



BUILDINGS ARE KEY TO MORE BUSINESS INCUBATOR SUCCESS

by B. Thomas Mancuso, SIOR

Our planet is struggling to recover and move forward from the global pandemic. Economic recovery is very unevenly distributed around each of our many countries. A variety of local solutions is needed to address this amazingly diverse collection of situations. Community-customized, building-based, business incubator programs are a key to successful economic revitalization, and with the right knowledge and tools, you can ensure success for your center.

A wise man at an international conference once said “Every place that’s big enough to have a library should have a business incubator.” The world’s first such facility (Batavia Industrial Center) was created in 1959 in a 77-year-old empty factory in a small city of around 15,000 people. Over the next 60 years, we used the lessons learned in filling that 900,000-square-foot collection of buildings (and many others) to go out and guide a variety of project sponsors in towns with populations as small as 2,000 on how to fill buildings in their communities with businesses that create jobs. These business centers tend to be mixed-use and job-focused. Industrial, commercial, and office uses are all encouraged and welcomed. Everyone is invited and the program of services and information offered gets tailored to the needs of the area it serves. We share the following thoughts from this broad-based foundation of experience in hope of helping local people figure out how to use whatever their existing advantages may be to improve the trajectory of their unique situation. In every case, these efforts have involved using a building of some sort.

Cultures, resources, history, and many other aspects of a community vary greatly from place to place. These factors inform the “entrepreneurial DNA” and force the components of an entrepreneurial

assistance program to differ to complement that unique geographical personality. At the same time, it (the program) still needs a place (especially for manufacturing, technology, and artisan activities) and the people in the market need a visible reminder of that place's commitment to the survival and success of local businesses. It is our informed conviction that the nature of the operation of the building is both the heart of the mission and the key to its ability to endure over the years needed to deliver consistent measurable impact. Financial independence is vital to ensuring the freedom to serve your hometown's needs.

In a world of endless diversity, "one size does not fit all":

- Does your community already have an incubator program or is there an entity thinking of starting one?
- Are your sponsor's objectives about jobs, area revitalization, tech innovation, or something else?
- Are you an EDO, NGO, university, venture fund, for-profit operator or some other type of organization?
- Is your location urban, suburban, micropolitan or rural?
- Are you planning to (or did you already) buy, build, lease or adopt an "orphan" building?

Whatever combination of the above characteristics describe your situation, there is an opportunity to encourage entrepreneurial activity and achieve financial independence through the strategic use of your real estate. The world needs more locally led and supported business assistance programs. While we see and encourage an increase in incubator startups in these turbulent times, we still need to remember history is littered with stories of incubators that failed from causes including poor facility decisions. It is important to design your plan carefully to avoid adding to that statistic.

How do you protect your program and increase your opportunity to be effective and financially sustainable? Keep these principles in mind:

YOU SECURE MOST FINANCIAL SUCCESS AT THE START - If you're considering starting a new program, design your unique assortment of objectives, services, partners, resources and facility operations to arrive at financial independence (no subsidy) by year 3 to 5. It is important to tell the truth about your market volume and velocity. Facility size, relative to the intended program, geography, and resources, is critical - too big becomes a burden while too small often condemns you to the need for endless subsidies (which are seldom securely dependable over the long term).

MEASURE, MANAGE, AND MARKET - If your facility is already operational, track your program's performance. What's working and what's not? What contributes to your stated, measurable objectives and what's an obstacle to them? How much of the entrepreneurial support program is covered by real estate operations? What will it take to fund it all? Assess the reality of your situation and market so that you can pivot accordingly when necessary. Adjusting rents, occupancy terms and other operating "tweaks" can move you toward improved financial confidence by recognizing and responding to your community's unique reality. Have you done a market opportunity analysis recently? Now may be the time.

KNOW WHEN TO HOLD ‘EM AND WHEN TO FOLD ‘EM - Things change. Buildings and programs seldom evolve (or age) at the same pace. Your successful program may need more space, different types of space, and/or satellite locations. Economic, market and/or program changes have left other sponsors with too much (or the wrong kind of) building. Sometimes selling a property is best for the program to re-capitalize, recharge, and refocus for new needs. A property sale can also be a plus for the community by attracting private investment and returning a parcel to the tax base.

Every job is important so every valid business opportunity merits consideration. Decades of working with thousands of entrepreneurs has not improved our clairvoyance about which idea will benefit from the levels of execution and luck that, so often, determine who “makes it big.” For that reason (and many others) we try to help all that we can. It feels like there can’t ever be enough well-run community-centric business incubators. So, if you're thinking about starting a program that will need real estate or you are exploring accepting a property gift that will initiate a program, please do it but plan carefully and truthfully. If you’re already operating, examine everything you’re doing to create value for clients in the context of your unique reality and be creative and proactive in your response as new challenges and opportunities appear.

We have seen, over 60 years of guiding business incubator efforts and millions of square feet managed, leased, or sold, that properly planned, mission-driven and operated real estate is the key to the financial independence and longevity that delivers measurable community impact in terms of jobs, reinvestment and local prosperity. As we move past the pandemic there are unique needs and opportunities around our world. Seize this moment in time to help your chosen community prosper by starting or improving your organization’s use of real estate to encourage entrepreneurial progress for everyone.

B. THOMAS MANCUSO, SIOR

Economic Development Business Incubator Advisor and Operator

Tom Mancuso guides the strategy, startup and operation of business incubators focused on job creation. Finding ways to recycle existing industrial and commercial buildings to provide financially independent entrepreneurial and artisan support programs is Tom’s specialty.

www.mancusogroup.com