- **Creative Placemaking Resources from the American Planning Association**
- **Rural Placemaking Resources from the Project for Public Spaces**



"If I'm an entrepreneur considering an incubator, way more than the services provided, I'm asking 'Is this the group of people I want to be around all day? Is this a place with high energy? Can I learn from the people I'm around?' It's about the people."

-John Austin – NC IDEA Foundation

6. CASE STUDIES

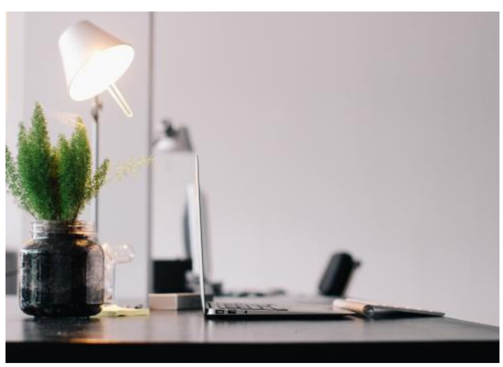
Creating a successful incubator in North Carolina, or anywhere, is challenging. The following six case studies of North Carolina communities that have pursued incubators demonstrate the common issues and successes associated with starting an incubator program. Some of them succeed and some of them do not, but each offers lessons relevant to other communities considering incubators.

GREENVILLE, NC

WILMINGTON, NC

ASHEBORO, NC

ONSLOW COUNTY, NC



ELIZABETHTOWN, NC

STAR, NC

Technology Enterprise Center | Greenville, NC

SUMMARY:

Grant funding spurs incremental growth and the conversion of vacant warehouse and office space into ecommerce retail and pharmaceutical wet lab space in Greenville, NC. However, beyond offering below-market space the incubator does not provide many business advisory services, events, or mentorship resources to its clients.

BACKGROUND:

While it has a very different model from a potential downtown incubator, the Technology Enterprise Center was built to meet demand for below-market office and wet lab space. Most of the tenants are scientific and technology companies including ecommerce retailers and multiple pharmaceutical startups. The space typically has a very low vacancy rate.

In the late 1990's the county had site control of an old industrial building that was deemed unsuitable for future industrial needs and therefore unleasable in the market. The county was therefore not missing out on any revenue generation there, so with the help of EDA grant dollars earmarked for science/technology business development as well as funding through the Technology Development Administration (TDA), the Pitt County Development Commission (PCDC) was able to upfit and purchase the building. The founders cited the lack of private developers building similar wet lab and technology-ready space in the region as a key motivation for starting the incubator.

After purchasing the building, the PCDC attracted tenants and upfit the building using an incremental approach. As tenants agreed to move in, they would use grant money from various sources including the

SOME FACTS:

Where: Greenville, NC

Lead Organization(s): Pitt County Development Commission

Type: Office, Laboratory (Wet Labs), and Industrial

Size: 35,000 SF

Contact: Brad Hufford
(252) 902-2077
brad.hufford@pittcountync.gov

NC Global Transpark fund as well as more locally derived funding to upfit the space to serve the needs of each tenant. Their hope was that upfits useful to one tenant would also be useful to others and that over time the improvements would create a cluster of similar firms. In this way, they were able to only incur upfit costs when new revenue was assured.

THE INCUBATOR TODAY:

Over the years, tenants have included pharmaceutical companies, online ecommerce stores, technology companies, Pitt Community College (as a science hub while their own science center was being built), Pitt County Government (mainly for storage space in unrenovated areas), and East Carolina University (ECU) for a small part of their biology program. Additionally, institutions have rented space for training students who are interested in going into the pharmaceutical industry. These students get to interact with real pharmaceutical startups and potentially forge relationships that may lead to employment after graduation.

While the incubator has been a success in terms of occupancy, Associate Director Brad Hufford recognizes some of the shortcomings. The incubator connects its tenants with business advisory services, but these services are not integrated into a specific curriculum at the incubator itself. There is an application process to make sure businesses fit the technology/science criteria and a brief business plan review, but no extensive application process, leading to a lower than desired business success rate. Finally, there are no hard and fast policies on graduation. Many businesses use the space for its below-market rental rates but have no growth plan. As a result, these businesses linger in the space without clear potential for job creation or expanded economic growth for the Greenville region.

INCUBATOR CHALLENGES:

Finally, while the Technology Enterprise Center has partnerships across the community, it could benefit from stronger ones with some key stakeholders. A closer relationship with the SBC at Pitt Community College for business advisory services, and more buy-in from local institutions like East Carolina University could raise the success rate of tenant businesses.

The incubator leverages the partnerships it does have to reduce operating costs. Pitt County lends its accounting and legal services to the operation of the incubator. The County's buildings & grounds maintenance team also maintains the older facility and while the team cannot handle large or specialized infrastructure issues, they can fix small problems and thus reduce maintenance costs. The incubator also charges tenants for utilities based on their share of leasable square footage as defined in their contract; just at a subsidized rate.

Ultimately, the TEC effectively provides below-market office and lab space to varied businesses in Greenville, NC. It does so in otherwise underused vacant office and warehouse space and thus its existence supports the Greenville community. However, it is a non-traditional incubator in that it does not provide wraparound business services on-site, it does not require that its firms graduate or leave the incubator, nor is it located in a downtown or otherwise underinvested neighborhood.

Wilmington Business Center | Wilmington, NC

SUMMARY:

An incubator in a mid-sized coastal city thrives with city funding and a paid full-time leader. However, a loss of public funding and subsequent loss of a paid leader plus a narrow target demographic leads to ongoing challenges today.

BACKGROUND:

The Wilmington Business Center (WBC) started at a time when the State of North Carolina had a robust program for funding new startup incubators in communities across the state. Using these funds and other grants, the Cape Fear Regional Community Development Corporation (CFRCDC) set up the WBC. They relied on funding from the City of Wilmington to maintain the building and to pay for a full-time employee who would work with the member businesses, provide technical assistance and business advisory services, and connect them to additional resources in the community.

The WBC originally had a mission to serve as an incubator specifically for residents in poverty and other marginalized groups in the Wilmington community. This mission stemmed from CFRCDC's parallel work on affordable housing and homeownership programs within the city. They saw the incubator as a way to create sustainable employment opportunities for the same target demographic.

SOME FACTS:

Where: Wilmington, NC

Lead Organization(s): Cape Fear Regional Community Development Corporation (CFRCDC)

Type: Office / Manufacturing
Size: 12,500 SF

Year Founded: 1998

Contact: Stan Turner, (910) 762-7555, stanturner@cfrcdc.org

For the first few years of its existence, the WBC followed a typical incubator model. They accepted businesses that fit their criteria for low-income populations as well as businesses that had growth potential. They would host businesses for a three-year term before allowing them to graduate and move forward. During this time, the incubator successfully graduated more than 60 businesses.

Since the WBC utilized funding from the city, CFRCDC did not have to forge strong partnerships with outside community institutions or other municipal government departments. The incubator was not financially compelled to rent space out to local universities or institutions or to reduce operational costs through partnerships with other local organizations. The single full-time employee of the WBC conducted the program and provided the advisory services, with a salary paid for by the City of Wilmington. Having a clear leader ensured that the incubator ran smoothly and provided value to its tenant businesses.

In 2005, however, the City of Wilmington cut its funding for the WBC. As a result, CFRCDC was forced to remove the full-time position and revamp the program. Below market-rate rental revenues along with significant vacancy rates meant the incubator did not generate enough cash flow to cover building maintenance costs and capital expenditures. The previously selective program was forced to open up its space to any and all businesses that could pay rent in order to reduce vacancy and increase cash flow.

THE INCUBATOR TODAY:

The WBC now partners with Cape Fear Community College's Small Business Center to provide business advisory services to its tenant businesses on a referral basis. The WBC is still operational despite the loss of city funds largely because it is subsidized by revenue from CFRCDC's housing programs.

In the growing city of Wilmington with over 115,000 residents, the WBC struggles to fill the incubator as well as finance it sustainably without city funding for a full-time staff person. Without a paid leader or strong partnerships with local universities and institutions, they have not created a pipeline of potential incubator businesses. Additionally, their model focused on low-income or otherwise marginalized groups inherently limits their pool of potential tenants. Without intensive marketing and recruiting efforts this limited pool of applicants translates to vacancy and underutilization.

CFRCDC did forge a partnership with Cape Fear Community College and their SBC when funding was pulled and that has proven to be crucial to keeping the incubator running albeit not at full capacity. A stronger more proactive partnership with these entities earlier on could have helped the incubator better weather the loss of their main funder and subsequently their staff leader. The WBC's story shows the importance of having a strong, paid, full-time leader in order for an incubator to thrive even in a relatively large and growing community like Wilmington.

Venture Asheboro | Asheboro, NC

SUMMARY:

A non-profit and for-profit partnership set up and continues to operate an incubator in Asheboro, NC with a mission to cater to young entrepreneurs in a rural setting. 1 year in, the incubator is cash positive and near capacity but challenges to its longevity remain.

BACKGROUND:

Venture Asheboro is a non-profit & for-profit partnership incubator created by a team led by Director Dr. Jonathan Thill with expertise in business, economic development, and legal services. While it has been open for just a year, it already has a number of member businesses. The for-profit side of the partnership owns the building, collects rent, and ensures that the office space itself is running smoothly. The non-profit side provides the wraparound programming and mentorship to the tenant businesses.

Jonathan and his business partner first tried this model in Troy, NC, a town of just over 3,300 residents in central North Carolina. However, the incubator faced challenges operating in such a small community. They found that there was an interest in creating small businesses, but that office space was so inexpensive already that their incubator could not add much value and new businesses chose to simply rent their own office space from the outset. The team chose to relocate to nearby Asheboro, a city of over 25,000 residents where they have had more success.

SOME FACTS:

Where: Asheboro, NC

Lead Organization(s): Venture Asheboro (Non-Profit & For-Profit Partnership)

Type: Office

Size: 2,700 SF

Year Founded: 2019

Contact: Jonathan Thill, (336) 252-4714, jonathan@ventureasheboro.com

In addition to the larger population, they chose Asheboro because local stakeholders, including the municipal government were committed to an economic development strategy of supporting small local businesses and Jonathan recognized that it would be easier to implement the incubator business model surrounded by stakeholders who shared this vision.

THE INCUBATOR TODAY:

Community partners are a vital component of Venture Asheboro's success. A local marketing agency, CPA, and other established community businesses and businesspeople have partnered with Venture Asheboro to offer bundled low-cost services to its tenant businesses. The incubator also partners with Randolph Community College and the City of Asheboro. Finally, they are working on assembling a local investors circle to provide small loans or equity investments to support tenant businesses.

Additionally, Venture Asheboro coaches its member businesses to stay as lean as possible during the startup phase. Jonathan Thill consistently sees entrepreneurs who actually need much less funding than they think they do when they first arrive. Shared CPA and Marketing services among other business advisory roles helps keep costs down for these entrepreneurs.

The experience of the entrepreneurs is a crucial component at Venture Asheboro. The incubator strives to create strong community connections between member businesses, mentors, other businesses within the community, policymakers, and local residents. They also emphasize networking events like food truck fairs and "Waffle Wednesdays" as a part of their placemaking and community building efforts. These small programs add up to a stronger connection with the community, which Venture Asheboro believes helps the businesses succeed long term and will help keep graduating businesses in the area years down the line.

Venture Asheboro seeks businesses that have some operational track record, but are open to coaching new businesses before accepting them into the program in order to ensure a healthy pipeline. They do not want to create large barriers to entry for businesses to join and ultimately thrive. After two years, member businesses are expected to graduate from the incubator and relocate to separate workspace.

INCUBATOR CHALLENGES:

So far, the incubator has been faced with a challenge of diversity. The majority of member businesses are run by white males, which is not representative of Asheboro as a whole.

Jonathan is currently working on ways to partner with the Asheboro/Randolph County Chamber of Commerce to attract diverse businesses in the area to the incubator. Venture Asheboro also hopes to be a part of creating a community that offers value to members of Generation Z, positioning Asheboro and Randolph County as an exciting place for this cohort to live and work.

Finally, Venture Asheboro has capitalized on its strengths as a hub in a small rural community. They have been able to host events that not only engage stakeholders in government and local business, but the community at large. For example, they have invited popular food brands that don't have a local presence to cater or sell at their events, which has amplified community turnout and interest.

Incubator Feasibility Study | Onslow County, NC

SUMMARY:

The feasibility of an incubator was studied in a coastal rural county with a major military presence and two local entities interested in partnering to take it on. An incubator was not recommended until initial economic development steps were taken to boost demand and better align programming with business owner needs.

BACKGROUND:

NCGrowth was initially approached by the Jacksonville-Onslow Economic Development Team (JOED) and the Small Business Center at Coastal Carolina Community College about studying the feasibility of an incubator in Onslow County in the spring of 2019. The JOED is dedicated to helping Onslow County and its municipalities thrive by stimulating and encouraging economic development. The Coastal Carolina Community College Small Business Center focuses on teaching and supporting entrepreneurship at Coastal Carolina Community College. It offers resources to local entrepreneurs via trainings and seminars and has a strong partnership with Camp Lejeune to help service members transition into civilian and/or business life.

With these two entities, one of the nation's largest military installations, and a population of roughly 200,000 people, one might think Onslow County is well-positioned for an incubator.

SOME FACTS:

Where: Onslow County, NC

Lead Organization(s): Jacksonville Onslow Economic Development (JOED) & the Small Business Center at Coastal Carolina Community College

Type: N/A

Size: N/A

Year Conducted: Feasibility Study Completed Spring 2019

However, based on research into local demand, pursuing an incubator in Onslow County was not recommended until further initial economic development steps are taken.

NCGROWTH WORK & FINDINGS:

To reach this conclusion, NCGrowth surveyed 76 local business owners/entrepreneurs and other community leaders. They found that most business owners were looking to expand existing businesses rather than start anew and they found a mismatch between the support business owners sought and the support community leaders offered. Further surveying, focus groups, and one-on-one interviews revealed that business owners had widely varied needs and an existing self-created entrepreneurs' support group.

Ultimately through this study, NCGrowth determined that more research and other baseline economic development efforts were needed before an incubator could be started and be expected to succeed. The following key takeaways were shared with the Onslow County team:

- *Measuring and tracking utilization of existing resources in a standardized way* would help all economic development partners track business needs countywide. For example, multiple entities rent out conference rooms etc. to small businesses but each does so separately without communication about availability, occupancy etc.
- *Better marketing the existing economic development resources* would reduce the mismatch between business owners' needs and the perception of resources provided.
- Using the NCGrowth data to *prioritize the provision of services that business owners need* would further reduce the aforementioned mismatch.
- *Connecting with Naval Facilities Engineering Command*, a major anchor institution in the area, to identify upcoming military contracting needs would prepare local businesses to make the most of the county's sizeable military presence.
- *Convening community resource providers to discuss incubator alternatives* would help community leaders address the economic development hurdles that Onslow County faces as affordably and effectively as possible.
- *Hosting incubator related programming and events* would test the level of demand for an incubator and build camaraderie amongst the existing entrepreneurial community.

INCUBATOR STUDY OUTCOME:

This feasibility study showed that, like in many rural economies already dominated by one industry, (military in this case) an incubator is not the best solution to Onslow County's challenges. Lots of resources already exist, entrepreneurs' needs are highly varied, and the community leaders are not unified behind the idea of an incubator. Lots of initial steps were recommended in order to better connect and streamline the existing provision of business services and start to offer incubator-like programming and thus grow existing demand. Taking such steps before investing valuable time and money into an incubator is key for any community.

Small Business Incubator | Elizabethtown, NC

SUMMARY:

The feasibility of an incubator was studied in a rural Eastern North Carolina County and was deemed an appropriate use of resources. With federal grant dollars and a strong partnership with the local Community College an incubator was opened in early 2019 in a former downtown post office.

BACKGROUND:

Elizabethtown is situated in southeastern North Carolina and has 3,610 residents and an economy built on education, health, & social services as well as manufacturing and retail. In 2017 Elizabethtown's economic development team, representatives of the Bladen County Community College, and the Town of Elizabethtown approached NCGrowth to study what services were most needed in a small business incubator in its downtown. To answer this question, NCGrowth looked at regional case studies of incubators that had succeeded and ones that had not, and conducted interviews with local business leaders.

SOME FACTS:

Where: Elizabethtown, NC

Lead Organization(s): Bladen County Economic Development Office

Type: Office

Size: 8 offices

Year Founded: 2019

Contact: Chuck Huestess, 910-645-2292

NCGROWTH WORK & FINDINGS:

NCGrowth found that the successful neighboring incubator had two key assets that the failed ones did not; first: strong partnerships with the local community college/local civic leaders and second: credible leadership from experienced businesspeople. In addition to researching nearby incubators, the NCGrowth team conducted interviews with business owners in Elizabethtown and its surrounding Bladen County. NCGrowth subsequently offered four key recommendations to Elizabethtown:

- *Identify partners within the community early to support incubator programming*
- *Develop a sustainable funding stream – Tenant rent, local anchor institutions*
- *Establish a clear set of goals*
- *Develop a marketing plan to help spread the word about the incubator in Bladen County*

Elizabethtown took this advice and set to work starting their incubator in a former post office downtown. While Hurricane Matthew, unexpected asbestos, and architectural challenges slowed construction, the incubator was able to open in January of 2019 with the Bladen County Community College's Small Business Center as its first official tenant[x].

INCUBATOR STUDY OUTCOME:

The incubator offers eight office spaces, a break room, two conference rooms and a mail room with storage lockers[xi]. In addition to below market office space the incubator offers tenants wifi service, programming, and trainings through the Community College's Small Business Center[xii]. When starting the incubator, the leaders addressed each of the aforementioned recommendations in the following ways:

Identify Partners: The organizers moved from having few established partnerships to housing key local non-profits and organizations within the incubator space. They additionally worked to create a less formal incubator advisory council.

Develop a Sustainable Funding Stream: Sourced paying tenants – both startups and established non-profits and looked to community partners for funding. They also got some startup funding from local government grants.

Establish Clear Goals: Elizabethtown Incubator leaders have set goals related to tenant occupancy at first in order to build a critical mass of tenants, but these goals may change over time as the needs of tenants shift.

Develop Marketing Plan: Incubator leaders are actively marketing the remaining space via word of mouth and other leasing strategies. However, leaders expressed that they should have begun marketing the space in advance of leasing/opening in order to avoid having space sit empty in the initial year.

While Elizabethtown has taken all the right steps to get the best mix of partners, space, and services together so that its incubator will succeed, its long-term trajectory is still unknown. A year after the incubator was founded the space was approximately 50% occupied. This figure is inclusive of anchor tenants like the community college's small business center, the local Habitat for Humanity affiliate, and most recently the local Chamber of Commerce. Only one private business is located in the incubator at this time (Spring 2020). Programming and marketing have thus far been limited and led by the SBC as the incubator itself has no dedicated personnel. However, with the Chamber of Commerce moving in it seems like the incubator could be primed to take off. Unlike some rural communities, Elizabethtown is not clearly dominated by a single industry, which suggests that there may be room for an incubator to be beneficial despite the small size of the community overall.

Starworks | Star, NC

SUMMARY:

A nonprofit arts incubator rises out of an abandoned hosiery mill in rural Montgomery County, NC with the help of strong partnerships, diverse funding sources, and a committed leader. The entity continues to prove the value of arts-based economic development today – 14 years after its founding, but it no longer functions as a true incubator as businesses are no longer expected to graduate eventually.

BACKGROUND:

STARworks is an, "arts-centered work community that promotes community and economic development by providing outstanding artistic education programs and business ventures" in Star, North Carolina[XIV]. Its name stands for Small Town Area Revitalization (STAR) and references the name of its locality; Star, NC.

This nonprofit artists' incubator was founded in 2006 in a former hosiery factory that was shuttered in 2001 so the company could move operations to Mexico. The sprawling factory became an arts incubator thanks to an impressive mix of public and private money and partners. The factory itself was donated anonymously by a local business leader, rehabilitation funding was patched together by more than a dozen grants adding up to $1.5 million, including some from the EDA, and the arts focus is in part a result of the site's proximity to nearby Seagrove and the larger Central Park NC project. Ultimately, strong leadership from founder and current Executive Director, Nancy Gottovi, was instrumental to bringing all these pieces together [XV].

THE INCUBATOR TODAY:

Today, STARworks has grown to house arts studios, leading glass blowers, and a brewery and café. Its director was awarded a Leadership in Business Sustainability Award in 2019 from the North Carolina Business Council as recognition of the success it has had with rural arts-based economic development[XVI].

SOME FACTS:

Where: Star, NC

Lead Org.(s): Central Park NC

Type: Nonprofit Rural Arts Incubator

Size: 187,000

Year Founded: 2006

Contact: Nancy Gottovi
Executive Director
contact@starworksnc.org
910-428-9001

STARworks is a clear example of an entity that followed many of the incubator best practices laid out in this guide even though its arts focus is quite different from most rural incubators. The STARworks team relied heavily on partnerships across the community and grants from governments and foundations to get itself off the ground. It relied on a strong leader who took responsibility for its set up as well as successful ongoing operations as shown by Nancy's continuing leadership 14 years later. It provides its tenant businesses not just with the space they need but the wraparound services and amenities to support them as well. Finally, the incubator builds on the existing artistic assets of its community rather than starting from zero.

STARworks NC

INCUBATOR CHALLENGES:

While STARworks continues to thrive, it remains beholden to grants and donations to make ends meet and to complete intermittent repairs. Additionally, without a focus on an exit strategy for tenant businesses it becomes less of an incubator over time and more of an arts-oriented coworking space instead. This difference in part reflects the unique goals of STARworks to build up the arts community in Star, NC rather than create jobs and graduate new businesses there. STARworks is thus an example of an entity that started as an incubator but morphed as the community's economic development needs and goals shifted. Finally, without the pre-existing strength of the arts in nearby Seagrove the initial recruitment of arts entrepreneurs would have been much more challenging for STARworks. This is an important reminder to incubators to be sure to think regionally and build on the existing strengths of their community, whatever those may be.

7. RESOURCES

INCUBATOR RESOURCES:

FEDERAL RESOURCES:

Economic Development Administration's (EDA) List of Funding Opportunities
Economic Development Administration's Incubator Best Practices
Overview of Requirements for EDA Investments that Support Incubators
Rural Business Development Grants from the U.S. Department of Agriculture

STATE RESOURCES (North & South Carolina):

North Carolina Historic Rehabilitation Tax Credits Information
South Carolina Historic Rehabilitation Tax Credits Information
South Carolina Innovation Hub
South Carolina Research Authority's Resources for Startups
North Carolina Rural Economic Development Division of the Dept. of Commerce
North Carolina Main Street & Rural Planning Center
Main Street South Carolina

NON-GOVERNMENTAL RESOURCES:

Map and List of Incubators in North Carolina (with contact information)
North Carolina Business Incubation Association
International Business Innovation Association's (InBIA) Glossary of Industry Terms
InBIA's Research Repository on Entrepreneurship Centers
NCIDEA's List of Entrepreneurship Resources
North Carolina Association of Regional Councils of Governments
South Carolina Association of Regional Councils of Governments
Entrepreneurial Ecosystems – Focused on building entrepreneurship in rural America
Rural Entrepreneurship through Action Learning – Rural Entrepreneurship Training
Brian Hamilton Foundation – Entrepreneurship Education Resources

FUNDING RESOURCES:

Rural Business Development Grants from the U.S. Department of Agriculture
Local Community Foundations
Local Universities & Community Colleges
Local Chambers of Commerce
Local Downtown Development Associations
Local High Net Worth Individuals
Economic Development Administration (EDA) List of Funding Opportunities

PLACEMAKING RESOURCES:

Creative Placemaking Resources from the National Endowment for the Arts
Creative Placemaking Resources from the Local Initiatives Support Corporation
Creative Placemaking Resources from the Urban Land Institute
Creative Placemaking Resources from the American Planning Association
Rural Placemaking Resources from the Project for Public Spaces

EVENT PLANNING, MENTORSHIP & TRAINING RESOURCES:

One Million Cups
Hackathon Guide
NCIDEA's List of Entrepreneurship Resources
SCORE an online resource for business mentorship
Kauffman FastTrac
The Rotary Club's Launch My City

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Additional Sources:

- Interview with 2019 NCGrowth Analyst Maya Anderson
- Interview with 2019 NCGrowth Analyst Kiersten Chresfield
- Interview with 2019 NCGrowth Analyst Keiley Gaston
- Interview with 2018 NCGrowth Analyst Sadie Nott
- Interview with 2019 NCGrowth Analyst Dave Olverson
- Interview with Leslie Scott, Chief Strategist of Entrepreneurial Places LLC
- Interview with 2019 NCGrowth Analyst Rachel Taylor