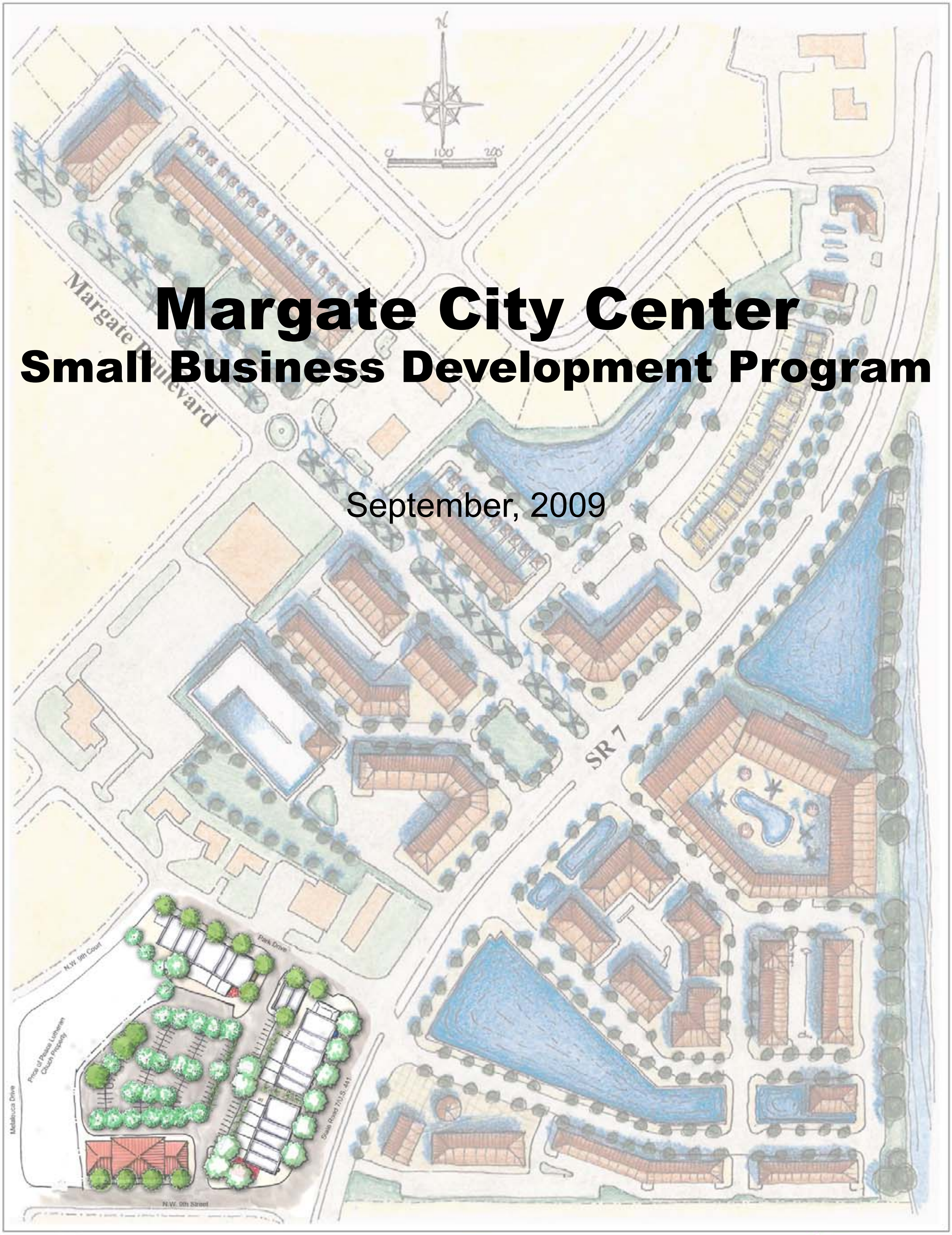
Margate City Center
Small Business Development Program

September, 2009



South Florida
Regional Planning Council

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Margate
Community Redevelopment Agency

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Margate City Center Small Business Incubation/Development Program
Technical Report

I: BACKGROUND AND OVERVIEW

I-1: Proposed Mission Statement

The City of Margate and the Margate Community Redevelopment Agency (CRA) will work to provide an environment for the creation and growth or relocation of small businesses with access to quality technical assistance and the resources necessary to promote a favorable business climate in the Margate City Center. The strategy for the development of this program will combine both traditional incubator space as well as the unique opportunity for existing local businesses to purchase properties or construct retail and services based live-work units under a shared equity ownership.

I-2: Proposed Project Objectives

- Provide opportunities for new businesses to develop in the City of Margate.
- Explore new markets that may currently be underserved locally and regionally.
- Protect existing businesses by preventing displacement when possible.
- Allow the residents of Margate to directly participate in the redevelopment of the City Center.
- Promote the redevelopment of the City Center through publicity and outreach opportunities.
- Serve as a catalyst to jump-start redevelopment in the City Center.
- Stimulate economic development.
- Attract new patrons, clients and visitors to local businesses in the City Center.

I-3: Potential Program Components

- Focus on new businesses for the incubator and existing businesses for the ownership opportunity.
- Provide networking opportunities for new and existing businesses in Margate.
- Provide training programs and technical assistance to developing companies.
- Provide access to low interest or revolving loan funds.
- Partner with the Small Business Administration, Broward Alliance and the City of Margate Chamber of Commerce.
- Utilize a Land Trust to ensure program continuity.
- Potential focus on an industry-specific incubator or a general business incubator.

I-4: Potential Types of Small Businesses

Incubator: Commercial, Arts, Research & Development or Professional Services

- Real Estate Offices
- Architecture/Design Studios
- Travel Agency

Shared Equity Ownership: Retail, Restaurants, and Personal Services

- "Mom & Pop" Restaurants
- Small Retail Shops
- Specialty Stores
- Personal & Professional Services

I-5: Potential Types of Ownership

The Margate City Center Small Business Incubation Program has two options available to different targeted industries.

- **A traditional incubator model** – Both land/ground and structures/buildings owned by CRA; small businesses pay modest rental fee to CRA to have the right to use the structures/premises;
- **A Community Land Trust (CLT) model** – Land/ground owned by CLT/CRA but leased to small businesses on a renewable 99-year lease agreement; however, small businesses purchase/build and therefore own the structures/buildings on the land. When the business decides to move elsewhere, it has the options to sell it to the next qualified business or back to the CLT/CRA at a pre-formulated discounted price, which keeps the structure affordable to the next business.

The operational plans/options for these two models are different and are explained separately in the Management Plan section.

I-6: Market Analysis

The Margate CRA updated its' City Center Master Plan in November 2008. The necessity for a small business incubator and subsidized live-work units for local small business owners is justified in a thorough real estate market analysis done by the Economic Research Associates (ERA).

Specifically, the analysis concluded the following for the office market potential in the City Center:

- Margate's office market appears generally healthy, although it is small and with limited activity, which may suggest some pent-up demand for additional office space in a city center concept;
- It is likely that office rental rates for new construction would be far higher than current office tenants pay in Margate; and
- As a result, this may limit the overall marketability of new office space in the city center unless incentives sufficiently offset this gap in feasibility.

A business incubator can provide lower than market rent for start-ups and foster entrepreneurship in the City; once these start-ups successfully graduate from the incubator, they will be competitive in the market place and be able to afford the rent in other office spaces within the City of Margate or neighboring areas.

For the retail space market, the ERA report pointed out that the City's older retail properties are suffering from physical and functional obsolescence and experiencing an increase in vacancy. Viable tenants relocate to newer properties and undercapitalized and underperforming "mom & pop" retailers go out of business. Since 2002, tenants moved from older/aging properties to newer retail centers that offer better layouts and store depths to meet the space and merchandising requirements of retailers today, such as new retail projects on Atlantic Boulevard and Sample Road.

In addition, the retail rents in Margate's older shopping center are currently too low to support new construction. Current tenants, especially those small businesses, might not be able to afford a market price rent during the redevelopment process. According to the report, current asking rents in the two CRA-owned neighborhood centers (Chevy Chase Centers) range from $9 to $14.50 per sq. ft.; however, a viable market price rent for new retail construction in South Florida ranges from $22 to $35 per sq. ft. As a result, a few subsidized and affordable retail stores (commercial properties under CLT) are necessary to prevent displacement of existing small businesses.

II: MANAGEMENT PLAN

II-1: Traditional Incubator Model

II-1.1: Overview

In the Margate CRA's 2009 Community Redevelopment Plan, "Business Incubator" is listed as one of the revitalization tools that the CRA can utilize to accelerate the successful development of entrepreneurial companies. An incubator is a place with common shared office amenities (such as reception area, conference room, kitchen, copy room, etc.) that provides management guidance, technical assistance and consulting tailored to young growing companies.

Over the last twenty years of incubator development history, the incubation model has been adapted to meet a variety of needs, from fostering commercialization of university technologies to increasing employment in economically distressed communities to serving as an investment vehicle.

According to the ***2006 State of the Business Incubation Industry*** report published by the National Business Incubation Association (NBIA), there were over 1,400 incubators in North America, up from only 12 in 1980. Of these, 1,115 were in the United States, 191 were in Mexico and 120 were in Canada as of October 2006. Most North American business incubators (about 94 percent) are nonprofit organizations focused on economic development. Among these incubators:

- Fifty-four percent are "mixed-use," assisting a range of early-stage companies;
- Thirty-nine percent focus on technology businesses;
- Four percent focus on service businesses, serve niche markets or assist other types of businesses; and
- Three percent serve manufacturing firms.

As to location variances, around half (53 percent) of the business incubators operate in urban areas, 28 percent operate in rural areas, and about 19 percent operate in suburban areas.

Incubators also vary in terms of their sponsors, who are organizations or individuals who support an incubation program financially. Sponsors may serve as an incubator's parent or host organization or may simply make financial contributions to the incubator.

- About 31 percent of North American business incubators are sponsored by economic development organizations.

- Twenty-one percent are sponsored by government entities.
- Twenty percent are sponsored by academic institutions.
- Eight percent are sponsored by other types of organizations.
- Eight percent of business incubators are "hybrids" with more than one sponsor.
- Four percent are sponsored by for-profit entities.
- Eight percent of incubators have no sponsor or host organization.

II-1.2: Benefits of Establishing a Business Incubator

Incubator graduates create jobs, revitalize neighborhoods and commercialize new technologies, thus strengthening local, regional and even national economies. According to the ***2006 State of the Business Incubation Industry*** report, it is estimated that in 2005 alone, incubators assisted more than 27,000 start-up companies that provided full-time employment for more than 100,000 workers and generated annual revenue of more than $17 billion in North America. In addition, business incubators reduce the risk of small business failures.

Therefore, a business incubator is a strong investment in the local and regional economy and a well-managed business incubator is worthy of government subsidies. According to another NBIA study, ***Business Incubator Works***, it is estimated that for every $1 of public operating subsidy provided to the incubator, clients and graduates of incubators generate approximately $30 in local tax revenue alone. NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business.

II-1.3: Services Provided by the Incubators

In practice, business incubator service programs vary among different types of incubators. Most incubators will provide at the minimum some business development assistance and shared administrative services to their tenants for free (included in the monthly rent) or a fee per use. Other services, like business networking, public relations, etc., are also provided by a typical fully fledged business incubator. The Margate Small Business Incubator can be categorized as "mixed-use", targeting commercial, arts, research & development or professional services sectors. The Margate Small Business Incubator intends to provide the shared administrative services in-house; however, most of the technical assistance services may initially be provided via a partnership with an outside agency or technical assistance provider such as the Technology, Enterprise and Development, Inc. (TED) Center at Delray Beach under the CRA's Economic Development Program.

The potential assistance and services that the Margate Small Business Incubator could provide are briefly discussed below. It is the intent of this report to outline the service options that might be made available. Further work in the community is required to better tailor the programs to the tenants/businesses' need. Definitive decisions may be based on additional surveys of potential incubator tenants, focus groups of interested early-stage businesses, and feedback from services provided to clients prior to opening of the incubator (if this approach is implemented).

1. Business Development Assistance

   The assistance offered relating to business development/ planning can cover a wide array of issues – business concept, cash flow projections, product distribution, marketing, accounting, management, equipment needs, human resources, information technology and more. The incubator will provide training and mentor its tenants in all the essential aspects of a business's operation: the business plan, financial recordkeeping, inventory control, marketing, sales, personnel management and records, hiring practices, interviewing skills, employee suit pitfalls, capital resources, and the like.

In the financial aspect, the incubator can assist its tenants in drafting their financial plan, preparing the documentation for grant or loan qualification, and introducing the client to suitable financial institutions. An especially useful component would be training on how to work productively with an accountant to help the business owner understand the state of his or her business better, help financing sources serve the business better, and provide optimal tax relief without jeopardy.

In the technical aspect, the incubator can also assist by providing services on a contractual basis, such as inventory control, payroll, bookkeeping (Quick Books), and e-marketing etc.

In addition, the incubator can provide referral services to its tenants in seeking community and private consulting and professional services, as well as specialized government service providers.

2. Professional Services Assistance

Because lawyers, accountants and other service providers generally charge more than a struggling new company can afford, many incubators have developed referral networks of professionals who will provide service on a pro bono or reduced-fee basis. The Margate Small Business Incubator can establish a Resource Network - a group of professional service providers - that consists of individuals and companies across a wide range of areas such as legal, accounting, human resources, insurance, and many others. The service providers in the Resource Network will offer their services at discounted rates to assist the start-up ventures in the Incubator. The Incubator will maintain and update the network constantly with providers' contact information, services offered, rates and discounts, and client references for the service providers.

This service provides a three-way benefit: tenants receive much-needed advice at an affordable rate, the incubator establishes ties with the community's business leaders, and the service providers are linked to a source of potential future clients.

3. Shared Administrative Services

Shared administrative services offer the tenants many affordable amenities that may not be obtainable outside of the incubator's nurturing environment. These can include clerical, receptionist, phone, fax, voice mail, copier service, package shipping, and data-entry services, some of which are included in the rent and others of which are offered on a fee-per-use basis.

Such services can generate income, and not just from incubator tenants. The Margate Small Business Incubator can operate a complete entrepreneurial support center that rents fax and copy services, computers, and receptionist services on a daily basis to non-tenants. For example, the incubator may provide these administrative services – a virtual office - to businesses that work from home and sometimes need a professional image through a phone answering service or access to a conference room. In conjunction with the live-work Community Land Trust, the support center can be made available to the small-business owners under agreement or contract.

4. Seminar, Training and Business Networking

   The Margate Small Business Incubator can provide educational seminars and training programs on mixed topics not only to its tenants, but also to established entrepreneurs and would-be business people. Such programs also provide the incubator with a steady source of potential tenants and give entrepreneurs a significant opportunity to network.

   In practice, this could be done by partnering with an economic or small business development center to locate a program satellite center in Margate to serve as a small business training/counseling/ networking hub for Margate residents and businesses, as well as for west-central Broward County. Such a center could operate evening training courses, which would draw clients to Margate. This center would collaborate with the Margate Chamber of Commerce in programs to revitalize existing small businesses in Margate through training, counseling, and networking activities. It would also collaborate with the Chamber and the City in fostering the formation of new businesses, some of an ethnic character started by newer Margate residents who are connected with area-wide ethnic communities.

   As the Margate Small Business Incubator evolves, the CRA may consider developing programs and training opportunities independent of an outside agency.

5. Public Relation/Promoting Tenants

   The Margate Small Business Incubator can offer promotional services by issuing press releases to either showcase tenants to the business community or report the progress of the incubator program. One of the best ways to promote the incubator is to highlight successful stories of the tenants. There are many occasions when the Incubator can issue a press release to increase the Margate community's awareness of the Incubator and its tenants, for example, when a new tenant moves into the Incubator or a tenant graduates; when a resident meets major milestones; when a resident company is awarded major venture funding, grants or contracts, or is granted a patent or receives an award; when a tenant goes public, etc.

   The Incubator can also hold open houses as well as "graduation" ceremonies to promote tenants, to which prospective customers, area service providers, and community leaders will be invited. In addition, each tenant will be provided with space in the Incubator's reception area to display company promotional materials, such as a brochure, fact sheet, or business cards.

6. Financial Assistance

   Incubators sometimes operate a small loan fund program to provide direct financial aid to the start-ups. The Margate Small Business Incubator has the opportunity to partner with the City, the Margate CRA or the South Florida Regional Planning Council to provide financial assistance to its tenants through a revolving loan fund. The Margate Small Business Incubator can also provide services to help tenants in grant writing, loan applications, or referrals to suitable financial institutions based on the tenant's business characteristics.

II-1.4: Tenant Selection Criteria

The Margate Small Business Incubator should have a set of criteria and priorities to select its tenants from competing applicants when spaces are limited. A competitive start-up should have its own preliminary business plan and demonstrate the capacity to achieve its goals. A Selection Committee/Steering Committee should be set up to devise the criteria or priorities and review the applications. To finalize the criteria, the Margate CRA should work with community leaders, the Chamber of Commerce, and small business owners to ensure they can help accomplish the incubator's mission and objectives as well as satisfy the need of the business community. Sample selection criteria that could be used in evaluating applications include:

- The company should be in a sector that the Incubator is targeting, i.e., a business in the Commercial, Arts, Research & Development or Professional Services sectors;
- The company should have a management team in place;
- The company should have developed a sound Business Plan or Executive Summary that addresses (1) market analysis, (2) financial projections, (3) funding requirements, (4) background on the management team, (5) and milestones to reach while in the Incubator;
- The company should demonstrate its capacity to grow in terms of employment and sales within the next three years (a typical lease period for most incubators); and
- Some incubators also require the applicant company to have the business registered and operating for at least a few months (3 or 6 months) and have some capital investment.

II-1.5: Program Performance Evaluation and Monitoring

All of the Incubator's services need to be evaluated periodically to make sure they are still useful, since many tenants may have computers and can handle some administrative tasks on their own. This can be done by developing questionnaires to rank tenant satisfaction with these services. Services that receive high marks can be used to promote the incubator to potential tenants; services that do not rank highly should be reevaluated by the Incubator staff and either altered or dropped.

In addition, a good method to monitor the Incubator is to set up a Steering Committee that consists of community business leaders who advise the Incubator director, evaluate tenant applications and prepare quarterly reviews, and function as mentors to Incubator resident companies.

II-2: Community Land Trust (CLT) Model[1]

II-2.1: Overview

In the Margate CRA's 2009 Community Redevelopment Plan, a Community Land Trust (CLT) is listed as one of the revitalization tools to build community wealth and ensure perpetual affordability of target properties under the CLT umbrella. As described in the Plan, CLTs are community-based, non-profit organizations that buy land on behalf of the community and hold it in trust. Through its unique structural and property ownership arrangement, a CLT "serves to shield the community from both land speculators and the dislocating effects of gentrification".

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[1] The analysis of the Community Land Trust (CLT) Model draws heavily on numerous studies at the CLT Resource Center at Burlington Associates, including, but not limited to, *Starting a Community Land Trust: Organizational and Operational Choices,* John Emmeus Davis, 2007, and *Community Land Trust Legal Manual,* Institute for Community Economics, 2002; more information can be found at its website: http://burlingtonassociates.com/resources/

The Community Land Trust model was developed in the 1960s and since then, over 150 CLTs have been established in 33 states across the United States. Although most of the CLTs in the U.S. are created for residential properties to preserve permanent housing affordability for moderate and low income families, this very same concept of property and ownership can be easily transplanted and applied to commercial properties to preserve permanent affordability for small businesses.

A Community Land Trust (CLT) functions to preserve public investment and to recycle and protect affordability. CLTs typically acquire and hold land but sell off any residential or commercial buildings that are on the land. Title to the land is held in perpetuity by the CLT, governed by a community-based Board of Directors. However, exclusive, possessory use of the land is conveyed to individual property owners by means of a long-term (typically 99-year) ground lease that is assignable to the heirs of the leaseholder and renewable at the end of the 99-year term. In this way, the cost of the land in the purchase price of the office building or home is minimized or eliminated, making the store or housing more affordable – while assuring long-term stability and security for the CLT property owner. This arrangement between the owner and the CLT protects real estate property affordability in perpetuity by ensuring that the housing and/or the commercial property is made affordable to low- to moderate income persons upon resale. For purposes of this report, the CLT focus will be on commercial property models.

What is a "Classic" CLT?

Nonprofit, dual ownership and perpetual affordability are three key characteristics of a "classic" CLT.

Under this process, the Margate Live-Work CLT should eventually become a **nonprofit corporation** because it will target its activities and resources toward providing an affordable place for existing small business owners to establish a business location and home that may otherwise be displaced during the city center redevelopment process. It should be eligible to receive 501(c)(3) designation from the IRS and become tax-exempt. Not every CLT has secured a 501(c)(3) designation, either because they have chosen not to serve a population that is "poor, distressed, or underprivileged" or because the IRS has determined that the application fails to meet the organizational and operation tests for receiving 501(c)(3) designation.

Dual ownership: means the CLT is entitled to the land itself but the structure/buildings on the land belong to individual business owners who build or buy the place to live and conduct businesses. The CLT acquires the parcels of land with the intention of retaining ownership of these parcels forever and retains an option to repurchase the residential and commercial structures located on its land once the business owner decides to sell.

The long-term ground lease that will be signed by the CLT and the business owners will include a specific resale formula designed to give present business owners a fair return on their investment, while giving future business owners fair access to housing and a place of business at an affordable price. By design and by intent, the CLT is committed to maintain the **affordability in perpetuity**.

Other characteristics of a "classic" CLT also include: tripartite governance, community control and flexible development.

Tripartite Governance: The board of directors of the "classic" CLT is composed of three parts, each containing an equal number of seats. One third of the board represents the interests of people who lease land from the CLT ("leaseholder representatives"). One third represents the interests of residents from the surrounding "community" who do not lease CLT land ("general representatives"). And one third is made up of public officials, local funders, nonprofit providers of housing or social services, and other individuals presumed to speak for the public interest ("public representatives"). Control of the CLT's board is diffused and balanced to ensure that all interests are heard but no interest is predominant.

Resident Control: Two-thirds of the Margate Live-Work CLT's board of directors should be nominated by, elected by, and composed of people who either live on the CLT's land or residents of the CLT's targeted "community" that may not live on the CLT's land.

Flexible Development: There is enormous variability in the types of projects that CLTs pursue and in the roles they play in developing them. Many CLTs do development with their own staff. Others delegate development to nonprofit or for-profit partners, confining their own efforts to assembling land and preserving the affordability of any structures located upon it. Some CLTs focus on a single type and tenure of housing, like detached, owner-occupied houses. Other CLTs take full advantage of the model's unique flexibility. They develop housing of many types and tenures or they focus more broadly on comprehensive community development, undertaking a diverse array of residential and commercial projects. CLTs around the country have constructed (or acquired, rehabilitated, and resold) single-family homes, duplexes, condos, co-ops, SROs, multi-unit apartment buildings, and mobile home parks. CLTs have created facilities for neighborhood businesses, nonprofit organizations, and social service agencies. CLTs have provided sites for community gardens and vest-pocket parks. Land is the common ingredient linking them all. The CLT is the social thread connecting them all.

<u>II-2.2: Structural Arrangements of the CLT</u>

Depending on the organizational relationship with the CRA, there are five structural arrangements that the CRA can choose from to establish the Margate Live-Work CLT: **spin-off, affiliate, conversion, subsidiary, and program[2].**

1. **Spin-off**: The CLT is established as a new, separately incorporated nonprofit organization with its own staff and Board of Directors and membership. The CLT would employ its own staff and a new, distinct Board of Directors would be recruited to govern this new organization.

   Pros: The arrangement prevents cross-liability between CLT and the CRA and the new CLT could adopt a "classic" CLT structure and begin building its own identity.

   Cons: It is time-consuming and expensive to establish a new organization, including office, staff, policies and procedures, funding sources, etc. In addition, the CLT would not benefit from the CRA's current credibility.

2. **Affiliate:** Similar to the spin-off model, the CLT is established as a new, separately incorporated nonprofit organization with its own Board of Directors and membership. The difference is that the CLT would contract with the CRA for staffing and administrative services and maintain a contracted affiliate relationship with CRA. A new, distinct Board of Directors would be recruited to govern this new organization.

   Pros: This arrangement would create a legal separation between the CLT and CRA without functionally separating the two organizations, which allows each organization to draw on the others' strengths, especially when it comes to funding applications. In addition, it avoids the cost of developing the organizational capacity of a new CLT and makes it an easy and inexpensive way to establish a "classic" CLT.

[2] *Options for Structuring the CLT Organization* by Mike Brown, a Partner in Burlington Associates.

Cons: The CRA will have little control over policies, procedures, or priorities adopted by the CLT's independent Board of Directors, although it will have responsibility for administering and staffing the CLT (though a multi-year contract for services). CRA staff would be accountable to and responsible for two different Boards of Directors, the CRA's and the CLT's.

3. **Conversion:** The CRA could amend its by-laws, restructure its Board of Directors, and build a membership along the lines of a "classic" CLT – effectively "morphing" itself into CRA CLT. The existing Board of Directors would govern the CRA's CLT on an interim basis until a tripartite Board structure can be elected and implemented.

   Pros: Converting the CRA to a CLT could be done with no cost and with little disruption to the CRA's current operations. In addition, the CRA could retain control over the CLT program it wishes to create.

   Cons: Converting the CRA itself into a CLT could be a difficult change in identify for CRA's staff, Board, and funders. Also, allowing a newly created membership to elect a majority of the board, while preserving a third of the seats for leaseholder representatives, could introduce a degree of instability, unpredictability and inexperience into the mix.

4. **Subsidiary:** The CLT could be established as a corporate subsidiary of the CRA. A new, distinct Board of Directors would be appointed by the CRA Board of Directors, possibly with some cross-over by CRA directors. The CRA would administer and staff the CLT.

   Pros: This arrangement allows the CRA to claim the CLT as its own, while limiting cross liability between itself and the CLT. The ability to appoint some or all of the Board of Directors would enable the CRA to retain effective and permanent control over the policies, procedures, priorities, and budgets of the CLT.

   Cons: Although the CRA would appoint all (or most) of the CLT's board, the latter would still require time and attention from CRA's staff. The staff would in fact be accountable to and responsible for two different Boards. In addition, a subsidiary structure could be confusing to funders, auditors, supporters, and the public at large.

5. **Program:** This arrangement makes the CLT an internal program of the CRA and the CLT would not exist as a separate corporation with its own Board of Directors, even though it lacks both a membership and the tripartite governance of the "classic" CLT. The CLT would be staffed and administrated by the CRA's staff and be governed by the CRA's Board of Directors – possibly eventually amending its by-laws to accommodate leaseholder representatives on the Board. Frequently, when a CLT is created as a program, eventually the CLT will grow to the point where it calls for "spinning off" into a separate organization.

   Pros: Similar to the "subsidiary" arrangement, CRA would retain effective and permanent control over the policies, procedures, priorities, and budgets of the CLT. The new CLT initiative would benefit from the credibility and reputation of the CRA.

   Cons: The same amount of work would be required to create a CLT program as would be required to create a partially or completely autonomous organization. In addition, unless the CRA amends its by-laws to accommodate leaseholder representation on its Board, the level of "buy-in" from those whom the CLT program seeks to serve would likely be limited.

Recommendation:

The Margate CRA could establish the CLT as a program of the CRA economic development agenda for the first few years until the CLT becomes mature, and then convert the CRA to the CLT. In a coordinated effort with the Margate Small Business Incubator, the CLT property can be developed and prepared for initial leaseholders to become involved with the transition of the CLT into an autonomous program.

II-2.3: Project Development

The development of the live-work units on the CLT's land can be initiated by either the CLT or the developer. The development process for a CLT is no different from any other nonprofit or for-profit developer in planning and building a residential or commercial project, even the financing of a CLT project during the development phase. The options and associated issues are discussed below.

CLT-initiated Development

The CLT/CRA can use its own staff and outside contractors hired through an RFP process to initiate and supervise the development of residential or commercial structures on the parcel. These units are owned by the CLT until the end the of the construction period and then sold off to individual business owners. In this development model, the CLT is actively engaged and plays the lead role in planning projects, preparing *pro formas*, packaging financing, securing approvals, hiring architects and builders, and overseeing construction.

Potential Issues:

- Should the CLT be an active developer of housing and commercial facilities on leased land – or is that a role better left to others, freeing the CLT to concentrate on stewardship?
- Does the CLT have the in-house capacity to plan, package, and oversee the construction of projects on leased land?
- Does the CLT have marketing materials and a marketing plan in place before breaking ground or, at a minimum, before the project is half-way built?
- Does the CLT have the financial resources and financial resiliency to shoulder the risks and absorb the costs of doing development?

Developer-initiated Projects

Projects may be brought to the CLT by nonprofit or for-profit developers who propose to construct the live-work units on CLT-owned land. In this model, it is the developer, not the CLT, that initiates the project and takes most (if not all) of the risk during the project's construction. A development agreement will be negotiated between the developer and the CLT.

Potential Issues:

- What criteria and what process should the CLT follow in evaluating projects proposed by a nonprofit or for-profit developer?
- What sort of development agreement will best protect the CLT's interests – and those of its future leaseholders – in partnering with a nonprofit or for-profit developer?
- What sort of protections can the CLT put in place to ensure that it will not be forced to buy a project of poor construction quality?

II-2.4: Who the CLT Plans to Serve/Selection Criteria

Who the CLT plans to serve (CLT's targeted beneficiaries) is a threshold decision that the CLT/CRA has to make at an early point in the establishment process. It will have a wide-ranging effect on what the CLT will do, where the CLT will work, and how the CLT will fund its projects and operations.

Many CLTs in the country serve people with medium-low or low income, especially for CLTs focused on the development of affordable housing. Using the income level to define targeted beneficiaries is a double-edged sword for a CLT when it comes to funding and financial assistance.

On one hand, the **higher** the income of the CLT's targeted beneficiaries, the **fewer** the funds the CLT may be able to get from governmental and charitable sources. This is because most of the programs for affordable housing and community development that are offered by federal, state, or municipal agencies can only be used for the benefit of households earning below a specified level of income, say 50% or 80% or 100% of the area median.

On the other hand, the **lower** the income of the CLT's targeted beneficiaries, the **greater** the amount of outside subsidies that the CLT will need if it is to bring housing and other services within the financial reach of these low-income beneficiaries.

In addition, the CLT/CRA should establish a set of selection criteria as to who should be given priority when the live-work units become available for sale and there is competition upon limited numbers of properties.

Potential selection criteria for the CLT/CRA Board of Directors to consider should also include: type of businesses, historical sales value, characteristics of the business owners, such as residency, need, ethnicity, disability, and age etc. The criteria should be set to serve the goals and objectives of preventing displacement of the existing businesses and encouraging local businesses to participate in the City Center's redevelopment process. Like the selection of tenants in the incubator, a set of criteria should be set up to ensure fairness and transparency.

II-2.5: Ground Lease Agreement

The ground lease is the legally binding agreement that gives the lessee the right to use the land. It describes in full the rights and responsibilities of the lessee and the CLT, as well as the restrictions that govern the relationship. The lease is designed to balance the interests of the lessee with the long-term interests of the CLT and the community in which it is located. There are a number of critical agreements that are defined by the ground lease. Key components of the ground lease include:

- 99-year term – the lease is for 99 years, providing long-term security and access for the lessee. The lease is also renewable by the lessee – or his/her heirs – for an additional 99-year term.
- Owner occupancy – the lessee must occupy the property a majority of time each year, typically 8 months or more; the property may be sublet for up to 4 months.
- Lease Fee – the lessee pays a modest monthly ground lease fee – typically about $25 – to the CLT in exchange for access to and use of the leased premises.
- Taxes and assessments – the lessee is responsible for the payment of all real estate taxes on the store/office/house and land.
- Construction and alteration – the lessee is allowed to make building additions to the property only with written permission of the CLT. The lessee pays the costs of any improvements.

- Resale of the property – the lessee may sell his/her property only to the CLT or to a qualified buyer. The resale price is limited by a pre-determined formula which allows the seller to recover the cost of the property plus a modest profit. The CLT has a first right of refusal.

II-2.6: Resale Formula[3]

A restricted resale value is one of the most distinguishing features of a CLT property. The property's resale value is restricted by a formula in an effort to strike a balance of allowing a fair return for the seller and the goal of limiting resale prices to a level that will ensure **continued affordability**. The ground lease agreement generally gives the CLT the right to buy each property back for an amount determined by the CLT's **resale formula**.

There are several ways to design a CLT resale formula and the Margate CRA/CLT can use whichever seems appropriate. A good resale formula should meet the following two goals: (1) to ensure fair access to equity ownership for subsequent lower-income small business owners by maintaining the affordability of the CLT property over time and (2) to give the present business owner a fair return on their investment when the CLT property is sold.

There are four types of formulas in use by CLTs: 1) Appraisal-based, 2) Itemized, 3) Mortgage-based, and 4) Indexed formula. The most commonly used resale formula in the country is the **appraisal-based formula**.

1. **Appraisal-based formulas** set the resale price as the original purchase price of a CLT property plus a certain percentage (%) of any increase in the property's market value, as measured by market appraisals at the time of purchase (Appraisal_1) and at the time of resale (Appraisal_2). The percentage (%) of this appreciated value allocated to the property owner is predetermined in the formula. 25% is a common percentage; although some CLTs use a higher percentage. Appraisals are done for the building alone, excluding the value of the land.

   The symbolic description of appraisal-based formulas is:

   Resale price = Purchase price+ [(Appraisal_2 – Appraisal_1) x %]

   Advantages of Appraisal-based Formulas:

   - Appraisal-based formulas are easy to explain and understand.
   - These formulas do not require CLT staff to make difficult and potentially controversial assessments of value because they rely on professional appraisals, utilizing standard techniques for appraising market value. Chances for conflict between property owners and the CLT are reduced.
   - These formulas avoid the difficulties involved in distinguishing repairs from improvements, in assessing the value of improvements, and in gauging "wear and tear." The difficulty involved in inflation adjustments is also avoided.
   - These formulas discourage the accumulation of expensive improvements over time that can push the resale price beyond the reach of future low-income property owners.
   - CLT staff can be relieved from burdensome task of detailed record-keeping and avoid disputes resulting from inadequate or incomplete records.

[3] This analysis of resale formulas is from *Comparing the Four Major Approaches to Resale Formulas* by Mike Brown, a Partner in Burlington Associates. The performance of different formulas can be compared in an interactive tool posted at http://burlingtonassociates.com/resources/.

Disadvantages of Appraisal-based Formulas:

- Appraising real estate is not an "exact science", particularly when the value of land must be distinguished from the value of a building located on that land.
- These formulas do not allow year-to-year measurement of the owner's equity unless an owner wants to bear the expense of periodic appraisals.
- In a stable real estate market, owners who have made substantial improvements will recapture only a portion of what they have invested. Therefore, there is a disincentive for making improvements or replacements.
- In a rapidly appreciating real estate market, appraisal-based formulas can allow resale prices to rise beyond the affordability level for future buyers if the percentage of appreciation allocated to the present owner is too high.
- Market appraisals in an appreciating market may not take adequate account of poor repair. These formulas may fail to encourage good maintenance.

2. **Itemized formulas** adjust the original purchase price by adding or subtracting factors that affect the value of the owner's investment in a property and the value of the property itself. Common factors included in an itemized formula are: an inflation adjustment; a credit for the value of later improvements, a deduction for depreciation, and a penalty for unusual damage. Itemized formulas do not depend on an appraisal of market value at the time of resale.

   The symbolic description of itemized formulas is:

   Resale price = Purchase price
   + (Property owner equity invested or earned to date x inflation factor)
   + Value of improvements added by property owner
   – Depreciation
   – Damage beyond normal wear and tear

Advantages of Itemized Formulas:

- The equity that an owner receives is tied directly to a measurement of his or her personal choices and personal investment of time and money.
- An inflation adjustment can prevent the devaluation of the owner's earned equity, while not giving unfair advantage to a property owner with a small amount of equity in a valuable property.
- A distinction can be made between "useful improvements" and "luxury improvements," with only the former adding to the resale price.
- There is an incentive for sound maintenance and repair, and penalties for deferred maintenance damage.
- Itemized formulas do not depend upon appraisals of market value and therefore, avoid the potential difficulty of achieving dependable appraisals and of separating out the market value of land from the market value of buildings.
- Itemized formulas allow an owner's potential equity to be calculated and reported from year to year.

Disadvantages of Itemized Formulas:

- Inflation adjustments may push resale prices beyond the reach of new property owners if their incomes do not keep up with the inflation factor chosen in the formulas.

- An accumulation of improvements over an extended period of time can push the resale price beyond the financial reach of future low-income property buyers.
- These formulas require difficult-to-describe and difficult-to-quantify distinctions between improvements vs. repairs, useful improvements vs. luxury improvements, and the value of materials vs. the value of labor.
- If depreciation is a factor, separate depreciation schedules must be adopted for each major system in a property and records must be kept of on-going repair.
- The valuation of "unusual" wear and tear is hard to define.
- The CLT's oversight role in reviewing and approving proposed improvements and in calculating the value of those improvements can diminish the owner's sense of privacy and can lead to disputes between the owners and the CLT.
- Using itemized formulas may consume a significant part of CLT staff time because it requires extensive record-keeping and periodic calculations of great complexity.

3. **Mortgage-based formulas** adjust the resale price based on the amount of mortgage financing a purchaser of a given income level will be able to afford at the then current interest rate. Factors that ***must*** be specified in designing a mortgage-based formula include:

- the income level for which the home/property must be affordable
- what is to be included in monthly housing costs
- the front end ratio allocation for monthly housing costs
- the percentage of the resale price that is to be covered by mortgage financing
- the type of mortgage (term, fixed-rate, etc.) for which monthly payments are to be calculated at the "current interest rate
- the index or benchmark that will be used to determine the exact "current interest rate" for the type of mortgage in question for the time in question.

The symbolic description of mortgage-based formulas is:

Resale price = price affordable to household at __% of area median income adjusted for family size

Assuming the following conditions:

- Costs = principal, interest, taxes, insurance, lease fee & any HOA fees;
- __% front-end ratio; and
- __% of resale price to be covered by mortgage at prescribed terms and requirements for mortgage (e.g., 30-year term, fixed rate, etc.) at "current interest rate", as defined

Advantages of Mortgage-based Formulas:

- The mortgage-based formula is the only formula that can guarantee a given level of affordability at resale to next buyer at a given income level – regardless of what happens to interest rates, property tax levels, increases in market values and the like.
- The basic principle – to make sure each successive buyer has monthly housing costs at the same level of affordability – is easy to grasp for property buyers, mortgage lenders, and others directly involved in the buying and selling of properties.

Disadvantages of Mortgage-based Formulas:

- These formulas base the resale price entirely on what works for the buyer; therefore, these formulas are less likely than the others to give the seller a fair return – and may give a return that is dramatically unfair.
- Government funding agencies with regulations requiring that resale restrictions allow seller a "fair return" may likely not approve.
- As these formulas are based on factors over which the seller has no control, the process for selling tends to become distorted. If interest rates are high, sellers would be penalized – prompting them to delay selling or tempting them to violate occupancy requirements.
- Mortgage lenders would have reason to object to a formula that could result in a resale price lower than the amount owed on the mortgage.
- It can be difficult to determine the "current interest rate".
- As the resale price has no real basis in value, there is little motivation for the owner to make improvements to the property.
- Property owners are likely to be unfamiliar with how to calculate the resale price – potentially creating mistrust and eroding property owners' sense of controlling their own properties.

4. **Indexed formulas** adjust the original purchase price by applying a single factor – the change in a particular index between the date of purchase the date of resale. This index can be a measure of incomes in the CLT's service area (e.g., change in Area Median Income) or a measure of rising costs (e.g., the Consumer Price Index for housing). Although indexed formulas are not as common as appraisal-based formulas among CLTs, they are quite common among public programs that subsidize low-income rentals and low-income homeownership.

   Indexed formulas pegged to Area Median Income (AMI) are increasingly being used in rapidly appreciating markets. Some indexed formulas also add a credit for later improvements made by the property owner.

   The symbolic description of index-based formulas is:

   Resale price = Purchase price x Change in index

Advantages of Indexed Formulas:

- If the index is pegged to the income of people for whom the CLT is trying to keep housing affordable, these formulas do a good job ensuring that the resale price will, indeed, be affordable for this target population in the future.
- A formula that uses median income as its index fits easily and understandably into the guidelines of most federal and state housing subsidy programs, eliminating the need for lengthy negotiations.
- Depending on the index used, these formulas can give a sizable return to sellers, therefore, may promote mobility for low-income people.
- Depending on the index used, the information needed to calculate resale prices is readily available and verifiable.
- These formulas are relatively simple and comprehensible and do not require judgments by CLT staff or professional appraisers, minimizing chances of misunderstandings and disputes.

- Administration by CLT staff is easy and inexpensive, because it requires neither the record-keeping of itemized formulas nor the market appraisals of appraisal- based formulas.

Disadvantages of Indexed Formulas:

- Everything hinges on choosing the "right" index. However, even median income can prove to be the "wrong" index, since low-income people often do not benefit from economic trends that increase the median income for a metropolitan area or a county.
- Even an index that is accurate in tracking the income of low-income people may still fail to keep the property affordable, because other factors – most notably, increases in mortgage interest rates – affect the affordability.
- These formulas do not distinguish between appreciating value produced by the owner and value produced by other factors. Some owners may not receive a reasonable return on their investment, while others may benefit from appreciation even they did little to improve the value of the property.
- These formulas may provide little incentive for repairs and improvements. A change in the index gives owners an automatic increase in price, even for a poorly maintained, unimproved property.
- These formulas allow shorter-term owners with little equity and a large mortgage debt to capture the same appreciated value as longer-term owners who have paid down their mortgages. This may encourage shorter occupancy.

III: MARKETING STRATEGIES[4]

A unique advantage of concurrently developing the Margate Small Business Incubator and the Margate Live-Work Community Land Trust (CLT) is the possible synergy among existing/mature businesses and the start-ups and the potential for a unified marketing strategy. It also presents a unique opportunity for the graduates of the Incubator to own an affordable business and home nearby as a long term investment. The training and professional services provided in the Incubator will also be easily extended to reach the CLT tenants. The marketing strategies should be devised to highlight the combination amenity to attract new businesses as well as existing small businesses, in addition to its reasonable/affordable rents and comprehensive services.

Effective marketing strategies should be devised by carefully selecting marketing objectives and constantly evaluating market need. Establishing very concrete but realistic objectives is necessary because it will provide the program with a means of evaluating success and serve as the basis for a solid marketing plan. Quantifiable objectives are useful tools to evaluate the effectiveness of a current marketing plan because it is easy to define and keep track of. Common objectives for an incubator include leasing a certain amount of square footage or servicing so many clients per year.

In the initial development and implementation stage, a continuing market need evaluation is necessary because market conditions are always changing and therefore the marketing plan should be adjusted accordingly from time to time to ensure its effectiveness. This can be done through surveys to get feedback regularly from current tenants about the program's services and their need for new services.

[4] References of this chapter include: *Effective Marketing Strategies* by Nanette Kalis, and *Marketing and promotional Activities – The Keys to Developing a Public Relations Programs* published by NBIA.

In order to implement a marketing plan, the CRA should undertake controllable activities that are consistent with the redevelopment goals of the City and serve to generate economic development in the Margate City Center.

1. ***Develop a Margate Business Development Public Relations Program***

   A public relations program is a coordinated effort to communicate with a wide range of audiences. It is one of the most cost-effective methods to promote an incubator and its tenants. Media relations, public speaking, brochures, newsletters, slide presentations, online networking, videos and signage etc, are activities that the program manager can undertake with a small investment of time and resources. Through a relatively inexpensive public relations program, the program manager can bring the Incubator and its tenants as well as the CLT program to the attention of influential community members, including politicians, business leaders, key professionals, and the business community. By establishing increased and steady exposure to various audiences, the Margate Business Development Program can increase its funding potential and number of competitive tenants.

2. ***Surveys***

   Surveys can be sent to tenants of the Margate Small Business Incubator and the leaseholders of the Margate Live-Work CLT properties to help the program manager determine ways to satisfy the target market's needs. They can also be used to promote the incubator to potential clients if designed to be sent to a broader business community within the City of Margate and its surrounding areas.

3. ***Get Involved***

   The CRA should utilize community groups and organizations to actively promote the local business development program. Representatives from the CRA should volunteer to speak at various community functions such as Broward County Business Forums, the Margate Chamber of Commerce and other local business interests. This may be time consuming but very important because it will not only help spread the word about the specific program opportunities, but also work toward the goal of promoting redevelopment and attracting new patrons to the Margate City Center.

4. ***Seminars and Workshops***

   By regularly holding seminars and workshops, the program will effectively reach potential clients, provide networking opportunities with other organizations, educate entrepreneurs, and promote the program's role in economic development.

5. ***Open House and Graduation Ceremonies***

   The location of the Margate Business Development Program within the City Center provides the unique opportunity to provide significant public access and high visibility. The program should leverage this location by providing regular opportunities for community involvement. Inviting prospective clients, area service providers, and community leaders to open houses and graduation ceremonies are a good way to promote the program as well as the tenants. By showcasing successful tenants to the business community, the Program can increase its level of awareness and attract potential clients to join the incubator.

IV: PROJECT SITE CONSIDERATIONS

Since the completion of a city-wide charrette and master plan for the State Road 7/U.S. 441 Corridor, the Margate CRA has acquired over 35 acres in the City Center at intersection of State Road 7/U.S. 441 and Margate Blvd. Margate's 2008 City Center Master Plan includes a phased development plan for these properties and indicates the conceptual location of a series of narrow lots for the development of an owner-occupied small business incubator program. Since the development of this plan, the Margate CRA has received matching funding through the Economic Development Administration and the South Florida Regional Planning Council to examine the opportunities for economic and small business development within the City Center. The CRA has also acquired additional property which may also be appropriate for the location of the Margate City Center Business Development Program. The initial City Center Master Plan "incubator site" fronts State Road 7/U.S. 441 north of Margate Blvd. and will be referred to as the North Site. The alternative location is also along State Road 7/U.S. 441, but located South of Margate Blvd and will be referred to as the South Site.

This report will focus on the potential project sites and the design considerations for the recommended programmatic components of the Technical Report. Through the process of preparing the report, it was determined that it will be the CRA's intent to pursue the development of a traditional incubator as well as a live-work community land trust. These project site considerations will take into account the integration of these programs collectively as the Margate City Center Business Development Program. In addition to capitalizing on the cross-marketing opportunities of concurrently developing these programs, the site design considerations can maximize the projects' location within the City Center, and the overall site design can be developed to provide for access, connectivity and shared infrastructure.

Existing Conditions Assessment:

North Site: 5701 Margate Blvd

This site is approximately 2.5 acres and currently a vacant lawn area with minimal existing vegetation in the northern portion and along the edges of property lines. There are two separate properties within the project site limits and the current concept illustrates the area identified for the Incubator as encompassing the entirety of the northern parcel (about 0.75 acres) and a portion of the southern parcel (about 1.25 acres) where it fronts on State Road 7/U.S. 441. The southern parcel is the site of a former grocery store shopping center and associated parking lot along the central intersection of State Road 7/U.S. 441 and Margate Blvd. A vacant site of a former gas station is adjacent to the site's northern parcel. There is currently no access directly onto State Road 7/U.S. 441 from the site although there are 2 curb cuts and the existing median in the roadway will limit future access to right turns to enter and right turns to exit. Residential homes along Seton Drive are directly adjacent to the west of the site and the back yards of the single family homes abut the rear property line for this site. The site has approximately 500 feet of frontage along State Road 7/U.S. 441 and there is a 17 acre property diagonally across the street also owned by the CRA. This larger property across the street is planned for significant future development including over 275 residential units, almost 40,000 square feet of office space and between 4 and 5 restaurants. The average price that the CRA paid for the 2 properties that comprise this site was $608,224.00 per acre in 2004.

South Site: 911 State Road 7/U.S. 441

This site is approximately 3.25 acres with an existing 7,323 square foot bank office building, associated drive-through facilities and parking. The site is developed and vegetation is limited to landscaping associated with the existing building and primarily located along State Road 7/U.S. 441 and in landscaped islands within the 65 space parking lot. The site encompasses 2 properties within the 3-property-block bordered by State Road 7/U.S. 441 to the east, Northwest 9th Street to the south, Melalueca Drive to the west, and Northwest 9th Court and Park Drive to the North. The 3rd property is a 1-acre lot with a 7,700 square foot church facility and associated parking lot. There is currently no vehicular access directly onto State Road 7/U.S. 441 and the roadway has a median without landscaping that would prohibit left-turn site ingress and egress.

The average cost per acre for these properties was $554,000.00 in 2008. Like the North Site, this location is also across State Road 7/U.S. 441 from the larger property planned for significant future development including over 275 residential units, almost 40,000 square feet of office space and between 4 and 5 restaurants. The site across the street is conceptually designed to incorporate a large water feature that would be directly across from this potential location and pedestrian access is focused to cross State Road 7 at the intersection of Margate Boulevard, one block north.

Infrastructure Analysis:

North Site:

There is existing infrastructure on and adjacent to the site originally proposed for the construction of the Margate City Center Businesses Development Program because the site was previously developed and has an existing vacant structure on a portion of the site. The site's utilities exist primarily underground and it's location on State Road 7/U.S. 441 will provide direct access to the utilities within the right-of-way, including the existing standard sidewalks and street lighting. Although there is no transit infrastructure on the property, there is an existing bus stop for Broward County Transit Route 18 that includes a bench just north of the site on State Road 7/U.S. 441. The rear of the properties is bordered by an 8 foot tall masonry wall with minimal landscaping to buffer adjacent residential uses. Alleyways are required to be provided on redeveloping properties, and the site design for these parcels must accommodate cross-access in the rear of the property consistent with the land development regulations.

The main infrastructural impact on future site plans for the business development program is the existing grocery store within the site's southern property. The design and development of the program for this site will need to consider the impacts of the larger property which extends over 4 acres along Margate Boulevard and will involve the demolition of existing structures, parking requirements and stormwater management facilities.

Depending on the previous uses identified on these properties, this site may qualify for Brownfield designation through the U.S. Environmental Protection Agency. A Brownfield is real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Brownfields revitalization have funding opportunities to provide communities with the tools to reduce environmental and health risks, reuse abandoned properties, take advantage of existing infrastructure, create a robust tax base, attract new businesses and jobs, create new recreational areas, and reduce the pressure to develop open spaces.

South Site:

As a currently developed site with an existing office building, the infrastructure exists with the potential to accommodate tenants almost immediately. The site design and building location provide pedestrian access along State Road 7/U.S. 441 and parking areas to the rear of the property. Most major utilities are available underground with power/telephone poles that traverse the site along the west side of the property. There is currently a bus stop with a new standard shelter along the southern half of the State Road 7/U.S. 441 frontage.

Because these properties encompass the majority of the block, the land development requirement for alleyway creation can be easily accommodated through rear access from the side streets. On this site, the infrastructure has the opportunity to serve as an asset to the initial implementation of the Margate City Center Business Development Program. Phased development can make use of the existing structure and parking facilities while accommodating the construction of a new incubator facility and live-work land trust sites. Although the existing site has maintenance issues, it remains safe and accessible. The open floor plan building layout provides flexible use of the office space and transition opportunities as the program needs may expand.

Land Use, Built Environment & Public Space Design

Transit Oriented Corridor Land Use:

Both sites exist within the City's Transit Oriented Corridor Land Use area and benefit from the increased development potential and mixing of uses allowable. The land use category requires an overall focus on use, design and development toward pedestrian and transit supportive activities. As both sites have frontage along State Road 7/U.S. 441, each has the obligation to develop the public realm and provide transit and pedestrian amenities consistent with the intent of the land use category. Within the TOC land use category, a mix of uses including office, industrial and residential are allowable and encouraged. The location of residential uses must be incorporated into a mixed-use project or mixed-use building with location of residential uses consistent with those identified within the State Road 7 Master Plan.

Margate Transit Oriented Corridor Land Development Regulations:

Both sites also exist within the Margate Transit Oriented Corridor-City Center (TOC-CC) district and will be subject to the provisions of the updated form-based land development regulations for major site improvements. Although the existing office building on the South Site does front State Road 7/U.S. 441 and provide direct pedestrian access, future development of the site will require the frontage to move to the build-to line measured 25 feet from the back of the curb, unlike the current 35 foot setback. Other significant requirements of the zoning code for both sites are the 2-functional story minimum/8-story maximum, a requirement for transparent 1st floor shop fronts, parking consolidation/sharing and a highly amenitized public realm with public plazas and parks. Additionally, each property developed along State Road 7/U.S. 441 is prohibited from creating new curb-cut ingress or egress locations when site access is, or may be, provided along side streets or through alleyways. Both sites have access available through side streets or adjacent properties, and their site design must provide cross-access in the rear of the property.

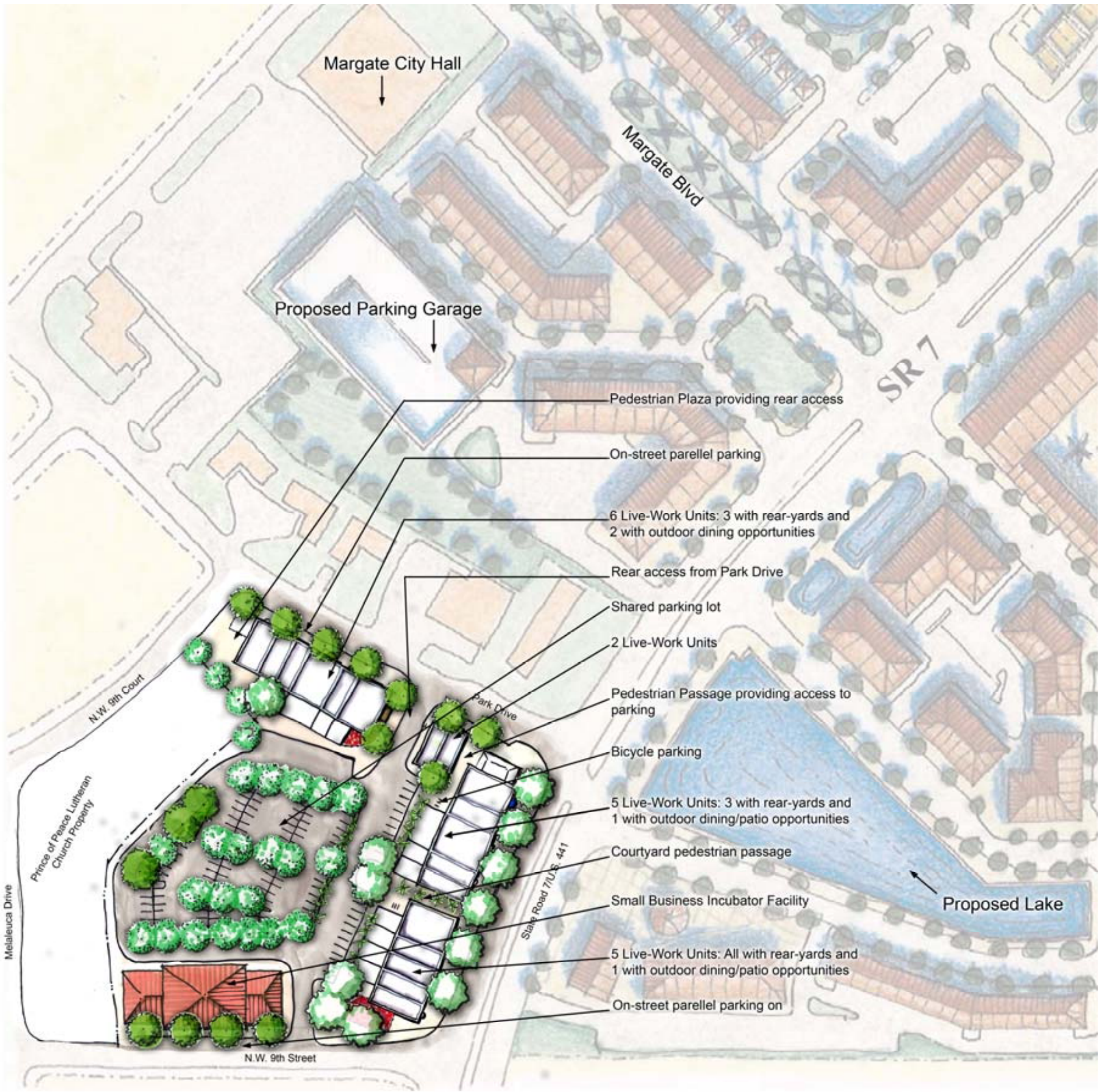
Opportunities & Constraints:

- Although both sites have the asset of a City Center location, the South Site benefits from proximity and direct adjacency to existing facilities with the opportunity to promote a walkable park-once opportunity that will be the focus of the Margate City Center Business Development Program. Within walking distance exists the City Hall and CRA offices, a Broward County Library, the Northwest Focal Senior Center and the parking associated with these community facilities.
- The master plan for the City Center identifies a parking garage to be located only 400 feet away from this site, which could provide additional parking for the Margate City Center Business Development Program facilities and business community events that may be held at this location.
- Additionally, the surrounding uses to the South Site are compatible with the mixed use needs of the proposed Business Development Program. The North Site has the potential to be isolated from the commercial core of the City Center and the adjacent single-family residential uses will require compatibility site design considerations not necessary in the South Site.
- In its' current location within the City Center conceptual master plan, the site does not provide the adequate land area to accommodate both live-work land trust properties and a traditional incubator structure.
- The process of developing a land trust across property lines will also be more complicated than utilizing the single property within the South Site.

Conclusions:

The property acquired by the CRA at 911 State Road 7/U.S. 441 is more appropriate and better suited for the location of the Margate City Center Business Development facilities than the North Site originally identified solely for the series of live-work structures. The conceptual site plans and design considerations of this report will focus on the South Site for the facilities proposed as part of the Margate Small Business Incubator as well as the Margate Live-Work Community Land Trust.

Proposed Conceptual Site Plan



Phase 1:

Utilizing the existing office building and parking lot, the CRA can begin development of the new main Incubator facility along NW 9th Street to the south of the site. Within this process, the Live-Work Community Land Trust facilities can begin development along Park Drive to the north side of the site. Depending on building design, the Incubator facility can provide additional office space for lease or city use.

Phase 1 Square Footage:

6 initial Live-Work Community Land Trust Properties:	+/- 20,400 SF (10,200/floor)
Utilize existing bank office building for Incubator:	+/- 7,323 SF
Construction of a new Incubator/Office Facility:	+/- 10,200 SF

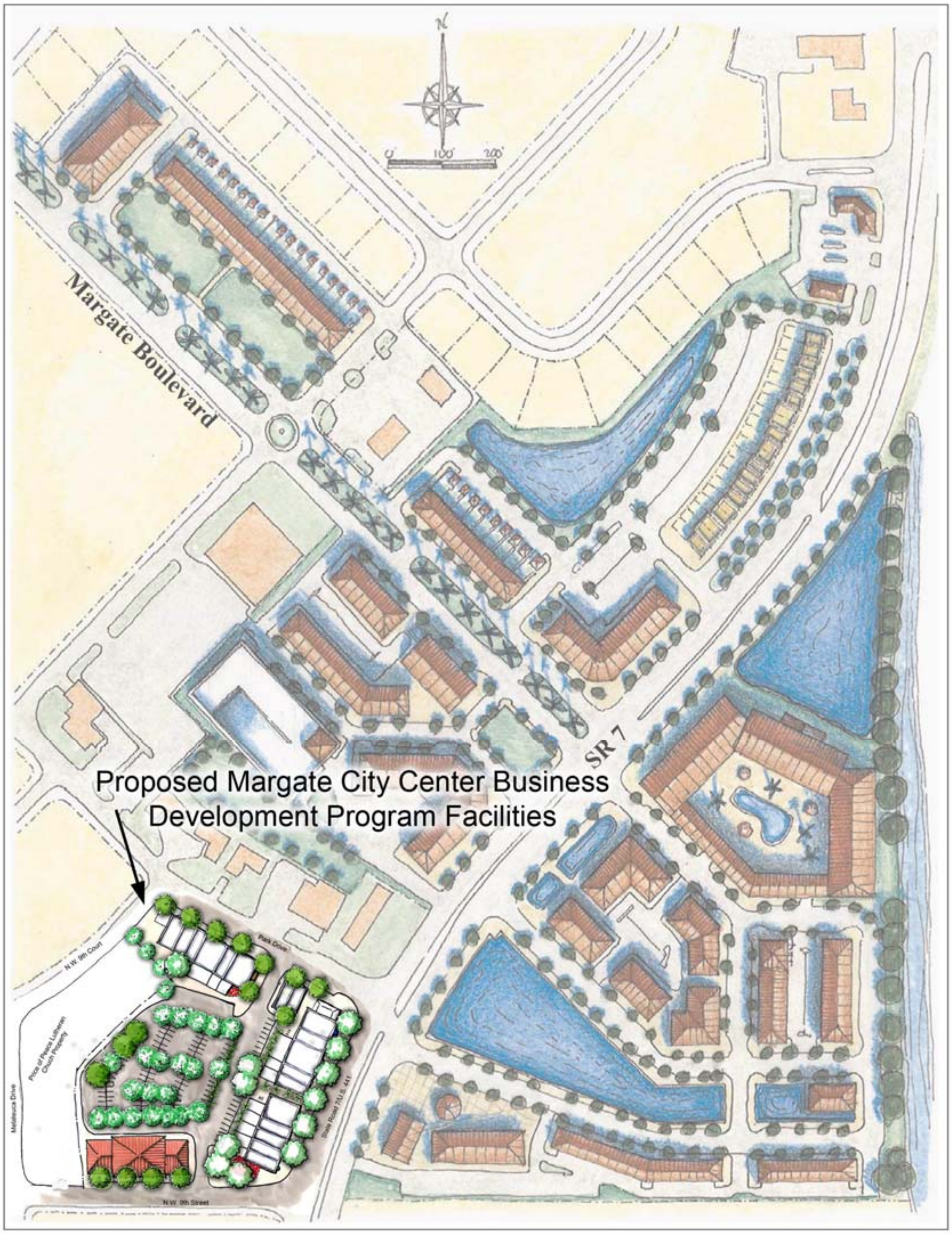
Phase 2:

After the construction of the new Incubator is completed, the existing facilities can be demolished to accommodate the remaining Community Land Trust Live-Work properties along State Road 7/U.S. 441. The structures must be built closer to the street in accordance with the TOC Land Development Regulations, and there is also an opportunity to accommodate a transit shelter facility to the south end of the site along the corridor. The long line of properties with frontage along State Road 7/U.S. 441 has been broken by a vegetated connection to the rear parking lot. The end units are designed with setbacks for outdoor dining areas, and pedestrian connections are maintained throughout the site to connect the facilities.

On-street parking is provided where permitted along Park Drive, and N.W. 9th Street, as well as direct parking in the rear of both live-work row-properties. Bicycle parking is also accommodated in the rear of each facility.

Phase 2 (Total) Square Footage:

6 Built Live-Work Community Land Trust Properties:	+/- 20,400 SF (10,200/floor)
New Incubator/Office Facility:	+/- 10,200 SF
12 additional Live-Work Community Land Trust Properties:	33,600 SF
Total of 18 Residential units	



The conceptual site design considerations take into account opportunities for phasing, building orientation, access, and proximity. Orienting the retail/restaurant/commercial live-work properties toward the City Center will provide a visible connection to the larger property across State Road 7/U.S. 441 as well as the pedestrian connection to the community facilities located to the west of the site.

The North Site conceptual plan can be revised to accommodate additional retail or potential residential units facing the water feature across State Road 7/U.S. 441.

V: PROJECT COST ANALYSIS

This analysis includes two parts: cost to construct the facilities (development cost) and cost to operate the Margate Business Development Program (operation cost). At this conceptual stage, both the facility structures and the Program content are conceptual and these estimates are similarly broad and represent general costs. A detailed cost analysis can be performed when the facility structures and site designs are confirmed and the program specifics are determined.

Development Cost:

General characteristics and costs can be estimated based on industry standard and local construction market condition, providing a general figure for discussion purposes. Construction cost typically consists of hard costs, contractor's overhead and profit, and architectural fees. Below are the cost ranges estimated by *RSMeans QuickCost Estimator* using Fort Lauderdale area construction data as of 2nd Quarter of 2009. Land acquisition cost is not included in the discussion because the land is owned by CRA.

Based on the analysis, total mid-level construction costs are estimated at about $1.2 million, or $119 per square foot for the incubator/office facility and $4.6 million or $255,000 per unit for the live-work units. Total cost could range from $5.2 million to $7.2 million for the new construction of the incubator/office facility (10,200 SF) and 18 live-work units (54,000 SF).

Incubator/Office Facility (10,200 SF)

Cost Ranges*	Low	Med	High
Total Hard Costs:	$ 816,750.00	$ 907,500.00	$1,134,375.00
Contractor's Overhead & Profit	$ 204,300.00	$ 227,000.00	$ 283,750.00
Architectural Fees	$ 71,550.00	$ 79,500.00	$ 99,375.00
Total Building Cost:	**$1,092,600.00**	**$1,214,000.00**	**$1,517,500.00**
Cost Per S.F.	*$ 107.12*	*$ 119.02*	*$ 148.77*

*Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.

Source: *RSmeans QuickCost Estimator*, Calculated by SFRPC

Live-Work Units (54,000 SF)

Cost Ranges*	Low	Med	High
Total Hard Costs:	$3,057,450.00	$3,397,167.00	$4,246,458.00
Contractor's Overhead & Profit	$ 764,550.00	$ 849,500.00	$1,061,875.00
Architectural Fees	$ 306,000.00	$ 340,000.00	$ 425,000.00
Total Building Cost:	**$4,128,000.00**	**$4,586,667.00**	**$5,733,333.00**
Cost Per S.F.	*$ 76.44*	*$ 84.94*	*$ 106.17*
Cost Per Unit	*$ 229,333*	*$ 254,815*	*$ 318,519*

*Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.
Source: *RSmeans QuickCost Estimator*, Calculated by SFRPC

Operation Cost:

Operation costs will include 1) program management costs necessary to manage programs and services provided to the tenants in the incubator and small business owners of the live-work units, such as staff salaries, training and consulting fees, office equipment and supply, legal and accounting, printing, marketing and advertising, postage, etc. and 2) facility operation expenses to maintain the incubator/office facility and common area of the live-work units, such as utilities, insurance, maintenance and repair, landscaping, security, and taxes.

Although the organizational structure of the Margate Business Development program and specific services to the incubator tenants have not be finalized at this stage, it can be generally expected that at least three (3) full-time equivalent (FTE) positions are necessary to carry out the program: one Program Director ($70,000/year), one Project Coordinator ($50,000/year), and one Secretary/Receptionist ($30,000/year). Total staff salaries and benefits are estimated as $150,000 per year. This estimate assumes that initial training and consulting services are expected to be provided by a third party. Based on the estimate provided by the TED Center, the annual cost will be around $39,000. Assuming a moderate 20% of staff salaries ($30,000) to cover all other program related expenses, the total program management cost will be $219,000 per year. Additional operational costs related to the facilities will vary depending on the final site and building designs.

VI: FUNDING SOURCES

There are several sources of funding that the project can derived from in the development of the Margate Business Development Program. They are listed below:

Community Development Financial Institutions Fund (New Markets Tax Credit)

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). CDEs are any domestic corporation or partnership whose primary mission is serving or providing investment capital for low-income communities that is certified by the Secretary as being a qualified CDE. Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

The general rule of thumb among NMTC practitioners is that under the leverage model, 20 percent of the eligible costs can be considered grant equity. With total development costs at approximately $5-7 million, the New Market Tax Credits could raise approximately $1 million. To access the NMTCs, the CRA/CLT should seek certification by submitting a CDE Certification Application to the New Markets Tax Credit Fund for review. More information can be found at http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5.

Community Development Block Grant Program (CDBG)

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1209 general units of local government and States.

The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. City of Margate is an entitlement city to receive annual grant allocation from the CDBG fund.

Economic Development Grants from Economic Development Administration (EDA)

The Economic Development Administration (EDA) was established under the Public Works and Economic Development Act of 1965 (42 U.S.C. § 3121), as amended, to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States. EDA assistance is available to rural and urban areas of the Nation experiencing high unemployment, low income, or other severe economic distress. Specifically, EDA is very supportive of incubator projects around the nation. A list of recent investments can be found at its website: http://www.eda.gov/NewsEvents/NewInvestments.xml. A Business Incubator Proposal/Application Guidance by EDA Atlanta Region Office is provided in Appendix II.

More information about its funding programs can be found at the EDA website: http://www.eda.gov/InvestmentsGrants/Investments.xml.

Margate Community Redevelopment Agency (CRA) Economic Development Programs

Margate Community Redevelopment Agency (CRA) was created in October 1996 to oversee the formulating of the Margate Community Redevelopment Plan. It is a unique and effective redevelopment tool for local governments to prevent and eliminate slum and blighted conditions within the community. Margate CRA has a dedicated source of funding for projects and programs in tax increment funds (TIF). In the past few years, the Margate CRA has undertaken several successful activities including landscaping of the commercial corridors, architectural design guidelines for building renovations, façade grants, landscape grants, and new business recruitment. In its 2009 Community Redevelopment Plan, Margate CRA has budgeted for a total of 8 million for the purpose of economic development over the next ten years. More information can be found at its website: http://www.margatecra.org/index.html.

Appendix I: Incubator Best Practices/Guidelines

In 1996, National Business Incubation Association (NBIA)'s board of directors developed a set of industry guidelines to help incubator managers better serve their clients. Since that time, NBIA research has consistently shown that incubation programs that adhere to the principles and best practices of successful business incubation generally outperform those that do not. The following industry guidelines are replicable and broadly applicable to incubation programs around the world, regardless of their focus or mission.

Two principles characterize effective business incubation:

1. The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
2. The incubator itself is a dynamic model of a sustainable, efficient business operation.

Model business incubation programs are distinguished by a commitment to incorporate industry best practices. Management and boards of incubators should strive to:

- Commit to the two core principles of business incubation;
- Obtain consensus on a mission that defines the Incubator's role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission;
- Structure for financial sustainability by developing and implementing a realistic business plan;
- Recruit and appropriately compensate management capable of achieving the mission of the Incubator and having the ability to help companies grow;
- Build an effective board of directors committed to the Incubator's mission and to maximizing management's role in developing successful companies;
- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation;
- Develop an Incubator facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company;
- Seek to integrate the Incubator program and activities into the fabric of the community and its broader economic development goals and strategies;
- Develop stakeholder support, including a resource network, that helps the Incubation program's client companies and supports the incubator's mission and operations; and
- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program's effectiveness and allowing it to evolve with the needs of the clients.

Developed by NBIA, with credit to the book, *Growing New Ventures, Creating New Jobs: Principles and Practices of Successful Business Incubation*, Rice M. and Matthews J., 1995.

Appendix II: Business Incubator Proposal/Application Guidance from EDA

U. S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)
ATLANTA REGIONAL OFFICE

BUSINESS INCUBATOR PROPOSAL/APPLICATION GUIDANCE

Business incubators can play a pivotal role in a community's job development effort by stimulating and nurturing business enterprises. Incubators offer support to entrepreneurs during start up and/or expansion and can increase the probability of survival and growth at the most precarious time for their businesses. Because support of these activities closely parallels EDA's objectives, the number of funding assistance requests is increasing. To facilitate EDA's evaluation of proposals for assistance to establish or expand business incubators, the following guidance is provided.

Definition

Business Incubator: A multi-tenant facility that provides young or start up businesses with affordable space, shared support services and business assistance to foster successful entrepreneurial development.

Purpose

The purpose of this guidance is to provide direction for potential applicants and establish perimeter in which all funding requests can be fairly evaluated. This guidance allows the applicant some flexibility while preserving EDA's need to evaluate each proponent's consideration of the matters listed. However, submission of any one or all of the required components of an incubator application does not establish, of itself, its acceptability. EDA recognizes that, once feasibility is established, the incubator will be tailored to the situation in which it will function.

Proposals

Proposals submitted to EDA for consideration should include:

1. A feasibility study establishing the presence of a critical mass of support factors, entrepreneurial demand for use, and community support for the facility.
2. A proforma demonstrating financial capacity to operate the facility and reach a positive cash flow within a reasonable period of time; and
3. A management plan for operation of the facility that at a minimum addresses:
   - Tenant selection policy;
   - Tenant lease agreement terms;
   - Business assistance policy (identify sources of assistance);
   - Tenant records review policy; and
   - Tenant graduation policy.

In all likelihood the feasibility study will include the *pro forma* to establish that there are adequate financial resources to operate the facility. EDA will expect the *pro forma* to reflect the facility becoming self sustaining within three years and will expect a commitment from the sponsor or an external source to support the operation if *pro forma* expectations are not realized.

The tenant selection policy should describe the types of businesses sought and any selection criteria established. The tenant lease agreement should enumerate the shared services to be provided, delineate the business assistance (management/technical/training) policy, and establish periodic access to the tenant's business records to permit assessment of the health of the tenant's business. A provision of the lease should establish a clear graduation policy that stipulates length of tenancy to maintain operations as an incubator rather than a simple real estate development. Conventional wisdom suggests that a graduation period of 3 to 5 years is usually sufficient.

EDA encourages the conversion of existing buildings for use as business incubators. Such buildings should be of sufficient size to respond to demand and provide a sustainable flow of income. Applications for facilities that include space for non-tenant activities or which propose substantial space for anchor tenants will be closely scrutinized.

Appendix III: Florida Business Incubation Association and South Florida Incubators

The Florida Business Incubation Association (FBIA) was established in October 1998. It mission is to shares information and develops programs that support the successful growth and operation of business incubators throughout Florida. Specifically, the Association fulfills this mission through several key initiatives:

- **Statewide Peer-to-Peer Meetings -** The FBIA hosts numerous meetings for its members throughout the year plus the Annual Conference. These gatherings present great opportunities for the incubator employees to network and share ideas.
- **Program Development -** The FBIA plays an integral role in identifying and developing programs that help you provide greater service to your incubator clients.
- **Unified Voice -** Through the FBIA, statewide incubators have one, centralized mechanism to 'speak as one'. The Association serves as "sounding board" for its members, who can share their concerns, needs and goals in order to maximize their effectiveness.

Members of the FBIA in South Florida region are listed below. More information can be found at FBIA's website: http://www.fbiaonline.org/index.htm.

Carrie P. Meek Center for Business
Ms. Hilda Hall
Incubator Manager
Carrie P. Meek Center for Business
301 Civic Court
Homestead, FL 33030

Voice: 786-243-7600
Fax: 786- 243-7603
Email: **hbhall64@aol.com** or **Feliciamaxfield@hotmail.com**
Website: **www.meekbusinesscenter.com**

The Center for Technology, Enterprise & Development (TED), Inc.
Mr. Seabron A. Smith
Executive Director
401 W. Atlantic Ave., Suite 09
Delray Beach, FL. 33444

Voice: 561-265-3790
Fax: 561-265-0806
Email: **seabron1@tedcenter.org**
Website: **www.tedcenter.org**

Enterprise Development Corporation
Technology Business Incubator at FAU
Ms. Jane Teague
Executive Director
3701 FAU Blvd., Suite 201
Boca Raton, FL. 33431-0911

Voice: 561-620-8494
Fax: 561-620-8493
Email: **jteague@edc-tech.org**
Website: **www.edc-tech.org**

Kompani Group
Business Incubator
120 NW 25th Street
Loft 302
Miami, FL 33127

Voice: 786-594-0435 ext. 10
Fax: 305-675-8389
Email: **MarcelleN@KompaniGroup.com**
Website: **www.KompaniGroup.com**

The Startup Florida Incubator 650 Central Avenue - Suite 4 Sarasota, Florida 34236	**Voice:** **Fax:** **Email:** **Website:**	561-620-8494 561-620-8493 **info@startupflorida.com** **www.startupflorida.com**
The EDGE Center, Inc. Suzanne Harper, CEO 241 West Avenue A Belle Glade, FL 33430	**Voice:** **Fax:** **Email:** **Website:**	561-993-3343 561-258-7877 **edgeceo@edgecenter.info** **http://edgectr.googlepages.com/home**
Southwest Florida Enterprise Center Thomas W. Scott 3903 Dr. Martin Luther King Jr. Blvd. Ft. Myers, FL 33916	**Voice:** **Fax:** **Email:** **Website:**	239-321-7086 239-337-5604 **tscott@cityftmyers.com** **www.swflenterprisecenter.com**
The Motivated Entrepreneur Business Incubation Specialists Mr. Ryan Hoback President 9200 South Dadeland Boulevard, Suite 103 Miami, Florida 33156	**Voice:** **Fax:** **Email:** **Website:**	305-670-0998 305-587-3703 **www.motivatedentrepreneur.com**
Metro Broward Technology Enterprise Center Mr. Michael E. Carn President & CEO The Bank of America Building 3800 West Broward Boulevard Ft. Lauderdale, FL 33312	**Voice:** **Fax:** **Email:** **Website:**	954-587-3755 954-587-3703 **info@metrobroward.org** **www.metrobroward.org**
Indian River State College Business and Technology Incubator 924 Central Parkway Stuart, FL 34994	**Voice:** **Fax:** **Email:** **Website:**	772-419-5690 **kschrein@iscc.edu** **www.ircc.edu/incubator**

Appendix IV: Incubator Success Stories
(National Business Incubation Association Award Winners)

Story 1: William M. Factory Small Business Incubator

The William M. Factory Small Business Incubator opened its own $3.2 million facility in September 2003.

William M. Factory would be proud of the accomplishments of the Tacoma, Wash., incubation program that bears his name. Factory, a community activist who helped expand employment opportunities for economically disadvantaged entrepreneurs in East Tacoma, co-founded and directed the Tacoma-Pierce County Small Business Incubator (as the program was originally called) from its opening in 1986 until 1996. The mixed-use incubator was renamed in his honor after his death.

The program assists carefully selected businesses — many of which are owned by women, minorities or low-income entrepreneurs — as a way to revitalize the local economy, promote job growth and expand the tax base in its East Tacoma neighborhood. The incubator has graduated more than 200 companies; approximately 80 percent of those firms remain in business or have successfully merged. The William M. Factory incubator serves a number of specialty trades companies, including electrical, painting and construction contracting firms.

During the last year, clients at the William M. Factory Small Business Incubator have created nearly 300 jobs. Most of those jobs benefit residents of Tacoma's eastside — one of the area's poorest neighborhoods. "We haven't lost sight of our constituency," says Tim Strege, executive director. "The vast majority of our firms are managed by entrepreneurs who would otherwise be unemployed."

As part of their leases, all client companies sign first-source hiring agreements in which they agree to consider unemployed neighborhood residents for available job openings. These agreements create beneficial relationships between the businesses' growth and the residents' well-being, says Colleen Barta, business development manager at the William M. Factory incubator. "The employment clause helps incubator companies feel ownership of the eastside because their businesses and their employees are here," she says. "They want to increase the quality of life in the neighborhood, even after they graduate." Several incubator graduates continue to operate their businesses in East Tacoma.

Kevin Moss, a recent incubator graduate, is one entrepreneur who has made a difference in the community. Northwest Landworks, Moss' construction site preparation firm, joined the William M. Factory incubator in 1999 with two employees. With the incubator's assistance, Moss developed the business skills he needed to compete on large projects. In 2003, the company won a $12.5 million contract on a city water supply pipeline project, and the company's full-time employment grew to 14 workers — most of whom were minorities and/or women. One worker, a formerly unemployed eastside resident, earned more than $50,000 annually for the first time in his life, thanks to this job.

A delegation from Vietnam visits with staff from the William M. Factory Small Business Incubator in November 2004.

Factory and other Tacoma community leaders started the incubator in a vacant restaurant a few blocks from its current facility. Over the years, the program moved several times into other leased space, most of which was not conducive to client networking, Strege says. Still, each move helped the program reach more disadvantaged entrepreneurs. "Every move was an upgrade," Strege says. "And with every upgrade, our clients stepped up and performed even better, both because people outside the incubator gave the companies more respect and because the companies held themselves to higher standards."

In 2003, the incubator moved into its own $3.2 million building designed specifically for incubation, with 30 client offices, more than 100 workstations and four conference rooms. The 20,000-square-foot facility — which also features a fiber-optic communications system, an interior parking garage, and balconies overlooking Mt. Rainier and Commencement Bay — is one of the most technologically advanced office buildings in the Puget Sound region. Less than three months after it opened, the new building was full.

That's not to say admission into the incubation program comes easily. All prospective incubator clients must pass a stringent selection process to ensure that the entrepreneurs' backgrounds match the products or services they hope to offer and that their business models are viable. "We have a very strict selection process," Barta says. "Otherwise, our 78 percent success rate could easily be a 78 percent failure rate."

Incubator clients pay above market-rate rents, which include fees for all incubator services. These services include specialized assistance in accounting, human resources, engineering and other business functions. Consultants and instructors from two local colleges (Bates Technical College and Clover Park Technical College) and volunteer professionals share their expertise with incubator clients to complement the experience of incubator staff and to help keep overhead costs down, Barta says.

The incubator's exceptional facility, state-of-the-art technology, and highly capable staff and volunteers have contributed to the incubator's success, but clients most frequently cite the opportunity to network with other entrepreneurs and to interact with visiting contracting agencies and corporations as the most beneficial aspect of their incubator experience, Strege says.

In coming years, the William M. Factory program plans to develop an incubator campus with additional facilities to house start-up businesses in various industries. The incubator now is seeking funds and developing plans for an adjacent facility to house technical and scientific services start-ups.

"We are opening the door of the economy to a lot of new entrants, and in the process, we're enlarging the overall economy," Strege says. "Our current facility employs over 250 workers; an incubator campus could provide jobs for 1,000 workers or more."

This information was collected from the following website, where more information can be found: http://www.nbia.org/success_stories/.

Story 2: The New Century Venture Center

The New Century Venture Center's 29,000-square-foot facility is located in Roanoke, Va.

To understand the philosophy that drives The New Century Venture Center's (NCVC) success, look no further than its motto: "Get in. Get good. Get out." Since 1996, the mixed-use program has attracted entrepreneurs from Roanoke and its surrounding areas, helped them excel, and quickly shepherded their companies back into the community. In that time, the incubator has assisted more than 75 companies and graduated 25 companies, becoming a beacon of entrepreneurship within the region.

Despite its long record of success, getting NCVC off the ground was a struggle; developers laid out plans for the incubator a full eight years before it opened. "The community could see the values of the incubation concept, but we just couldn't get anyone to open their pocketbooks," says Lisa Ison, NCVC president.

During the start-up phase, NCVC solicited donations from the community for items such as paper clips, office furniture and a refrigerator, dropping projected start-up costs by $50,000. The incubator received a total of $460,000 from Virginia's Center for Innovative Technology, the Virginia General Assembly and the Community Development Block Grant program of the U.S. Department of Housing and Urban Development. "The process was a little different than the models you see today that get millions of dollars from the outset," Ison says. "But we knew what we were getting into from the beginning and were able to adjust our budget accordingly."

Once the funding was finalized, the project moved forward swiftly. Developers hired Ison in March 1996, purchased the 29,000-square-foot building three months later and opened NCVC in July with two client companies.

During the early client recruitment stage, Ison turned to the large number of home-based businesses in Roanoke that the incubator's feasibility study had identified. By obtaining lists of new business licensees and working with referral resources such as lawyers, bankers and accountants, Ison has cultivated this segment into an ongoing source of clients for the incubator. "The city's zoning administrator must approve all business licenses, and they are very strict about home-based operations," she says. "If the business is not allowed to be home-based, city zoning denies their application and sends them directly to us." According to Ison, 29 percent of the incubator's current on-site clients were once home-based.


SoftSolutions Information Technology, a graduate of The New Century Venture Center, received NBIA's 2003 Outstanding Incubator Graduate award.

NCVC clients receive much of their assistance through the center's mentoring program. Ison recruits local professionals to volunteer as mentors in areas such as law, finance, human resource management, manufacturing and marketing. From this pool of volunteers, she assigns each client a three-person advisory team to assist with meeting goals, formulating marketing strategies, plotting financial growth and other critical tasks.

Even for clients with strong business skills, the advisory team is a huge asset. "Even though I had formal business training and previous business experience as an independent consultant, I still had much to learn," says Jay Foster, president of NCVC graduate SoftSolutions Information Technology. "Working with an advisory team taught me a lot about basic business processes." The company got so good, it garnered clients including Johnson & Johnson, Volvo, Corning and Sara Lee and claimed NBIA's 2003 Outstanding Incubator Graduate award.

One of the secrets to NCVC's long-term success is flexible programming, which enables the center to serve clients with a wide range of skills and backgrounds. A pre-incubation program, for instance, serves entrepreneurs who may not meet the incubator's entrance requirements or who need time to test a business concept. These individuals can lease incubator space for six months, during which time they receive all of the services and assistance available to full-fledged clients, except the personal advisory team. They may apply for full tenancy at any time or simply move on to other opportunities. For inner-city residents who might not otherwise have the opportunity to pursue entrepreneurship or self-sufficiency, the center's BizPrep and JobPrep programs provide entrepreneurial and job training through a partnership with the Roanoke Redevelopment and Housing Authority. And for those entrepreneurs who are unable to locate in the incubator, NCVC offers an affiliate program, Venture Out. Participants can pay for services on a per-use basis or take advantage of the whole package for a monthly fee.

In addition to reaching segments of the community that might otherwise be overlooked, these initiatives provide NCVC with additional revenue streams and help cultivate a new crop of entrepreneurs within the community. And the incubator isn't finished looking for new ways to accomplish these goals. "Right now we're working on a contractor's cluster where we can bring together minority contractors and help them succeed," Ison says.

NCVC may work with small companies, but it has had a big impact on the Roanoke area. The incubator's 25 graduates have created nearly 200 new jobs, and several have bought their own buildings. "We're just as happy to have our smaller technology and service companies each create a few jobs as having one large company create lots of jobs," Ison says. "Our clients are recognized and appreciated by the community in a big way. Everyone knows them, and most know where they started out."

This information was collected from the following website, where more information can be found: http://www.nbia.org/success_stories/.

Story 3: Northern Alberta Business Incubator

The Northern Alberta Business Incubator is located in a former school building in St. Albert.

In the late 1980s, St. Albert, Alberta, Canada, encountered alarming imbalances between its residential and nonresidential tax base. As a suburb of Edmonton, the city was experiencing exceptional residential growth. Unfortunately for residents of the upper middle-class community, job opportunities within the city were not keeping pace. To help increase the chances for residents to both live and work in their community, the city launched the St. Albert Business Development Centre in 1989. Since opening, the mixed-use business incubator has aimed to expand the local economy by raising occupancy rates at St. Albert's office parks, increasing the success rate of start-up businesses and providing educational opportunities for local entrepreneurs.

In its 13-year history, the program has met and surpassed its goals, launching 56 new businesses and providing assistance to hundreds of other local firms through courses, seminars and one-on-one business counseling. In 2001, the incubator changed its name to the Northern Alberta Business Incubator (NABI) to better reflect its expanding mission as a regional incubator and in hopes of capturing the attention of emerging businesses in surrounding communities, as well as provincial and national government agencies.

"We wanted people to know we serve more than just our own city, since there are many entrepreneurs in surrounding rural communities that could benefit from our services," says L. Lorne Ross, NABI manager. "Servicing a larger market will also benefit St. Albert and its citizens, as every business brought in brings economic benefit to the city."

The Northern Alberta Business Incubator Society, a nonprofit organization, now operates the incubator in a 16,000-square-foot converted schoolhouse that can house up to 35 clients. NABI currently houses 21 businesses that employ 30 people. The businesses range from high-tech start-ups to business service providers. "Our businesses aren't necessarily the ones you'll see listed on Nasdaq, although there are one or two that may end up there someday," Ross says. "But they are solid family businesses that do a good job of providing community jobs for local workers."

True to the program's commitment to helping expand the local economy, staff members make every effort to help clients find suitable business locations within the city of St. Albert after graduation. More than 80 percent of its 56 graduates have remained in the city, including 10 companies that operate within the revitalized downtown district. NABI graduates now occupy more than 30,000 square feet of retail and commercial space in St. Albert and employ more than 350 people.

The Centre for Innovative Management, a free-standing MBA program offered by Athabasca University, is one such successful graduate that is helping spark the St. Albert economy. The program, which began in 1993 in a 250-square-foot office in the incubator, is now the largest distance-MBA program in Canada. The center occupies 10,000 square feet of office space in the city and employs more than 30 local residents, as well as 95 academics throughout the world.

Ross attributes the incubator's success to the staff's dedication to industry best practices and the board's commitment to local entrepreneurs. "Through the years, all of our boards have been made up of good, committed people who do more than just come to meetings," Ross says. "They're working boards, very hands-on, without being intrusive." When the NABI facility needed to be spruced up, board members teamed with clients and incubator staff to paint the facility at minimal cost. Board members also represent the incubator at a variety of events and meetings designed to promote NABI, its works and the incubation industry.

NABI's collegial climate also has been a key factor in its success, Ross says, as potential clients recognize the importance of a good working environment when selecting a location for their new ventures. The incubator brings clients and graduates together regularly for recreational events — such as slow pitch softball games, golf tournaments and holiday parties — to encourage camaraderie among local entrepreneurs and to promote NABI's reputation in the community as a good place to work.

NABI is working to raise its image nationally and internationally, so Ross says he hopes to parlay the Incubator of the Year Award into an increased awareness of both the industry and the incubator. "Over the last several years, I have really bought into the business incubation process," he says. "But even though we realize the importance of growing our own businesses, it's sometimes a challenge to tell that story, even within our own community. This is the best pat on the back we can get, and I hope we can turn it into further rewards as we embark on our capital improvement campaign."

Ross notes that the incubator is becoming "size-challenged" and needs a larger, more modern facility with the infrastructure to support the technology needs of area entrepreneurs. St. Albert is home to more than 100 home-based businesses in the field of information technology alone, so Ross says he hopes to help regional entrepreneurs recognize that the incubator is the next logical step in the process of developing their businesses. NABI soon will embark on a capital fund drive to raise funds for a new 30,000-square-foot facility to better serve entrepreneurs in the region.

This information was collected from the following website, where more information can be found: http://www.nbia.org/success_stories/.