

Kalamazoo Community- Wide Mixed-Use Incubator: A Shared Vision for Supporting an Entrepreneurship Ecosystem

February 2017



City of Kalamazoo Economic Development Department

The City of Kalamazoo Economic Development department offers a suite of services that allow us to assist with any business or development needs. Whether you are looking to develop a new business, expand an existing one, or simply learn more about the economic development climate and processes in Kalamazoo, we are here to help. Our services include:

- Redevelopment Assistance through our award-winning brownfield initiative
- Site Selection, through available our partnerships with area developers
- Business Retention and Expansion services to ensure all Kalamazoo businesses thrive
- Research and Analysis to help business understand local economic conditions
- Partnerships with local and regional stakeholders to help guarantee that all opportunities and resources are fully leveraged

Business Assistance

The City of Kalamazoo offers a wide array of resources and assistance spanning the complete continuum of business development needs. If you need help selecting or acquiring a site, planning, navigating local and state incentives, or even succession planning, the City's Economic Development Staff is here to help.

Shared Prosperity Kalamazoo

Shared Prosperity Kalamazoo is a community collaborative initiated by the Kalamazoo City Commission to promote increased access to well-paying jobs, strong & economically secure families, and healthy growth, development and learning for all our kids.

Imagine Kalamazoo 2025

Imagine Kalamazoo 2025 is about working together to create a shared vision that will enhance the quality of life for all. To ensure that IK2025 is meaningfully shaped by our collective vision, staff have partnered with community leaders to pop up throughout the city at large and small events to gather input! IK2025 is about valuing and respecting contributions made by all people who live, work, and play here and believing that this diversity strengthens Kalamazoo as a whole. Currently, Imagine Kalamazoo is focusing on creating the Strategic Vision and updating the Master Plan via the Imagine Kalamazoo 2025 process through community meetings and events. The Strategic Vision will act as the City's guide to shape all plans being created in the future.

Foundation for Excellence

The newly introduced option calls for the creation of the Foundation for Excellence, a private- public partnership funded by area philanthropists, institutions, and anyone in our community who may wish to contribute. Once fully endowed, the foundation would provide resources to the City of Kalamazoo in perpetuity that will be used to stabilize the City budget, improve regional collaboration, provide tax relief for city residents, and fund key investments to create a vibrant, forward-looking community that benefits everyone. These investments would be driven by Imagine Kalamazoo 2025, the City's master plan update process in which planning staff have been working closely with residents, community groups, and area organizations to create a unified vision for Kalamazoo's future.

Learner
Centered

Discovery
Driven

Globally
Engaged

With direction from The Gold Standard 2020, WMU will renew it's Campus Compact Civic Action Plan in part by providing leadership in a collective impact network to coordinate and align efforts of University and Community Stakeholders in pursuit of a community-wide, mixed-use incubator in the Kalamazoo area.

Goals and Objectives Related to the Campus Compact

Learner Success

Goal #1: Ensure a distinctive and supportive learning experience that fosters success.

- ◇ Objective 1.3: Learning experiences are heightened through innovative and responsive co-curricular learning opportunities.

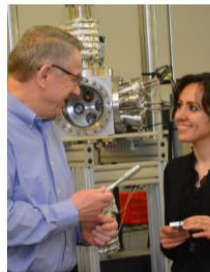
Discovery and Collaboration

Goal #3: Progress as a Carnegie-classified higher research doctoral university that advances new knowledge and value-added discovery.

- ◇ Objective 3.2: WMU's strengths in research and engaged scholarship create mutually beneficial partnerships that impact significant scientific, economic, and social problems.
- ◇ Objective 3.3: WMU's outreach is attentive to local and world needs.



Center for Entrepreneurship
and Innovation



Technology and
Innovation Advancement



Community
Outreach

Center for Entrepreneurship and Innovation

This center strives to bring together community members, faculty, business experts and students to provide a setting for students to develop and commercialize new technology. For information, contact Dr. Robert Landeros, chair of the Department of Management, at <http://www.wmich.edu/business/entrepreneurship/>



Starting Gate provides a fast track to business launch.

Starting Gate is a student business accelerator that gives students rich and valuable resources to develop their startup companies. The accelerator is operated by the Haworth College of Business Center for Entrepreneurship and Innovation and is funding primarily through endowments and donations. The current home is an

1,100-square-foot space located on the 3rd floor of the Park Trades Center in downtown Kalamazoo. Students have access to the space 24/7 through a key fob security system. The area features high-speed Internet access, co-working space, meeting space, conference room, a small kitchenette, laptops, and printers. The teams meet in the space on a weekly basis year-round to attend workshops on the assigned curriculum, meet with local entrepreneurs for Entrepreneurial Pizza Chats, and meet with team members and mentors. <http://www.wmich.edu/startinggate>

Community Outreach



The Office of Community Outreach enhances the connection between Western Michigan University and the Greater Kalamazoo Community in a mutually beneficial partnership in the areas of scholarship, research, service and economic development.

<http://www.wmich.edu/community>

Technology and Innovation Advancement

A substantial amount of research is ongoing at Western Michigan University resulting in new findings, developments, and discoveries that can benefit society. The transfer of these discoveries to the commercial sector is coordinated through Technology and Innovation Advancement (TIA), the "technology transfer" function at WMU, and [Western Michigan University Research Foundation](#) (WMURF). The Office of the Vice President for Research is responsible for the management of WMU's intellectual property and its commercialization through the research foundation. <http://www.wmich.edu/research/intellectual>



Introduction to Incubation

Business incubation formally began in the US in the 1960s, and later developed in the UK and Europe through various related forms (Innovation centers, technology/science parks). It is recognized as a way of meeting a variety of economic and socio-economic policy needs.

In general, an incubator is a physical location that provides a defined set of services to individuals or small companies.

Why Business Incubation?

Understanding the role that startups play in the national economy doesn't explain the value proposition of this initiative, or what makes it so unique. Young companies are particularly vulnerable in their early/start-up years. A lack of exposure to the formal sector's mature corporate governance (due to a widespread lack of employment opportunities) means that there are a significantly higher percentage of students or inexperienced entrepreneurs trying their luck at starting companies.

In a report quoted by the US Small Business Administration, the data shows that, across sectors, 66 percent of new establishments in the US were still in existence 2 years after their birth, and 44 percent were still in existence 4 years after. Other analysts claim failure rates as high as 60 percent in the first five years.

Small and Medium sized businesses across the United States face many and varied challenges to their growth and operations. Incubation projects are designed to address the following challenges:

- Appropriate physical space for collaboration
- Appropriate support services
- Professional networking

Incubation programs can increase survival rates dramatically when programs are well-run and start-ups pay for services: Successful Incubators have shown a success rate of 75-81 percent for companies participating.

Benefits of a Business Incubation Program include:

- Employment and wealth creation
- Support for small firms with high growth potential
- Transfer of technology
- Promoting innovation
- Enhancing links between universities, research institutions and the business community
- Industry cluster development
- Assessment of a company's risk profile

There are critical interventions that can be made by incubator programs that significantly help these individuals, such as management coaching, mentors, help in preparing effective business plans, administrative services, technical support, business networking, advice on intellectual property, and help in finding sources of financing, and physical space.

Understanding the Stages

Understanding incubators you must understand the startup cycle of a business. The cycles of business can be directly related to the types of interventions that developers can participate in. For purposes of clarity, we have defined three types of interventions:

Germinate/ Pre-Incubation

This is the very earliest stage of intervention, where you are helping an individual with an idea. Some incubators can afford this kind of activity where they can access public support or private risk capital. This is often required in high-tech innovation industries and with incubators closely attached to Universities. Sometimes this innovation comes out of need, rather than opportunity, and is very risky. *(Expensive, Risk, Public)*

Incubation

This is where an idea has graduated to a plan, with a team, and operations have begun. Incubators can help refine the plan, build the team, provide resources and invest in the company. This is also a relatively early intervention, before the company is profitable. Companies are often not able to pay for services, and assistance is general. Also known as 'acceleration' this focuses on more mature start-ups (Companies can pay for services, and need targeted assistance). *(Start-ups, Expensive, Part, subsidized)*

Host/Post-Incubation

This is where a profitable company merely seeks a particular type of facility. No intervention is required by an incubator, but we include it here as we feel many incubators act as hosts to some companies, for some period of time, and this relationship with mature companies can be a crucial strategy to assist with and subsidize their other programs.

(Mature, Safe)

Most incubators are not single-purpose. They may provide assistance to very early stage companies (germination) as well as mature companies (tenancies). This mixed use model is particularly appropriate where a diversified mission is desired. To some they perhaps are serving only as a host, and to others they are deeply involved providing financial and business development support. The key is to build a model for yourself that allows you to stay flexible both in terms of what type of incubation you provide, and to what kind of companies you incubate.

Understand Our Market

Of course, setting up an incubator is 1% about what you want and 99% about what's right for the market. So you need to think carefully about the kind of environment you are working in. Here are some key areas to consider:

Real Estate

office space
occupancy
rates quality of
space services
offered market
demand
current rates
shop rates
projections
planned new
build

Culture

popular
attitudes
success stories
education
social change

Policy

government
results to
date
projections
standard
of services
public focus
commitment

Industry

key industries
target industries
initial surveys
projected growth
known
constraints
requirements

Economy

GDP growth
trends
days to startup
destination
rank

Customize Our Model

Once we understand the market, we can then proceed to formulate a picture and model of what will be appropriate. We want to consider how a mixed-use incubator through a high impact network is value added to the Kalamazoo community. If that strategy is successful, we can then work out how to subsidize more incubator-like activities and possible physical space. This foundation allows us to be sustainable on our own terms in markets where public support or external financing cannot always be relied on.

The current proposal is being framed in the context of creating a high impact network that will promote collaboration in foster a positive business and innovation ecosystem.

Services may include:

- Office space with flexible lease terms
- Mentorship in Intellectual property development
- Research based community-university asset development
- Access to technology & technology development
- Financing for a selection of businesses
- Technical assistance (such as marketing, legal, finance, HR, and other business development services).

By locating similar or complementary entities in proximity to each other or in close communication through a high impact network, the incubator also plays a critical role in promoting knowledge transfer, both formally and informally.

Within our community we already possess a mature corporate environment where education, business training, and public institutional support which are all of the major components of creating a successful startup ecosystem.

It is clear that the critical success factors for these incubators include:

- volume of companies co-located and connected through a collaborative network is important as it leads to natural clustering & collaboration
- entrepreneurs will learn more from each other, and other businesses, than 'consultants'
- combining start-ups with mature companies in same network encourages collaboration
- diversified models (incubation + office rentals) keep programs sustainable and independent
- not being 100% publicly funded keeps incubator focused on tenants and services provided
- strict entry criteria (focused on innovation & implementation) can ensure high success rates
- investors seeking to make new equity investments can be leveraged as mentors
- businesses seeking future clients can provide discounted professional services
- a strong manager who monitors both mentors and companies is key
- use managers who have entrepreneurial experience and can 'relate'
- incubation programs can remain lean and cost effective with few employees (2)
- incubators create a climate of collaboration & networking from the start