

VANGUARD COMMUNITY DEVELOPMENT CORPORATION



SMALL BUSINESS INCUBATOR STUDY

PLANNING PRACTICUM
URBAN AND REGIONAL PLANNING PROGRAM
MICHIGAN STATE UNIVERSITY

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EXECUTIVE SUMMARY

Michigan State University is an active partner in many community development projects throughout the state of Michigan. This partnership combines the vast resources of the University with the talent and commitment of local stakeholders. The Practicum course through the Urban and Regional Planning Program is an example of this partnership. Practicum provides graduating seniors and graduate students the opportunity to integrate classroom instruction with real world experience, while providing clients with the research and tools necessary to implement community development initiatives.

The Vanguard Community Development Corporation (CDC) proposes to develop and implement the Milwaukee Junction Small Business Center (MJSBC), located three miles north of downtown Detroit. This report was prepared for the Vanguard CDC by the Michigan State University (MSU) Practicum Team. Vanguard CDC serves the Northend neighborhood of Detroit, Michigan with a wide-variety of programs, from youth services to in-fill housing construction. More recently, Vanguard CDC is exploring plans to develop the Milwaukee Junction Small Business Center, which will foster small business development within the Northend Neighborhood. The business center will function similarly to a business incubator, which is an economic development tool that generates jobs and fosters neighborhood revitalization. The scope of this project is to identify target businesses, financial considerations, and best practices for the Business Center.

Background data explored shows that there is a need for business development services in the Northend neighborhood. A community meeting demonstrated through a questionnaire, that stakeholders incur many impediments to local business development that a business incubator may be used to overcome. A review of local and regional business trends demonstrated that small businesses are vital to the local economy, as larger firms with ten or more employees are declining.

The MSU Team conducted extensive research on small business incubators to identify incubator best practices and target businesses for the MJSBC, and propose a sustainable financial structure. While the research revealed a disconnect between theory and practice, it also offered some commonalities. We used these to fashion recommendations to help the MJSBC avoid the barriers common to beginning business incubators.

Our first recommendation is for the MJSBC to initially target businesses that exhibit a high potential for growth. Analysis of the business trends found that three industry categories exhibited high levels of small business growth at a variety of geographic levels.

- Professional, Scientific, and Technical Services
- Real Estate, Rentals, and Leasing
- Information

Particular businesses include accountants, architects, graphic designers, and advertising agencies, data processing, Internet service providers, telecommunications, and Internet publishing. Additionally, Document Preparation Services, Office Administrative Services, Facilities Support Services, Landscaping Firms, and Janitorial Services

Our second recommendation suggests that the MJSBC hire a manager that has a broad knowledge of small business entrepreneurship and current incubation practices. Research shows that a competent business incubator manager is essential to success. Desirable traits include a broad knowledge of small business entrepreneurship and current incubation practice. Interviews and surveys conducted with incubator managers show that having a full-time manager is highly advantageous. In addition the manager should be able to provide the following:

- Access to educational services and network resources for tenants
- Guidelines for business entry and exit
- The tracking of incubator tenants after leaving the incubator
- Critical evaluations of progress and the incubator itself

The interviews and site visits the MSU Team conducted provide a range of ways for managers to accomplish these tasks. Community colleges and universities can provide external educational resources. Establishing an application process or other standard method for client selection can be used to screen potential tenants. The Board of Directors and manager should establish their own criteria for how these will be accomplished for the MJSBC.

Our final recommendation addresses the concern that revenues from rent may not cover renovation and operating expenses. In order to make recommendations on creating a financially solvent business incubator, the MSU Team explored numerous factors and scenarios. Our findings reveal that under current space and market constraints revenues from tenants will not provide enough money to cover operating costs. Our case studies indicate that this is a common condition of business incubators. Creative modifications to funding sources and to the facility, explored in several hypothetical scenarios, demonstrate that they help alleviate budgetary shortfalls.

- Maximize the amount of floor space that it may lease
- Consider partnerships and grants to reduce the cost of operating expenses
- Seek further support for renovation expenses via grants or other funding opportunities.
- Consider options that can increase the physical size of the facility in order to create an economy of scale that can support operating costs

Above all, it is essential to remain flexible and adaptable to the ever changing business environment, within both the organizational and physical structures. In conclusion, while the MJSBC may encounter many physical, financial, and managerial obstacles, the MSU Team believes that the support provided from Vanguard CDC and the Northend Neighborhood residents will help create a successful and sustainable business center.

INTRODUCTION

Practicum Structure

Michigan State University is an active partner in many community development projects throughout the state of Michigan. This partnership combines the vast resources of the University with the talent and commitment of local stakeholders. The Practicum course through the Urban and Regional Planning Program is an example of this partnership. Practicum provides graduating seniors and graduate students the opportunity to integrate classroom instruction with real world experience, while providing clients with the research and tools necessary to implement community development initiatives.

Practicum students work closely with community partners and faculty advisors to develop a scope of work. The scope defines the responsibilities of the practicum students and outlines the goals of the development project. Over the course of one semester, students assemble, analyze, and interpret all the important data concerning the project and present a clear and concise report to the client. The completion of Practicum marks the progression from student to experienced planner.

Vanguard Community Development Corporation

The Vanguard Community Development Corporation (CDC) was founded in 1994 as a non-profit outreach arm of the Second Ebenezer Church in Detroit, Michigan. Its mission is to “facilitate the revitalization of the physical, social, and economic fabric of the Northend Neighborhood.”¹ The Vanguard CDC works to accomplish this mission by facilitating new business investment, building in-fill housing, and providing activities to enhance the quality of life for adults and youth in the Northend neighborhood in Detroit. It serves the approximately 8,340 residents of the neighborhood with programs such as the Northend Neighborhood Jobs

¹ <http://www.vanguardcdc.org/framesample.html>

Initiative, the Urban Artist Collective, and the Spot Teen Center.² The boundaries of the Northend are Caniff to the north, I-94 to the south, I-75 to the east and Woodward Avenue to the west.

The Northend neighborhood has a proud history as one of Detroit's historic African American enclaves. Oakland Avenue, which runs through the Northend, was once called the "Gold Coast" due to the strength of its African American owned businesses. This historic area was essentially destroyed during the construction of U.S. Interstate 75, which connects downtown Detroit to the surrounding suburbs. During construction over 3,500 dwellings were demolished, displacing thousands of residents and cutting off long standing social and economic networks³. Many of poorer residents were forced to live in the newly built Brewster Public Housing projects.⁴ With little investment in the remaining neighborhood, the community eventually declined⁵.

Currently the Vanguard CDC has many projects underway for housing development in the Northend neighborhood. One project is Cameron Court, a 60 unit-infill residential housing development that will provide housing for low and mid-income residents. The goal of this new development is to bring families back into the Northend neighborhood.

Milwaukee Junction Small Business Center

The Vanguard CDC proposes to develop and implement the Milwaukee Junction Small Business Center (MJSBC). The Business Center will be located next door to the Vanguard CDC, three miles north of downtown Detroit in the Milwaukee Junction Business District (Figure 1). The District is bounded by East Grand Boulevard to the north, I-94 to the south, Woodward to the west and I-75 to the east. The Business Center will be designed to serve as a

² *Ibid*

³ <http://thedetroiter.com/JUN03/DIGGINGMAY.html>

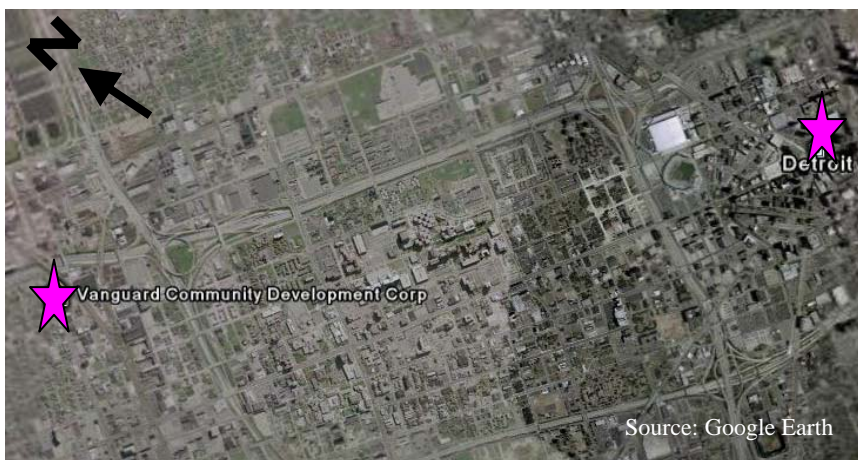
⁴ *Ibid*

⁵ www.soulofamerica.com/cityfldr2/detroit17.html

business incubator for emerging businesses as well as provide support such as technical assistance and training, resource referrals, marketing support, and commercial matching grants to existing businesses. Vanguard CDC hopes to house 15 real tenants and 15 virtual ones in the Business Center. The virtual tenants would enjoy all of the benefits of the actual tenants except for office space. It is also proposed that the Business Center will provide other businesses in the community access to office services for a fee. Some of these services are: shared meeting and event space, technical assistance in businesses planning, financial management, human resources, and other business start-up activity.⁶

The Milwaukee Junction Small Business Center has been an on going project for Vanguard CDC. They continue to work with consultants and other groups in an effort to develop the Business Center. To date there has been a market study completed of the Milwaukee Junction area and an assessment of the building that will house the Business Center⁷.

Figure 1: Location Map



Vanguard MSU Practicum Team

The Vanguard CDC has asked for assistance from Michigan State University Urban and Regional Planning undergraduate and graduate students in continuing the development of

⁶ Vanguard Community Development Corporation, Student Practicum Application, 2005

⁷ Wayne State University Market Study, 2003

the Milwaukee Junction Small Business Center. Vanguard CDC requested help in determining what type of business incubator would be most sustainable in the Milwaukee Junction Business Center and what type of businesses would be most successful if located in the Milwaukee Junction Business Center. The MSU Team and Vanguard CDC agreed that field visits and a survey of the neighborhood would be necessary to successfully answer these questions.

Methodology

In an effort to identify the best practices and potential business opportunities for the Vanguard Business Center, the MSU Team used research methods that encompassed both qualitative and quantitative approaches. The qualitative methods used include:

- Case study analysis of business incubators to determine best practices
- Creating an incubator development matrix based on characteristics
- Direct observation of selected incubators
- Attending a community meeting of Northend residents and potential business owners
- Conducting personal interviews

The quantitative methods included analysis of:

- 1990 and 2000 Census data for Northend Neighborhood demographics and industry identification
- Environmental Systems Research Institute (ESRI) data to determine Business Center proximity to other businesses
- Community meeting survey results
- Financial analysis of expected revenues and expenses for local and regional market conditions

Additionally, a blend of both quantitative and qualitative methods was used to conduct a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the Northend Neighborhood to assess the internal and external characteristics of the neighborhood.

To begin our qualitative data collection, the MSU Team conducted a case study analysis of small business incubators in the United States focusing primarily on those in Michigan. A broad search was used to identify as many existing incubators in Michigan as possible. A list was compiled and a matrix of characteristics was developed to further analyze the incubators⁸. The characteristics identified were Services, Type/ Tenants, Selection Guidelines, Resources, Financial Resources, and Outcomes. The case study analysis consisted of site visits and interviews with the managers/ executive directors of selected Michigan small business incubators.

March 8, 2006: Roni Weaver, Executive Director, Jackson Industrial Incubator

March 20, 2006: Sister Cathy DeSantis, Detroit Catholic Pastoral Alliance, former Executive Director of the McAnoy Business Center⁹

March 22, 2006: Mike Hindenach, Executive Director, Albion Industrial Incubator

March 30, 2006: Lauren Kruer-Driscoll, Hastings Economic Development Corporation Community Development Specialist¹⁰, Hastings Industrial Incubator

On February 16, 2006 Vanguard CDC hosted a community meeting of Northend neighborhood residents interested in small business entrepreneurship. The Vanguard CDC Business Meeting Survey¹¹ was administered to 16 participants of the community meeting to identify community perceptions and experiences of potential and current business owners.

⁸ Complete list in Appendix

⁹ McAnoy Business Center completed a Vanguard Incubator Questionnaire via email

¹⁰ Lauren Kruer-Driscoll was the part-time manager of the Hastings Incubator

¹¹ Vanguard CDC Business Meeting Survey, see Appendix

Additionally, direct observation of Vanguard neighborhood residents and interviews were conducted with Michigan State University Professor, Roger Hamlin and University of Michigan Professor, Lawrence Molnar. Lastly, personal interviews with professionals from the Jackson Industrial Incubator, Albion Industrial Incubator, Hastings Industrial Incubator and the McAnoy Business Center were conducted via telephone, email, and in-person.

The quantitative data collection portion of this project began with collecting from both the 1990 and 2000 U.S. Census as well as current ESRI data. The Census data collected included socio-economic information and basic demographics of the Northend. In particular, the MSU Team obtained population, age, race, education, households, income, and employment data. The ESRI data collected was used to identify the number of businesses or institutional establishments within a one, two, and five-mile radius of the Business Center. Census data from the County Business Patterns Division were used to create a shift-share analysis to identify growing business sectors.

The financial analysis was based on a real estate measure called Net Operating Income (NOI). The NOI factors in expected gross revenue, unleased space, and operating expenses. Lease rates were gathered in the metropolitan Detroit area from the 4th Quarter of 2005.

Site Description

The building for the proposed Business Center includes the addresses 2777 to 2781 East Grand Boulevard and is located on a lot of 17,700 square feet (150 ft. X 118 ft. dimensions). It is located next door to the Vanguard CDC building. The site is comprised of a one story, 6,850 square foot building constructed in 1953, with approximately twelve parking spaces in the rear. Interior and exterior walls are of masonry, brick, and cinder block

construction¹² (Figure 2). The building was previously used as an industrial warehouse and leased storage facility before becoming vacant several years ago.¹³

Figure 2: Building Exterior



Figure 3: Building Interior



The building exterior is in generally fair condition. However, the interior is quite deteriorated and in need of renovations (Figure 3). Some of the necessary improvements

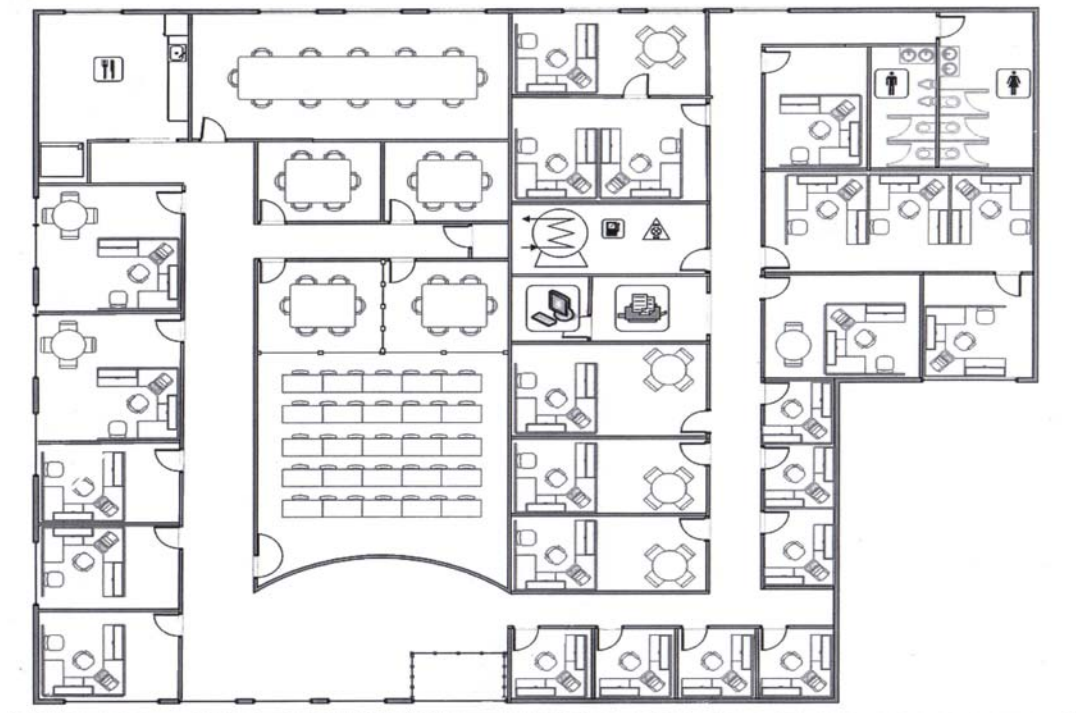
¹² “City of Detroit Master Rehabilitation Plan Program Building Assessment for Vanguard Community Development Corporation,” Sydnor Wells Development, LLC.

¹³ *Ibid.*

include functional restroom facilities, new flooring and drop ceilings, painting, and improved lighting. Cost estimates for such work near \$165,000, with another \$70,000 needed for general exterior improvements.¹⁴ In its current condition, the building is not ready for occupation and operation, and there is no estimated timeline for the completion of all the repair work.

A proposed floor plan of the building is such that approximately half of the square footage is dominated by common areas, another third is in a smaller rectangular open area, and the remaining portion is divided among several offices, rest rooms, and minor storage areas (Figure 4). While the proposed floor plan is designed exclusively for office space, Vanguard CDC has acknowledged that this plan may have to be modified to accommodate other industry types. They are awaiting the results of this report to identify potential target businesses and determine what, if any, modifications are necessary.

Figure 4: Proposed Floor Plan

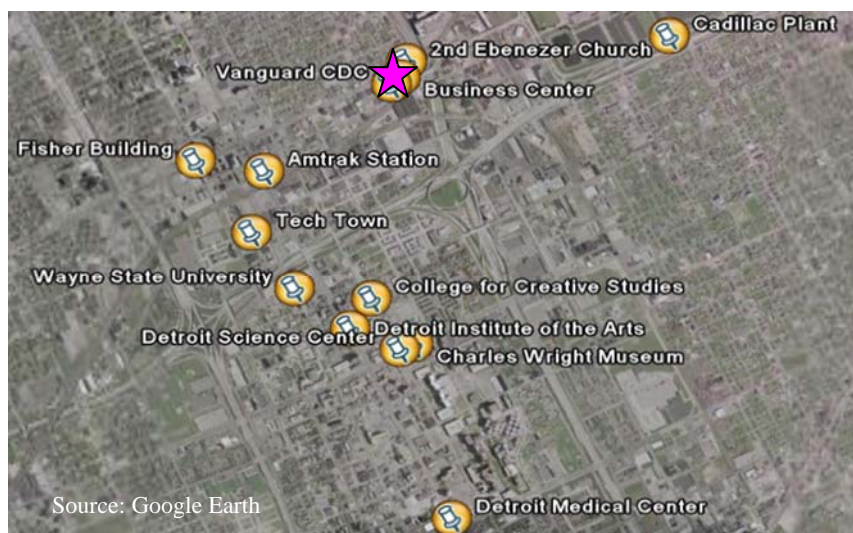


¹⁴ *Ibid.*

Sewer and water, as well as electrical and gas connections, service the building. High-speed internet connections are also available but are not currently installed. Despite its age and its zoning as M4 – Intensive Industrial¹⁵, the project site has no known existing environmental conditions that would preclude its rehabilitation or reuse.¹⁶

The site enjoys easy access to highways and major roads, including I-75, I-94, M-10 (“the Lodge”), Grand Boulevard, and Woodward Avenue. In the immediate vicinity of the site are the Second Ebenezer Church, a gas station, several factories, an active rail line, and other various vacant and declined properties. Located to the north are vast expanses of residential neighborhoods. Land use to the south and east is primarily industrial; while to the west lays the busy New Center commercial district. The greater MJSBC-area is located three miles north of downtown Detroit and its Central Business District (CBD). It is also in close proximity to Wayne State University, key automotive industry factories and offices, Detroit’s major casinos, and the international border crossing into Canada (Figure 5).

Figure 5: Surrounding Attractions



¹⁵ See Appendix D for complete zoning map

¹⁶ *Ibid.*

Northend Community Demographic Profile

The development of a demographic community profile was performed to gain an understanding of the businesses located in the Milwaukee Junction Business District. “A community profile is a detailed inventory of data on the neighborhood. Its purpose is to give an overview of the neighborhood and to suggest its potential”.¹⁷ Although businesses located in the Milwaukee Junction Business Center will ideally service households throughout Detroit; it is the hope of the MSU Team and Vanguard CDC to also have businesses that specifically service the residents of the Northend neighborhood.

To create a demographic profile of the Northend neighborhood, an analysis of data collected from the 1990 and 2000 United States Census was performed. The purpose was to identify any trends, which may have occurred between these time periods. Such trends will assist in matching businesses in the Milwaukee Junction Small Business Center to the needs of the resident in the Northend neighborhood. All Census tracts within the boundaries of the Northend neighborhood were studied (Figure 6). For the purpose of the community profile they will be referred to as the Northend. Due to population decreases from 1990 – 2000, the Census tracts were changed. These changes are noted below:

Northend Census Tracts:

1990: 5112, 5113, 5114, 5115, 5116, 5117, 5181

2000: 5112, 5115, 5116, 5117, 5181

¹⁷ Beck, Nancy and Higgins, Lindsey R. *Building Neighborhoods of Choice: A Workbook on Marketing Neighborhood and Affordable Ownership Housing*. The LISC Center for Home Ownership and the LIAC Knowledge Sharing Initiative

The City of Detroit and Wayne County were also studied to show how they compare to the Northend. The percentage changes were calculated using the formula:

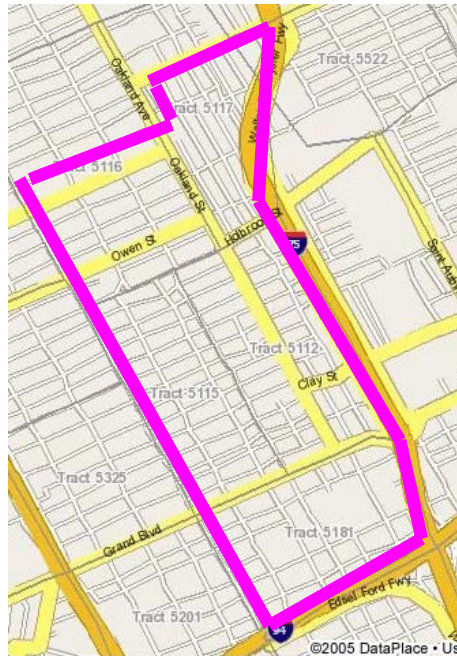
$$\%CHG = \frac{EST_{\text{final year}} - EST_{\text{initial year}}}{EST_{\text{initial year}}} * 100^{18}$$

EST_{final year} = the year 2000

EST_{initial year} = the year 1990

Five variables were studied for the development of the community profile. They include: population, age, race, income, and employment. Data were gathered from the Northend Census tracts and compared.

Figure 6: Northend Census Tract Map



Some categories, which were used in the community profile changed from the 1990 to 2000 Census. The 2000 Census added the categories of “Native Hawaiian / Pacific Islander” and “Two or More Races”. These were not categories in the 1990 Census. For the purpose of this report, these two categories were included in the “Other” race category. This change did

¹⁸ <http://www.census.gov/acs/www/Downloads/ACS/PercChg.pdf#search='percent%20change%20formula>

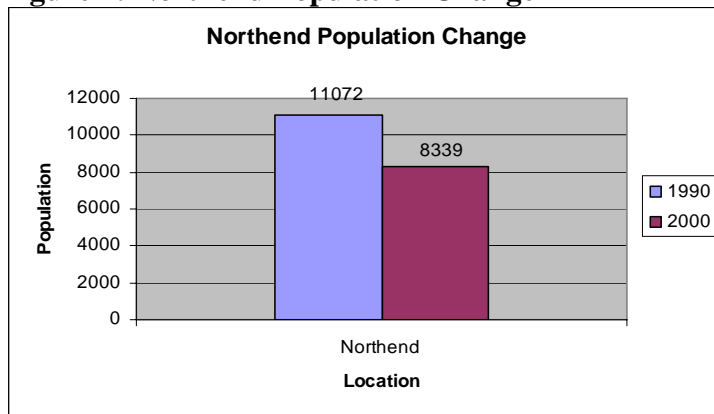
not have a significant effect on the overall profile because these two categories only make up approximately one percent of the Northend population.

SOCIAL CHARACTERISTICS

Population

The social characteristics of the city of Detroit have changed within the last decade. The city's population has declined and been designated as "America's poorest big city . . . the unemployment rate has reached 15 percent".¹⁹ The Northend neighborhood has also experienced a population decrease over the last decade. According to the 1990 Census, the population of the neighborhood was approximately 11,072, but by the 2000 Census (Figure 7), the population had dropped to 8,340 residents. This decrease represents a 25% loss. The Northend population experienced a greater percentage loss than the City of Detroit and Wayne County. Within the same time period, Detroit lost seven percent of its population and Wayne County lost two percent (Table 1).

Figure 7: Northend Population Change



Source: U.S. Census Bureau

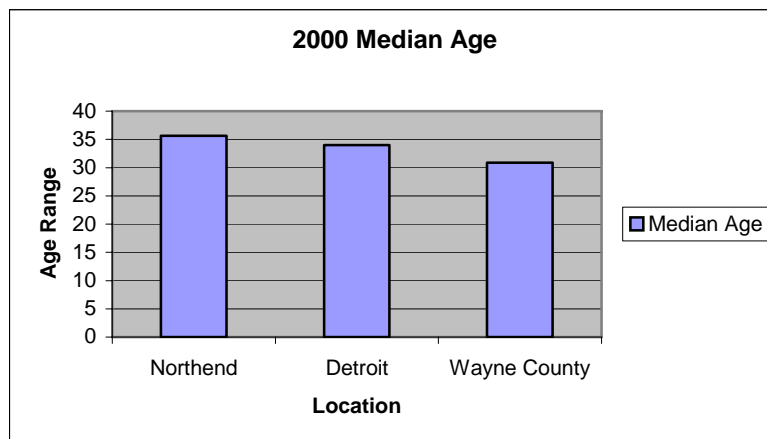
¹⁹ National Public Radio, <http://www.npr.org/templates/story/story.php?storyId=4955488>, retrieved April 6, 2006

Table 1: Area Population²⁰

Geographic Area	1990	2000	Percent Change
Northend Neighborhood	11,072	8,339	-25
Detroit City	1,027,974	951,270	-7
Wayne County	2,111,687	2,061,162	-2
Source: U.S. Census Bureau, 1990 Summary File (SF3) Universe Total Persons, 2000 Summary File (SF3) Universe: Total Population			

Age

The Northend neighborhood has a young population (Figure 8). Table 2 shows that in 2000, approximately 55 percent of the population was under the age of 40. This population decreased only slightly from 1990 when 56 percent of the population was under the age of 40. This slight decrease differs from the City of Detroit where the population under 40 in 1990 accounted for 65 percent of its residents and fell to 59 percent in 2000. Wayne County's loss was similar to that of Detroit. In 1990, Wayne County's population under 40 accounted for 63 percent of its residents. This figure fell to 59 percent in 2000.

Figure 8: 2000 Median Age

Source: U.S. Census Bureau

²⁰ See Appendix E for complete table

Table 2: Population Age

1990						
AGE	Northend Neighborhood	% of Population	Detroit City	% of Population	Wayne County	% of Population
Under age 40	6,172	56%	664,398	65%	1,315,217	62%
Over age 40	4,900	44%	363,576	35%	796,470	38%
2000						
AGE	Northend Neighborhood	% of Population	Detroit City	% of Population	Wayne County	% of Population
Under age 40	4,585	55%	598,825	63%	1,219,142	59%
Over age 40	3,704	45%	352,445	37%	842,020	41%

Source: U.S. Census Bureau, 1990 Summary File (SF3) Universe: Age, 2000 Summary File (SF3) Universe: Age

Table 3 shows the Northend experienced the greatest population loss in the age range of 60-69 with a decline of 51 percent. The neighborhood's largest population growth occurred in the age range of 40-49 with a four percent gain. Detroit also experienced its greatest population loss in the 60-69 age range, a decline of 32 percent and gained the most in the 40-49 age range with a 12 percent increase. As with the Northend and Detroit, Wayne County experienced its greatest population loss in the 60-69 age range with a decrease of 28 percent. Again it was the 40-49-age range population that experienced the greatest increase with 18 percent.

Table 3: Population Age Change

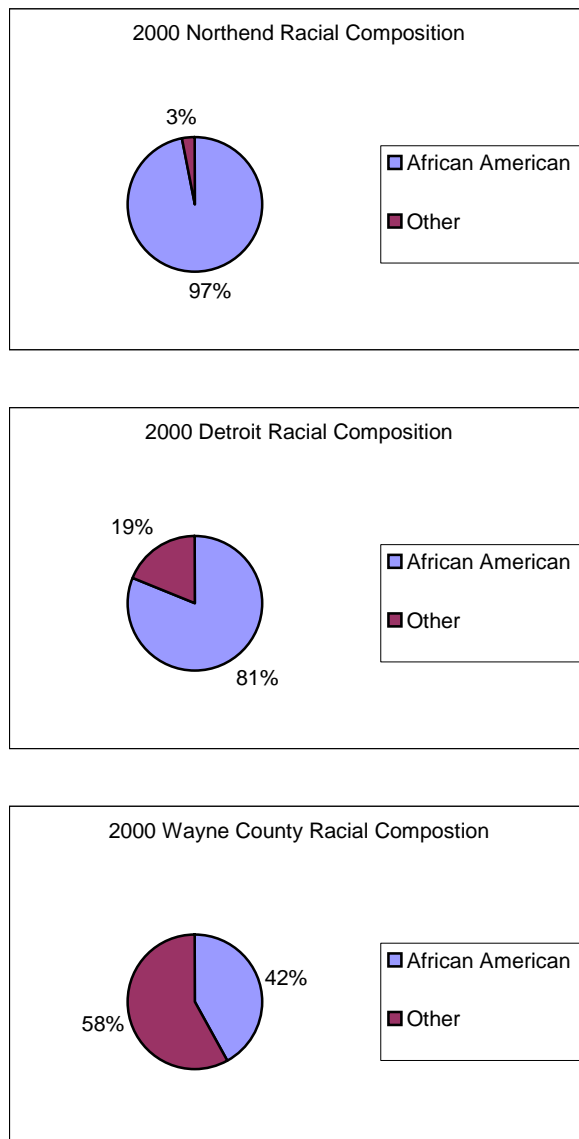
	1990			2000			Percent Change		
	Northend	Detroit City	Wayne County	Northend	Detroit City	Wayne County	Northend	Detroit City	Wayne County
Age 40- 49yrs	1,257	117,137	256,607	1,305	133,684	309,032	4%	14%	20%
60- 69yrs	1,092	84,247	187,188	538	56,882	135,074	-51%	-32%	-28%

Source: U.S. Census Bureau, 1990 Summary File (SF3) Universe: Age, 2000 Summary File (SF3) Universe: Age

Race

The Northend neighborhood is a majority African American community. Between 1990 and 2000, the percentage of African American residents changed by only one percent. In 1990, 98 percent of the residents were African American and in 2000, it dropped to 97 percent. This high percentage of African Americans is in accordance with the City of Detroit whose resident population is 81 percent African American. Wayne County is more diverse with an African American population of 42 percent (Figure 9).

Figure 9: Area Racial Composition

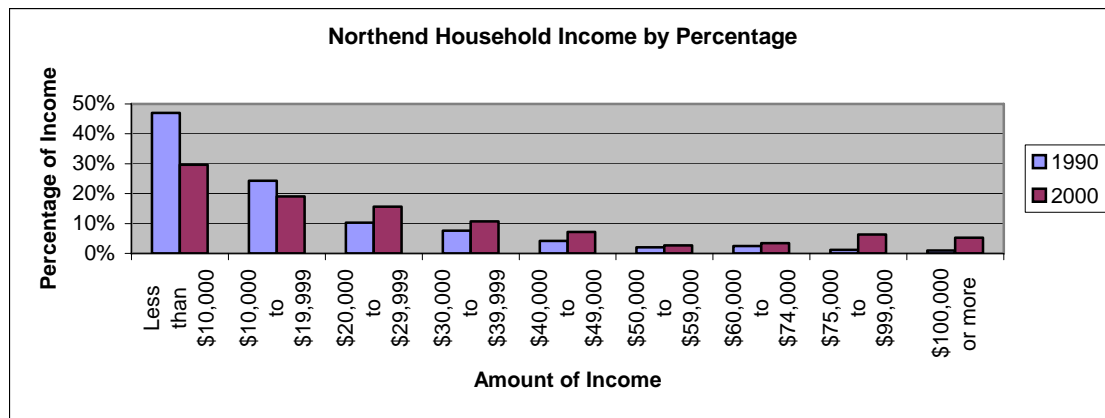


Source: U.S. Census Bureau

Household Income

In 2000, the majority of Northend households, approximately 65 percent, had an income lower than \$30,000. This percentage is only slightly higher than the City of Detroit, where 62 percent of household incomes were under \$30,000. In Wayne County, 50 percent of household incomes were under \$30,000. This percentage is down from 1990 where 81 percent of Northend household incomes were under \$30,000. The Northend did see an increase in household incomes of \$100,000 or above. In 1990, only one percent of households earned \$100,000 or above compared to three percent in 2000. Detroit and Wayne County also saw an increase in households making over \$100,000. In 1990, only one percent of Detroit population and three percent of Wayne County household incomes were \$100,000 or above. In 2000, six percent of Detroit and 12 percent of Wayne County households had income levels above \$100,000. (Figure 10)

Figure 10: Northend Household Income



Source: U.S. Census Bureau

Median Household Income

The median household income for the Northend neighborhood has increased over the past decade by approximately 81 percent, from \$10,648 in 1990 to \$19,313 in 2000 (Table 4).

The Northend's median income increased at a much higher percentage than Detroit and Wayne

County, which experienced increases of 31 percent and 46 percent, respectively. Even with this increase, Figure 11 shows the Northend neighborhood median income is still lower than both Detroit (\$24,529) and Wayne County (\$40,776).

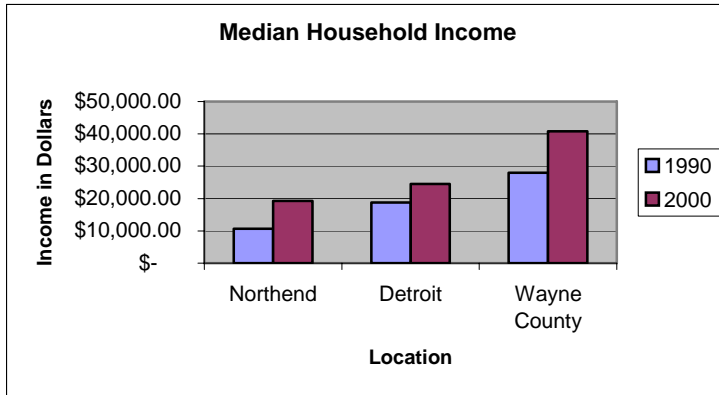
There are numerous reasons, which can account for the increase of median household income in the Northend neighborhood. One reason may be that households moving into the Northend have higher incomes than in 1990. As previously stated, the percentage of households with incomes over \$100,000 increased from 1 percent to 3 percent. Another possible reason for the increase in median household income is the decrease in unemployment for the Northend neighborhood. The percent of residents unemployed decreased 46 percent between 1990 and 2000.²¹ The rise in higher income households and decrease in unemployed residents, combined together yielded a decrease in residents living under the poverty level.

Table 4: Median Household Income

	1990	2000	Percent Change
Northend Neighborhood	\$10,648	\$19,313	81%
Detroit City	\$18,742	\$24,526	31%
Wayne County	\$27,997	\$40,776	46%
Source: U.S. Census Bureau, 1990 Summary File (SF3) Universe: Median Household Income, 2000 Summary File (SF3) Universe : Median Household Income			

²¹ U.S. Census Bureau, www.census.gov accessed March 13, 2006

Figure 11: Northend Median Household Income

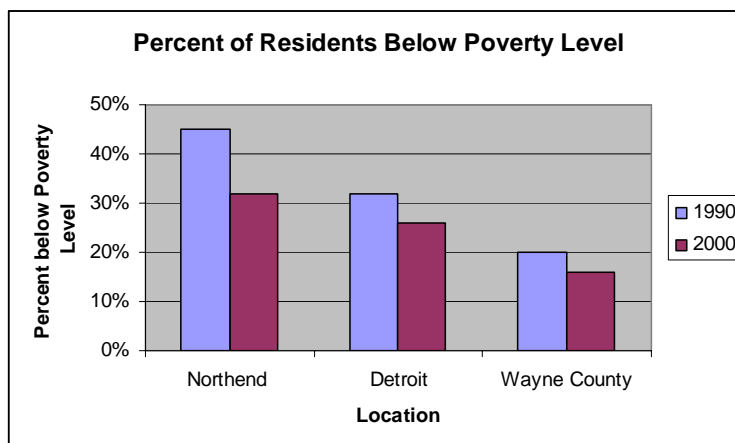


Source: U.S. Census Bureau

Living Below Poverty Level

As the income in the Northend increases, the number of residents living below the poverty level decreases. Figure 12 shows that even though the Northend experienced a higher percentage of declines in the number of residents living below poverty level, its overall poverty rate is still higher at 32 percent than Detroit at 26 percent and Wayne County at 16 percent. Between 1990 and 2000, the number of residents living below poverty level in the Northend decreased 43 percent while the number of residents living below poverty level in Detroit and Wayne County decreased by 26 percent and 20 percent, respectively.

Figure 12: Northend Residents Below Poverty Level



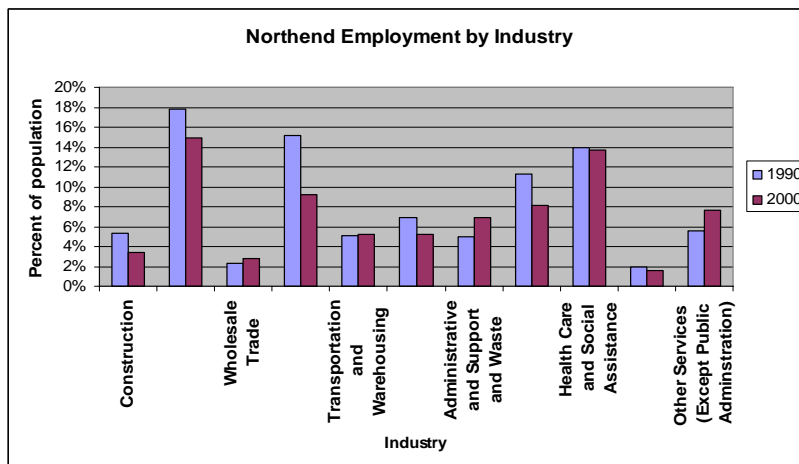
Source: U.S. Census Bureau

Employment

Manufacturing is the industry in the Northend neighborhood that employs the highest percentage of residents at 15 percent. It is also the largest single employment sector in both Detroit and Wayne County, employing 19 percent and 20 percent, respectively. The second highest industry employer in the Northend is health care and social assistance with 14 percent. Health care and social assistance is also the second highest employer in both Detroit (14 percent) and Wayne County (12 percent). (Figure 13)

Although 15 percent of the Northend residents work in the manufacturing industry, overall that industry lost approximately 14 percent of its workers, while the number of neighborhood residents working in the service industry rose 41 percent between 1990 and 2000 (Table 5). In Detroit and Wayne County, the overall number of manufacturing workers decreased as well. In Detroit, the number of residents working in the manufacturing industry dropped 10 percent, while Wayne County experienced a decrease of 7 percent. Unlike the Northend neighborhood, the number of service jobs did not increase in these areas. In fact, it actually dropped six percent in Detroit and 11 percent in Wayne County.

Figure 13: Northend Employment by Industries



Source: U.S. Census Bureau

Table 5: 1990 and 2000 Workers Industry by NAICS Code²²

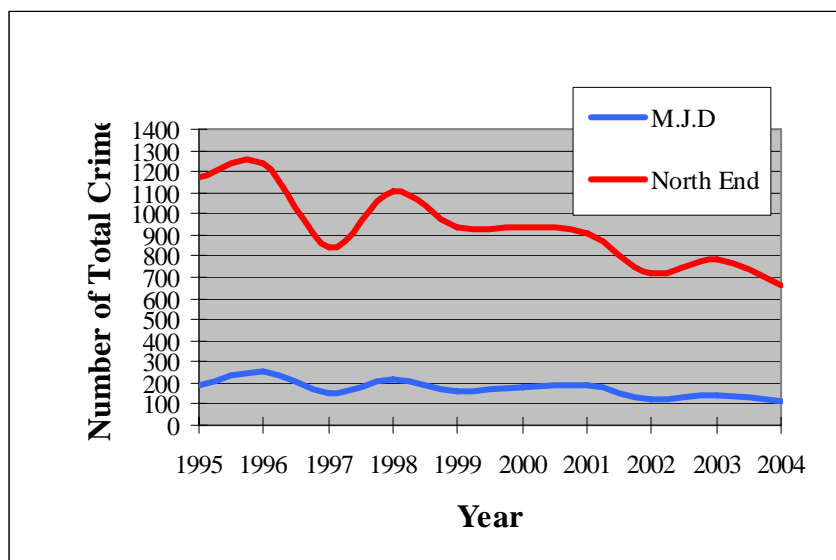
NAICS Code	Industry Sector	1990						2000						% change		
		Northend	Percentage	Detroit City	Percentage	Wayne County	Percentage	Northend	Percentage	Detroit City	Percentage	Wayne County	Percentage	Northend	Detroit City	Wayne County
31-33	Manufacturing	433	18	68,830	22	200,359	25	372	15	62,235	19	185,856	22	-14%	-10%	-7%
62	Health Care and Social Assistance	340	14	38,180	12	89,156	11	342	14	45,513	14	99,560	12	1%	19%	12%
81	Other Services (Except Public Administration)	135	6	19,473	6	47,535	6	191	8	18,299	6	42,366	5	41%	-6%	-11%

Source: U.S. Census Bureau, 1990 Summary File (SF 3) Universe: Employed persons 16 years and over, 2000 Summary File (SF3) Universe: Employed civilian population 16 years and over

Crime Statistics

Figure 14 shows the total number of crimes by year, from 1995 to 2004, in the Milwaukee Junction District and the North End Neighborhood. As you can see, both graph's trend lines are very similar although they have different scales. Both areas have experienced trends of declining crimes. The graph shows, during this period, that the number of crimes peaked in 1996, and was at its lowest point in 2004.

Figure 14: Trends in Total Crime



Source: http://www.cus.wayne.edu/research_tools/interactive_mapping.asp

²² See Appendix J for complete table

Community Meeting

The MSU Team attended the February 16, 2006 community meeting²³. The group attendees identified community needs for potential small business owners (PBO) and current small business owners (CBO) consistent with literature on business attraction. These are financial (e.g., grants, loans), non-financial (e.g., training, site preparations), and quality of life incentives (e.g., climate, safety, schools)²⁴. Undoubtedly, the biggest challenge for both types of business owners was financial²⁵.

The survey results from the community meeting yielded many key findings. These findings were separated into two main characteristics: challenges that attendees faced in establishing or beginning a small business; and location. The survey included attendees that were either potential business owners (PBO) or current business owners (CBO). Sixty-six percent of PBO attendees stated that the primary impediment facing their opportunity in becoming small business owners in the community was under capitalization. The second set of impediments that the attendees identified were the need for a business plan and lack of a market strategy. The CBO also identified challenges that they have overcome to launch their business. According to the survey, the most compelling challenge was advertising or marketing their business. Additionally, assistance in obtaining financial support, development of a business and market plan, and establishing a customer base followed closely.

Location, the second main characteristic, is indirectly related to the first characteristic and also presented some key findings. According to the survey results, nine of the 12 PBO's stated that they were yet undecided on locating their business in the Northend area.

Conversely, a slight majority of CBO's acknowledged they would locate their new or existing

²³ Community meeting questionnaire and results in Appendix

²⁴ Erlewine & Gerl 2004; Northend Community meeting, February 16, 2006

²⁵ Northend community meeting, February 16, 2006

business in the Northend neighborhood²⁶. A primary reason for this discrepancy is the numerous impediments that PBO's and CBO's face in their pursuit of small business development.

Current Business Owners identified non-financial incentives as a factor as well with the biggest challenge being the lack of training in the areas of marketing, formulating a business plan, and advertising. If this challenge is met by the MJSBC, PBO's will also directly benefit. Although written survey results showed a negative perception to the lack of financial and non-financial assistance, direct observation saw visible optimism among many of the attendees. Additionally, quality of life incentives were an indirect issue associated with whether or not a CBO or PBO was willing to locate, relocate or expand their business into the Northend neighborhood. The most common issue for this lack of commitment was safety²⁷. While the perception of crime in the Northend was prevalent among attendees, the overall crime rate has declined over the last five years²⁸.

This principle of entrepreneurial assistance is vital for the MJSBC and is particularly true for potential business owners. Eight of the 12 PBO attendees stated that the primary impediment facing their opportunity in becoming small business owners in the community was under capitalization. The second impediment that the attendees identified was the need for a business plan and market strategy, followed by impediments to office space and lack of management and financial depth to run their business. Strategies the MJSBC may implement to address these impediments include assistance in increasing access to capital, technical and business management training, contract procurement, and creating networking opportunities²⁹

²⁶ Of the 14 attendees that answered this question, nine answered "undecided"

²⁷ *Ibid*

²⁸ Crime Statistics Data

²⁹ Erlewine & Gerl 2004

Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT)

The MSU Team completed Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis for the Milwaukee Junction Business Center (Table 6). A SWOT analysis is a tool for auditing an organization and its environment. It occurs during the first stage of planning and helps marketers to focus on key issues.³⁰ The strengths and weaknesses are internal factors related to business resources and capabilities. The opportunities and threats assess external environmental factors. Information for the analysis is based on site visits, which the MSU Team made during the months of January and February, census tract information, and economic trends in the area.

Table 6: Northend Neighborhood SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Location: Minutes from downtown, Wayne State, automotive industries, casinos and other businesses in area• Easy access to highways and main roads: (I-75, I-94, Lodge Highway Grand Blvd and Woodward Ave.)• Parking: Easy access has parking onsite, (necessary for success due to little parking in area and no public transit)• Vanguard CDC has invested and created a presence in the community by creating and redevelopment of housing, children programs, residential enrichment programs• Increase in median income for Northend neighborhood (81%)	<ul style="list-style-type: none">• High presence of vacant buildings.• Area population decreasing, approximately 25% in last decade• High percentage of neighborhood below poverty incomes• Presence of deteriorated properties• Perception of high crime and vandalism in area
Opportunities	Threats
<ul style="list-style-type: none">• Ability to price at or below market value as incentive for leasing• Local businesses and self employed residents with small business needs• Proximity to resources• Identify a specific market for Milwaukee Junction Business Center• High investment for success, (church owns most of the adjacent area)	<ul style="list-style-type: none">• Downtown office space as a more desirable location• New Center; Other office space more desirable• Challenge to become self-sufficient in 5 years• Inaccurate pricing (Pricing rent to high and preventing businesses from moving in or pricing to low and deferring revenue)

³⁰ http://www.marketingteacher.com/Lessons/lesson_swot.htm

SMALL BUSINESS INCUBATORS

The National Business Incubation Association (NBIA) defines business incubation as “a support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services.” Inherent to this definition is the incubator’s provision of business management guidance and technical assistance tailored to growing companies. These services are usually coordinated by the incubator manager and offered both within the business incubator and throughout its network of outside contacts.³¹

The primary function of a business incubator, as defined by the National Business Incubator Association (NBIA), is to produce successful firms that will leave the program financially viable and freestanding. Early incubators, beginning in the 1980s, were the result of abandoned commercial real estate from the 1970s recession. A variety of factors contribute to the growth of incubators. These include increased entrepreneurship, corporate downsizing, new technologies, increased involvement of educational opportunities in technology transfer, and economic globalization.³² These factors have a significant impact on how incubators have played a key role in economic revival.³³

Small business incubators and their relation to community economics are based on a model of economic development. This view of economic development contends that small businesses account for a large proportion of job growth in the United States.³⁴ In 1985, Allen and Nyrop surveyed states about their activities in this area and found that ten states had passed or were considering passage of legislation that created “dedicated” state incubator programs or

³¹http://www.nbia.org/resource_center/what_is/index.php

³² www.referenceforbusiness.com/small/Bo-Co/Business-Incubators.html, “Business Incubators

³³ National Council for Urban Economic Development, *Creating Jobs By Creating New Business: The Role of Business Incubators*, Washington D.C., 1985.

³⁴ Allen, David and Weinberg, Mark, “State Investment in Business Incubators,” *Public Administration Quarterly*, Summer 1988.

economic development programs. More recently, U.S. Assistant Secretary of Commerce for Economic Development, Sandy K. Barauh said, “one way to create jobs is to grow the economy by encouraging investments in local communities.”³⁵ Small business incubators are a method communities can use to promote economic development and job creation. For example, in further comments made by Barauh speaking of a \$1 million matching funds grant made to the Lily T. Jutila Center for Global Design and Business, he states, “this EDA investment will help attract \$23 million in private investment and create 484 jobs for local citizens.”³⁶

To expand opportunities for success in the early stages of business development, an incubator can provide services that may be outside of the skill sets of their clients. According to a 1985 incubator study conducted by the National Council for Urban Economic Development (NCUED), lack of management expertise and undercapitalization are primary causes of small business failure.³⁷ Further, the results of a 1997 Michigan incubator study concluded that incubators contribute to the success of small businesses by determining the needs of small business, providing business assistance services, and staff to deliver these services.³⁸ The availability of management consulting services may be the most important contribution an incubator can make to the success of businesses just starting out. An incubator manager or another staff member provides tenants with business counseling that ranges from assistance developing a business plan to help locating sources of capital. This counseling is crucial for entrepreneurs who may have technical understanding of their business, but limited business experience.³⁹

³⁵http://www.thewolf.com/dsn/news_1545.php, “Finlandia Development Center Receives EDA Funds, Dec. 2005

³⁶*Ibid*

³⁷*Ibid*

³⁸“Business Incubation Works,” University of Michigan, August 1997.

³⁹Markley and McNamara, 1994

Depending on incubator type, these are areas that an incubator can assist a developing firm.

Incubators improve the probability of business success because of their ability to provide the following services:

- Multiple-tenant facilities
- Below market rent
- Flexibility to expand
- Shared office services
- Networking opportunities
- Consulting services

If successful, these newly created firms have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies. For example, the Fairfax Innovation Center (FIC) of Fairfax, Virginia expanded their facilities in January of 2006. The FIC has been providing expert services to small, mostly technology-oriented businesses, especially women- and minority-owned firms.⁴⁰ The 49-office executive suite facility offers its tenants affordable office space with shared administrative support; secretarial services; training and meeting rooms, high-speed Internet access; plus telephone and fax service.⁴¹ The 1985 NCUED study revealed four key dimensions to incubators in relation to enterprise development: (1) the incubator organization/environment, (2) multi-tenant real estate, (3) business consulting services, and (4) shared office services.⁴²

The incubator environment is a crucial dimension to the success of a potential business. Being in and around other start-up businesses can greatly impact the future of a business and

⁴⁰Mustac, Frank, "Getting Ahead in Business," http://www.timescommunity.com/site/tab5.cfm?newsid=16007302&BRD=2553&PAG=461&dept_id=511688&rfi=6

⁴¹Ibid.

⁴²National Council for Urban Economic Development, *Creating Jobs By Creating New Business: The Role of Business Incubators*, Washington D.C., 1985.

the incubator. Housed within an incubator organization are variety of skill sets and information. Informal and formal networks are created to share skills and information. Informal networks are those formed at the beginning of the business process. These include the entrepreneur's family, friends, and other business associates. They are relied upon until formal networks are created. Formal networks include public and private sector organizations. Informal and formal networks, together, provide a framework for potential products, marketing approaches, early stage capitalization, location decisions, and employees.⁴³ According to the example from FIC, other amenities that are provided by the incubator at no cost are the informal networking opportunities. Being in and around a business environment is considered a benefit to the members of the incubator.

Multi-tenant real estate is important in dealing with the necessary space for business start-up. In an incubator, tenants share space in a common environment because it tends to be more affordable than acquiring individual space. Incubators usually provide clients access to appropriate rental space and flexible leases, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for company growth.

Business consulting refers to those institutions outside of the skill sets in the incubator. According to the same study for the Appalachian region, the top 5 consulting services provided are (1) networking, (2) access loans, (3) marketing, (4) mentoring programs, and (5) financial/accounting. These services are consistent the 2002 NBIA study of business assistance services.

Shared office service can include a number of features. According to a July 2005 study conducted by the Greenwood Consulting Group, Inc. for the Appalachian Regional

⁴³Erlewine and Gerl, 2004

Commission, the most common are (1) networking activities/assistance, (2) marketing, (3) help with access to loans, and (4) financial/accounting.⁴⁴ These services are consistent with the findings from similar studies conducted by the NBIA. These findings are illustrated in Table 7. In the Appalachian Region study, 76 of 85 business incubators in the region responded. The estimated impacts of the business incubators in the study region are that they have led to the creation of over 24,500 new jobs, and more than 1,300 homegrown companies. In addition, businesses that graduate from Appalachian incubators relocate near the incubator or elsewhere in their host community.⁴⁵

Table 7: Comparison of Business Assistance Services in 2002 and 2004

	2002 NBIA (%)	2004 Appalachian Region (ARC) (%)
Networking Activities/Assistance	80	99
Marketing	80	88
Help with Access to Loan Funds	77	93
Financial/Accounting	74	72
Mentoring Programs	63	85
Federal Procurement	56	67
Commercialization	55	42
Manufacturing Practices Assistance	50	52
General Legal Services	49	44
International Trade	49	48
Product Design	42	37

Sources: ARC; NBIA

In 1984, the Michigan State Legislature created the Michigan Business Incubation Act, PA 198 of 1984. The Act was created to assist in the creation of business incubation centers that would ultimately establish and expand small businesses⁴⁶. The business incubation centers or business incubators have been proven to be effective in the State of Michigan as a solid economic development strategy. 87% of small businesses that utilize incubators are still in

⁴⁴Greenwood Consulting Group, Inc., "A Survey of Business Incubators in Appalachia," July, 2005.

⁴⁵ "Study Released at Incubator Conference Shows "Homegrown" Jobs Increasing In Appalachia,"

<http://www.arc.gov/index.do?nodeId=2880>

⁴⁶ Molnar, DePietro, & Gillete 1996

business⁴⁷. According to the Michigan Business Incubator Association, there are four types of small business incubators that are utilized in the state of Michigan: empowerment, mixed-use, technology, and agricultural⁴⁸.

The Michigan Small Business and Technology Development Center network provides a full range of services for a variety of small business that are emerging and growing throughout Michigan.⁴⁹ They provide counseling, training, and research for new venture companies, existing small businesses, expanding businesses, new technology companies, and innovators. Their headquarters are located at Grand Valley State University in Allendale, Michigan. Some of these services include no cost counseling, low cost workshops, and access to small business start-up resources. At their business resource centers, current and potential small businesses can get access to computer technology, hardware and software, and a small business reference library. In addition there are 12 regional offices and 30 satellite offices providing services to every Michigan County. Vanguard CDC may look to the MI-SBTDC for assistance in providing services to their business incubator tenants.⁵⁰

Types of Incubators

According to the Small Business Technology and Development Center, business incubators focus their services on one of four targets:⁵¹

- **Industry Specific** - focusing assistance on industries such as technology, manufacturing, service
- **Empowerment** - concentrating on assisting women- or minority-owned firms
- **Targeted** - serving businesses with particular market niche products or markets in common like arts, food processing, multi-media

⁴⁷ *Ibid*

⁴⁸ *Ibid*

⁴⁹ "Michigan Small Business and Technology Development Center," <http://www.misbtcdc.org/default.asp>.

⁵⁰ See Appendix for regional MI-SBTDC details.

⁵¹ http://www.sbtcdc.org/services/incubator_services.asp

- **Mixed-Use** - serving a variety of businesses types

According to Lyons and Hamlin (2001), business incubator programs take on one of three forms:

- **Residential incubator**

- A building that has been subdivided for rental to a number of small businesses and offers flexible work spaces and low cost support services

- **Virtual incubator**

- Provides services regardless of specific location

- **Hybrid (Incubator with an affiliates program)**

- Includes facility and provides support services for a fee to businesses located outside the facility

SMALL BUSINESS MARKET OPPORTUNITIES

The Small Business Administration (SBA) has many definitions for “small business”. In general, any business with fewer than 500 employees that has revenue under \$500,000 per year will qualify. This allows many larger agricultural and commercial businesses to be labeled “small”⁵². The SBA essentially changes the definition of "small" according to what type of business it is. For the purpose of this paper, a “small” business will be defined as one with four or less employees. This definition corresponds well with the structure of the *County Business Patterns* data, which identifies establishments by number of employees in groupings of 1 to 4, 5 to 9, and so on.

A substantial amount of literature suggests a two-tier approach to identifying small business market opportunities⁵³. The first tier consists of using secondary data from the U.S

⁵² Small Business Act (15 U.S.C. 632, § 3)

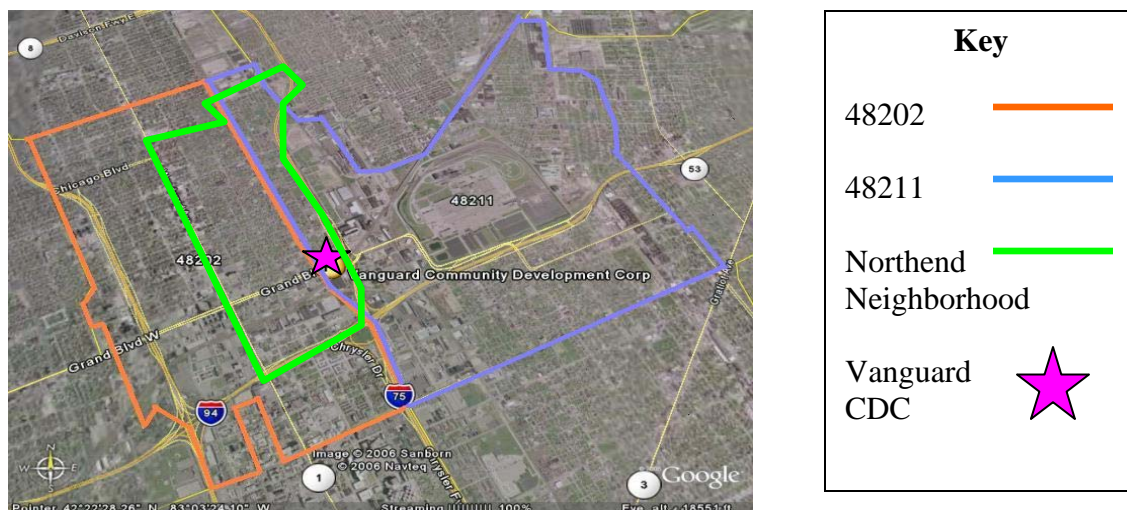
⁵³ Comprehensive Guide, Forging the Incubator, Conducting an Incubator, Etc.

Census Bureau, specifically a resource titled *County Business Patterns*, to identify trends in business start-ups and failure by industry type. The second tier consists of collecting primary data on potential contracting opportunities with large businesses and institutions. To accomplish this, the MSU Team obtained data from the Environmental Systems Research Institute (ESRI) to identify the number of businesses or institutional establishments within a one, two, and five-mile radius of Vanguard CDC's Business Center; utilized the County Business Patterns and Non-Employer Statistics divisions of the U.S Census Bureau; and examined employment projections from the Michigan Department of Labor and Economic Growth (DLEG). The MSU Team also performed a review of websites for large institutions, in the area, to identify potential contracting opportunities.

Data Analysis Limitations

There were considerable limitations in gathering data to accomplish this task. While *County Business Patterns* is a reliable source of information, it does not provide data for all local government jurisdictions, or Census designated tracts and places. In fact, it only provides data at the zip code, County, and Metropolitan Statistical Area (MSA) levels. While County and MSA level data provide a high-quality resource for comparative purposes, the zip code level poses a significant limitation.

Figure 15: Northend Zip Codes



The Northend Neighborhood consists of two different zip codes, 48202 to the west of Oakland Avenue and 48211 to the east of Oakland Avenue, both of which encompass land outside of the Northend Neighborhood (Figure 15). For the purposes of this study, the MSU Team primarily used data from the 48202 zip code to identify small business opportunities because it covers the majority of the Northend Neighborhood. Included in the 48202 zip code is the New Center business district, directly west of Milwaukee Junction, which has several large office buildings consisting of diverse businesses in growing sectors. It also includes cultural amenities in the University Cultural Center consisting of several museums, and a portion of Wayne State University.

The *County Business Pattern* division of the Census Bureau does not include self-employed persons within its typology of business patterns. These persons represent small businesses that could potentially utilize a business incubator, such as accountants, interior designers, advertising agents, insurance salespeople, property managers, lawyers. The Bureau of Labor Statistics predicts that there are currently more than eleven million self-employed persons who rely upon their business as a main source of income.⁵⁴ Fortunately, data on self-employed persons is available at the county level through a resource titled *Non-Employer Statistics* through the U.S Census Bureau. These were used by the MSU Team to identify trends in industry categories.

Another limitation is that the business patterns for Detroit's MSA have not been released for 2003, while the zip code and county level data have. In 1998, the Census Bureau changed their business classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). This reclassification makes it very difficult to interpret statistics prior to 1998, so the MSU Team was unable to provide a

⁵⁴ <http://www.bls.gov/opub/ooq/1999/Summer/art02.pdf>

five-year trend analysis of the MSA and instead performed a four-year analysis of available data.

According to a 2002 study done by the Small Business Administration, only two-thirds of small businesses survive their first two years, and only forty percent make it to their sixth year⁵⁵. That being said, using a short trend analysis would actually be desirable and provide a very methodical technique to identify trends in small business failure and success. The data derived from the 48202 zip code, Wayne County, and Detroit MSA *County Business Patterns* can be interpreted in a number of ways. For instance, decline in a particular sector may indicate a need for a small business incubator suited for that sector, but it may also suggest that the business incubator focused on this sector is likely to fail due to an unfavorable economic market.

County Business Patterns 48202 Zip Code Data

From 1998 to 2003 the 48202 Zip Code lost 36 businesses, 5,361 employees, and \$251,729,000 in annual payroll according to County Business Patterns. As one can see from the Table 8, total establishments with one to four employees stayed constant at 208 from 1998 to 2003, while three establishments were added in the five to nine employees category. The overall total business lost is attributable to businesses with ten or more employees, as thirty-nine establishments were lost in this category. A total of 19 businesses were lost in the Finance and Insurance industry category, 12 in Wholesale Trade, 10 in Retail Trade, and nine in Information. On the positive side, four businesses were gained in Construction, 10 in Accommodation and Food Services, and 18 in Professional, Scientific & Technical Services.

⁵⁵ Ramachandran, 2004. <http://www.usnews.com/usnews/biztech/articles/040802/2boss.htm>

Table 8: 48202 Industry Descriptions and Employee Numbers⁵⁶

48202, Detroit	Total Estabs			1 to 4 Emp.			5 to 9 Emp.			10 or More Emps.		
Industry Code Description	1998	2003	% Change	1998	2003	% Change	1998	2003	% Change	1998	2003	% Change
Total	524	488	-6.87%	208	208	0.00%	111	114	2.70%	205	166	-19.02%
Declining Categories												
Finance & insurance	58	39	-33%	14	13	-7.14%	19	13	-31.58%	25	13	-48.00%
Wholesale trade	24	12	-50%	8	4	-50.00%	6	5	-16.67%	10	3	-70.00%
Retail trade	74	64	-14%	35	36	2.86%	21	14	-33.33%	18	14	-22.22%
Information	21	12	-43%	5	5	0.00%	4	1	-75.00%	12	6	-50.00%
Gaining Categories												
Construction	14	18	29%	6	9	50.00%	3	3	0.00%	5	6	20.00%
Accommodation & food services	48	58	21%	19	20	5.26%	9	14	55.56%	20	24	20.00%
Professional, scientific & technical services	30	48	60%	11	20	81.82%	4	9	125.00%	15	19	26.67%

Of the 19 subcategories in the Professional, Scientific, and Technical Services category, only three experienced decline from 1998 to 2003, these were Payroll Services, Human Resources & Executive Search Consulting, and Public Relations Agencies. Table 9 (below) shows that while most subcategories only added one establishment, “Administrative Management and General Management Consultants”, and “Advertising Agencies” added three establishments. Overall, nine businesses were added with one to four businesses, five were added with five to nine employees, and four were added with 10 or more employees.

⁵⁶ See Appendix F for complete table

Table 9: Professional, Scientific, and Technical Services Sub Categories

Industry Code Description	Total Establishments			1 to 4 Employees			5 to 9 Employees			10+ Employees		
	1998	2003	Change	1998	2003	Change	1998	2003	Change	1998	2003	Change
Total Professional, scientific, & technical services	30	48	18	11	20	9	4	9	5	15	19	4
Offices of lawyers	10	11	1	4	6	2	0	1	1	6	4	-2
Offices of certified public accountants	2	3	1	0	2	2	1	0	-1	1	1	0
Payroll Services	1	0	-1	1	0	-1	0	0	0	0	0	0
Architectural services	3	4	1	0	1	1	1	1	0	2	2	0
Landscape architectural services	0	1	1	0	0	0	0	0	0	0	1	1
Engineering services	3	5	2	0	1	1	1	0	-1	2	4	2
Graphic design services	0	1	1	0	1	1	0	0	0	0	0	0
Custom computer programming services	0	1	1	0	0	0	0	1	1	0	0	0
Computer systems design services	0	1	1	0	0	0	0	1	1	0	0	0
Admin management & general management consult.	1	4	3	1	1	0	0	2	2	0	1	1
Human resources & executive search consult.	2	1	-1	1	0	-1	1	1	0	0	0	0
Environmental consulting services	0	1	1	0	0	0	0	1	1	0	0	0
Research & development in the phys, engineer	1	3	2	0	1	1	0	1	1	1	1	0
Advertising agencies	1	4	3	0	2	2	0	0	0	1	2	1
Public relations agencies	2	1	-1	2	0	-2	0	0	0	2	1	-1
Media representatives	1	1	0	0	0	0	0	0	0	1	1	0
Display advertising	1	1	0	0	0	0	0	0	0	1	1	0
Commercial photography	1	1	0	1	1	0	0	0	0	0	0	0
Translation & interpretation services	0	1	1	0	1	1	0	0	0	0	0	0
All other professional, scientific, & technical	1	3	2	1	3	2	0	0	0	0	0	0

Non-employer Statistics

Non-Employer Statistics, a U.S Census Bureau resource, identifies the number of establishments with no paid employees. These establishments represent self-employed individuals operating small-unincorporated businesses, which may or may not be their main source of income. Non-employer data enables the analysis of trends in small businesses without employees at the county level. Table 10 shows the Non-Employer data for Wayne County. Out of sixteen industry descriptions only five experienced decline in the number of establishments, and of these declining industries only Professional, Scientific, and Technical Services experienced an increase in revenue.

The largest gain in the number of establishments was in the Health Care and Social Assistance category with a 130% increase. This industry also saw the largest increase in revenues. However, the increase in revenues did not keep pace with the increase in establishments, which may demonstrate a decline in the average amount of revenue per establishment. It should also be noted that NAICS code 6244, Child Day Care Services, is responsible for a large share of the growth in the Health Care and Social Assistance category. If Child Day Care Services were taken out of this category, its growth rate would only be 61%, compared to 130%. Other large increases in the number of establishments occurred in Educational Services at 57%, and Administrative Support, Waste Management, and Remediation Services at 54%.

Table 10: Wayne County Non-Employer Statistics

Industry Description	Establishments			Receipts (\$1,000)		
	1998	2003	% Change	1998	2003	% Change
Forestry, fishing, hunting, & ag. services	163	106	-34.97%	4,663	1,986	-57.41%
Construction	7,371	7,881	6.92%	331,830	361,769	9.02%
Manufacturing	1,087	1,064	-2.12%	60,912	57,309	-5.92%
Wholesale trade	1,643	1,478	-10.04%	110,519	116,982	5.85%
Retail trade	7,442	7,794	4.73%	229,390	272,131	18.63%
Transportation and warehousing	3,110	4,026	29.45%	146,494	196,690	34.26%
Information	968	1,048	8.26%	19,460	23,833	22.47%
Finance and insurance	2,510	2,298	-8.45%	129,007	123,040	-4.63%
Real estate and rental and leasing	6,984	8,933	27.91%	567,405	667,538	17.65%
Professional, scientific, and technical services	9,843	9,545	-3.03%	298,117	321,311	7.78%
Admin.support, waste man. remediation services	4,190	6,452	53.99%	89,497	128,678	43.78%
Educational services	1,216	1,907	56.83%	15,496	22,988	48.35%
Health care and social assistance	5,779	13,298	130.11%	127,430	228,041	78.95%
Arts, entertainment, and recreation	2,954	3,500	18.48%	56,505	76,058	34.60%
Accommodation and food services	868	1,279	47.35%	62,015	68,227	10.02%
Other services (except public administration)	10,075	15,372	52.58%	230,932	306,580	32.76%
Total	66,400	86,161	29.76%	2,484,898	2,980,219	19.93%

Multi-Jurisdictional Business Establishments

Table 11 shows the level and percentage of change in the number of business establishments at the 48202 Zip Code, Wayne County, and Detroit MSA jurisdictions. It also

shows the level of change in the number of non-employer establishments in Wayne County.

The period of change is five years, 1998 to 2003, with the exception of the Detroit MSA

jurisdiction, which is a four-year period from 1998 to 2002 due to data constraints.

Table 11: Business Establishment Comparison

Industry Category	Change in Establishments 48202 Zip Code 1998 to 2003		Change in Establishments Wayne County 1998 to 2003		Change in Non-Employer Establishments Wayne County 1998 to 2003		Change in Establishments Detroit MSA 1998 to 2002	
	Level	Percent	Level	Percent	Level	Percent	Level	Percent
Total	-36	-6.9%	-616	-1.7%	19,761	29.8%	58	0.1%
Forestry, fishing, hunting, and agriculture	1	N/A	0	0.0%	-57	-35.0%	-14	-20.9%
Construction	4	28.6%	-144	-5.3%	510	6.9%	-495	-4.7%
Manufacturing	-6	-35.3%	-379	-16.1%	-23	-2.1%	-751	-10.2%
Wholesale trade	-12	-50.0%	-236	-10.1%	-165	-10.0%	-517	-7.3%
Retail trade	-10	-13.5%	-114	-1.7%	352	4.7%	-146	-0.9%
Transportation & warehousing	0	0.0%	143	13.4%	916	29.5%	150	7.2%
Information	-9	-42.9%	30	6.4%	80	8.3%	117	7.4%
Finance & insurance	-19	-32.8%	251	15.6%	-212	-8.4%	731	13.5%
Real estate & rental & leasing	2	10.5%	26	2.1%	1,949	27.9%	53	1.3%
Professional, scientific & technical services	18	60.0%	132	4.8%	-298	-3.0%	717	6.7%
Admin, support, waste mgt., remediation	-5	-19.2%	-31	-1.7%	2,262	54.0%	-64	-1.1%
Educational services	-2	-16.7%	22	7.0%	691	56.8%	57	6.7%
Health care and social assistance	-6	-6.8%	78	1.9%	7,519	130.1%	477	4.5%
Arts, entertainment & recreation	2	40.0%	20	5.5%	546	18.5%	65	5.4%
Accommodation & food services	10	20.8%	-1	0.0%	411	47.4%	247	3.3%
Other services (except public administration)	-1	-1.5%	-50	-1.2%	5,297	52.6%	105	1.0%

As you can see the only two industry categories that lost establishments across all jurisdictions are Manufacturing and Wholesale Trade. Conversely, the only two industry categories that gained establishments across all jurisdictions are Real Estate, Rental, & Leasing, and Arts, Entertainment, & Recreation.

Retail Trade lost establishments at all jurisdictions except for Wayne County's Non-Employer Establishment classification. The opposite is true of Professional, Scientific, and

Technical Services, which gained at all jurisdictions besides Wayne County's Non-Employer Establishments. While Administration, Support, and Waste Management and Remediation Services posted a 54% percent increase in the Wayne County Non-Employer Establishment jurisdiction, it decreased in all other jurisdictions. Additionally, Information, Educational Services, Health Care and Social Assistance experienced decline in the 48202 Zip Code, but they experienced growth at all other jurisdictions.

Department of Labor and Economic Growth Employment Forecasts

Table 12 summarizes Michigan's Department of Labor and Economic Growth (DLEG) employment forecast for 2012. Overall, DLEG forecasts that total employment will increase 10% from 2002 to 2012. The largest percentage of growth will occur in the Professional and Business Services industry classification at 25%, the complete DLEG employment forecast in the appendix shows that the largest subcategory growth occurs in Administrative and Support Services at 41%. Construction, Service-Providing Industries, Information, Wholesale Trade, Educational and Health Services, Leisure and Hospitality, and Other Services all receive above average growth rates, which is 10%. The largest subcategory growth in any industry is Internet Publishing and Broadcasting at 63%, however this growth only represents a total of 90 employees. Whereas, the 41% increase in Administration and Support Services represents 60,240 employees, the largest numerical level of growth in any subcategory. Some of the types of services and businesses in the Administration and Support Services subcategory are Employment Placement Agencies, Temporary Help Services, Document Preparation Services, Telephone Call Centers, Business Service Centers, Private Mail Centers, Copy Shops, Collection Agencies, Travel Agencies, Investigation Services, Locksmiths, Janitorial Services, Landscaping Services, Carpet and Upholstery Cleaning Services, and Packaging and Labeling Services.

The only two industry categories that have negative growth rates are Manufacturing with -4.5%, and Goods-Producing Industries with -0.7%. In the Manufacturing category there is a notable exception to general decline in the Plastics and Rubber Products subcategory, which increases 21% representing 3,490 employees.

Table 12: Michigan DLEG Employment Forecast

Detroit MSA Industry Employment Forecasts 2002 to 2012				
INDUSTRY TITLE	Employment		Change	
	2002	2012	Level	Percent
Total, Wage and Salary Employment	2,094,570	2,304,970	210,400	10
Goods - Producing Industries	424,110	421,120	-2,990	-0.7
Construction	88,280	100,500	12,220	13.8
Manufacturing	334,550	319,380	-15,170	-4.5
Service - Providing Industries	1,670,460	1,883,850	213,390	12.8
Wholesale Trade	98,970	110,830	11,860	12
Retail Trade	230,050	243,220	13,170	5.7
Transportation, Warehousing and Utilities	85,050	93,490	8,440	9.9
Information	38,680	43,280	4,600	11.9
Finance and Insurance	84,790	88,420	3,630	4.3
Real Estate and Rental & Leasing	30,250	32,920	2,670	8.8
Professional and Business Services	367,990	459,940	91,950	25
Education and Health Services	380,100	425,460	45,360	11.9
Leisure and Hospitality	179,390	200,250	20,860	11.6
Other Services	77,260	86,390	9,130	11.8
Government	97,930	99,660	1,730	1.8

Shift-Share Analysis

The MSU Team used a shift-share analysis to identify the growing sectors of the local economy. The Vanguard CDC's limited resources for promoting the incubator were to be strategically targeted for advertising to the segments of the local business community experiencing proven growth in the last five-year period for which data were available. It is believed these businesses might benefit from an incubator. A shift-share analysis was selected

as the most practical and effective tool at the MSU Team’s disposal for accomplishing this task.

A shift-share analysis is a tool to analyze changes in the local economy compared to changes in a larger reference economy, over time.⁵⁷ The shift-share elicits industries that have an advantage in one geographic area versus another, and in one industrial sector versus another sector. Shift-share results can be classified into four tiers: I – above average growth in the target geographic area and within the larger reference economy; II – below average growth at the local level but above average growth compared to all other industries in the larger reference economy; III – below average growth at the local and larger reference levels; and IV – above average growth at the local level and below average growth compared to the reference economy (Table 13). The ideal outcome of a shift-share is to identify types of businesses classified as Tier I, or more simply, those industries outperforming all others in the local and larger reference areas.

Table 13: Shift Share Analysis Tiers

	ABOVE AVERAGE LOCAL LEVEL GROWTH	BELOW AVERAGE LOCAL LEVEL GROWTH
ABOVE AVERAGE REFERENCE ECONOMY GROWTH	TIER I Primary Target	TIER II Tertiary Target
BELOW AVERAGE REFERENCE ECONOMY GROWTH	TIER IV Secondary Target	TIER III Quaternary Target

The geographic units used in the MSU Team’s shift-share analysis were Detroit and the broader Metropolitan Detroit economic region. The data used in this shift-share analysis were drawn from the United States Census Bureau’s Economic Census. Conducted every five years,

⁵⁷ 127, *Planning Local Economic Development: Theory and Practice*, 3rd Edition, Blakely and Bradshaw.

the Economic Census is a source for a broad variety of business information such as employment, payrolls, number and type of business establishments. The latest data available were from 1997 and 2002, which provided several challenges to the Team's analysis of business trends.

First, the Census' geographic study areas changed between 1997 and 2002. The 1997 data were collected based on the Detroit-Ann Arbor-Flint Consolidated Metropolitan Statistical Area (CMSA)⁵⁸, comprised of the following counties: Genesee, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne. However, the 2002 data were collected based on the Detroit-Warren-Flint CMSA, which excluded Lenawee County. To overcome this, data for Lenawee County were manually added to those for the Detroit-Warren-Flint CMSA. Second, the North American Industry Classification System (NAICS) coding scheme changed between 1997 and 2002. This provided a significant challenge, as readily available correspondence tables were inadequately constructed and did not provide equivalencies for all codes listed. As a result, some industry groups were omitted from the analysis since reliable trends could not be established. This was the case for 18 out of 189 industrial classifications (about 10%), with the majority stemming from wholesaling of goods, publishing, telecommunications, and information processing/hosting. Table 14 lists the specific industry codes in question, with the number of businesses in Detroit and the CMSA:

⁵⁸ See Appendix A for map of CMSA

Table 14: Detroit and CMSA Industry Codes

1997 NAICS Code	2002 NAICS Code	Definition	# of Establishments	
			Detroit	CMSA
-	423	Merchant Wholesalers, Durable Goods	339	4845
-	424	Merchant Wholesalers, Nondurable Goods	262	1875
-	425	Wholesale Electronic Markets and Agents and Brokers	10	974
-	511	Publishing Industries – Except Internet	25	457
513	-	Broadcasting and telecommunications	87	676
514	-	Information services and data processing services	29	368
-	517	Telecommunications	77	837
-	518	Internet Service Providers, Web Search Portals, and Data Processing Services	17	415
-	519	Other Information Services	4	28
4212	-	Furniture and home furnishing wholesalers	14	219
-	4251	Wholesale Electronic Markets and Agents and Brokers	10	974
-	5111	Newspaper, Periodical, Book, and Directory Publishers	24	283
5131	-	Radio and television broadcasting	21	86
5132	-	Cable networks and program distribution	8	82
5141	-	Information services	29	368
-	5171	Wired telecomm. carriers	45	444
-	5172	Wireless telecomm. carriers (except satellite)	21	197
-	5191	Other Information Services	4	28

Source: 2002 Economic Census, U.S. Census Bureau.

Three- and four-digit NAICS were used in this shift-share analysis for their balance between data manageability (in terms of volume and numbers of records) and usefulness in identifying specific types of businesses. This is consistent with economic development standard practices.⁵⁹

The shift-share analysis allowed the MSU Team to identify which industries have the strongest growth and may be most appropriate for the Business Center. It is recommended the Vanguard CDC initially target business types in Tiers I, IV, and II, in that order. Tiers I and IV are comprised of industries with positive differential shifts, meaning they have above average strength in the target area (Detroit), while Tier II is comprised of sectors that are exhibiting above-average growth in the broader Metropolitan Detroit area. Industries in Tier III should

⁵⁹ 131, *Planning Local Economic Development: Theory and Practice*, 3rd Edition, Blakely and Bradshaw.

most likely be avoided since they are lagging behind other industries both in Detroit and the Metropolitan area. Additionally, the shift-share analysis identified 34 new industries in the study area from 1997 to 2002. Those new industries are listed in Table 15:

Table 15: Area New Industries

2002 NAICS Code	Definition	# of Establishments	
		Detroit	CMSA
327	Non-metallic mineral product manufacturing	22	240
332	Fabricated metal product manufacturing	167	2,004
339	Miscellaneous manufacturing	35	549
453	Miscellaneous store retailers	123	2,212
454	Nonstore retailers	43	729
515	Broadcasting (except internet)	0	97
533	Lessors of nonfinancial intangible assets (except copyrighted works)	2	48
622	Hospitals	15	72
712	Museums, historical sites, & similar institutions	9	46
3116	Animal slaughtering & processing	14	37
3121	Beverage manufacturing	6	30
3231	Printing & related support activities	62	634
3241	Petroleum & coal products manufacturing	14	52
3261	Plastics product manufacturing	16	345
3272	Glass & glass product manufacturing	2	30
3323	Architectural and structural metals manufacturing	0	259
3327	Machine shops, turned product, & screw, nut, & bolt manufacturing	48	916
3328	Coating, engraving, heat treating, & allied activities	50	291
3336	Engine, turbine, & power transmission equipment manufacturing	3	36
3361	Motor vehicle manufacturing	4	23
3363	Motor vehicle parts manufacturing	40	543
4412	Other motor vehicle dealers	3	231
4531	Florists	20	361
4532	Office supplies, stationery, & gift stores	39	721
4533	Used merchandise stores	22	221
4539	Other miscellaneous store retailers	42	900
4541	Electronic shopping & mail-order houses	10	209
5151	Radio and television broadcasting	0	83
5182	Data processing, hosting, and related services	0	359
6221	General medical & surgical hospitals	10	52
6242	Community food & housing/emergency & relief services	54	165
6243	Vocational rehabilitation services	36	169
7121	Museums, historical sites, & similar institutions	9	46
7132	Gambling industries	4	12

Source: 2002 Economic Census, U.S. Census Bureau.

These new businesses were not included in the shift-share analysis given the fact that no growth trend could be calculated. Yet, they may still indicate sectors with solid growth and warrant due consideration.

The MSU Team was also able to use the shift-share to identify the strongest growing/Tier I industries. A sampling of these findings is provided in Table 16 (ordered from strongest to weakest growth rate):

Table 16: Tier I Industries

2002 NAICS Code	Definition	# of Establishments	
		Detroit	CMSA
7111	Performing arts companies	17	91
7113	Promoters of performing arts, sports, & similar events	16	80
4543	Direct selling establishments	27	413
611	Educational services	76	812
6244	Child day care services	172	1,282
6115	Technical & trade schools	15	133
5415	Computer systems design & related services	68	1,746
711	Performing arts, spectator sports, & related industries	46	410
5412	Accounting, tax preparation, bookkeeping, & payroll services	110	2,201
5629	Remediation & other waste management services	20	119
5414	Specialized design services	27	505
5613	Employment services	66	1,252
5413	Architectural, engineering, & related services	121	2,291
5312	Offices of real estate agents & brokers	38	1,076
5416	Management, scientific, & technical consulting services	98	2,037
5313	Activities related to real estate	59	1,037
5419	Other professional, scientific, & technical services	54	1,130

Source: 2002 Economic Census, U.S. Census Bureau.

The suitability of an industry was determined by its ability to operate in an office environment. For example, manufacturing, warehousing, and other non-office activities are unsuitable for Vanguard CDC's vision of its Business Center.

Contracting Opportunities

According to ESRI Business Summary Data, the site of Vanguard CDC's Milwaukee Junction Small Business Center has numerous geographic strengths. ESRI Business Summary Data shows how many businesses are within a selected radius of a site, and the number of

employees by industry classifications. Within a one-mile radius of the Business Center site there are 774 business establishments, over 28,400 employees, and a daytime to nighttime population ratio of 2.68 which means that there are 2.68 times as many people in the area during the day than the night. This daytime to nighttime population ratio is high compared to that of the five-mile radius at .55, meaning that more people live in the five-mile radius of the business center than work. Fittingly, the 48202 zip code has a high ratio of 22 establishments per 1,000 residents compared to other Detroit zip codes. Only two Detroit zip codes have a higher number of establishments per 1,000 people than 48202, however it is still only comparable or less than most suburban locations.

The Business Center's proximity to a concentration of businesses suggests that there may be significant service contracting opportunities within the local economy. However, ascertaining the demand for specific business services like accounting, janitorial, or an information service is difficult, if not impossible to do accurately. Instead of making conjectures about the aggregate demand for business services and contracting opportunities within the local economy, the MSU Team looked specifically at large businesses and institutions in the area that sub-contract and make large purchases to provide more useful insights.

Literature suggests making contacts with business people, bankers, academics, and other interested parties who understand the local business community. Time constraints limited the MSU Team's ability to conduct such research, but we were able to review large institutional and business websites in the local area for valuable insights into contracting opportunities.

Wayne State University

Wayne State University (WSU) averages 190 million dollars a year in purchasing power⁶⁰. The Purchasing Department's website provides a complete list of commodities they purchase and their associated contact person. All purchases in excess of \$20,000 dollars must be competitively bid on. These purchases are often construction and renovation related. To do business with WSU, vendors must be registered through their website, <http://www.wayne.edu/wsupurch/>, and meet certain criterion. WSU strives to "to increase expenditures with minority vendors and when possible, will target a purchase for minority competition only."⁶¹

Detroit Medical Center

The Detroit Medical Center gives preference to minority and woman owned businesses to supply services, and has a supplier diversity program in which they cultivate relationships with these types of businesses. While they do not list commodities or services they commonly purchase, they encourage interested vendors to contact them to find out if they would be interested in their product. If interested, they will work with the vendor to file the necessary paperwork, and ensure that they meet state and federal regulations. Their purchasing department can be reached at 313-578-2650, or online at <http://www.dmc.org/vendor/>.

Henry Ford Hospital

Henry Ford Hospital purchases numerous types of outside supplies and services ranging from blood products to transcription services. A detailed list of their purchases is provided on their website at [http://www.henryford.com/documents/purchasing /MgrMatrix.pdf](http://www.henryford.com/documents/purchasing/MgrMatrix.pdf).. They also have a Supplier Diversity Program that gives preference to minority and women owned businesses, and encourage potential vendors to contact them in order to explore business

⁶⁰ <http://www.wayne.edu/wsupurch/>

⁶¹ <http://www.wayne.edu/wsupurch/>

opportunities. Robin Boyle⁶², of Wayne State University, informed the MSU Team that Henry Ford Hospital commissioned a study of its potential impacts upon the local economy. While the MSU Team was not able to obtain the study, due to confidential business information, it suggests that Henry Ford is concerned with its role in the community.

New Center

The New Center Council is a nonprofit alliance of more than 80 New Center businesses⁶³. While the council is not a likely contracting source, their members may be. It might be advantageous to contact the council and see if they would disseminate a survey to their members on behalf of Vanguard CDC, which could question the businesses on potential contracting opportunities. Also, as the Council is made up of members of the local business community they may have valuable insights to offer new businesses to the area. The New Center Council, Inc. can be reached at (313) 872 -0188.

Detroit Business License Center

Contacting and developing a relationship with the City of Detroit's Business License Center may also help identify new businesses within the City. By the time an entrepreneur obtains a license to do business in the city they must have already obtained state and federal tax identification numbers and determined a name for their business, demonstrating an earnest determination to follow through with developing a business. Therefore, by developing a relationship with the Business License Center, Vanguard CDC could gain valuable up to date information on current trends in business development. Also, the Business License Center could be a strategic location to post flyers in order to recruit future tenants. Contact the Business License Center at (313) 224-3178.

⁶² Professor of Urban Planning

⁶³ <http://www.newcenter.com/about/intro.htm>

CASE STUDIES

Interviews

Interviews were conducted with Professor Roger Hamlin School of Planning, Design and Construction at Michigan State University on February 10, 2006 and Professor Lawrence Molnar, Director of Economic Development Association University Center Program with the University of Michigan on March 21, 2006. Questions were drawn from the literature to facilitate discussion on small business incubators.

The interviews happened a month apart of each other and provided valuable information to the development and implementation of our case study analysis. The first interview with Professor Hamlin contributed to the creation of the Incubator Development Matrix. These included: services provided, resources, financial resources, and tenant selection. The follow up interview with Professor Molnar provided insight on Michigan incubators and additional resources.

Professor Roger Hamlin's discussion of small business incubators was a valuable contribution to the development of the MSU Team's Incubator Development Matrix. Professor Hamlin is considered an expert in the field of small business incubation and written numerous books and articles on the topic. Hamlin stressed the incubation services of the incubator are core elements, identifying and serving the needs of clients through business training and support programs, the significance of business plan development for potential entrepreneurs, and the importance of selecting candidates that had the "right personality" for being an entrepreneur. For Hamlin, the "right personality" meant that the potential entrepreneur had to be educated and grounded in the pursuit and maintenance of a small business. This included having the "go-getter" mentality and risk taking moxie. He also included that these personality patterns were attributes of an incubator manager. Additionally, he stated that the incubator

should have an available tiered structure (five tiers) of training to screen candidates who are serious about pursuing this venture. The tiered structure would allow candidates to assess their own readiness to enter into small business ownership. For example, first tier of support may be business planning, second tier would be micro-loan support, etc. Hamlin stated that many incubators have only a first tier structure. The selection of tenants was also critical in the financial sustainability of the incubator.

The financial sustainability, according to Hamlin, is one that is met with substantial challenges. Hamlin states that developing an incubator may have financial challenges. This is partly due to client turnover; the ratio of graduates versus non-graduates. The graduation of tenants he describes, although the mission of the incubator, can limit the stability of revenue for the facility. Conversely low client turnover is an indication of stability. Hamlin suggests that to alleviate financial sustainability concerns, partnerships should be actively pursued. For example, partnerships with local resources provide business training, including banks, colleges, and other professional networks.

Professor Lawrence Molnar provided insight on Michigan incubators and additional resources. Professor Molnar is the director of University of Michigan's Economic Development Administration Center Program and President of Michigan Business Incubation Association. He has conducted studies on national and Michigan incubators. Molnar stresses that incubators should be treated as "business factories". Business incubators should strive to assist new small business entrepreneurs in creating new business ventures. This could happen in two ways: 1) building and fostering programs of support services, 2) approaching and connecting with community stakeholders. He suggested that classes and mentoring should be the key to services. This would create a "culture of entrepreneurship". He stated two characteristics that could make this happen: working with high schools and working with

universities. Fostering programs of support and connecting with community ultimately would utilize professional resources to contribute to financial sustainability and organizational resources. The organizational resources referred to in this section are advisory boards, boards of directors and any additional ad hoc or formal committees that would advise or support the incubator. This support would also include financial sustainability.

According to Molnar, the financial sustainability of the incubator should not rely heavily on subsidies, specifically grants. He states that the grants won't work for very long (maybe just the first few years during the infant stages of the incubator). Although he does admit that it is helpful to attempt to attain more grants than you need to create a financial buffer. Molnar urges that revenues should be pursued through other services, such as rental of the incubator meeting rooms. Another strategy to achieve financial sustainability is by actively recruiting and establishing a list of potential tenants. Molnar stated numerous examples of compiling a list of potential small business tenants, the number of business applications for registered new businesses through the county clerk's office (also a form of screening process of client and their business), and a second source can be through the incubator's regional Small Business Technological and Development Center (SBTDC). These organizations generally advise small businesses and have a list of clients. Finally, the Michigan State University extension office could be used as another source.

A final element that Molnar raises is the broader implication of successful small business incubators. Molnar states two key features of incubators: 1) they can be an efficient tool for small business development and 2) they can be an efficient model for broad economic development. He also stated that economic development has three characteristics for targeting business development: business attractiveness, business expansion, and new venture creation (he cited that this was the best strategy for improving local economies).

The interviews identified key characteristics. One, the attention to services provided to small businesses is crucial; this includes educational, support and mentoring and training programs. Secondly, the recruitment of tenants is critical for financial sustainability and fostering resources. Third, attention to professional and community resources is needed.

Selection criteria

In addition to interviews, the MSU Team undertook an analysis of case studies to assist in the development of a “best practice” incubator to complement the data collected. The selection criteria were drawn from the literature, the National Business Incubation Association’s⁶⁴ “Industry Best Practices” guidelines⁶⁵ and Erlewine and Gerl’s⁶⁶ “Ten Keys to Successful Incubation”⁶⁷. A basic search for small business incubators was initially conducted by reviewing the National Business Incubation Association’s main website. The goal of this search was to identify potential incubators that the MSU Team could analyze.

With this information, we developed incubator characteristics and then selected a business incubator to serve as a model and template of a successful incubator. The template was formed to assist the MSU Team in identifying a strong business incubator model, while the model was used to assist in the gathering of data on Michigan incubators. Our goal in developing a template was to identify preliminary characteristics consistent with the type of incubator desired by the client. The client has expressed their intention to adopt a “mixed-use” type incubator⁶⁸.

The following case studies provide examples of how small business incubation, through incubators, can facilitate local economic development and provide small businesses with the

⁶⁴ The NBIA has established these guidelines as a means to measure successful incubators.

⁶⁵ Erlewine and Gerl, 2004

⁶⁶ *Ibid*

⁶⁷ See Appendix C for list

⁶⁸ As our literature indicates, NBIA research reports that of the types of incubators that are identified, a “mixed-use” type is the most successful.

tools necessary to succeed. The examples listed below were selected using the following criteria: services provided, type and number of tenants, if the incubator has tenant selection criteria or guidelines, resources that have a public and/ or private affiliation, commitment to seeking financial resources, and if the incubator has measurable outcomes. These characteristics were synthesized into an Incubator Development Matrix to be analyzed by the MSU Team. The characteristics are defined and outlined in Table 17.

Table 17: Incubator Development Matrix

Name of Incubator	Services	Type/ Tenants	Selection Guidelines	Resources	Financial Resources	Outcomes
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Services: whether the incubator provides services.

Type of Incubator/ Number of Tenants: whether or not incubator identified is specific industry, empowerment, technology or mixed-use⁶⁹. The latter asked how many tenants are using space within the incubator.

Selection Criteria/ Guidelines: whether or not the incubator has specific or broad selection guidelines for tenants.

Resources: whether or not the organization is a collaboration of or committed to connecting with additional public and/ or private resources that would establish formal networks. Some of these include: chamber of commerce, small business administration, NBIA, community and colleges and universities. This may also include broader economic development entities or organizations committed to economic development. In some cases, the incubator will be attached to another agency such as an economic development corporation, church, university, etc.

Financial Resources: whether or not the organization is committed to the collaboration with additional investors/ financial contributors to create opportunities for the continued success and

⁶⁹ As defined by the National Business Incubator Association

“life” of the incubator process. This may also translate into investment in social capital and create ownership within the neighborhoods, especially distressed neighborhoods.

Outcomes: whether or not the organization has a commitment or has made an attempt to measure success. This could be in the form of the number of graduating tenants or by the development of program evaluations⁷⁰. Other indicators of measuring outcomes are available, such as number of graduates who survive after graduation, number of jobs created by current incubator clients, incubator is self-sustaining or breaking even.⁷¹

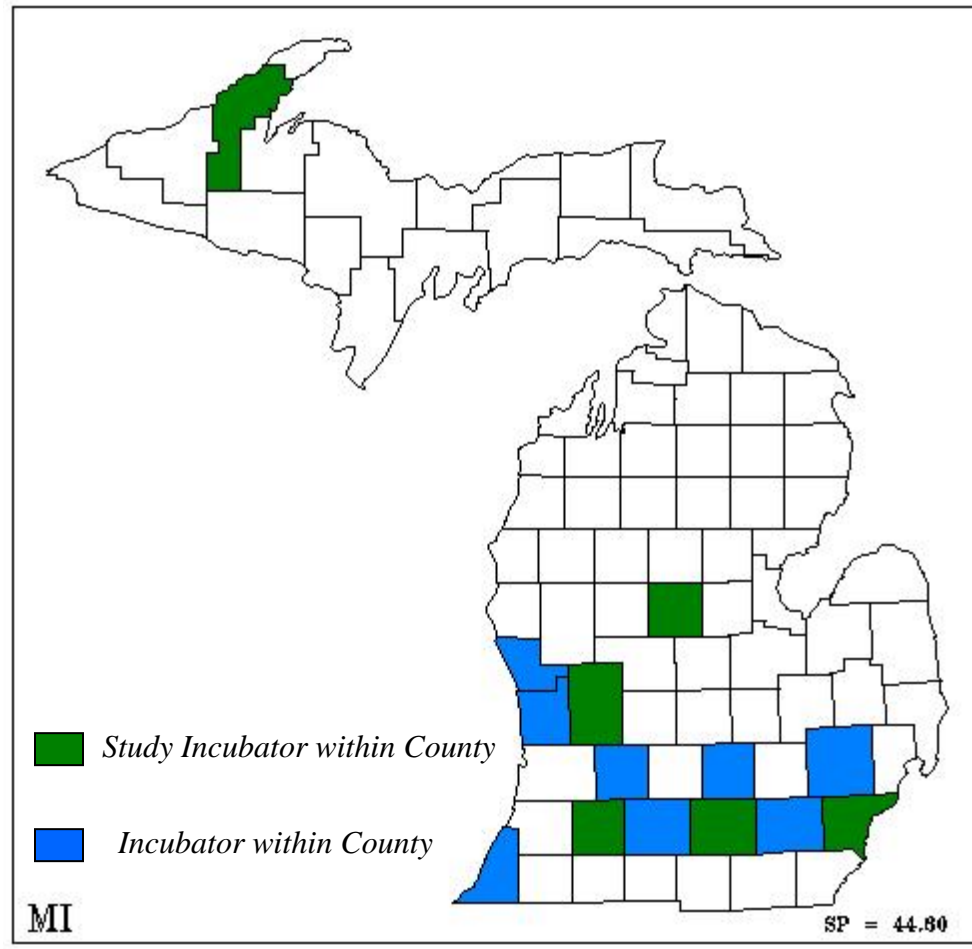
Incubators Identified

The MSU Team identified over 18 incubators within the State of Michigan. Our initial analysis included a broad examination of the incubators identified in order to determine which facilities the MSU team could critically critique and analyze. All identified Michigan incubator county locations are illustrated in Figure 16. Of the 18 identified, eight were initially chosen based on the above mentioned selection criteria: Services, Type/ Tenants, Selection Guidelines, Resources, Financial Resources, and Outcomes. The eight selected incubators are highlighted in green on the map and described in detail below.

⁷⁰ This is the question that may be the most difficult to answer. So NBIA has suggested that program evaluations be created by gathering statistics to measure success (NBIA website).

⁷¹ Williamson, 2003

Figure 16: Michigan Incubator Location by County



Source: www.baby.indstate.edu

IdeaWorks LLC
161 Ottawa N.W., Suite 200-A
Grand Rapids, MI 49503
Telephone: (616) 454-4033
Fax: (616) 454-4474
www.ideaworksllc.com

IdeaWorks, LLC works to help new business start-ups and expand existing businesses. Based in Grand Rapids, Michigan, they have over 60 years of experience in new business development. The main partners of IdeaWorks are two managing partners who have had various experiences in the business marketing industry. Services include business planning, workshops on funding and investing, business consulting, and project management. Their

mission is to mentor early-stage entrepreneurs with emerging growth ideas, shortening the time to crystallize the business idea and achieve business success.

Idea Works LLC conducts workshops and other events yearly for new businesses and those wanting to expand. These events are either free or are provided at a low cost. Examples of their workshops include: *Disconnects between Entrepreneurs and Investors - Bridging the Divide*, *7 Pools of Capital -- Funding Your Deal*, *Pitch Your Business in 5 Breaths*, *Creating an Effective Business Model*, and *Creating Credible Financial Projections*.

Center for Global Design and Business
Finlandia University
Portage Campus
200 Michigan Street
Hancock, MI 49930
(906)487-7450
www.globaldesignandbusiness.org

The Center for Global Design and Business is a component of Finlandia University in Hancock, Michigan and has a leadership role in Upper Peninsula economic development. Patterned after Finland's economic development model, the center recognizes the lack of entrepreneurship opportunities in the Upper Peninsula's rural region. They cater to college graduates who want to enter into the business sector by providing a supportive environment to design and develop business start-ups. Services include design and business consulting; rapid prototyping; training; shared services and equipment; reception; mail delivery; access to copy, printing, and faxing; meeting rooms; and a marble lobby for product display. In addition, clerical and graphic design services are available on a per-job basis.

**Central Michigan University Research Corporation
Technology and Innovation Accelerator Services
Central Michigan University Research Corporation
2625 Denison Drive
Mount Pleasant, Michigan 48858
Ph: 989-774-2424
Fax: 989-774-2416
www.thecenter.cmich.edu**

The Central Michigan University Research Corporation (CMURC) is a not-for-profit organization established to facilitate innovative research and development opportunities between the university and high technology companies. CMURC is dedicated to: establishing and operating a national center of excellence in the research fields of business intelligence and nanoscale sciences and the pursuit of innovative, industry-driven applied research opportunities. The CMURC business acceleration and venture capital services are provided to encourage entrepreneurial activity. Central Michigan University Research Corporation's Technology and Innovation Acceleration Program assists high-tech start up companies with the several challenges faced during the early stages of development.

**Southwest Michigan Innovation Center (SMIC)
4717 Campus Drive, Kalamazoo, MI 49008
(P) 269.353.1823
(F) 269.372.3397
www.kazoosmic.com**

The SMIC is located in Kalamazoo, Michigan and serves as an incubator/ accelerator⁷². The incubator serves specific industries in the life sciences and technology. However, in this case, the SMIC serves start-up businesses while managing the growth or acceleration of existing businesses primarily through research support services. SMIC also provides the opportunity to share essential business services with other firms. They offer office space, equipment, common areas, and managerial and technical assistance.

⁷² The terms *incubator* and *accelerator* are relatively the same term, according to the National Business Incubation Association. However, in this case, the SMIC serves start-up businesses while managing the growth or acceleration of existing businesses primarily through research support services.

Jackson Small Business and Technology Center
(Jackson Industrial Incubator)
One Jackson Square, Suite 1100
Jackson, MI 49201
Phone: 517-787-0442
Fax: 517-782-0061
www.enterprisegroup.org/SBTDC/sbdev.html

The Jackson Industrial Incubator provides start-up businesses with at or below market rate office space, warehouse and manufacturing space, along with many shared services and amenities to help keep start-up costs manageable. Services of the SBTDC are extended to the tenant companies in the incubator, along with free membership in JAMA (Jackson Area Manufacturers Association), through the extension efforts of the Jackson Small Business and Technology Center.

McAnoy Business Center (MBC)
71 East Edsel Ford Service Drive
9200 Gratiot Avenue, DCPA
Detroit, MI 48213

The McAnoy Business Center was selected through the Team's initial incubator search because of its similarities to the MJSBC. While it closed in 2005 due to a lack of funding, we feel that it still contributes valuable information pertinent our analysis. McAnoy Business Center was a faith-based organization that provided incubation services. It was classified as an empowerment incubator in that served only minority and women owned businesses. With the support of a \$70,000 award from the Detroit Empowerment Zone, the McAnoy Business Center helped meet the need of small businesses within the Zone with incubator or startup services that aided fledgling entrepreneurs. The goal of the MBC was to successfully provide services to a minimum of ten startup companies. Through the McAnoy Business Center these companies were provided below market rents and had access to a variety of resources such as copy and fax machines, a large conference room, office signage and the availability of a

wireless hot spot area. The site also offered the added advantage of free parking. Additionally, McAnoy sought to develop cutting edge initiatives of job producing economic development.

Albion Industrial Incubator
309 N. Superior
P.O. Box 725
Albion, Michigan 49924
Email: mhindenach@albionedc.org
Internet: www.edc.albion.mi.us

Developed in the early 1980's, the Albion business incubator has hosted dozens of young companies and initial ventures that have developed into successful businesses. Throughout the 1980's and early 1990's, many businesses grew out of and left the confines of the incubator to become integrated into the Albion industrial sector, providing jobs while providing a strong economic base for the community. A variety of companies were developed in the incubator until the early 1990's when it was exclusively leased by a single tenant until the end of 2001. Designed to help new businesses grow and develop in the Albion area, the Albion EDC provides businesses a place to get started at a relatively low cost. It is the hope that businesses will "graduate" into the community within three to five years and then we can repeat the process with another young business. Albion helps this process by offering flexible lease space with the ability to enlarge or reduce square footage based upon the tenant's needs.

Hastings Industrial Incubator
1035 E. State St.
Hastings, MI 49058
Tel: (616) 948-2305 Fax: (616) 948-2947
Email: edohost@im4u.net

The City of Hastings has had a long standing commitment to providing economic development services to existing businesses, some of which have been part of our community for well over a hundred years, and to start-up and expand firms that choose Hastings as their home. In 1983, the City of Hastings established the Hastings Industrial Incubator, a 44,600 square foot industrial facility that provides flexible manufacturing and office space to growing

companies that occupy bays from 800 - 3200 square feet. Shared services consisting of a copier and conference room supplement the 2,000 sq ft office complex. The incubator staff provides tenants with management and financing assistance, which utilizes several state and national programs that assist small business.

In 1997, four industrial incubator tenants and several local firms have committed to build 8,000 13,000 sq ft permanent facilities in the newly established Hastings Industrial Park. The 40-acre parcel features all public utilities. The City also owns an additional 30 acres of industrial property for future development.

Selected Incubators

Following an in-depth critique of the eight incubators identified through the Identification of Case Study Characteristics Details⁷³, the MSU Team chose four small business incubators to critically analyze based on interviews and a comprehensive review of the incubator matrix. The four incubators selected were the Albion Industrial Incubator, Hastings Industrial Incubator, Jackson Industrial Incubator, and McAnoy Business Incubator. These four were chosen because they met one or more of the following: comparable to Vanguard's physical structure and capabilities, similarities in resources, broad approach to neighborhood revitalization, and certain unique characteristics that were identified, such as affiliations and economic development tools.

Albion Industrial Incubator

The Albion Industrial Incubator was developed in the early 1980's. Throughout the history of the facility, many businesses have left the incubator and integrated into the Albion industrial sector. The year 2001 marked the end of lease to a single tenant using the entire Albion facility. The Albion Incubator is continually recruiting new businesses to enter the

⁷³ See Appendix B

incubator in hopes that they will graduate and relocate in the Albion area. The facility has 21,000 total square feet and 18,000 square feet of that total is leasable space. The remaining 3,000 square feet is utilized for loading docks. The Albion Incubator has 501(c)(3) non-profit status, and is a part of the Albion Economic Development Corporation (EDC). The mission of the Albion EDC is enhancing the economy of the Albion, Michigan community through the attraction, retention, and development of new and existing businesses.⁷⁴ Mike Hindenach works as the part time manager and serves as Vice President of the Albion EDC. On March 22, 2006, the MSU Team conducted a site visit of the Albion Incubator and was able to interview Mr. Hindenach.

The Albion Industrial Incubator is a mixed-use facility housing manufacturing, technology, and office space. Office and technology space lease rates are \$10 per square foot, and manufacturing is \$3.50 per square foot. Amenities offered include T-1 broadband access, web hosting, forklifts, access to loading bays, and conference room. In addition, Albion provides business counseling, a Business Success Series course, industry research, and access to Briton Business Consultants business research services.

Albion determines incubator success through both tangible and intangible measures. Client tracking applies mostly to graduates who relocate in the area. Hindenach believes that if a person goes into business and loses everything, that scenario is a failure. However, if a person goes into business and leaves little room for financial risk, this can be considered a success. Hindenach does try to counsel potential entrepreneurs of the risks associated with small business startup.

Other financial sources include grants, Tax Increment Financing (TIF), Brownfield Redevelopment Authority (BRA), and Economic Development Council (EDC) funds. In 2005,

⁷⁴ <http://www.albionedc.org>, "Albion Economic Development Corporation"

incubator fees amounted in about \$38,000 and utility reimbursements equaled almost \$6,000. Incubator fees and rent generated 86% of the Albion Incubator income for 2005, while reimbursements accounted for the remainder.

Mr. Hindenach emphasized several points during the interview. Hindenach noted that one of the biggest challenges to an incubator is finding tenants. He stated that being flexible and adapting to client needs was important to combat this problem. Adapting to client needs can take on many forms, such as expanding bays or reconfiguring space and flexible lease agreements to tenants. The tenant selection process is also conducted in a flexible, informal manner. Hindenach recruits potential tenants from Albion College, via “word of mouth,” and through meetings. He refers to this type of selection process as “case dependent.” However, a business plan is one criterion that Albion looks for in each potential tenant case.

In addition, Mr. Hindenach also emphasized the importance of the incubator sustaining itself, without much reliance on subsidies. Subsidizing should be kept to a minimum, or abandoned all together. In essence, incubator sustainability should be captured primarily through rent. He also believes that incubator sustainability is directly connected with manager expertise, thereby recommending a full-time manager for incubator operation. Another way to capture more revenue from rent is to fill the incubator to a certain threshold, preferably between 75% and 90%.

Hastings Industrial Incubator

The Hastings Industrial Incubator was established in 1983. The formerly abandoned building has been revived with the assistance of local government and has been a vital element for stimulating local economic development. The primary purpose for launching the incubator was to increase local employment. Hastings is located in proximity to both Lansing and Grand Rapids, and had been serving as a bedroom community for those cities. In 2001, Hastings

economic development director Joe Rahn stated, “Some 50 percent of our population went out of county for employment.” The Hastings Industrial Incubator has been able to recapture some of the city’s residents. The incubator has created over 325 jobs between the current incubator companies and graduates, and more residents now stay in the area to work.⁷⁵

Hastings received grants for redevelopment from HUD Community Development Block Grant Program (CDBG), the U.S. Department of Commerce/EDA, and the City of Hastings.⁷⁶ The total amount of these grants provided them with \$829,000. The 44,600 square foot building provides manufacturing and office space to small businesses.⁷⁷ Shared services include use of a copier and conference room. The incubator staff provides tenants with management and financing assistance, which utilizes several state and national programs that assist small business. Hastings Area School System is a tenant of the incubator, using the facility to provide vocational training.⁷⁸

The MSU Team conducted a site visit to the Hastings Industrial Incubator on March 30, 2006. The team spoke with current incubator manager Lauren Kruer-Driscoll, a community development specialist. Kruer-Driscoll has been the Hastings manager for less than two years and is working on stabilizing the incubator.

Currently, the Hastings Incubator is financed through both rent and subsidies. Rent is \$8.10 per square foot with no utilities, and 11.60 per square foot with utilities. This accounts for about 33% of revenue, and the remainder comes from the subsidies. Grants covered the original renovation expenses and subsidies come from City taxes. Some tenants have been in the facility for over eight years. A graduation policy is now being implemented to address

⁷⁵ <http://www.rural.org/publications/NBIA01-08.pdf>, “Identifying Obstacles to the Success of Rural Business Incubators,” National Business Incubation Association, May 2001.

⁷⁶ HUD CDBG grant (\$375,000), U.S. Department of Commerce/EDA (\$300,000), City of Hastings (\$154,000)

⁷⁷ <http://www.hastings.mi.us/incubator.html>, “Hastings Industrial Incubator”

⁷⁸ http://www.mml.org/mam/mam_mayors_memo_3-00.htm, “Hastings Industrial Incubator Spurs Economic Growth”

tenants such as these. There are no specific selection criteria; however, plans are in the making to require applicants to at least have a business plan and financial statements. In addition, there is no specific way of measuring outcomes other than those graduates that locate in the Hastings area.

Kruer-Driscoll emphasized several programs that she wanted to implement in the incubator. Currently, there are no educational services, graduation requirements, nor formal selection process. She hopes to create a business-like environment for tenants with a Community Business Learning Center. To address tenant educational needs, she wants to form partnerships with universities and local institutions. She also wants to provide relocation assistance for graduates, pointing out that by doing so will ensure local investment in the area. In addition, the incubator should have a community-wide approach and be able to contribute to the community at large.

Jackson Industrial Incubator

The Jackson Industrial Incubator started in 1986, and in 1998 the Enterprise Group took over managing the property. The Enterprise Group was established to lead business recruitment and retention in Jackson County.⁷⁹ Since 1986, over 200 small businesses have utilized their services. The Jackson Incubator is mixed-use providing start-up businesses with at or below market office, warehouse, and manufacturing space, along with many shared services and amenities to help keep start-up costs manageable. The regional Small Business and Technology Development Center (SB-TDC) extends services to the tenant companies in the incubator, along with free membership in the Jackson Area Manufacturers Association

⁷⁹ <http://www.enterprisegroup.org>, “The Enterprise Group of Jackson, Inc.”

(JAMA).⁸⁰ Roni Weaver is the executive director of the Jackson Industrial Incubator and the MSU team conducted an interview with her on March 8, 2006.

Located in Jackson, Michigan, the incubator facility is over 54,000 square feet on over 100 acres of land. About 37% of the facility is common areas and unleaseable space. The majority of the facility is occupied with manufacturing operations that require large amounts of floor space and storage for large machinery. The tenant lease rate is \$3.00 per square foot, not including utilities. The selection process is primarily conducted through an interview process. During the interview, determining client interest and commitment is a factor in selection. Outcomes are identified through tangible and intangible measures. The tangible measures included graduation; however there is no distinct tracking system for graduates. Client realization that additional money, time, or training was necessary before moving into the incubator was considered a type of intangible measure. The Jackson Industrial Incubator provides general business counseling and services to its tenants.

The location of the incubator is ideal because of its proximity to University of Michigan, Michigan State University, and Purdue University. In addition, secondary and community colleges are significant to the Jackson Incubator. Schools such as Grand Valley State University, Spring Harbor, Baker, and Jackson Community College are also in the area. At times, these institutions provide training and educational services to incubator tenants.

Ms. Weaver emphasized the importance of community and university support, funding, business climate, and advisory boards. The Jackson Incubator has been able to succeed in part because of the support received from the government and nearby universities. Operation of the incubator is approximately \$30,000 annually. The municipality pays the property taxes which equal \$19,000 yearly, and the incubator receives a Community Development Block Grant

⁸⁰ <http://www.enterprisegroup.org/SBTDC/sbdev.html>, "Business Assistance Startups."

(CDBG) of \$10,000 each year. Utilities are paid by tenants and are allocated proportional to occupancy.

Universities and community colleges serve as training and educational resources for the incubator clients. For example, a business in the incubator facility was in need of an employee with skills in fine machining, and for this type of position training was needed. The institutional network of the Jackson community could address issues such as these, when the incubator does not have the internal resources to support tenants. Besides undercapitalization, small businesses usually fail because underutilization of available training services.

The business climate of the local area is important when considering the opportunities associated with incubators. At one time, the Jackson area had over 300 manufacturers. As the manufacturing sector declined, the need to accommodate the unemployed members of the community presented itself. Some of these community members have looked to the Jackson Industrial Incubator to start their own businesses. Another element of business climate is the internal environment of the incubator. The building itself should have an area where people can collaborate, exchange ideas, and problems. Ms. Weaver indicated that this could be achieved by having a break room or lounge area for tenants.

Ms. Weaver described differences between an advisory board and a board of directors. An incubator should have both groups. The advisory board would serve as a resource group and professional support for tenants. The board of directors serves as the management and keeps the incubator aligned with its mission. The advisory board should be composed of university affiliates, business owners, insurance representatives, banks, attorneys, franchises, and people who support business incubators. The incubator manager should have a unique personality with the ability to communicate effectively with tenants.

McAnoy Business Center

On March 20, 2006, the MSU Team solicited an email questionnaire to Sister Cathey, the executive director of the McAnoy Business Center located in the city of Detroit⁸¹. Sister Cathey informed the team that after nine years of operation, the Business Center was closing. Although the Center is no longer operational, the MSU Team feels that McAnoy can offer valuable lessons because of its comparable size and location to the MJSBC. The Center's closing illustrates the importance of having income generating programs to reduce reliance on subsidization, as well as having an Advisory Board that is able to commit the time necessary to support the incubator.

The McAnoy Business Center grew out of a need to use a building that had been given to the Detroit Catholic Pastoral Alliance (DCPA). The DCPA, created in 1988, is a coalition of ten Catholic Parishes in Detroit. The mission of the Alliance is to strengthen the quality of life in its communities by engaging members in the social, moral, political and economic issues of the Metropolitan-Detroit area. The major programs of the Alliance are affordable housing, economic and commercial development, community action, spirituality, anti-racism training, and a program for seniors called the Senior Network.⁸²

The McAnoy building, located at 71 E. Edsel Ford, has three floors and a total of 3200 square feet. It had been empty for eight years and had been vandalized before becoming DCPA property. After researching redevelopment possibilities for the site, DCPA decided that a small business incubator was the best reuse. The DCPA received a \$35,000 grant from General Motors to renovate the building. Using mostly volunteer labor from the Volunteers In Service to America (VISTA) program, the McAnoy Business Center opened in September 1997 with a full time manager to coordinate tenant needs.

⁸¹ Vanguard Incubator Questionnaire in Appendix

⁸² <http://www.charities.org/memberdir/index.cfm?fa=MembrInfo&id=220211>, "Detroit Catholic Pastoral Alliance"

The mission of the McAnoy Business Center was to provide affordable office space and support service to women and/or minority-owned businesses during the first three years of start up. Because the physical structure did not lend itself to industries such as retail, commercial, or manufacturing, it was decided that the business tenants would be service oriented. The facility had ten office spaces that were occupied on a regular basis. Tenants were selected through an application process and stayed in the incubator for one to three years.

Some of the business types that were a part of McAnoy were technical support, music/voice lessons, photographers, accountants, and lawyers. The incubator provided benefits to tenants such as a conference room, business plan assistance, and computers with DSL. Tenants were encouraged to attend classes at the Detroit Entrepreneurial Institute for further assistance. In their nine-year history, there were nine tenants that left the incubator, were able to hire at least one other person, and moved on to market rate rent.

In addition, the McAnoy Business Center had an Advisory Board overseeing the operation. The Board for the DCPA took recommendations from the McAnoy Advisory Board for policy making. The McAnoy Advisory Board was composed of small business owners, Wayne State University and Eastern Michigan University professors, a franchise owner, a banker, the manager, and Sister Cathey. Time constraints limited the ability of Board members to consistently participate in their advisory roles.

Funding was the biggest challenge for the McAnoy Business Center. Adding to the funding challenge was the lack of income-generating programs. Subsidies were used to keep costs down for the tenants. Lease rates were based on market rate and reduced by \$2 per square foot. The overall cost of operation averaged \$47,000 annually, with about \$13,000 per year coming from tenant leases. The remainder was subsidized by grants from Hudson-Weber, the Burgess Urban Fund, banks, and the Center's Empowerment Zone designation. It

was the Business Center's inability to get funding from traditional sources that lead to its dissolution.

ANALYSIS

The incubator literature identified several aspects that are related to the identified case studies. These are organizational structure, tenant selection criteria, measuring incubator success, and financial resources. The literature treated these subjects as important elements that are intricately involved in the success of an incubator. These subjects were typically addressed in the following manner:

- **Organizational Structure:** Incubators need both a full time manager and board of directors dedicated to the success of the incubator. The manager would monitor and report tenant activity, and the board of directors would oversee the entire incubator operation.
- **Selection Criteria:** Incubators should choose their tenants based on a strict application process that would assess the readiness of a business to enter the incubator.
- **Measuring Success:** Managers should have a plan in place for each incubator tenant to successfully leave the incubator within a specified time period; usually between one and three years. Once businesses have graduated from the incubator, there should be some tracking process to determine how well a business is doing outside of the incubator walls. The incubator should also periodically evaluate itself in all areas from tenant selection to revenue versus expenditures.
- **Financial Resources:** Incubators may begin operating using grants and subsidies, but should grow to a level of self-sustainability through a combination of rent and services provided.

However, the MSU Team found that the incubators studied did not follow this rubric. It became apparent that there was a disconnect between small business incubator theory and real life practice.

Theory vs. Practice

While literature suggested having a strict selection policy, most of the incubators studied had flexible selection criteria and measures of success. The selection criteria varied from a written application process to tenant recruiting. In most cases, it was a very informal process. Success was measured in a variety of ways. Some incubators tracked their clients only if they relocated in the local area. Some had no measures, while others considered informing entrepreneurs of the risks and benefits associated with starting business a success. While each incubator manager stressed the importance of not relying on grants, it was apparent that they all in some form had to rely on more than rent to pay the bills. Some portion of their revenues either came from subsidies, grants, loans, or was covered by the municipality.

The primary goal of business incubators is to provide business services at a low cost to support small business development. Literature review and case studies show that since business incubators are seen as a proven economic development strategy, they are often able to secure financial support from outside sources. However, they also show that over-reliance on an external source is not suggested, and that incubators should create the most financial solvent position possible independently.

One of the primary characteristics of incubator organization is to critically select tenants, and as such, finding entrepreneurs can be a challenge⁸³. According to the NBIA, “research has consistently shown that incubation programs that adhere to the principles and

⁸³ Albion Interview, March 22, 2006; Molnar Interview, March 21, 2006

best practices of successful business incubation generally outperform those that do not”⁸⁴. The strategy has taken hold as Business Week reports:

Incubators can afford to be picky about who they choose to host. Typically, they want local entrepreneurs with a full-fledged business plan and one to five employees. (If you need help developing a plan, most incubators offer assistance to entrepreneurs who aren't quite ready to be full-time tenants.) To get in, you'll then have to pass muster with the incubator's director, and sometimes a selection committee⁸⁵.

The lesson learned here is that each incubator has its own “recipe” for success.

Operations are individualistic and depend on external support networks.

Community Findings

The social characteristics of Vanguard CDC location make it a unique and prime environment for small business entrepreneurship. The Northend neighborhood has a young population, which may contribute, to the incubator tenancy⁸⁶. Similarly, the Northend has a strong majority of African American residents. The racial characteristics of the neighborhood may lead to less racial disparity and competition for small business ownership⁸⁷.

Community meetings that have begun in the Northend neighborhood evidence the potential for entrepreneurship. According to Bauman, “ensuring the success of African American entrepreneurs requires a comprehensive effort. African American communities must support local business owners, while successful African American entrepreneurs must reinvest in their communities”⁸⁸. Similarly, there is community support for small business ownership⁸⁹.

The Northend neighborhood is “capable of sustaining individuals and providing

⁸⁴ NBIA Website

⁸⁵ BusinessWeek Online,

http://www.businessweek.com/magazine/content/05_49/b3962458.htm?campaign_id=rss_smlbz, retrieved April 7, 2006

⁸⁶ Albion interview, March 22, 2006; Molnar interview, March 21, 2006

⁸⁷ Fairlie, R.W. 2004

⁸⁸ Bauman, N. (2001) retrieved at <http://www.celcee.edu/publications/digest/Dig01-03.html>

⁸⁹ Northend Community meeting

opportunities for families”⁹⁰. Vanguard CDC’s indirect connection to the Second Ebenezer Church through spiritual and social affiliations equates into direct, strong connections within the Northend community. In addition, 84% of business incubator tenants stay in the community after they graduate.⁹¹ This high visibility can benefit the future MJSBC facility and its resources.

Physical environmental characteristics such as location are instrumental to incubator facilities, in Michigan and through the nation as a whole. The Jackson and Hastings site visits supported the assertion that facility location is crucial to the life of the incubator and provides opportunities for local and regional economic development⁹². The physical location of MJSBC has numerous external advantages. The site enjoys easy access to highways and major roads, including I-75, I-94, M-10 (“the Lodge”), Grand Boulevard, and Woodward Avenue. Its location in the greater Northend area is a few miles from downtown Detroit and its Central Business District (CBD), and is in close proximity to Wayne State University, key automotive industry factories and offices, and Detroit’s major casinos. It is also located near the City’s international border crossings into Canada. The Vanguard CDC and Second Ebenezer provide identifiable locations and a sense of community and safety, pertinent to the location of the MJSBC.

Current Small Business Environment

The mechanism of business culture will be an undeniable factor associated with the MJSBC. A strong organizational structure is crucial to the development of the incubator atmosphere. This includes staff, a strong and experienced facility manager, advising boards, and selection criteria. Consequently, the uniqueness and unpredictability of the nature of small

⁹⁰ Murphy & Cunningham 2003

⁹¹ <http://www.cpac.missouri.edu/newsuse/archive/981209.html>

⁹² Hastings Interview, March 30, 2006

business incubators affects the process of how the organizational culture is defined⁹³.

Subsidizing on a short-term basis and planning to sustain their small business incubator life long-term was the message conveyed by Vanguard CDC. According to Soderburg 2005: “The non-profit business world has changed radically in recent years . . . community needs have increased and changed, more nonprofits are competing for government and philanthropic funds than ever before, traditional forms of financial support are becoming scarce and unreliable, new for-profit businesses are competing with nonprofits to serve community needs, and donors are demanding more accountability from their beneficiaries”⁹⁴. According to the National Business Incubation Association (NBIA), 90% of “business incubators are nonprofit organizations focused on economic development”⁹⁵.

The reality of competitive institutions and community needs⁹⁶ has propelled Vanguard to take a proactive approach to achieve the MJSBC goals. Professor Molnar supports this approach stating, “Business incubators are business factories”⁹⁷. The Albion manager also echoed this comment, “the overall goal of the incubator is to sustain itself”⁹⁸.

The focus on sustainability of small business development can arguably assist in the short- and long-term vision of local economic development practices. Specifically, small business development is a “basic tool normally considered central to business development”⁹⁹. According to Blakely and Bradshaw (2002), “business development is the most important component of local economic planning because the attraction, creation and retention of business activities are the best way to build or maintain a healthy local economy”¹⁰⁰. In the

⁹³ Albion Interview, March 22, 2006; Molnar Interview, March 21, 2006; Hastings Interview, March 30, 2006

⁹⁴ McNamera, 1999 cited in Soderburg

⁹⁵ NBIA Website

⁹⁶ Northend Community meeting, February 16, 2006

⁹⁷ Molnar Interview, March 21, 2006

⁹⁸ Albion Interview, March 22, 2006

⁹⁹ Blakely & Bradshaw 2002

¹⁰⁰ *Ibid*

case of Vanguard CDC and the Northend neighborhood of Detroit, the sustainability of small businesses is particularly important for the local economy and revitalization efforts. Physical structure and small business opportunities are factors that contribute to the sustainability of the MJSBC.

A review of the MJSBC physical structure suggests that size may be an issue of sustainability. At 6,800 square feet, the Vanguard facility is smaller in relation to three of the four case studies. The Jackson incubator is approximately 54,000 square feet, Hastings is 44,600 square feet, and Albion is 21,000 square feet. The McAnoy Business Center was 3200 square feet, but it closed in 2005 due to lack of funding.

A report conducted in the Appalachian Region found that 30% of participating incubators were very small, measuring less than 15,000 square feet. A problem associated with this square footage is achieving stable financial footing from lease revenue alone.¹⁰¹ Interviews and literature supported the claim that rent alone will more than likely not sustain the incubator. Assistance from third parties, whether public, private, or some combination thereof, may offset the potential occurrence of financial hardship. Discussions with incubator managers from Albion, Hastings, and Jackson, have revealed the difficult financial situation of many incubators. According to the managers, it is not uncommon for a city to subsidize incubator operations with tax dollars. In some cases it has been the difference between an operating loss and profit¹⁰². This emphasizes the importance of obtaining outside funding.

Small Business Opportunities

When identifying small business opportunities, there are important variables to consider such as locality and community input¹⁰³. Community input is a key characteristic of identifying

¹⁰¹“Study Released at Incubator Conference Shows ‘Homegrown’ Jobs Increasing in Appalachia,” <http://www.arc.gov/index.do?nodeId=2880>.

¹⁰² Albion, Hastings, and Jackson interviews

¹⁰³ Albion Interview, March 22, 2006; Molnar Interview, March 21, 2006; Hastings Interview, March 30, 2006

community needs and stakeholders¹⁰⁴. In the case of the Northend neighborhood, stakeholders are currently being identified informally through facilitated community meetings sponsored by the Vanguard CDC. Vanguard CDC's informal community meetings offer the MJSBC a head start on identifying additional potential businesses. However, a more formal approach will need to be considered as well in identifying small business opportunities. Formal approaches include gathering secondary and primary data. Secondary data collection is generally statistical in nature and includes "business trends, industry clusters, and glaring holes in the economy, unusual business patterns, and characteristics of your area's early-stage companies"¹⁰⁵. Primary data collection is specific, including the names and locations of businesses that would be identified through an examination of Small Business Development Centers, state records of incorporations, US Census Bureau economic data, etc¹⁰⁶.

The MSU Team conducted secondary data collection to assist Vanguard CDC with this task¹⁰⁷. This data presented some results that may contribute to potential business industries leading to small business recruitment. Additionally, it serves as an indicator as to what may lie ahead for the continued sustainability of the MJSBC by highlighting potential industries and pricing levels.

Data from the 48202 Zip Code demonstrates that businesses with nine or fewer employees have held strong from 1998 to 2003, while businesses with ten or more employees are declining. This decline represented a loss of 5,361 employees over five years; an average of 1,072 employees a year. This suggests that there may be a considerable need for a small business incubator in the local area to compensate for this loss of larger businesses. This situation may be used to attract grant dollars from local, state, and federal agencies, as business

¹⁰⁴ Molnar Interview, March 21, 2006

¹⁰⁵ *Ibid*

¹⁰⁶ For a complete list see appendix

¹⁰⁷ See Methodology

incubators have been found to be sound economic development strategies for large employers compared to conventional incentives and tax breaks. A 1997 study found that the cost per job created in a business incubator, in relation to public grants was \$1,109, three to six times less expensive than other job-generating economic development programs.¹⁰⁸

Small business incubators also have been found to provide a positive return on investments. Lawrence Molnar, a research member of the 1997 study, said "Looking at the operating subsidies these incubators received and the jobs and local taxes they produced, we estimate the return on public investment at \$4.96 for every \$1 of public operating subsidies."¹⁰⁹

Since new firms create more jobs than existing large businesses¹¹⁰, it is important to facilitate new business development. The 48202 Zip Code has seen a healthy amount of small business growth in the Professional, Scientific, and Technical Services while large firms have declined. Similarly, the Michigan Department of Labor and Economic Growth (DLEG) predicts that total employment in this category will grow 25% from 2002 to 2012 in the Detroit MSA. Therefore, gearing the MJSBC's services and recruitment towards this industry could be highly advantageous.

Other growing categories include: Information; Real Estate, Rentals, and Leasing; and Administrative, Support, Waste Management and Remediation (industries include: Document Preparation Services, Office Administrative Services, and Facilities Support Services). While the Information category did not grow in the 48202 Zip Code, it experienced growth in all the other data sets examined. This growth may be related to the new Census sub-categories: Internet Publishing and Broadcasting, Telecommunications; and Internet Service Providers. All categories contain industries that may lend themselves well to the office-style incubator

¹⁰⁸ <http://www.cpac.missouri.edu/newsuse/archive/981209.html>

¹⁰⁹ <http://www.cpac.missouri.edu/newsuse/archive/981209.html>

¹¹⁰ *Ibid*

originally envisioned by Vanguard CDC and are complementary to those in the Professional, Scientific, and Technical Services category.

The shift-share analysis of three- and four-digit NAICS codes identified industries with growth rates that were categorized into four tiers. These were used to determine industries with relative advantages in Detroit and/or the surrounding Metropolitan area. Among the four tiers, Tier I industries exhibited above average growth in the target geographic area and within the larger reference economy ¹¹¹. Tier I industries include the following:

- Advertising Agencies
- Architectural, Engineering, and Graphic Design Services
- Computer Systems Design & Related Services
- Accounting, Tax preparation, Bookkeeping, & Payroll Services

It may be useful for the MJSBC to initially target these industries when selecting tenants or looking for contracting opportunities to help sustain the business center financially.

Financial Considerations¹¹²

The financial position of business incubators is precarious at best. They exist someplace between the ordinary world of commercial real estate, with its market rates, and the world of subsidized tenancies. At the same time, incubators are facing real financial pressure to “break even” in order to remain sustainable. Many incubators offer space and services at below-market rates to “incubate” fledgling businesses that are not themselves financially solvent. It is in this environment that incubators operate. Thus, managers must be proactive and creative in their financing of incubator operations. ¹¹³

A common starting point for financial analysis of real estate projects is the concept known as Net Operating Income (NOI). ¹¹⁴ This figure takes into account three main elements

¹¹¹ Tiers IV and II also experienced growth and may provide tenants for MJSBC

¹¹² Table 24

¹¹³ Erlewine and Gerl, 2004

¹¹⁴ 81, *Real Estate Development: Principles and Process*, Third Edition, Miles, Berens, and Weiss, 2000.

common to every project: maximum expected gross revenue from rent and other services provided; an allowance for unleased space; and operating expenses, including taxes, utilities, and various other expenses. NOI essentially is a tool used to estimate a property's profit potential within the constraints of a specific market.¹¹⁵ By evaluating a project in light of typical market conditions in the surrounding area, one can determine early on what the resulting dollars and cents for a project will likely be, and make adjustments to the overall plan as necessary before breaking ground. Debt service (i.e. payment of a mortgage) is not calculated with this formula; such calculations are performed using different techniques, and are unnecessary in this case since Vanguard CDC owns the building outright. The formula for NOI is as follows:

Table 18: Net Operating Income Formula

Potential Gross Income
- Vacancy Allowance
<hr/>
Effective Gross Income
- Operating Expenses
<hr/>
Net Operating Income (NOI)

Source: *Real Estate Development*, Miles, Berens, and Weiss, 2000

Market conditions specific to the MJSBC were estimated, combined using the NOI method, and analyzed to give an idea of the feasibility of Vanguard CDC's proposed operating structure. The subsequent paragraphs describe the assumptions used in the NOI calculations and include proposed scenarios to improve the likely sustainability of the MJSBC.

Lease rates for average quality office space in the metropolitan Detroit area were relatively homogenous in the 4th Quarter of 2005. The average annual square foot cost, including all utilities and property management expenses, was \$22.67, with rates as low as

¹¹⁵ *Ibid.*

\$14.75 in Pontiac and as high as \$27.99 in Birmingham.¹¹⁶ Office space in Detroit's Central Business District (CBD), located just three miles south of the Business Center, leased for \$22.55 per square foot.¹¹⁷ A non-scientific sampling of available office space within Detroit, but outside the CBD found an average annual lease rate of \$12.88 per square foot, with rates as low as \$10 and as high as \$15. Vanguard CDC has expressed an interest in leasing as much space as possible. The rates presented above establish the pricing constraints for the client.

The size of the building where the MJSBC will be located is 6,850 square feet.¹¹⁸ An architect has yet to finalize a layout plan for the post-renovation facility; therefore, best estimates of usable office space, based upon a draft plan, will be used for these financial calculations. A conservative estimate of leasable office space in the MJSBC is approximately 2,900 square feet, or about 40% of the building's footprint. This takes into account passageways, restrooms, copy rooms, a conference room, and other shared spaces.¹¹⁹ The pricing constraints of the real estate market will likely prevent Vanguard CDC from charging tenants an additional "per square foot" rate to generate revenues from common areas. Therefore, it may be necessary to collect usage fees for these common areas, such as copy machines and conference spaces. Because it is difficult to predict the pricing of services and amount of usage in these common areas, the NOI calculation below will not account for these additional revenue streams. Thus, best estimates of any potential additional revenues must be added manually into the NOI formula to prevent overlooking the economic value of these spaces.

It will be assumed in these calculations that all leasable space will be rented for the same average price, and will include all property management expenses (i.e. "gross lease"). An

¹¹⁶ "Office Market Trends Detroit," Grubb & Ellis Market Research, 4th Quarter 2005.

¹¹⁷ *Ibid.*

¹¹⁸ "City of Detroit Master Rehabilitation Plan Program Building Assessment for Vanguard Community Development Corporation," Sydnor Wells Development, LLC.

¹¹⁹ Per Version 2 of layout plans provided by client.

estimated average lease rate of \$15 per square foot will be used for calculation to remain conservatively below rates for major office centers, but somewhat above those of the non-CBD Detroit market, acknowledging that the space provided by Vanguard will be newly renovated. With this figure in mind, an annual estimate of maximum expected gross revenue from rent of \$43,500 could be computed.¹²⁰

Next, it is important to estimate a suitable vacancy allowance. It is impossible to know for sure the vacancy rate until the MJSBC is up and running, but typical vacancy rates for similar properties in the area will provide sufficient insight to aid our financial analysis. General office vacancy rates within metropolitan Detroit averaged 20% in 2004,^{121 122} up drastically from 11% in 2001.¹²³ The 2004 figure will be used to discount maximum expected gross revenue from the property by multiplying the vacancy rate times maximum expected gross revenue to generate an amount “lost,” or unrealized, each period due to vacancy. Estimated vacancy “loss” for the incubator is \$8,700 per year,¹²⁴ thus reducing the maximum expected gross revenue from rent to \$34,800 per year.

Vanguard CDC has an advantage over other incubator operators in that they already own the building where the MJSBC is to be located. This provides a much more favorable fiscal situation for the client. The lion’s share of expenses to be covered by incubator operating revenue will therefore be comprised of renovation expenses. Consultant Sydnor Wells Development, LLC, estimated such expenses to total approximately \$230,500.¹²⁵ Fortunately, the City of Detroit has pledged \$100,000 to offset this cost, according to Vanguard CDC. Personnel costs were estimated with an assumed full-time staff of one office manager,

¹²⁰ \$15 per sq. ft. X 2,900 sq. ft. = \$43,500

¹²¹ “Detroit’s Metro Market: Commercial, Industrial, and Residential,” International Real Estate Digest, 2004.

¹²² “Office Market Trends Detroit,” Grubb & Ellis Market Research, 4th Quarter 2005.

¹²³ *Ibid.*

¹²⁴ \$43,500 X 20% = \$8,700

¹²⁵ This figure was corroborated during an interview with by University of Michigan Professor Lawrence Molnar, a leading incubator expert (2006).

knowledgeable in basic accounting, human resources, business law, and other essential business matters, and one receptionist, who would perform basic office functions. The annual salaries for these positions were assumed to be approximately \$40,000 and \$25,000, respectively.¹²⁶ ¹²⁷ Additional costs for personnel-related taxes and health insurance were not included in these estimates. A summary of various other estimated project operating expenses is presented in Table 19.¹²⁸

Table 19: Estimated Project Operation Expenses

Item	Estimated Annual Cost
Renovations	\$130,500 (one-time)
Personnel	65,000
Utilities	11,750
Marketing & Promotion	6,000
Insurance	2,400
Total	215,650
Total (non-renovation)	85,150

Source: Internal Vanguard Study, “*Milwaukee Junction Small Business Center*”
Personnel expenses from MSU Team

In order to appropriately estimate an annual figure for the recuperation of renovation expenses, it is necessary to perform two financial calculations: future value of money and future value of an annuity. The first calculation determines the value of the Vanguard CDC’s initial investment (\$130,500) after the said number of periods of inflation. That value is then input into the second calculation to determine how much money must be received and invested

¹²⁶ 2002 Economic Census, U.S. Census Bureau.

¹²⁷ Current office manager and receptionist job postings for Metropolitan Detroit, Monster.com.

¹²⁸ These figures, with the exception of personnel costs, were estimated by Sydnor Wells Development, LLC, and have not been confirmed to be current.

each year, at an interest rate equal to inflation, in order to recuperate the full value at the end of the term (in this case, five or ten years). Vanguard CDC has expressed an interest in recouping their renovation expenses within five years. For comparison, estimation for a ten-year recovery period will also be computed (Table 20). Profit-making motives and other considerations will be disregarded in this calculation, with the main goal being simply to beat inflation. The United States Federal Reserve Bank has estimated inflation for 2006 at 3.7%.¹²⁹ Historical inflation figures for the years 2001 through 2005 have shown an upward trend in inflation from 2.8% to 3.4%, respectively.¹³⁰ As such, a conservative rate of inflation/rate of return of 4.0% shall be used. It is important to note that if Vanguard CDC is borrowing the money it will spend for renovations then the rate of return used will necessarily increase in an amount equal to the interest rate of the loan, in order to cover interest expenses. Alternatively, interest expenses could be accounted for as a separate operating expense to increase the clarity of the financial picture. The required annual payments, over five and ten year periods, that are necessary to equal the \$130,500 Vanguard CDC invested today, are provided in the following table:

Table 20: Future Value Annuity Calculation

Years	Average Per Year	Total Amount (with 4% Annual rate of return)
5	\$29,315	\$158,780
10	\$16,089	\$193,166

Source: *Financial Accounting*, Libby, 2004

The implication of the future value of an annuity calculation is that Vanguard CDC must receive the above provided amounts each year in order to recoup its renovation expenses within the target timeframe. In other terms, the client should equate having \$130,500 today

¹²⁹ United States Federal Reserve Bank, 2006.

¹³⁰ *Ibid.*

with receiving the above annual payments for the number of years listed.¹³¹ Table 21 incorporates the estimated annual values for recuperation with various other annual operating expenses for five and ten year fiscal scenarios. Personnel, utilities, and insurance expenses are held constant for simplicity of calculation. Rate changes in these areas are subject to inflation and other unforeseeable market forces, and any attempt to estimate them would be highly speculative. Clearly, a more detailed analytical approach should be pursued before making final business decisions based upon these figures.

Table 21: Estimated Annual Cost

Item	5 Year Plan	10 Year Plan
Renovations	\$29,315	\$16,089
Personnel	65,000	65,000
Utilities	11,750	11,750
Marketing & Promotion	6,000	6,000
Insurance	2,400	2,400
Total	114,465	101,239

Source: Internal Vanguard Study, "Milwaukee Junction Small Business Center"
Financial Accounting, Libby, 2004

Having estimated all pertinent values, it is now possible to derive the anticipated NOI for the project. Table 22 illustrates an operating loss for the project, as currently proposed, which is likely to occur unless measures are identified to increase revenues or reduce expenses. The rate charged for leasing space in the MJSBC will not be easily increased due to prevailing market conditions, limiting the potential for increasing revenue this way. Thus, the operating losses must be recovered by other means, perhaps by charging fees for additional services,

¹³¹ *Financial Accounting*, Libby, 2004.

obtaining subsidy grants from public or private sources, reconfiguring the floor plan, or reducing the project's operating expenses.¹³²

Table 22: Milwaukee Junction Business Center Net Operating Income

	5 Year Plan	10 Year Plan
Potential Gross Income	\$43,500	\$43,500
Vacancy Allowance	- 8,700	- 8,700
Effective Gross Income	34,800	34,800
Operating Expenses	- 114,465	- 101,239
Net Operating Income	-79,665	-66,439

Financial Scenarios

This brief financial analysis of the MJSBC physical structure exposed some sobering challenges. The current plan lacks sustainability due to annual operating losses. Two options exist to remedy this situation: secure significant financial commitments from third parties, whether public, private, or some combination thereof; or, restructure the MJSBC's operating plan. The Vanguard CDC has announced its reluctance to create an incubator structure reliant on grants for continued operation. Thus, the latter option may be pursued.

Discussions with incubator managers from Albion, Hastings, and Jackson, have revealed the difficult financial situation of many incubators. According to the managers, it is not uncommon for a City to subsidize incubator operations with tax dollars. With some incubators, the City offsets some incubator expenses, such as manager's salaries. This could be the difference between an incubator's profit and loss. This situation is similar to that facing Vanguard CDC, both conceptually and financially.

¹³² Hamlin and Lyons, 1996

Throughout these scenarios, two variables will remain constant. These are vacancy and lease rates. This leaves three modifiable variables: building square footage, leasable square footage (i.e. floor plan), and operating expenses. Table 23 summarizes the prepared hypothetical scenarios.

The first hypothetical scenario will involve the reduction of renovation expenses. This could be accomplished through the attainment of grants from third parties for renovation expenses. With all other factors held constant, the MJSBC will still incur a net operating loss of \$50,626 per year.

The second hypothetical scenario will involve an increase in the overall size of the Vanguard CDC's incubation facility. Certain economies of scale could possibly be achieved by spreading fixed personnel costs, and square footage lost to common areas, across a larger facility. For the purposes of this analysis utilities and insurance are assumed to increase directly proportional to the size of the building. It is also assumed that grants have covered all renovation costs, as in the example above. Given this set of circumstances it would be necessary to have a facility of approximately 31,000 square feet in order to "break even" financially.

The third hypothetical scenario assumes a change in the MJSBC floor plan. The current plan constrains the amount of leasable space within the incubator. As such, assumptions will be made based upon its modification. In order to completely "break even," 103% of the building's floor space must be leasable (with a 20% vacancy rate). Even with 100% of the building's floor space configured to be leasable (excluding all passageways, rest rooms, and other common areas from the floor plan) the MJSBC will still lose \$3,000 per year.

The fourth hypothetical scenario will consider the adjustment of personnel costs. It will be assumed that Vanguard CDC shall pay 75% of MJSBC personnel salaries, with all other

factors held constant. This results in a net operating loss of \$1,876. Other operating expenses are not easily manipulated for the purpose of developing a realistic scenario. Therefore, some blend of the scenarios may be formulated to create the fifth scenario. To this end, the following assumptions were used to create a sustainable plan:

- Building size: 6,850 sq. ft.
- Leasable space (per floor plan): 84%
- Vacancy rate: 20%
- Lease rate: \$15 per sq. ft.
- Personnel expenses: 25% reimbursed by outside sources

The variable that is manipulated most in this proposed plan is the leasable space. This creates a great challenge for any architectural floor plan. Yet, the assumptions used to develop this plan do not account for additional revenues generated by other incubator services. Thus, the following trade-off can be made in the development of a floor plan: For every \$8,000 in additional revenue generated or expenses minimized, an additional 1% of leasable floor space may be reduced. For example, if a common copy machine produced \$12,000 in profits, leasable floor space could be reduced by 1.5% to 82.5%. While this is not an ideal scenario, it offers a plausible set of circumstances for the establishment of a sustainable incubator operating structure that is independent of grants (beyond those necessary for the initial renovation).

Table 23: Financial Scenarios

Variable	Action	Result	Note
Scenario One Renovation Expenses	Obtain third-party support that will pay for renovation expenses	Incur \$50,626 annual loss from operating costs	
Scenario Two Building size	Increase the building size in order to create enough revenue to "break even" on operating expenses	A 31,000 sq. ft. Facility, roughly 4.5 larger than the proposed facility.	Other factors held constant, and no cost incurred by renovation
Scenario Three Floor plan	Increase leasable space by adjusting the floor plan.	Requires an infeasible 103% of current building size to break even. At 100% capacity, there is an annual loss of \$3,000	Calculated with 20% vacancy rate, and no renovation expenses
Scenario Four Personnel costs	Outside source pays 75% of personnel salaries	Annual loss of \$1,876	
Scenario Four A Lease rates*	Increase to cover personnel costs	Requires \$29.65 / sq. ft. rate to generate \$65,000 of revenue	With current building size and floor plan
Scenario Four B Lease rates*	Increase to Detroit CBD rate (\$22.55 / sq. ft.)	Floor plan of 53% leasable space will generate \$65,000 of revenue	At 20% vacancy rate
Scenario Five Hybrid of reimbursed renovation expenses, bldg. size, floor plan, and personnel costs	Current bldg. size, leasable space at 84%, 20% vacancy rate, 25% of personnel costs covered by outside entity	Break even	Each reduction of 1% in leasable space results in an \$8,000 loss

*Not considered plausible due to market conditions

A final hypothetical scenario (not included in the table) is designed to illustrate that Vanguard CDC's facility for the MJSBC may not be an ideal size. As mentioned earlier, there

may be economies of scale available with a larger building. To further this point, different lease rates will be briefly contemplated to show the effects of the rates, building size, and floor plan on generating enough revenue to cover to only personnel costs. For the purposes of these examples it will be assumed grants have subsidized renovations.

Generating \$65,000 in revenue (to cover personnel costs) with 40% leasable space and a 20% vacancy rate would require charging \$29.65 per square foot. The situation improves somewhat with a reconfigured floor plan. With rates set at the Detroit CBD level of \$22.55 per square foot, personnel costs are covered at the point when leasable space reaches 53% (3,630 square feet), with a 20% vacancy rate. The existence of numerous opportunities is available for Vanguard CDC to review and consider the scenario credibility. Resources tied to the location of MJSBC can be utilized and expanded upon, such as Northend residents and potential business owners and the proximity of the MJSBC to the Detroit Central Business District.

RECOMMENDATIONS

The Michigan State University Practicum Team has developed a solid foundation throughout this report in order to offer the Vanguard Community Development Corporation sound recommendations to facilitate small business development in the Milwaukee Junction Small Business Center (MJSBC). Our recommendations can be separated into the following categories: Target Businesses, Financial Consideration, and Best Practices.

Target Businesses

Our first recommendation is for the MJSBC to initially target businesses that exhibit a high potential for growth. Quantitative data explored found that businesses within the following industry categories exhibited a high potential for growth within the local and regional markets.

- Professional, Scientific, and Technical Services

- Real Estate, Rentals, and Leasing
- Information

These industry sectors have exhibited growth from 1998 to 2003, in particular, these businesses include accountants, architects, graphic designers, and advertising agencies. Number of businesses with no employees grew by almost thirty percent from 1998 to 2003 in Wayne County, bringing the total to nearly 9,000 establishments. Most of this growth is attributable to real estate agents and brokers.

The Department of Labor and Economic Growth projects a growth in the “Information” category of twelve percent from 2002 to 2012 in metropolitan Detroit. Particular businesses include data processing, Internet service providers, telecommunications, and Internet publishing.

In addition, quantitative and qualitative data found that there is potential for business-to-business contracting within the relatively strong business community surrounding the MJSBC. Particular businesses like Document Preparation Services, Office Administrative Services, Facilities Support Services, Landscaping Firms, and Janitorial Services may take advantage of business-to-business contracting within the local area.

Best Practices

Our second recommendation suggests that the MJSBC hire a manager that has a broad knowledge of small business entrepreneurship and current incubation practices. The manager influences the nature of the incubator and is responsible for many aspects of its operation. Interviews and surveys conducted with incubator managers suggest that having a full-time manager is essential. The manager should be able to provide the following:

- Access to educational and professional services and network resources for tenants
- Establish guidelines for business entry and exit

- Track incubator tenants after leaving the incubator
- Evaluate the progress of the incubator itself

Interviews and site visits revealed numerous ways to accomplish these tasks. For example, community colleges and universities can provide external educational resources. Establishing an application process or other standard method for client selection can be used to screen potential tenants. In evaluating the progress of an incubator it is often helpful for the manager to work with an advisory group to establish their own process.

Financial Consideration

Our final recommendation addresses the concern that revenues from rent may not cover renovation and operating expenses. Therefore, it is suggested that Vanguard CDC:

- Maximize the amount of floor space that it may lease
- Consider partnerships and grants to reduce the cost of operating expenses
- Seek further support for renovation expenses via grants or other funding opportunities.
- Consider options that can increase the physical size of the facility in order to create an economy of scale that can support operating costs

CONCLUSION

The MSU Team conducted extensive research on small business incubators to identify incubator best practices and target businesses for the MJSBC, and propose a sustainable financial structure. While the research revealed a disconnect between theory and practice, it also offered some commonalities. We used these to fashion recommendations to help the MJSBC avoid the barriers common to beginning business incubators. Research and interviews highlighted the importance of obtaining funding from third party sources and having a manager that is experienced in small business entrepreneurship and incubation practices. Above all, it is essential to remain flexible and adaptable to the ever changing business environment, within

both the organizational and physical structures. In conclusion, while the MJSBC may encounter many physical, financial, and managerial obstacles, the MSU Team believes that the support provided from Vanguard CDC and the Northend Neighborhood residents will help create a successful and sustainable business center.

APPENDICES

APPENDIX A

CSA Map

City of Detroit and Detroit Consolidated Statistical Area (CSA) Plus Lenawee County



Source: MSU Vanguard Practicum Team

APPENDIX B

Identification of Case Study Characteristic Details

**The Jackson Small Business and Technology Center
(Jackson Industrial Incubator)
One Jackson Square, Suite 1100
Jackson, MI 49201
Phone: 517-787-0442
Fax: 517-782-0061**

The Jackson Industrial Incubator provides start-up businesses with at or below market office, warehouse and manufacturing space, along with many shared services and amenities to help keep start-up costs manageable. Services of the SBTDC are extended to the tenant companies in the incubator, along with free membership in JAMA (Jackson Area Manufacturers Association), if applicable.

Location: Jackson, Michigan

Services: Yes, but not really sure what the incubator specifically provides. The incubator is an extension of the JSBTC so they provide certain services through them. The incubator apparently provides office features and amenities. The JSBTC provides these services:

**Counseling (as a referral service)
Training
Research
Advocacy
Manufacturing and office space leasing**

Type/ Tenants: Not sure but think that it is mixed-use/ 10

Selection criteria: Yes, application process is identified on website but it is not available.

Physical Structure: Yes, but at a different location. This info is not available.

ED Affiliate: Yes, the Enterprise Group of Jackson, Inc. This is a full service economic development organization.

Resources: Yes. The incubator has numerous associations and affiliations that would also contribute to its financial resources. This list includes:

The Greater Jackson Chamber of Commerce

Jackson Area Manufacturers Association

Small Business Technology & Development Center

Jackson County Convention and Visitors Bureau

Procurement Technical Assistance Center

Economic Development Division~Former Jackson Alliance for Business Development

The Economic Development Division Staffs the following entities:

Brownfield Redevelopment Authority of Jackson County

The Economic Development Corporation of Jackson County

Blackman Local Development Finance Authority

Village of Parma/Sandstone Township Local Development Finance Authority

Blackman Charter Township Downtown Development Authority

Financial Resources: Same as above.
Outcomes: No. Not identifiable.

Southwest Michigan Innovation Center (SMIC)
4717 Campus Drive, Kalamazoo, MI 49008
(P) 269.353.1823
(F) 269.372.3397
E-mail: info@kazoosmic.com

The SMIC is located in Kalamazoo, Michigan and serves as an incubator/ accelerator¹³³. The incubator serves a specific industry in the biosciences. However, in this case, the SMIC serves start-up businesses while managing the growth or acceleration of existing businesses primarily through research support services. The business incubation services are what make this organization an interest to this report.

Services: Yes, business support services

Business plan development; financial modeling, market research assistance
Identification of funding sources; presentation preparation
Training and seminars
Host monthly events
Shared office equipment (color photocopier, paper shredder, fax machine, etc.)
Service Provider Network of vendors and professionals offering discounted services
Mentor Program
Access to Western Michigan University students and faculty in a wide variety of disciplines

Type/ Tenants: Mixed: Life Science, Information Technology, other Technology Businesses/ 14

Selection criteria/ guidelines: Yes, very specific data. The business incubator actually has a very detailed Tenant Selection Policy. There are basic criteria, general and specific guidelines. There are two phases to this application process.

Phase I:

Along with a completed application form, a completed business plan, two years of cash flow projections, proof of worker's compensation and general liability insurance; and a report of any litigations pending against the applicant or principles involved.

Phase II:

Additional Required Materials to Submit for Further Consideration

Issued patents for technology of the business

Patents for technology licensed by the company
Articles of Incorporation & Bylaws
Articles of Organization and Operating Agreement (for LLCs)
Resume of all company founders

¹³³ The terms *incubator* and *accelerator* are relatively the same term, according to the National Business Incubation Association. However, in this case, the SMIC serves start-up businesses while managing the growth or acceleration of existing businesses primarily through research support services.

List of Board members, including addresses and telephone numbers
Ownership List including names, addresses, and percentage of ownership
Copy of financial statements for 12-month period
(if not available, then personal banking records and a banking reference)
Projected Milestones to be accomplished in next 12-month period
(List of 3-8 items such as: submit 2 SBIR grant proposals; raise \$X in private equity; complete initial tox testing on lead compound; begin Phase II clinical trials; hire 2 research scientists; etc.)

The same criteria are also used for virtual tenants as well.

Physical Structure: Although the website doesn't have actual physical structural dimensions, it does offer template designs, modifications and customized plans that are possible in the design phase of a new company's tenancy. This site also offers a very detailed list and description of amenities that the incubator has within its structure. Some of these include, what a common room offers, telephone and Internet capabilities, safety features, etc.

ED Affiliate: No

Resources: At this point, there does appear to be evidence to suggest that they are utilizing additional resources within the area. Their resources are partnerships with venture capital networks and other key networks such as NBIA.

Financial Resources: This is not clear. The assumption is that some of the partnerships that SMIC has contribute financially. However, this is in comparison to other incubators and their financial resources

Outcomes: Not clear. Nothing is identified.

Central Michigan University Research Corporation: Technology and Innovation Accelerator Services.

Central Michigan University Research Corporation

2625 Denison Drive

Mount Pleasant, Michigan 48858

Ph: 989-774-2424

Fax: 989-774-2416

Email: cmurc@cmich.edu

The Central Michigan University Research Corporation (CMURC) is a not-for-profit organization established to facilitate innovative research and development opportunities between the university and high technology companies. CMURC is dedicated to: Establishing and operating a national center of excellence in the research fields of business intelligence and nanoscale sciences and the pursuit of innovative, industry-driven applied research opportunities. Encouraging entrepreneurial activity through the CMURC business acceleration and venture capital services. Central Michigan University Research Corporation's Technology and Innovation Acceleration Program assists high-tech start up companies with the several challenges faced during the early stages of development.

Services: Yes. The incubator offers these services:

Business & Marketing Plan Development

Legal Counseling & Intellectual Property

Design & Prototype Development

Financial Advising

Access to Capital (venture capital and other funding sources)

Management Team Development

Site Selection

Technology Assessment & Support

Type/ Tenants: Specific: technology/ not identified. Seeking tenants.

Selection criteria/ guidelines: Not identified.

Physical Structure: The incubator identifies numerous amenities including the floor plan for interested tenants. Tenants will experience a low risk, low cost environment.

Amenities include:

Secure or shared office space

Flexible, affordable leases

Office equipment, including computers, copiers & facsimile

Central administrative services

Central conference areas

Wired for high-speed web access

Collaborative environment

ED Affiliate: Yes. They are an affiliate of the Mount Pleasant SmartZone.

Resources: The Center utilizes numerous resources through services provided. They are also an affiliate of Mount Pleasant and Central Michigan University. They are also an extension of the research center.

Financial Resources: Not identified.

Outcomes: Not identified.

McAnoy Business Center (MBC)

71 East Edsel Ford Service Drive

Detroit, Michigan

The MBC is a faith-based organization that provides incubation services. This type of incubator is classified as an empowerment incubator in that it serves only minority and women owned businesses. On the strength of a \$70,000 award from the Detroit Empowerment Zone the McAnoy Business Center is helping to meet the need of small businesses in the Empowerment Zone for incubator or startup services to aide fledgling entrepreneurs. The goal of the Zone supported program is to successfully provide services to a minimum of ten startup companies. Through the McAnoy Business Center they will be provided below market rents and will have access to a variety of resources such as copy and fax machines, a large conference room, office signage and the availability of a wireless hot spot area. The McAnoy Business Center now houses such businesses as a technology company, music company, a court recorder, accountant and an attorney. The site also offers the added advantage of free parking. Additionally, McAnoy is seeking to develop initiatives on the cutting edge of job producing economic development. Most recently the McAnoy Business Center received

another Empowerment Zone grant to conduct a feasibility study focused on a commercial kitchen incubator. The study identified the fact that there is a large number of budding food industry entrepreneurs who could benefit dramatically from a shared use commercial kitchen. Since the completion of the study, several funding sources interested in financing the concept have been identified.

Services: Yes. Assistance is provided in the following areas: marketing, accounting, funding research, consulting services, business plan development, and educational seminars.

Type/ Tenants: Empowerment/ 9¹³⁴

Selection criteria/ guidelines: Not identified.

Physical Structure: There is no identified location other than it is within the Detroit Catholic Pastoral Alliance. There are some features and amenities that are identified. These include fully furnished office space, below market rate lease which include utilities, mailboxes, conference rooms, shared copy/ fax machines, Internet access and computer rooms, safety features.

ED Affiliate: No.

Resources: Yes. Do have affiliation with Detroit Catholic Pastoral Alliance and utilize government based programs and funding. They have also utilized CEDAM and LISC.

Financial Resources: Yes. They are partly funded by Seedco, the Structured Employment Economic Development Corporation), a national community development operating intermediary, creates opportunities for low-wage workers and their families by engaging with community partners and anchor institutions to develop, operate and learn from model programs that help in workforce development and achieve economic self-sufficiency. They also assist small businesses and promote asset building for residents and businesses in economically distressed communities. They are also designated as an Empowerment Zone.

Outcomes: Not identified.

Some additional questions to consider:

Do you feel that your organization has been “successful”? In terms of the INCUBATOR, how would you define success?

What have been the challenges to the “success” of your incubator?

What services does your incubator provide? Please be specific.

Does your incubator have specific selection criteria/ guidelines for businesses? Can you list the criteria?

Do you have an executive director? What is the size of your staff?

¹³⁴ Based on 2004 Detroit’s Office of Community Planning and Development RC/ EZ/ EC Performance Annual Report.

APPENDIX C

Principles / Best Practices of Successful Business incubation

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

Two principles characterize effective business incubation:

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

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

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

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

APPENDIX D

Northend Neighborhood Zoning Map



APPENDIX E

Population Age Change by Categories

	1990			2000			Percent Change		
Age	Northend	Detroit City	Wayne County	Northend	Detroit City	Wayne County	Northend	Detroit City	Wayne County
Under 9	1,515	172,997	324,690	1,186	169,158	327,684	-22%	-2%	1%
10-17yrs	1,236	129,460	246,297	1,117	126,391	249,348	-10%	-2%	1%
18-29yrs	1,720	196,170	390,810	1,203	165,372	328,782	-30%	-16%	-16%
30-39 yrs	1,701	165,771	353,420	1,079	137,904	313,328	-37%	-17%	-11%
40-49yrs	1,257	117,137	256,607	1,305	133,684	309,032	4%	14%	20%
50-59yrs	952	79,363	180,728	885	89,309	212,993	-7%	13%	18%
60-69yrs	1,092	84,247	187,188	538	56,882	135,074	-51%	-32%	-28%
70-79yrs	877	56,679	118,900	591	48,675	122,956	-33%	-14%	3%
80 or older	722	26,150	53,047	385	23,895	61,965	-47%	-9%	17%
Source: U.S. Census Bureau, 1990 Summary File (SF3) Universe: Age, 2000 Summary File (SF3) Universe: Age									

APPENDIX F

Establishments by Industry Description and Number of Employees

48202, Detroit	Total Estabs			1 to 4 Emp.			5 to 9 Emp.			10 or More Emps.		
Industry Code Description	1998	2003	Change	1998	2003	Change	1998	2003	Change	1998	2003	Change
Total	524	488	-36	208	208	0	111	114	3	205	166	-39
Forestry, fishing, hunting, and agriculture	0	1	1	0	1	1	0	0	0	0	0	0
Utilities	1	0	-1	1	0	-1	0	0	0	0	0	0
Construction	14	18	4	6	9	3	3	3	0	5	6	1
Manufacturing	17	11	-6	4	4	0	1	1	0	12	6	-6
Wholesale trade	24	12	-12	8	4	-4	6	5	-1	10	3	-7
Retail trade	74	64	-10	35	36	1	21	14	-7	18	14	-4
Transportation & warehousing	5	5	0	1	1	0	2	3	1	2	1	-1
Information	21	12	-9	5	5	0	4	1	-3	12	6	-6
Finance & insurance	58	39	-19	14	13	-1	19	13	-6	25	13	-12
Real estate & rental & leasing	19	21	2	10	13	3	4	5	1	5	3	-2
Professional, scientific & technical services	30	48	18	11	20	9	4	9	5	15	19	4
Management of companies & enterprises	7	9	2	2	1	-1	0	1	1	5	7	2
Admin, support, waste mgt., remediation	26	21	-5	10	5	-5	9	3	-6	7	13	6
Educational services	12	10	-2	8	4	-4	1	2	1	3	4	1
Health care and social assistance	88	82	-6	31	29	-2	16	24	8	41	29	-12
Arts, entertainment & recreation	5	7	2	0	0	0	1	0	-1	4	7	3
Accommodation & food services	48	58	10	19	20	1	9	14	5	20	24	4
Other services (except public administration)	68	67	-1	39	41	2	10	15	5	19	11	-8
Auxiliaries (excluding some activities)	2	0	-2	0	0	0	0	0	0	2	0	-2
Unclassified establishments	5	3	-2	4	2	-2	1	1	0	0	0	0

APPENDIX G

Small Business Development Resources

Local Resources

- Detroit Regional Economic Partnership: Small Business Assistance Center
http://www.detroitchamber.com/business_development/index.asp?cid=114
- Small Business Administration Detroit Office
http://www.sba.gov/mi/MI_LOCAL.html
- Michigan Small Business & Technology Development Center Region 9
<http://www.misbtdc.org/region9/>
- Service Corps Of Retired Executives (SCORE) Detroit Chapter
<http://www.scoredetroit.org/>
- Detroit Regional Chamber of Commerce
<http://www.detroitchamber.com/main/index.asp>
- Detroit Economic Growth Corporation
<http://www.degc.org/main.cfm?location=10&parentID=0>

State-Wide Resources

- Michigan Small Business & Technology Development Center
<http://www.misbtdc.org/>
- Seidman College of Business Grand Valley State University
Can furnish Vanguard CDC with A Business-to-Business Target Market Assessment that may used to identify new business for recruitment purposes.
http://www.gvbizinfo.com/Services_SmalBusinessesNonProfits.asp
- Michigan Economic Development Corporation
<http://www.michigan.org/medc/>
- Small Business Association of Michigan
<http://www.sbam.org/>
- 2004 Guide to Starting a Small Business in Michigan
<http://www.michigan.org/medc/services/startups/GuideToStarting.pdf>
- Center for Empowerment and Economic Development www.miceed.org
- Michigan Women's Business Center www.sba.gov/mi/miwbc.html
- One Stop Guide for Starting a Business in Michigan
<http://medc.michigan.org/services/startups/financing/>

Nationwide and Beyond

- Accion Internation, www.accion.org
- Association of Small Business Development Centers, www.asbdc-us.org
- Bizy Moms (for mothers wishing to work from home) www.bizymoms.com
- Corporation for Economic Development www.cfed.org
- The Foundation for Enterprise Development www.fed.org
- Small Business Administration www.sba.gov

APPENDIX H

Community Meeting Questionnaire Results¹³⁵

Number of Attendees 16
Number of Attendees PBO 12
Number of Attendees CBO 9

What types of businesses would you like to see in the North End Neighborhood?

Retail Services 5
Financial Services 3
Small family owned shops 6

Unsatisfied markets in North End

Yes 4
Entertainment
Quality Retail
Restaurants/ Grocery
Child and senior daycare services
No 6

Are you in contact with small business support services in the area?

Yes 2
No 5
Did not know they existed 5
Did not answer 4

Potential Business Owners (PBO):

Considering starting new business 12

Impediments faced in stating new business

Under capitalized (lack of funding, human resources, machine/ equipment) 8
Need a business plan 6
Need Market strategy 6
Too many competitors in area 1
Need office/ business space 4
Lacking management/ financial depth to run business 4
No suppliers or complimentary companies in the area 0
None/ did not answer 2

Would you locate a business in the North End?

Yes 4
No 0
Undecided 9
N/A did not answer 1

¹³⁵ Data compiled by MSU undergraduate student, Brooke Grobaski

Current Business Owners (CBO):

Is your business located in the North End?

Yes	1
No	8

Would you locate in the North End?

Yes	3
No	1
Maybe	4

Additional services that would benefit your business

Capital/ Financial Support	3
Space	2
Support staff/ human resources	1
Advertisement or marketing materials	4
Financial or accounting expertise	0
Consultants	0
Marketing/ business growth plans	1
Advanced technologies	2
Other	
Computer software	
Health/ medical insurance for small businesses	
More qualified customers	

What challenges did you overcome to launch your business?

Financial	6
Location/ finding space	1
Building staff support/ labor	0
Devising a business or marketing plan	3
Financial or accounting expertise	1
Finding/ developing your customer base	3
Competition	0
Other	
Business Certification	

APPENDIX I

Incubation Development Matrix

Name of Organization	Services	Type/ Tenants	Physical Structure	Selection Guidelines	ED Affiliation	Resources	Financial Resources	Outcomes
Hastings Industrial Incubator	Yes	Specific/ ?	Yes; 44,000 Sq. ft.					
Jackson Industrial Incubator	Yes	Mixed/ 5	Yes		Yes	Yes	Yes?	
Albion Incubator Program	Yes	Mixed/ seeking tenants	Yes; 9,000 Sq. ft.		Yes	Yes		
Central Michigan University Research Corporation Technology Acceleration	Yes	Specific/ 7	Yes		No	Yes	Yes	
Southwest Michigan Innovation Center	Yes	Specific/ 14	Yes	Yes; specific	No	Yes	Yes	
Tech Town ¹³⁶	Yes	Specific/ 18	100k Sq. ft.	Yes; specific	No	Yes	Yes	
Whetstone Project	Yes	Mixed/ 13 (6 clients/ 7 permanent)			Yes	Yes	Yes	
Jefferson East Business Development Center		Mixed						
Booker T. Washington Business Association		Empowerment						
Michigan Tech Enterprise SmartZone (Powerhouse Incubator)	Yes	Specific/	11,000 Sq. ft.		Yes	Yes		
Michigan Tech Enterprise SmartZone (Portage Incubator)	Yes	Specific/	15,000 Sq. ft.		Yes	Yes		

¹³⁶Tech Town is a “for-profit” incubator.

Michigan Tech Enterprise SmartZone (MTU Incubator)	Yes	Specific/			Yes	Yes		
Ideaworks LLC	Yes	Not Specified	Yes	Yes	Not Specified	Yes	Yes	
Michigan Women's Marketplace	Yes	No	No, website only	No, membership is free	Yes	Links to resources	Yes, via sponsors	
Center for Global Design and Business	Yes	Yes	Yes, 12,000 sq. ft.	Yes	Not Specified			
Albion Economic Development Corporation								
McAnoy Business Incubator								

APPENDIX J

Worker Industry by NAICS Code

NAICS Code	Industry Sector	1990						2000						% change		
		Northend	Percentage	Detroit City	Percentage	Wayne County	Percentage	Northend	Percentage	Detroit City	Percentage	Wayne County	Percentage			
23	Construction	129	5	9,975	3	31,401	4	85	3	12,226	4	39,296	5	-34%	23%	25%
31-33	Manufacturing	433	18	68,830	22	200,359	25	372	15	62,235	19	185,856	22	-14%	-10%	-7%
42	Wholesale Trade	55	2	10,299	3	33,558	4	71	3	7,711	2	26,904	3	29%	-25%	-20%
44-45	Retail Trade	369	15	51,910	16	154,359	19	232	9	31,566	10	90,905	11	-37%	-39%	-41%
48-49	Transportation and Warehousing	124	5	15,532	5	41,920	5	130	5	16,916	5	44,990	5	5%	9%	7%
52-53	Finance, Insurance, and real estate	167	7	20,737	7	52,390	6	130	5	19,088	6	50,591	6	-22%	-8%	-3%
33	Administrative and Support and Waste Management	122	5	11,513	4	24,645	3	173	7	19,246	6	34,839	4	42%	67%	41%
56	Education	274	11	26,641	8	59,404	7	202	8	23,830	7	58,782	7	-26%	-11%	-1%
61	Services															
62	Health Care and Social Assistance	340	14	38,180	12	89,156	11	342	14	45,513	14	99,560	12	1%	19%	12%
71	Arts, Entertainment, and Recreation	48	2	3,887	1	10,021	1	39	2	7,074	2	14,782	2	-19%	82%	48%
81	Other Services (Except Public Administration)	135	6	19,473	6	47,535	6	191	8	18,299	6	42,366	5	41%	-6%	-11%
Source: U.S. Census Bureau, 1990 Summary File (SF 3) Universe: Employed persons 16 years and over, 2000 Summary File (SF3) Universe: Employed civilian population 16 years and over																

APPENDIX K

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