BUSINESS PLAN
FOR A TECHNOLOGY INCUBATOR
Lane County, Oregon

Submitted to the:
University of Oregon
and
The Lane County Business Incubation Group

Prepared by:

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March 2004
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EXECUTIVE SUMMARY

Introduction

This business plan addresses a variety of issues associated with creating and operating a technology business incubator in Lane County, Oregon. It was developed based on the findings of a comprehensive market feasibility study, entitled “Market Feasibility Study for Business Incubation Opportunities in Lane County, Oregon”, conducted by Claggett Wolfe Associates, a firm with special expertise in business incubation. The feasibility study and this business plan were funded through Lane County’s Economic Development Fund. The work was facilitated by the University of Oregon Riverfront Research Park staff with the support of a community advisory council formed for that purpose.

Purpose

The proposed mission of the incubator is to stimulate the establishment and growth of technology-based start-up companies and other compatible businesses. By fulfilling this mission, the incubator would contribute to job creation, and provide for enhanced economic health to the region.

Description

The technology business incubator would provide new and emerging technology and compatible businesses with an environment that would support their start-up phase and increase their likelihood of success. The proposed incubator includes facility space, flexible leases, shared use of common office equipment, direct business assistance and guidance, mentoring, networking to capital, and other technical resources. A network of existing resources in the community would be developed to support incubator client needs.

Approximately six to ten clients at a time would be served within the incubator. The facility, proposed at 15,000 square feet, would include a mix of office and lab space.

Proposed Organizational Structure

This business plan recommends the incubator be structured as a 501 (c)(3). This form seems best suited to the proposed mission and positions the incubator to accept grants and charitable donations. The incubator would be governed by a board of approximately 7-11 members comprised of individuals with a mixture of entrepreneurial and technology experience, representatives of key economic development organizations, and representatives of area higher education institutions. The proposed incubator would be staffed by an Executive Director whose responsibilities would be to provide and/or facilitate access to value-added services needed by incubator clients, recruit and screen potential new incubator clients, and manage the overall operations of the incubator.

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Part-time administrative support is the only other incubator staff proposed in this plan during the initial years.

Alternative organizational structures are also considered in this business plan.

**Proposed Facility and Site**

The proposed incubator facility would be 15,000 total square feet with a mix of office and lab space. This business plan recommends the incubator be sited within the developing ONAMI (Oregon Nanoscience and Microtechnologies Institute) facility that recently received legislative funding support and is slated for the Riverfront Research Park. This would allow the incubator’s facility and staffing to be creatively structured to take maximum advantage of its location.

Alternative sites are also considered in this business plan.

**Budget and Financial Estimates**

As proposed, the incubator involves development of a new facility estimated at $2,300,000; one-time capital expenditures of $170,000; and an estimated annual operating budget of $237,300.

To make the project viable, funding must be sought. The most promising sources for funding include the United States Economic Development Administration, State of Oregon funding associated with the ONAMI project, the Lane County Economic Fund, and the University of Oregon’s office of the Vice President of Research.

**Evaluation Factors**

This business plan sees the proposed incubator as an important tool in the economic development toolkit of the area that would be a means to create new job opportunities for area residents, create higher wage jobs, better leverage intellectual property from the University and other research institutes, contribute to the growth and success of emerging technology businesses, and as a source to generate new tax revenue for Lane County. These factors would provide the long-term metrics against which to measure the success of the incubator.

**Next Steps**

Once this business plan is published, Phase I - the planning phase, will be complete. Interested parties will need to determine whether or not to proceed into Phase II - project implementation and resource development. An implementation outline is included in this document.

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The most critical component of moving forward will be to identify one person whose role is to take this project into implementation. This will be a significant and intensive responsibility, and will require a person who is primarily or solely dedicated to this project in order to provide the time, attention, and follow-up needed to create a strong foundation for the incubator.

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1.0 BACKGROUND

1.1 Business Incubation Overview

Business incubators accelerate the successful development of entrepreneurial companies through an array of business support resources and services. A business incubator’s main goal is to produce successful firms that leave the program financially viable and freestanding. Incubator graduates commercialize technologies, create jobs, and strengthen local economies.

Critical to the definition of an incubator is the provision of business assistance that comes in the form of management guidance, technical assistance, and consulting tailored to young, growing companies. Incubators may also involve facilities and facility-based services that provide clients with appropriate rental space and flexible leases, shared business services and equipment, technology support services, and assistance in obtaining financing necessary for company growth. Business assistance and facility-based services are described in more detail below.

**Business Assistance** - Incubators accelerate emerging companies’ development by providing hands-on assistance during vulnerable start-up years. Assistance typically takes the form of a package of business and technical support services including guidance and mentoring on business strategy, management, marketing, financial, legal, and product development issues as well as facilitated exposure to a “know-how network” of outside business resources and sources of capital.

**Facility-Based Services** - Locating entrepreneurs in one facility creates opportunities to lower costs associated with supporting a new business. Incubators usually provide office space to a number of complementary businesses. Incubators offer flexible leases, shared use of conference rooms, reception, and other common areas. Incubators provide emerging businesses with an infrastructure of telephone, local area network and Internet services along with shared use of basic business equipment such as copier, fax machine, postage meter, and other office equipment. An incubator can give a new company a much-needed visible identity to help promote its offerings and find funding or investment capital.

The Small Business Administration of the U.S. Department of Commerce reports that only 20% of new businesses are still in operation after the first five years due to undercapitalization and lack of proper management skills. In contrast, a series of landmark evaluations of Economic Development Administration (EDA) funded programs revealed that 87% of all incubator graduate firms remain in business, indicating that business

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incubation can be a highly effective economic development tool to create wealth and improve community and national competitiveness.²

A 1997 study funded by the EDA concluded that business incubation programs help build healthy, lasting firms and they do it for a low cost. However, performance varies widely. Incubators with the highest returns are those that have been well organized, have management capable of catalyzing entrepreneurship in their communities, and place a priority on staff time working proactively and in-depth with client firms. Programs that do not have staff of sufficient quality to provide high value-added assistance to entrepreneurs and who offer primarily real estate services cannot claim any significant role in fostering client company success.³

1.2 Feasibility Study Highlight Findings

The University of Oregon (UO) received a grant from Lane County to conduct a market feasibility study and prepare a business plan for developing one or more business incubators. Claggett Wolfe Associates, a firm with specialized expertise in business incubation, completed the feasibility study in August 2003. They found strength and diversity in the technology and manufacturing sectors and recommended that a combination of specialized facilities, programs and services focused on these businesses would offer the greatest economic benefit to the area. Highlights of the study findings are outlined below.

**Technology Sector: Conclusions & Recommendations**

The feasibility study concluded the technology sector is becoming an important part of the regional economy and supporting technology business incubation promises to provide the greatest long-term economic benefit. The technology sector typically provides rapid employment growth and higher wage rates. Technology firms serve broader markets, which would import wealth into the region. Lane County has experienced modest, steady growth in the technology sector. Additionally, the UO has demonstrated increased research activity and is generating more commercializable technology in biosciences, human development, advanced materials, and information technology, and is creating more opportunity to transfer technology to start-up companies locally.

Claggett Wolfe recommended a pilot facility-based incubation program be developed in a facility of 7,000 to 10,000 square feet with the ability to expand as

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³ Best Practices in Action – Guidelines for Implementing First-Class Business Incubation Programs, NBIA, 2001

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research activity and commercialization increase. The incubator should be located proximate to the UO and linked to the existing Riverfront Innovation Center within the Riverfront Research Park. The program should be designed to serve up to ten start-ups at a time. The recommendations estimated two to three additional staff, and an annual operating budget of $300,000 – $350,000.

Manufacturing Sector: Conclusions & Recommendations
The feasibility study found that while the number of manufacturing firms has been declining, some local companies in specialized markets – particularly those less vulnerable to offshore manufacturing – have seen growth. They concluded a services-based incubation program would provide the greatest short-term benefit. This service incubation program would serve 10-15 existing small and medium-sized manufacturing businesses at a time and one to two new ventures. The services should focus on assisting businesses that serve broad national or global markets and have potential for significant growth. They identified Lane Community College’s (LCC) Business Development Center as a strong candidate for developing and administering the service-based incubation program and estimate the need for two or three additional staff, with an annual operating budget of $200,000-$250,000.

The study did not recommend pursuing business incubation strategies for other sectors that were analyzed. (A complete copy of the feasibility study is available at http://researchpark.uoregon.edu/incubation.html).

1.3 Focus of this Business Plan

An advisory committee overseeing the business incubation effort agreed with the feasibility study’s findings. They directed Kathy Smith, of KJ Smith Associates, to build on the conclusions of the feasibility study, and outline a business plan to be used in designing, and hopefully implementing a business incubator. A key directive from that advisory committee was to ensure that the business plan take a realistic view of Lane County’s unique challenges. Additionally, there was strong sentiment that the business planning process should narrow the range of alternatives possible for business planning and focus on an actionable plan.

Discussions with key stakeholders during the business planning process revealed that efforts to support technology related economic development activities – a clean industry with growth potential – appear likely to engender broader-based support than a project based solely on manufacturing.

To that end, the primary focus of this business plan is a pathway to action to develop a facility-based incubator for a mixed range of technology-based start-ups. However, the plan can accommodate access to the incubator for compatible manufacturing start-ups if warranted and desired by the steering committee that is suggested to oversee development of the incubator.

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2.0 MISSION, OBJECTIVES AND BENEFITS

In general, the mission of any business incubator is to increase the successful development of emerging businesses in sectors that are supported by a region’s unique areas of opportunity. Ideally, businesses that graduate from an incubator move out into the community and contribute to the overall vitality, diversity, and growth of the area economy. Incubators provide environments that allow a region to take an active role in “growing their own” businesses that will lead to job creation. These new businesses and the new jobs they produce create wealth – through multiplier effects and new tax generation - that ultimately benefits the community beyond the individuals directly employed by incubator businesses and graduates.

2.1 Suggested Objectives and Mission

The incubator would serve as a hub for technology start-ups and would actively identify and provide for the value-added services required to support incubator clients’ success.

Based on interviews completed during the business planning process, preliminary objectives that provide measurable outputs and outcomes to support the incubator’s mission may include the following:

1. Create new job opportunities for area residents
2. Create higher wage jobs
3. Better leverage intellectual property from the University and area research institutes
4. Contribute to the growth and success of emerging technology businesses
5. Generate new tax revenues for Lane County

A possible mission statement for this technology incubator might be similar to the following:

Our mission is to stimulate the establishment and growth of technology-based start-up companies and to increase the number of successful companies originating and developing in the area. We help emerging companies gain access to mentors, training, shared space, professional assistance, capital, and other services that will move them onto the fast track to success. By fulfilling our mission, we contribute to job creation and enhanced economic health in the region.

If the incubator project moves forward, it is important the mission and specific objectives would be more fully developed by a steering committee charged with establishing the incubator.

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2.2 Benefits to Stakeholders

If successful, the incubator would benefit a wide range of stakeholders in Lane County and beyond. Key stakeholders include incubator companies and their employees, the community at large, and area educational institutions. Major benefits expected to accrue to each of these stakeholder groups are summarized below.

Benefits to Incubator Companies

Companies that are accepted into incubators enjoy dramatically improved success rates as their business enterprises are nurtured through early development years. Specific benefits include:

- **Reduced Barriers to Entry** - The incubator environment would provide an “easy start” for emerging companies by offering affordable office space, access to shared equipment, meeting facilities, and on-site business and technical assistance. This lowers the overhead and operating costs during critical formative years.

- **Networking and Mentoring** - The incubator would facilitate a “know-how” network to address incubator companies’ unique needs for partnerships, suppliers, and/or potential sources of capital.

- **Increased Visibility and Stature** - The incubator would significantly increase visibility and presence of tenant companies in the marketplace and advance their success potential. Admission to the incubator would imply an endorsement that enhances new companies’ statures and increase their chances to secure funding.

Benefits to the Community

The overarching benefit to the community is increased economic health and vitality. Specific benefits include:

- **Job Creation** - Incubator companies would create new employment opportunities for area residents. Technology companies typically create higher wage and higher skill jobs.

- **Enhanced Image** - A business incubator is one important element to enhance Lane County’s image as a progressive, future-thinking place that encourages and supports technology business development.

- **Increased Entrepreneurialism** - A business incubator can create awareness of entrepreneurs and stimulates confidence among individuals to consider opportunities for business creation.

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- **Business Development** - Established area businesses, especially those that develop relationships with early-stage companies, create long-term business opportunities as incubator companies grow and expand.

- **Increased Tax Revenue** - New jobs and new businesses in the incubator and those businesses that graduate from the incubator and spin-out into the community would generate a larger, more diverse tax base to support public services and contribute to many facets of community livability and health. Technology is seen as a clean industry with growth potential that aligns well with the State’s economic development platform.

**Benefits to UO and LCC**

The business incubator complements the mission of both educational institutions and will efficiently leverage existing initiatives. Specifically, benefits include:

- **Expanded Outreach** – The Business Development Center (BDC) at LCC can extend their service base by serving incubator clients through educational seminars, training classes, and counseling. Additionally, the Oregon Network of Small Business Development Centers is currently working to gain special designation as “Technology Development” centers. This will extend BDC services to provide more focused assistance to technology-based businesses.

- **Enhanced Image** - Championing the incubator will provide tangible evidence to the community of how the UO and LCC’s educational and research missions fuel Lane County’s economic health.

- **Improved Structure for Technology Transfer** - The incubator helps fill a void in the entrepreneurial development eco-system in Lane County. Research and licensing activity for Technology Transfer (TT) from the UO has grown notably over the past three years. The business incubator would create an environment where appropriate TT licensees could develop in the early years and enjoy enhanced success associated with business incubation. In turn, their success leads to increased licensing revenues to the UO.

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3.0 ORGANIZATIONAL STRUCTURE

There are three general options of legal and governance structures for business incubators with variations on each. General structures include: 1) a private, for-profit corporation, 2) an independent 501 (c)(3) not-for-profit corporation, and 3) a unit operating under an existing “host” 501 (c)(3) not-for-profit corporation. An additional option in Lane County would be to structure the incubator as a department of the UO. Each alternative is described below.

3.1 Structure Alternatives

Private, For-Profit Corporation

For-profit incubators are usually established by venture capitalists or private corporations intending to spin-off internal technologies that lead to significant, short-term return on investment to corporate shareholders. Such returns are usually realized through an initial public offering or an acquisition of the start-up company.

A for-profit structure is well-suited to fast growth sectors that provide high-returns in a short period of time. This structure may be more attractive to sophisticated venture capitalists and angel investors which can increase an incubator’s ability to attract new ventures due to improved access to sources of equity capital. A for-profit structure is easily established (relative to a not-for-profit structure).

A for-profit structure may not be best suited for an incubator whose overall mission is to provide for broader economic benefit to a region. With such a mission, ventures that would grow stable small and medium size businesses - for example, those that could provide for 10 to 20 new jobs and annual sales of $5 million to $10 million - may not meet the investment criteria typically sought by investors involved in a for-profit incubator.

Independent, Not-For-Profit Corporation

Not-for-profit incubators are not driven by return on investment to shareholders and therefore can be well-suited to serve promising ventures that would provide for job creation and economic benefit to a region. A not-for-profit 501 (c)(3) structure also allows for access to charitable donations and public funds.

However, a non-profit incubator may experience greater difficulty in attracting investors and professional service providers to the program who want to see proof that a non-profit organization can be effectively run to promote the growth of new business ventures. Another challenge this structure poses is that the time required to establish a new 501 (c)(3) can be long. Incubator industry experts note that increased scrutiny by the Internal KJ Smith Associates
Revenue Service has led to increasing effort and time – up to two years – required for incubators to prove public benefit and gain status as an independent charitable organization.

**Host Not-For-Profit Corporation**

A host not-for-profit structure entails that an incubator be established under the not-for-profit umbrella of an existing 501 (c)(3) corporation, such as a university foundation, community foundation, or economic development corporation. To be successful, incubators that operate under the umbrella of a host must meet the not-for-profit objectives of the host, but must be operated independently so that the incubator is not overshadowed by operations and culture of the host operation. Independent operations can be accomplished by establishing an incubator advisory board that acts in the capacity of a board of directors to provide strategic oversight to the incubator program while the host organization serves as the fiscal agent. The advisory board includes one or two representatives from the host corporation, and representatives from the investment and business communities who are experienced in new business start-ups.

A hosted not-for-profit structure allows the incubator access to charitable donations and public funds that are administered through the host 501 (c)(3). A hosted incubator allows for rapid roll out of the incubator project (compared to an independent not-for-profit structure). A strong host can also provide instant credibility to an incubator project.

A key concern with a host structure is the potential for conflict between the board and management of the host and that of the incubator. Such conflict can occur if the institutional culture of the host is not compatible to entrepreneurial enterprises. Careful attention to creating a governance structure that allows the incubator to operate autonomously with its own advisory council and management staff can help assuage this concern.

**Structure as a Department of the University**

Another structure that could be considered is to organize the incubator as a department of the UO. In this structure, incubator employees would be staff of the UO. This would entail that the UO see the incubator as an appropriate and logical extension of its current organization and mission.

A UO department structure clearly assumes the UO will continue to champion and, in fact, formalize its position as champion of a technology incubator in Lane County. A key benefit to this structure is that it could provide the human resources to expedite the implementation phase of the incubator should the project move forward. Another positive aspect of this structure is that, as a public institution, the UO is an eligible applicant for potential funding sources that appear most promising for incubator facility development.

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Concerns related to this structure involve the potential that the institutional culture of the UO is not conducive to the entrepreneurial style management required for incubator operations. For instance, incubator staff could be pulled into other University initiatives that would distract from the necessary attention required for operation and optimal success of the incubator. If this structure was pursued, the UO would need to work hard to ensure it was leading the effort in a way that provides for maximum stakeholder involvement in order to build the coalition and networks necessary for success once the incubator would open for business.

**Recommended Organizational Structure**

In reviewing the local conditions and assuming the proposed mission will be adopted, this business plan favors an independent not-for-profit 501 (c)(3) structure for the incubator project in Lane County. This structure provides the greatest flexibility for incubator operations and positions it to be able to adapt to changing market dynamics and needs into the future. This structure also allows for access to public funding and private donations that are frequently required for the start-up and early years of operation of a new incubator.

If the time required to establish an independent not-for-profit 501 (c)(3) becomes a significant barrier to proceeding with the incubator project, alternatives for an interim structure should be explored including a host not-for-profit corporation or a UO department structure.

An organizational diagram that depicts the recommended independent not-for-profit 501 (c)(3) status is presented below in Figure 3.1 and descriptions for each organizational component follow.
3.2 Governing Board

Board Composition

The Governing Board would consist of individuals and organizations that share the vision for the incubator and provide expertise that would contribute to the ability of the incubator to fulfill its mission. The full Governing Board would be comprised of approximately 7-11 members. An Executive Committee of that Board, approximately three members, would be responsible for ongoing oversight and management.

Along with resource partners, the Board should consist of representatives from the private sector with notable expertise relevant to the incubator clients and critical public sector economic development groups.

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A preliminary list of the types of suggested representatives for the incubator include:

- **Resource Partners**
  - University of Oregon
  - Lane Community College
  - Lane County
  - City of Eugene

- **Professional, Technological and Financial Expertise**
  - Technology Industry Representative(s)
  - Technology Entrepreneur(s)
  - Venture Capital
  - Financial Institution/Bank
  - Legal
  - Marketing
  - Accounting
  - Real Estate

- **Economic Development Agents - Strategic Linkages & Service Integration**
  - Lane Metro Partnership
  - Eugene Chamber of Commerce
  - Springfield Economic Development
  - Technology Transfer, UO
  - Business Development Center, LCC
  - Oregon Economic and Community Development Department
  - UO Foundation

**Board Duties**

The primary functions of the Board are to establish policy guidelines for incubator operations and to assist in screening prospective incubator clients. Board members should be connections to a “know-how” network that would assist the incubator’s Executive Director in creating links to investment and professional resources that support the success of incubator clients. The Board would be instrumental in promoting the incubator in the community and generating awareness and understanding of the incubator as an important, forward-thinking economic development tool for the area.

The Board would also be responsible for planning and formulating policy to guide the programmatic direction of the incubator, hiring the Executive Director position, and ensuring the overall financial viability of the incubator.

In performing their duties, boards of successful incubators are characterized by a more entrepreneurial versus administrative approach to managing incubators. They “allow the incubator to run like a business” which involves timely responses to the decisions that come up day-to-day.

**3.3 Staffing**

At start-up, the proposed incubator staffing would include a full-time Executive Director and a part-time receptionist. The staff would provide services to incubator businesses, cultivate resource networks, manage facility development, and manage ongoing activities.

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operations. Subsequent increases in staffing hours and levels would depend on increases in workload and funding availability.

**Executive Director**

A full-time, on-site Executive Director should be hired to manage the operations of the incubator and provide direct business assistance to clients. He/she would report to the Board. The Executive Director provides the daily energy and hands on mentoring that is catalytic to the incubator’s mission. He/she must be experienced in technology start-ups, have a well-rounded understanding of business management, facilitative leadership ability, and interpersonal skills. A strong Executive Director will have an established network of venture capitalists, angel investors, and bankers to support new venture financing. The ideal Executive Director would be well connected to professional and technical knowledge networks in the community and would serve as a conduit to a resource network of service providers that provide expert assistance to incubator clients. If recruited from outside the area, this person must have adequate credibility to rapidly establish those networks and engender their support. This position would also be responsible for developing volunteer and intern programs to support the incubator and facilitate connections between student interns and incubator clients. For a sample position description, see Appendix A.

**Receptionist/Administrative Support**

Initially, the receptionist position would be the only other paid position at the incubator. The receptionist would answer telephones, greet visitors, provide fee for service administrative support to tenants, and maintain equipment and supplies. Based on the number of tenants projected, this would begin as a part-time position and could increase over time as tenant occupancy and revenues increase.

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4.0 SERVICE OFFERINGS

Incubator services and programs are designed to increase a client’s likelihood of successful development and growth beyond what the client company could achieve on its own. Offering value-added services is key to the incubator’s ability to successfully spinout graduates into the community and generate jobs and wealth in the region. Without these services, the incubator is little more than a benevolent landlord.

Incubator offerings are divided into four categories:

- Direct business development assistance
- Professional network and relationship support
- Educational programs
- Facility-based services

Incubator clients would have access to all core programs and services as part of their monthly lease agreement. Per unit service fees would be required for additional office services and special programs that may require client support fees.

It is important to underscore that the proposed incubator should work to develop cooperative agreements and referral relationships with existing resource partners throughout Lane County who provide services that support the growth of early stage technology businesses. These resource partners include, but are not limited to, LCC’s BDC, area chambers of commerce, Lane Metro Partnership, Lane Workforce Partnership, cities, county, and state economic development, and business resources, etc. Such cooperation will avoid redundancy and redirect valuable time/resources toward services that address specialized and unmet needs of incubator clients.

Brief descriptions of proposed offerings are described in the section that follows. These offerings are based on a review of incubator literature and reflect perspectives gleaned from interviews with Lane County stakeholders and from interviews with representatives from three young or emerging technology businesses.

4.1 Direct Business Development Assistance

Business development assistance is the direct support provided to clients from the time of acceptance through graduation. The incubator’s Executive Director would provide oversight and facilitate access to resources that meet client needs as those needs arise over the course of their incubation.

- **Business Assessment** - This is the ongoing process of evaluating client business plans, identifying areas of need, developing a work plan to address those needs including identifying expertise and services needed to move the business plan
forward, and timeframes for major tasks to be completed. The initial assessment would occur upon acceptance to the incubator and follow on a monthly basis or as business issues dictate. The final assessment would be a graduation transition plan that links the young company to appropriate resources in the community. While the Executive Director would rely on a variety of resources and partners to assist the client in implementing the work plan, assessments and monitoring overall progress against the plan are key functions the Executive Director performs.

4.2 Professional Network and Relationship Support

Networking and relationship support describes the active role an incubator takes to develop connections to resources that incubator clients might not otherwise have access to as small, emerging businesses.

- **Mentoring** – The incubator’s Executive Director would develop a pool of volunteers willing to serve as mentors and business counselors for client companies. Mentors would be selected based on their experience with the client’s industry sector and stage of development. The Executive Director would meet with mentors on a routine basis to stay abreast of the company’s development and suggest resources that would help the mentor best serve the client business. Feedback mechanisms would be in place to ensure the mentorship is providing good value to the client.

- **Professional Network** - The incubator should develop a broad-based pool of high-quality professionals that have the technical and business skills needed to support client businesses. Services for such a network would be negotiated on a pro bono or reduced fee basis with guidelines for qualifications and level of service provided. The incubator would screen service providers, facilitate the interaction between the service provider and the client, and establish means to assess client progress and satisfaction.

- **Advisory Boards** - The incubator should also develop pools of professionals, technologists, and business owners that are willing to volunteer as advisory board members for client businesses. Such incubator advisory boards are usually composed of three or four people who have experience and expertise in the technology/industry of the incubator business. The advisory boards agree to meet with incubator clients on a regular schedule and provide counsel at various stages of the client businesses’ development. The incubator would screen board members, meet with them to monitor client progress, and establish means to assess client satisfaction.

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- **Capital and Financing Network** – The incubator would establish and maintain relationships with a network of banks, angel investors, venture capitalists, and corporate equity investors through capital networks, brokers, and personal contacts. The incubator would provide introductions between incubator clients and appropriate investment resources.

- **Program Referral Service** – The incubator would maintain up-to-date knowledge of and relationships with established resources and programs in the area and provide referrals and information to incubator clients.

- **Intern Network** - Interns at the UO, LCC, and other area educational institutions provide a talented, affordable work pool to support incubator and incubator client special projects on an ad hoc or ongoing basis. Areas of particular use to incubator clients include, but are not limited to, graduate level technology, law school/Legal Clinic, Lundquist Business School/Entrepreneurship Center, and Journalism/Communications. The incubator should identify internship directors and establish a process that provides clients with the means to identify, screen, and recruit interns.

### 4.3 Educational Programs

Educational programs include hosted, on-site seminars of interest to technology start-ups and incubator clients. This plan envisions that general business topics may be provided through the excellent resources of LCC’s BDC or other available community resources. The incubator conference room would be used for on-site educational offerings and could be made available for other educational offerings that are consistent with the incubator’s mission if practical.

- **Hot Topic Seminars** – Seminars emphasizing topics of special interest to emerging technology businesses would be provided on a regular basis. Many incubators host such seminars on a monthly basis. The Executive Director would identify topics based on an understanding of incubator client needs and invite guest speakers with expertise in the topic area.

- **Business Topics Trainings** – The incubator should work with LCC’s BDC to provide incubator clients with access to the range of general business-related topics that are applicable to any start-up operation including financial, legal, organizational, marketing, insurance, etc. Depending on client demand and needs these offerings could be provided on-site at the incubator or off-site at the BDC.

- **Commercialization/Licensing Seminars** – The incubator should host an annual educational seminar for area technologists to inform them about the challenges and rewards of technology commercialization, the processes and costs associated with

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with licensing technologies, and area resources available to support those technology commercialization efforts. The seminars would bring technologists and entrepreneurs together and could be a tool for marketing the incubator to potential clients. A small panel of area experts would be invited to speak, such as the UO’s Director of Technology Transfer.

- **Resource Library** – The incubator would build and maintain up-to-date information resources for technology start-ups including resource directories, business form templates, and checklists. Incubator staff should be aware of UO and other area libraries that can provide additional resources to clients.

### 4.4 Facility-Based Services

Facility-based services involve flexible leases and other site-based services that are included in the basic rental package. Fee-for-service administrative support is also envisioned.

- **Space** – The incubator would provide access to office space that includes telephone, local area network, high-speed Internet access, and basic office furniture. Incubator clients would have access to shared conference rooms, restrooms and a kitchen/lounge. Security, janitorial, landscaping, and parking would be included in the rent.

- **Rent** – The Board and Executive Director will determine rental policy. While some incubators charge below market rent, others charge market rate or higher. Higher rates underscore the value of added services clients receive as well as reduce subsidy required for incubator operations. This approach should be seriously considered. However, in this plan’s financial analysis we have conservatively estimated that rents would be offered at the low-end of market for comparable space initially, and would escalate on a planned schedule. Escalating rental rates are intended to foster client orientation toward growth and graduation at a predetermined point in time.

- **Shared Office Systems Support** - Incubator tenants would have access to a common copier, fax, and postage meter, and be billed a usage charge only. This business plan assumes a part-time receptionist would provide central reception and switchboard. This person may also provide secretarial support for client requests on a user-fee basis.

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5.0 CLIENT SELECTION

Client selection and graduation are critical to a successful incubator. The screening process should be customized to meet the incubator’s mission and ensure the firms selected can benefit from its value-added services. For a sample tenant application form, see Appendix B.

5.1 Application Process

The proposed application process for prospective incubator clients involves two to three steps. The application process should be completed within about five days.

Step 1: Complete Application - All prospective clients would complete a brief application form. A completed application provides the incubator with a brief description of the applicant’s current business status, and a very preliminary sense of the applicant’s service and facility needs.

Step 2: Provide Business Description or Business Plan - Prospective clients that complete Step 1 and are determined to be a potentially eligible company, would be required to augment their application with a business plan or written business description. The Executive Director and an individual with expertise in the applicant’s industry would review the document. It should provide more in-depth information about the stage of business development, stature of the management team, market potential, and overall potential for success.

At this point, if the business description or business plan adequately addresses screening criteria pre-established by the Board, the Executive Director could approve the applicant for acceptance and inform the Board.

If the Executive Director needs additional assistance to determine if approval is appropriate for an applicant an additional step would be added. It involves a brief presentation to an incubator panel as described below.

Step 3: Present to Incubator Panel - The prospective client would present their business case to a small panel of three to four people comprised of Board members, appropriate industry experts, and the Executive Director. The panel’s role is to assist the Executive Director in understanding the business case and determining if the applicant should be approved for acceptance into the incubator. Based on the panel’s input, the Executive Director would make a decision regarding acceptance and inform the Board.

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5.2 Evaluation Criteria

The criteria used to evaluate prospective clients throughout the application process should be based on the mission and objectives of the incubator and be compatible with the broad mix of technologies supported by the incubator.

Suggested basic evaluation criteria include:

- The business should be a technology-related firm producing offerings that can be commercialized within three years. Compatible manufacturing firms that meet these criteria would also be eligible to apply, provided their space needs were compatible with the incubator facility.

- The business must be in early stages of development. Early stage usually means within the first two years of business operations, but small companies involved in a significant change in direction or launching a new business product may also apply.

- The applicant must show ability to pay incubator rents while they develop positive cash flow.

- The applicant must have a management team that the Executive Director feels can handle the technical aspects of the business. The management team should have entrepreneurial business acumen or be willing to accept advice from an incubator established advisory board.

- The applicant must want to take advantage of and be able to benefit from the value-added services and guidance of the incubator. The applicant business must be willing to take advice from the professional network and/or the Executive Director.

- The applicant business must have the capacity for growth and provide economic benefits to the area including creating new jobs and opportunities for area suppliers and vendors.

- The applicant must not be in direct competition with existing incubator businesses.

5.3 Graduation Policies

Graduation policies should be written into tenant lease agreements. Those policies should address time limits, value exchange, and resource commitments.

**Time Limits** - A maximum amount of time for a client to receive services should be set. A fairly common standard is a maximum of three years, on a month-to-

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month lease. This can be customized by type of business and extended on a month-to-month basis for an additional year if indicated. In particular, bioscience companies generally require a longer time to get products approved and ready for market, and often require incubator services for five to seven years. Regardless of the specific time limits established, it is important to underscore that in discussions during the business planning process stakeholders strongly recommended a rigorous application of this policy. They see it as critical for achieving “early wins” and fostering ongoing support for the incubator.

Value - The incubator should self-assess its ability to provide continuing value to a client. Clients who have progressed beyond the incubator’s ability to provide sufficient value should graduate and begin using private sector providers. Ongoing business development assessments between the incubator management and client and the month-to-month lease structure facilitate this value assessment.

Resource Commitment - The incubator should establish resource commitments and clarify expectations and responsibilities.

5.4 Anchor Tenants

Unlike incubator clients who use the value-added services of the incubator and may receive below-market rents, anchor tenants are traditional research, development, and technology-based companies or companies providing professional services to tenants within the building. Anchor tenant rents contribute to the incubator’s financial stability and these tenants lease agreements should be set for a term of three to five years. Anchor tenants will be selected and admitted based primarily on their compatibility with the incubator’s community of clients and their ability to reliably pay the monthly rental fees for the term of the lease.
6.0 FACILITY

The market feasibility study concluded that a technology incubator facility should be 7,000 to 10,000 square feet, located near the UO, designed to meet the needs of new and emerging businesses that represent a mix of technologies, and sited to allow for expansion to accommodate expected overall growth in the region’s technology sector. These factors provided the initial parameters for more in-depth development of potential facility features during the business planning process. Incubator industry literature was also reviewed and indicated that the primary feature of incubator design should be flexibility. Flexibility is necessary to provide modest sized spaces for new incubator clients but allow for internal expansion and contraction as client business needs change during tenure in the incubator.

Site alternatives are summarized below, followed by a site recommendation, preliminary recommendations for facility size, and approximate space allocation.

6.1 Site Alternatives

There are three basic site options for an incubator facility in Lane County with some variation on each one. Basic options include: 1) expansion at the Innovation Center site located in the Riverfront Research Park, 2) lease/purchase of an existing building located near campus, and 3) incorporating the incubator into the proposed new Oregon Nanoscience and Microtechnologies Institute (ONAMI) building. Each of these alternatives is briefly described below.

Expand the Riverfront Innovation Center

One alternative is to expand on the site of the Riverfront Innovation Center. The Innovation Center is a 4,000 square foot building that is owned and managed by the UO and located at 1900 Millrace in the Riverfront Research Park. It was built in 1971, and since 1994 has been leased as research and development space to technology start-ups that have emerged from the University and community. It currently houses four technology businesses. While the Innovation Center offers some features of an incubator such as relatively low rent, month-to-month leases, copier, meetings rooms, and parking, it does not currently provide additional value-added services associated with incubation.

The positive aspects of this site include its attractive setting in the Riverfront Research Park, close proximity to the UO, adequate access to parking, and adequate land to accommodate an incubator facility of the recommended size.

If this site is selected, it will require major updating and renovation to the existing building to make it better suited for incubation and to incorporate it into a new addition that would be constructed. An alternative would be to demolish the existing structure.

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and build a larger incubator on that site. A comprehensive cost evaluation of the property and its condition should be completed to provide a sense of the relative costs associated with renovation versus demolition. Land lease terms and other site preparation details would need to be explored with the UO.

**Lease/Purchase an Existing Building**

Another site alternative is to lease or purchase an available building that is suitable for incubation. During the business planning process, potential incubator sites were scanned with the assistance of Milton Oilar of Campbell Commercial Real Estate. Eight properties were identified as potentially suitable – by virtue of their location and/or size – to house the incubator. Of those, three are currently available for lease or purchase. For a list that briefly notes characteristics of each site see Appendix C.

While this business plan has a bias toward an owned facility\(^4\), leasing space is a viable option. Leasing could minimize barriers to incubator development by reducing start-up costs and allowing a facility to be brought-up more quickly than “build” or “buy/renovate” alternatives.

**Locate Within ONAMI**

As this plan is being written, the UO is beginning to plan an entirely new concept in R&D buildings, representing a public/private partnership between UO researchers and private industry. The new initiative is called Oregon Nanoscience and Microtechnologies Institute (ONAMI) and is a research collaboration with Oregon State University, Portland State University, Pacific NW National Laboratory, and private industry. Located in the Riverfront Research Park, the ONAMI facility will house materials science equipment and labs related to nanomaterials and nanosurfaces. Current planning for the ONAMI facility includes a technology incubator.

ONAMI’s mission is to translate basic research into product development and business creation. This is planned to be accomplished by creating: 1) labs for faculty research groups, visiting researchers, and industry partners; 2) a high-tech extension service housing facilities for material nanofabrication and characterization that will be available to private industry; 3) a technology incubator, providing programs, services, and staffing for emerging companies that are creating and/or spinning off commercial activity; and 4) space for larger private companies.

The conceptual program for a 55,000-65,000 square foot building includes:

- 25,000-30,000 square feet of faculty, visiting researcher, and industry partner research lab and office space.

\(^4\) Interviews with three executives of active incubators indicated that “owning the land and building” is desirable to provide for “control” and “long term stability” for a facility-based incubator program.

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- 15,000-20,000 square feet of high-tech extension service/nanofab facility/shared equipment rooms and common area space (reception/seminar and meeting/kitchen and break room).
- 7,000-10,000 square feet of technology incubator space, with the ability to share the above common areas, and 8,000-10,000 square feet of non-incubator private company space.

The UO has received partial state legislative funding for ONAMI, including $4.75 million of Article XI-G bonds, $4.75 million of lottery bonds, and the authorization to raise up to $9.5 million in donations, grants, and contracts, for a total of $19 million. The state bonds will be issued in early 2005, and ideally construction can commence in late spring of 2005, with completion 15 to 18 months later.

Once programming for the facility is completed, the full project scope and budget will be known. It is possible the building’s core and shell initially will be constructed with the $9.5 million, with some interior labs and equipment areas, while the remainder of the interior (such as the incubator space) will be completed in phases as funding is available.

**Lane County Incubator: Recommended Site**

Among these alternatives, the best opportunity appears to be integrating the technology incubator within the planned ONAMI facility.

A primary benefit associated with this site alternative is potential access to state funds. It appears consistent with the legislative intent of ONAMI’s mission that state funding could be used to construct at least a portion of the incubator facilities. For example, these funds might be used to construct core and shell space, while other funding would be needed to complete internal tenant improvements. Another consideration is that certain funds require match; this state funding might be used for this purpose.

There is also potential to share services with other entities in the ONAMI facility (e.g., reception, property management services, etc.) to more efficiently provide service and minimize costs for incubator operations. These opportunities should be explored in more detail as the ONAMI project evolves.

**6.2 Size and Space Allocation**

The recommended size for the incubator is 15,000 square feet. A suggested preliminary space allocation is:

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Incubator Client Office Space – Client space would include suites ranging from 150 to 400 square feet and be able to provide for larger offices as incubator client businesses grow and expand. 

Incubator Client Lab Space – Space would be allocated to provide for bio or nano science labs within the incubator. 

Anchor Tenants – Space would be allocated to accommodate one to two suites for anchor tenants. 

Incubator Administration – This provides one professional office space for the Executive Director. It is somewhat generously sized to accommodate private meetings. 

Common Space – The ratio of common space in the incubator is approximately 25%. Common areas include wide hallways, two meeting/confERENCE rooms, a resource center, a kitchen/lounge, restrooms, and a welcoming reception area. 

The suggested size of 15,000 square feet for the incubator was arrived at by considering several factors: 1) feasibility study recommendations for a facility of 7,000 to 10,000 feet, 2) assuming the need for income from anchor tenant rents and incorporating anchor tenant space, and 3) allowing space for incubator businesses as they expand and for increased demand as the technology sector expands overall. If the incubator is successful and needs additional space, anchor tenant space could be made available at the end of lease terms. 

It is important to note that our budget and financial projections show a subsidy will be required for incubator operations. Industry literature indicates that facilities of 30,000 square feet are typically required for incubators to achieve self-sufficiency. While the current level of local entrepreneurial activity will not support a large, independent incubator, the need for a facility is critical to technology incubation where needs change rapidly. A 15,000 square foot facility is suggested to commence the project and, if successful, expand it when indicated. 

6.3 Additional Facility Recommendations 

Infrastructure for high-speed data communication is an important feature in technology incubator facilities. Other desirable features include: 

- Internal LAN/WAN cabling
- 7 day a week, 24 hour day access
- Facility security (card key entry, lockable offices, lockable storage areas)
- Parking at 3 spaces per 1,000 square-feet
- After hours guest access mechanism

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- Multi-tenant telephone/voicemail system
- Separate metering for anchor tenants
- Uninterrupted and redundant power supply
- Zoned heating and HVAC
- Zoned power and communication installed to provide maximum flexibility in reconfiguring space to meet the needs of new and expanding tenants
7.0 IMPLEMENTATION

Once this business plan is published, the Phase I – Planning will be complete. Then the interested parties will need to determine whether or not to proceed into Phase II – Project Implementation and Resource Development.

The most critical component of moving forward will be identifying one person whose role it is to take this project into implementation. This will be a significant and time intensive responsibility, and will require a person who is primarily or solely dedicated to this project to provide the time, attention, and follow-up needed to create a strong foundation for the incubator. While appreciating the admirable job Riverfront Research Park staff have done thus far to include incubator planning into their other responsibilities, they should not be expected to continue their current jobs while trying to implement this multi-faceted program. Therefore, it is recommended that at least a half-time (.5 FTE) person be committed prior to proceeding into the implementation phase.

Phase I – Planning
Target Completion April 2004
- Identify opportunity
- Receive funds to explore feasibility of business incubator(s) in Lane County
- Conduct market feasibility study
- Complete business plan

Phase II – Project Implementation and Resource Development
May 2004 – June 2006
- Key stakeholders endorse business plan
- Identify a champion to lead and facilitate the project
- Form Steering Committee to oversee project implementation
- Finalize decision regarding structure and move forward to establish it
- Develop funding source commitments sufficient for facility development and seed start-up operation for the first three years
- Initiate design and construction of site/facility
- Establish the Board
- Hire Executive Director
- Enroll professionals for value-added resource network
- Write leases, agreements, bylaws, etc.
- Finalize service offerings and detail
- Finalize lease agreement with anchor tenant(s)
- Implement marketing and PR plan for all stakeholders
- Implement marketing and PR plan to recruit client tenants

Phase III – Launch
June 2006 – December 2006
- Open facility
- Conduct formal six-month review and adjust activities as indicated

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Phase IV – Grow and Sustain
**December 2006 - Ongoing**
- Explore feasibility of developing affiliate client program
- Improve processes
- Continue to cultivate stable and diverse revenue streams
- Ongoing evaluation each six months

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8.0 BUDGET AND FINANCIAL

The budget presented in this plan includes a facility development budget that assumes new construction of an incubator facility located within the ONAMI building, an estimate of capital expenditures for start-up, and a preliminary operating budget for years one through five of incubator operations.

- **Facility development** budget is estimated at $2,300,000
- **Capital expenditures** are estimated at $170,000
- **Operating budget** for year one is estimated at $237,300

The facility development budget involves construction related costs for an incubator facility. Capital expenditures are one-time expenses related to start-up such as phone system, furnishing for administrative office, conference rooms, resource center, etc. The operating budget estimates expenses associated with the first five years of incubator operations including salaries.

The following budget and financial information is included in this section:

- Table 8.1 Facility Development Budget
- Table 8.2 Capital Expenditures Budget
- Table 8.3 Five-Year Operating Budget

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TABLE 8.1 FACILITY DEVELOPMENT BUDGET

This facility development budget estimate reflects a scenario of a 15,000 square foot incubator located in the ONAMI building.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>Estimated Unit Cost/Value</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility size, total square feet</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Construction cost for 14,500 square feet of office and common area space with tenant improvements. Includes site-prep, direct construction costs, soft costs, and contingency.</td>
<td>$150</td>
<td>$2,175,000</td>
</tr>
<tr>
<td>Construction cost for 500 square feet of lab space</td>
<td>$250</td>
<td>$125,000</td>
</tr>
<tr>
<td><strong>Total Estimated Facility Development Cost</strong></td>
<td></td>
<td><strong>$2,300,000</strong></td>
</tr>
</tbody>
</table>

Land costs are not included the above estimate. Land cost within the Riverfront Research Park for a freestanding incubator facility of the same size is estimated at $220,000. This estimate assumes one acre of land (approximately 44,000 square feet), valued at $5 per square foot.

For alternative facility development scenarios, see Appendix D.
TABLE 8.2  CAPITAL EXPENDITURE BUDGET

This capital expenditure budget estimates one-time expenses associated with start-up.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>ESTIMATED EXPENSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Equipment</td>
<td>$10,000</td>
</tr>
<tr>
<td>Computer, fax, printer, software, etc.</td>
<td></td>
</tr>
<tr>
<td>Resource Center</td>
<td>$4,000</td>
</tr>
<tr>
<td>Computer, printer, scanner, software, fax etc.</td>
<td></td>
</tr>
<tr>
<td>Furniture/Furnishings</td>
<td>$40,000</td>
</tr>
<tr>
<td>Desks, chairs, files cabinets, shelving, signage, conference tables, AV equipment, white boards, reception furnishing, etc.</td>
<td></td>
</tr>
<tr>
<td>Break Room</td>
<td>$4,000</td>
</tr>
<tr>
<td>Kitchen appliances, tables, chairs, etc.</td>
<td></td>
</tr>
<tr>
<td>Telephone System</td>
<td>$56,000</td>
</tr>
<tr>
<td>Equipment, switch, phones, install and configure, etc.</td>
<td></td>
</tr>
<tr>
<td>Network Wiring</td>
<td>$45,000</td>
</tr>
<tr>
<td>Network Equipment</td>
<td>$8,000</td>
</tr>
<tr>
<td>Server, router and hub, install and configure, etc.</td>
<td></td>
</tr>
<tr>
<td>Internet Access</td>
<td>$3,000</td>
</tr>
<tr>
<td>Firewall, cabling, install and configure, etc.</td>
<td></td>
</tr>
<tr>
<td>TOTAL Estimated Capital Expenditures</td>
<td>$170,000</td>
</tr>
<tr>
<td>TABLE 8.3  FIVE YEAR OPERATING BUDGET</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Year 1</strong></td>
</tr>
<tr>
<td>Incubator client rents</td>
<td>18,060</td>
</tr>
<tr>
<td>Anchor tenant rents</td>
<td>81,600</td>
</tr>
<tr>
<td>Service fees</td>
<td>1,500</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
</tr>
<tr>
<td>Donations in kind</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>101,160</strong></td>
</tr>
</tbody>
</table>

| **Expenses**       | **Year 1**       | **Year 2**       | **Year 3**       | **Year 4**       | **Year 5**       |
| Salaries           |                 |                  |                  |                  |                  |
| **Director**       | 80,000          | 82,400           | 84,872           | 87,418           | 90,041           |
| **Receptionist .5 FTE** | 12,000         | 12,360           | 12,731           | 13,113           | 13,506           |
| Benefits 40%       | 36,800          | 37,904           | 39,041           | 40,212           | 41,419           |
| **Payroll Expense** | **128,800**    | **132,664**      | **136,644**      | **140,743**      | **144,966**      |
| Books/subscriptions | 2,000           | 1,000            | 1,000            | 1,100            | 1,100            |
| Business assistance offerings | 1,200          | 2,400            | 3,000            | 3,100            | 3,200            |
| Dues/fees          | 1,000           | 1,000            | 1,100            | 1,100            | 1,100            |
| Insurance          | 4,000           | 4,100            | 4,200            | 4,400            | 4,500            |
| Janitorial service | 10,800          | 11,100           | 11,500           | 11,900           | 12,200           |
| Landscape maintenance | 4,800         | 4,900            | 5,100            | 5,200            | 5,400            |
| Maintenance/repairs | 2,000           | 2,100            | 2,100            | 2,200            | 2,300            |
| Marketing/PR       | 6,000           | 2,400            | 2,500            | 2,500            | 2,600            |
| Office equipment maintenance | 700          | 720              | 740              | 760              | 790              |
| Office supplies/ printing | 4,000          | 2,400            | 2,500            | 2,500            | 2,600            |
| Postage/shipping   | 1,000           | 1,000            | 1,100            | 1,100            | 1,100            |
| Professional/contract services | 2,400         | 2,470            | 2,550            | 2,625            | 2,700            |
| Property tax       | 21,600          | 22,200           | 22,900           | 23,600           | 24,300           |
| Telephone/fax/internet | 3,800         | 3,900            | 4,000            | 4,200            | 4,300            |
| Tenant improvements | 6,000           | 10,500           | 13,500           | 15,000           | 15,000           |
| Trash removal      | 400             | 410              | 425              | 440              | 450              |
| Travel/training    | 3,900           | 4,000            | 4,100            | 4,300            | 4,400            |
| Utilities          | 21,600          | 22,200           | 22,900           | 23,600           | 24,300           |
| **Other Expenses** | **97,200**      | **98,800**       | **105,215**      | **109,625**      | **112,340**      |
| Contingency reserve 5% on | 11,300        | 11,573           | 12,093           | 12,518           | 12,865           |
| **Total Expenses** | **237,300**     | **243,037**      | **253,952**      | **262,886**      | **270,171**      |
| **Net Income/Loss** | (136,140)      | (105,987)        | (75,716)         | (73,618)         | (69,535)         |

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Operating Budget Assumptions

- Rental rates and occupancy assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incubator Clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% space leased</td>
<td>20%</td>
<td>50%</td>
<td>85%</td>
<td>90%</td>
<td>95%</td>
</tr>
<tr>
<td>Sq. ft. space leased</td>
<td>1,400</td>
<td>3,500</td>
<td>5,950</td>
<td>6,300</td>
<td>6,650</td>
</tr>
<tr>
<td>Rental rate sq. ft.</td>
<td>1.075</td>
<td>1.20</td>
<td>1.24</td>
<td>1.28</td>
<td>1.32</td>
</tr>
</tbody>
</table>

| Anchor Tenants       |        |        |        |        |        |
| % space leased       | 100%   | 100%   | 100%   | 100%   | 100%   |
| Sq. ft. space leased | 4,250  | 4,250  | 4,250  | 4,250  | 4,250  |
| Rental rate sq. ft.  | 1.60   | 1.65   | 1.70   | 1.75   | 1.80   |

- Annual inflation rate of 3% is applied to sq. ft. rental rates and is rounded to the nearest cent. (Except for incubator clients in years one and two).

- Annual inflation rate of 3% is applied to expenses.

- For additional preliminary lease-up scenario and budget assumption detail, see Appendix E and F.
9.0 FUNDING SOURCES

Funding needs to be sought to develop the incubator facility, fund start-up expenses, and subsidize the early years of incubator operations. Potential funding sources were identified through a review of incubator funding resource materials and discussions with Lane County and Oregon Economic and Community Development Department contacts.

9.1 Potential Funding Sources

Detail regarding the few funding sources that appear relatively more promising is provided below.

- **U.S. Economic Development Administration (EDA) Public Works Program**

  The Public Works Program administered by the EDA supports locally developed projects that encourage long-term economic self-sufficiency and global competitiveness. Whenever possible this program seeks to redevelop existing facilities and industrial/commercial locations. This program has historically been the largest federal source of incubator funding.

  Eligible applicants include economic development districts, institutions of higher learning, cities or other political subdivisions of a state, nonprofit organization or association acting in cooperation with officials of a political subdivision of a State, or some consortium of political subdivisions or institutions of higher learning.

  The amount of funding varies and no maximum limit is specified. Allocations are usually for 50% of project costs and matching funds are required. Areas that are considered “distressed” with the “most competitive programs” are most attractive for funding. It usually takes between one to two years for an application to be reviewed. Once a project is reviewed and selected for potential funding, the approval process takes approximately 70 days.

  This source would be pursued to support facility development and capital expenses.

- **State of Oregon Legislative Funding Support for ONAMI**

  As this business plan is being written, the UO has received state legislative funding, including $4.75 million of Article XI-G bonds, $4.75 million of lottery bonds, and the authorization to raise up to $9.5 million in donations, grants and contracts to support development of the ONAMI, the Oregon Nanoscience and Microtechnologies Institute. (For more on ONAMI see Section 6). It appears consistent with the legislative intent for ONAMI’s mission that state funding could be used to construct at least a portion of the incubator facilities. This state funding also might be used as match for other funding sources.

  

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Lane County Economic Development Strategic Investment Program

This fund distributes video lottery dollars and supports public-private partnership projects that will make a measurable difference in the economic growth and stability of Lane County. The Oregon State Lottery Commission transfers a minimum of 50% of the new video lottery revenue received each year to counties to use in economic development activities. The Lane County Board of Commissioners approves allocation of funds to applicants based upon advice of the Economic Development Standing Committee after review by the Lane Economic Committee.

Any Lane County economic development project is eligible for funds. Public-private partnerships are relatively more attractive candidates. Total funds of $780,185 were available in 2002. However, the amount of available funds varies from year to year, and they have declined over the past biennium. Individual allocations vary, with no maximum specified. In one year, funded projects ranged from $10,000 to $120,000 dollars.

Applications are submitted annually in late spring and are reviewed in June with grants awarded in July. Multi-year projects may be funded. Higher priority is given to proposals that have the greatest potential short-term economic impact leading to specific and measurable job creation or retention. Applications should describe links to State of Oregon strategic plan benchmarks for economic development.

This source would be pursued to subsidize early operations of the incubator and/or to fund specific service develop initiatives that would lead to job creation with incubator client businesses.

University of Oregon

The UO VP for Research actively promotes developing a knowledge-based economy in Oregon through the creation, dissemination, and commercialization of ideas.

The VP for Research was a principal proponent of generating legislative support for the ONAMI initiative and will be responsible for its implementation on the UO campus. At the same time, he oversees Research Park and Technology Transfer activities, understands the value of technology commercialization and new business start-ups, and is supportive of developing a technology incubator. The VP for Research has some discretionary funding that may be available to support staffing of a technology incubator, and has indicated some willingness to consider this if other sources can be identified for building and capital requirements. However, it’s important to note that due to decreasing state support for research and higher education, the UO must carefully balance campus research needs with more generalized economic development initiatives.

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Ideally, some of the incubator’s facility and staffing needs can be creatively structured to take maximum advantage of a location within ONAMI, assuming it is located within that facility. For example, the concept of shared reception might help minimize or distribute the cost among all building users. The VP is integrally involved with the ONAMI effort and is well positioned to identify any potential synergies between the business incubator and the ONAMI initiative.

9.2 Other Funding Sources

Additional funding sources that exist, but do not appear as promising for the near term development and implementation of an incubator program, are briefly described below.

- **Oregon Economic and Community Development Department (OECDD)**

  The State’s budget and funding resources are strained. The primary source of revenues for economic development is a percentage of video lottery proceeds. These funds are distributed through regional investment boards and are based on population. Allocations are made to each county. (Refer to Lane County above). Beyond these video lottery funds, legislative action is the only avenue to receive economic development dollars from the State of Oregon. (Refer to ONAMI above).

- **Local Government - City of Eugene**

  No funds are readily available. Discussions with two city councilors show they support the concept of an incubator in Lane County. Yet both noted that it is a matter of priorities and that an incubator would be one choice among many worthy of scarce available funds. The Mayor’s Blue Ribbon Committee on economic development launched in Spring 2004. It is intended to provide some sense of priority to the City Council regarding economic development policy and strategies to move that policy into action. Although the City appears unable to provide direct funding in the near-term, this effort should be monitored for any resource opportunities that may evolve.

- **Corporate Support**

  Incubator resource materials indicate corporations can be willing sources of sponsorships in exchange for marketing value they receive through access to incubator clients. A fund development plan is not part of this business plan but warrants further exploration. Entities that might work with the incubator (e.g., Chambers of Commerce) rely on corporate sponsors.
- **Foundation – University of Oregon**

  The UO Foundation’s Technology Transfer Committee may be willing to explore the feasibility of creating an endowment fund to support technology incubation that might be a possible source of future funding. “Alumni” of the incubator may provide a potential pool of interested donors over time.

- **Equity Pledge Investment Fund**

  This is a form of fund development that involves incubator tenants pledging a very small percentage of their equity to an incubator investment fund in addition to the rent they pay. Graduates who are successful could generate returns to build the fund. This is certainly not a near-term funding source but it should be explored in the future as a means to contribute to incubator self-sufficiency over time.

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10.0 SUCCESS CRITERIA

The incubator’s suggested mission and objectives provide a touchstone for desired outcomes - job creation, real growth of new technology businesses in Lane County, and contributions to the economic health of the area.

We recommend that a formal progress evaluation be completed every six months and reports be provided to the Board and all stakeholders. Suggested performance indicators for the project include:

- The number of tenant clients within the incubator
- Evaluation of services by incubator clients
- Growth in the number of applicants
- The number of companies that successfully graduate
- The percentage of incubator clients that successfully graduate as measured against the target established by the Board
- The number of jobs created on an annual basis within the incubator
- The percentage of incubator graduates that stay in the community
- The calculation of incremental tax revenues generated by technology incubator clients and graduates
- The level of community support for technology businesses
- The number of patents applied for and received by incubator clients
- The revenue of companies being served
- The capital raised by companies being served
- The grants received by companies being served

Performance measures can be modified as the business incubation program evolves and matures over time.

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APPENDIX

Appendix A - Sample Executive Director Position Description
Appendix B - Sample Tenant Application
Appendix C - Site Scan List
Appendix D - Facility Development Alternative Scenarios
Appendix E - Preliminary Lease-up Scenario
Appendix F - Budget Assumption Detail
APPENDIX A

Sample Executive Director Position Description

Technology Incubator
Eugene, OR

Title: Executive Director

Position overview:

This position is responsible for developing the community's technology business incubator by attracting clients to this "entrepreneurial ecosystem" and assembling the community resources necessary to assure their successful growth.

Qualifications:

The Executive Director is critical to the success of the technology incubator program. The person appointed should be highly motivated and demonstrates skill in dealing successfully with the problems of small business as well as successfully marketing programs and/or facilities.

The primary qualifications for the Executive Director are as follows:

1. Business planning, market, and financial planning expertise
2. Experience in managing a small business venture
3. Skill in public/community relations for effective recruitment of community organizations and resources to serve tenants
4. Skill in managing a facility, but secondary to business assistance and management skills
5. Ability to interact with government officials, corporate executives, and funding sources representatives
6. Handle sensitive and confidential materials with discretion
7. Bachelor's degree or equivalent, in business administration, accounting, finance, marketing, or a related field

Experience in technology business development, economic development or related field that provides training and experience that provides the required knowledge, ability, and skills.

Responsibilities:

The Executive Director will have primary responsibility overseeing the day-to-day operation of the facility, including the following:

1. Market the facility and recruit potential tenants
2. Screen potential clients and make recommendations to the Board of Directors
3. Coordinate the delivery of services to tenants and to act as a catalyst to strengthen the area's small-business support network

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4. Conduct basic business counseling with all tenants on an individual basis
5. Identify and pursue funding sources for the operation of the incubator
6. Oversee property management and staff
7. Participate in other community business events acting as liaison with the Board
8. Work with the University of Oregon and other appropriate organizations to attract spin-off companies to the incubator
9. Provide administrative support services necessary for operation of the incubator, including administrative support to the Board

In addition to primary responsibilities, the Executive Director will assist the Board in the following major functions:

1. Develop, adopt, and implement policies governing the operation of the facility consistent with the lease and funding contracts
2. Develop, adopt, and implement policies regarding the packaging and delivery of services to tenant companies
3. Coordinate and/or develop business assistance and office services as may be necessary, to act as a catalyst to strengthen, but not duplicate, the area's small business support network
4. Seek new sources of funding as required for the health and expansion for the facility and its tenants

Salary

Annual salary of $75,000 to $80,000 commensurate with background and experience, and includes competitive benefits. This contractual position is renewed on a yearly basis.

Application process:

Please submit the following materials:

1. Letter of application identifying experience and competency required in management and counselor responsibilities
2. Application
3. Resume including evidence of qualifications

Submit application materials to:

Selection:

Applications materials will be reviewed to determine those most qualified for the position through job-related experience and training. Those most qualified will be invited for further evaluation assessment and interviews.

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APPENDIX B

Sample Tenant Application Form

Technology Incubator
Application for Admission
Information submitted will be held in confidence.

Business name: _______________________________________________________________________________
Principals and titles: ___________________________________________________________________________
____________________________________________________________________________________________
Full addresses: _______________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
Telephone: ________________  cell: _________________  fax: ________________________________________
E-mail: _________________________   Internet address:______________________________________________
Form of ownership: ☐ Corporation ☐ Partnership ☐ Sole Proprietor
Nature of business - include a brief description of product/service and nature of market. Submit product brochures and company literature, if available. ______________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
Brief background of Principal Officer(s); please attach resume: _________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
Date Business was established: __________________________________________________________________
Company form (C-Corp, S-Corp, LLC, etc.): _______________________________________________________
Current status or stage of development of Business (e.g., working on prototype, product in advanced development, etc.): ____________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
____________________________________________________________________________________________
Current sales revenue (dollar volume per month): ____________________________________________________
Number of employees (include principals): Full-time: ____  Part-time: ___________________________________
Projected number of employees within 12 months: ___________

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Type of financing used to operate Business to-date:
- Venture capital firms
- Private Investors
- Personal resources
- Other (indicate nature): ____________________________________________________________

BUSINESS PLAN

Status of business plan:  
- completed (please attach a copy)
- in preparation & available by: ____________________________  
- not yet started

Would you like help in writing a business plan?  
- Yes
- No

SPACE NEEDS

Approximate square feet of space requirements: ____________________________________________

Type of space (i.e. number of offices/open space areas, wet-dry lab spaces, manufacturing):
________________________________________________________________________________________
________________________________________________________________________________________

Other:________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

Any special facility requirements such as electrical, ventilation, or floor load, etc.? If yes, please specify ________
__________________________________________________________________________________________
__________________________________________________________________________________________
__________________________________________________________________________________________

Other relevant information:________________________________________________________________________________________
__________________________________________________________________________________________
__________________________________________________________________________________________
__________________________________________________________________________________________

Applicant's name: ____________________________ Title: ____________________________________________
Signature: ____________________________ Date: ____________________________

NOTE:
Please attach or mail a business plan and summary, company and project literature, and management team biographies to:

Executive Director
Technology Incubator
Eugene, OR

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## APPENDIX C

### Site Scan List

<table>
<thead>
<tr>
<th>Site</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Riverfront Innovation Center  | - Good proximity to UO  
                                 | - Adequate land to expand  
                                 | - Requires renovation/demolition of current structure  
                                 | - UO owned land, currently available  
                                 | - Adequate parking |
| 1900 Millrace                 |                                                                                                                                               |

| Millrace Building             | - Good proximity to UO  
                                 | - Approximately 6,000 sq. ft.  
                                 | - Expansion problematic  
                                 | - Parking constrained  
                                 | - Currently available for sale |
| 1907 Garden Avenue            |                                                                                                                                               |

| ORI Building                  | - Good proximity to UO  
                                 | - Approximately 42,000 sq. ft.  
                                 | - Available pending ORI move  
                                 |                                                                                                                                               |
| 1715 Franklin Blvd            |                                                                                                                                               |

| Campus Fraternity            | - Good proximity to UO  
                                 | - Approximately 15,000 sq. ft.  
                                 | - Requires renovation for new purpose  
                                 | - Site improvements could accommodate parking  
                                 | - Privately owned, approach for availability |
| 1440 E 19\(^{th}\)           |                                                                                                                                               |

| Public Works Building        | - Proximate to UO  
                                 | - Approximately 10,000 sq. ft.  
                                 | - Aging building, renovation needs to be determined  
                                 | - Supports downtown  
                                 | - Paid parking available nearby, not on-site  
                                 | - City owned, approach for potential availability |
| 858 Pearl                    |                                                                                                                                               |

| Broadway Building            | - Proximate to UO  
                                 | - Paid parking available nearby, not on-site  
                                 | - Supports downtown revitalization  
                                 | - Privately owned, approach for availability |
| 200 W Broadway               |                                                                                                                                               |

| U-Lane-O                     | - Proximate to UO  
                                 | - Approximately 10,000 sq. ft.  
                                 | - Adequate on-site parking  
                                 | - Currently available for lease |
| 488 E 11th                   |                                                                                                                                               |

| 2\(^{nd}\) floor              |                                                                                                                                               |

| Glenwood Building            | - Least proximate to UO  
                                 | - Extensive demolition/site prep required prior to building  
                                 | - Least favorable environment  
                                 | - Currently available for sale |
| Franklin Blvd                |                                                                                                                                               |

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## APPENDIX D

### I. Facility Development Alternative Scenarios

<table>
<thead>
<tr>
<th>Scenario/ Total SF</th>
<th>Cost Estimate $</th>
<th>Key Assumptions*</th>
</tr>
</thead>
</table>
| A 15,000 SF        | $2,022,500.     | - Demolish Innovation Center $2.50/4,000 SF = $10,000  
- New construction cost $115/14,500 SF = $1,667,500  
- Lab construction cost $250/500 SF = $125,000  
- Land cost $5/44,000 SF = $220,000 |
| B 15,000 SF        | $1,812,500.     | - Renovate Innovation Center $65/4,000 SF = $260,000  
- New construction cost $115/10,500 SF = $1,207,500  
- Lab construction cost $250/500 SF = $125,000  
- Land cost $5/44,000 SF = $220,000 |
| C 15,000 SF        | $1,592,500.     | - Renovate Innovation Center $65/4,000 SF = $260,000  
- New construction cost $115/10,500 SF = $1,207,500  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| D 10,000 SF        | $1,017,500.     | - Renovate Innovation Center $65/4,000 SF = $260,000  
- New construction cost $115/5,500 SF = $632,500  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| E 7,000 SF         | $672,500.       | - Renovate Innovation Center $65/4,000 SF = $260,000  
- New construction cost $115/2,500 SF = $287,500  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| F** 15,000 SF      | $2,300,000.     | - Locate in ONAMI  
- New construction cost $150/14,500 SF = $2,175,000  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| G 10,000 SF        | $1,550,000.     | - Locate in ONAMI  
- New construction cost $150/9,500 SF = $1,425,000  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| H 7,000 SF         | $1,100,000.     | - Locate in ONAMI and integrate common areas  
- New construction cost $150/6,500 SF = $975,000  
- Lab construction cost $250/500 SF = $125,000  
- Excludes land cost |
| I 10,000 SF        | $1,300,000.     | - Buy building $100/10,000 SF = $1,000,000  
- Renovate $30/10,000 SF = $300,000 |

### II. Facility Lease Scenario

| J 10,000 SF        | Lease $1.45/10,000 SF = $174,000 annual rent, year one  
|                   | Improvement cost $30/10,000 SF = 300,000 |

* In all scenarios ‘new construction cost’ includes site-prep, direct construction costs, soft costs, and contingency.

** Scenario F is used in this document for planning purposes

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APPENDIX E

Preliminary Lease-up Scenario

While it is difficult to project the actual lease-up rate of the proposed incubator, the following scenario was detailed to allow for preliminary budget and financial projections.

Key assumptions are as follows:

- The incubator will serve a maximum number of 10 incubator clients (as indicated by the feasibility study).
- The incubator will realize nearly full occupancy by year four of operations.
- A rent escalation schedule will be implemented for incubator clients. It would begin at $1.05 per sq. ft. for the first six months; escalate to $1.10 for the second six months, to $1.20 in year two, and to $1.30 in year three. This document’s budget projections are calculated based on an average rental rate of $1.075 per sq. ft. for the first year, and a base average of $1.20 per sq. ft. for years two through five, applying a 3% annual CPI escalation, rounded to the nearest cent.
- Anchor tenant occupancy is assumed at 100%. Anchor tenant rents are calculated at $1.60 sq. ft., with a 3% annual CPI escalation, rounded to the nearest cent.

Scenario

Total square footage: 15,000 sq. ft.

Space allocation: 
- 7,000 sq. ft. Incubator Clients (6,500 sq. ft. office; 500 sq. ft. lab)
- 4,250 sq. ft. Anchor Tenants
- 3,750 sq. ft. Common Area

Rental rates:
- $1.075 sq. ft. Incubator Clients, year 1 (average year 1 escalating rate schedule)
- $1.20 sq. ft. Incubator Clients, years 2-5 (average escalating rate schedule)
- $1.60 sq. ft. Anchor Tenants

Common area allocation is included in rents

Lease-up Scenario:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of available client space occupied</td>
<td>20%</td>
<td>50%</td>
<td>85%</td>
<td>90%</td>
<td>95%</td>
</tr>
<tr>
<td>Sq. ft. available client space occupied</td>
<td>1,400</td>
<td>3,500</td>
<td>5,950</td>
<td>6,300</td>
<td>6,650</td>
</tr>
<tr>
<td>% of available anchor space occupied</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Sq. ft. available anchor space occupied</td>
<td>4,250</td>
<td>4,250</td>
<td>4,250</td>
<td>4,250</td>
<td>4,250</td>
</tr>
</tbody>
</table>

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APPENDIX F

Budget Assumption Detail

Facility Development and Land Costs
Construction costs: Based on estimates of commercial office development market rates in the Eugene, Oregon area provided by Milton Oilar of Campbell Commercial Real Estate and supplemented by incubator resource materials. Parking and demolition costs provided by Ron Richey, Staton Companies.

Land cost: Estimated value of $5 sq. ft. for land in Riverfront Research Park provided by Riverfront Research Park staff. Calculated at 44,000 sq. ft. (approximately one acre) for an estimated total value of $220,000.

Capital Expenditures
Networking/telephone/high speed communication set-up: Networking and telephone cost estimated by discussion with University of Oregon Telecom Staff and Alan Baker, Independent Network Consultant, and supplemented by incubator resource materials.

Furniture/furnishings: Assumes office desks and chairs are furnished for incubator client use.

Operating Expenses
1. Salaries: Assumes one fulltime Executive Director at $80,000/year and a .5 receptionist based on an FTE salary of $24,000/year. A 40% benefit allocation and a 3% annual salary increase are assumed. Contract staff will provide supplemental support during the first five years of operation.

2. Books/subscriptions: Reflects year-one investment in base publications to build resource center.


4. Dues/fees: Budgeted amount for dues and fees, e.g., NBIA, etc.

5. Insurance: Estimate provided by Blake Schellenberg, Vice President, Willis of Portland and supplemented by local area information and incubator resource materials. Includes building insurance and D&O Insurance at $1,500 per year.

6. Janitorial: Estimate of janitorial provided based on $.06 sq. ft., Brothers Cleaning.

7. Landscape maintenance: Based on estimate of sites within Riverfront Research Park.


9. Marketing: Reflects year-one opening and development activities.


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11. Office supplies/printing: Budgeted amount.


13. Professional/contract services: Assumes minor legal and bookkeeping services.


15. Telephone/internet: Based on incubator resource materials and supplemented with discussions with UO Telecom Staff.


18. Travel/training: Assumes one conference trip per year at $1,500, plus local area travel mileage reimbursement at $200 per month.


20. Contingency reserve: Calculated at 5% of total operating budget.

21. Inflation: CPI adjusted at 3% per year.

Client Rent and Fees

1. Rents: Anchor tenant rates calculated at $1.60 sq. ft. Incubator client rates are calculated on an average of $1.075 sq. ft. in year-one, and an average of $1.20 sq. ft. in subsequent years. Annual inflation rate of 3% is applied to sq. ft. rental rates and rounded to the nearest cent. Based on comparable market estimates provided Milton Oilar, Campbell Commercial Real Estate and Riverfront Research Park staff.

2. Load factor: Established at approximately 25% to include hallways, incubator administration and shared-use areas.

3. Service fees: Budget based on reasonable estimate of incubator client use of copier, clerical support, etc. Derived from incubator resource materials.

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