LAUNCHING YOUR NEIGHBORHOOD PLACE-BASED ENTREPRENEURSHIP CENTER

An Action-Based Playbook for Building Successful Entrepreneur-Serving Hubs in Emerging Urban Communities

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INTRODUCTION

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This research was made possible by JPMorgan Chase & Co. through Small Business Forward, a five-year, $150 million initiative connecting underserved small businesses with the capital, targeted assistance and support networks to help them grow faster, create jobs and strengthen local economies. To drive impact, Small Business Forward focuses on diversifying high-growth sectors, expanding entrepreneurial opportunities in neighborhoods and expanding access to flexible capital for underserved entrepreneurs.

About InBIA

InBIA is a global nonprofit with over 1,300 members that lead entrepreneurship centers in 62 countries. For over 30 years, InBIA has provided industry best practices through education while enabling collaboration, mentorship, peer-based learning and the sharing of innovative ideas for entrepreneurs across the globe. InBIA is the premier organization for business incubators, accelerators, coworking spaces and other entrepreneurship centers.

WHAT IS A PLAYBOOK AND WHY DO WE USE ONE?

Entrepreneurs are about doing. They are about taking action. Playbooks are theory put into action. A playbook helps you learn about best practices and then determine your plans for change. By reading this playbook, you will encounter ideas for creating your own, unique playbook that speaks directly to your community. Creating your own playbook is key to your entrepreneurship program get up to speed much more quickly, having higher client graduation rates, better talent retention, and other metrics of success due to your intentional support of local economic development initiatives. Just as importantly, you'll create a foundation to measure your progress; being able to articulate your startup community's success story to attract more investment, partnership opportunities, and innovation.

When you are done, you will have created the foundation for your own community's playbook. Share this foundational workbook, let others add to it, build on your existing strengths, and determine what you need to continue developing. Playbooks, when shared, reduce the pressure of having to figure it out all yourself. Attempting to revitalize your community as a solo effort is never a wise plan. When you partner with InBIA to help your emerging community, you will be keeping company with hundreds of world-class incubators, accelerators, and other entrepreneurship centers. Most of them have been exactly where you are now.

IF YOU BELIEVE THAT:

The people best suited to help create and accelerate entrepreneurial programs for emerging communities should come from those communities AND;

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the people who live in those emerging communities may already have the subject matter expertise to make exciting entrepreneurial things happen AND;

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emerging communities have unique situations in terms of access to capital, infrastructure, and business networking more than the largest cities in the US;

then this playbook was written for you.

ARE YOU READY TO START?

HOW THIS PLAYBOOK WORKS

Playbooks, by definition, are action-based. That's why they are a great pick for emerging startup communities. Each pillar of this playbook will share knowledge about best practices at work around the country. We'll approach these best practices first with a discussion of why they are considered best practices, bolstered by tested theory and facts. You'll have a chance to watch interviews with best-in-class organizations as they talk about their challenges, successes, and plans for their community's future. This playbook focuses on practical advice that you can implement immediately—not a year from now. It will serve as a compass to guide you to where your community wants to go. Your community's path from A to Z may differ from another community's, but if you are open to the advice and practical wisdom on these pages, you may find these proven methodologies beneficial as you serve your entrepreneurs and build powerful support resources.

At the end of each playbook section there are important actions you should commit to in order to get the most out of this content. Of course, you could just read through it, but if you truly are reading this playbook to help your community, you will find that the exercises will contribute to your efforts. So, commit to doing the exercises. Some will come easy; others may not. Sailing around the world means leaving the safe harbor.

The hands-on component at the end of each section will have most or all of the following activities:

READ

Relevant additional resources or interviews that are complementary to the playbook material.

SPEAK

Intended to help accelerate the "making" of your community, SPEAK helps you create important connections with the intention of accelerating your startup network

WATCH

Created to augment your learning, WATCH will allow you to observe successful entrepreneurs and community developers who discuss how their startup community came together and why it is successful

MAKE

Targeted to help you conclude this playbook with the necessary items to build your own community playbook as easily as possible and identify important assets for your entrepreneurial community

LISTEN

Focused on bringing you constructive stories that will accelerate the building of your entrepreneurial community

Why Start Here?

No one region of the country has a monopoly on conceiving great business ideas. Our country has been characterized by world-changing ideas coming out of the most unlikely places. What does seem to characterize the most transformative ideas are three things—vision, grit, and passion.

While successful entrepreneurs usually have these three items in abundance, there are action-focused steps you can do, right now, as a leader in your entrepreneurial community to help these startup owners focus their vision, grit, and passion on the right things to make their business successful.

OVERVIEW OF THE CHAPTERS

What Is An Emerging Community And The Impetus For Small Business Economic Development For Regional Revitalization

Understanding the power of small business economic development upon former manufacturing hubs may lead to new assets, capabilities, and opportunities within your community. Learn more about the basics to creating a thriving entrepreneurial ecosystem here first.

Building Is Better When Done Together

Entrepreneurship is better when done in a community. Designing your program to pull in as many stakeholders as possible and ensuring these stakeholders reflect the real community allows as many people as possible to contribute to the entrepreneurial ecosystem you are building.

Investors For Your Program And Your Startups

Access to capital is a key element for your entrepreneurial program. Seeking funding for your center requires time commitment and creativity on your part. You might not have thought of yourself as a fundraiser, but you have to embrace this identity for your program to succeed. Simultaneously, you will want to educate your startups on how to seek funding. Both financially solvent centers for entrepreneurships and startups need access to capital.

Finding Space - Beg, Borrow, And Recycle

All throughout this playbook, you have been encouraged to ‘act as if.’ This holds true for space for your entrepreneurship program as well. You will want to curate a variety of spaces for your programming and, at the beginning, may need to lean heavily on the generosity of the greater community to loan you space. Additionally, you will want to explore mechanisms to secure a permanent landing space for your community.

Leveraging The Intersection Of Government And Private Industry Support

There are organizations that want to help your program. Making connections with these groups only makes your program better by giving you the opportunity to leverage other organization's best practices. These conversations add to the creation of an entrepreneurial culture.

Revitalization Tactics For Emerging Communities In Former Manufacturing Hubs: The Ideal Role For Makerspaces (Co-Authored With The Urban Manufacturing Alliance)

Makerspaces can greatly contribute to regional revitalization and increased entrepreneurial ecosystem diversity by building innovation clusters and forming inclusive community partnerships utilizing legacy infrastructure and assets. Often overlooked, these once thriving assets and capabilities can effectively redirect talented workforces from disappearing industries, attracting investors and city stakeholders alike. As makerspaces are a relatively new and quickly emerging advent, research demonstrates that they have the unique ability to open the door for underserved innovators by intentionally weaving diversity into their programming.

Remember: You're An Entrepreneur, Too

The savvy reader of this playbook will have picked up on the fact that launching entrepreneurship or ecosystem development programs needs to be treated just like the launch of a startup. Although you may be beginning or reshaping your program for a different reason than the small business owner who wants personal success, the strategies and tactics to achieve both are virtually the same.

In fact, that may be the biggest takeaway from this playbook. Approach your planning and building of your entrepreneurship program and emerging ecosystem as if it were a startup; take the lessons, and, more importantly, the exercises in this playbook; and turn your economic development ideas into an actionable, collaborative plan.

All great things start with a single step!

PILLAR ONE

TAKING STOCK SO YOU CAN TAKE ACTION

WHAT IS AN EMERGING COMMUNITY AND THE IMPETUS FOR SMALL BUSINESS ECONOMIC DEVELOPMENT FOR REGIONAL REVITALIZATION

The Decline of U.S. Manufacturing

Manufacturing has been in decline in the U.S. economy since the late 1970s, with manufacturing jobs comprising only **8% of total non-farming employment** as of 2017. U.S. manufacturing was further impacted under Bill Clinton's administration when the U.S. Congress approved the North American Free Trade Agreement (NAFTA), creating a partnership between the U.S., Canada, and Mexico. NAFTA outsourced U.S. manufacturing industries by lowering tariffs; less cost-restrictive foreign imports and labor made other countries more attractive for formerly domestic companies to conduct business. This pattern of outsourcing formerly domestic manufacturing jobs was repeated in 1999 when the same administration granted permanent normal trade relations (PNTR) to China.

Trade deficits caused by NAFTA and China's PNTR status, along with subsequent recessions in 2000 and 2008, led to a sharp decline in commodity-based manufacturing throughout most of the U.S.'s urban communities with decades of previous manufacturing infrastructure. Local economies that are historically manufacturing hubs experienced significant gaps, including lower employment opportunities from large companies, **a smaller tax base due to depopulation**, and lack of financial resources for new infrastructure development or redevelopment. Recovery from this phenomenon has not been fully realized across the entire United States.

There is hope yet for these ecosystems, however. In order to rebuild and sustain growth, former manufacturing hubs require small business economic development to transition from a highly specialized industry toward economic diversification; this action necessitates entrepreneurship and innovation to intentionally bridge ecosystem gaps using scarce existing resources and the creation of new tools (e.g. strategic partnerships, tailored community-based programming, etc.). The need for new or repurposed resources within the ecosystem may necessitate the co-location of community-centric entrepreneurship centers that support small business economic development, which will be addressed later during the discussion of emerging ecosystems.

CASE STUDY: Fort Payne and Space Coast – When Anchor Companies Exit

Fort Payne, Alabama was once known as "**The Sock Capital of the World,**" with **8,000 people employed by over 120 mills that made half of America's socks**. In the 2000s, however, Fort Payne, once a commodity-based manufacturing hub, experienced a series of mill acquisitions and offshoring that transitioned commodity contracts to overseas companies. When Gildan-Prewitt, who had bought the former V.I. Prewitt and Son hosiery, outsourced a **majority of production to Honduras** to increase profit margins, the **unemployment rate in Fort Payne surged to 15.3%**. Fort Payne workers at all stages of sock production—wet processing operations, boarding, distribution, etc.—found themselves without jobs, and the county saw a sharp increase in abandoned infrastructure as former mill companies vacated without the replacement of a different, specialized manufacturing cluster.
The "Space Coast" region of Florida, an over 72-mile stretch of three counties along the Atlantic coast to the north and south of Kennedy Space Center, is a modern example of the impact and need for new economic development solutions caused by the decline in domestic manufacturing, albeit less commodity-oriented

than most manufacturing clusters. As NASA pulled out of Space Coast due to the government shutdown of the space shuttle program in 2011, job losses surged to over **10,000 lay-offs**. The space program was integral to the Titusville region's economy broadly impacting industries as varied as high-skilled technology and manufacturing to the tourist and restaurant industry. Yet, the very businesses that coalesced around a central industry saw the most loss as home foreclosures, a 'brain drain,' and lack of government funding affected the region.

Fort Payne and the Space Coast, despite being two different types of manufacturing clusters, exhibit common tendencies toward high specialization. This specialization is to the detriment of the ecosystem as a whole when the large manufacturing industries exit the community for another domestic ecosystem or offshore completely. Those within the manufacturing industry are not the only ones affected by this shift. Real estate is affected by depopulation and business exit. Local government has to cut costs for new programming and funding. The service sector swells with the skilled manufacturing workforce despite a lack of sufficient employment opportunity and decreases in average income impact consumer-focused industries while other industry players relocate.

Manufacturing, however, should be a priority for regions with stagnant or declining economic development. Regions that stimulate a rich manufacturing industry typically find success in areas such as higher income, sustainable business growth, and innovation, with each dollar invested in manufacturing returning **$1.48 in economic activity**—the highest rate of output for any sector. Despite only comprising **12% of the U.S. economy**, manufacturing comprises **two-thirds of research and development**, leads to approximately **$26.58 per hour in average wages**, and has the potential to **increase up to $530 billion in value by 2025**.

Yet, one often overlooked fact is that **96.4% of manufacturing exporters are actually small and medium enterprises (SMEs)** and contribute to the growth of other small business-heavy sectors. Therefore, healthy small businesses in such a region show that economic development will be supported and encouraged. With small businesses accounting for almost **65%** of private-sector, net job creation in the United States, it is no wonder that startups and entrepreneurial activities are sought after to help revitalize urban areas in need of such help. These businesses often lease or purchase unused manufacturing warehouses, mills, plants, etc. and creatively utilize the existing infrastructure for economic development, encouraging local retention and attraction of new industries.

Emerging Communities

For this playbook, we define emerging communities as those cities or regions of the US with pressing needs of more jobs for the local workforce, as well as a dearth in local prosperity, due to a recent exit of a large manufacturing industry/employer. Furthermore, although these communities could recover via small business economic development, they lack the critical elements needed to support a healthy entrepreneurial ecosystem. These communities likely have the following scarcity of necessary assets to best serve small businesses:

- **Lack of capital:** These regions have little to no capital flow to the economy, which hinder sustainability, let alone growth. Abandoned buildings and warehouses become commonplace as businesses cannot afford the upkeep of high-cost equipment and facilities, especially as they attempt to compete for already low profit margins with international companies. As investors leave the region, small businesses and innovation decline, especially in tech-driven manufacturing industries that require capital for acceleration. Banks in the region will also limit small business loans to reduce potentially risky investments and increase their net profit with loans for larger businesses, exacerbating the capital issue.

- **Lack of diversified skillsets:** There may be a highly trained workforce, but the workforce is focused in only one industry or has catered their skillset towards the area's largest partner/company. An emerging community's workforce is generally trainable, but they are more risk averse and are not as open to being retrained or reeducated for other skillsets that stray away from their core specialization. This risk aversion also affects the entrepreneurial capacity of the community and makes it more difficult for the economy to bounce back through small businesses after a major player has left the region.

- **Lack of big partners:** Large corporations have left the region or have outsourced employment to continue to make profit. This, however, causes an increase in unemployment rates, poverty, and eventual urban depopulation as housing becomes unaffordable. The regional dependence on these large partners goes beyond job creation and retention; traditional **manufacturing employment bridges wealth gaps** for communities that cannot afford post-secondary education and lifts those from cyclical poverty. Major corporations pulling out of a region causes a skilled workforce to shift towards lower income, service industry jobs.

These metropolitan areas need a change of regional strategy to regain opportunities for its small businesses.

How do ecosystem builders empower these communities?

A New Direction

Economic development starts with measurable and time-bound actions. Building a well-thought-out entrepreneurial community will give you a foundation that you can use to map your area's future and plot its progress. Look at any success story about a newly revitalized urban area and you may find a place-based entrepreneurship center supported by innovative partnerships at the heart of that area's small business economic development.

To plan and build a thriving entrepreneurship program in your community, you need to spend time upfront and take an honest inventory of where you and your community currently stand. This assessment will help you determine what you already have and what you still need to build. Discovering and evaluating your community's marketable features requires work. Yet, this work has to be done so that each stakeholder is absolutely clear about why planning and building a thriving entrepreneurship center will impact more than just the entrepreneurs who use it.

This playbook intends to guide stakeholders and/or ecosystem builders toward either creating an entrepreneurship center from scratch or pivoting existing programs and/or entrepreneurship centers for sustainable economic development and innovation. For those intending to build new programs to foster this growth, consider the following types of entrepreneurship centers, as defined by the International Business Innovation Association (InBIA):

- **Incubator** – An incubator is a brick and mortar entrepreneurship center that typically provides client companies with programs, services, and space for varying lengths of time based on the needs of the client companies.

- **Accelerator** – An accelerator usually brings in a cohort, defined as a group of companies, through a specific program over a defined time. The exit of the cohort from the accelerator is defined by a pitch presentation or a demonstration day. Successful startups may receive seed money from the accelerator in exchange for ownership.

- **Co-working space** – Co-working spaces are sought after by independent contractors, work-at-home employees, and small startups for the shared workspace and amenities that are usually provided. Although the space is shared, people work on their own independent activities.

- **Makerspace** – Makerspaces are collaborative spaces that can be found in public and private spaces and foster learning, creating, and building through the use of low-tech and high-tech tools for product creation and/or validation.

NOTE: Chapter Six will focus more on the increasingly prevalent trend of makerspaces paving the way for small business economic development and/or regional revitalization. This trend is especially relevant to regions that have been devastated by disappearing or off-shored industries, such as previously commodity-based manufacturing hubs. This playbook features new research and studies on how makerspaces can play an important role in these emerging communities. However, incubators and accelerators are still the major driving forces for regional revitalization via small business support.

CASE STUDY: Baltimore - The Effects of Entrepreneurship and Partnerships on Redevelopment

Baltimore, Maryland has long had its roots in commodity-based manufacturing, especially in steel with former industry giant Bethlehem Steel. Yet, when Bethlehem Steel and other regional players liquidated due to market pressure, job creation and economic growth turned stagnant. This in turn, caused **a major demographic shift, increase in unemployment rates, a crash of the housing market and a heavy reliance on the service sector for income**.

The maintenance of diversified partnerships, however, has caused the city to experience some promising rebirth. The intentional co-location of major research players—including Johns Hopkins University, and University of Maryland BioPark—increased entrepreneurial development that utilized the city's **already existent technological assets and STEM-oriented human capital**. However, local organizations—especially entrepreneurship centers like Baltimore's Emerging Technological Centers—have also played a strong role in supporting startups and stabilizing the economy by **establishing meaningful community building partnerships**. These relationships include a mix of government, corporate, and university leaders who recognize the need for local investment, such as **Under Armour**, TEDCO, SmartLogic, and The Economic Alliance of Greater Baltimore.

Baltimore is now ranked high in networking and partnerships **according to the 2016 U.S. Chamber Foundation's Innovation That Matters report** and is positioned to continue to lead the way in technological advancements that will reshape the city's economy. It is, therefore, no wonder that Baltimore has ranked in **Inc.'s top 50 surge cities with a 6.4% rate of entrepreneurship**.

Snapshot Of Emerging Manufacturing Hubs

Baltimore is not the only existing model of a manufacturing hub that has benefitted from entrepreneurial economic development initiatives. As you read through the playbook, you will find a number of case studies from regions of the U.S. similar to your own. The chart below lists the ecosystems referenced in this playbook and provides a quick description of entrepreneurship centers or other stakeholders dedicated to small business economic development in the region. Outside of the resources provided to you in this playbook, feel free to reach out to these organizations if you would like to connect to the peers highlighted here (click on the links available in the "Programming to Fill Gap" column for contact information).

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
FORT PAYNE, AL	Socks	2011 (Gildan-Prewitt)	• 15.3% unemployment rate in 2009 • Loss of 220 jobs in 2008 and 280 jobs in 2011	Fort Payne Main Street (EDO) and DeKalb County Economic Development Authority (EDC)	• Fort Payne has a newly designated AdvantageSite for industry formation • $32M worth of expansions occurred in 2016 to spur job growth
SPACE COAST, FL	Aerospace technology	2011 (NASA)	• Nearly 12% unemployment rate following NASA's exit • NASA-employed workforce dropped from 18,000 workers to 1,000	TrepHub (Coworking Space)	• TrepHub has helped launch 21 startups within its space with an 80% success rate • Unemployment has dropped to 3% as of 2018
BALTIMORE, MD	Steel	2001 (Bethlehem Steel)	• 11.2% unemployment rate in 2010 • 23.6% in poverty as of 2014	ETC Baltimore (Incubator and Accelerator)	• Wage growth has increased by 2.5%, with the rate of entrepreneurship at 6.4% • ETC companies have raised $2.4B in outside funding with 74% graduates co-locating
PHILADELPHIA, PA	Textiles and steel	Bethlehem Steel Corporation (2003)	• Highest poverty rate among cities with populations of over one million at 26% • Manufacturing jobs have declined to 3% of all employment in Philadelphia, down from 44% in the sector's peak	Urban League of Philadelphia Entrepreneurship Center (Incubator)	• Philadelphia was the 2017 leader for startup hubs • Philadelphia leads in top ten cities for diversity in stem in 2017 • Job creation has been on the rise with the addition of 40,000 jobs in five years

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
ROCHESTER, NY	Photonics	2012 (Kodak)	• Manufacturing employment has declined by 63% since 1970 • Employment growth was less than one percent by 2017	NextCorps (Incubator)	• Rochester is labelled as high potential for tech boom due to startup innovation • NextCorps has incubated 90 startups, created 761 new jobs, and generated over $440M in revenue for the Rochester area • Rochester has created a new Downtown Innovation Zone with over 99 organizations co-located to sponsor innovation
BIRMINGHAM, AL	Iron and steel	1982 (U.S. Steel)	• Birmingham only exhibited an eight percent increase in GDP in a six-year period • Manufacturing declined by 34% percent from 2001	Innovation Depot (Incubator and Accelerator)	• Innovation Depot has created 1,064 new jobs, and its incubated companies have generated over $155M in sales with a six-year economic impact of $1.66B • Birmingham has been ranked third in top cities for women business owners
PITTSBURGH, PA	Steel	1983 (U.S. Steel)	• 18.2% unemployment rate in 1983 • City lost 30% of its population	Innovation Works (Investment Firm/Accelerator)	• Pittsburgh has been designated as a "brain hub," where tech jobs outnumber manufacturing

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
					• Innovation Works has invested $72M in 300 local startups, which have generated $1.8B in funding • Pittsburgh has attracted over $22B in funding for its tech ecosystem through venture capitalists and corporations
NORTHEAST, OHIO	Iron, steel, and automotives	1982 (General Motors), 2000 (LTV Steel)	• The manufacturing sector that used to employ 40% of Ohio residents dropped to 12.7% employment by 2015 • Cleveland's population has decreased by 58% since 1950 • Cleveland has a 39% poverty rate	JumpStart Inc. (Incubator)	• The rate of startup growth increased to 71.69% in 2016 • Cleveland ranked 4th for medical startup investment in 2017, contributing to the diversification of the economy • Jumpstart has invested over $55M in local tech startups, and engaged over 5,470 companies using an inclusive framework
COLUMBUS, OH/ CENTRAL OHIO	Iron, steel, and automotives	1999 (General Motors)	• Unemployment rate was 10.2% for Columbus in 2010	Idea Foundry (Coworking Space/ Makerspace)	• Columbus's population has grown by 11%; a majority of residents are college-aged adults • Hourly wages have increased by 6.2%

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
					• Central Ohio was above the nation's rate of 1.5% in job growth in 2017
FLINT, MI	Automotive	1999 (General Motors)	• 43,000 out of 65,000 people in Flint live below the poverty line • Flint has a 7.5% housing vacancy rate, which is the highest in the nation	100k Ideas (Incubator)	• 100k Ideas has given space to 39 new businesses to kick-start Flint's redevelopment • Investors have begun to fund Flint for economic redevelopment, including a $3M grant from the W.K. Kellogg Foundation
AUSTIN, TX	Semiconductors	2001 (Motorola, Applied Materials, and Advanced Micro Devices)	• High tech employment growth dropped from 15% to -5% • Over 20,000 workers in the high tech industry were laid off by 200 employers	Bunker Labs (Incubator)	• Austin has been ranked at the top of the list of cities that have recovered and sustained growth following recession • Austin's gross metropolitan product increased by 18.2% over three years
DURHAM, RALEIGH, AND CHAPEL HILL (NC)	Furniture, tobacco, and textiles	2001 (Pillowtex, Burlington Industries)	• The percentage of textile employment out of all non-agricultural jobs dropped from 40% in 1940 to 1% in 2013 • 60% of all furniture manufacturing jobs in North Carolina have disappeared or were offshored since 1990	Research Triangle Park (Research Park)	• The region had an average manufacturing wage of $103,129 in 2010 • The Research Triangle Park has supported 80 startups, landed 3,300 patents, and received 1975 trademarks since its inception

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
BATAVIA, NY	Agricultural equipment	1958 (Massey-Ferguson)	• Over 20% unemployment rate • Batavia decreased by 8.7% in population from 1950-2000	Harvester Center (Incubator)	• Over $200M will be invested with 230 new jobs created by manufacturing employers in Batavia • As a result of entrepreneurship center programming, the first incubator was established in Batavia
HOUSTON, TX	Petroleum	1982 (Hughes Tool Company), 1984 (Baker International), 1985 (Halliburton)	• Houston lost one out of every eight jobs after the oil bust • 90% of local oil companies shut their doors in the 1980s	TMCx (Accelerator)	• Job creation increased at a rate of 4% in 2018, with the strongest growth in the professional and business services sector • TMCx has sought to diversify the economy by supporting over 75 healthcare-oriented startups • Houston is ranked at the top of the list for cities that support minority entrepreneurs
DETROIT, MI	Automotives	2009 (Chrysler and General Motors)	• Detroit's population decreased from nearly two million to around 900,000 residents following the collapse of the auto sector	TechTown Detroit (Incubator and Accelerator)	• TechTown Detroit supported the creation of 23 new companies and 142 jobs in 2017

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
			• Detroit filed for bankruptcy in 2013 with over $18.5B in debt		• Detroit pulled itself out of bankruptcy five years after filing due to private investments and partnerships, lowering the unemployment rate to 5.3% from 19%
INDIANAPOLIS, IN	Automotives	2005 (Chrysler), 2011 (Ford Motor Company), 2010 (Navistar International Corporation), 2011 (General Motors)	• Automotive manufacturing employment in Indiana dropped from 141,700 jobs in 2000 to 91,500 in 2008 • From 2000 to 2006, Indiana experienced a 18% average weekly wage decrease	Purdue Research Park (Research Park)	• Indianapolis added over 13,700 manufacturing jobs following the recession and led in manufacturing employment growth • Indianapolis is emerging as a tech innovation leader in the Midwest, adding 9,200 jobs in the sector over a five-year period
MIAMI, FL	Telecommuni-cation	2015 (Motorola)	• Google's acquisition of Motorola reduced employment from 20,000 to 3,800 workers • Manufacturing employment decreased overall by 4% from 1990-2006 and remains below the national average	Endeavor Miami (Incubator)	• Miami ranked number one on Kauffman's list of startup ecosystems in 2017 • Miamiranked eighth in business growth between 2010-2015
Sacramento and Rocklin, CA	Agriculture and semiconductors	2001 (Ebara Technologies Inc.)	• From 2004-2010, California lost 18.5% of its manufacturing jobs, with Sacramento losing 24%	I/O Labs (Incubator)	• As of 2017, Sacramento was growing 1.4 times the rate of the largest California cities

GEOGRAPHY	COMMODITY/IES	YEAR OF COMPANY EXIT	ECONOMIC LOSSES	PROGRAMMING TO FILL GAP	ECONOMIC GROWTH
			• The Sacramento area was **ranked at the bottom third** of metropolitan areas for regional prosperity, growth, and inclusion between 2006-2016		• **$1B in investment** has been placed into revitalizing the Sacramento downtown area for innovation and tourism, and a **$10M City Innovation Fund** was established to fund local tech entrepreneurs

ENTREPRENEURIAL CRITICAL MASS (ECM)

As you set about determining this first pillar, your goal is to assess what this playbook calls "entrepreneurial critical mass" or ECM. Some entrepreneurial thought leaders call this concept "density." The idea was first described by **Brad Feld in 2006** when referring to Boulder, Colorado's startup characteristics. Entrepreneurial critical mass refers to the organizations, people, and supporting entities necessary to have a thriving community for the long term.

The Boulder metropolitan area is still recognized for its successful entrepreneurial critical mass; the region was again ranked as **number one in the 2016 Bloomberg Brain Concentration Index**, a study that measures both the density of STEM workforce and degree-holders as well as business creation. Colorado's high ranking on the 2016 Bloomberg Innovation Index also comes as no surprise when looking at the state's clusters of high-tech and clean energy labs—such as the National Renewable Energy Lab and the National Institutes of Standards and Technologies—and industry pipelines, including the environmentally conscious, STEM-based Colorado School of Mines. Denver and Boulder in Colorado as well as cities such as Fort Worth in Texas have been able to shift from their former reliance on dying industries and turn into technology hubs —all due to a high concentration of innovators and key federal support.

While density is important, you, as the leader of an emerging entrepreneurship center want the right kind of density. Having the right ECM as part of your community will make all the difference.

The nonprofit organization Tiny WPA is focused on community revitalization through neighborhood projects and entrepreneurial training and was originally not solely focused in Philadelphia.

However, after his experience working with makers on community projects throughout Philadelphia and the U.S., Tiny WPA founder Alex Gillman decided he could achieve the greatest impact by focusing his work almost exclusively on western Philadelphia. He selected the area because of the number of vacant or under-utilized spaces and he knew that a creative, community-driven design would make a significant difference. Yet Alex knew he could not do it alone, so he thoroughly assessed the temperature of the community. Was it receptive to a new way of doing things? A way that could potentially bring vocational training opportunities to a community which would certainly benefit from them?

WHAT COLOR IS YOUR PARACHUTE?

In the 1970s there was a popular business book with the above title written by Richard Boles that, among other things, helped an individual assess career fit. It has since become one of the **best-selling career books of all time.** Now that you are working with others who are as keen as you about creating a healthy nexus for entrepreneurship, your group needs to assess your community or region's strengths. If you are involved in a regional economic development organization now is the time to assess these strengths for your organization. The temptation here may be to focus the assets of your community on certain industries right from the beginning, but resist that inclination and focus on how to best cultivate your community's assets and talents toward general entrepreneurial activity and associated activities.

Much like determining a customer segment or archetype as described in the **Business Model Canvas tool**, deciding what your strengths are means you need to get very specific about them. The Business Model Canvas is a widely popular method of constructing business models based upon making certain hypotheses about the business being launched. Once the business model is created, you can then develop a plan for the business. A **customer archetype** is a collection of traits that starts to show a commonality of patterns across buyers of a product. Examples of patterns are demographics, uses of the product, available budget, etc. It is best for a region or entrepreneurial hub to select a handful of attributes rather than hoping to be good at everything. Consider these questions:

- Does your area have a strong manufacturing heritage?
- Technology base? Agriculture history?
- Creative economy?
- Wide access to educational institutions for retraining or providing a stream of skilled graduates?

Pick a personality trait or two for your region. For what is your area known? Is your area welcoming, quirky, hard-working or characterized by rugged individualism?

Now take some poetic license with the term “customer archetype” and work to accurately describe your “regional archetype.” This should be done with such deliberation and specificity that, when completed, it sounds like you have described a specific person.

CASE STUDY

Rochester – Boom, Bust, And Boom Again

CASE STUDY: Rochester – Boom, Bust, And Boom Again

Located in the heart of Rochester, New York, NextCorps (formerly High Tech Rochester) is a non-profit with the mission of being a catalyst for entrepreneurship in the Rochester area and Finger Lakes region of New York. Speaking with Holly Barrett, Director of Marketing for NextCorps and Luminate, a nationally recognized program from NextCorps, it's easy to see why the business model started by NextCorps works so well. Holly notes that like most entrepreneurial programs, you have to start out knowing what your area does well and build from there.

Rochester has a rich history of tech innovation, beginning with agriculture and evolving to advanced manufacturing. Household names like Eastman Kodak, Xerox, and Bausch & Lomb were all founded here between the mid-19th century and early 20th century, establishing a now-renowned photonics cluster. This industrialized region formed by the three powerhouse companies fostered the development of photonics-, optics-, and imaging-based educational programs; formed government partnerships; and attracted technological innovators across the world to participate in the Rochester economy.

When some of those brands struggled through the tides of technological disruption, many extremely talented workers were forced into the open job market. These were workers who had much to give and were desperately needed by technical startups. Yet these startup activities still needed a nexus to gravitate towards in order to create a critical mass. That nexus was the University of Rochester, one of the area's largest employers. The University of Rochester also had a keen interest in technology and knew it could be the training ground for the next generation of technology workers. Barrett mentions that the university knew that the emerging startup scene would and should impact the curriculum in terms of what it taught to students. In turn, the educated workforce graduating from the University of Rochester enticed technical startups to settle in the area.

Barrett explains that his gets back to knowing the DNA of your area and not trying to be something that you are not. Rochester's deep roots in technology and innovation positioned it to aggressively pursue state subsidies and competitive national funding initiatives. For NextCorps, the region's only state- and federally-designated business incubator, it meant keeping the focus on technology but to also appeal to startups, while having the "look" of a lifestyle company. Located in Sibley Square in downtown Rochester, NextCorps is now a key catalyst in not just the greater Rochester metropolitan area, but also in the revitalization of the downtown.

"We have had great success," Barrett notes, "and that success hinges on the fact that we know our purpose is to create a bridge between entrepreneurs and the resources they need."
Barrett points out that the Finger Lakes region outperforms New York state and the United States in three critical areas. For 2016-2017, R&D per capita was $326 for the Finger Lakes versus $222 for the US. In terms of formal education, 372 STEM degrees are issued for every 100,000 people in the region as opposed to 196 per 100,000 nation-wide. Another healthy barometer for the upcoming business pipeline is the number of patents issued: **23 per 10,000 workers in the Finger Lakes area versus 19 per 10,000 workers nationally**.

Barrett explained that NextCorps is "the integrator that helps to bring it all together. Entrepreneurship is hard. It's our job to help with navigation and helping startups figure out what they need. With Rochester's heritage, highly-skilled workforce, educational partners, governmental support from all levels and plain grit and

> and that success hinges on the fact that we know our purpose is to create a bridge between entrepreneurs and the resources they need.

determination, Rochester is evolving to be a hub for America's newest photonics and robotics technologies."

Importantly, NextCorps is careful to offer varied programs. One such program provides basic startup support to incubated companies. Another highly targeted program, Luminate, takes advantage of the region's deep knowledge of optics and photonics and brings those resources to bear on behalf of technology startups, many of which are focused on defense industries. Through its Manufacturing Extension programs, NextCorps helps startups get to scale.

"We have a deep subject matter expertise in manufacturing, so we challenge our startups to figure out how to go from prototype to mass production efficiently in a timely manner. Doing that entails a lot of different disciplines," explains Barrett.

NextCorps will soon launch a program focused on clean energy and is exploring what it will take to shift to clean energy products.

Having an eye toward emerging trends is important, Barrett notes, and just as businesses need to stay on the leading edge of customer developments, so too do entrepreneurship centers. Incubator residency tenures depend upon a startup's program membership at NextCorps. Allowing a longer runway for certain endeavors acknowledges that some businesses just need more time to be successful.

Barrett points out that, "You have to be careful not to cut off good ideas too early; just still hold them [the entrepreneurs] accountable for agreed-upon milestones."

Barrett advises managers of entrepreneurship programs to ensure that they can easily move resources across the organization, especially as the organization grows. She encourages people to talk early and often about failure and suggests that true innovators need to embrace failure. She sees the team's job at NextCorps as helping startups stay strong, motivated, and focused on the right things. By catering to their regional talent and specializing their resources and programming for each individual startup, NextCorps has touched **over 700 startups** in the Rochester region with **over $440,824,284 in total economic impact**.

WHAT'S A PILLAR WITHOUT A FOUNDATION?

Now comes the time to inventory the current state of your entrepreneurial community. Part of this assessment is to take a look at who is already in your region and the skills they can bring to your programming. This approach to assessing your regional talent should be done as widely as possible. Some urban communities may assume they don't have the talent needed to get their entrepreneurship center off of the ground. This is very likely an error. The likelihood is very high that the right talent does exist in your community. The key is to identify and map what exists (in terms of talent and assets) to the "what" that your program will seek to achieve.

The foundation to any good trip is a map. A map helps guide you to your destination. A specialized version of a map, called a mind map, can be very effective as a tool for identifying and inventorying your local landscape to find existing entrepreneurial assets and small business support resources. It is just as helpful in determining what you already have and what may be needed in your ecosystem.

Visual representations of ideas and concepts have been around for hundreds of years. The term "**mind map**" was popularized by Tony Buzan, a popular contemporary British psychology author. A well-done mind map will collect and organize your information in an interconnected and relatable way. Most importantly, a mind map can start to highlight which relationships already exist and which relationships still need to be built.

The map gives you the basic starting points for your community. Identifying the different types of local assets can be approached in several ways. A great start is to ask people who you feel are the natural leaders of your community what they consider to be integral to an entrepreneurial program. To put a construct around the conversation, you can start with broad topics like “technology leaders,” “startup owners,” “industry trade groups,” and “area colleges,” and then begin to put names to those categories. Think the ecosystem all the way through and include “customers” as a part of this ecosystem.

With further work, your map should start to include thoughts around types of entrepreneurial programs, operational expense funding, required infrastructure, and staffing requirements.

Here is an example of a mind map for a ‘community-focused makerspace’:

CHAPTER ONE: ACTION STEPS

WATCH

1 Forward Cities is a national network that works with both communities and over 30 city governments to develop and grow inclusive entrepreneurial ecosystems. Their team also runs Community Innovation Accelerators in selected cities. Within their resources and services, these place-based accelerators include an Inclusive Innovation Fellow, a diverse advisory council, entrepreneurial ecosystem asset maps, and private and public partnerships for economic development success. Forward Cities has disseminated several open-source, free toolkits for entrepreneurship centers and ecosystem developers to use when assessing their entrepreneurial community in order to create an innovation strategy. Read and use Forward Cities' sample Community Innovation Asset Map here.

2 Brad Feld's Startup Communities: Building an Entrepreneurial Ecosystem in Your City, as mentioned earlier in this chapter, can be found on Amazon by clicking here.

SPEAK

1 Find out where (the actual physical location!) like-minded entrepreneurs are gathering—whether it is a local coffee shop, code-a-thons, makerspaces, or established co-working spaces—and then go there to introduce yourself.

2 Commit to making three in-person connections that aren't sales pitches for what you do. Rather, talk about how you are assessing the local entrepreneurial community's needs with your mind map work. Highlight what you think are the strengths and weaknesses of your community.

3 Ask for their help in filling in the gaps by giving them the pen and letting them fill in on the map. This SPEAK exercise serves to locate and engage serial entrepreneurs and/or new founders. If there is no such meeting place in your community, find something that has a regular gathering, such as a farmers' market, local brewery, craft show, or a networking event.

LISTEN

Victor Jimenez talks about "building communities that inspire connection" in this podcast.

PILLAR TWO

BUILDING IS BETTER WHEN DONE TOGETHER

People follow successful people. As a leader of an entrepreneurship center or emerging startup community, people will look up to and naturally gravitate towards you. These people are the individuals you need to partner with so they can begin contributing to the vision for your community. Let's be clear, though. An emerging startup community needs to have visionaries who are also doers. In fact, your emerging community doesn't have enough time for big thinking without big doing. Therefore, it is important to consider a wide range of dedicated stakeholders for potential partnerships in order to ensure the strongest outcomes for your entrepreneurial community. A healthy variety in stakeholders make the best entrepreneurial communities with the strongest outcomes.

PARTNER RESOURCE CHECKLIST

As you contemplate the assets closest at hand for your entrepreneurial program, consider the variety of stakeholders and partners who may help support your entrepreneurship center and/or community:

- Existing place-based entrepreneurial programs
- Workforce development resources – state and federal
- Community champions – both formal and informal
- Existing technology or industry-specific clusters
- Funding resources partners – local banks and state/federal funding organizations
- Educational institutions – community and four-year colleges and post-secondary training schools
- Commercial real estate owners of buildings or buildings in need of revitalization
- Political representatives

INCLUSIVE AND DIVERSE

In order to have a healthy and rapidly growing ecosystem, you need to be able to let people or organizations easily join the effort. The best approach to making this happen as organically as possible is to put aside the notion that there is one leader for your startup community. Entrepreneurs typically shirk at strict organizational hierarchy. It costs time and money; two items usually in short supply when you are getting a community off the ground.

You should strive to make your ecosystem as diverse as possible. It just makes sense that your emerging startup ecosystem should reflect the greater community. This means your recruiting efforts will need to reach into associated and differentiated satellite communities. You should approach engaging local champions, wherever they may be, with an open mind. Look for supporters in previously unexplored places. There are people capable of championing the entrepreneurial cause who are just waiting to be asked.

Here we take a page out of **nature's playbook**:

> *"Biodiversity boosts ecosystem productivity where each species, no matter how small, all have an important role to play. For example, a larger number of plant species means a greater variety of crops. Greater species diversity ensures natural sustainability for all life forms".*

What works for nature will work for your entrepreneurial ecosystem. Every thriving startup community has a variety of big and small roles sharing responsibility for success. By picking the right number and combination of backgrounds that reflects what you want your entrepreneurial program to become, you lay the groundwork for success. If you have too few contributing members, you will lack Entrepreneurial Critical Mass (ECM). Too many, and you will not speak with a cohesive voice.

Another important consideration for your entrepreneurial program and one that may be overlooked is gender diversity. This particular focus naturally applies to ensuring that women-owned startups are recruited, encouraged, and supported as part of your program. It also means that your center's facilitators also need to be diverse in terms of gender representation. Taking it up another level, you will want to consider adding programs to your center to support women-owned startups that might not be directly in support of startup activity. A case in point is a program launched by Prototype, a feminist makerspace located in Pittsburg, PA.

CASE STUDY

Pittsburgh - Prototype Leads The Way In Prototyping

CASE STUDY: Pittsburgh - Prototype Leads The Way In Prototyping

Prototype founder Erin Gatz knew that if she ever had her own makerspace in Pittsburgh, Pennsylvania, there would be one thing she would add that she hadn't seen at other makerspaces. In fact, she believed a makerspace should be a prototype of a place one actually wanted to work. So, it was natural that when her makerspace was launched, it would offer childcare. During workshops and classes, a volunteer watches children. This permits a greater diversity of women to take advantage of the makerspace programming.

THE ROLE OF A BIG COMPANY (ABC)

You shouldn't plan to rely solely on "A Big Company," referred to as ABC, to make your emerging entrepreneurial programs happen. However, you will want to think hard about identifying and partnering with established companies in your area. 'Established' is broken into two further categories:

- Well-entrenched, successful large companies with a good reputation and long-standing ties to the community
- Strong functioning small businesses or operational startups already in place

You want these firms to be on your side. For businesses in both categories, the institutional knowledge they have is a treasure trove of learning for your program. They also provide a healthy strain of 'DNA' to your emerging ecosystem. Their existence shows that success is possible with the right kind of hard work. The benefit for them is that you are ensuring a healthy business environment in the long run by strengthening your emerging startup community. One never knows where one's next customer may come from!

THE RIGHT SIZE FOR YOU

Remember that A Big Company is ABC for your area. ABC doesn't need to be a Fortune 100 or even a Fortune 500 firm. Of course, if they are, pull them on board quickly! However, it does need to be a large employer that has an outward look, meaning it is involved in the community already and is likely involved with your local or regional economic development groups such as your Chamber of Commerce. It also must have a culture that lets its executives and managers stay involved with the community. These executives are key contributors to such an advisory network.

IMITATION IS THE SINCEREST FORM OF FLATTERY

The strong, functioning small businesses or operational startups mentioned on the previous page as part of 'established businesses' are incredibly important assets to consider for your program.

You need a proof point, and these companies fill that role. They are growing, successful, and a local 'brand' of sorts. The reason for getting these kinds of firms involved as part of Pillar Two is that your community or program needs to demonstrate to others that a startup can make it. There is no better way to do this than by having the evidence of a successful small business. Additionally, aspiring startup founders want and need to talk to someone who has already begun walking the entrepreneur's path.

BANKERS KNOW THE LAY OF THE LAND

We highly recommended that you connect with your local banks while creating your ascending startup network. They likely have an excellent grasp on the rising small business landscape and can help you fill in some of the missing data points on your entrepreneurial ecosystem mind map.

We will talk in Chapter Three about funding, but don't be dismissive of bank funding for certain kinds of startups. Bank money has its place alongside bootstrapping, friends and family money, angel investing, and venture capital.

EDUCATIONAL PARTNERS

Local colleges or universities are excellent sources of internships for the startups in your ecosystem. The pipeline created by having a healthy stream of interns for startups pays twice. The first time is during the actual internship, where both the student and startup benefit from the collaboration. The second time is after students graduate, giving startups a steady stream of emerging and trained workforce talent.

The importance of connecting your program to a college internship program cannot be ignored. In the **2017 Wall Street Journal ranking of colleges that prioritize internships**, students were asked to rank their institution on how well it had prepared them to find a job and then be successful there13. Endicott College in Beverly, Massachusetts, which ranked 2nd nationwide in the report, begins its internship program during a student's freshman year. While many students do their three required internships at established companies, many also opt to seek out technology and life science startups. With several startups being incubated on campus, Endicott College students get exposed to not only the actual business, but what it is like to work in and contribute to a rising venture. Some even opt to stay on after graduation and can contribute immediately because of the experience they already have under their belt.

Partnerships with a college's faculty members are also vital for emerging startups. These faculty members can provide important guidance to your program and to startups in your community. Some faculty may be a source of research talent, are potential talent for a startup's management bench, and can offer mentorship that will guide a science or tech startup through complex grant processes.

Be advised that some faculty are unionized and there may be rules around how much pro bono work they can do while employed by their college on college time. This certainly doesn't stop any startup from engaging with faculty members outside of the scope of the university and almost all college presidents see the value of this contribution to the community. In fact, these 'town/gown' relationships are a hallmark of some of the best entrepreneurial programs in the country.

Another university constituency to consider for your program is its alumni. Even if they weren't exposed to your entrepreneurial program during their school years, alumni can still provide a wealth of experience, mentorship, and even investment dollars for your startup community. The best way to approach this segment is by contacting the university's alumni or institutional advancement office. They have the best sense of their alumni skillset and will want to leverage this opportunity to nurture their alumni ties, adding credibility and mass to your program.

Universities are a natural pipeline of fledgling startups for your program. Some graduates may seek to settle elsewhere, however, if your program nurtures entrepreneurial students while they are in college and has a natural landing place for them like an accelerator or co-working space program available after graduation, they may very well choose to enter your ecosystem.

One last point about educational partners is that it is easy to overlook the opportunity that community colleges or careertech schools present to your program. Typically tasked with very focused career training, good community colleges and post-secondary training programs prepare their students for the workforce with extremely relevant technical and scientific skills.

CASE STUDY: Birmingham – Taking The Long View With Innovation Depot

Birmingham, Alabama is one town that has ridden the rollercoaster of what it means to be an American city. Founded in 1871, Birmingham rode the rails to riches both with steel production and as a hub for railroads. As those industries shifted in prominence in the late 1960s and 1970s, Birmingham needed to rethink itself in many ways. What had once played such an integral role in its identity now did not matter as much. The challenges Birmingham faced are similar to what many cities and towns face today:

“Who are we when the industry we were known for is no longer?”

Rebirth doesn’t happen overnight, and it didn’t for Birmingham. While many factors came into play for its current renaissance, one organization that has played a critical part in the economy’s resurgence is Innovation Depot. Innovation Depot, considered the golden standard for support organizations, is the first to give credit to the greater startup community for playing a major role in the rebirth of the Birmingham community. Yet, the first thing that comes to mind to Birmingham entrepreneurs when you ask them about the uniting force for Birmingham is Innovation Depot.

Located in the heart of Birmingham, Innovation Depot offers 140,000 square feet of space to its entrepreneurs, but it wasn’t always so. Devon Laney, former President and CEO, understands that Innovation Depot is built upon a legacy of traditional industries. The key was taking those legacy industries and distilling them down to the ethos of what historically made Birmingham a crown jewel of the South. How do you take what was and leverage it for what could be?

Laney is quick to pay homage to the people who came before him at Innovation Depot. Acknowledging that Birmingham was built on legacy industries, Laney has reflected that Innovation Depot has always been aware that it was building a community for the residents of Birmingham. The challenge was for Innovation Depot to make itself attractive to rising startups. He admits that casting a net around "entrepreneurial critical mass" was a big challenge.

Laney says that he sees "lots of people trying to create innovation centers too quickly right now. They need to have the long view. Innovation Depot is 31 years old. It has constantly evolved. The first thought of the founders of Innovation Depot was, 'How do we create awareness?' We weren't so focused on the awareness of Innovation Depot. More important to us was the awareness of startup activity in general."

Laney points out that staying focused on the startups you want to attract will keep your plan laser-focused on the resources that you need.

Innovation Depot knew that it didn't want to be the Silicon Valley of the South. Most importantly, it knew that it wanted to be 'Birmingham.' Innovation Depot wanted to intentionally involve public and private sectors. In order to engage these sectors, Innovation Depot formed a workforce partnership within the Innovate Birmingham network, including the Birmingham Business Alliance and the University of Alabama at Birmingham. They involved local companies and city/state government representatives in their effort to raise funds for their current building, a $15 million former Sears building. All the while, Innovation Depot continued to engage their critical stakeholders through decision-making power and partnerships. This is evident today through Innovation Depot's board membership, which includes Alabama Power, Integra Water, Alabama Department of Commerce, Momentum Telecom, Regions Bank, and other innovative partners.

> Target your message to the audience. Startups are going to care about the value you bring to them.

Through these efforts Innovation Depot was building a consensus that entrepreneurial activity is important to economic activity. Laney notes that this consensus is vitally important. “You do that [build consensus] in a way that shows alignment. We’ll report out on our annual economic impact. We will talk about the partnerships we have developed. These tangible results then help us determine an infrastructure. We’ve been able to make the case repeatedly that when these startups hire people and raise capital, that has a real economic impact,” said Laney.

He notes that with time, the conversation has evolved from “should we support?” to “how much should we support?” Innovation Depot now has over 1000 people ‘under’ its roof who work in over 130 startups in approximately 140,000 square feet. This physical space is focused on high-growth technology companies, can accommodate light assembly, and has some configured space for vertical businesses.

Laney strongly advocates that any rising entrepreneurship center must have several different value propositions. Every entrepreneurship center must understand there are multiple stakeholders and that these stakeholders have different expectations that sometimes contradict each other. Different expectations are okay as long as they are aligned to the overall goal.

“Target your message to the audience. Startups are going to care about the value you bring to them. The municipality will have another concern. Investors will be focused on something else. The value proposition, while still needing to stay true to its core, needs to remember that each of these groups is a unique constituency,” says Laney.

He strongly challenges anyone considering launching an entrepreneurial program to embrace educating anyone and everyone about the importance of startups. Laney notes that traditional economic development recruiting techniques to attract businesses are becoming less successful. It is this trend that makes the role of a nurturing startup community so important.

“It’s not ‘innovation in a box’ that we are talking about here,” Laney explains. “We work hard to maintain the culture, and we are very careful about the businesses we bring into the Depot. Innovation Depot is not a building. It is a resource. Everything we do is about facilitating the community.”

CHAPTER TWO: ACTION STEPS

WATCH

1 Watch [this video](#) of Steve Blank speaking about some secrets to successful partnerships. These apply to entrepreneurial centers as much as they do to startups.

2 Watch the Knight Foundation's announcement of the board of directors and managing director for Endeavor Miami by **clicking here**. Pay close attention as they talk about the different types of local partnerships activated to establish this incubator as well as Miami's community assets.

MAKE

1 Time to see if what you are contemplating matches what the community needs. Go buy a sheet of poster board (nothing smaller will do). Engage some of the people who are in your emerging entrepreneurial critical mass. Beg, borrow, or steal pictures of people who you would like to see using your program. Sources can be magazines, community newspapers, and actual photos. Cut them out and don't worry about being neat. Paste them

on the poster board. Also cut out large-font words that represent the qualities you want your program to represent. For example, if you want to target returning veterans for workshops, find words to represent that. This MAKE exercise will hold you visually accountable. After you think you are completed, the next critical step is to get feedback from the very people you hope will use your program. Ask them to tell you the story of the poster; don't tell it to them. Questions to consider as you engage them:

- Do they see themselves on your poster board? If not, thereis a disconnect.
- Should there be a picture on your poster board that you had not contemplated?

2 Take these findings and revise the poster. Once completed, use this poster as your way finder as you construct your program. If there is a disconnect between your poster and the program, now is the time to do a healthy self-evaluation. Is the disconnect good or bad?

3 If you had an unpaid intern position to assist you with program design, what would that job description entail? Write it out in a detailed manner and include the number of hours required per week, work location, and work duties. Most colleges have short, mid-length, and semester-long internships. Target this first internship request to be a short one (about a month). Then, place a call to your university's career center and ask to speak with an internship coordinator about this position. Note that most programs don't allow interns to work "virtually" and most require students to report to an office of some sort.

READ

Innovation Depot in Birmingham, Alabama is able to leverage unique resources on behalf of its startups through meaningful partnerships with both private and public stakeholders who have vested interest in the ecosystem. Browse through Innovation Depot's robust resource partner network by **clicking here**.

SPEAK

If you have a LinkedIn profile, connect with someone in your community who you think might benefit from your program. See if that person would be willing to meet with you or talk over the phone about what you are contemplating and get their feedback. Are you on the mark? Additionally, connect with the leader (CEO, President, etc.) of an entrepreneurial program that you admire (should be outside of your geographical area). Stretch yourself and aim high! Ask if that person would be willing to give you 20 minutes on the phone to talk about their program.

LISTEN

1 In this podcast, we learn about the beginnings of Kansas City's entrepreneurial growth as explained at the Innovation Exchange – Kansas City Entrepreneurial Ecosystem Analysis.

2 Planet Money covers the decline of Greenville, South Carolina's manufacturing industry and how it experienced a renaissance in a postmodern economy in "Episode 623: The Machine Comes To Town".

PILLAR THREE

INVESTORS FOR YOUR PROGRAM AND YOUR STARTUPS

Some might argue that the first four pillars of this playbook are moot without money and that having funding ought to be the first pillar of a successful entrepreneurial community.

While funding might make this process seem easier, the analogy would be equivalent to giving someone a million dollars and then asking him or her to come up with a business idea that has staying power and appeals to many people. Nine times out of ten, the business idea will fail. An entrepreneurial program will also fail if all you do is first focus on the money.

This playbook has recognized all along that there are two things your programming likely doesn't have much of:

time and money.

CASE STUDY: Akron – Techgrit, Architecting Ecosystems For Over 15 Year

TechGrit is a specialized consultancy that works with clients in communities, corporations, and educational organizations to design, develop, and implement entrepreneurial ecosystems, including business incubators and accelerators.

Andrea Margida, TechGrit President, and Anthony Margida, CEO of TechGrit, have based their company in northeast Ohio purposefully to help create opportunities in their home region. By building upon their local success through diversified investments to entrepreneurship centers, TechGrit now has a global reach. TechGrit envisions and implements customized entrepreneurial hubs with business and educational initiatives, incubation, and accelerator programs that focus on uniquely leveraged business programming and community engagement.

“It’s a passion for us. We could see the technology was cutting-edge (in the region) and now what was needed was helping startups get these technologies to market efficiently,” Anthony explains.

> *“There was a growing technology surge in northeast Ohio. We wanted these technology startups to stay in the area. We knew it was vital to the ongoing economy. So TechGrit was launched to help build place-based entrepreneurial programs designed for the culture of the mid-west. Each program, though customized, had to be sustainable on its own.”*

TechGrit envisioned and implemented the architecture of an entrepreneurial super-hub innovation center named the Akron Global Business Accelerator, located in downtown Akron, Ohio. Over the course of nearly five years TechGrit helped outfit this innovation center with the proper leadership, assessment, and implementation of all the necessary infrastructure. The result is 450 new jobs and over $75 million in new investments for client companies. The ecosystem was intentionally and carefully structured with hybrid incubation, seed acceleration, a software boot camp, strategic partners, local arts, makerspace, and collaborative programming. With an exceptional sustainability plan and over $10 million in awarded grants, TechGrit delivered over $200,000 to its stakeholders annually after paying for operations and capital. The Akron Global Business Accelerator had become a super-hub for entrepreneurial programs.

Anthony and Andrea successfully secured the investments needed to build the accelerator and other programs from diverse sources. By gaining investments from these diverse sources, TechGrit was able to build unique programs throughout their ecosystem that still support a wide gamut of industries/missions, such as manufacturing, the arts, nanotechnology, retail, esports, etc. Furthermore, the funding was used to constantly build-out and update the center's facilities to meet the needs of local entrepreneurs. The Margidas secured funding from the federal government (US EDA), state, community-based foundations (e.g. the Burton D. Morgan Foundation), and private industry partners.

In addition to the successful cash fundraising for the accelerator and ensuing programs, the same talent was utilized to raise in-kind support for the programs and clients. For instance, TechGrit established a partnership with the University of Akron's legal clinic at virtually no cost to the accelerator. Third-year law students, overseen by a law professor, lead clinics in legal business structures, operating agreements, contracts, and intellectual property. The startups benefit from getting legal advice, and the students benefit by getting real-world experience they can put on their resume. Anthony remarks on what he believes is the key to any successful place-based entrepreneurial program.

"As we worked with more and more organizations, we came to realize that sustainability of the program was key. Leaders of such programs have to design something (in terms of programming and events) that are virtually no additional cost, like our legal clinic. This then helps you extend the resources that you do have to go further and farther," he explains. Anthony points out there are other factors as well. The outlay of grant money, for example, should be aligned with milestones for any startups receiving that money. This alignment creates behaviors within the startup that will set it up for success in the long run.

As Anthony reflects on TechGrit's work in Akron and other programs he has since developed both nationally and

> As we worked with more and more organizations, we came to realize that sustainability of the program was key.

internationally, he observes that he and his staff have two notable strengths: transforming entities into destinations for entrepreneurs as leanly as possible and giving scattered assets purpose for the further enrichment of startups. These also happen to be the secrets of success for funding any thriving, place-based entrepreneurial program.

BALANCING ACT – FUNDING YOUR PROGRAM

The challenge of launching or revamping an entrepreneurial program is huge. With only 168 hours in a week, it is likely that you, as an architect of such a program, may feel that just trying to find funding for your program is a full-time job. It would be if you had not done all of the upfront work of the first four pillars. Remember, you have invested in:

- Creating your program's value proposition
- Identifying key 'consumer' segments for the program by developing your ecosystem mind map
- Validating what you think these segments need by giving them 'MVP' entrepreneurial programming
- Identifying key places for delivery of this programming, giving you 'distribution channel' knowledge
- Establishing and nurturing meaningful relationships with key partners at the public and private level

Investing time to establish the components above means you have just made your next task—the task of selling this vision to investors—much, much easier.

THE CHICKEN OR THE EGG – PUBLIC OR PRIVATE MONEY?

This is the question everyone asks when building an entrepreneurship program in an emerging urban or rural community. Should we seek public investment or private dollars to help finance the build-out of the vision? The truth is that over time, you will want to seek out a hybrid mix of the two sources of funding, like the Akron Global Business Accelerator.

In emerging countries, **most incubators and accelerators are started by public authorities**. In developed nations like the United States, there are many fine examples of private enterprises establishing entrepreneurial programs, often with the goal of creating an innovation funnel for their businesses.

This paradigm also works when considering the balance of public or private money for your entrepreneurship program. If your geographic area is very rural, you may need to heavily lean on public money investment. In rare cases, local wealthy business owners, bankers, lawyers and/or large-scale farmers may be a potential donor. If your center of activity finds itself in the heart of a city with private investment firms, big companies or wealthy individuals, then private money may be an easier option for you.

The majority of non-profit entrepreneurial centers begin with public dollars. These public dollars act as the catalyst to get many of the programs previously detailed in this playbook off the ground.

Beyond fueling programming for your entrepreneurial center, this public ‘seed’ money acts as a beacon to attract private investors to your ecosystem.

THINK GLOBALLY AND ACT LOCALLY

Municipalities and rural counties have a vested interest in wanting your program to be successful. While you can’t solely count on public dollars from this source, it is an avenue that deserves investigating. These partnerships can start small and once you have a successful prototype be expanded with original and new partners. **Technology Villages** is one such incubator that was established by the City of Prior Lake Economic Development Authority for community-based economic development. Technology Villages offers a unique online training course for emerging rural businesses seeking to build an entrepreneurial pipeline of programmatic support, funding infrastructure, and other critical assets. This curriculum has been implemented across the Southeastern U.S. For rural counties seeking to duplicate the success of Technology Villages, InBIA offers a condensed **Rural Success Strategies Lite Certificate Program** that teaches rural ecosystem developers and economic development organizations to build a rural incubator.

Federal Funding

Federal money from the U.S. Small Business Administration, often in the form of grants for accelerators, is worth considering as well. For example, the SBA launched the **Growth Accelerator Fund competition** for accelerators, incubators, and other entrepreneurial ecosystem models that support small businesses and startups. This competition allows ventures to compete for monetary prizes of $50,000 each. Specifically, these grants seek to fund programs in geographically underserved areas.

The Economic Development Administration (EDA), a bureau of the U.S. Commerce Department, provides continued support to entrepreneurial programs as one of its core goals. The EDA's Regional Innovation Strategies Program supports the creation of entrepreneurship centers that increase the rate at which ideas, intellectual property, and research are translated into products, services, and jobs. Millions of dollars are available through its **grant competitions** that support the creation and expansion of equity-based, cluster-focused seed funds that invest regionally managed risk capital in startups with a potential for high growth.

Areas that have already been heavily targeted for economic development fall outside of the grant programs detailed above. In these cases, and through advocacy by your elected representatives, the federal government may earmark particular areas for economic intervention. By having already cemented a strong relationship with your representative to Congress, you will hopefully get onto the 'dashboard' of your U.S. Senator's office. If you strongly focus on Chapter Four, you may be able to advocate for a carve-out of seed money for your center. However, make sure that you understand the scope and eligibility of federal funding sources when applying. For example, you must determine whether the grant opportunity that you are pursuing is applicable to non-profit entities or also for-profit entities among other criteria.

Be aware that navigating these relationships can start to get a bit murky when private money begins to flow into your program.

Strategic Corporate Investment

After identifying the large companies in your ecosystem, you now need to determine if any of these companies have the ability to invest in entrepreneurial programs. In addition to being good community members, by financially supporting your program, these companies gain exposure to the startup culture and also to potential business relationships with your startups. Be aware that navigating these relationships can start to get a bit murky when private money begins to flow into your program. You will want to understand upfront just how involved a corporate partner wants to be in your program so that neither side is disappointed.

Many corporations make grants to non-profit community partners who are aligned with the firm's mission. It is your job to learn the following:

- First, do they make grants into the community?

- If they do, does the goal of their grant program align with yours?
- Beyond understanding the mission of their grant program, research all you can about their overall corporate goals. If they are publicly traded, get a copy of their annual report and read, at a minimum, Section 7, Management Discussion and Analysis.
- Align any grant submissions carefully and thoughtfully with the company's mission in mind and what you have learned from their annual report.

Charitable Foundations

There are a number of charitable foundations that support initiatives like entrepreneurial programs. These sources of support can be transformative to your program. Foundation support can go far beyond financial and may be a source of mentorship for either your center's leaders or the startups you house.

One such program is the Cummings Foundation, started by Bill and Joyce Cummings. Bill Cummings grew up in New England and through the years, his company, Cummings Properties, became one of the largest commercial property owners in the region. Having amassed over a billion dollars in wealth, both he and his wife created the Cummings Foundation and annually give one hundred grants of $100,000 each. Several times, entrepreneurial centers have been the recipients of these substantial grants. The Cummings understand the importance of the connection between a healthy entrepreneurial community and a robust regional business economy. Therefore, they invest in both established place-based entrepreneurial programs as well as help fund newly created entrepreneurial centers. They particularly have an eye towards ensuring that their foundation's money is applied to a diversity of missions.

The same can be said for the Burton D. Morgan Foundation, headquartered in northeastern Ohio (www. www.bdmorganfdn.org). Begun by Burton Morgan in 1967, the foundation celebrated its 50th anniversary in 2017. With a mission to "champion the entrepreneurial spirit, to contribute to a robust entrepreneurial ecosystem, and to serve as a leader in the field of entrepreneurship education," the Foundation supports entrepreneurial programming through grant-making, educating, and sharing knowledge.

The Burton D. Morgan Foundation specifically targets its grants toward helping to scale up startups quickly. Bounce Innovation Hub, northeastern Ohio's first innovation hub and home to a technology incubator, software accelerators, and a manufacturing iterator, has been the beneficiary of the Foundation's generosity. In 2018 it received $50,000 from the Morgan Foundation to support planned, measurable growth for the Bounce-incubated startups. The Morgan Foundation clearly understands the linkage between healthy private enterprises and the overall economic health of northeastern Ohio.

Seeking financial support from a foundation requires assessing the goals and mission of your place-based program with that of the foundation. For example, the Case Foundation (www.casefoundation.org) is primarily interested in funding entrepreneurial initiatives that target urgent social challenges. It does a significant amount of work with inclusion-focused accelerators, innovators, and ecosystem builders. One such example of the foundation's entrepreneurial initiatives is the **Rise of the Rest tour**, a nationwide initiative formed by Steve Case and his investment firm, Revolution. The Rise of the Rest tour intentionally hosts pitch competitions in emerging ecosystems as the Case Foundation adamantly believes that developing strong ecosystems and companies is worth investment. Successful Case Foundation grant awardees' objectives are clearly aligned with the

Case Foundation's objectives. Additionally, foundations may have a geographic priority for funding and may only provide grants to organizations in specific regions or programs with national scope.

Therefore, you will want to take a thoughtful approach to applying to charitable foundation's grants. When you both share similar interests, the grant writing process is much easier, but of course, never guaranteed. Time spent understanding a foundation's local mission well in advance of any grant submittal is time well invested.

Since 2014, JPMorgan Chase has invested over $150 million in Detroit's economic recovery and announced in June 2019 that it will expand its commitment to $200 million by the end of 2022.

As part of this investment, JPMorgan Chase, together with W.K.Kellogg Foundation and Detroit Development Fund, launched the Entrepreneurs of Color Fund (EOCF) to increase access to capital for minority and women small-business owners.

EOCF Detroit provides loans ranging from $50,000 to $250,000, technical assistance and contractor line of credit. JPMorgan Chase has been able to expand this model in four other cities across the United States.

THE GREY BETWEEN DILUTIVE AND NON-DILUTIVE FUNDING FOR YOUR ENTREPRENEURS

Banks and credit unions are not going to be the first choice for technology and science startups. The capital requirements are too high and such startups are viewed as too great a risk. For other entrepreneurs in your ecosystem, you and your startups will have to be the judge as to whether they are the right connections to make. If someone wants to launch a food truck or open a farm stand for example, a bank or credit union may be the right choice. Many banks and credit unions have a small business division within their organization. These programs are experienced in making both micro (usually under $10,000) and larger loans. With almost all new small business loan applications, a business plan is required. The good news is that your entrepreneurial program will have helped the entrepreneur create this plan already!

NON-DILUTIVE FUNDING OPTIONS

Community Seed And Loan Funding

A guiding principle behind community seed funds and loans is that ease of access to capital can be one of the factors that enable more community-based businesses to be launched. This is particularly true for individuals and communities who traditionally have little or no access to capital. Some entrepreneurs may have little or no credit history to present a bank for a more conventional loan. Unfortunately, some of the communities most in need of revitalization may be perceived by financial institutions as too risky for capital investments.

The underlying rationale behind these community-based financial resources is the belief that people and organizations would be willing to help their neighbors if there was an entity that could

handle the oversight and management of those funds.
Community funding sources are typically characterized by:

- Low interest rates
- Flexible repayment schedules
- Longer term loans
- A willingness to be more creative and flexible than traditional financial institutions

Seed investments are generally considered by the grant making body for very specific projects, programs, or initiatives. This does not mean your ultimate goal cannot be lofty. It does mean, however, that your stated objectives should be aligned with the fact that your entrepreneurial program is in a developing state. Seed investors will also likely understand that your program is a prototype. Therefore, there may be more latitude in assessing your program's progress during the first couple of years. The organization making the seed investment should understand that there is a high degree of risk in this investment.

Generally speaking, community seed and loan funding is non-dilutive or minimally dilutive, thus preserving ownership of the startup for the founder. This is an incredibly important feature for communities that want to encourage small business ownership for the long run.

The sources for these funds come from:

- Donations which can be tax-deductible, providing that your organization is an IRS-qualified non-profit;
- Individuals and organizations who want to align part of their investments with civic or social philanthropy and still receive a financial return.

For the latter to successfully occur, investors will need to understand that their investment will be retained for a long period, meaning that if they are seeking liquidity, this isn't likely the vehicle for them. The financial returns for these investments vary with some paying simple interest and others compounded interest.

Community seed and loan vehicles are regulated by state and federal authorities. They are all designed to be overseen by a diverse board of directors selected from the greater community, and most are characterized by having pro bono contributions of investment advice from for-profit capital investment firms. These programs have strict reporting requirements to both the state and federal government. Part of the yearly duties for community funding entities is the preparation of an annual report which highlights certain small businesses that received the money as well as the larger economic impact to the region that the fund is making.

> "community seed and loan funding is non-dilutive or minimally dilutive, thus preserving ownership of the startup for the founder."

Grants

Grants are monetary pledges to an institution, in this case, a startup, and are non-dilutive for the recipient. The United States Small Business Administration (SBA) hosts an exciting grant initiative across nearly all the US federal agencies and is focused on R&D in the agency to develop innovative products or services. This program, known as the Small Business Innovative Research/Small Business Tech Transfer Research (SBIR/STTR) program is open to startups and small businesses. Additionally, specific federal agencies with large innovation demands, such as the Department of Defense, NASA, or National Institutes of Health, host numerous non-SBIR/STTR grants, which small businesses can apply to for millions of dollars to also fund product/service development. There are other grant programs your startup can investigate that specifically target historically underserved populations and may focus on funding startup owners from those populations. These socially minded grant programs typically are hosted by foundations and not necessarily the government. These grants can fuel the redevelopment of emerging communities and even fund neighborhood-based entrepreneurship centers to create innovative programming where there is a dearth.

Note that while most grants provide funding direct to the entrepreneur, a federal agency, state/local government body, or private foundation can work with the entrepreneurship center to facilitate competitive granting on their behalf. This can also provide much-needed opportunities for partnerships or funding to your innovation community.

Crowdsourcing

Crowdsourcing is left for last in this discussion. Crowdsourcing sites like Kickstarter can help small businesses in need of funding for prototyping, etc. This fundraising vehicle is often a creative and fun way to get a community behind a small business with everyone feeling as if they are a part of something exciting. You will want to ensure your entrepreneurs understand that some of these crowdsourcing sites take a percentage of the funds raised. Crowdsourcing is also characterized as being an unreliable source of small business funding. If no one is interested in the business idea, funds won't come in. It is also vital in this approach to funding that the company have a well-defined network already established or a plan to build one in order for the crowdsourcing campaign to be successful. **This article** from Entrepreneur Magazine gives some guidelines to follow. Crowdfunding is a difficult strategy to sustain for the long term. The same is true if you try to crowdsource funding for your entrepreneurial program. It is a great short-term marketing tool to pull focus into your efforts. However, it is definitely not the way to plan your center for sustained funding success.

DILUTIVE FUNDING OPTIONS

Financing Your Program's Entrepreneurs

As you seek to make funding connections for your center and programs, you may be able to secure funding pools for your startups. Here are some basic considerations to the type of fund you may wish to create for your clients.

For entrepreneurs new to seeking financing, the path can seem strewn with boulders and chasms. We have mentioned this subject earlier in the playbook, but it is absolutely necessary to have educational seminars on financing for the members of your entrepreneurial community. One of the most important topics for your members to understand is the concept of dilution. When a startup takes money and must exchange a percentage of ownership for that money, the money is said to be 'dilutive.' Creating a dilutive 'pot' does ensure that you gain some equity back to your fund and/or programs which will allow you to expand your resources to be more attractive to the entrepreneurs you are seeking to help. However, the value of your shares in the company will decrease.

Simply put, a founder's share of ownership is diluted if they have to make room for a new person (investor) in the business. This may not matter much if the founder's ownership percentage goes from 100% to 90%. After all, in exchange for giving up a portion of ownership, they are receiving an infusion of capital into the business. However, with incremental rounds of financing or with one large infusion of cash, a founder may suddenly find themselves owning less than a majority share and consequently, not fully in the driver's seat of the business.

A Complicated Subject

Dilutive funding options for entrepreneurs are diverse and complicated. While a detailed explanation of every funding option in this category is beyond the scope of this playbook, as a leader of an entrepreneurial program, you will have the responsibility of presenting education to your entrepreneurs in this area.

The concept of dilution or the decreasing of ownership in a business as a result of taking in financing may be hard to grasp, especially for first-generation entrepreneurs coming from disadvantaged or rural communities. In fact, even tech-savvy Silicon Valley founders have found themselves on the wrong side of the **dilution equation**.

Seed Accelerators/Funds

Since the **Y Combinator** started as the first well known seed accelerator in 2005, the world of funding early stage startups changed. Several startup powerhouses were born from the success of the Y Combinator, including Dropbox, Airbnb, DoorDash,

> Connecting your startups to a seed accelerator or fund via partnerships, however, can be worthwhile not just for your entrepreneurs, but for yourself.

Twitch, and more. The concept of combining intensive, short training programs with accessible capital has appealed to a number of ecosystem developers looking to spur economic activity quickly. Seed accelerator programs typically last 3-6 months to accomplish rapid learning and culminate in a 'demo day' or pitch event to investors, media, local stakeholders, etc.

The speed of these programs typically caters to a certain type of startup—i.e. tech, already established companies, etc. If you are seeking to provide early stage money to your startups in conjunction with your programming (ideally, that allows for a slower turnover rate for successful client graduation), seek out your region's venture capitalists and investors to see if they would partner with your organization/program to back a seed fund. Generally, seed fund backers have a specific gap that they want to fill in the ecosystem so make sure that your economic development strategy aligns with their vision for the seed fund and what type of startups in which they will want to invest.

Seed accelerators and funds are considered a dilutive option for helping startups in your area. The seed accelerators and funds ask for stock in the startups in return for their investment ("seed" money) and seed accelerators sometimes have additional program costs which makes the investment stake lower for that accelerator. Connecting your startups to a seed accelerator or fund via partnerships, however, can be worthwhile not just for your entrepreneurs, but for yourself. These options empower you to expand your entrepreneurship program instead of having to redirect limited capital resources to finance startups.

Angel Investors

Angel investors typically are successful entrepreneurs who have the financial means to invest in rising startups. This category of funders can be found as individuals, in small groups, or as more formal organizations. It may take some effort to identify the angels in your area, but it is a worthy exercise. Angel investors usually focus on businesses in their area of expertise or sometimes on a regional basis. Individual angel investors or small groups of 'angels' will find a company or small portfolio of startups and make an investment. Angel investors are usually characterized by a desire to mentor and coach the founders of the startups they have invested in. Most of the time angel investors receive a percentage of ownership in the startup in return for their investment. The share of ownership given up however is more than made up for in the expertise received from the angel investor. It is better to have your small business succeed with a smaller share of ownership than to be a 100% owner of a failed business.

Venture Capitalists

Money from venture capital firms is best described as 'rocket fuel.' These investments, typically in science, technology, or similarly focused startups, are significant in their dollar size. Always remaining dilutive, venture capitalists expect high return in exchange for their money and assumed risk. This type of funding is also always paired with an exit strategy at some point down the road. Venture capital firms are actively involved in the strategic oversight of the startup and usually have this oversight codified by having a seat(s) on the startup's board of directors.

Convertible Debt

Convertible debt is an instrument that also can be considered by your entrepreneurs. At the outset, **convertible debt** is non-dilutive, and this avenue of financing can be very helpful since it does not require the entrepreneur to place a value on the startup just yet. As part of the convertible debt agreement, certain events will trigger the conversion of the debt into shares of equity, usually at a discount. If those events don't happen, then the debt remains just as it was—debt. Naturally, as with most debt, the startup pays interest to the investor.

Dilutive Capital Requires The Experts

If there is anything to be extracted from this very brief overview of dilutive investments (for both the entrepreneurship center leader and the startup owner), it should be that dilutive capital options are complex. The best entrepreneurship centers recognize this and have targeted programming to help educate startup founders.

Provide Some Rules Of The Road

Providing advice in the form of counsel and pitch deck construction are prime areas where a center's entrepreneur-in-residence (EiR) and other mentors can play a critical role. Keep in mind that your center will need to develop guidelines for this involvement as you will need to address the rules of the road if a mentor or EiR wants to invest in the companies he or she is advising. You don't want to completely shut down these opportunities, but you do need to act as a guardian for startup owners who may be new to these types of conversations.

CASE STUDY

Columbus – Rev1 Ventures, Building An Ecosystem Through Investment

CASE STUDY: Columbus – Rev1 Ventures, Building An Ecosystem Through Investment

Rev1 Ventures, an investor startup studio located in Columbus, Ohio, has intentionally connected entrepreneurs to funding, connections, and other services. Kristy Campbell, Rev1 Ventures's Chief Operations Officer, spoke on the birth of the organization as a result of meaningful partnerships.

"Rev1 Ventures was formed a little more than five years ago when regional private and public sector organizations, including the Columbus Partnership and Columbus 2020 came together to help jump-start our innovation economy," said Campbell. "This started with the recruitment of an experienced venture development leader – Tom Walker – to be Rev1's CEO. He formed Rev1 Ventures as the region's venture hub, hired an experienced team of investors and startup builders, and launched a plan to grow a thriving and sustainable venture community."

"With the support of dozens of private and public sector partners – including the Ohio Third Frontier, The Ohio State University, Nationwide Children's, Nationwide Insurance, and others – this plan has helped to put Columbus on the map as a thriving startup community," added Campbell. Such funders enabled Rev1 Ventures to exist and invest on their behalf. Additionally, this intersection of private and public sector partners has led to greater retention of talent, an intentional creation of opportunities for small business development through entrepreneurial programming, and **revitalization efforts towards housing affordability** for Columbus following unemployment after the decline of automobile manufacturing.

Since its inception, Rev1 Ventures has brought in total **$1.4B to the central Ohio region** in its portfolio startups. According to Campbell, this success has continued. As of last year, Rev1 Ventures boasted of $566M generated in revenue, more than $700M attracted in capital, and 1,000 jobs created and retained annually with an average salary of $79,000.

Columbus, Ohio is the 14th largest city in the United States and is also home to the headquarters of **14 Fortune 1000 companies**; it is no wonder that Columbus was ranked **third by the Kauffman Foundation** for scaling startups. Yet, there is still room for improvement in Columbus's entrepreneurial ecosystem.

"Rev1 believes that access to capital and diverse tech talent are two of the greatest challenges startups in Central Ohio face. The early-stage capital gap is widening as more startups gain momentum and

> "We believe in – and our investor startup studio is focused on – reducing risk for startups by helping them tackle the knowable challenges they will face as they grow their business."

scale. Rev1 estimates that its IT-focused companies alone will need $100M in new capital over the next five years," said Campbell.

Rev1 Ventures is also driven towards intentionally incorporating **diversity and inclusion** in their work—whether it be through their portfolio companies, publicization initiatives, Startup Weekends, clients' teams, or their own organization. This in turn has sponsored real change towards establishing Columbus, Ohio as the face of diverse, competitive startups.

"Our goal is to reduce inherent bias and friction for diverse and underserved entrepreneurs. I am personally very proud of the growing diversity among the entrepreneurs and founding teams we support. Our results far outpace the industry: 58% of those who enter our investor startup studio program being diverse founders/ inventors and 50% of those companies we fund have diverse founders/inventors," said Campbell.

Rev1 Ventures has proven itself to be a thriving, innovative model of ecosystem building through access to dilutive capital and resources in just a short amount of time. This would not have been possible without a hands-on approach to providing a diverse array of resources in order to effectively support small businesses.

Campbell states that "We believe in – and our investor startup studio is focused on – reducing risk for startups by helping them tackle the knowable challenges they will face as they grow their business."

When seeking to support small businesses, Rev1 Ventures considers the following five main challenges:

- **Product:** Is the product unique and differentiated and will customers be willing to pay for it?

- **Market:** Is there a big enough market for the company to succeed?
- **Business:** Can a successful business model be created around the product/market combo?
- **Team:** Can the founding team execute and build a successful business?
- **Capital:** Can the company access growth capital in both the short and long-term?

According to Campbell "Entrepreneurs who enter Rev1's investor startup studio have access to up to $625,000 in services and support in these areas, along with connections to corporate partners who can serve as customers and strategic investors. We are seeing more corporate partners come to the table interested in deeper engagement with startups to help foster a DNA of innovation and to leverage our experience assessing and investing in startups to help them be early adopters, strategic partners, and investors."

It is no wonder that Rev1 Venture's portfolio survival rate tops that of the national average. Venture capitalists seeking to make meaningful change in emerging communities would do well to follow their example to develop and grow small businesses.

CHAPTER THREE: ACTION STEPS

WATCH

“Best Practices for Funding Economic Development” from Covergent Nonprofit Solutions is a straightforward, short video filled best practices for entrepreneurship centers and ecosystem builders to secure funding through investment for economic development. Watch the video **here**.

READ

1 Read Get Backed, a book by Evan Baehr and Evan Loomis, published by Harvard Business Review, that details best practices with which to craft, build, and pitch your venture.

2 For information on how to construct a winning grant proposal for private foundation grants from former Cedar Tree Foundation CEO, read “**A Foundation CEO’s Six-Step Formula For Winning A Grant**”.

3 InBIA also offers training and resources surrounding diversifying your revenue sources through their Entrepreneurship Center Management Certificate Program Course #2: Finance and Operations for Sustainable Entrepreneurship Centers. This course includes more information about how to secure some of the funding options that you learned about in this chapter, including private corporate sponsorships/donors and grants or other government funding pursuits.

4 For more information about angel investors and venture capitalists, check out the **National Venture Capital Association** (NVCA) or the **Angel Capital Association** (ACA). Both the ACA and NVCA have some free resources and/or templates that centers can refer to when helping entrepreneurs, as well as industry data. These resources can also assist you in finding a few the angel/VC groups in your area.

MAKE

1 If you haven't already done this, make a pitch deck for your entrepreneurship program as if you were presenting to investors. Implement the principles you learned reading Get Backed. Select members from your advisory group who have experience in making pitches, even if you consider yourself a seasoned practitioner. Work to recruit someone to the deck prep team who understands good presentation design. You are striving for great content delivered in a world-class fashion.

2 Make two lists: one with funding sources from this chapter that you can feasibly target and one with local, regional, and national sources that target your entrepreneurial audience. As you map out your community's assets, this activity may help you identify gaps in your knowledge that need further research.

SPEAK

1 After reading about community loans and funding in this playbook, identify an entity that distributes community funding in your state and contact them. If practical, ask if you can meet with them to learn about the evolution of their program.

2 After doing that, meet with your center's trusted advisors. They will need to be as committed to taking this on as you are. Assuming that they are, your next step will be to meet with financial and legal advisors to go about the first steps in setting up such a fund. Your goal here is to start at a scale that is sustainable, will give your program early wins, and has the capacity to scale with your program's growth.

3 For more information about building a successful place-based entrepreneurial program through diverse partnerships, visit TechGrit.

WRITE

1 This WRITE has you begin the grant application process. Sources of grant money can be large local companies, banks, philanthropic foundations, and state and federal agencies. What you ask for will be dependent upon the status of your program:

A. Emerging – Consider writing a grant to support the costs of research to further define the needs of your community's entrepreneurial ecosystem. What do your local small businesses and entrepreneurs want? What do they need?

B. Existing and Needing More Momentum – Apply for a grant and outline your community's design for a Startup Success Office. Remember to include in the grant proposal how an SSO will serve to enhance the greater business community. Be very specific about the deliverables from the SSO.

C. Existing and in Need of New Programming – Leverage grant opportunities to reach new constituencies and further strengthen your already successful center. Such examples might be an installment series of seminars which serve to educate female entrepreneurs about pitching successfully to secure venture capital, building out workshops focused on intellectual property, or development of a summer incubator program for college entrepreneurs.

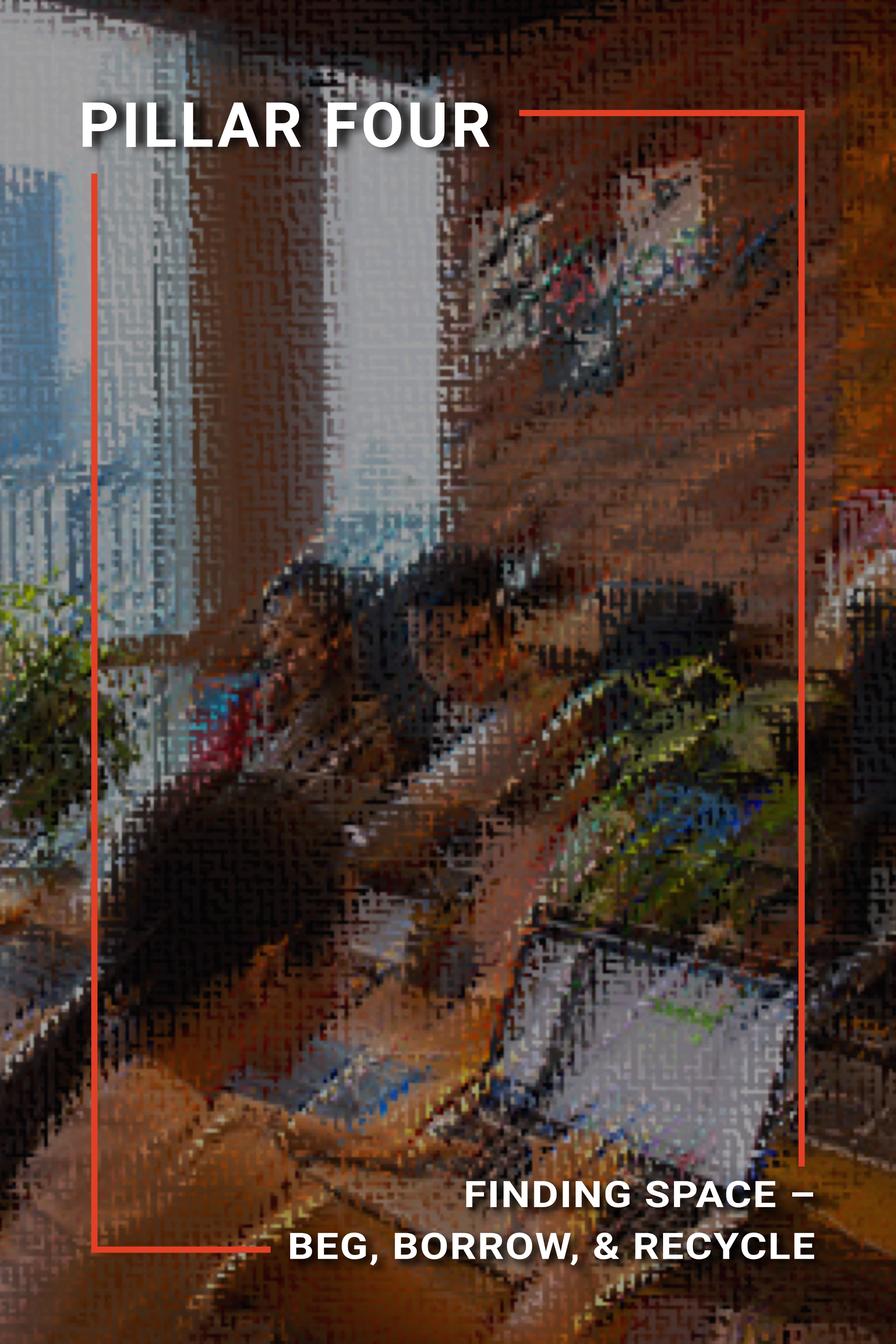
2 Working with your entrepreneur-in-residence, outline a half-day's worth of content on entrepreneurial finance. Unless you are in a unique position, don't assume your targeted audience brings knowledge of complicated startup investing. Using the categories under ‘Non-Dilutive Funding Options’ and ‘Dilutive Funding Options,’ create a workshop designed to get everyone up to speed. Your local knowledge can dictate how deeply you get into the more technical sources of funding for this first meeting. They may merit follow-on workshops. This is an important opportunity to pull in your financial partners from your ecosystem.

LISTEN

“**The Need for Multiple Seed Rounds, To Bridge the Series A Gap**” by Cindy Padnos of Illuminate Ventures.

PILLAR FOUR

FINDING SPACE –
BEG, BORROW, & RECYCLE



As Anthony Margida of TechGrit alluded to in his discussion of program sustainability, your entrepreneurship center will often depend on borrowing and in-kind support from stakeholders in order to continue to offer services to your community. Although you may still rely on these types of financial support, only you, as an entrepreneurship center leader or government official, can know when the time is right to start laying claim to actual bricks and mortar. Or put another way, actual physical space for your community. The answer for when this should be considered is a question of scale. If you are blazing the startup trail in a rural community with very limited resources, the financial means to actually procure space may be very different than a technology center funded by Google.

BEG AND BORROW WHEN AT THE MVP STAGE

There is a term called 'minimum viable product (MVP),' coined by Frank Robinson and popularized by Steve Blank.14 Minimum viable product is a product that has the least amount of features that people will still want to buy and give you feedback so that the product can be refined. The idea behind MVP is that you don't want to waste time and money building features that no one will want to buy while you are in your infancy stage.

The same is true for budding entrepreneurial programs. Don't misunderstand what is being suggested here. Seeking an MVP for your space needs doesn't signify a lack of commitment or expertise. In fact, it means the just the opposite. It tells your entrepreneurial community that you are open to feedback and are willing to make changes to reflect their actual needs.

CASE STUDY: Flint – Factory Two Gets Musical

Factory Two in Flint, Michigan started off in a couple of small rooms above a non-profit all-ages concert venue in the city. One of the founders of the makerspace was a board member of the concert venue. He successfully pitched the board on the idea of starting a makerspace in the unoccupied second floor of the concert venue.

Factory Two has grown from that humble start into being at the epicenter of Flint's entrepreneurial spirit. It now has evolved into offering full services to doers and makers of all ages.

RECYCLING INFRASTRUCTURE

Is there someone or an organization that can help you ’act as if’ your program had its own space, at least in its infancy stage? This is a key area where a regional economic development organization can help out by making its own space available to a fledgling entrepreneurship center. If you have begun to forge ties with a local established business, it also may be able to help out the program by making unused conference rooms, vacant office space, or other space available to your organization. You need to navigate the usage of these spaces carefully and with a deep sense of respect. If an organization is letting your program onto its premises, treat the loaned space as if you were an employee of said organization. Community libraries, as they have sought to repurpose themselves in a digital world, may also have meeting space to offer up to a program.

Referring back to your entrepreneurial ecosystem mind map, we have already spoken about the importance of connecting to your local university’s students and alumni. Does this school or university have an entrepreneurship or business program? They also may have space they can make available for meet-ups. It is beneficial for the school to also be aligned with your entrepreneurial program because it exposes its students to the entrepreneurial way of working.

It contributes long-term to a regional chamber of commerce if they help you find a landing space for your program. Assuming your program launches several successful businesses, these firms then become the next round of membership for the chamber.

Remember ABC? This was A Big Company identified as being an integral part of your ecosystem for its ability to lend executives and managers to your program. It may seem a stretch, but it is worth considering asking if they have space they would be willing to let your program use temporarily.

BUILD BEFORE THE TIPPING POINT

Incubators and accelerators have been around **since the late 1950s**. Today's successful incubators and accelerators know they must have physical spaces that closely reflect the kinds of startups they nurture to win in the long run.

Members of your entrepreneurship community will naturally need permanent real estate space. You are encouraged to 'act as if' your program will be successful and start scouting existing facilities for their desirability. If your area has lost a major employer in the past decade or so, your downtown may have a significant inventory of unused, prime-location office space. When large employers leave, associated businesses also usually leave with them, leaving vacant storefronts, multi-tenant buildings, and warehouses.

Remember when you were encouraged to establish a strong relationship with your local banks? They are a great asset to bring into this conversation when you are scouting for existing facilities. It is very likely that they know who owns vacant spaces. If any of the properties are bank-owned, all the better. Now is also the time to leverage any government official you have brought into your ecosystem, particularly town government leaders. It is in their vested interest to encourage revitalization of an area, and they are usually in touch with federal officials. This linkage is important because federal funds are available for rural areas in the form of rural business development grants and can be used for the acquisition and development of land and buildings. Known as RBDG funds, one can apply through the State Department by **clicking here**. The EDA has general funding grant opportunities for similar space acquisition projects. Information can be found by **clicking here**.

BE NEAR YOUR ENTREPRENEURIAL CRITICAL MASS (ECM)

An entrepreneurship center needs to be at the center of the action for its area. This requirement actually does a favor for a program as it immediately eliminates any physical spaces out of the flow of the town or city's everyday life. A remote office park, even at a bargain price, may serve you well in the short term, but it will not set you up for success in the long run. Startups and the entrepreneurs who run them need to be near support services, mentors, access to capital, and access to research facilities. Naturally, there is an exception to every rule, but in order to ensure the best for your program, scout for facilities near your ECM. This work you have begun will help create a thriving center that deserves every advantage it can get.

THE CHANGING FACE OF SPACE

The facility you select should reflect the startups which will live there. Businesses with a need for manufacturing are going to need space like the Greentown Labs in Somerville, Massachusetts. **Somerville, the 16th most densely populated city in the country**, houses this cleantech incubator right in its downtown. **Greentown Labs** reflects the needs of the tenants who live there, complete with lathes, saws, drill presses, and more to contribute to its decidedly 'industrial' feel.

Jane Teague, who ran Florida Atlantic University's incubator in Boca Raton, Florida for a decade, said that entrepreneurial programs and incubators must be updated according to the kinds of businesses they develop.18 This means that software developers, life science labs, manufacturers, and tech startups all have different needs.

This does not mean you can't have variety in your program, but it does mean you will have to work extra hard to create communities within your community. This playbook suggests that *you will need to do some intense soul searching and settle on a handful of startup archetypes for the entrepreneurship center.*

> you will need to do some intense soul searching and settle on a handful of startup archetypes for the entrepreneurship center.

SPACE IS JUST THE START

If beginning and sustaining an entrepreneurship program was only about renting space, then why aren't there more incubators? It is because launching and, more importantly, running such programs for the long-term is hard. Whether it is an incubator, accelerator, or makerspace, having access to advisors, technology, mentors, educated workers, etc. will make the difference between winning and losing for your program. The requirement at the beginning of this playbook to work on your entrepreneurial ecosystem mind map was not trivial. The assets you outlined in that map absolutely play a critical role in ensuring your 'space' is more than just square footage.

Here is a case in point. Most startups have a founder who is well-versed in the technology of that startup, whatever it may be. They may have extraordinary executive abilities, too, but that is more the exception than the rule. Even if the founder(s) are strong executives, they still deserve mentorship and coaching from other, more seasoned executives. As an entrepreneurship center leader or government official, your mandate is to ensure the highest rate of success for the startups in your program.

Well-differentiated spaces strive to have 'vignettes' within their space to accommodate different styles of working. Think of employing several of the following as you think about your space:

- A small café-like space
- Groupings of desks to accommodate startup teams
- Small offices that can hold 1-3 people
- Larger offices for team meetings and conferences
- Separate seating areas for workers who don't want to be at a desk
- Designated 'quiet' workspaces (no cell phones or loud talking allowed)

All of these spaces have access to shared resources like copying machines, kitchen privileges, break rooms, and, often, areas for gaming and other recreation. However, there are other spaces that are more unconventional that can be repurposed to fit your entrepreneurship center's needs. Some of these spaces may include customer demo sites; marketing/focus group rooms; pop-up retail/storefronts; and manufacturing facilities, which often come with the capability for sterilization (think: food, chemicals, etc.).

These are the relatively easy decisions.

Remember, your space is more than just space.

CONNECTIVITY – POWER AND INTERNET

This is important enough to warrant its own topic. Ample and reliable electrical service and Internet connectivity is a must for your center. In fact, it is so important that if you are considering a physical site, you absolutely must contact the local utility company that provides electrical and internet service to the building and have a discussion with them. For electricity, there is usually one provider, but some areas may offer you a choice. For internet service, this may be the local phone, cable, or satellite company. Some buildings are served by private fiber. If so, find out who owns the fiber and request to meet with them.

If technology isn't your strength, find someone in your ecosystem who is comfortable with it and recruit them for this conversation. Absolute 'musts' to consider are:

- Who owns the physical connectivity into the building you are considering? Ask them to identify the demarcation point for the space you are considering. Does that run all the way into the space you are considering or will you be responsible for running a connection from the building demarcation to the area you are taking over?

- Is the physical connection into the building fiber or copper? If it is diverse, meaning if it gets cut somewhere, will your space still have service on another path?
- What is the bandwidth serving the building?
- Concerning electricity: Is there a generator on premises? If not, is one allowed?

Your program can be the best-thought out and the most-resourced center, but if the Internet and power are not reliable, your fledgling startups will go elsewhere or, even worse, not be able to do their business reliably and fail.

TRANSPORTATION

For urban entrepreneurial programs, access and ease to public transportation is a must. Buses, trains, and bikeways should all be considered to enable full participation in your program. This is important as public transportation enables employees to get to the startups who are employing them. Public transportation supports inclusivity, one of the main initiatives mentioned in Pillar One and urban dwellers often eschew automobiles.

STARTUP SUCCESS OFFICE

The Startup Success Office, or SSO, is a service your program is highly encouraged to offer your entrepreneurs so that they have the greatest chance of success. Whether it has its own physical space or not, the SSO acts as the headquarters for your center's programming for the residents or participants of your program. If you are able to utilize an entrepreneur-in-residence, someone who is willing to share his or her knowledge with other entrepreneurs on a long-term basis, or if you will have short-term rotations of mentors, the SSO is the place your entrepreneurs should connect with immediately.

The SSO accomplishes two things which are critical to your rising program. The first goal of the SSO is to reduce the high failure rates for startups. For startups coming into your ecosystem, you must make it abundantly clear that interaction with the SSO is a requirement and promotes good community citizenship. The interaction can initially come in the form of all parties meeting each other. People who should take part in these exchanges are:

- The leader of the entrepreneurship center
- The entrepreneur-in-residence, if there is one
- The assigned mentor(s) for that startup
- The startup founder(s)
- Any subject matter expert in the ecosystem who has volunteered to help

After the introductory phase, the parties need to agree on a cadence for future meetings. These meetings should evolve into more deliberate operational reviews with the startup. Your responsibility as the center's leader is to help them build the collective muscle of:

- Understanding that as a tenant they have a responsibility to the greater community
- Getting into a cadence of meeting deadlines, bringing deliverables, etc.—this will serve them well when meeting with potential investors
- Staying on track so that they meet their own business goals

Naturally, these business conversations must stay confidential. A breakdown in trust will create a fissure in your rising community.

Some of you reading this will say you cannot possibly scale to accommodate this scope of work. That is an important gut check for your program. The reason why this depth of interaction is vital for your program to sustain is that you want to retain these startups in your community—even if they outgrow your entrepreneurship program. This is the second critical goal of the SSO.

Beyond the success rate, retention says that startups will stay in your area. This is exactly what you want as an economic development leader, even if it means they need to find a bigger space that isn't yours! Having growing businesses stay within the area while hiring more people and adding dollars to the local community is a nice problem to have. By integrating them tightly into and having them feel supported by the local community, you increase the chances that local startups will elect to stay in the area.

CASE STUDY: Detroit – Repurposing An Entire City

Detroit has seen the rise and fall of the automotive industry after the exit of Chrysler and General Motors, leaving old factories empty and in need of tenant companies across the city. As of 2013, Detroit had **78,000 abandoned structures and 66,000 abandoned lots**. Yet, Detroit is not only co-located with binational markets in the U.S. and Canada but has **strategic transportation infrastructure** that would be attractive to any potential company or investor. **Motor City Match** saw this wealth of opportunity within Detroit and sought to not only fill these vacant facilities, but also to modernize existing infrastructure, shaping it into America's "**Comeback City**".

Motor City Match connects new and expanding businesses with Detroit's quality real estate opportunities, providing them with funding and tools to fuel the city's entrepreneurial revolution with a belief in growing Detroit businesses from idea to “open.” Motor City Match uses two tracks to grant funding. The first appeals to Detroit building owners looking to lease space to quality businesses and the second is for businesses looking to move or expand in Detroit with quality real estate. With almost 1200 businesses served and $6 million in grant money awarded, Motor City Match has helped match 3.1 million square feet of space with startups and established companies.

Other Detroit stakeholders and entrepreneurship centers have been key to the city’s rebirth through the recycling of existing infrastructure. The **Detroit Economic Growth Corporation (DEGC)**, in partnership with public and private stakeholders such as the Michigan Economic Development Authority, Detroit Land Bank Authority, City of Detroit Planning and Development Department, and others, has focused on key economic opportunity areas to rebuild aging infrastructure for business attraction and retention. The DEGC and partners offer tax incentives to invest in these identified **Opportunity Zones** to spur neighborhood-based businesses and programs. Their innovative **Neighborhood Retail Opportunity Study** additionally connects businesses with real estate opportunities that align with their design, industry type, and neighborhood needs using snapshots and construction prototypes.

CHAPTER FOUR: ACTION STEPS

READ

Read about Build Institute's pop up and seasonal programs that utilize existing infrastructure creatively for entrepreneurial development by **clicking here**.

SPEAK

1 Interview successful entrepreneurship centers about how they recycled existing infrastructure and their community's assets to cater to local entrepreneurs. Ideally, choose an organization to interview by the model that you want to replicate for your own ecosystem. Some examples of successful, place-based economic development organizations that have utilized their region's assets and infrastructure are included below:

- **Mercado Central**
- **NDC: Business Incubators**
- **MidTown Global Market**
- **The Market at Liberty Place**

2 Speak to local organizations identified in the mind map activity (e.g. local banks, large companies, nonprofits, etc.) to ask for suggestions about available space that might suit your needs. This not only can help you identify space that you had not known about but also allows you to continually engage the community and feel connected to your efforts.

WRITE

Research and jot down a list of all unused or aging infrastructure in your community that you could use for a brick and mortar program if you are operating under low overhead. Think creatively: could your program still thrive if it was a pop-up model? Could you benefit from a former, local manufacturing factory that is currently vacant?

LISTEN

Pop up marketplace BC Cargo in Battle Creek, Michigan has aligned themselves with their region's economic development plan by efficiently using existing infrastructure and limited resources. Listen to Startup Nation's episode on "**Pop-Ups and Entrepreneurship**" with BC Cargo and learn how they use cargo containers and an empty parking lot to provide space for startups.

PILLAR FIVE

LEVERAGING THE INTERSECTION OF GOVERMENT AND PRIVATE INDUSTRY SUPPORT

Varied support for your entrepreneurial center is important for its long-term health. In this chapter, we take a closer look at why having a variety of champions for your programming and how several sources of funding can help it weather the storms that may come its way. In particular, we will look at how you can leverage the power that lies at the intersection of government and private industry support. Successful entrepreneurial hubs almost always leverage a public/private partnership and this often encompasses local and regional politicians. These connections are resources in addition to your regional economic development organizations. These connections are so important because the local business environment needs to be favorable to startups.

Who are the critical players for your region? If they haven't been identified on your entrepreneurial ecosystem mind map, now is the time to begin identifying who is already involved and who needs to become involved.

The perception of the local business regulations for your community—favorable or not—will certainly impact how startup owners and investors think about whether they want to join your startup ecosystem.

MAKING YOUR OWN 'CREATIVE' ECONOMY

You will need to demonstrate that your startup community can sustain its success for the long-term. This is critical because it gives you the gravitas to interact with government officials in other creative ways to design tax incentives. Possible areas for discussion are:

- Tax credits for taking on internships from a local educational institution;

- Tax credits given to individuals who elect to retrain themselves for certain designated industries;
- Tax credits given to those assuming bank-owned buildings, which are then converted into centers for entrepreneurship;
- Tax credits given for aligning with and hiring from local Workforce Investment Boards (WIBs).

CASE STUDY

Austin – Focused Economic Development

CASE STUDY: Austin – Focused Economic Development

Austin, Texas was dubbed as the 'Silicon Hills' in the early 1980s **when the city shifted towards entrepreneurship and sustainability**. This atmosphere encouraged tech giants such as the Microelectronics and Computer Technology Corporation, IBM, Dell, and more to locate their operations in Austin, drawing a steady stream of capital. The early 1980s also saw the city's government and university stakeholders forming partnerships to establish long-lasting programs and initiatives such as the **Advanced Research Program at the University of Texas**.

Yet, the recession in the late 1980s had many concerned about the city's financial health. In order to fulfill a growing need for economic revitalization in respect to environmental consciousness, Austin's public and private stakeholders utilized the Smart Growth model to intentionally develop its urban core while maintaining that same element of sustainability that put the city on the map. Now, Austin is known as a center of cleantech innovation, ranks as **eighth in the country's overall venture capital activity**, and is in the Brookings Institute's list of **top ten cities that have exhibited astonishing economic recovery**.

‘GRASS ROOTS’ CAN BE STRATEGIC

The Corporación Juvenil para el Desarrollo de Comunidades Sostenibles runs the AgroInnova incubator in Caguas, Puerto Rico to create sustainable agricultural businesses, food security, and economic development in the region. However, this grass roots effort was not possible without the support of local stakeholders.

Executive Director Ana G. Rodríguez Gómez relates that, “Our organization was born from the City’s Strategic Plan and the need to create jobs for youth, to promote local agriculture, and develop value added products with local raw materials. In other words, the communities have their strategic plans, then they are all funneled into the city’s plan, and we are then funded to cover the priorities of job creation and agriculture.”

The organization additionally chose to elect their local mayor as president of their board. This decision guarantees the continued support of the local government for economic development legislation and funding. Ana explains more of the added benefits to ensuring that government stakeholders invested in her entrepreneurship center. She states that, “Even though we are a private non-profit, we receive lots of support from the City in terms of space for Farmers’ Markets, a 54-acre farm, and space to locate the value-added business incubator. In summary, we have a great relationship! The city is our mother and continues to provide us with support so we can continue to grow.”

Ms. Rodriguez’s work and that of her colleagues provide a great example of how the business plans of both the city and her organization are in synchrony. In fact, this points to an important tenet for having a successful entrepreneurial program: your program and the overall goals for your town or city need to be congruent. Good public policy makes for healthy business growth.

Entrepreneurship Centers And The Political Climate

As part of developing your ecosystem, you will need to do an assessment of how supportive your local political climate is of supporting new and rising businesses. As Ms. Rodríguez puts so well, having the support of your municipal government will go a long way. In fact, it is a key element for your ECM. Smart municipalities understand that a healthy startup community not only does the obvious by creating jobs and adding to the local economy, but the resurgent economy created by startups can be the very thing needed for buildings which have lost their original purpose.

Salvatore Di Stefano, Sr. is the economic development director for Gloucester, Massachusetts, a town of about 30,000 people. Gloucester was founded in 1623 and is known around the world for its fisheries. It is also a city on the move, knowing that bureaucracy and red tape can be the death knell for startups and established companies alike.

“Private/public partnerships are essential because in the public-sector, resources are often scarce. By building private sector partnerships that are based on a win/win philosophy, the private sector can leverage their resources, network, and expertise to make a vision because a reality. Early on, we were fortunate to work with the 99® Restaurant chain. This chain of over 100 restaurants is located in the northeastern United States. The chain orders our local Gloucester Fresh Haddock and places our Gloucester Fresh logo in menus serving approximately 50,000 customers a day. Their shared vision of serving the best product for their customers allowed us to spread the word and helped our local economy. This partnership as well as leadership from our mayor, our governor, our Fisheries Commission, Gloucester Fishermen’s Wives Association, and the USDA led to additional relationships with other restaurants, hotels, universities, and hospitals.”

–

Salvatore Di Stefano, Economic Development Director, Gloucester, MA

He additionally recommends a checklist for success for anyone seeking to create a healthy private/public partnership:

- Get varied sources of financial support, whether they be from grants, sponsorships, or other origins.
- Encourage new ideas, acknowledge your volunteers frequently, and communicate with the people in the local community.
- Remember to cross-promote your partners!

While the 99® Restaurants may be far from a startup, the lesson behind the creativity of this partnership is just as important for entrepreneurship centers. Value is added to the equation when more parties are at the table and willing to try new things and push boundaries. What seems like a small effort, such as creating a brand for fish, drives preference and awareness.

How can you drive preference and awareness of your program?

GET IN THE ZONE

Is it possible to get momentum behind the thought of a special tax zone dedicated to innovation? By definition, this has to be a geographic area that should be small and in need of renovation and rebuilding. This ‘innovation zone’ would extend some financial benefit to any startup putting its roots in the zone through reduced business taxes. As discussed before, this zone can’t be too far away from the activity hub of your area. Remember that our goal is to have your center’s activity add to the overall general economy. This can’t be done if the tax zone is not co-located with action!

THE GENERAL REGULATORY ENVIRONMENT

You should have a reasonable technical grasp of what it takes to launch and wind down a business from a regulatory perspective. Many local governments are working hard at easing the burden for entrepreneurs who are opening or closing a business. Streamlining these processes not only helps cut through the quagmire normally associated with launching a business (and helps us toward our goal of inclusivity), but also acknowledges that startup failure rates are high, and having a business fail should not be made worse by having to go through miles of red tape to shut it down.

At the regional, state, or territory level, there are assets you can leverage politically. As an entrepreneurship center leader or government official, it is your job to understand any special business tax incentives that exist for startups. Investing in startups is inherently risky. Tax incentives and other investment vehicles serve to recognize that risk and seek to motivate startup investment by mitigating financial exposure.

For example, one form of tax incentive some states offer is angel tax credits. These credits are intended to create a more favorable environment for early stage investment by reducing the tax burden of individuals who make an investment in '**qualified companies**'. The term 'qualified company' has certain stipulations. In general, the federal government allows a taxpayer who has held stock in a qualified small business for a certain period of time to defer capital gains on the sale of that stock, providing that they reinvest the proceeds of that sale in another qualified business within months of the sale. This is a great incentive and encourages investors to continue to put their money into emerging businesses.

Similarly, you will want to understand how Research and Development investments (R&D) are handled by your state. Hopefully, there are not burdensome compliance procedures associated with R&D that add unneeded cost, documentation, or time to product and service launches.

Large established companies likely have an executive either fully dedicated to understanding the regulatory climate or focused on it part-time, however, startups don't have that luxury. Therefore, the entrepreneurship program you are building needs to fill that void by having seminars focused in this area or, better yet, pulling in subject matter experts into the ecosystem who can explain the changing regulatory environment.

> "startup failure rates are high, and having a business fail should not be made worse by having to go through miles of red tape to shut it down."

CASE STUDY

Durham, Raleigh, And Chapel Hill - North Carolina's Rebirth Story Through Partnerships

CASE STUDY: Durham, Raleigh, And Chapel Hill - North Carolina's Rebirth Story Through Partnerships

North Carolina had experienced a rapidly bleeding economy after the state's major industries—furniture, textile, and tobacco—declined due to competition and decreasing demand. The lack of employment, coupled with the third lowest state capita in 1952, resulted in a brain drain in college graduates. This situation **spurred conversations about possible retention through innovative partnerships**. Out of this conversation the Research Triangle Park was born from the partnership of three universities: Duke University in Durham, the University of North Carolina at Chapel Hill, and North Carolina State University in Raleigh. Yet, a mixture of public and private investment also played a large role in establishing this area as well as government champions such as **former North Carolina Governor Luther Hodges**. The Research Triangle Park not only shifted the narrative of North Carolina's economy towards high-skill, high-demand industries, but also created a **quarter of the region's jobs between 1959 and 1990**. Today, this not-for-profit is not only the largest research park in the country but is also a hub of entrepreneurship with **coworking spaces, short-term leases, wet labs, and more**.

Durham specifically faced a hard collapse after the U.S. Department of Health wrote a health exposé on tobacco, **causing the exit of their biggest tobacco employer, Liggett & Myers**, and leaving behind industrial infrastructure. In order to rebuild the economy the City of Durham looked towards partnering with Urban Partners to implement a cohesive, strategic plan by utilizing existing infrastructure. Under **Urban Partners' recommendation and in conjunction with private stakeholders**, the City of Durham redeveloped the American Tobacco Campus for business usage and established an incubator to attract startups to the region.

This collaborative economic development initiative paved the way for **American Underground** (AU), an incubator located on the redeveloped American Tobacco Campus and anchored by the Research Triangle Park, to offer economic development resources to the research park's startups through university, private, and public partners. Some of these partners include AU's parent company, Capitol Broadcasting, Google for Startups, NC Central, Duke, North Carolina, and NC State universities, and Big Top, a networking platform that recently merged with AU to expand their startup services. AU's partnership with Google has additionally supported underserved entrepreneurs in Durham through the **Black Founders Exchange**, a week-long program designed to strengthen the skills of black entrepreneurs and create a community network. AU has experienced significant success in attracting investors to the region through the activation of these partnerships; its clients raised over **$39.4 million in capital in 2017** alone.

CHAPTER FIVE: ACTION STEPS

WATCH

Watch this video about New Jersey's 311 MLK accelerator and note the variety of public and private stakeholders in the video.

MAKE

1 1. If you haven't already, find out when your local Chamber of Commerce is meeting and make a plan to be there. These meetings are important. Your area's big businesses, banks, local political leaders, and (sometimes) representatives from state/federal agencies will be there. Determining who at this meeting may have the capacity to positively impact life for rising startups in your area. Make an appointment to sit with these people. Try to find at least three individuals who fit this criterion.

2 Find a local media outlet (press and/or television) and contact them via email or social media. Determine whether they have worked on any publication or telecast that previously addressed entrepreneurial activities in your area. Inform them of your activities and include at least one story (more is better) about a

local startup that is doing well. Ask them if they would be willing to partner with you on a special interest segment focused on the rising entrepreneurial community in your area. Be persistent. You will likely be rejected the first few times.

WRITE

Create a Strength/Weakness/Opportunity/Threat (SWOT) analysis for your local regulatory environment. Refer to this chart to help you. For example, if a neighboring state offers angel investor tax credits and yours does not, this area could be construed as a 'threat.' It may impact your region's attractiveness for startups, and it comes from outside the community.

SPEAK

Talk with your local representatives about the output of your **MAKE** assignment. It is important to get their feedback on your findings. Seek an agreement to work on a small number of initiatives that come out of this discussion. It is imperative that you come up with objectives for these initiatives that are both time-bound and measurable. For example, "Get the registration processes for all local businesses online eight months from now" is an example of an objective that is measurable ("all local business registration processes") and time bound ("eight months from now"). Do this for each of your agreements.

LISTEN

In this LISTEN, the tables are being turned on you.
ou are going to get people to listen to you.

A. Make an inquiry of your local community radio station. Ask if you can come on and be interviewed by the radio host about your emerging entrepreneurial community. Most radio stations are members of the local chamber of commerce, so you may be able to make your connection there. Remember that you need to consider what the radio station has to gain from this and customize your ‘ask’ to that need. Many stations have time slots that must be targeted toward local community needs, so you could target that requirement.

B. Find someone in your community who is skilled at creating podcasts. Your local college’s communications department may be a great place to start if you are struggling with finding someone. Commit to doing four podcasts, once a quarter, at the beginning. Line up your stakeholders for interviews and focus on topics important to your growing community. Ensure that your podcasts are linked back to your website and are cross-promoted on social media with your hashtags. For inspiration, check out: https://savvystartupcity.podbean.com

PILLAR SIX

REVITALIZATION TACTICS FOR EMERGING COMMUNITIES: MAKERSPACES

Through this research, UMA discovered two key takeaways:

1. makerspaces are spurring new development outside of their building footprint, and
2. makerspaces that are intentional about community partnerships can attract a greater diversity of participants.

THE HISTORY OF INCUBATORS AND MAKERSPACES: A STORY OF RESURGENCE

Picture this—it is 1959 in Batavia, New York. The state still relies heavily on manufacturing, yet the **industry has been on the decline since the 1940s**.1 There is little to no infrastructure for growth and the economy is bleeding. When Batavia's farm machinery plant, Massey-Ferguson, closes its doors **after seventy years of operation on June 5, 1958**,2 the region's **unemployment rate shoots up to over 20%**.3 There is little to no infrastructure for growth, and the economy is bleeding.

Is there a solution?

Joseph Mancuso thought there was a solution. **Mancuso** bought the rundown Massey-Ferguson plant and in August of 1959 began renting out part of the facility to any type of business that needed the space and additional support in order to grow and eventually graduate. These businesses would then in turn spur economic and community development. Mancuso's new business became known as the Batavia Industrial Center and he inadvertently became the founder of the world's first business incubator.

This first, for-profit business incubator was modest. The Mancuso family did not seek to create any big-name players in the industry—they simply wanted to revitalize their region's dying economy. These ecosystem builders sought to provide a diverse array of services that could apply to a wide range of industries even though it was primarily a manufacturing-oriented site. Some of these initial services included office spaces with **short-term leases, office supplies, help with financing, and business advice**. The Mancuso family's goal was to entice smaller businesses to set up shop in Batavia as their tenants through the Batavia Industrial Center's value propositions.

Their focus on the local economy proved to be successful. Entrepreneurship and job creation surged in Batavia, and the Batavia Industrial Center boasted of **5,000 new jobs by 1990**. Since then, the Mancuso Business Development Group has rebranded the Batavia Industrial Center as the Harvester Center and will celebrate its 60th year of operation in 2019.

The Batavia Industrial Center survived as a result of its intentional moves towards sustainability. The Mancuso family intentionally leveraged their connections, allowing the Batavia Industrial Center to be maintained through private sector ecosystem builders. This included **local stakeholders**, such as the Genesee County Industrial Development Agency, state agencies, and banks—all fighting to keep the incubator's doors open for the community's benefit. The historical Batavia Industrial Center is not just a story of the world's first business incubator and the economic revitalization of a region, it is also known as the precursor to the first makerspaces in the United States.

Makerspaces are community workspaces with shared tools and other resources that allow their members to participate in idea formation, educational opportunities, and technologies—even if makerspace users do not necessarily have an established company. On top of providing tools and a place to work, makerspaces often develop programming that connects makers with the training and entrepreneurial education needed to successfully manufacture a product.

"Making is fundamental to what it means to be human. We must make, create and express ourselves to feel whole. There is something unique about making physical things. These things are like little pieces of us and seem to embody portions of our souls"

– (Mark Hatch of The Maker Movement Manifesto)

MAKERSPACES SPUR NEW DEVELOPMENT

There is still a need for manufacturing throughout the United States, yet few educational platforms teach the various skill sets necessary for their students to engage in that field beyond technical school, and **shop classes are now uncommon in school curriculum**. Potential entrepreneurs and other innovation agents also often lack access to manufacturing equipment since it is largely cost prohibitive. Yet makerspaces not only make resources available, such as a 3D printer, welding gear, specialized workspace, power tools, laser cutters, etc., but they can contribute to economic development by forming a manufacturing cluster in the region.

Lauren Caldarera, the development director of TXRX Labs, noticed this phenomenon near her makerspace in Houston, Texas. Caldarera recounts,

> *"As TXRX has grown, we have seen more companies co-locate nearby. The surrounding streets are filled with fabricators, welders, and machine shops that have purposefully co-located to be near TXRX to have access to the equipment, knowledge base, and to be able to utilize each other as vendors. In 2015, TXRX expanded to an additional 15,000 square feet and opened up studio spaces ranging in size from 400-5000 square feet for makers. The spaces quickly filled, and now TXRX has had a two-year waiting list for these spaces."*

Brightmoor Makerspace in Detroit also reported that in addition to their active training focus, they are incubating five businesses within their facility and have seen an additional two businesses that decided to co-locate near their organization. Makerspaces like TXRX and Brightmoor can activate downtown areas or industrial buildings and spur new neighborhood-based businesses. Executives at this type of entrepreneurship center actively consider these opportunities as they make location decisions. As a result, community leaders have purposefully utilized them for economic redevelopment especially in industrial areas needing a boost in their skilled manufacturing sector.

RUCKUS was created specifically for the purpose of regional revitalization. RUCKUS Co-founder Eric Strickland discussed the thought process that led to the makerspace's creation:

> *"The original direction for RUCKUS was derived from urban planning. The idea for a makerspace came from a 2014 Urban Land Institute plan for the revitalization of a 500-acre industrial area that was continuing to decline. One of the major buildings in the district is the 500,000 square foot Circle City Industrial Complex (CCIC). RUCKUS was identified to be an anchor for the CCIC redevelopment and the industrial district re-development."*

RUCKUS noted that their tenants tended to outgrow their space, with 10 percent of their makers scaling into their own spaces. Many of those businesses remained in the Indianapolis Promise Zone and even within CCIC, where RUCKUS is housed. RUCKUS works to recruit businesses to CCIC, creating a more robust network of businesses and new jobs in the neighborhood.

Moonlighter in Miami also saw a surge in new businesses deciding to locate near their facility, oftentimes with direct support from Moonlighter. These new businesses included the opening of a café, whose space Moonlighter helped to build out; the expansion of an aquaponics and vertical farming business; and a variety of city-sponsored, temporary urban space activations, such as pop-up parks and pedestrian streets.

These new additions to the community as well as Moonlighter's for-profit status were intentional choices. Tom Pupo, co-founder of Moonlighter, described the thought process behind these decisions:

> *"We wanted to avoid the non-profit route. We opened the space as a for-profit company, and to eventually transition it into a B Corp when it grows. We didn't want to be tied to just living off of grants. And we understood very much that what we're trying to do is build economic development in our community— bring people that have ideas and help them design us."*

Will Holman, general manager of **Open Works**, says he researched and visited various fabrication and industrial arts spaces in his city while Open Works was in development. He then co-founded the Industrial Arts Collective to bring representatives from these spaces together, so they could identify collaboration points and work together to strengthen services for local makers and entrepreneurs. The net result is an intentional ecosystem that now serves many more entrepreneurs with much richer assets.

Yet, makerspaces can also contribute to community development in other ways besides creating innovation clusters. The ***State of Urban Manufacturing* report**, a survey and corresponding report of 100 makers and manufacturers in Philadelphia, spearheaded by the Urban Manufacturing Alliance and the Federal Reserve Bank of Philadelphia, found that these "spaces may play a larger role in fostering and nurturing a sense of community among new and would-be business owners." In fact, almost half of the surveyed respondents reported using a makerspace to support their business. Not only are these spaces nurturing new business development, but they are also fueling broader community development efforts. Renee Schacht, co-founder of Tiny WPA, talked about their makerspace's upcoming project for neighborhood improvement:

"Right now, we're working with the community — there's a concrete plaza at our local police station across the street. No one uses it — there's not much public space to relax along the avenue. So we're out there working with the community/police department to figure out what they want in the plaza, and then we will be designing and building those amenities for the plaza."

This type of collaboration not only allows for makers to form new partnerships with a common goal but also allows makerspaces to directly invest in and develop their community, in this case, West Philadelphia.

Makerspaces can also be born from public and private partnerships, which allow for stakeholders to directly invest in new development within their ecosystems. **TXRX Labs** in Houston, Texas, says that the Houston local government has been pivotal to their success. Inspired by TXRX Lab's success creating programming for local youth, city council members provided TXRX Labs with funding to develop four makerspaces in local schools. The city has also assisted them with financing tools to help them grow into larger spaces.

MAKERSPACES ATTRACT DIVERSITY

Diversity within makerspaces allows for a variety of perspectives towards innovative problem solving and community building. Having entrepreneurial centers reflect the diversity of their communities in not only what they program but in who they host for residencies is just plain smart business sense. This is not just about hosting a variety of entrepreneurial endeavors; it is about ensuring that diversity is encouraged down to each startup.

Why?

In a report published by the Boston Consulting Group, data indicates that "Startups founded and co-founded by women are significantly better financial investments. For every dollar of funding, these startups generated 78 cents, while male-founded startups generated less than half that — just 31 cents." This stark contrast suggests that there might be additional areas of focus that women founders tend to that lead to increased **revenue**. Additionally, according to a **2017 study by McKinsey & Company**, companies with a greater cultural diversity in their executive leadership are 33% more likely to experience above-average profitability. If it is the job of place-based entrepreneurial programs to ensure each business has the highest chance of success, then diversity has to be part of the baseline conversation.

Yet, the demographics of the maker community do not often reflect these ideals of diversity and inclusion. This in turn, disrupts a potential talent pipeline and continues a cyclical theme of exclusion within entrepreneurship. Through their research, UMA sought to explore how makerspaces support emerging communities by connecting underserved entrepreneurs to otherwise inaccessible resources.

Many of the makerspaces UMA interviewed were nascent models, baking in inclusivity from the outset. This meant that for many of the makerspaces UMA explored, their membership composition was not necessarily changing, but, rather, they intentionally created programming to reach diverse communities. The focus for so many of these makerspace administrators was expanding the reach of those programs because traditionally, makerspace membership is predominantly white and male. One challenge as UMA looked to assess makerspace diversity was identifying the appropriate baseline to track progress, especially because these makerspaces were so young.

The following are snapshots of the diversity within interviewed makerspaces:

- RUCKUS in Indianapolis cited its home within the Riley Area Development Corporation (RADC) as instrumental to their membership composition. RADC has a long track record in Indianapolis as an affordable housing developer and was able to leverage their network to achieve a membership base that is:
  - 5% low-to-moderate income
  - 60% women
  - 40% people of color
- Brightmoor in Michigan, which has an emphasis on youth training within its makerspace, reported that its users are:
  - 100% low-to-moderate income
  - 50% women
  - 98% people of color
- OpenWorks in Baltimore shared that while members self-report their demographic information and thus not all is captured, the demographics of the approximately 40 percent of business-owner members who did self-report are:
  - 30% people of color
  - 9% women
  - 15% women and people of color
    - When looking at one of OpenWorks's programs, 'Moms as Entrepreneurs,' the users there were:
      - 80% women of color
      - 37% low-to-moderate income

- Moonlighter in Miami reported having the following membership demographics:
    - 38% people of color
    - 41% women
    - 17% low-to-moderate income

- Factory Two reported the following metrics for their membership:
    - 28% people of color
    - 41% women
    - 65% low-to-moderate income

- HackerLab in Sacramento and Rocklin, CA is rolling out a scholarship program that will provide 60 Sacramento-area residents an eight-month membership to the space at no cost. To qualify, residents must make less than $41,000 a year (based on the region's median income) and have plans to either start a new career in STEM or manufacturing, further their education, or launch a business.

- TXRX Labs in Houston programs served 183 students in 2017 from Houston's East End, which has some of the highest poverty rates in Harris County.

RUCKUS Co-founder, Eric Strickland, discussed the deliberate push towards inclusion within their makerspace:

> *"Internally, we are very intentional with the mission of the space with our existing members. During our interactions with those who come to the space, we discuss that mission, equity, the role of diversity in the makerspace, and its goals. We are able to work with our funders to support scholarships, technical assistance, and training for individuals in the space."*

That said, attracting diversity within makerspaces is not without its challenges. Oftentimes, **makerspaces are characterized as establishing gentrification** through urban revitalization and reaffirming class division due to the prevalence of young, educated, higher-class, white people within the creative economy. This specific demographic can typically afford the cost of membership in both money and free time without necessarily having to take the risk of starting a business to support their maker interests.

Mike Wright, one of the founders of Factory Two in Flint, Michigan, was frank about the makerspace's struggle to build diversity, even though they offer a sliding scale membership rate for lower-income residents.

> *"Flint's a city that is over 50 percent African American, well over half of the city lives below the poverty line, but when you come to our space — typically it's white, upper-middle class, usually male. We have to work to make sure the entire [Flint] community recognizes that it's a resource for everybody."*

Factory Two is currently focusing on hiring employees from diverse communities to ensure the representation that they're aiming for is reflected in their staff.

TXRX Labs was originally established as a makerspace to serve adults with interests in technology, fabrication, engineering, and crafting. Nestled in the middle of Houston's East End, TXRX Labs is surrounded by historical warehouses being redeveloped into live-work lofts and luxury condos. In 2015, TXRX's leadership identified this redevelopment as gentrification. It was displacing legacy residents as property values started increasing and cultural resources were being lost.

In 2016, TXRX leadership made a strategic decision to expand its outreach services to cultivate the next generation of makers and provide avenues for legacy residents to earn higher wages through upskilling. Now two years later, TXRX serves nearly 200 East End high school students annually through a two-year fabrication and entrepreneurship after-school program held at TXRX Labs.

MAKERSPACES: REGIONAL RESUSCITATORS?

Makers, with the help of makerspaces and other entrepreneurship centers, frequently translate their skills and products into local manufacturing companies. **Maker Economy in Action**9, a Kauffman Foundation-funded study of makers in Chicago, New York, and Portland, showed that 74% of nearly 100 interviewed maker businesses were looking to grow or sell their companies. Even though the intent of makerspaces is for their clients to eventually outgrow their services and expand, makerspaces still provide vital contributions to their regional ecosystem through job creation and business development.

Tom Pupo has seen this occur as a result of the programming and mentoring partnerships that Moonlighter offers. Tom says that he connects makers and entrepreneurs at his space with “all of the business development organizations that we used” to get started, including the Arts & Business Council of Miami, Beacon Council, Prospera, Florida’s SBDC, SCORE, and Bayside Foundation. Local companies come to his space to look for employees and, in the past, they have hired talented makers who won past ‘makeathons’ at the facility. He credits the makeathons for encouraging entrepreneurial users to take the necessary steps to grow their idea, even if it means they eventually ‘graduate’ out of the Moonlighter space.

Makerspaces also frequently renovate unused buildings or areas lacking in infrastructure so that they can have a physical location for their clients. This attracts new developers, government funds, and innovators to an otherwise ‘dead’ region, allowing for an eventual resurgence. The Riley Area Development Corporation turned **RUCKUS** into part of the push towards revitalization in downtown Indianapolis in 2016 when they supported the creation of the makerspace in a 23,000-square-foot underused warehouse.

RUCKUS now not only hires locally from reentry programs and the IndyEast Promise Zone, but is also home to nearly **fifty maker businesses**, allowing product specialization in niche markets.11

RUCKUS has proved that building renovation and utilization for maker communities can evolve entire economies. Yet, RUCKUS's success in developing the former 1920s-era, automotive manufacturing warehouse is not unprecedented. This evolution was also echoed by the business incubator and precursor to modern makerspaces, the Batavia Industrial Center, currently known as The Harvester Center, whose story of regional revitalization and industrial resurgence we discussed previously. It is no coincidence that The Harvester Center now offers a makerspace, including power tools, a 3D printer, laser engraver, manufacturing space, education on coding, and more.

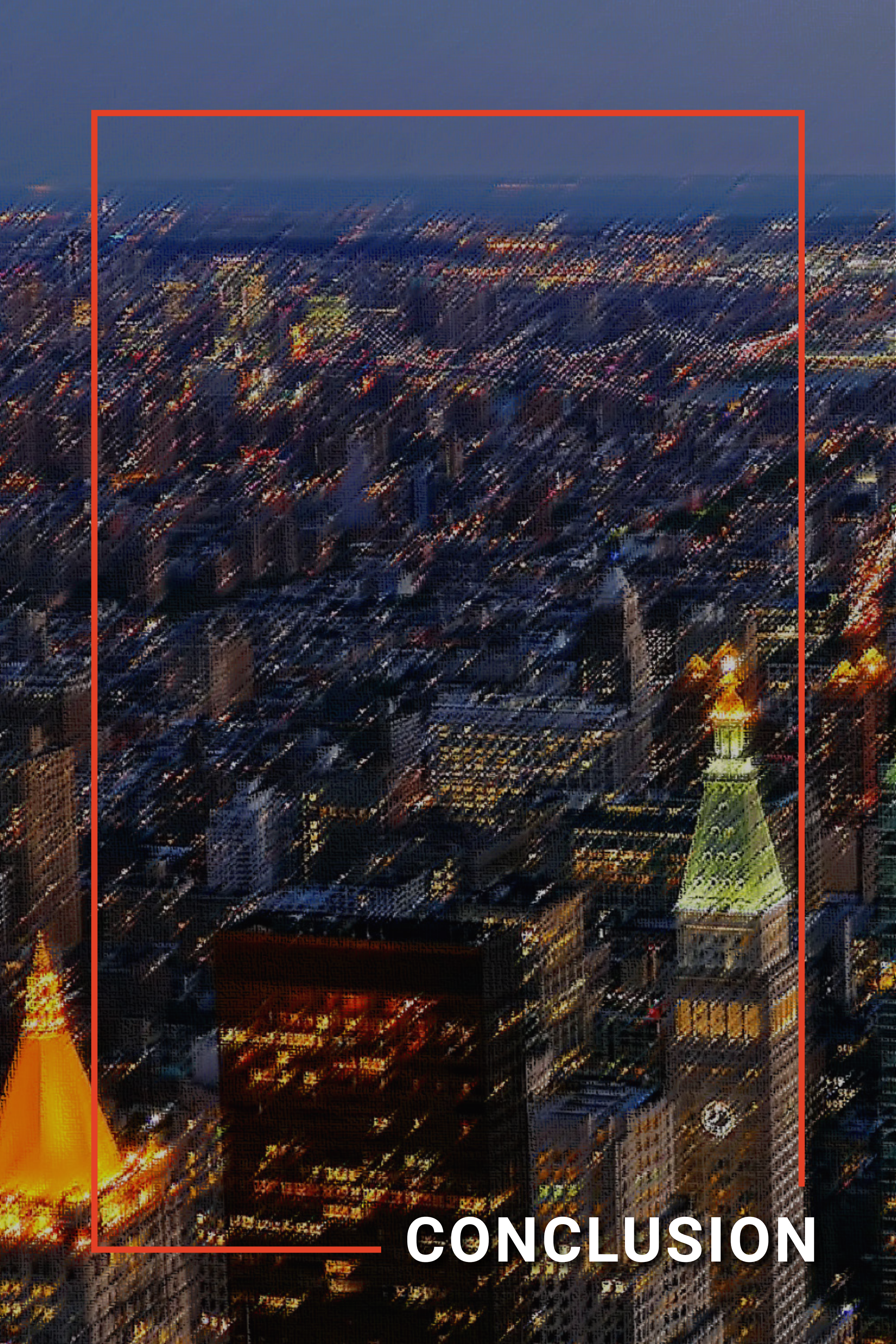
However, Tom Mancuso, CEO of The Harvester Center, believes that forming the Harvester Makerspace was a no-brainer:

> “Space and equipment are easy - it's that person who builds community that is key. Community is the best part of a makerspace.”

“Space and equipment are easy - it’s that person who builds community that is key. Community is the best part of a makerspace.”

The Mancuso family saw the need for industry support and resources to revitalize the dying economy of Batavia, and those needs are still echoed today for makers in the region. According to Tom, 30% of the buildings in upstate New York are still manufacturing-oriented. Yet, while The Harvester Center contributes to hard infrastructure demands by occupying and activating hundreds of otherwise empty or outdated buildings, they find that constructing a symbiotic network of makers is far more useful.

The Harvester Center’s focus towards the development of soft infrastructure to build maker communities has been reflected by other successful makerspaces seeking to revitalize regions. In fact, it is an integral part of the narrative for entrepreneurship centers across the world. This value proposition, in addition to accessible resources, an emphasis on diversity and inclusion, and physical meeting spaces have shifted the conversation surrounding makerspaces as local governments, venture capitalists, and other key innovation players increasingly recognize them as vital redevelopment assets for declining regional economies. Therefore, UMA has conclusively proven its hypotheses that makerspaces, through the creation of intentional innovation, diverse entrepreneurial activity, and a “keep it local” focus, are the front line of regional resuscitation.



CONCLUSION

THIS CAN BE DONE!

It takes time, effort, resources and resiliency to build an entrepreneurship center in an emerging community, but it will be well worth the effort to see your economic development initiative thrive and create new opportunities for your community. Take note of the playbook's activities in each chapter and undertake the actions that you feel most closely fit the program that you are looking to build. And remember—entrepreneurship centers do not happen overnight, and they do not happen alone. Reach out and listen to your community to ensure that you are serving your local entrepreneurs' needs and leveraging your ecosystem's existing assets to the best of your ability. Also, reach out to InBIA and other ecosystem developers from around the world to "beg and borrow" the best practices that have proven successful.