

FEASIBILITY STUDY FOR AN INCUBATOR/COWORKING SPACE in Wood County, West Virginia

**Final Report
January 2022**

Prepared for

Lindsey Kerr Piersol, Executive Director
Wood County Development Authority
400 Market St
Parkersburg, WV 26101
304-422-5650
Lindsey@developwoodcountywv.com

Prepared by

Jim Greenwood, President
Greenwood Consulting Group, Inc.
1150 Junonia
Sanibel, FL 33957
239-395-9446
gail-jim@g-jgreenwood.com
www.g-jgreenwood.com

*With thanks to the Federal Economic Development Administration (EDA) for
funding this project*

Table of Contents

| | Page |
|--|-------------|
| Executive Summary | 1 |
| Introduction | 6 |
| 1.0 Feasibility Factors | 7 |
| 1.1 Factor #1. Market | 8 |
| 1.1.1 Primary Market Analysis | 9 |
| 1.2 Factor #2. Business Assistance | 15 |
| 1.2.1 Needed Assistance | 15 |
| 1.2.2 Sources of Assistance | 19 |
| 1.3 Factor #3. Champion | 21 |
| 1.4 Factor #4. Real Estate | 23 |
| 1.5 Factor #5. Development Cost & Funding Sources | 26 |
| 1.5.1 Estimated Development Cost | 26 |
| 1.5.2 Sources of Development Funding | 28 |
| 1.6 Factor #6. Financial Self-Sustainability | 31 |
| 1.7 Preferred Scenario for the I/CS | 35 |
| 2.0 Feasibility Conclusion | 36 |
| 3.0 Recommendations | 39 |
| Appendix A. Market Survey Responses: Potential Tenants & Coworking Users | 40 |
| Appendix B. Cash Flow Projections for Wood County I/CS Scenarios | 43 |

EXECUTIVE SUMMARY

This report summarizes the results of a feasibility study for a business incubator and coworking space (I/CS) in Wood County, West Virginia. This economic development initiative would cater to small and startup businesses in the area around Wood County. For purposes of this study, a business incubator is defined as facility, programs and services that house multiple small and startup businesses. While tenants lease their own space in an incubator, they share with other tenants a reception area, conference room, lunchroom and work area to reduce costs. They also receive formal and informal assistance through coaching, networking, and training events. A coworking space, in contrast, provides an open shared facility in which members have the opportunity to find a vacant desk or seat from which to conduct business but do not have their own dedicated space or location. Programs and entrepreneurial services do not have a prominent role in coworking spaces, with informal networking and interaction between members being the primary source of such help.

The purpose of this feasibility study is to determine whether a Wood County I/CS would be viable and successful. It was conducted for the Wood County Development Authority (WCDA) by Greenwood Consulting Group, Inc. (GCGI), using a proprietary incubator feasibility assessment model. That model was used to evaluate the proposed I/CS against six factors:

Factor #1: Market. The proposed I/CS will not be successful if there is not an adequate market that wants and needs the programs, services and facilities that it would provide. GCGI focused on primary data in assessing the market, through market interest surveys.

GCGI, with input from WCDA, created a survey to better understand the current needs and sources of assistance for Wood County area entrepreneurs, and to elicit expressions of interest in the proposed I/CS from those small and startup companies. With considerable help from WCDA and other business and economic development organizations, GCGI distributed the surveys during the summer/fall of 2021. This effort resulted in 121 survey responses, comparing favorably with GCGI's goal of 100. Of those responses, 32 indicated an interest in locating in the I/CS, which is about 50% higher than GCGI would have expected from this size of survey response—a positive sign that there is demand for the project. Demand is approximately equal between traditional incubation space and coworking space, indicating both types of space should be included in the I/CS facility. Many industries are represented among the potential tenants and common space users (CSUs), suggesting that the I/CS needs to be “mixed-use” and cater to many different kinds of businesses if it is going to respond to demand. In addition, six survey respondents indicated an interest in becoming anchor tenants (more mature businesses leasing space but not needing the high level of services found in an incubator), which shows an even larger market for the project. Collectively, GCGI believes these various potential tenants and CSUs could justify an I/CS facility of up to about 26,000 square feet (sf).

In addition to impressive demand by potential tenants and CSUs of the I/CS, another 25 survey respondents indicated an interest in receiving business assistance at the I/CS even though they would not locate their businesses there. Collectively, between tenants, CSUs, anchor tenants and business service users, and the business service providers who indicated they would like to serve clients of the I/CS, GCGI estimates that this project initially could be serving and benefitting 60-70 entrepreneurs and organizations.

For these reasons, the I/CS scores 4 out of 5 possible points on the Market factor in the GCGI feasibility model.

Factor #2: Business Assistance Needed. True incubators include more than facilities—they include programs and services designed to help their tenants and other clients overcome obstacles to forming and growing their companies. If there are no unmet needs for these programs and services, then it is harder to justify creation of the proposed I/CS.

To understand the business service needs of potential I/CS users, questions were included in the market survey that asked respondents about their unmet business assistance needs. Respondents also were asked about the sources of assistance that they have used, and how satisfied they were with those sources. GCGI focused on survey respondents who expressed an interest in becoming incubator tenants and CSUs.

The areas of highest need fell into three categories. One is marketing and market analysis, including better understanding and use of social media. A second is financial services, ranging from accounting and bookkeeping services, to securing outside capital, to assistance with taxes, credits, and planning [GCGI surmises the latter need may have come from recipients of the Federal government's Payroll Protection Program (PPP) coming out of the COVID-19 pandemic]. The third is business basics, including business registration, legal issues, and selecting/setting up an appropriate business organization or "corporate structure".

GCGI was impressed that over 90% of potential tenants/CSUs expressed they had at least one area of unmet need they hoped to fill at the I/CS, thus suggesting this project is not seen as just a way to get space and facilities for their businesses.

Potential tenants/CSUs were more interested in open office spaces versus hard walled offices, but the latter are also needed. There was little demand expressed for manufacturing or assembly space.

The survey results indicate that existing sources are used by many potential I/CS tenants and CSUs, but the entrepreneurs are only moderately satisfied by the services received. Interestingly, potential I/CS tenants/CSUs also make extensive use of fellow entrepreneurs and business owners to meet their business assistance needs.

GCGI sees several important roles for the I/CS in serving entrepreneurs in the Wood County area. It can provide some services that currently are not being provided elsewhere, such as a high-quality mentor network. It can help link its clients to high quality sources of assistance and help them to better understand how and when to use for-profit providers. And it can help existing service providers who are not currently meeting entrepreneurs' needs to adjust their service offerings (or means of providing service) to better align with those needs.

In summary, GCGI believes the I/CS can play a very important and valuable role in providing needed business assistance to small and startup companies in the Wood County area. But our enthusiasm is somewhat dampened by the fact that informal mentoring is already occurring, and many services are already provided albeit not to the total satisfaction of area entrepreneurs. Therefore, GCGI assigned the I/CS a

compromise score of 3.5 out of 5 points on the business assistance factor in its feasibility model.

Factor #3: Champion. Projects like the proposed I/CS need an organization that is deeply committed to the project and is willing to move it forward through development and into operations despite the inevitable challenges that will arise along the way. The champion also must be credible in this leadership role, meaning that others in the community must be willing to follow its lead. This feasibility study does not require that a specific organization be identified as the champion, but only that there be organizations in the area that are credible candidates. GCGI identified as potential champions the WCDA, Mid-Ohio Valley Regional Council (MOVRC), West Virginia University-Parkersburg (WVU-P), and a new entity.

WCDA is the focal point of economic development in Wood County, and has shown initiative in overseeing this feasibility study. It does not have a strong track record of providing direct assistance to entrepreneurs, but GCGI is assuming in this study that the I/CS will be led by a to-be-hired manager who could have that experience.

MOVRC took the lead in applying for EDA funding for this feasibility study, and provides assistance to area entrepreneurs through its small business loan programs. GCGI's primary concern is that its geographic purview is larger/broader than that of the envisioned Wood County I/CS.

WVU-P was mentioned by several persons interviewed by GCGI during this feasibility study as a potential champion. Its faculty has done some consulting with area small businesses, and it has recently established a location in downtown Parkersburg which, as discussed below, is the preferred location for the I/CS. GCGI is concerned that there can be an inconsistency between the culture of a college/university and that needed in an incubator/CWS where speed and flexibility are important.

Another option is creation of a new entity to serve as the champion of the I/CS. A new entity has the advantage of lacking "political baggage," and can incorporate representatives of many different existing entities in the community. The disadvantages of a new entity can be formidable, including the time, attention and resources that must be diverted away from creating the I/CS and instead put into standing up the new organization. This concern may be mitigated somewhat by forming the new entity under the legal umbrella of an existing organization like WCDA.

Therefore, there are several candidates that could serve as the I/CS champion, but none is a perfect fit for this role. Because of this good but not perfect fit, GCGI gives a score of 3.5 out of 5 points to the I/CS on this factor in its feasibility model.

Factor #4: Real Estate. GCGI puts emphasis on the locational preferences of the potential incubator tenants and CSUs of the proposed project, because (a) the I/CS needs to be located where the market wants it, and (b) lack of consensus can lead to a greatly reduced market that can be served. Fortunately, there is very strong consensus among survey respondents who are interested in becoming tenants and CSUs of the I/CS. In summary, 100% of these tenant and CSU candidates said downtown Parkersburg was at least "acceptable," and none said it was an "unacceptable" location. And over 60% of potential tenants and CSUs rated downtown as a "preferred" location.

With considerable assistance of the WCDA, GCGI was able to identify nine potential sites for the I/CS, all of which are in the downtown Parkersburg area. All but one of these sites are existing buildings that would be adapted for use as the I/CS. The remaining site is a vacant downtown parcel that could accommodate a newly constructed I/CS facility.

GCGI assigned the I/CS a score of 4 out of 5 possible points on this factor in its feasibility assessment tool. The strengths are clearly the consensus on the downtown location as the preferred site for the I/CS facility, and the presence of multiple parcels and existing buildings that might be able to house the project (particularly a very attractive building at 912-916 Market Street). The weaknesses are inconsistencies in the size of available buildings (15,000 sf and smaller, or 50,000 sf and larger) versus the 26,000 sf size sought for the I/CS. Parking in downtown Parkersburg also was mentioned by a number of persons GCGI interviewed, although the issue appears to not be availability, but instead the recurring monthly cost thereof. The facility at 912-916 Market Street is unique in that it has a surplus of parking, such that some spaces could be rented out by the I/CS. GCGI acknowledges that the fluid nature of the Parkersburg real estate market means the specific site options available as the I/CS develops may be different than those available and assessed in this feasibility study.

Factor #5: Development Cost & Funding Sources. Given the available buildings and developable site identified under Factor #4, GCGI developed 15 scenarios for the proposed I/CS. Estimates were made for the cost to develop the I/CS under each scenario, including acquisition of land and/or buildings, renovation, new construction, and an allowance to cover initial operating deficits during the first few years of the I/CS's operations. The development cost estimates range from \$781,000 to \$8.1 million, with this broad range driven by the size of the I/CS; the choice of building, buying or renting the facility; and whether the manager is full- or part-time.

Sources of funding to cover these costs start with the Federal Economic Development Administration (EDA), which is the largest Federal funder of business incubators. Approximately 50% of the "hard" development costs might be covered by EDA, and GCGI experience elsewhere suggests the EDA maximum grant would be around \$3 million. However, there is some potential for EDA to fund a much higher fraction of hard, non-acquisition costs, and therefore one scenario assumed EDA would fund 80% of those costs. Local government is assumed to be a contributor, with both the City of Parkersburg and Wood County considered, and with their contributions perhaps being made over multiple years. Private donations of goods, services, and funds to the I/CS is the third potential funding source, while investments by one or more local foundations and/or corporations with significant local presence is the fourth. Finally, GCGI has experience in using loans and other debt capital to develop new business incubators, so that source is assumed in many of the scenarios in part to serve as a "gap filler" between the previously mentioned sources and the cost of developing the I/CS. The maximum amount of debt capital, however, regardless of the size of the funding gap, is driven by GCGI's estimate of how big of a loan the I/CS can service. One creative approach to sizing of the loan used in some scenarios is to assume that the amount of repayment would increase over time as the I/CS is able to afford to pay more. Despite these various sources and creativity, GCGI could not identify sufficient sources for more than half of the 15 scenarios considered. Further, the remaining scenarios required a large number of funding sources (typically five), which puts additional risk on the project

because of the greater likelihood that one or more sources will not be available to the I/CS project.

Because of these concerns, GCGI assigned the I/CS a score of only 2 out of 5 possible points on this factor in its feasibility model, making it the lowest scoring of the six factors.

Factor #6: Financial self-sustainability. GCGI believes every effort must be made to design and operate the I/CS so it can generate enough revenue from its operations to cover its operating costs. Initial operating deficits are expected and tolerable as the new facility and programs become established and usage and occupancy levels increase. But perpetual operating deficits are dangerous, because incubators and coworking spaces requiring ongoing subsidies are prone to closure when their funding sources get tired of making ongoing contributions for operations. GCGI ran 5-year cash flow projections for each of the 15 scenarios considered for the I/CS, and found that only about half have good potential to reach breakeven, both in terms of the number of years of operations before breakeven is reached, and at what occupancy level it will occur. It is unusual for a project like this to have so many non-viable scenarios, which is a warning sign that the I/CS must be carefully designed to avoid being unsustainable.

Of the scenarios that appear to be viable, in terms of their ability to reach breakeven at a reasonable level of occupancy, only one met the EDA criterion of reaching breakeven by Year 3 of operations. However, GCGI believes that one or more of the other viable scenarios can be reworked to achieve the Year 3 deadline.

Given the large number of scenarios that do not have potential for becoming sustainable, and given the need to continue tweaking the remaining scenarios to find more than one that can reach the EDA's criterion of Year 3 breakeven, GCGI scores the financial self-sustainability factor as 3 out of a possible 5 points. Overall, GCGI finds one scenario to be far superior to the others considered.

As indicated above, GCGI assigned a score for the proposed I/CS on each of the six factors in its feasibility model, depending on how well the project would meet each. The project scores at or above average on all but the Development Cost & Sources of Funding factor. These scores were then weighted by the relative importance of each to yield an overall feasibility score. The Wood County I/CS earned a feasibility score of 66 on a scale where 50 is "average" and 100 is "ideal." This feasibility score, on an academic scale, is equivalent to a "B-".

This score is high enough for GCGI to conclude that the proposed I/CS is feasible. That conclusion is contingent upon the I/CS implementation satisfying a number of key criteria identified throughout the feasibility study, including serving a mixed-use clientele; locating in downtown Parkersburg; including only a part-time manager in smaller scenarios; including both coworking space and incubation space; and sizing the facility to be a minimum of 14,000 sf. If the I/CS fails to meet one or more of these criteria, then GCGI believes the feasibility conclusion could be in great jeopardy.

It also should be noted that the overall feasibility score of the I/CS could be increased by addressing and mitigating some of the shortcomings identified in this study. Strengthening the project in terms of the number and magnitude of funding sources, and the ability to reach breakeven in three years or less, not only would improve the feasibility score but make the Wood County I/CS a better economic development project with greater sustainability potential.

GCGI offers the following recommendations for next steps in this project:

1. Convene a meeting of community, business and economic development leaders of the community to go over the results of this feasibility study, and to discuss which organization is best suited for assuming the I/CS champion role. Confirm support for that organization, and its willingness to assume the role including development as well as operations. Alternatively, find one organization willing to champion development of the incubator and another to assume champion responsibilities during operations.
2. Revise the more promising scenarios with a goal of having more than one scenario that can achieve breakeven by Year 3, while continuing to be based on reasonable assumptions. Alternatively, consider other scenarios involving different properties in downtown Parkersburg with the same goal and that can be the basis for a sustainable I/CS.
3. In conjunction with MOVRC, discuss this project and feasibility outcome with EDA's regional representative for West Virginia, and ask what parameters need to be addressed to elevate its chances for successful consideration. In particular, explore the compatibility of the Scenario #9 facility with EDA's criteria. Rework and/or justify the project on those parameters, then present to the representative for their concurrence that the project is a viable candidate for EDA grant funding. Initiate the EDA application process through MOVRC.
4. Present results of the feasibility study to the Parkersburg and Wood County political leadership. Gauge their level of interest in helping to fund this project, and confirm amounts are consistent with those assumed in this report. Revise the financial projections for the I/CS, as necessary.
5. Work with an architect and a local commercial construction contractor to confirm the probable cost per square foot for one or two of the most promising scenarios, including Scenario #9, and revise financial projections accordingly.
6. Convene meeting with several local lenders to present the results of the feasibility study and to ascertain the interest in collectively funding a portion of the I/CS development cost through a loan.
7. Create a database of email addresses for market survey respondents who are interested in becoming tenants and CSUs of the I/CS. Keep individuals on this database apprised of progress in developing the project, and to solicit feedback or ideas on the project as it develops. Include 1-on-1 meetings as time and resources allow. Begin pre-leasing space and signing up clients as members, tenants and CSUs as the I/CS facility nears completion.
8. Develop a business plan to guide the creation and operation of the I/CS. This should include sections on topics that EDA wants addressed in the I/CS application for funding, including lease terms, graduation criteria, and tenant policies (this may be accomplished as part of recommendation #3 if the EDA application process precedes the business plan preparation).

INTRODUCTION

The purpose of this project was to determine the feasibility of developing and operating a program to support the startup and growth of small businesses in the Wood County, West Virginia area. This program has been described as a business incubator, or a coworking space, or a combination of both. It would be the combination of a facility, services, and resources that collectively provide a supportive environment for new and small businesses to grow and

prosper. There are approximately 2,500 incubators throughout the United States; the number of coworking spaces is unknown but growing rapidly as a popular economic development initiative.

This feasibility assessment of the Incubator/Coworking Space (I/CS) is designed to answer the basic question, “will the proposed I/CS likely be successful in the Wood County area?” A feasibility study should not be confused with a business plan, in which the process and components of “how” the I/CS will be developed and initially operated are delineated. A business plan is not necessary or appropriate until the proposed I/CS has been deemed to be feasible, and unless the community decides it wants to continue to develop the I/CS.

This feasibility project was commissioned by the Wood County Development Authority (WCDA). Greenwood Consulting Group, Inc. (GCGI), which has conducted over 100 business incubator/coworking space analyses for communities throughout the United States and Canada, and whose principals previously developed and then managed two business incubators for over 11 years, was selected to lead the I/CS feasibility assessment. While the project was for the Wood County area, it was centered on Parkersburg as the largest city in the multi-county region. It is envisioned that the proposed I/CS would serve a larger area, perhaps within a 35-40 mile radius of the city.¹

This report is organized into three main sections. The first is referred to as “feasibility factors,” in which we discuss how the Wood County area was evaluated on the six factors that GCGI considers in its incubator feasibility model. The second summarizes our conclusion about the feasibility of the proposed I/CS. The third includes recommendations for next steps in this I/CS evaluation and development effort. In addition to these three main sections, appendices include detailed market survey responses and financial projections for the proposed I/CS.

1.0 FEASIBILITY FACTORS

GCGI developed its proprietary model for incubator feasibility assessment almost 20 years ago while under contract with The Ohio State University. We have since used the model on dozens of analyses of incubator and related economic development projects with considerable client satisfaction. The model is based on six factors that GCGI believes are most relevant to predicting the feasibility of a project like a business incubator. As will be discussed further in Section 2.0, a proposed project is scored on each of the six factors, and this becomes the basis for an overall quantitative score for the feasibility potential of the I/CS.

The six factors that GCGI considers in its feasibility assessment model are market, business assistance needed, champion, real estate, development cost and funding, and financial sustainability. Each factor is discussed below, along with data collected by GCGI for the Wood County area that are used to score how well the proposed I/CS meets each factor.

However, before discussing the feasibility factors, GCGI feels it is imperative that we define what is meant by “incubator” and “coworking space” in this feasibility study. Our interviews suggest there is considerable overlap in the use of the two terms in the Wood County area, so we want to ensure that all reviewers of this feasibility study are “on the same page” in using these terms.

¹ There’s no reason that an incubator/coworking space can’t serve entrepreneurs across state lines, but Marietta, Ohio already has a coworking space and a small incubator, and therefore the proposed Wood County I/CS likely would not draw many small and startup businesses from that part of the region.

A business incubator can be defined as a program designed to encourage and support creation of new businesses and support and growth of existing small firms. The program usually consists of a combination of facilities and services. The facilities include resources like a reception area and conference room that the tenants share, thus reducing each tenant's facility cost because they do not have to lease their own exclusive reception area and conference room. However, incubator tenants typically have hard walled, lockable spaces that they lease for their exclusive use, with these spaces ranging from small offices, to wet laboratories, to light assembly spaces. Equally if not more important in an incubator are services that support small and startup businesses. These may include training workshops and courses, mentoring programs, and 1-on-1 consulting and coaching with the incubator manager, advisors, and board members.

In contrast, a coworking space typically has larger open areas, with or without partitions or cubicles, that members share. These spaces can have a variety of membership levels, but common ones include a general membership in which a member is entitled to enter the space during regular business hours and find any open space to sit, meet with collaborators, or access the internet. Another common membership is one in which a member has a specific cubicle assigned to them, and which they are free to use 24/7 whenever they want to. Coworking spaces also typically do not have the same breadth or depth of business assistance services found in a business incubator, but do tout the networking and interaction that can occur informally between members who are in the coworking space at the same time.

In reality, there is often some overlap between incubators and coworking spaces. For example, some incubators will include open collaborative spaces that members can share. And some coworking spaces have lockable, hard wall offices that can be leased by a single member. It is GCGI's perception, based on the 30 interviews it conducted during this feasibility study, that some community and business leaders are thinking of an incubator but are referring to it as a coworking space.

It is GCGI's belief, which has been reinforced by its interviews and market survey responses in this feasibility study, that the Wood County project would be a combination of both an incubator and a coworking space, as defined above. Members of the coworking space appear to want a higher level of business assistance services than commonly found in such projects, per the results of the market survey.

1.1. Factor #1: Market

Evidence of a market for the Wood County I/CS is a critical component of this feasibility study—it does not matter if the other five factors are satisfied if there is not an adequate pool of entrepreneurs who might utilize the I/CS facility and its services.

GCGI emphasized the collection of primary market data in this project. These are data collected directly from entrepreneurs who might use the proposed I/CS to support and further their own business development and growth. GCGI believes primary data are preferred over secondary data, which typically are culled from online sources like the US Census Bureau and the Internal Revenue Service, because the primary data (a) represent the specific interests and preferences of local entrepreneurs, (b) often include greater detail than found in secondary sources, and (c) include identification of individual entrepreneurs who can then be contacted about becoming clients of the I/CS if the project moves forward.

1.1.1 Primary Market Analysis

GCGI strongly believes that the proof of a market for the I/CS rests in our ability to identify an ample number of specific entrepreneurs who are interested in becoming clients and tenants of the project. Therefore, GCGI centered the market analysis of the I/CS around a market survey to document and characterize such interest (or lack thereof).

For the I/CS market survey, GCGI worked with the WCDA to determine the appropriate questions and multiple-choice answers, using its many previous feasibility surveys as a starting point. GCGI uses multiple choice questions as much as possible, to reduce the time required by respondents and to provide consistency in answers which improves with tallying and interpreting results. While available in paper form, the survey was placed online where it could most easily be completed and submitted, typically requiring less than 10 minutes of a potential respondent's time. Questions relevant to both incubators and coworking spaces were included to help determine if one or the other, or both, should be the focus of the Wood County I/CS effort.

1.1.1.1 Number of Survey Responses

During the summer/fall of 2021, GCGI conducted the market survey for the proposed I/CS. GCGI relied heavily on various business and economic development organizations serving the greater Wood County area to disseminate the survey broadly to their members and email lists. After an initial dissemination, one or more follow up "reminders" were made through these same outlets. Some organizations used their social media presence to further promote the survey.

Thanks to these considerable efforts, a total of 121 survey responses were garnered by late October 2021. This rates favorably with GCGI's goal of securing a minimum of 100 responses to any of its market surveys for a proposed business incubator. The survey has remained open online, so that any subsequent responses can be collected beyond the completion of this feasibility assessment.²

Out of the 121 respondents to the market survey, 32 expressed an interest in having a presence in the proposed I/CS. This includes respondents who said they would like to be an incubating tenant, a coworking space user (CSU), or an anchor tenant. This is a large number of potential tenants and space users, in GCGI's extensive experience—given the total number of survey respondents, GCGI would expect about two-thirds of this number. In addition, another 25 survey respondents said they would not become a tenant but "might" or "likely" would receive services at the I/CS. Therefore, between potential tenants and service users, GCGI was able to identify more than 55 entrepreneurs (existing and potential) interested in becoming part of the I/CS.

1.1.1.2 How Survey Respondents Would Use the I/CS

Table 1 expands on the survey results regarding how Wood County area entrepreneurs would use the proposed I/CS. The data shown here are the total number of responses received to each participation category, which includes multiple responses by a single individual. This becomes apparent when the total number of persons responding, per the second to last row, is 73 persons, while there are 175 total responses to the participation categories. Put another way, an average respondent checked 2.4 participation categories.

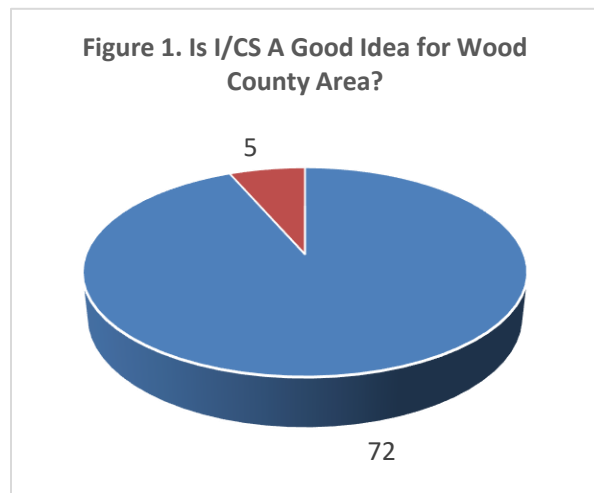
² Appendix A includes complete data for survey respondents interested in becoming incubator tenants and/or coworking space users of the proposed I/CS

Per the first two rows of Table 1, there is more interest in a coworking space (n=25), but there is a substantial number who want to be a tenant in a traditional business incubator (n=17). **This indicates that both an incubator and a coworking space need to be provided in the I/CS, both to satisfy the needs of area entrepreneurs and also to increase the overall size of the market being served by the I/CS.** A total of six respondents said they would consider becoming an anchor tenant of the I/CS. As discussed below, anchors are a common and important part of business incubators, so this interest is another positive indicator of the market and demand for the I/CS.

| Participation category | Number of Responses |
|-------------------------------|---------------------|
| Tenant | 17 |
| Coworking Space User | 25 |
| “Likely” Service User | 15 |
| “Might” Service User | 15 |
| Not a User | 8 |
| Anchor Tenant | 6 |
| Refer Others | 47 |
| Service Provider | 26 |
| Investor to I/CS | 16 |
| Total Respondents to Question | 73 |
| Total Survey Respondents | 121 |

Table 1. Survey Responses by Participation Category

General community support for the incubator is indicated by the significant number of respondents (n=47) who said they would likely refer other small and startup businesses to the I/CS. This is consistent with the results of the survey question in which respondents were asked if they thought the I/CS was a good idea for the Wood County area. As shown in Figure 1, of those survey respondents who answered this question, almost 94% said it was a good idea.³



Two other impressive data points in Table 1 are the service provider and investor categories. The service provider category indicates how many survey respondents said they are a provider of business services (e.g., an accountant or bookkeeper) and would be interested providing services to I/CS clients and tenants. Per Table 1, a total of 26 service providers would be interested in helping the I/CS provide business assistance to its clients and tenants. This will greatly expand the I/CS’s ability to provide services beyond what its own staff could do. Particularly valuable are those

service providers who also said they would like to be a tenant of the I/CS, as this would make their services readily available to incubator and CSU participants and promote informal encounters/interactions that are an extremely valuable part of an incubator. GCGI believes that this response from service providers further shows community support for the I/CS: presumably, if a survey respondent thought this was a bad idea, then they would not want to associate with it as a provider of services.

³ 44 respondents to the overall survey did not answer this question. A very conservative reading would be that anyone who didn’t answer thinks the I/CS is not a good idea. Even if this interpretation is used, the conclusion would be that a majority of survey respondents (72 of 121 responses, or 60%) believe the I/CS is a good idea for Wood County

The investor category indicates how many survey respondents said they would consider “investing resources (including but not limited to financial)” in the I/CS—GCGI is impressed that almost 22% of survey respondents who answered this question indicated an interested in making some kind of investment in the I/CS.

Finally, Table 1 shows how many survey respondents do not anticipate using the I/CS for their company. Out of the 73 survey who answered this question, only about 10% said they don’t expect to be using the I/CS.⁴

1.1.1.3 Potential Tenant Characteristics

The I/CS market survey also collected some useful information about the characteristics of the entrepreneurs who plan to become incubator tenants or CSUs.

For example, Table 2 shows the mix of existing versus startup entrepreneurs among the potential tenants and CSUs.

| Stage of Company Development | Number of Potential Tenants/CSUs |
|-----------------------------------|----------------------------------|
| Existing Firm | 17 |
| Existing Firm < 5 employees | 13 |
| Start Up Entrepreneurs | 3 |
| Potential Startups | 9 |
| Likely starting in next 18 months | 57% |

Table 2. Stage of Company Development, Potential I/CS Tenants & CSUs

A majority of the potential tenants/CSUs are existing firms. This is contradictory to the stereotype that incubators are only for startup firms; in reality, and in GCGI’s experience, many incubator tenants are existing firms that either have started as part time, hobby, or home-based businesses that want to go “to the next level,” or ones that have hit upon hard times and need to retrench and pivot in a new direction to ensure their survival. The large fraction of potential I/CS tenants who are existing firms also is being influenced by the large number of respondents who are interested in the coworking space part of the I/CS—in GCGI’s experience, coworking spaces tend to attract more current business owners versus those in startup mode.

Table 2 also indicates that most of the existing firms interested in becoming I/CS tenants are small—13 of the 17 existing firms have 4 or less employees. Therefore, even the existing firms interested in becoming incubator tenants or CSUs are very small.

Of the potential tenants and CSUs that are not existing firms, according to Table 2, most are in process of deciding whether to start a new business. In other words, out of 12 respondents who are in startup mode, 75% are only “thinking about” starting a business, which means only three potential tenants are already starting their firms. The majority of those who are only “thinking about” startup, however, have a timeline for starting their firm, which indicates a greater level of commitment than those who responded that they were “uncertain” when they would begin.

Table 3 indicates the income level of the survey respondents interested in becoming tenants/CSUs of the I/CS. The lower income level brackets roughly correspond with Federal poverty levels (e.g., below poverty level, less than 150% of poverty level). There appears to be a real dichotomy, with over 40% of potential tenants and CSUs having incomes over \$100,000 per year, while another 48% have annual incomes below \$53,000. This has important

⁴ Again, if a conservative interpretation is that the non-respondents to this survey question also do not have an interest in being part of the I/CS, then the disinterested respondents still make up a minority of overall respondents (about 43%).

implications for the financial aspects of the I/CS. While some incubator tenants and CSUs may need below-market rental rates, a large fraction of them don't. If the I/CS rental rates are set below-market, then many entrepreneurs who don't need this subsidy will receive it, and concurrently put the I/CS at risk of being financially un-sustainable because of diminished rental revenues resulting from low rental rates. But if the I/CS rental rates are set at-market levels, then many potential tenants and CSUs could be priced out of the market. GCGI believes the best solution is to set the I/CS rental rates at-market, and offer scholarships to individual incubator tenants and CSUs who may need them.

| Annual Household Income | Number of Potential Tenants/CSUs | Percent (n=25) |
|-------------------------|----------------------------------|----------------|
| <\$26,500 | 3 | 12% |
| \$27,000-\$40,000 | 4 | 16% |
| \$40,000-\$53,000 | 4 | 16% |
| \$53,000-\$100,000 | 3 | 12% |
| >\$100,000 | 11 | 44% |
| Other | 0 | 0% |
| No Response | 9 | |
| Total | 46 | |

Table 3. Household Income of Potential Tenants/CSUs

1.1.1.4 Industries Represented by Potential Tenants & CSUs

The market survey also asked respondents to indicate, in their own words, in what industry they do business. Table 4 summarizes the responses of those respondents (n=32) who indicated an interested in becoming a tenant or CSU of the I/CS.

Out of the 25 entrepreneurs who answered this question (seven prospective tenants and CSUs did not), no industry represented a majority of potential tenants and CSUs. This points strongly to the need for the I/CS to not focus on a single industry or market, but to be open to a wide variety of industries. The term used in the incubation industry is “mixed-use.”

Table 4. Industry Represented by Potential Tenants & CSUs

| Industry | Approx. Number of Potential Tenants/CSUs (n=25) |
|--------------------------|---|
| Business Services | 13 |
| Marketing-related | 3 |
| Personal Services | 12 |
| Food-related | 4 |
| Arts & Crafts | 2 |
| Cleaning | 0 |
| Education & training | 4 |
| Environmental | 1 |
| Manufacturing & Assembly | 1 |

The largest industry identified among potential tenants/CSUs of the I/CS is “business services,” which is quite broad. The largest subcategory of “business services” appears to be “marketing related” which garnered 3 responses.

Interestingly, there is almost an equal number of potential tenants and CSUs who are in the “personal services” industry.

No other industry category included more than four respondents. The two industries that received four votes were food-related businesses, and firms doing education and training. With only one potential tenant/CSU involved in manufacturing, there will likely be only modest need for manufacturing/assembly space in the I/CS.

GCGI believes strongly that the I/CS must be “mixed-use” and cater to entrepreneurs in a variety of industries. Per Table 4, tenants and CSUs in no single industry would be numerous enough to fill a sizable I/CS facility, and catering to just one industry would lead to the majority of interested entrepreneurs being denied access to the I/CS. But while GCGI strongly recommends the I/CS be mixed-use, certain industries can still be emphasized. The I/CS could

identify one or more industries that Wood County especially wants to encourage and support. For example, if WCDA wants to target education and training industries in its economic development activities, then entrepreneurs in those industries might be actively recruited to the I/CS, and services, programs, and facilities that meet those industries unique needs might be provided. This “have your cake and eat it too” approach provides the best of both worlds for I/CS: being mixed-use creates a market sufficiently large to increase the likelihood of making the I/CS financially viable, while providing special attention to incubator tenants and CSUs in targeted industries would help nurture highly desired segments of the Wood County region’s economy.

1.1.1.5 Conclusion About the Size of Market for the I/CS

As argued throughout Section 1.1.1, the I/CS needs to be mixed-use so that it more likely has an adequately large market to be viable, and to meet the needs of a diverse group of entrepreneurs in the Wood County region. If the I/CS becomes too narrowly focused (e.g., only catering to business services firms), then there are too few I/CS-interested entrepreneurs in the Wood County area in that industry to sustain the project—not only would it be a financial failure because it doesn’t generate revenue from enough tenants and CSUs, but it also would lack the energy and vibrancy that is so important to the success of an incubator/coworking space and needed to attract new clients. And again, focusing exclusive on one industry would deny incubator and coworking space to the numerous entrepreneurs in other industries who want to benefit from the I/CS.

Assuming the I/CS is mixed-use, how big should the facility be? And will it be capable of sustaining itself (i.e., generating enough revenue from operations to cover its ongoing operational costs)? The latter question will be addressed later in Section 1.6; the former question can be handled here.

GCGI used data and assumptions, reflected in Table 5, to estimate the space required to support the demand represented by the I/CS market survey responses reported above.

As indicated in Table 5, GCGI estimates that, after overlapping survey responses are eliminated, there are about 11 potential incubating tenants, and 4 potential anchor tenants among the survey respondents.⁵ Further, GCGI estimates there would be about 17 CSUs in the I/CS.

| Space Category | Number | Sq Ft per unit | Total sq ft |
|---|--------|----------------|-------------|
| Incubating tenants | 11 | 350 | 3,850 |
| Anchor tenants | 4 | 1,000 | 4,000 |
| Coworking Space Users | 17 | 1,250+1,000 | 2,250 |
| Subtotal | | | 10,100 |
| 30% common area | | | 3,030 |
| Subtotal | | | 13,130 |
| Facility size, assuming initial 50% occupancy | | | 26,260 |

Table 5. Approximate Size of I/CS Facility by Category/Concentration

⁵ GCGI has tried to reduce overlaps in survey responses to tenant, anchor tenant and CSU categories, under conservative assumption that an entrepreneur would only participate in one of these 3 categories. Respondents who marked both incubating tenant and CSU were split evenly by reducing the number of potential tenants in each category by 50% of the number of duplicates. In addition, the number of incubating tenants and CSUs were each reduced further to reflect duplication with anchor tenant numbers.

The average square footage sizes shown for the incubating and anchor tenants are conservative, in GCGI's experience and given data published from sources such as the National Business Incubation Association.⁶ The square footage required for the Coworking space is derived from estimated space requirements for three different membership levels, plus a fourth level in which a CSU rents a lockable 250 square foot office.⁷

When summed, the total for the incubating, coworking, and anchor tenant spaces comes to about 10,000 sf. Added to this is an allowance of another 30% to accommodate common areas like reception area, conference room, restrooms, and hallways. Adding this common area allowance brings the subtotal up to about 13,000 sf. Therefore, an I/CS that meets the needs of the market survey respondents would need to be about 13,000 sf in size.

However, an incubator is not effective if it is 100% full. The nature of incubators requires that tenants be constantly moving in and expanding their space as their businesses grow. Therefore, some vacancy needs to be built into the facility size. Further, GCGI believes that the market survey conducted in this feasibility study likely underestimates ultimate demand for the I/CS; not only would tenant growth require more space, but additional space is required to accommodate future entrepreneurs and existing ones who did not hear about the I/CS and this feasibility study and therefore aren't reflected in the survey results.⁸

Therefore, as will be seen in Sections 1.5 and 1.6, GCGI does its financial projections for the performance of the I/CS under the assumption that the project will initially have substantial vacant space. This vacancy is assumed to be absorbed over the first several years of operations. GCGI often assumes an incubator will begin with 50% vacancy. Therefore, if it is assumed that the I/CS would be in a facility that is only half-filled when it opens, then the size of that facility could be about 26,000 sf.

Therefore, while current demand would require an I/CS facility of approximately 13,000 sf, GCGI believes a facility of around 26,000 sf can be justified.

1.1.1.6 Youth Entrepreneurship Demand

Survey respondents were asked if the I/CS should have an emphasis on one or more industries (while still being "mixed-use" to serve a wide variety of industries). The third highest response was "youth entrepreneurship," with votes from almost 40% of potential tenants and CSUs. It scored almost as well among all 121 respondents to the survey. GCGI takes this as a very positive result, showing that the business and community leaders in the Wood County area want to encourage and support entrepreneurship among their youth. GCGI has had positive firsthand experience operating a youth entrepreneurship program out of a business incubator that its principals managed—It was both a great opportunity to encourage young people to consider entrepreneurship as a career option, and to generate very good public relations with the greater community.

⁶ NBIA is now known as the International Business Innovation Association (iNBIA), but the data referenced here were published before the organization name change.

⁷ GCGI considered membership levels and other characteristics of 11 coworking space programs nationwide in deriving the estimate of 1,250 square feet needed to house all but the members in the fourth level

⁸ Two sources of potential growth beyond the usual sources are (a) out-of-town firms seeking a local place from which to conduct business (existed before the COVID pandemic), and (b) employees of local firms who will continue to work from home after the pandemic and will need occasional or regular space in which to meet clients or other employees, or get away from distractions of their home office. These would be in addition to typical sources of additional demand over time for space and resources in the I/CS

1.1.1.7 Summary of Market for Incubator/Coworking Space (I/CS)

In summary, GCGI concludes that there is a favorable market for the proposed I/CS in the Wood County area. While the number of survey responses was only modestly higher than usual, the fraction of respondents who want to be part of the I/CS as tenants or CSUs was about 50% more than what was expected. The types of businesses represented by potential tenants and CSUs are consistent with a viable mixed-use facility, while also suggesting there may be some clusters that can be supported if they are ones that WCDA and the community want to encourage in the area. It appears the I/CS can support both low- and moderate-to-high income entrepreneurs, while remaining financially viable in its operations. This viability would be further enhanced by a I/CS facility being approximately 26,000 sf, which is within the range of sizes that typically is needed to ensure operating revenues cover operating expenses.

It is important to note, however, that this market conclusion does not address the financial viability of the proposed I/CS. Put another way, just because there appears to be a strong market for this project, this doesn't guarantee that the I/CS will generate sufficient revenues to cover its operating costs. This is because there are a number of variables other than market size that must be considered in assessing financial viability. This important financial viability consideration is addressed later in Section 1.6 of this feasibility analysis.

1.2 Factor #2: Business Assistance

The second factor that GCGI considers in evaluating the feasibility of a proposed project like the I/CS is business assistance. There must be, in GCGI's opinion, unmet needs for business assistance in the targeted market, or creation of a business incubator is hard to justify.⁹ GCGI is very much opposed to incubators that duplicate existing services, or that compete with existing providers whose services are competently provided, accessible, and affordable to small and start-up businesses.

1.2.1 Needed Assistance

As part of the market survey conducted in this feasibility study of the proposed I/CS for the Wood County area, respondents were asked to indicate their areas of unmet business assistance needs. In analyzing the results, GCGI focused on the survey respondents who indicated they are interested in becoming tenants (incubating and anchor) and CSUs, because these respondents would have the biggest commitment to the proposed I/CS. Areas of greatest need of these respondents are shown in Figure 1. Finally, data are shown for both tenants and CSUs combined, with overlaps removed (e.g., if a respondent is interested in becoming a tenant or a CSU, they were only counted once when it came to a particular need category). GCGI focuses on these "totals with overlaps removed", but data for the individual incubator tenants and CSU respondents are shown for those who want to see differences or want to focus on one group or the other.

The area of greatest unmet need is market analysis and marketing. This is a common finding in GCGI's feasibility projects, and perhaps reflects that an entrepreneur never feels that they know enough about this soft but very important science. This uneasiness has increased, GCGI believes, with the rapid emergence of social media as a marketing tool, but which many older

⁹ Coworking spaces, however, tend to have less emphasis on formal business assistance through coaching, consulting, and training. But, as will be seen in this section, a number of potential CSUs in the I/CS also want business assistance. This is perhaps the result, as discussed earlier, of overlapping definitions of "incubators" and "coworking spaces" found in the Wood County area.

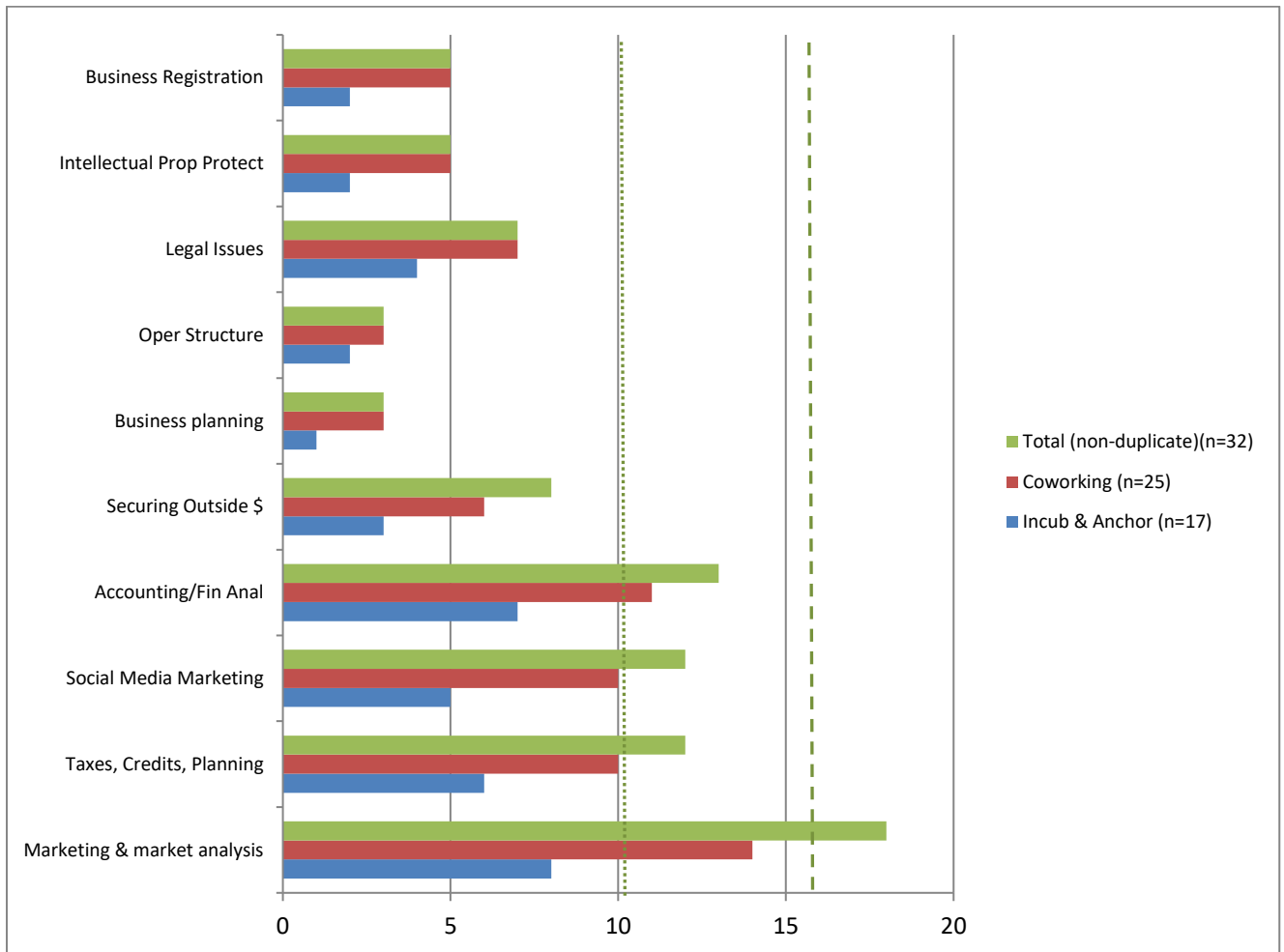


Figure 1. Areas of Assistance Most Needed

entrepreneurs do not feel they understand very well. This theory is reinforced by the large number of respondents who said social media marketing is an area of unmet need (discussed below).

The second highest area of unmet need is accounting and financial analysis. It is unclear why this category ranks so high; perhaps it represents a gap in the services provided by other entities in the Wood County area, or entrepreneurs may be particularly sensitive to this aspect of their businesses during the economic downturn that accompanied the COVID-19 pandemic that loomed when the survey was conducted.

Social media marketing is tied with taxes/credits/planning as the third highest area of unmet need. Again, the reason for social media marketing ranking high is offered above; one possible explanation for taxes/credits/planning rating so high (it is not commonly a major area of unmet need in GCGI's feasibility studies) is that this survey was conducted during the COVID-19 Pandemic and the issuance of the Federal Paycheck Protection Program (PPP) and its less-than-clear instructions, payback requirements, and tax implications.

The fourth largest area of unmet need is securing outside capital. Interestingly, this category was twice as prevalent among CSUs as it was among incubator tenants. This might be

because entrepreneurs having concerns about raising funds are more likely to express an interest in the more affordable coworking space than in more expensive incubator space.

Finally, GCGI sees an interesting pattern of unmet needs when it comes to “the basics” of starting a business. Business planning ranked very low, with only 3 respondents (about 10% of potential tenants and CSUs) saying this was an area of unmet need. This was also true for choice of operating structure (i.e., deciding whether to be a partnership, corporation, LLC, etc.). But business registration, which is even more basic, was identified as an unmet need by 5 respondents. This suggests to GCGI that some basics are being well handled by existing service providers in the Wood County area, while others need attention. GCGI concludes that the I/CS must not overlook the basic aspects of starting and growing a small business, but it also needs to carefully identify the gaps that need to be filled while avoiding duplicating basic services that are being adequately handled by others.

GCGI is somewhat concerned about the low number of survey respondents who indicated one or more area of unmet need. For example (and as shown by the vertical dashed line in Figure 1), only one area of need was identified by more than half of the potential tenants/CSUs. If the bar is set lower, specifically that the need was identified by at least one-third of the potential tenants/CSUs, then only 4 categories reach this threshold (as shown by the dotted vertical line in Figure 1). The number of tenants/CSUs is not the only important consideration here; for example, satisfying a critical unmet need could propel a few tenants/CSUs to high levels of success they otherwise would never achieve. But it is harder to identify those critical needs, and incubators tend to look at numbers of clients served, so the fraction of potential tenants/CSUs served is a consideration here.

It also is possible that potential tenants/CSUs don't realize that they have unmet needs, or that there are needs that are hindering their ability to grow and succeed. This suggests a role for the I/CS, namely to triage its clients to help them identify unknown problem areas.

Respondents to the I/CS market survey also were asked to indicate their level of interest in various resources that might be included in the project. This ranged from types of space (office, retail space, arts & crafts space, etc.), to features of the center (e.g., internet), to modes of business assistance provided (e.g., counseling, coaching, workshops).

Figure 2 shows the interest in about a dozen such resources. Data again are shown for potential incubating/anchor tenants and CSUs, as well as totals across all potential tenants and CSUs, with duplicates removed.¹⁰

The three resources of greatest interest to the total tenants/CSUs are open offices/collaborative space, shared services, and networking opportunities.

The emphasis on open offices/collaborative space is consistent with CSUs having the most survey responses from potential users/tenants. The demand for other types of space is significantly lower, with lockable hard-walled offices a distant second.

Shared services include the items that are traditionally associated with incubators: shared conference room, reception area, and high-speed photocopier, for example. This once again

¹⁰ For example, if a survey respondent indicated both an interest in being an incubating tenant and a coworking space user, and said they want networking opportunities in the I/CS, then this would be counted as only one vote in the “total” tally for networking opportunities.

suggests that the I/CS must not overlook “the basics” of incubators as they design and operate the facility and programs.

Networking opportunities is a common resource request among incubator tenants/CSUs. GCGI believes it is important to provide both formal and organized networking activities (such as mixers or tenant luncheons), and opportunities for informal or chance encounters. The latter depends highly on the facility design; for example, providing a lunchroom with a community coffee pot and vending machines creates a common destination where tenants and CSUs are more likely to bump into each other.

High speed internet is in high demand, which is expected given its importance to modern business practices.

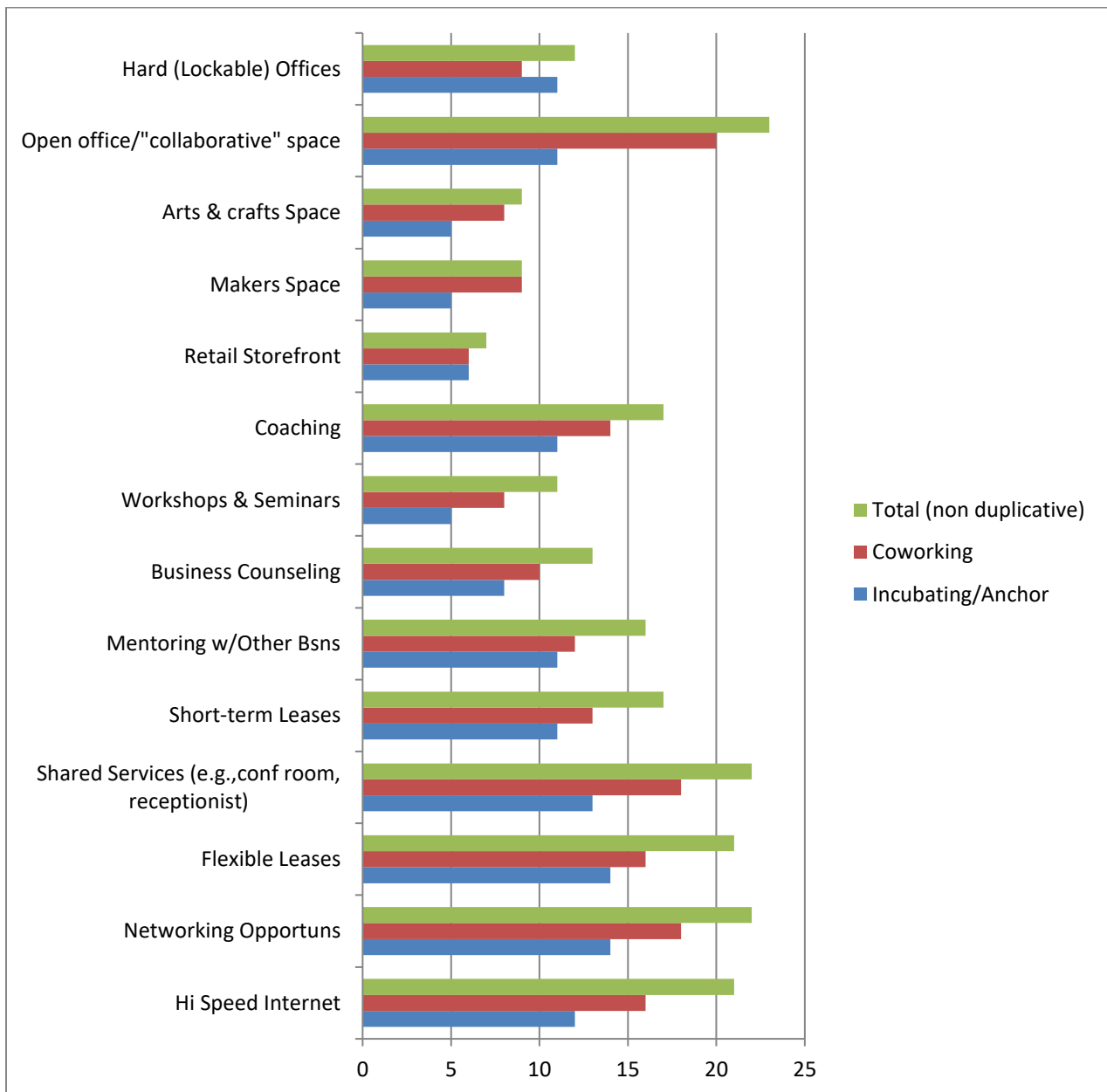


Figure 2. Interest in Potential Incubator Resources

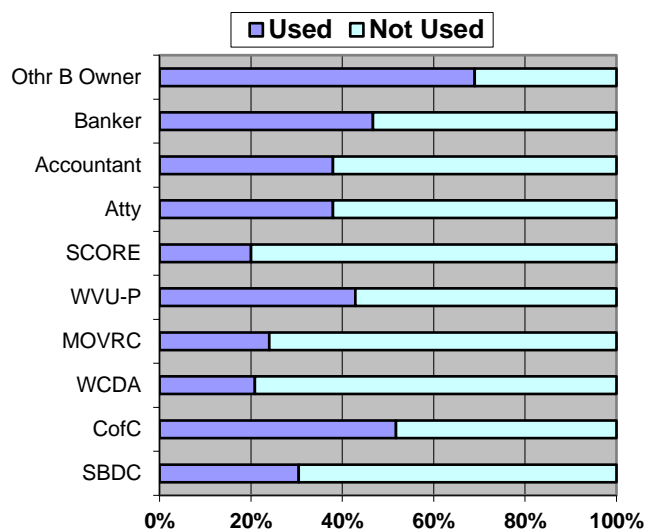
The preferences relative to how potential tenants/CSUs want to receive services deserves mention. First, coaching is the most favored mode, while workshops is the least. This is a trend that GCGI is seeing elsewhere, where entrepreneurs are favoring the more personalized, but also more labor intensive (and therefore expensive), coaching over group training events. Second, potential tenants/CSUs favor mentoring with existing business owners/managers as a mode of assistance. This also can be very labor intensive, as it would require the I/CS create and manage a mentor program, carefully select and train mentors, matchmake between mentors with tenants, and monitor these relationships to make sure they are appropriate, productive, and sustainable. Therefore, GCGI sees a need for coaching and a mentor program, but these will require greater labor commitments by the I/CS management and board.

1.2.2 Sources of Assistance

The market survey for the I/CS also asked for indications of the entities from which start-up and small-scale entrepreneurs had sought assistance, and how satisfied they were with the assistance. Appendix A shows the usage and opinions of existing sources of business assistance among survey respondents interested in becoming I/CS tenants or CSUs.

Figure 3. Usage of Existing Service Providers

Figure 3 summarizes the utilization by those survey respondents of various private, public and non-profit sources of assistance. The darker, purple shaded portion of each bar indicates the approximate percentage of respondents (only those who are potential incubator tenants or coworking space users) that have utilized each service provider listed. The light shaded portion of each bar shows the fraction that have not used that provider. Three major conclusions can be reached from these data:



First, most existing resources have been underutilized by prospective tenants and CSUs of the I/CS. Of the sources shown in Figure 4, only two (Chamber of Commerce and Other Business Owners) have been used by 50% or more of these survey respondents.

Second, potential tenants and CSUs of the I/CS have made extensive use of other business owners and mentors for assistance. The popularity of this source of assistance emphasizes why GCGI recommends the I/CS establish a high-quality mentoring program as part of its service offerings to tenants and CSUs.

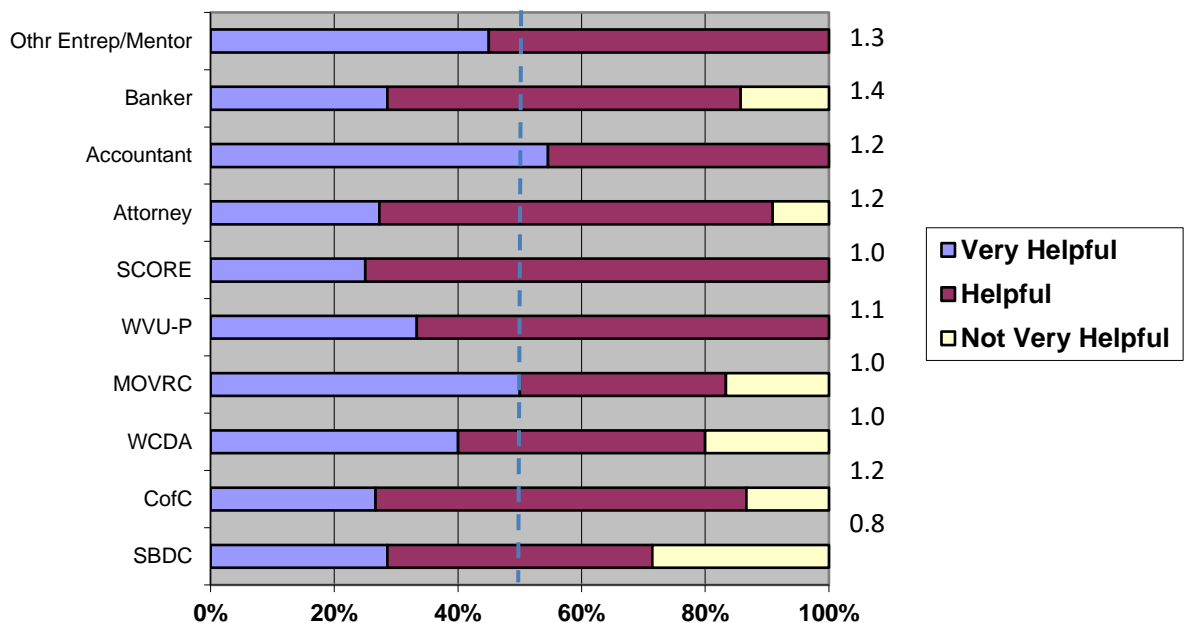
Third, private sources of assistance have been used more extensively than public and non-profit ones. For example, per Figure 3, all four private sources have been used by at least 38% of potential tenants and CSUs, while only two public/non-profit sources reach this level of utilization. This is a concern, since private sources typically require payment or other compensation, and Table 3 shows the sizable fraction of potential tenants and CSUs who are lower income—this suggests to GCGI that those with relatively modest means are finding it

necessary to turn to more costly sources of assistance. This can be addressed in a variety of ways, but the important point is that this is something the I/CS should address as part of its contribution to the entrepreneurial economy of Wood County.

GCGI also explored the level of satisfaction that survey respondents have had with existing service providers. Survey respondents were asked, if they had previously received services from one of the providers listed in Figure 3, whether the providers were “very helpful,” “helpful,” or “not very helpful” in providing those services. Figure 4 summarizes the results. The horizontal bars in Figure 4 reflect the mix of scores received by each service provider between “very helpful,” “helpful” and “not very helpful.” Visually, more purple is good, and more pale yellow is bad.

Overall, the existing sources got “okay” satisfaction scores. This is GCGI’s conclusion from the bars in Figure 4 being dominated by the maroon “helpful” segments, and the small presence of the “not very helpful” rating shown in pale yellow. This is further reinforced by only two of the sources (accountants and Mid Ohio Valley Regional Council) receiving “very helpful” scores from 50% or more of potential incubator tenants and CSUs, marked by the vertical dashed line in Figure 4.

Figure 4. Satisfaction Level with Existing Service Providers



The data in Figure 4 and this analysis suggest several important roles for the proposed I/CS.

First, the I/CS should provide its clients with referrals to those service providers that are meeting the needs of entrepreneurs in the area. This referral service should include the I/CS’s independent assessment of whether a particular provider is providing high quality services; in some instances, the client may not be qualified to make that assessment themselves.

Second, the I/CS needs to help increase the utilization rate of service providers who are doing a good job, but which are not being used as much as they should be. It may be that small and start-up businesses in the area do not know about a particular provider, or have

misunderstandings of what that provider does or who it serves. One provider that GCGI would suggest this be done with is the MOVRC, which 25 of the 29 survey respondents said they were not aware of and/or did not use, but which received relatively high satisfaction scores from those who've used MOVRC for services.

Third, some providers may need to revise their service offerings and/or quality standards to meet the needs of Wood County area entrepreneurs, and the I/CS could help them in this effort. The I/CS could approach a service provider in a cooperative and non-confrontational way, indicating the data in Figure 4 suggest a disconnect between that provider's offerings and the clients' expectations or needs, and offering to brainstorm with the service provider how that disconnect can be corrected (perhaps through both changing the services being provided, and managing the client's expectations).

Fourth, for-profit providers may be very necessary and appropriate in some instances; for example, if I/CS clients need help with a specific legal issue, then an attorney is likely the best source for that assistance. The I/CS could help direct clients to qualified for-profit providers, negotiate favorable rates with providers in the area, and counsel clients on how to best use for-profit sources of assistance. And if the cost of using for-profit providers is an issue, then the I/CS could create a program that helps underwrite the cost of a client receiving help from a for-profit service provider.¹¹

Finally, there are likely areas of assistance that are needed by area entrepreneurs, per Figures 1 and 2 above, that are not being provided credibly by any existing service providers. A mentor program with existing business owners/managers in the area is an example. These are areas that the I/CS may provide these services directly, or work with an existing service provider to begin providing them.

Therefore, overall, GCGI believes there are good reasons for the I/CS to be created, in terms of meeting unmet business assistance needs of area entrepreneurs. Further, it could create a means of introducing these entrepreneurs to assistance that they do not even realize that they need to grow a more sustainable and profitable small business.

1.3 Factor #3: Champion

The champion factor in the GCGI feasibility model assesses the availability of an organization that is committed to leading the facility, services and programs through their development and early operational stages. This champion must have the ability and tenacity to see the project through its difficult times, and have the respect of others involved in the project so that they will continue to follow the champion's lead.

GCGI identified several possible I/CS champions during this study: WCDA, MOVRC, WVU-Parkersburg, and a new entity. The first entity has expressed an interest, while the middle two organizations rated well in terms of satisfaction among survey respondents, and therefore are logical candidates. The fourth entity should be considered as an option if there is not consensus on an existing entity that should champion the I/CS.

The WCDA is the primary economic development organization in Wood County. It has shown repeated interest in marshalling the incubator/coworking space process through the county, and

¹¹ GCGI principals have previously created and operated a "consultant subsidy program" for exactly this purpose.

took the lead in overseeing this feasibility study. It does not provide many services directly to small and startup businesses, and therefore received few utilization/satisfaction scores from survey respondents. It has experience owning and managing commercial/industrial real estate, and maintains the County's database of available properties, and therefore would have relevant knowledge for preparing and maintaining the I/CS facility. It does not seem to have appropriate staff for coaching and counseling entrepreneurs, but GCGI assumes in the financial projections that additional staff would be hired by the champion to manage the I/CS and meet with entrepreneurs. Its county-wide purview is appropriate and better than an entity that, for example, is only focused on Parkersburg.

MOVRC is another candidate to champion the proposed I/CS. The Council is a larger and stable public community and economic development resource that could take on a project like the I/CS, and would offer complementary services including small business loan funds—and its small business financial expertise could be important in satisfying the unmet need of “accounting and financial analysis” expressed by some potential tenants and CSUs. MOVRC works closely with the Federal Economic Development Administration; because EDA is expected to be a major funder of the I/CS, this familiarity could be beneficial in administering the EDA grant and maintaining compliance during the long term as required by EDA. A disadvantage of MOVRC being the I/CS champion is its geographic territory that is considerably larger than Wood County, although there is likely compatibility between that larger territory and the region that the I/CS would help serve.

A third option for the I/CS champion is West Virginia University-Parkersburg (WVU-P). While its main campus is outside of the preferred location for the I/CS (See section 1.4), WVU-P has established a downtown presence. It has provided entrepreneurial counseling and workforce training, which could be advantageous to incubator tenants. GCGI's primary concern is that an academic institution that takes on an incubator championing role must be capable of “moving at entrepreneurial speed” and instill a creative, “can do” atmosphere—although this is less of a challenge typically for community colleges and independent smaller institutions like WVU-P. GCGI also is concerned that WVU-P does not appear to have played a role in advancing the I/CS initiative to this point, so more active players may feel slighted if the university were to be given the championing role.

Another option for the I/CS champion is to create a new non-profit entity with representation of multiple interested entities including those discussed in this section and other relevant stakeholders in the region, including the Mid Ohio Valley Chamber of Commerce and Downtown PKB.¹² The option of creating a new entity can make sense if there is a lack of a clear champion that is anxious to take on this incubator project (and/or one that is an ideal fit for the role) or there is considerable competition or distrust among the existing business and economic development providers. With the I/CS, it could be more of a case of there being multiple entities that can contribute to the championing effort, but not one of them is singly qualified to be the champion. The disadvantages of forming a new entity include (a) possible negative public perception that “yet another economic development group” is being formed, and (b) the diversion of resources away from I/CS development and toward the organizational and legal tasks associated with forming the new entity. Making the new entity a subsidiary of an existing legal entity like the WCDA would somewhat mitigate these concerns.

¹² The latter organization was not considered for the champion role, both because of its relatively narrow geographical focus and its recently change in staff leadership

GCGI concludes that there is no candidate that is the obvious and ideal champion of the proposed I/CS, but several existing entities and a possible new entity could be suitable in this important role. At the feasibility assessment stage of this project, a champion does not have to be selected or finalized, but instead it is sufficient to indicate that there are multiple possible sources of this leadership of the I/CS development and operations.

1.4 Factor #4: Real Estate

In a feasibility analysis conducted under the GCGI model, the real estate factor addresses whether there appears to be consensus on a location for a proposed incubator, and whether there are suitable alternative sites and/or buildings for the proposed facility in that location. While GCGI or other third parties can suggest where the project might be best located, what is most relevant is where it needs to be so that interested clients will utilize it.

Consensus on location for the proposed I/CS is very important. If potential tenants and CSUs have strong and divergent opinions about where the I/CS should be located, then the project likely will end up only serving a portion of the potential market because some potential users won't accept the chosen location.

Figure 5 summarizes the locational preferences of the respondents to the I/CS survey who expressed interest in becoming tenants or CSUs. Downtown Parkersburg is by far the preferred location for the I/CS—it is preferred by 19 of the 32 potential incubator tenants and CSUs, and is at least acceptable to 100% of them. Put another way, no potential tenant or CSU said downtown Parkersburg is an unacceptable location for the I/CS.

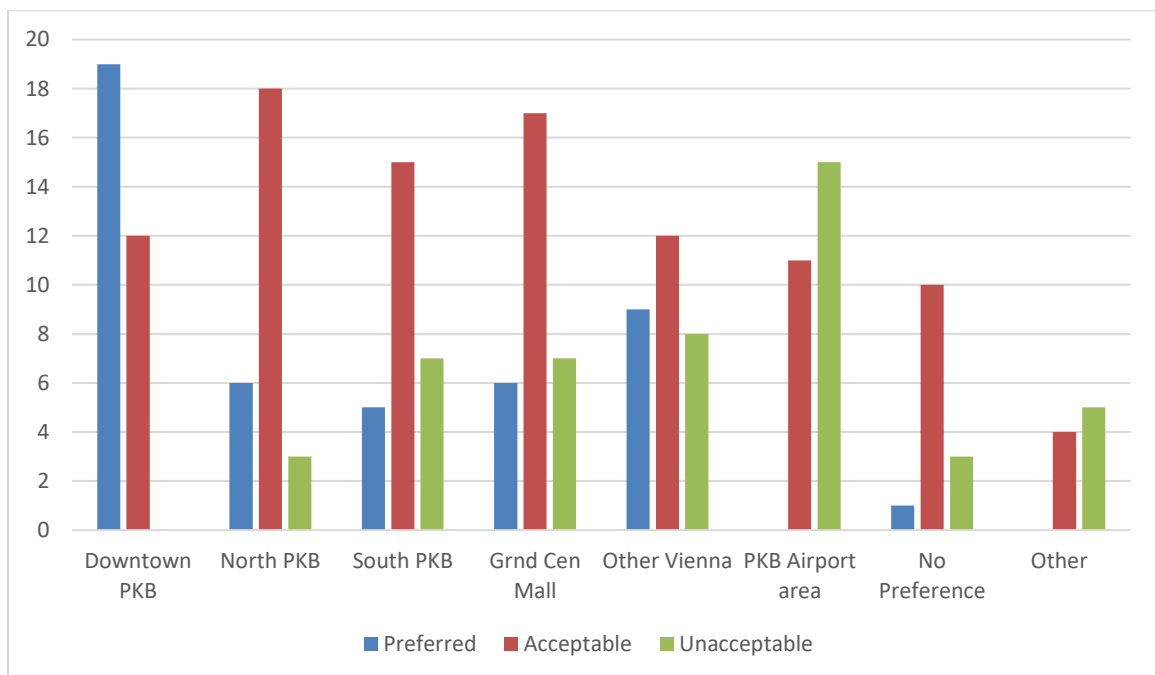


Figure 5. Locational Preferences for I/CS

No other location begins to rival the preference shown for downtown Parkersburg. The next best location appears to be “Other Vienna,” where nine of 32 respondents say it is “preferred” and 21 say it is at least “acceptable”—but eight potential tenants/CSUs say it is “unacceptable.”

The worst potential location appears to be the area around the Parkersburg airport, which was rated as “unacceptable” to almost half of potential tenants and CSUs.

The conclusion is simple and clear: the I/CS needs to be located in downtown Parkersburg.

The next question, then, is whether there are suitable potential sites within the preferred location that could be used to house the I/CS. GCGI sought to identify and evaluate specific potential sites/buildings--GCGI prefers to evaluate actual sites/buildings both to determine if there are suitable options within the community, and so that financial parameters and projections under its feasibility model's Factors #5 and #6 can be based on realistic scenarios. It is understood that real estate markets are dynamic, and therefore some of these specific sites/ buildings will no longer be available by the time the I/CS secures funding and otherwise advances in its development, but it also is expected that other sites/buildings will come on the market by that time.

The sites identified and evaluated were selected based on GCGI's discussion with WCDA staff. The WCDA maintains the County's economic development database of available properties, and therefore was deemed to be an appropriate resource for identifying potential sites/buildings. GCGI narrowed the list to a more manageable number, in terms of how many financial scenarios can be prepared and presented in the Factor #5 and Factor #6 analyses below. The selected sites/buildings are:

1. 300 Star Avenue. This is a 14,000 sf portion of a modern 3-story brick office building. The lease rate is \$11/sf, presumed to be triple net. It is understood to be in relatively good condition, and therefore only relatively modest renovation is envisioned to be needed to accommodate the I/CS.

2. 714 Market Street. This is a former department store, consisting of 70,600 sf, of which a third is in a basement and the other 47,000 sf is equally divided between two upper floors. It is offered for sale at \$390,000, or only about \$5.50/sf for the whole square footage or about \$8.30/sf if only the two non-basement floors are considered. There is no parking on site or otherwise dedicated to this property.

3. 521 Market Street. This is a four story, 98,000 sf building available for lease in downtown Parkersburg. It has an enclosed, elevated catwalk to a nearby parking garage with ample paid parking. The facility needs considerable repair to its roof; GCGI envisions that the incubator might take responsibility for replacing the roof in return for a favorable lease from its owner. No lease rate has been specified; marketing literature indicates owner will “work with tenants on the rent.”

4. 8th & Avery. This is a vacant parcel in downtown Parkersburg. Its square footage is unknown, but it was formerly considered for a proposed four story senior living facility. GCGI assumes if it were sufficiently large for such a facility, then it should accommodate an I/CS of roughly 27,000 sf. GCGI would propose that the I/CS purchase the property and then construct a new building there, with onsite parking.

5. 422 Market Street. This building consists of about 15,000 sf, of which 1,650 is currently leased to a Jimmy Johns restaurant. It includes 24 parking spaces on site, and therefore these could be utilized at no charge to the I/CS or its tenants and CSUs. It is offered for sale at \$549,000.

6. Campbell Plaza. This is a 50,000 square foot, multi-story building that formerly housed a major computer center. Given its former use, it has 3-phase power, and fiber connections to all four floors. It is listed for sale at \$1.25 million, but has been rumored to be available at a substantially discounted purchase price. It includes a 110 space surface parking lot. There is some difference of opinion about its condition and suitability for reuse.

7. 1047 Avery Street. This is a modest, 4,000 sf facility that might be suitable for an I/CS that consists of only a coworking space. It is available for lease at \$2000 per month, equivalent to \$6/sf per year. The real estate listing indicates the property includes off-street parking.

8. 1928 Ohio Avenue. This facility also consists of about 4,000 sf, and therefore also might be used for an I/CS that is restricted to coworking space. It appears to have adequate off-street parking. It is offered for sale at \$350,000.

It is important to emphasize that buildings #7 and #8 assume that the I/CS would consist of only a coworking space. Although GCGI believes that the I/CS should consist of both incubator and coworking space, we want to assess the financial viability of a coworking space only project.

9. 912-916 Market Street. This facility was identified late in the feasibility project, but was added because it had several attractive features. This is a 43,700 sf building on three floors plus a basement. It has onsite parking for about 118 vehicles in a surface parking lot. There are a number of existing tenants in the building, as well as several other public and non-profit entities that are interested in locating in this facility, all of which could serve as anchor tenants to help improve the I/CS financial viability. It is adjacent to the new Children's Museum, a multi-million-dollar project that GCGI believes could make this facility more visible and attractive to entrepreneurs because of the vibrancy and activity expected around the new museum. There also is an opportunity for this facility, and in turn the I/CS, to support the new museum by housing a museum gift shop as an anchor tenant. The building is for sale at \$400,000, or less than \$10/sf.

GCGI has two primary concerns with this selection of available sites/buildings for the proposed I/CS. The first is that most buildings are either smaller or much larger than the desired size of 26,000 sf (although the latter two appear to be appropriately sized for a coworking-space-only project). The second is that most downtown buildings do not have onsite parking, and therefore I/CS management, CSUs and incubator tenants will have to secure parking offsite, at an estimated \$35-\$40/month per space. GCGI understands that adequate parking is available in downtown, but it must be paid for.

In conclusion, there is very strong consensus that the I/CS should be located in downtown Parkersburg—this is important, because disagreement on location greatly diminishes the fraction of the market that can be served, and can hurt community support for the project. The consensus location is downtown Parkersburg, with virtually 100% of potential incubator tenants and CSUs indicating such a location is at least an acceptable, if not preferred, location for the I/CS. A number of potential sites/buildings in this area have been identified, but most do not have onsite or free parking, and most are larger or smaller than the desired size of approximately 26,000 sf. However, the facility at 912-916 Market Street has more than enough onsite parking, and its larger size could accommodate a larger number of existing and potential anchor tenants which will improve its operating financials—and is particularly attractive at an asking price of only \$400,000.

1.5 Factor #5: Development Cost & Funding Sources

The fifth factor in the GCGI feasibility model is development cost and funding sources. This factor considers whether the cost of establishing the I/CS (and initially subsidizing its operations) is reasonable, and whether that cost can be covered by sources that are identified and available (or likely to be available) to the I/CS developers.

1.5.1 Estimated Development Cost

To estimate the cost of developing the I/CS, GCGI first developed possible scenarios for the size and other characteristics of the project. Table 6 summarizes the scenarios considered in this analysis.

These scenarios are based on the nine facility and site alternatives identified and discussed previously under Factor #4 of this report (Section 1.4). Table 6 shows various parameters for each scenario to explain how it differs from the others. Overall size ranges from 14,000 square feet (sf) for Scenario #1 to 70,600 sf in Scenario #2 (except for Scenarios #7 and #8 which include only coworking space). All scenarios except #7 and #8 assume a mixture of hard wall office/retail spaces, a coworking area, and room for several anchor tenants.

Table 6. Basic Scenarios for I/CS

| | 1. 300 Star Avenue | 2. 714 Market Street | 3. 521 Market Street | 4. 8 th & Avery | 5. 422 Market Street | 6. Campbell Plaza | 7. 1047 Avery St | 8. 1928 Ohio Ave | 9. 912-916 Market St |
|----------------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------|------------------------|------------------------|-------------------------------|
| Overall size | 14,000 sf | 70,600 sf | 24,500 sf | 27,460- 37460 sf | 15,100 sf | 49985 sf | 4000 sf | 4000 sf | 43,700 sf |
| Hard wall Office/Retail | 5005 sf | 10,010 sf | 9550 sf | 11010 sf | 5005 sf | 10010 sf | n/a | n/a | 13,111 sf |
| CSO | 4195 sf | 5850 sf | 5650 sf | 5850 sf | 5295 sf | 5850 sf | 4000 sf | 4000 sf | 6,269 sf |
| Anchor space | 4800 sf | 9600 sf | 9300 sf | 10600 sf | 4800 sf | 9600 sf | n/a | n/a | 24,320 sf |
| Spec Space | n/a | 24525 sf | n/a | 0-10000 sf | n/a | 24525 sf | n/a | n/a | n/a |
| Other space | n/a | 20000 sf | n/a | n/a | n/a | 0 sf | n/a | n/a | n/a |
| FT/PT Mgr. | PT | FT | FT | FT | PT | FT | PT | PT | FT |
| Lease/own | Lease | Own | Lease | Own | Own | Own | Lease | Own | Own |
| Surplus parking spaces? | No | No | No | No | No | No | No | No | Yes |

Three scenarios also include a “spec space.” The idea is to provide WCDA with some finished space that they could market to their economic development prospects. This spec space would range from 10,000 sf in Scenario #4 to almost 25,000 sf in Scenarios #2 and #6.

Scenario #2 includes an additional space of about 20,000 sf. This building is so large that GCGI does not envision making use of all its square footage. Therefore, GCGI assumes that about 20,000 sf in the basement will be left unfinished, unused, and not heated (beyond basic requirements to avoid freezing plumbing during the winter).

Table 6 also addresses three other important parameters of the scenarios. Per the third to last line, GCGI has assumed a full-time manager for about half of the scenarios. With some scenarios being quite large, GCGI feels a full-time manager is appropriate to handle all the work and responsibilities. The manager is only assumed to be part-time in the smaller scenarios (#1, #5, #7 and #8), both because of the envisioned less work required, and because there is inadequate revenue from operations of a smaller I/CS to compensate a full-time manager.

The second to last row of Table 6 reflects whether the I/CS facility would be owned by the champion, or leased from a landlord. In most scenarios, we assume the property is purchased

by the champion, although Scenarios #1, #3 and #7 reflect leases because the owners of those facilities are only offering them under a lease. Ownership is generally preferred, both because it reduces the ongoing operating cost (no rent payment to landlord) and because leased buildings can be more problematic with the assumed primary funder of the I/CS, the Federal Economic Development Administration (see Factor #6).

Finally, the last row of Table 6 highlights an interesting feature of Scenario #9: while most available buildings in downtown Parkersburg do not have onsite parking, and therefore will require the I/CS and its tenants to rent offsite parking spaces nearby, the 912-916 Market Street facility has more parking onsite than needed. Therefore, this one scenario has the opportunity to make parking a revenue source for the I/CS.

Given these nine scenarios, Table 7 summarizes the approximate cost to develop the I/CS. Table 7 expands the original nine scenarios into a total of 15 scenarios that reflect significant and important differences that affect the development cost and/or operating financials.

Table 7. Approximate Development Cost for Wood County I/CS

| | 1. 300 Star Avenue | 1a. 300 Star Avenue | 2. 714 Market Street | 2a. 714 Market Street | 2b. 714 Market Street quick spec space lease | 3. 521 Market Street | 3a. 521 Market Street reduced rental rate exch for roof repair |
|---------------------------|--------------------------|---------------------------|----------------------------|-----------------------------|--|----------------------------|--|
| FACILITY ACQUIS/CONSTRUCT | | | | | | | |
| Purchase of Building | | | \$332k | \$332k | \$332k | | |
| Purchase of Land | | | | | | | |
| Renovation/Construction | \$490k | \$490k | 6250k | 6250k | 6250k | \$3063k | \$3213k |
| Equipment, Furnishings | 75k | 75k | 75k | 75k | 75k | 75k | 75k |
| Contingency | 45k | 45k | 506k | 506k | 506k | 251k | 263k |
| TOTAL FACILITY COST | \$610k | \$610k | \$7.2m | \$7.2m | \$7.2m | \$3.4m | \$3.6m |
| Operating Subsidy | 703k+ | 318k+ | 400k | 250k | 454k | 1237k+ | 563k+ |
| TOTAL DEVELOPMENT COST | \$1.3m+ | \$0.9m+ | \$7.6m | \$7.4m | \$7.6m | \$4.6m+ | \$4.1m+ |

| | 4. 8 th & Avery | 4a. 8 th & Avery larger w/ spec space | 5. 422 Market Street | 6. Campbell Plaza | 6a. Campbell Plaza Lower price | 7. Avery St CWS only | 8. Ohio Ave CWS only | 9. 912-916 Market St |
|---------------------------|----------------------------------|---|-------------------------------|-------------------------|---|----------------------------|-------------------------------|-------------------------------|
| FACILITY ACQUIS/CONSTRUCT | | | | | | | | |
| Purchase of Building | | | \$467k | \$938k | \$813k | | \$315k | \$400k |
| Purchase of Land | \$360k | \$360k | | | | | | |
| Renovation/Construction | 4806k | 6556k | 1888k | 6248k | 6248k | \$400k | 400k | 5,463k |
| Equipment, Furnishings | 75k | 75k | 75k | 75k | 75k | 75k | 75k | 75k |
| Contingency | 390k | 530k | 157k | 506k | 506k | 38k | 38k | 443k |
| TOTAL FACILITY COST | \$5.6m | \$7.5m | \$2.6m | \$7.8m | \$7.6m | \$513k | \$828k | \$6,380k |
| Operating Subsidy | 276k | 266k | 57k | 361k | 322k | 248k+ | 128k+ | 75k |
| TOTAL DEVELOPMENT COST | \$5.9m | \$7.8m | \$2.6m | \$8.1m | \$8.0m | \$781k+ | \$956k+ | \$6,456k |

Table 7 suggests that the development cost ranges from about \$781,000 to \$8.2 million. This wide range of cost reflects three major differences among the scenarios:

- Initial building acquisition cost, which ranges from \$0 for the leased scenarios to about \$938,000 for one of the scenarios that is based on purchase of a building
- Size of the facility ranging from 4,000 sf to over 70,000 sf
- The assumption that, in the scenarios indicated in Table 6, some scenarios will only require a part-time manager (vs full time)

Assumptions relevant to the facility cost estimates for the I/CS in Table 7 include:

- Any acquisition of land or buildings can be accomplished at some percentage of the current asking price. That percentage varies by scenario, depending on an expectation that the asking price has any flexibility or not. No discount was assumed on Scenario #9 because the asking price seems very reasonable.
- All scenarios require \$75k for basic common equipment (telephone system, Wi-Fi, furnishings to reception area and conference room)
- New commercial construction is estimated at \$175 per square foot, based on a recent estimate by a Wood County construction contractor. The uncertainty of construction costs is exasperated by the current spike in lumber costs, supply chain issues in related industries, and general increases in costs due to a strong housing market nationally and regionally.
- Similarly, renovation of the existing buildings, whether purchased or leased, was estimated at \$125 per square foot, again based on the estimate by the local contractor. The only exception are Scenarios #1 and #1a, which appear to only need relatively minor refreshing
- A contingency equal to 8% of all construction, renovation and furnishings/equipment/telecom costs is included in all renovation and new construction scenarios.

The second to the last line in Table 7 highlights an important part of the development cost for the I/CS, which is the amount of funding needed to cover initial operating subsidies. Ideally, only a small operating subsidy must be covered during the first few years of operations of the I/CS until the project achieves sufficient occupancy and stability, and can then cover its own operating expenses out of its operating revenues. At this early stage of the feasibility analysis, suffice it to say that the scenarios require different subsidies, as shown in Table 7, ranging from about \$57,000 to \$1.2 million. Note should be made of those scenarios shown with a plus sign (+) next to their Operating Subsidy and Total Development Cost categories. This + sign indicates those scenarios where the I/CS is not projected to ever reach breakeven, and therefore will require a perpetual operating subsidy.

Some would argue that there is no need to “prefund” these needed operating subsidies out of the development funding sources, and claim that the subsidy funds can be raised once the I/CS begins operations. GCGI disagrees for two reasons. First, a more conservative and realistic estimate of the cost of developing the I/CS can be made when the cost of subsidies is included. Second, and more importantly, once the I/CS opens, the program manager and governing entity should focus on attracting and serving tenants and clients. The needed focus on clients can be severely compromised if management instead is diverted into raising operational subsidy funds to sustain the I/CS’s operations.

In general, the order of magnitude of the required operating subsidy per Table 7 is modest, based on GCGI’s extensive experience preparing similar projections for other similar projects (with the notable exception of Scenario #3). This positive finding will be discussed further in the context of the I/CS operating financials in Section 1.6 below.

1.5.2. Sources of Development Funding

With the development cost of the Wood County I/CS estimated and shown in Table 7, attention is turned to potential sources of funding. Table 8 shows potential funding sources to develop the I/CS under each scenario.

The first source shown is the Economic Development Administration (EDA), which is part of the U.S. Department of Commerce. EDA is the largest funder, among federal agencies, of business

incubator projects in the nation. As a generality, EDA will fund about 50% of the “hard” development cost of an incubator project. However, EDA has on occasion funded up to 80% of a project. GCGI used 50% as a guideline in this analysis, although with WCDA input we used 80% of renovation costs in Scenario #9. Therefore, the first row of Table 8 shows an assumption of EDA funding ranging from \$257,000 to about \$4.4 million.

EDA has a number of criteria on projects it will fund, and on incubators¹³ specifically. Several relevant criteria to the I/CS are:

1. EDA prefers the construction of a new facility for incubator projects. However, it will help fund the purchase of a building
2. EDA will also consider funding renovation of a leased facility provided a long term (15-20 year) lease can be secured
3. EDA takes a first position lien on any incubator facility in which its funds are used
4. The facility must remain as an incubator for a 15-year period; if it is converted during that time to a different use, EDA may demand repayment of its grant money
5. An incubator funded with EDA grant moneys must be able to demonstrate, in its grant application, the likelihood of being able to reach breakeven by its 3rd year of operations.
6. Workforce development has been a priority at EDA, and therefore should be emphasized in an application for incubator funding. However, “equality” is a theme under the Biden Administration. To this latter point, the I/CS application to EDA should emphasize efforts to include lower income entrepreneurs through a rent subsidy fund as discussed in Section 1.6.

Scenario #9 assumes a more aggressive EDA contribution; based on early discussions, WCDA believes that EDA might fund up to 80% of the renovation costs of this scenario (although, at the same time, EDA would be expected to fund none of the facility acquisition cost).

The second source shown in Table 8 is “local government.” Outside funding sources like EDA expect to see local commitments to projects brought to it for funding. GCGI has arbitrarily assumed local government entities would collectively commit between \$100,000 and \$350,000 to this project. It is possible that this could be a multi-unit of government, multi-year commitment; e.g., City of Parkersburg and Wood County could each commit to \$25,000 per year for 2 years to provide \$100,000 towards this project.

The third source is “Private Donations.” These could come in one or more of the following forms. (a) The I/CS champion might solicit cash contributions from corporate and institutional entities in the community. (b) Donations of goods and property may be accepted; examples would be the donation of a “lightly used” conference room table or photocopier by a local bank. (c) The value of services also may be donated; a common example is for an architect or engineer to offer free or discounted services to the project, or for the general contractor to reduce his/her fee. Per Table 8, private donations might generate between \$75,000 and \$215,000 towards the cost of developing the I/CS. In general, the more money that is assumed to come from private donations, the more time and effort will have to be devoted to this funding source.

¹³ While it can be argued that the I/CS is more than a business incubator, GCGI believes it would be treated as such in terms of judging the project’s merits and evaluating it against EDA’s requirements for business incubators.

Table 8. Potential Funding Sources for I/CS Development

| | 1. 300 Star Avenue | 1a. 300 Star Avenue, lower rental rt | 2. 714 Market Street | 2a. 714 Market Street, quicker spec rental | 2b. 714 Market Street, ramped up debt service | 3. 521 Market Street | 3a. 521 Market Street reduced rental rate exch for roof repair |
|---------------------------------|--------------------------|--|----------------------------|--|---|-------------------------------|--|
| Economic Development Admin | \$305k | \$305k | \$3,581k | \$3,581k | \$3,581k | \$1,694k | \$1,775k |
| Local government | 100k | 100k | 250k | 160k | 325k | 100k | 100k |
| Private donations | 75k | 75k | 175k | 175k | 215k | 75k | 75k |
| Foundations/Corporations | 500k | 450k | 1,000k | 1,000k | 1,000k | 500k | 500k |
| Loans/other debt | 0k | 0k | 2,000k | 2,500k | 2,500k | | |
| Total Funds Available | \$980k | \$930k | \$7,006k | \$7,416k | \$7,621k | \$2,369k | \$2,450k |
| Surplus (deficit) | -\$333k+ | \$2k+ | -\$1,667k | \$4k | \$5k | -2,256k+ | -\$1,663k+ |
| Sufficient to cover devel cost? | N | Y | N | Y | Y | N | N |

| | 4. 8 th & Avery | 4a. 8 th & Avery larger w/ spec space | 5. 422 Market Street | 6. Campbel l Plaza | 6a. Campbell Plaza Lower price | 7. Avery St CWS only | 8. Ohio Ave CWS only | 9. 912-916 Market St |
|---------------------------------|----------------------------------|---|-------------------------------|--------------------------|---|-------------------------------|-------------------------------|----------------------------|
| Economic Development Admin | \$2,815k | \$3,760k | \$1,293k | \$3,883k | \$3,821k | \$257k | \$414k | \$4,370k |
| Local government | 350k | 350k | 150k | 300k | 225k | 100k | 100k | 100k |
| Private donations | 175k | 175k | 75k | 200k | 175k | 85k | 75k | 75k |
| Foundations/Corporations | 1,000k | 1,000k | 635k | 1,250k | 1,250k | 300k | 350k | 500k |
| Loans/other debt | 750k | 1,500k | 500k | 2,500k | 2,500k | | | 1,411k |
| Total Funds Available | \$5,090k | \$6,785k | \$2,653k | \$8133k | \$7,971k | \$732k | \$939k | \$6,456k |
| Surplus (deficit) | -\$816k | -\$1,001k | \$10k | \$6k | \$7k | -\$20k+ | -\$17k+ | \$0 |
| Sufficient to cover devel cost? | N | N | Y | Y | Y | N | N | Y |

The fourth source of funding shown in Table 8 is the “Foundations/Corporations.” Wood County is fortunate to have several active foundations, with the Ross Family Foundation being the largest. This foundation is making a reported \$8 million contribution to the new children’s museum in downtown Parkersburg. The Wood County area also has benefitted from good corporate citizenship by local businesses; the Woodcraft Corporation was identified by WCDA as a potential contributor to the I/CS. Given the number of foundations present and identification of possible corporate investors, and the magnitude of this particular investment, GCGI has aggressively assumed an investment by foundations/corporations of \$300,000 to \$1.25 million in the I/CS.

The fifth and final source of funding for the I/CS is “loans/other debt.” This is an often-overlooked potential source of development funding for a project like this. Basically, GCGI determines if the operating cash flow projections for a project are sufficiently positive that a portion of this surplus could be used to service the debt. The dollar amount of assumed loans/debt in Table 8 for each scenario is based on GCGI’s assessment of the approximate amount of surplus that could be so dedicated. Important to note on this source is that GCGI interviewed representatives of a couple of local banks, and they expressed a willingness to consider joining with other lending institutions in a consortium to provide debt capital to the I/CS. Based on our assessment of how much debt could be covered by each scenario, the amount of debt capital ranges from \$500,000 million to \$2.5 million. However, not all scenarios are shown with loans/other debt as part of their funding package: those that do not appear capable of paying off those loans have been excluded.

The bottom two rows of Table 8 indicate whether the sources and amounts shown for each scenario are sufficient to cover the anticipated development costs of the I/CS (per Table 7), as well as estimates of the surplus or deficit of funding for each scenario. Unfortunately, eight of the 15 scenarios are showing a deficit, meaning the sources appear to be unable to collectively cover the development costs. Some of those deficits are sufficiently large that it is doubtful that additional funding sources (or more investment by the five sources identified here) can be identified to fill these caps, rendering these scenarios non-viable.

In addition to the concern that some scenarios appear to have inadequate funding to cover development costs, GCGI does not like that most scenarios require a large number of funding sources. In most cases, five sources are shown in Table 8, with some sources being “iffy” in terms of their availability or magnitude. This puts greater uncertainty and risk on whether adequate funding can be secured to develop the I/CS.

In conclusion, Table 7 suggests that the total cost of developing the I/CS is between \$781,000 and \$8.1 million. However, six of the 15 scenarios will cost more than what is shown in Table 7 because they will require operating subsidies into perpetuity. Table 8 shows that there are not sufficient potential funding sources to cover these development costs in more than half of the 15 scenarios considered, and most scenarios require an uncomfortably large number of funding sources. Therefore, the financial viability of the I/CS is challenging, and will require the champion and community to carefully select a scenario with the greatest potential for overcoming the limitations seen in the scenarios evaluated here. In the next section, the ability of each scenario to support a sustainable incubator/coworking space that covers its operating costs out of its revenues will be evaluated.

1.6 Factor #6 Financial Self-Sustainability

This factor, like the development funding Factor #5, is related to the financial viability of the I/CS. But unlike the development funding requirement, this criterion pertains to the ability of the I/CS to stabilize financially during its operations and to do so without needing a significant operating subsidy beyond its start-up phase.

GCGI’s feasibility model is based on the premise that a business incubator/coworking space must be reasonably capable of becoming financially self-sustaining.¹⁴ Developing an incubator/CWS that is dependent on a continual operating subsidy is, in GCGI’s opinion and experience, a recipe for disaster: communities, universities and colleges, and other incubator hosts often lose interest in providing operating subsidies after an initial period of time, and many funding sources will not support creation of a new incubator if it does not appear to have an ability to become financially self-sustainable.¹⁵ This same philosophy has been carried over into this assessment of the I/CS. Therefore, in this section, GCGI explores whether the I/CS can be financially self-sustainable and, if so, under which of the 15 scenarios defined in Section 1.5.

GCGI has prepared cash flow forecasts for the first five years of operations of the proposed I/CS to assess its ability to become financially self-sustaining. We prepared these forecasts for the 15 expanded scenarios that were introduced in the preceding section. The cash flow forecasts for these scenarios share the following assumptions:

- The office and coworking portions of each scenario will consist primarily of Class “B” quality office space.

¹⁴ “Self-sustaining” means the incubator/CWS can cover its operating expenses from “reliable” sources of revenue, including rent, tenant services, and coworking memberships. “Self Sufficiency” is a more stringent goal, in which the project would cover all operating expenses from only revenues derived from the incubator/CWS.

¹⁵ Recall from Section 1.5 that EDA does not want to provide grant funding to an incubator unless it can reach breakeven by year 3 of operations.

- As indicated in Table 6, most scenarios assume a significant amount of space leased to incubating and anchor tenants. Anchor spaces are rented at an average rate of \$16/sf per year, inclusive of utilities, maintenance and common area costs. The equivalent “triple net” rate is roughly \$14/sf/year.¹⁶
- Incubating tenants, whether in office, retail storefront or assembly space, are assumed to pay an average of \$18/sf/year (triple net equivalent of \$16/sf/year). While GCGI believes this is roughly competitive with other commercial space in the area, it is important to remember that tenants will be receiving incubation services and programs that add further value for the rental rate being paid.
- Revenue from the coworking space was based on GCGI’s estimation of average annual revenue per CSU among a number of operating coworking spaces across the US, multiplied the assumed number of CSUs in the I/CS. GCGI also assumed, based on the survey results, that some of those who said they want coworking space in fact want lockable, hard wall offices. Therefore, each revenue projection for coworking space includes an assumption of four lockable hard wall offices of 250 sf each.
- In Scenarios #2, #2a and #2b, it is assumed that the basement area of this large, 70,000+ sf building is not used or leased. It is possible that this space could be leased for storage, which would generate revenues beyond what are assumed in this analysis
- Several scenarios include “spec space,” which is assumed to be available to WCDA to accommodate future economic development recruits or expansions. GCGI assumes that this spec space does not sit vacant during the five-year projection period; some scenarios assume some of the spec space gets leased in years 1, 3 and 5 of I/CS operations, while others assume some is leased in years 2 and 4. These spec spaces are assumed to be rented at \$12.50/sf/year, or the equivalent of about \$10.50/sf/year triple net.
- The I/CS would generate an average of \$1.25/sf of leased office and retail space for additional services and facility usage. For example, incubating tenants might be entitled to use the I/CS conference room for 4 hours/month at no additional charge, but they would then pay \$25/hr for any additional use of the conference room beyond this base amount.
- An average of about six non-tenant clients would pay a monthly membership fee of \$50 to regularly access services at the I/CS but not be tenants there. This is a smaller number than GCGI usually assumes in one of its incubator projections, but it reflects the expectation that the large number of CSUs will reduce the number of non-tenant clients.
- Staffing costs include a manager at \$65k/year, and an administrative assistant/receptionist at \$35k/year, with these labor costs reflecting suggestions by the WCDA. An additional 20% is added for fringe benefits. However, in the scenarios so noted in Table 6, some scenarios assume the manager is only half time, and therefore the manager salary is assumed to be only \$32.5k/year. Further, it is assumed that the coworking space only scenarios (Scenarios #7 and #8) do not have an administrative assistant/receptionist but can be operated by the half-time manager. GCGI assumed in these two CWS-only scenarios that, given the results of the survey, the CSUs will want and need business assistance, and that can be better provided by a part-time professional manager than an administrative assistant.
- Utility costs are assumed to be \$0.75/sf/year for the entire I/CS facility, plus an additional \$0.40-\$0.50/sf/year for occupied space. These estimates are based on historic WCDA facility utility costs.¹⁷

¹⁶ Scenario #9 includes some specific anchor candidates, and the rental rates assumed are consistent with rates they are currently paying in the same building or elsewhere

¹⁷ Utility and maintenance costs for Scenario #9 are based on recent and historical data provided by the building’s current owner

- Maintenance and repair budget is \$1.50/sf/year for the entire facility. However, it is assumed to not be necessary in scenarios where the facility is only leased, with the landlord expected to cover these costs.
- GCGI has aggressively assumed that the I/CS would not be subject to property tax. We understand that non-profit organizations are not subject to this tax, and we assume in all scenarios in which the I/CS facility is purchased that it is ultimately owned by a non-profit champion or other entity.
- In those scenarios in which the I/CS is developed in part with debt capital like loans, the annual debt service is estimated based on the amount of funds borrowed, at a 4% interest rate, and over a 20-year term. That term is reasonable for a real estate investment such as this, but GCGI does not know if it will be acceptable to a consortium of local lending institutions who might collectively make the loan.
- GCGI also has assumed that, in some of those scenarios involving debt capital, the I/CS will pay reduced loan payments in the first several years of operations. In all such scenarios, GCGI assumes the I/CS will be paying full loan payments by the fourth year of operations
- The incubator leases up gradually, starting at only 50% occupancy in Year 1 and increasing to about 80-90% by Year 5. However, in the smaller facilities like those in Scenarios #1, #1a and #5, the initial occupancy is assumed to be higher (75%) because fewer tenants are needed to achieve high occupancy in these scenarios.
- To lessen concerns of potential tenants and CSUs, GCGI is assuming that the I/CS underwrites the cost of some parking spaces in those scenarios where onsite free parking is unavailable or limited. However, in Scenario #9, where there is a surplus of onsite parking spaces, it is assumed that the surplus is leased at current rates
- As discussed in Section 1.1.1.3, the I/CS likely will have a dichotomy of tenants and CSUs, some of whom are low income and others who are not. GCGI recommends that the incubator space and coworking space fees be set at market rates, and that some subsidization be available for low-income tenants and CSUs. An allowance is provided in the scenarios; the size of this allowance is calculated as an amount equal to 25% of the rents and membership fees paid by 40% of tenants and CSUs. Put another way, it assumes that 40% of tenants and CSUs are low income and need a subsidy, and that the subsidy is equal to 25% of the market rate rental and membership fees. If additional subsidization is deemed necessary, then the I/CS might seek sponsorships from third party sources including banks, business service providers, and supportive individuals.

In Appendix B, a detailed five-year cash flow projection for each of the 15 scenarios is shown. Table 9 is presented to summarize the financial viability of the I/CS under each of the scenarios discussed previously in Section 1.5 (and reflected in Tables 7 and 8).

Table 9 shows four key variables for each of the scenarios. The first, “Accumulated Operating Deficit,” shows how much funding is required to cover the deficit that the proposed I/CS would run under each scenario before it would begin breaking even (i.e., the point where annual operating revenues are covering annual operating expenses). The smaller the accumulated deficit the better, as it puts less strain on the development budget.¹⁸ A warning sign is any accumulated deficit amount accompanied by a plus sign (+). This indicates that the dollar amount shown will cover only the first five years of operating deficits, and that additional deficits will accrue beyond that. In all six scenarios in Table 9 that have a plus sign next to their

¹⁸ Per Table 7, any subsidy required to cover the operating deficit is included in the development cost estimate for the project.

accumulated deficit figures, GCGI anticipates that those scenarios will never reach breakeven, and will require perpetual operating subsidies. Per our discussion above, this is contrary to GCGI's feasibility model, and is a situation that we would strongly recommend be avoided by the developers of the proposed Wood County I/CS.

Table 9. Summary of Operating Financials for Wood County I/CS

| | 1. 300 Star Avenue | 1a. 300 Star Avenue, lower rental rt | 2. 714 Market Street | 2a. 714 Market Street, quicker spec rental | 2b. 714 Market Street, ramped up debt service | 3. 521 Market Street | 3a. 521 Market Street reduced rental rate exch for roof repair |
|-------------------------------|-----------------------|---|-------------------------|---|--|-------------------------|---|
| Accumulated Operating Deficit | \$703k+ | \$318k+ | \$395k | \$247k | \$454k | \$1237k+ | \$563k+ |
| Break Even Year | n/a | n/a | Yr 4 | Yr 4 | Yr 5 | n/a | n/a |
| Break Even Occupancy | n/a | n/a | 76% | 84% | 86% | n/a | n/a |
| Year 5 Cash Surplus | -\$129k | -\$52k | \$56k | \$139k | \$20k | -\$181k | -\$46k |

| | 4. 8 th & Avery | 4a. 8 th & Avery larger w/ spec space | 5. 422 Market Street | 6. Campbell Plaza | 6a. Campbell Plaza Lower price | 7. Avery St CWS only | 8. Ohio Ave CWS only | 9. 912-916 Market St |
|-------------------------------|-------------------------------|---|-------------------------|----------------------|-----------------------------------|-------------------------|-------------------------|-------------------------|
| Accumulated Operating Deficit | \$276k | \$266k | \$57k | \$361k | \$323k | \$248k+ | \$128k+ | \$76k |
| Break Even Year | Yr 4 | Yr 4 | Yr 4 | Yr 4 | Yr 4 | n/a | n/a | Yr 3 |
| Break Even Occupancy | 84% | 82% | 90% | 78% | 78% | n/a | n/a | 71% |
| Year 5 Cash Surplus | \$26k | \$37k | \$4k | \$50k | \$50k | -\$50k | -\$26k | \$40k |

The second line in Table 9, "Break Even Year," indicates how many years the I/CS must operate before it generates enough annual revenue to cover its annual operating deficits. GCGI believes a 3- or 4-year breakeven year is reasonable, and even 5 years can be tolerated—a breakeven period longer than 5 years is much less desirable, in part because of the large amount of operating subsidy usually required to cover such a long period. And, in GCGI's opinion, the lack of a breakeven year is a recipe for disaster, meaning this scenario requires a perpetual operating subsidy. It also should be noted again that the EDA wants to see breakeven potential within 3 years of startup of a proposed incubator seeking its grant funding.

Unfortunately, only one of the scenarios (Scenario #9) meets the EDA criterion of breakeven in 3 years. Another seven scenarios can reach breakeven in Year 4, and probably hold the greatest promise of being adapted and revised so that they can reach the EDA 3-year breakeven criterion. Scenarios to be avoided are those marked with "n/a" on the "Break Even Year" line, as this means the I/CS can never breakeven in its operations, requiring a perpetual operating deficit, which should be avoided at all costs.

The third line in Table 9, "Break Even Occupancy," indicates what fraction of the overall facility and programs must be utilized to achieve the indicated breakeven year and accumulated operating deficit. Lower breakeven occupancy rates are preferable, since it means the I/CS can break even financially even if it does not lease up quickly or fully (and, in the case of the coworking space, does not yet achieve a high utilization rate). A break-even occupancy of about 80% is aggressive but acceptable, in GCGI's opinion, while occupancy of 90% or more is too aggressive unless the I/CS champion were willing to assume a greater risk that breakeven will not be achieved by the project and therefore a perpetual operating subsidy will be required. Such high occupancy levels also are unrealistic in an incubator or coworking space, where it is expected and desirable to have companies exiting/graduating as they grow.

Several scenarios are relatively strong on this measure: the I/CS can break even at between 71% and 84% in about half of the scenarios. Scenario #5 is marginal at 90% occupancy required for breakeven, but it should be remembered that this is a smaller, 15,000 sf facility, so

achieving this occupancy rate is less onerous than it would be if it were, for example, a 50,000 sf building. Once again, those scenarios labeled as “n/a” on this measure should be avoided, because they are scenarios where the I/CS could never breakeven, even if the facility were 100% occupied.

The fourth line in Table 9, “Year 5 Cash Surplus,” gives an indication of how much net revenues the I/CS might generate once it stabilizes in its operations. An operating surplus could be used to cover unanticipated expenses, expand services and programs, add staff or expand a part-time manager position to full-time status, or upgrade and renovate the I/CS facility.

Once again, about half of the scenarios would still be running operating deficits in Year 5, as indicated by the “Year 5 Cash Surplus” values in red in Table 9, further indicating they are incapable of reaching breakeven. Most of the other scenarios have reasonable Year 5 surpluses of \$20,000 to \$139,000, although Scenario #5 is essentially breaking even in Year 5 and therefore has a very modest \$4,000 surplus that year.

There are three key conclusions to be drawn from the analysis of the scenarios in terms of their financial operations potential:

1. The I/CS financial performance is VERY DEPENDENT on which scenario it is developed under. Therefore, the I/CS champion and developers must carefully choose a scenario for the project. GCGI can't emphasize this enough: we have had clients who did not understand the importance of the chosen scenario to their incubator's financial feasibility, and such lack of understanding in the case of the Wood County I/CS could lead to a financial disaster.
2. Only one of the 15 scenarios considered in this feasibility study meets the EDA criterion that an incubator it is being asked to co-fund must show potential for breakeven in Year 3 of operations. However, GCGI is optimistic that a refined financial projection will result in one or more scenarios that will satisfy the EDA Year 3 breakeven requirement.
3. Neither of the scenarios that reflect a “coworking space only” alternative (Scenarios #7 and #8) is financially viable. Therefore, unless a very different model is proposed, the I/CS should not consist of only a small facility housing only a coworking space.

1.7 Preferred Scenario for the I/CS

Scenario #9 is a very attractive option for housing the proposed I/CS for several reasons:

(a) Per Table 9, the I/CS under this scenario would reach breakeven relatively quickly (Year 3) and within EDA parameters, at a very reasonable occupancy level of 71%, and would only accumulate \$76,000 in deficits before reaching breakeven.

(b) Tables 7 and 8 indicate this scenario is moderate in its development costs (about \$6.5 million) relative to the other scenarios, and there appears to be adequate sources to cover those costs.

(c) This scenario not only benefits from having a substantial amount of space occupied by anchor tenants, but those potential anchors include a childcare center that needs to relocate (i.e., the I/CS could be instrumental in retaining a childcare center when demand/need for such services far exceeds supply). Tenants of the I/CS also will benefit from having childcare available onsite.

(d) The estimated acquisition price of \$400,000 is very reasonable for a facility of its size, and this lessens the negative impact of EDA not favoring (or even allowing) facility acquisition as part of a grant funding request.

(e) Being adjacent to a new multi-million-dollar children’s museum likely would make the I/CS very visible and in the hub of energy and activity in downtown Parkersburg.

(f) A surplus of onsite parking makes this facility more attractive to potential tenants, and can create a revenue source for the I/CS.

Therefore, GCGI believes Scenario #9 is, by far, the most attractive alternative for the I/CS, and should be given priority by the I/CS champion in terms of a location for the project.

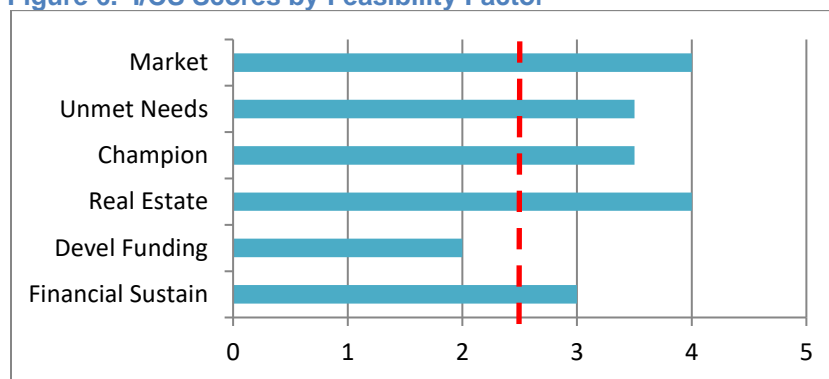
2.0 FEASIBILITY CONCLUSION

Now that the proposed I/CS has been assessed against the six factors in the GCGI feasibility model, it is time to assign a score to the project on each factor and calculate an overall feasibility score for the project.

Taking the information and analysis presented in this report for each of the six factors, GCGI has assigned a score between 0 and 5, where 0 represents “does not meet the factor at all” and 5 represents “meets the factor ideally.”

Figure 6 summarizes how the proposed I/CS scores on the six factors in GCGI feasibility assessment model. The red dashed vertical line shows the score that would be given to an incubator of “average” potential. The project is far above average on four factors, and slightly above or below average on the others. GCGI assigns these scores based on the following considerations:

Figure 6. I/CS Scores by Feasibility Factor



Market: not a large number of survey respondents, but an impressive number of them who want to become tenants (incubating, coworking, and anchor). Interest is also shown among service providers and those who might invest in the I/CS. Therefore, GCGI scores the I/CS as a 4 on this factor.

Unmet Needs for Business assistance: There are areas of unmet need identified among potential I/CS tenants and CSUs, with over 93% of these entrepreneurs indicating they have at least one such need. These potential I/CS tenants and clients have not made extensive use of existing service providers, and they have not been overly satisfied with the help that they received from those sources. GCGI believes the I/CS can play a positive role in meeting unmet needs, and helping improve quality and utilization of services of existing service providers. Further, given the strong utilization of fellow entrepreneurs and business owners to meet service requirements of potential I/CS clients, the I/CS can help by organizing and overseeing a more formal mentoring program. On balance, GCGI is giving the I/CS a score of 3.5 on this factor.

Champion: GCGI identified a few candidates that are credible, but none is ideal. The WCDA is mentioned frequently and has shown a willingness to oversee this feasibility study, but does not have much experience providing entrepreneurial services. The MOVRC has more experience, but represents a larger geographical region that may not be entirely consistent with the Wood County focus of the I/CS. WVU-P was mentioned by some persons interviewed by GCGI, but we are always concerned about compatibility of a university/college culture and that of an entrepreneur center like the I/CS. An option is to opt for a newly formed entity, but this inevitably would pull time/resources/attention away from the I/CS itself and put it instead on the entity formation effort. Overall, GCGI gives a score of 3.5 to the I/CS on this factor.

Real Estate: There is very strong consensus among potential tenants and CSUs on downtown Parkersburg being the best location for the I/CS, which means most potential tenants and CSUs will be satisfied if the I/CS is there. However, there is only a limited number of sites and facilities in that preferred downtown that could be adapted to the approximate preferred size of the I/CS (about 26,000 sf). Many of the downtown properties also lack onsite or free parking; while GCGI understands availability of parking is not an issue in downtown Parkersburg, the cost could be. The building at 912-916 Market Street has many advantages and would make a very good I/CS facility. Overall, driven largely by the strong consensus on location and the merits of the 912-916 Market Street building, GCGI is giving a score of 4 to this factor.

Development Funding: Development costs are reasonable, although it is recognized that current construction materials costs are volatile and still elevated. GCGI found it difficult to identify adequate funding sources to cover the I/CS development costs. Of the 15 alternative scenarios considered, only about half had potential for development costs to be fully covered by identified sources. Further, those fully covered scenarios required five funding sources, raising the possibility that one or more sources might not materialize and thus risk the financial viability of the I/CS. This factor scores the lowest of the six feasibility factors, at a 2, because of the dearth of sources and the large number required to cover estimated development cost.

Financial Sustainability: Only about half of the 15 scenarios show good potential for generating sufficient operating revenues to cover the I/CS's operating expenses—any scenario requiring a perpetual operating subsidy should be avoided, as such dependence makes the I/CS very much at risk of closure when one or more funders eliminates the required subsidy. Of the remaining scenarios, only one can meet the EDA mandate of breakeven by Year 3, although GCGI is confident that revisions could yield one or more scenarios that can reach Year 3 breakeven. GCGI scores this factor at 3, reflecting this optimism.

GCGI considers the relative importance of each of these six factors to the feasibility conclusion. Not all factors are equally important, so they must be weighed differently in estimating the overall feasibility of this project. GCGI has established the following weights, which it has used

| <u>Factor</u> | <u>Weight</u> |
|---|---------------|
| Market | 5.0 |
| Business Assistance | 3.0 |
| Champion | 5.0 |
| Real Estate | 3.0 |
| Development Cost/Funding Sources | 5.0 |
| Financial Self-Sustainability Potential | 4.0 |

consistently on dozens of incubator feasibility studies throughout the United States and Canada. Higher numbers indicate the factors that are most important to feasibility.

The score received by the I/CS on each factor is multiplied by its corresponding importance weight, and then summed so the resulting value is normalized with 100 being the score of an “ideal” incubator and 50 as the score of an “average” incubator. This leads to the proposed I/CS earning an overall feasibility score of 66. This equates to an “academic grade” of about B-.¹⁹ The overall rating of the project is drawn down by the heavily weighted development cost/sources factor on which the project scores below average.

While a B- score is reasonable, it is not as high as GCGI believes the I/CS could earn if improvements can be made in how the project rates on several factors, particularly development cost/funding sources. If, for example, the availability of sufficient development funding could be confirmed, and more scenarios could be revamped to meet the EDA Year 3 breakeven criterion, then this could raise the score to 77 or B+.

However, a score of 66 and grade of B- are sufficient for GCGI to conclude that the proposed I/CS is feasible, meaning we believe it has good potential to succeed.

It is important to note that GCGI is saying that the I/CS is feasible if it generally follows the assumptions about size, market focus, funding sources, etc. that have been made in this analysis. For example, as stated in Section 1.6.1, the operating financial viability is greatly dependent on the I/CS being at least 14,000 sf in size, and having only a half-time manager if it is in a smaller facility. Therefore, if the I/CS is developed in a 7,000 sf facility, and is burdened with full time manager, then GCGI would judge the I/CS to be infeasible because of the chosen scenario.

Key assumptions that should be included in the I/CS as it is developed, or the feasibility of the project will be in jeopardy, include:

- Mixed use, catering to wide variety of tenants and industries
- Location in downtown Parkersburg
- Inclusion of both incubator space and coworking space
- Consistency with financial assumptions presented in Sections 1.5 and 1.6
- Overall size of 15-50,000 sf with 26,000 sf being preferred
- Only including a full-time manager if the operating financials will support it (typically requiring a larger facility of 25,000 sf+)

Too often, GCGI’s conclusion that a project like the I/CS is feasible has been misinterpreted to mean that these key assumptions can be ignored and somehow, magically, the project will still

¹⁹ Remember that an average incubator would receive a score of 50, which is equivalent to an academic score of about a “C.”

perform well and achieve its intended purpose. That is a naïve understanding, and could lead to creation of a project that is anything but feasible.

3.0 RECOMMENDATIONS

The overall feasibility score of the I/CS can be increased by addressing and mitigating some of the shortcomings identified in this study. This also would increase the probability of success of the I/CS, and therefore is recommended.

GCGI also offers the following recommendations for next steps in this project:

1. Convene a meeting of community, business and economic development leaders of the community to go over the results of this feasibility study, and to discuss which organization is best suited for assuming the I/CS champion role. Confirm support for that organization, and its willingness to assume the role including development as well as operations. Alternatively, find one organization willing to champion development of the incubator and another to assume champion responsibilities during operations.
2. Revise the more promising scenarios with a goal of having more than one scenario that can achieve breakeven by Year 3, but still based on reasonable assumptions. Alternatively, consider other scenarios involving different properties in downtown Parkersburg with the same goal and that can be the basis for a sustainable I/CS.
3. In conjunction with MOVRC, discuss this project and feasibility outcome with EDA's regional representative for West Virginia, and ask what parameters need to be addressed to elevate its chances for successful consideration. In particular, explore the compatibility of the Scenario #9 facility with EDA's criteria. Rework and/or justify the project on those parameters, then present to the representative for their concurrence that the project is a viable candidate for EDA grant funding. Initiate the EDA application process through MOVRC.
4. Present results of the feasibility study to the Parkersburg and Wood County political leadership. Gauge their level of interest in helping to fund this project, and confirm amounts are consistent with those assumed in this report. Revise the financial projections for the I/CS, as necessary.
5. Work with an architect and a local commercial construction contractor to confirm the probable cost per square foot for one or two of the most promising scenarios, including Scenario #9, and revise financial projections accordingly.
6. Convene meeting with several local lenders to present the results of the feasibility study and to ascertain the interest in collectively funding a portion of the I/CS development cost through a loan.
7. Create a database of email addresses for market survey respondents who are interested in becoming tenants and CSUs of the I/CS. Keep individuals on this database apprised of progress in developing the project, and to solicit feedback or ideas on the project as it develops. Include 1-on-1 meetings as time and resources allow. Begin pre-leasing space and signing up clients as members, tenants and CSUs as the I/CS facility nears completion.
8. Develop a business plan to guide the creation and operation of the I/CS. This should include sections on topics that EDA wants addressed in the I/CS application for funding, including lease terms, graduation criteria, and tenant policies (this may be accomplished as part of recommendation #3 if the EDA application process precedes the business plan preparation).

APPENDIX A.

MARKET SURVEY RESPONSES: POTENTIAL TENANTS & COWORKING SPACE USERS

Survey: Wood County Incubator/Coworking Space Survey
Report: Default Report

Deploy Date: 08/02/2021

Closed Date:

Total Responses: 121

Completes: 70

Partials: 51

1. Are you already in business? Responses Percent

Yes, I already have an existing firm: 17 53.12%
No, I'm starting up: 3 9.38%
No, I am only thinking about starting a new business: 9 28.12%
If other, please specify: 3 9%
Total Responded to this question: 32 100%
Total who skipped this question: 0 0%
Total: 32 100%

2. If you decide to form a new business, when might you start it? Responses Percent

In the next 18 months: 8 57.14%
Uncertain at this time: 6 42.86%
Total Responded to this question: 14 43.75%
Total who skipped this question: 18 56.25%
Total: 32 100%

3. If you have an existing business, how many employees do you have? Responses Percent

none: 7 41.18%
1-4: 6 35.29%
5-9: 2 11.76%
10 or more: 2 11.76%
Total Responded to this question: 17 53.12%
Total who skipped this question: 15 46.88%
Total: 32 100%

4. If you have a company or are thinking of starting one, please briefly describe what your business does or will do: Responses Percent

My company provides: 25 100%
for customers who need: 22 88%
Total Responded to this question: 25 78.12%
Total who skipped this question: 7 21.88%
Total: 32 100%

5. If you have an existing small business, or may be starting one, in what areas would you like more help? Please mark all that apply.

Responses Percent
Marketing/market analysis: 18 58.06%
Personnel management: 4 12.9%
Accounting/financial analysis: 12 38.71%
Legal issues: 7 22.58%
Writing business plan: 3 9.68%
Intellectual property protection: 5 16.13%
Product development: 3 9.68%
Taxes, credits, planning: 12 38.71%
Business registration: 5 16.13%
Manufacturing processes: 1 3.23%
Securing outside capital: 8 25.81%
Import/Export: 2 6.45%
Social media marketing: 12 38.71%
Participating in the sharing economy / cooperatives: 4 12.9%
Selling to government: 3 9.68%
Operating structure (partnership, corporation, LLC, etc): 3 9.68%
Becoming a supplier to other existing/emerging industries in the region: 4 12.9%
Converting R&D into marketable products and/or services: 2 6.45%
If other, please specify: 5 16%
Total Responded to this question: 31 96.88%
Total who skipped this question: 1 3.12%
Total: 32 100%

6. As indicated earlier, this incubator/coworking space might include one (or more) industries that get special emphasis or attention, even though it likely would welcome and assist small and startup businesses in many industries. If the incubator/coworking space puts special emphasis on an industry, which of the following would be most appropriate for that extra attention? Please mark all that apply.

Responses Percent
Chemical & Plastics: 4 12.9%
Tourism: 7 22.58%
Food processing and products: 4 12.9%
Training & education: 12 38.71%
Arts/crafts based businesses: 7 22.58%
Personal (consumer) Services: 11 35.48%
Services to other businesses: 15 48.39%
Light manufacturing/assembly: 7 22.58%
Environmental & "green" businesses: 12 38.71%
Technology-related: 16 51.61%
Youth entrepreneurship: 12 38.71%

Online retail sales: 4 12.9%
 Automotive supplier: 0 0%
 If other, please specify: 6 19%
 Total Responded to this question: 31 96.88%
 Total who skipped this question: 1 3.12%
 Total: 32 100%

7. In general, do you think the incubator/coworking space is a good idea for Wood County? Responses Percent

Yes: 31 96.88%
 No: 1 3.12%
 Total Responded to this question: 32 100%
 Total who skipped this question: 0 0%
 Total: 32 100%

8. Remembering that this mixed-use incubator/coworking space would serve existing as well as start-up small businesses, is this something that you might use? Responses Percent

Yes: 30 93.75%
 No: 2 6.25%
 Total Responded to this question: 32 100%
 Total who skipped this question: 0 0%
 Total: 32 100%

9. If you might use space or services of the incubator/coworking space, please indicate the features that would be useful to your business (please mark all that apply) Responses Percent

Laboratory space: 0 0%
 Makers space: 9 28.12%
 Hard (lockable) office space: 12 37.5%
 Open office/"collaborative" space: 23 71.88%
 Arts & crafts studio space: 9 28.12%
 Light assembly space: 3 9.38%
 Manufacturing space (high bay): 4 12.5%
 Manufacturing space (other): 4 12.5%
 Commercial kitchen (to make food products): 3 9.38%
 Retail storefront space: 7 21.88%
 Access to equity capital: 6 18.75%
 High-speed Internet access: 21 65.62%
 Access to debt capital: 4 12.5%
 Import/export assistance: 2 6.25%
 Networking opportunities: 22 68.75%
 Flexible leases: 21 65.62%
 Shared services (e.g., conference room, receptionist): 22 68.75%
 Short-term leases: 17 53.12%
 Bookkeeping/accounting services: 8 25%
 Workshops & seminars: 11 34.38%
 SBIR/STTR funding proposal assistance: 4 12.5%
 Business counseling: 13 40.62%
 Assistance selling to local/state/Federal government: 8 25%
 Mentoring with Other Business Owners: 16 50%
 Shared executive, CFO, marketing manager, etc.: 5 15.62%
 Business coaching: 17 53.12%
 MBE/DBE certification: 4 12.5%
 If other, please specify: 1 3%
 Total Responded to this question: 32 100%
 Total who skipped this question: 0 0%
 Total: 32 100%

10. Please indicate your level of interest in a Wood County incubator/coworking space (please mark all that apply): Responses Percent

I would consider becoming a tenant in the incubator/coworking space: 17 53.12%
 I would consider using coworking space in the incubator/coworking space: 25 78.12%
 I likely would use services at the incubator/coworking space, but not locate my business there: 8 25%
 I might use services at the incubator/coworking space, but not locate my business there: 4 12.5%
 I do not anticipate using the incubator/coworking space: 0 0%
 I would consider locating in incubator/coworking space as an anchor tenant (don't need the business services provided): 6 18.75%
 I likely would refer others to the incubator/coworking space: 24 75%
 I am a service provider who might want to provide services to incubator/coworking space tenants and clients: 12 37.5%
 I would consider investing resources (e.g., financial or labor) in the incubator/coworking space: 9 28.12%
 If other, please specify: 1 3%
 Total Responded to this question: 32 100%
 Total who skipped this question: 0 0%
 Total: 32 100%

11.If you anticipate using the space or services of a mixed-use incubator/coworking space, what general location(s) would be acceptable to your business? Please mark acceptability of all possible locations

| | Preferred | Acceptable | Unacceptable | Total |
|-----------------------------------|------------|------------|--------------|-------|
| Downtown Parkersburg: | 19(61.29%) | 12(38.71%) | 0(0%) | 31 |
| North Parkersburg: | 6(22.22%) | 18(66.67%) | 3(11.11%) | 27 |
| South Parkersburg: | 5(18.52%) | 15(55.56%) | 7(25.93%) | 27 |
| Grand Central Mall area: | 6(20%) | 17(56.67%) | 7(23.33%) | 30 |
| Other Vienna: | 9(31.03%) | 12(41.38%) | 8(27.59%) | 29 |
| PKB Airport area: | 0(0%) | 11(42.31%) | 15(57.69%) | 26 |
| No preference: | 1(7.14%) | 10(71.43%) | 3(21.43%) | 14 |
| Other (plz specify below): | 0(0%) | 4(44.44%) | 5(55.56%) | 9 |
| Total Responded to this question: | 32 100% | | | |
| Total who skipped this question: | 0 0% | | | |
| Total: | 32 100% | | | |

12. If you answered "Other" to the above question, please insert the location here:

Responses Percent

Responses: 2 100%
Total Responded to this question: 2 6.25%
Total who skipped this question: 30 93.75%
Total: 32 100%

13. From which of the following business organizations have you sought help, and how helpful were they?

| | Very Helpful | Helpful | Not Very Helpful | Not Used | Not Aware Of | Total |
|--|--------------|------------|------------------|------------|--------------|-------|
| Small Business Development Center (SBDC): | 2(6.9%) | 3(10.34%) | 2(6.9%) | 16(55.17%) | 6(20.69%) | 29 |
| Chamber of Commerce: | 4(13.33%) | 9(30%) | 2(6.67%) | 14(46.67%) | 1(3.33%) | 30 |
| Wood County Development Authority: | 2(6.9%) | 2(6.9%) | 1(3.45%) | 19(65.52%) | 5(17.24%) | 29 |
| Mid-Ohio Valley Regional Council (MOVRC): | 3(10.34%) | 2(6.9%) | 1(3.45%) | 19(65.52%) | 4(13.79%) | 29 |
| WVU-Parkersburg: | 4(13.79%) | 8(27.59%) | 0(0%) | 16(55.17%) | 1(3.45%) | 29 |
| Service Corps Of Retired Executives (SCORE): | 1(3.45%) | 3(10.34%) | 0(0%) | 16(55.17%) | 9(31.03%) | 29 |
| Attorney: | 3(10%) | 7(23.33%) | 1(3.33%) | 18(60%) | 1(3.33%) | 30 |
| Accountant: | 6(20%) | 5(16.67%) | 0(0%) | 18(60%) | 1(3.33%) | 30 |
| Banker: | 4(13.33%) | 8(26.67%) | 2(6.67%) | 16(53.33%) | 0(0%) | 30 |
| Another Business Owner: | 9(31.03%) | 11(37.93%) | 0(0%) | 9(31.03%) | 0(0%) | 29 |
| Other (plz specify below): | 0(0%) | 1(7.14%) | 0(0%) | 11(78.57%) | 2(14.29%) | 14 |

Total Responded to this question: 30 93.75%
Total who skipped this question: 2 6.25%
Total: 32 100%

14. If you answered "Other" to the previous question, please specify the organization(s) here:

Responses Percent

Responses: 2 100%
Total Responded to this question: 2 6.25%
Total who skipped this question: 30 93.75%
Total: 32 100%

15. Are there any other comments or suggestions that you would like to make to help us better understand your opinion on creating an incubator/coworking space in Wood County?

Responses Percent

Responses: 19 100%
Total Responded to this question: 19 59.38%
Total who skipped this question: 13 40.62%
Total: 32 100%

16. Please provide the following so that we can follow up with you if necessary.

Responses Percent

Name: 22 100%
Company (if any): 11 50%
Address: 17 77.27%
City/Zip Code: 21 95.45%
Email Address: 21 95.45%
Total Responded to this question: 22 68.75%
Total who skipped this question: 10 31.25%
Total: 32 100%

17. Please provide the following demographic information (could help identify sources of incubator/coworking space funding):

Ethnicity/race Responses Percent

African American: 0 0%
Asian American: 0 0%
Native American: 1 3.57%
Hispanic: 0 0%
White non-Hispanic: 27 96.43%
If other, please specify: 1 3%
Total Responded to this question: 28 87.5%
Total who skipped this question: 4 12.5%
Total: 32 100%

18. Please provide the following demographic information (could help identify sources of incubator funding): Household Income

Responses Percent

Under \$26,500/yr: 3 12%
Between \$27-\$40,000/yr: 4 16%
Between \$40-\$53,000/yr: 4 16%
Between \$53-\$100,000/yr: 3 12%
Over \$100,000/yr: 11 44%
If other, please specify: 0 0%
Total Responded to this question: 25 78.12%
Total who skipped this question: 7 21.88%
Total: 32 100%

Scenario #2: 714 Market St

Facility & Operating Cost

Table with 3 columns: Item, Amount, Notes. Includes Building/land acqu, Renov, wall constr, Furn/equip/phone, New construction, Contingency, Facility Cost, Operating subsidy, Total Cost.

Source

Table with 3 columns: Source, Amount, Notes. Includes Econ Devel Admin, Local government, State gov't, TIF, Pvt donations, Foundations, CDBG, Loans, other debt, Total Available.

Financial summary table for Scenario #2: 714 Market St. Columns: Cash @ Beginning, Cash In, Cash Out, Cash @ End, Change in Cash, % space occupied & capacity used, Rent escalation. Rows include Rental: office/retail, Rental: CSO, Rental: anchor(s), Rental: spec tenanr, Services, Affiliates/members, -vacancy/mouse f, -bad debt factor, Net cash in, Salaries, Utilities, Maint & repair, Debt service, Lease payment, Rent subsidies, R/E taxes, Parking, Supplies, phone, Insurance, misc, Net cash out.

Scenario #2a: 714 Market St, lease 1/3rd of spec space in years 1, 3 and 5

Facility & Operating Cost

Table with 3 columns: Item, Amount, Notes. Includes Building/land acqu, Renov, wall constr, Furn/equip/phone, New construction, Contingency, Facility Cost, Operating subsidy, Total Cost.

Source

Table with 3 columns: Source, Amount, Notes. Includes Econ Devel Admin, Local government, State gov't, TIF, Pvt donations, Foundations, CDBG, Loans, other debt, Total Available.

Financial summary table for Scenario #2a: 714 Market St. Columns: Cash @ Beginning, Cash In, Cash Out, Cash @ End, Change in Cash, % space occupied & capacity used, Rent escalation. Rows include Rental: office/retail, Rental: CSO, Rental: anchor(s), Rental: spec tenanr, Services, Affiliates/members, -vacancy/mouse f, -bad debt factor, Net cash in, Salaries, Utilities, Maint & repair, Debt service, Lease payment, Rent subsidies, R/E taxes, Parking, Supplies, phone, Insurance, misc, Net cash out.

Scenario #7: Avery Street (Coworking Space Only)

Facility & Operating Cost

Table showing Facility & Operating Cost breakdown including Building/land acq, Renov, wall constr, Furn/equip/phone, New construction, Contingency, Facility Cost, Operating subsidy, and Total Cost. Includes notes like 'Assume \$100/sf build out of CWS' and 'covers 1st 5 years only'.

Source

Table showing Source of funds including Econ Devel Admin, Local government, State gov't, TIF, Pvt donations, Foundations, CDBG, and Loans, other debt. Includes notes like 'Assume ~50% of project hard cost NTE ~\$3 million' and 'Annual loan pmt on balance shown above @ 4% for 20 years'.

Yearly financial projections for Scenario #7 from Year 1 to Year 5, including Cash @ Beginning, Cash In, Cash Out, and Cash @ End. Includes detailed notes for various line items such as 'Rent: office/retail', 'Utilities', 'Lease payment', and 'R/E taxes'.

Scenario #8: Ohio Avenue (Coworking Space Only)

Facility & Operating Cost

Table showing Facility & Operating Cost breakdown for Scenario #8, similar to Scenario #7 but with different costs and notes.

Source

Table showing Source of funds for Scenario #8, including Econ Devel Admin, Local government, State gov't, TIF, Pvt donations, Foundations, CDBG, and Loans, other debt.

Yearly financial projections for Scenario #8 from Year 1 to Year 5, including Cash @ Beginning, Cash In, Cash Out, and Cash @ End. Includes detailed notes for various line items.

Scenario #9. 912-916 Market Street

Facility & Operating Cost

| | | |
|----------------------|---------------------|---|
| Building/land acquis | \$ 400,000 | 50% of the \$800,000 Asking Price |
| Renov, wall constr | 5,462,500 | Assume \$125/sf renov/build for all space except CSLV & Ellem |
| Furn/equip/phone | 75,000 | Phone, copier, fax, furniture, etc (\$75k) |
| Contingency | 443,000 | 8% of renov, construct & furnishings |
| Facility Cost | 6,380,500 | |
| Operating subsidy | 75,000 | |
| Total Cost | \$ 6,455,500 | |

3

Source

| | | |
|------------------------|---------------------|--|
| Econ Devel Admin | 4,370,000 | Assume 80% of Renovation costs only |
| Local government | 100,000 | Maybe \$25-\$50k/yr? |
| Pvt donations | 75,000 | Incl equip/furn/etc |
| Foundations | 500,000 | Woodcraft Contribution? |
| CDBG | | Can be used as Federal (EDA) match |
| Loans, other debt | 1,410,500 | Gap filler (but only enough that can still b/e by Year 3 or 4) |
| Total Available | \$ 6,455,500 | |
| | \$ - | surplus (deficit) |
| | \$102,227 | Annual loan pmt on balance shown above @ 4% for 20 years |

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|--|
| Cash @ Beginning | \$ - | \$ (47,965) | \$ (73,870) | \$ (75,794) | \$ (51,683) | |
| Cash In | | | | | | |
| Rental: Incubator | \$ 169,416 | \$ 176,193 | \$ 183,240 | \$ 190,570 | \$ 198,193 | \$18/sf (Incubator space) 9,412 |
| Rental: CWS | 60,738 | 63,168 | 65,695 | 68,323 | 71,055 | See derivation above (Co-Working space) 4,500 |
| Rental: anchor(s) | 168,580 | 175,323 | 182,336 | 189,630 | 197,215 | Current & Potential Tenants 17,458 |
| Rental: spec tenant(s) | - | - | - | - | - | 100% leasable@\$12.50/sf |
| Rental: Parking | 9,360 | 9,360 | 9,360 | 9,360 | 9,360 | Current parking income |
| Services | 5,883 | 7,412 | 9,080 | 10,896 | 12,155 | \$1.25/sf occupied kitch & office/retail space,5% escal 31,370 |
| Affiliates/members | 3,600 | 3,780 | 3,969 | 4,167 | 4,376 | \$50/mo, #users=6 |
| - vacancy/nonuse factor | (119,818) | (100,221) | (78,595) | (54,791) | (42,867) | Equal % of all categories except parking & anchors |
| - bad debt factor | (14,888) | (16,751) | (18,754) | (20,908) | (22,474) | 5% of net revenues |
| Net cash in | \$ 282,871 | \$ 318,264 | \$ 356,330 | \$ 397,246 | \$ 427,013 | |
| Cash Out | | | | | | |
| Salaries | \$ 120,000 | \$ 124,800 | \$ 129,792 | \$ 134,984 | \$ 140,383 | \$65k mgr(1 FTE), \$35k book/recep, +20% fringe,4%incr/yr |
| Utilities | 50,000 | 52,500 | 55,125 | 57,881 | 60,775 | Current annual cost plus 5% per year increase |
| Maint & repair | 16,000 | 16,800 | 17,640 | 18,522 | 19,448 | Previous years annual average plus 5% increase |
| Debt service | 102,227 | 102,227 | 102,227 | 102,227 | 102,227 | 4% for 20 yrs |
| Rent subsidies | 11,508 | 14,362 | 17,425 | 20,711 | 22,886 | subsidize 40% of sf of incub & CWS with 25% rent reduction |
| Supplies, phone | 3,600 | 3,780 | 3,969 | 4,167 | 4,376 | \$300/mo + 5% inflation |
| Insurance, misc | 27,500 | 29,700 | 32,076 | 34,642 | 37,413 | Current insurance + \$10k Misc, plus 8% per year increase |
| Net cash out | \$ 330,835 | \$ 344,169 | \$ 358,255 | \$ 373,135 | \$ 387,509 | |
| Cash @ End | \$ (47,965) | \$ (73,870) | \$ (75,794) | \$ (51,683) | \$ (12,180) | |
| Change in Cash | \$ (47,965) | \$ (25,905) | \$ (1,924) | \$ 24,111 | \$ 39,504 | |
| % space occupied | 50% | 60% | 70% | 80% | 85% | Start at 50% plus 10%/year to Max of 85% |
| Rent escalation | | 4% | 4% | 4% | 4% | |