HEART OF WISCONSIN INCUBATOR FEASIBILITY STUDY

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December 2005

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EXECUTIVE SUMMARY

Premise:

The Wisconsin Rapids area has seen a shift in its economic structure and a change in the employment situation over the last several years. Several large long-time companies in the area either closed or downsized, leaving thousands of workers out of stable, long-term jobs. This is particularly true in the manufacturing and paper industries. Most of those jobs won't return and it becomes imperative to create new businesses and grow existing businesses in the area.

Most new businesses are small and don't immediately hire a thousand workers. Instead, they grow over the course of time to become major employers in the area. This was true of the paper mills in the area in the 20th Century and is true of Renaissance Learning that started some 20 years ago and now employees over 500 people. The key to building major businesses in the area is to launch enough new businesses with the prospect that a few will prosper and become major industry players.

It should also be said that the existence of small businesses in a region is as valuable. In aggregate, all those small businesses employ thousands of workers. In fact, most workers are employed in small businesses and most job growth comes from small businesses. It is, therefore, important to a region to create a substantial number of small businesses.

Concept:

A business incubator is one vehicle to help start and grow businesses. The concept of an incubator is to try to increase the odds of business success. This is usually accomplished by providing the novice entrepreneur with support services that increase the chances of starting a successful business. These support services can include financial, legal, managerial, and marketing services.

An incubator can be a building in which the entrepreneur can access these services as well as have space to conduct business, whether it is a manufacturing, distribution, commercial, or retail entity. Incubators can also take a virtual form in the sense that there exists no physical location, but a network of service providers is established to offer experience and expertise to the entrepreneur. The scope of incubator services provided can vary depending upon the underlying economy and entrepreneurial propensity of the region.

This study is to determine the need for a business incubator in Wisconsin Rapids and, if one is feasible, what form it should take. The project involved gathering information about the economic and business climate in the Wisconsin Rapids area, synthesizing the information into a portrait of the resources available, assessing the entrepreneurial climate of the area, and then recommending a model for a local incubator.

Findings:

1. The economic data demonstrates the need for an aggressive economic development strategy in the region. The per capita income in the three nearby counties is below the Wisconsin

average and significantly below the U.S. average. While manufacturing is still the largest private sector employer in the three-county region, the Wisconsin Rapids area has suffered economically recently due to decline in the employment vitality of major local paper and manufacturing employers. The area has little or no growth in new business establishments.

2. The area has a strong employment base in manufacturing. Major employment clusters reside in the light manufacturing, paper, and cranberry industries. There exists a workforce expertise in those industries. The education and tourism sectors are also heavily represented. Health care demand will continue to rise as the average age of the counties' population increases.

3. Wisconsin Rapids needs an aggressive strategy to grow its economy. One of the strategies to employ is to reestablish a business incubator to create new businesses and grow existing ones to recapture the community's economic vitality.

4. Entrepreneurial activity in the region appears to be growing, although lacking in manufacturing start-ups. Entrepreneurial interest needs to be encouraged to materially change the economy of the region. To do so will require an aggressive program for developing new companies and growing existing ones and promoting the idea of throughout the community.

5. The idea of an incubator in Wisconsin Rapids is widely accepted. However, there is some confusion about whether or not an incubator currently exists in the city due to the demise of a formal incubator program, *i.e.*, the RCH agreement.

6. There is a large list of entrepreneur/incubator (E&I) services sought. A dichotomy of sought after services exists depending upon the stage and age of the business. There is an almost universal desire for marketing services. The need for space was mixed.

7. Key challenges identified for starting and growing an area business were specific management mentoring experience and versatile financial services.

8. Use and cost analysis of existing business space in the area presents incubator options.

Recommendations:

1. A business incubator should be established in Wisconsin Rapids – HoWNEST – Heart of Wisconsin Network for Entrepreneurial Support and Training. At this point, it should be a virtual construct.

2. The rich network of entrepreneurial support services now provided by HoWBEA should be enhanced, maintained and incorporated into the incubator. This network should be formalized and retained with public and private funds in the short-term and be self-sufficient in the long-term.

3. HoWNEST should link formally with other state entities that support and facilitate the establishment and growth of businesses in Wisconsin and supply networks of expertise and services beyond the resources resident in HoWNEST.

METHODOLOGY

Data and information for this study were gathered from the following sources: government data sites; local publications, such as newspapers and reports published by the HoWBEA and the Central Wisconsin Business Journal; and studies published by other entities, such as the Wisconsin Technical College System and the Small Business Development Corporation.

In addition, thirty-one people were interviewed to collect information about knowledge of and need for an incubator and about the kinds of services an incubator should offer. The interests and occupations of the interviewees ranged from government employees, to entrepreneurs, to business owners and managers, to property managers and owners, to service providers. Interviews were conducted using a standard script. Interview questions could vary from the script depending upon the interviewee's knowledge, purpose, response, and insight.

Six existing sites in the area were evaluated for incubator space as they pertained to the retail, commercial, professional, and industrial accommodations. Square footage and remodeling requirements were evaluated for cost and function comparisons.

The interview script and site evaluations can be found in the appendix.

PROFILE OF ECONOMIC BASE

Table 1 contains data on the population of Wood County and the adjacent counties of Portage and Marathon Counties for the period 1990-2004. The population of Wood County grew very slowly relative to the other counties in the period 1990-2000. Wood County's population grew 2.7% in that period while the populations of Portage and Marathon Counties grew 9.5% and 9.2% respectively. In the period 2000-2004, the population of Wood County declined slightly (approximately 0.5%), while the population of Portage County remained relatively static, and the population of Marathon County grew slightly (1.4%).

Wood County had below average population growth when compared to that of the U.S. and Wisconsin, while Marathon and Portage Counties had population growth fairly consistent with the state average, but behind the national average. In the period 1990-2000, Wisconsin's population grew 9.6% and the U.S. population grew 13.2%.

Population projections for the next twenty-five years for the three counties show very slow growth in the population of Wood County, but more substantial growth rates in the neighboring counties. The population of Wood County is projected to grow about 4.0% in that period while the population of Marathon and Portage Counties are projected to grow at 19.4% and 20.8% respectively.

Table 1
Population Data for Wood, Portage, and Marathon Counties

Population	Wood County	Portage County	Marathon County
2004	75,195	67,358	127,733
2003	75,307	67,327	127,270
2002	75,379	67,266	126,918
2001	75,513	67,190	126,496
2000	75,576	67,243	125,924
1990	73,605	61,405	115,400

Source: United States Census Bureau

Wood and Marathon Counties each trail the state average in terms of per capita income (Wisconsin per capita income is below the U.S. average), though only slightly, while Portage trails the state average more significantly. Per capita income is all income received by county residents (wages, dividends, social security payments, etc) divided by the total population of the county. Table 2 shows data for Wood County. The county's 2003 per capita income is 99% of the Wisconsin's per capita income, and in recent years Wood County's per capita income as a percentage of Wisconsin per capita income has shown improvement.

Table 2
Per Capita Income for Wisconsin and Wood County

	1999	2000	2001	2002	2003
Wisconsin	$27,135	$28,570	$29,392	$29,937	$30,685
Wood County	$26,401	$27,622	$28,206	$29,385	$30,401
Wood as a % of Wisconsin	97%	97%	96%	98%	99%

Source: U.S. Bureau of Economic Analysis (BEA)

Table 3 shows data for neighboring Portage and Marathon Counties. Portage County's 2003 per capita income is approximately 90% of Wisconsin's per capita income, though in recent years Portage County's per capita income as a percentage of Wisconsin's per capita income has increased. Marathon County's 2003 per capita income is approximately 98% of the state's per capita income, and has shown a relative increase in recent years.

Table 3
Per Capita Income for Portage and Marathon Counties

	1999	2000	2001	2002	2003
Portage County	$23,408	$24,837	$26,145	$26,545	$27,464
Portage County as a % of WI	86%	87%	89%	89%	90%
Marathon County	$25,711	$27,244	$28,177	$29,115	$29,992
Marathon County as a % of WI	95%	95%	96%	97%	98%

Source: U.S. Bureau of Economic Analysis (BEA)

A broader gauge of economic standing and growth is the total personal income of each county and the growth in that income over the last four years. Table 4 contains data for growth in personal income in the period 1999-2003.

Table 4
Total Personal Income and Growth in Total Personal Income for Wood, Portage, and Marathon Counties in the Period 1999-2003

	1999	2000	2001	2002	2003	Growth Rate 1999-2003
Wood	$1,995	$2,088	$2,130	$2,215	$2,289	14.8%
Portage	$1,567	$1,670	$1,757	$1,786	$1,849	18.0%
Marathon	$3,224	$3,431	$3,564	$3,695	$3,817	18.4%
Wisconsin	$144.7 B	$153.5 B	$158.9 B	$163.3 B	$167.6 B	15.8%
United States	$ 7.8 T	$8.4 T	$8.7 T	$8.9 T	$9.2 T	17.4%

Source: U.S. Bureau of Economic Analysis (BEA); Personal income in millions, B = billions, T = trillions.

The following are our observations from the data in Table 4:

- Wood County's economy is approximately 58% of the size of the economy of Marathon County, but about 124% of Portage County's economy. Marathon County is the economic center of the Wausau Metropolitan Statistical Area (MSA), which does not include Portage or Wood Counties.

- Wood County experienced positive economic growth in the period 1999-2003, though at a rate that trailed the growth rates of neighboring counties, as well as the growth rates for the State of Wisconsin and the U.S.

- Portage and Marathon Counties experienced very favorable economic growth in the period 1999-2003, exceeding the growth rates of both the state and the nation in terms of total personal income.

The economies of all three counties are heavily dependent on manufacturing and small businesses. Table 5 breaks down business employment by sector. Table 6 shows major changes in employment levels over a five year period. Table 7 shows the distribution of business establishment by size and overall number of business establishments for 1998 and 2003.

The following observations are drawn from the data in Tables 5, 6, 7 and 8:

- Manufacturing is the single most important private sector employer in both Marathon and Portage Counties, though it ranks second in Wood County. Health Care, which ranks second in Marathon County and third in Portage County, is the largest employment sector in Wood County. All three counties have significant employment in retail trade, transportation, and food service / accommodations.

Table 5
Major Business Employment Sectors for Area Counties in 2003

Sector	Wood County # of Workers	Portage County # of Workers	Marathon County # of Workers
Health Care	9,629	2,955	7,502
Manufacturing	7,574	4,815	16,669
Retail Trade	5,021	3,834	9,678
Transportation	3,228	1,755	2,634
Accommodation/Food Service	2,457	2,518	4,082
Construction	1,558	826	2,130
Other Services	1,463	1,355	2,983
Information	1,416	343	958
Wholesale Trade	1,256	985	4,185
Finance/Insurance	1,167	1,398	5,167

Source: United States Census Bureau County Business Patterns

- All three counties lost manufacturing jobs in the period 1998-2003, with the most significant loss occurring in Wood County.

- In the period 1998-2003, the number of business establishments grew slightly in Wood County, and declined slightly in Marathon and Portage Counties. In the same period, total employment grew by approximately 5% in Wood and Marathon Counties, but declined by nearly twice that amount in Portage County.

Table 6
Selected Changes in Employment Levels and Business Establishments 1998-2003

	Employment Category	1998	2003	Growth 1998-2003
Wood County	Total	36,761	38,659	5.2%
	Manufacturing	8,990	7,574	-15.8%
	Business Establishments	1,900	1,932	1.7%
Portage County	Total	26,378	23,853	-9.6%
	Manufacturing	5,439	4,815	-11.5%
	Business Establishments	1,630	1,610	-1.2%
Marathon County	Total	58,831	61,615	4.7%
	Manufacturing	17,188	16,669	-3.0%
	Business Establishments	3,371	3,306	-1.9%
Wisconsin	Business Establishments	138,635	142,220	2.3%
United States	Business Establishments	6,941,822	7,254,745	4.5%

Source: United States Census Bureau County Business Patterns

- All three counties have a large proportion of small businesses. Business establishments that employ fewer than 20 employees account for more than 84% of the business establishments in each county.

- In the period 1998-2003, all three counties significantly trailed the U.S. and Wisconsin rate of growth in total business establishments.

Table 7
Size Distribution of Business Establishments in 2003

Business Establishments by Employment Size Category Number of Employees	Wood County	Portage County	Marathon County
1-4	946	265	1,594
5-9	399	119	651
10-19	288	54	536
20-49	179	39	325
50-99	63	9	108
100-249	37	11	59
250-499	9	1	19
500-999	8	0	8
1000 or more	3	0	6
Total Number of Establishments	1,932	498	3,306

Source: United States Census Bureau County Business Patterns

- Table 8 indicates growing entrepreneurial activity in the Wisconsin Rapids area in 2004. Most of the new business start-ups are retail, followed by service sector businesses, both personal and business services. It is somewhat disheartening that there were not any new manufacturing businesses started during the year.

Table 8
Entrepreneurial Activity in Wisconsin Rapids in 2004

Sector	Establishments	Employment
Retail	34	244
Services	25	90
Manufacturing	0	0
Health Care	5	48
Food Processing	1	15
Total	**65**	**397**

Source: Heart of Wisconsin Business & Economic Alliance

Summary

The data in tables 1-8 give a snapshot of the economies of Wood, Portage, and Marathon Counties. There are distinct differences in the size and performance of these three economies. Table 8 indicates entrepreneurial activity is growing but dominated by just two sectors, retail and services.

The economic data forms a good case for the need for aggressive economic development in the region. The need to raise per capita income in all three counties should be clear. The need to spur growth in new businesses is also clear. The data also indicates a potential entrepreneurial base in the region. This entrepreneurial activity needs to be enhanced and diversified to materially change the economy of the region. To do that will require an aggressive program for developing new companies and growing existing ones. Attention needs to be paid to export industries such as manufacturing, food processing, and tourism.

COMMUNITY KNOWLEDGE AND SUPPORT

The idea of establishing an incubator in Wisconsin Rapids is well accepted by those who understand the business incubator concept. Most of those interviewed were supportive of the incubator concept. Services to the incubator are available and to a large extent business leaders and institutions in the community are willing to offer support to the incubator. In the past, numerous businesses in the area offered assistance to the previous incubator in the form of financial, legal, accounting and other services. MidState Technical College has offered to work with companies and the incubator for meeting space and education facilities. The HoWBEA Entrepreneurial Boot Camp sessions are currently conducted on the MSTC Wisconsin Rapids campus.

There was some difference in vision about what exactly an incubator was. Most had definite ideas of what they thought an incubator should be, but their particular concept was not necessarily shared across the interviewees. The idea of the structure of an incubator ranged from providing land for improvement, to building a new state-of-the-art facility that would house new research and development businesses that were funded by private or government grants. Most of the views centered around a building that offered subsidized rent, business grants, and a host of services to get new businesses established.

There was some confusion about the existence of an incubator. Some thought an incubator existed at the RCH facilities. This was in fact the case some years ago when a formal incubator was established at the RCH building in 1989. That incubator has dissolved as a formal entity and the support services for it have dissipated. RCH does, however, continue to house a number of small and growing businesses.

The Mead Witter building was also identified as the incubator. While there have been some discussions about perhaps putting in a retail incubator in the Mead Witter building, no formal proposal has been presented and there is uncertainty if one will be drafted.

There was feedback about value of the incubator and whether or not it would succeed. Items of concern included: i) an incubator was established once and it didn't work out, ii) how would the incubator be funded, and iii) time and resource challenges at the incubator may constrain the expediting a new or growing a business.

***Finding**: There is confusion about what an incubator is and how it works.*
***Recommendation**: Define what your incubator concept is and educate the community about the incubator's construct, including the fact that an incubator can be virtual in nature.*

ESTIMATION OF ENTREPRENEURIAL TENDENCIES

Entrepreneurial activity in the region appears fairly robust in 2004, although establishment data for the 1998-2003 period indicates a relative lack of new business activity. According to data gathered by HoWBEA in the *Business Developments in South Wood County and the Town of Rome*, there were 65 new businesses formed in the period between January 1, 2004 and February 11, 2005. These new businesses created 397 new jobs. See Table 8 above. In addition, 46 businesses relocated or expanded in the area, with 781 jobs new or retained jobs. New or retained jobs during the period total 1178.

The mix of these new businesses and the increased number of jobs is heavily weighted in the retail and service industries. Of the 65 new businesses, 34 were retail and 25 were service businesses. Retail employment in the new businesses was 244, while the new service sector businesses tallied 90 new jobs. This compares to no new manufacturing businesses, one food processing business with 15 employees, and 5 health care related companies with 48 new employees. The business/employment mix in the relocated and expanded businesses shows a similar weighting to the retail and service sectors, but the service sector shows greater numbers than retail: 22 expanded service business establishments out of 46, and 17 retail establishments. (Note: the Rapids Mall is recorded as one entity.) Service businesses added or retained 198 employees. Retail added or retained 505, with 200 being allotted to the Rapids Mall.

The health care industry brought 5 new businesses to the area, employing 48 people. These health care businesses ranged in employment from 1 to 20 people. Three new clinics, Riverview Cancer Center, Workers Wellness Clinic, and the Northwest Counseling and Guidance Clinic were responsible for 40 of the new jobs. Marshfield Clinic at Wisconsin Rapids has 15 of the 21 health care jobs in the Expansion/Relocation list.

Boot Camp

The Entrepreneurial Boot Camp program is designed to introduce and educate people about the basic requirements of starting a business, including the development of a business plan. The Boot Camp is held over the course of four days at MSTC with an advisory board to provide feedback on participants' ideas and forming business plans. It has attracted 66 participants over the last fifteen months and has capacity for more. Thirty-four Boot Camp participants either started or expanded a business. Other participants are considering a new business idea and use the Boot Camp for information, training, and as a sounding board.

Spin Offs

There was information collected on several small businesses in the region that were started by employees of existing area firms, either because of downsizing, outsourcing, or expanded client needs. Examples of each include: two individuals started a new business that expanded a product line of a closed business and it grew from eleven to twenty-three employees in ten years; former employees of one of the local paper companies formed a company to provide the very services that

were outsourced by the paper company; and employees spun off a new company to meet the underserved needs of the original company's clientele.

Other service businesses are expanding into the greater central Wisconsin region after spinning off to serve Wisconsin Rapids or a nearby community. One computer services company has become the largest provider of computer support services in central Wisconsin. Another office equipment supply operation is expanding its market across central Wisconsin.

New Market Niches

Information collected in the study revealed new or expanding businesses that refined their market segments for growth. Most are based on finding niche markets, either in terms of size or service, or developing value-added services. Three in particular grew out of the local cranberry cluster by moving up the value chain in product offerings or serving niche market segments. Others are developing new or unique products or expanding customer service options to expand.

***Finding**: There is a increasing entrepreneurial climate in the area, however, it is dominated by retail and service businesses.*
***Recommendation**: Enhance the entrepreneurial climate by making available the knowledge and support services to get new businesses started and existing businesses growing, including: the Entrepreneurial Boot Camp; a dense network of providers of business, legal, financial support services; a business advisory and peer forum; and space inventory. There is a need to diversify the entrepreneur mix into manufacturing and food processing where there is a good workforce supply in the area.*

IDENTIFICATION OF INDUSTRY SEGMENTS

The Wisconsin Rapids area is best known for its concentration of paper mills, cranberry produce, and tourism. The paper mills are in decline as an employer, the tourism industry competes locally and regionally, and the cranberry industry has a growing but limited market. However, each has spun out local businesses in the area.

Outsourcing of non-core tasks by the paper mills has created new businesses. Tourism continues to support many retail businesses in the area. It also yields opportunities for crafts and arts businesses, some of which are expanding the geographical market area of their unique products. Cranberry production has spawned new businesses based on new market niches and value-added products, both at the wholesale and retail levels.

The area also has expertise in light manufacturing and precision parts. Former workers from Woodward Governor, for example, continue to grow their machined parts business. The growing regional business sector offers opportunity to start and expand the business service sector that is based on customer service and new product offerings such as computer support services and recycling.

Renaissance Learning is an education cluster in employment data terms, but is still just a single company. It may be possible to encourage Renaissance Learning to spin out new education companies with product and services that may be derivatives of the company's core competencies.

***Finding**: There is a modest amount of diversity in the industry clusters of the area. Each has the ability to create new businesses.*
***Recommendation**: Encourage the existing clusters to spin out non-core competency or new, value-added product businesses, possibly by taking an equity role to provide capital to the new business.*

ENTREPRENEUR / INCUBATOR SERVICES

One of the most important functions of an incubator is the business support services offered to new and growing companies. A rather large list of possible entrepreneur/incubator (E&I) services was identified in the interview process:

accounting	banking	broadband	human resources
legal	management	marketing	mentoring
office support	risk capital	space	shipping and receiving
telecommunications	utilities		

Information collected in interviews showed a dichotomy of opinion about needed services depending upon whether the firm was a new business or an existing, expanding one. Most existing businesses had accounting, legal, banking, management, space, and utilities provision in place. They had the necessary network of support services.

New businesses, on the other hand, had not built the network they needed and would require assistance in identifying accounting, legal, mentoring, and financial services. Their need for space was mixed, while some had not assessed their broadband or utility requirements.

Pre-entrepreneurs (those with an idea, but not yet a business plan) could benefit from even more basic services and training such as those offered in the Entrepreneurial Boot Camps.

Almost across the board, there was the desire for more marketing services: identifying markets; sales approaches; sales tools and techniques. Also identified as challenges were: i) management mentoring experience that did not always match well with the challenges the entrepreneur was facing, and ii) financial services were not always responsive in a timely manner or conducive to the fiscal construct of the business. For example, the meeting schedule of the local angel group did not align with the financing schedule of one company, requiring the business to secure money outside the area.

Another challenge identified was the lack of knowledge about "who did what in the area". That is to say, businesses didn't know the extent of the kinds of companies in the community that could possibly supply them with needed products and services. This gets back to the marketing issue.

MidState Technical College has indicated interest in collaborating on the incubator concept. MSTC would support the incubator through collaborative services and potentially provide financial support if given opportunities fit their educational mission. MSTC already offers facilities to host the Entrepreneurial Boot Camp. Other MSTC support could be in the form of providing staffing support internships to businesses using incubator services, feasibility analysis of business plans, business development courses, and business and retention surveys, as well as other potential class involvement in special projects that are appropriate. Actual details of this assistance would need to evolve as the incubator progresses and space and services requirements expand.

***Findings**:*

- *There are different services needed for companies at different stages of development and different services sought by different entrepreneurs depending upon their own skills, although all would like help on marketing.*
- *The management/mentoring experience and financial services need to be more versatile.*
- *Local businesses are uninformed of the extent of local products and services.*

***Recommendations**:*

- *Because one set of services does not fit all entrepreneurs, a network of service providers needs to be established and maintained that can be tapped as needs arise. (See "*The Entrepreneurial League System: Transforming Your Community's Economy through Enterprise Development", Thomas S. Lyons *as a primer about how to match services with stage of a companies development.)*
- *A peer group of entrepreneurs should be reestablished and meet regularly, perhaps in an informal setting. Care needs to be taken or procedure implemented to assure the group does not become dominated by singular interests.*
- *Mentors' experience needs to be better matched with the challenges facing entrepreneurs.*
- *A dynamic network of financial offerings must be maintained that is responsive to the fiscal flows and time constraints of new and growing business. Perhaps, a bridge loan type fund can be established to tide the new business over while local financiers can structure the deal.*
- *A comprehensive business directory that is readily updated and easily searched by product and service should be developed and made available on-line.*
- *Explore the development of an Entrepreneur's program/curriculum at MSTC to lay the basic understanding and foundation of how to start a business and to show entrepreneurship is a possible career alternative.*
- *Hold a "speed networking" event, such as Wisconsin Technology News held for Momentum Chippewa Valley, where more than fifty participants met over the course of three hours in three minutes intervals.*
- *Establish and promote a reference and access conduit to the Wisconsin Entrepreneurs' Network, which was established to assist entrepreneurs in obtaining the expertise and resources they need.*

INCUBATOR ORGANIZATIONAL STRUCTURE

There are many management structures under which an incubator can be organized. Each incubator needs to consider its individual requirements and resources. There are numerous reference materials to guide the process. That analysis beyond the scope of this study.

INCUBATOR SPACE ASSESSMENT

An incubator can be a building in which the entrepreneur can access business development services as well as have space to conduct business, whether it is a manufacturing, distribution, commercial, or retail entity. Incubators can also take a virtual form in the sense that there exists no physical location, but a network of service providers is established to offer experience and expertise to the entrepreneur. The scope of incubator services provided can vary depending upon the underlying economy and entrepreneurial propensity of the region.

Based upon literature recommendations for incubator size, the square footage benchmarks for a financially self-supporting incubator are about 40,000 square feet with 85% of the space revenue generating.[1] Table 9 is a representative example of a workable incubator.

Table 9
HoWNEST Space Parameters

Tenant Type	Tenants	Space (sq ft)
HoW BEA Offices	1	5,000
HoWNEST Manager	1	1,500
Professional Offices @ 500 sq ft.	2	1,000
Service Offices @ 500 sq ft.	3	1,500
Tourism @ 500 sq ft.	2	1,000
Wet Lab / Cooking @ 1,000 sq ft.	2	2,000
Light Manufacturing @ 5,000 sq ft.	3	15,000
Warehousing @ 5,000 sq ft.	2	10,000
Common Space		2,524
Mechanicals		400
Total		**39,924**

Incubator Configurations

There are a number of configurations to be considered for an incubator. The best ones to consider for HoWNEST are:

- **Leasing and Sub-leasing Incubator Space –** this involves HoWNEST leasing space in one or several properties in the area and then subleasing that space to incubator tenants depending on their needs, such as office space or warehousing. HoWNEST would also

[1] The literature suggests that 35,000 square feet is the minimum size for a fiscally self-sustaining incubator with 85% of the space rentable. See Bricks and Mortar, How to Find and Design the Best Business Incubator Facilities, National Business Incubator Association, 1992.

supply the incubator services listed above. HoWNEST would have to determine whether they manage the leased space or the building manager does. Incubator tenants may be housed adjacent to existing businesses. This option may secure space in the area, but it puts HoWNEST in the position of having to carry a real estate obligation without ownership, but also without the large capital outlay required to purchase a building. *(Note: most successful incubators have minimal capital costs to satisfy against cash flows. In other words, it is best if the incubator is not carrying a mortgage.)*

- **Building Purchase, Renovation, and Leasing of Incubator Space –** this option gives HoWNEST ownership of a building for incubator tenants and perhaps HoWNEST offices. Remodeling costs of the surveyed sites are included in this analysis, but purchase prices are not. Financials would have to be completed to determine the fiscal viability of purchasing a building as part of the purchase negotiations. *(Note: most successful incubators have minimal capital costs to satisfy against cash flows. In other words, it is best if the incubator is not carrying a mortgage. Grants, donations, and public funding have been used to reduce or eliminate fixed cost investments.)*

- **New Building Construction –** the appeal of new construction is that the building can be designed with the incubator concept in mind, making the facility efficient for the purpose. The key to incubator space is flexibility. The facility analysis done in this study put the cost of building a new incubator of about 40,000 square feet at $4.2 million, not including land purchase. *(Note: most successful incubators have minimal capital costs to satisfy against cash flows. In other words, it is best if the incubator is not carrying a mortgage. Grants, donations, and public funding have been used to reduce or eliminate fixed cost investments.)*

- **Virtual Incubator –** this is a non-building leasing approach where HoWNEST maintains an active network of incubator needs and services. HoWNEST would have an active portfolio of available rentable spaces in Wisconsin Rapids that would satisfy new company requirements and maintain an active list of goods and services incubator companies could retain, such as accounting, legal, and financial services (see incubator services list above). HoWNEST's main function would be to manage the portfolio of incubator services and act as an honest broker for service providers and incubator businesses. HoWNEST could facilitate the space or service transactions or become the legal management entity of the virtual incubator. The virtual incubator is lowest cost alternative, but perhaps the most labor intensive as it requires a large amount of active tenant/lessor management, superior lessor relations, and a high degree of tenant/HoWNEST interaction.

Site Evaluations

Six sites in Wisconsin Rapids were considered for a business incubator. Below, are brief evaluations of the six sites. Complete site evaluations are contained in the appendix.

- **RCH Enterprises at 1430 Second Street** – the building allows for varied types of tenants within one facility. Aesthetically, the building projects a very utilitarian, low investment aesthetic that may not appeal to professional offices or retail.

- **Northland Cranberries at 2321 W. Grand Avenue** – this building fits office and educational uses very well, although it falls short for manufacturing, heavy storage, or laboratory space. The site features sufficient land to provide parking and landscaping amenities, but lacks sufficient window lighting.

- **Domtar-Technology Building at 100 Wisconsin Avenue in Port Edwards** – this building provides high quality office space, but its limited size (10,000 square feet) makes it a fiscal challenge.

- **L & S Electric Building at 2621 Jefferson Street** – the building is very conducive to industrial, assembly, and laboratory uses. The cost of remodeling interior and exterior for office usage would be substantial. Parking configuration for retail space is also a limiting factor.

- **Expedex WOW Building at 2810 Industrial Street** – the building meets the incubator performance criteria in many ways: size, flexibility, appearance, and location (except perhaps retail). There is significant cost to add more office space, currently at 7,000 square feet.

- **Mead-Witter Building at 320 W. Grand Avenue** – this building provides excellent space for retail, professional and educational uses, but not for industrial spaces.

The complete site analysis is attached in the appendix of this report.

Each site has advantages and disadvantages depending upon the use of the building and the kinds of new businesses to be housed. For example, the RCH building is well suited for manufacturing businesses, but does not have an enticing façade for professional services. The Mead-Witter building has a desirable location and internal construct for downtown retail or business services, but would not be conducive for light manufacturing or warehousing. The Expedex building has the configuration that most closely resembles the proposed HoWNEST facility. However, the site maybe too large, at 47,000 square feet, and there would be substantial remodeling costs to reconfigure the site for enough office space. The next section below presents the financial summaries of the six sites evaluated.

FINANCIAL EVALUATION AND FEASIBILITY

The basic parameters for the HoWNEST incubator were selected based upon literature recommendations for incubator size (greater than 35,000 square feet, 85% rentable) and the estimated needs for entrepreneurs in the Wisconsin Rapids area (see Table 9).

Costs

The cost parameters for a new building and the six sites are presented in the following table.

Table 10
HoWNEST Cost Parameters

Site	Leasable Square Feet	Renovation Cost Per Leased SqFt	Cost
New Building	37,000	$113.30	$4,192,020
RCH	40,000	18.50	740,252
Northland	32,200	14.84	478,004
Domtar	10,000	16.36	136,593
L & S Electric	40,000	21.83	873,180
Expedex	47,000	8.49	399,168
Mead-Witter	10,300	18.71	192,723

The cost parameters of the seven site options considered have a large range. The New Building option has the highest cost. Its cost does not include the price of four acres of land. The property purchase price of the other sites is not known with the exception of the asked sale price of the L & S Electric Building of $1,290,000.

The Domtar building has the lowest total renovation cost, at $136,593, due to its small size, but not the lowest renovation cost per square foot of leasable space. Expedex building has the lowest renovation per leasable square foot price as it conforms most closely to the space parameters set out for a HoWNEST incubator.

Revenue

Revenue generated from leasing incubator space are determined by market rates and the use of the leasable space. For example, office space commands a higher rent per square foot than does manufacturing. Table 11 presents the revenue calculations for the space requirements determined above. Changes in the configuration and amount of space leased will alter the rent schedule mix and generated revenue. *(Note: If HoW BEA and HoWNEST management offices don't pay rent, the net leasable space drops to 78% of total square footage.)*

Table 11
HoWNEST Lease Revenue Parameters

Tenant Type	Space (sq ft)	Rent / Sq Ft	Revenue
HoW BEA Offices	5,000	10	$50,000
HoWNEST Manager	1,500	10	6,500
Professional Offices 2 @ 500 sq ft.	1,000	10	10,000
Service Offices 3 @ 500 sq ft.	1,500	10	15,000
Tourism 2 @ 500 sq ft.	1,000	9	9,000
Wet Lab / Cooking 2 @ 1,000 sq ft.	2,000	10	20,000
Light Manufacturing 3 @ 5,000 sq ft.	15,000	6	90,000
Warehousing 2 @ 5,000 sq ft.	10,000	4	40,000
Common Space	2,524	0	0
Mechanicals	400	0	0
Total	**39,924**		**$240,500**

The weighted average cost of the above space configuration is about $6.00 per square foot. The cost for leasing a like amount of space in the congruent configuration at $6.00 per square foot triple net without HoW BEA offices and HoWNEST management staff would be $200,544. Changes in the configuration and amount of space leased will alter the lease cost.

FINANCING ALTERNATIVES

There is a wide spectrum of ways to finance an incubator. They range from grants for planning to gifts for construction. There are also long-term funding initiatives that seek to use the equity returns from successful incubator tenants to provide incubator capital. Funds have been raised locally to start business incubators with the goal ideally being that the incubator becomes self-sufficient through rent revenue and sales of services, and even generates start up risk capital for promising new technology businesses.

An indepth study of all the financing mechanisms is beyond the scope of this project and your local economic development professionals have an excellent grasp of the state and federal grant and loan opportunities available for economic and business development initiatives. For example, Wisconsin has a Community-based Economic Development (CBED) Program administered by the Wisconsin Department of Commerce that gives grants for incubator activity. CBED business incubator grants are available in amounts from $10,000 to $100,000 for incubator feasibility studies; incubator start-ups, expansions and operations; and to recapitalize revolving loan funds.

FINDINGS AND RECOMMENDATIONS

Below, we present our findings and recommendations of an analysis for establishing an incubator in Wisconsin Rapids.

Findings

1. The economic data in Tables 2 – 4 demonstrates a good case for the need for an aggressive economic development strategy in the region. The per capita income in all three counties is below the Wisconsin average and significantly below the U.S. average. The need to raise per capita income in all three counties is clear.

2. Manufacturing is the single most important private sector employer in the three-county region, see Table 5. All three counties lost manufacturing jobs in the period 1998-2003. Health Care is a large regional employer. This is an employment growth industry. All three counties have significant employment in retail trade, transportation, and food service / accommodations.

3. The area has little or no growth in new business establishments. Table 6 indicates new business formations in the three counties lags the Wisconsin and U.S. average and in Portage and Marathon counties the number of business establishments actually declined from 1998 - 2003.

4. Entrepreneurial activity in the region appears to be increasing, although much of it is retail based. New companies are forming up, or being planned, from new concepts being drawn out in the Entrepreneurial Boot Camp. Other companies have formed from spin offs of existing or closed companies. Existing companies are growing through new market niches for products or market segments. This level of entrepreneurial interest needs to be enhanced to materially change the economy of the region. To do so will require an aggressive program for developing new companies and growing existing ones. Attention should be focused on developing non-retail, export businesses to drive the local economy. The area has a strong employment base in manufacturing. Health care demand will continue to rise as the average age of the counties' population increases with the aging of the Baby Boomers.

5. Major employment clusters reside in the light manufacturing, paper, and cranberry industries. There exists a manufacturing workforce expertise in the manufacturing, yet there has been zero new manufacturing businesses started in the last year. The education and tourism sectors are also heavily represented, although Renaissance Learning is the dominate education business employer.

6. The idea of an incubator in Wisconsin Rapids is widely accepted. However, there is confusion about whether or not an incubator currently exists in the city due to the demise of a formal incubator program, *i.e.*, the RCH agreement.

7. There was a large list of possible entrepreneur/incubator (E&I) services that were mentioned in interviews, but there is a dichotomy in sought after services depending upon the stage and age of the business, *i.e.*, a new business, an existing business, or an expanding business. Almost across the board, there was the desire for marketing services: identifying markets; sales approaches; sales tools and techniques. The need for space was mixed.

8. Particular challenges identified for new business were targeted management mentoring experience and versatile financial services. A lack of knowledge about other area businesses was also identified as a barrier to local business networking and possible supply chain management.

9. There are a number of incubator constructs to be considered for the area. These range from building a new facility to leasing space to a virtual incubator concept.

10. A number of sites in the Wisconsin Rapids area offer space for the incubator. They range in compatibility with the incubator tenants needs from very compatible to incompatible depending upon the tenants business type.

Recommendations

1. A business incubator, the Heart of Wisconsin Network for Entrepreneurial Support and Training (HoWNEST), should be established in Wisconsin Rapids. There is a need for an aggressive strategy in the area to promote new businesses and expansion of existing businesses to increase employment, attract population, and raise per capita income. The incubator would help the Wisconsin Rapids area turn fledgling entrepreneurial spirit (of

which there seems to be some depth) into successful new and growing businesses (of which there are not enough).

2. The incubator should be of a virtual construct. Based on the data gathered in this analysis, HoWNEST would not have sufficient size or industry mix to support buying or building a facility. Specific indicators reflecting the current situation are:

    A) Most new businesses in the area have been either retail or services in nature. Retail enterprises want to be near high traffic areas. Service businesses need appealing office space.
    B) The number of service businesses would not be sufficient to fill the Northland Building. The Domtar Building is too small to be fiscally viable. Other sites are unattractive for professional services (RCH, L & S Electric) or have too small an area for offices (Expedex).
    C) There have been no new manufacturing businesses started in the last year, making those facilities with sufficient manufacturing space to lease or purchase (RCH, Expedex, L & S Electric, Northland), at best, underemployed and, at worst, money sinks.
    D) Establishment of a virtual incubator would require little capital. A variety of space for new and growing business is available in the area across locations suitable for different businesses according to their industry type – retail, service, manufacturing, warehousing, etc.

3. HoWNEST must be well staffed. While the virtual incubator is the lowest cost alternative, it is the most labor intensive. This incubator construct involves maintaining an active and flexible portfolio of available space to meet the dynamic nature of incubator tenant needs. It also requires a large amount of active tenant/lessor management, superior lessor relations, and a high degree of tenant/HoWNEST/lessor interaction.

4. The key to the HoWNEST incubator is a dense and active network of entrepreneurial support services that range from accounting to utilities. The rich network of entrepreneurial support services provided by HoWBEA should be enhanced and maintained. This network should be formalized and retained with public and private funds to secure its long-term existence.

5. HoWNEST should link formally with other state entities that support and facilitate the establishment and growth of businesses in Wisconsin and supply networks of expertise and services beyond the resource available to HoWNEST, including Mid-State Technical College, the Wisconsin Entrepreneurial Network (WEN), the Wisconsin Angle Network (WAN), Wisconsin Department of Commerce Bureau of Entrepreneurship, the UW-Madison Office of Corporate Relations, and UW-Extension.

6. The Wisconsin Rapids area should consider conducting a detailed economic development assessment to determine why the area is not utilizing its workforce talent appropriately and how to engage the resources in the region to advance the area's economic growth.

Appendix

Wisconsin Rapids Incubator Feasibility Study

Project Background: We will interview 30-35 people in the Wisconsin Rapids area to help determine the feasibility of creating a business incubator in Wisconsin Rapids. We want to use the survey data to identify possible demand for such a facility by existing businesses and potential new businesses.

Questions:

1. For people starting, expanding or moving a business to the area, are the following available in the area in sufficient quantity:

- Start-up financing
- Skilled labor force / Workers
- Marketing expertise
- Business services (acctng, legal, HR)
- Appropriate Space / Facilities
- Telecommunications / Broadband / High-speed Internet Access
- Management mentoring or coaching
- Local organizations and government assistance

2. Questions related to Wisconsin Rapids area business climate and entrepreneurship:

- Are there local services and or facilities that encourage your business expansion?
- What products or services not currently available locally would help your business be more competitive?
- If you were advising a person who was thinking of starting a business, what 2 or 3 things are most important to help that person succeed?

3. From your own personal knowledge:

- Do you know people who have recently started a business or are thinking of starting a business?
- If so, can you share information about the entrepreneurs involved and the type of business?
- For those interested in starting a business, do any of them already have a part time or sideline business started?
- Who best knows and keeps track of business start-up and expansion inquiries?

4. With respect to an incubator and business attraction, retention and expansion:

- Are you aware of local efforts to start a small business incubator in the area?
- Do you think there might be a need for a Business Incubator in the Wisconsin Rapids area?
- Do you think those contemplating starting a new business could value from a local business incubator?
- What services should an incubator offer to help new and exiting businesses survive and grow?
- Do you think your business could benefit from an incubator?
- Do you think your business might play a role in the incubator?
- Where might an incubator be located? Is there space or buildings available for an incubator?
- How do you think an incubator should be advertised and promoted?
- How might an incubator be funded or financed?

5. Do you have any other thoughts or ideas about the feasibility of an incubator and or what should be part of an incubator if one is established?

6. Would you list three people we might talk with about a possible incubator in the Wisconsin Rapids area?

HEART OF WISCONSIN INCUBATOR FEASIBILITY STUDY

SITE & FACILITY OPTIONS ASSESSMENT

Incubator Performance Criteria

Candidate Site Analysis

Performance Fit & Cost Analysis, Recommendations

PHYSICAL FACILITY OPTIONS ASSESSMENT

This section identifies the approaches to establishing an Incubator Facility, the performance criteria for the future Incubator facility along with identification of needs for common facilities, square footage requirements and site amenities. Following that, candidate sites are evaluated for their fit with these performance criteria and cost comparisons are made.

APPROACHES TO PROVIDING AN INCUBATOR FACILITY

The Heart of Wisconsin is considering four different approaches to providing an incubator facility:

1. A virtual incubator facility where Heart of the Wisconsin directs incubator prospects to multiple suitable facilities owned by others.
2. Leasing space within another owner's facility and re-leasing the space out to incubator tenants.
3. Purchasing an existing building and modifying it to meet the incubator's facility needs.
4. A new building located either on undeveloped land or on a previously developed sited.

Given the economic development goals of the organization, the Incubator aims to focus on the following economic sectors and locations of the Wisconsin Rapids area:

- Industrial; light manufacturing, assembling, testing, food processing and warehousing;
- Service: businesses; professional services, auto service, personal, home;
- Retail: consumer products;
- Downtown revitalization: providing more business and customer traffic to downtown area through use of existing buildings or urban sites.

FACILITY SPACE CRITERIA

As a facility to be used as an economic catalyst for the region, the building will house a variety of business types and support these enterprises through their start-up stage. Incubator will need to have the capacity to provide a wide variety of room types each with its own internal environment characteristics. For each of the market segments listed above, the following key room characteristics need to be provided for:

1) Office space

a) Quality indoor environment space with high levels of lighting and interior finishes that provide a balanced reflection of light.

b) Windows for day lighting.

c) Zoneable heating, ventilation and air conditioning.

d) Ceiling Heights from a minimum of 8' 6" for closed offices to 10' for open office spaces.

2) Retail Space

a) Street level access and views

b) Ceiling space of 10’ to 12’ high

3) Laboratory space

a) Wet lab spaces.

b) High levels of ventilation.

c) Ceiling Heights of 10’ with room with clearance for ventilation and plumbing.

4) Classroom facilities

a) Allow for a typical classroom module of 30’ x 30’.

b) Ceiling heights of 9’.

c) Windows for day lighting.

5) Industrial space for manufacturing or assembly

a) High ceiling clearances of 14’ – 20’.

b) Long clear span distances, 30’ – 50’.

c) High Bay lighting fixtures

d) Loading dock, enclosed or protected preferable.

e) Make-up Air Units in ceiling to provide air change cycles.

6) Storage areas for pallets stacking or shelving

(a) Similar to Industrial space.

INCUBATOR PERFORMANCE CRITERIA

In order to select and rank various sites, we have identified the following criteria that will impact the performance of a future incubator.

- Size fit: Is there sufficient space or too much space for a 15,000 of office space and 25,000 of industrial space.
- Quality Office and Industrial Space: Meeting the space criteria listed above.
- Parking stalls: Sufficient parking for 80 cars, assuming a 40,000 SF facility
- Loading & Conveyance: Mix of loading docks, cranes and drive-up/in doors.
- Accessibility to Highways: Ability to for trucks and customers to arrive readily off major highways or arterials.
- Appearance & Landscaping: Architectural character of the building that is compatible with brand image of start-up corporations. The surrounding area’s character should be taken into account as well. Quality landscaping from street side, parking areas and entry areas.
- Cost Efficiency: Assuming a purchase or lease of the building what is the cost of improving the facility on a cost per square foot basis.

COMMON & SHARED FACILITIES

To accompany and support these prospective tenants, shared facilities will need to be provided to undertake their daily workings. These shared functions ideally should be located in a central location or off the main entry.

1) **Conferencing**
   a) Provide 1-2 conference rooms, one to seat 20 people for board type meetings, the other a smaller one to seat 10 people.
   b) Provide training equipment such as media projection.
2) **Reception & Secretarial**
   a) At main entry lobby of building with area for seating.
3) **Product Display**
   a) Common display space to showcase goods and services of tenants.
4) **Lunch and Break Rooms**
   a) Provide two tables and seating for 16
5) **Loading Docks.**
   a) Allow for two semi's to load goods and be stored there temporarily.
6) **Restrooms**
   a) Per building code along with accessible units.
7) **Signage boards**
   a) Listing of tenants on either a monumental sign on site with or on wall mounted sign.
8) **Mechanical Space**
   a) HVAC equipment, telephone closet, electrical panel, water meter, fire sprinkler pipes, janitorial closet.
9) **Network Room**
   a) Area for server, routers, hubs, wi-fi broadcast, internet connections
10) **Circulation**
   a) Corridors, vestibules, stairs (not including tenant space circulation).

SQUARE FOOTAGE REQUIREMENTS

If the Incubator Facility is determined to best be sited in one facility, either bought, constructed or leased, then the following space requirements would apply:

INCUBATOR SPACE REQUIREMENTS				Gross	
Prospect Tenant	**No. of Tenants**	**SF/ Tenant**	**Total SF**	**Rental Rate**	**Annual Rent**
Heart of WI Offices	1	5000	5000		
HoWBEA Facility Manager	1	1500	1500		
Professional Offices	2	500	1000	10	$ 10,000
Service Office	3	500	1500	10	$ 15,000
Tourism	2	500	1000	9	$ 9,000
Laboratory	2	1000	2000	10	$ 20,000
Manufacturing & Assembly	3	5000	15000	6	$ 90,000
Storage & Warehousing	2	5000	10000	4	$ 40,000
Totals	**16**		**37,000**		**$ 184,000**
Common Share Facilities	**x', y' Room Sizes**				
Conferencing	18	30	540		
Reception/Secretarial	12	14	168		
Lunch/Break Room	14	16	224		
Mail/Copy Room	12	14	168		
Loading Dock	28	18	504		
Restrooms	20	20	400		
Product Display	10	12	120		
Network Room	10	10	100		
Circulation Space- Corridors		0.2	300		
Mechanical Space	20	20	400		
Total Common Space			**2,924**	Office Spa.	Industrial Spa
Total Facility Space Needs			**39,924**	14,420	25,504
New Building Construction Option		$ 105	**$ 4,192,020**		
Leasing Option Annual Cost		$ 6	**$ 239,544**		

SITE AMENITIES

Beyond the desired building program, the Incubator will require an adequate site that provides the following:

1. Easy and short access to major arterials and highways.
2. A business setting that will be attractive to prospective tenants.
3. Compatible building and land uses surrounding the Incubator
4. Parking stall counts sufficient for the tenants and per local zoning ordinances. At minimum the ordinances will require one stall per 2,000 SF; thus for our above scenario, the required stall count would be 52. This would increase if education and assembly activities are increased on the facility.
5. Loading Dock space for truck maneuvering.
6. Signage opportunities off street.
7. Landscaping to enhance the site.
8. Utilities to handle loads.

If a stand-alone facility is acquired, then we recommend that a lot containing 4 acres be selected for a one story facility of size listed above. The site acreage would decrease considerably if an existing urban, multi-story building is selected then parking arrangements may be provided off site.

VIRTUAL INCUBATOR

This is a non-building ownership/lease approach where Heart of Wisconsin maintains its current location and matches up incubator candidates to a set of conducive facilities. In this case, the organization would maintain a database of facilities and have established understandings with the building ownership.

RE-LEASING SPACE APPROACH

In the case the Heart of Wisconsin organization determines it best to re-lease space out to incubator tenants, while holding a prime lease, the performance criteria changes slightly. It would be a given that other non-incubator tenants would be housed alongside and conducting business without use of the common facilities.

In this case, the key factor will be management's (building ownership) willingness to provide the common services and the negotiation flexibility to work with the start-ups and to grow with them. This management attitude will have to be determined through presentation of the Incubator concept to them and polling their response.

The building settings would also have to lend themselves to allow a separate visual identity and entry area for the Incubator tenants.

PURCHASE OF BUILDING, RENOVATION & LEASING INCUBATOR SPACE

From the site reconnaissance performed during this study, at least four buildings in the Wisconsin Rapids area meet the performance criteria established above. In order to provide the common support spaces and modify the structures to house a variety of tenant types, construction build-out costs would need to be budgeted in the range of $200,000 to $700,000. The benefit of these sites is that they have all their site development complete, a sound exterior envelope in place, flexible structures that have large clear span areas and many have loading docks already in place.

NEW BUILDING CONSTRUCTION

This option was not explored or pursued as it was determined that there are plenty of existing vacant buildings in the area that could meet the needs of an Incubator. As identified in the Space Needs chart above, the costs for a new 40,000 SF facility would be over $4 million.

EXISTING BUILDING & FUTURE LOCATION OF HDQ

The offices of Heart of Wisconsin can either stay at their current office building or move into the incubator facility. There is no tenant need to have the headquarters with the incubator as it can operate and benefit the tenants without the offices present. The only advantage would be the sharing of common facilities that would be available to Heart of Wisconsin including: conference room, training room, kitchen facilities, loading docks and display areas.

CANDIDATE SITE ANALYSIS

In this next section we look at the candidate sites under consideration and assess them for their potential to meet the performance criteria, square footage and site amenities required. To date, six candidate sites have been identified in the area. These sites are located and listed in the map diagram below.

LOCATION MAP

1. **RCH ENTERPRISES**
   1430 Second St.
   Wisconsin Rapids, WI 54494
2. **NORTHLAND CRANBERRIES**
   2321 W. Grand Ave.
   Wisconsin Rapids, WI 54495
3. **DOMTAR TECHNOLOGY BUILDING**
   100 Wisconsin Ave.
   Port Edwards, WI 54496
4. **L & S ELECTRIC BUILDING**
   2621 Jefferson St.
   Wisconsin Rapids, WI 54495
5. **EXPEDEX WOW BUILDING**
   2810 Industrial St.
   Wisconsin Rapids, WI 54495
6. **320 W. GRAND BUILDING**
   320 W. Grand Ave.
   Wisconsin Rapids, WI 54494

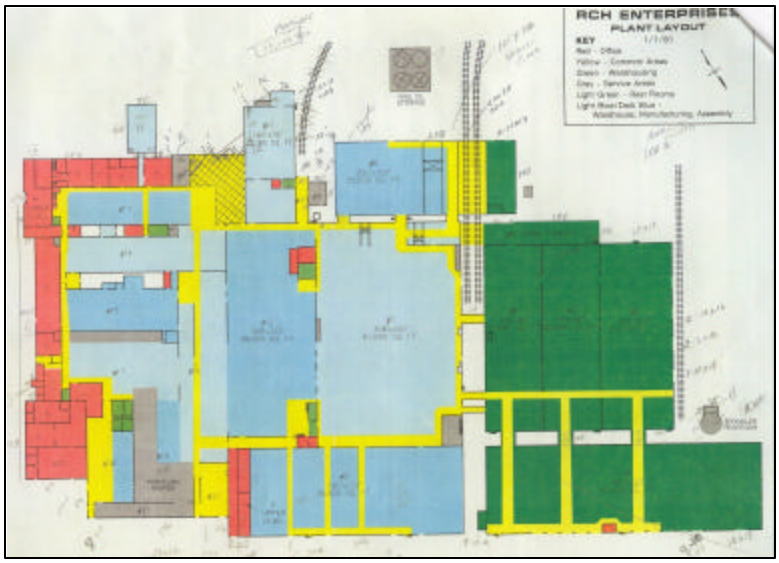
In the following section, each of these building sites is assessed for their potential to be an incubator site through a building purchase and renovation approach.

1. RCH ENTERPRISE, WI Rapids

SUMMARY DESCRIPTION

RCH Enterprise building is a large multi-building complex of an estimated 400,000 SF. The building already operates as a defacto incubator due to management's favorable treatment of start-up firms and low cost sharing of facilities. The facility is actually composed of many buildings connected together and lends itself to dividing up by structure. All the buildings except for two are pre-engineered steel buildings. The facility is primarily used for light and heavy industry, storage facilities, shipping and handling. The facility has rail access and overhead conveyance systems for heavy lifting. There are two major railroad spurs of which two enter the building and access the loading crane. Adjacent to the spurs are two ground level truck doors to facilitate truck/rail transfers. The third spur accesses four loading doors on the east end of the building. The interiors are unfinished and have high bay clearances, some as high as three stories. The office space takes up 5% of the building footprint and totals 26,000 SF.

BUILDING PLAN DIAGRAMS



BUILDING & SITE SPECIFICS

1. Office Space: 26,000 SF.
2. Industrial Space: 374,000 SF.
3. Site acreage: approximate 20 acres.
4. Utilities: Municipal fuel heat (gas, oil, wood potential).
5. Parking: 400 to 600 cars.
6. Power service: 220 volt 3 phase and 440 volt 3 phase.
7. Overhead conveyance: One 25 ton overhead crane, plus two 6 ton overhead cranes.
8. Loading:17 truck loading docks with 4 ground level vehicle doors
9. Fire Protection: entirely sprinkled for fire protection controlled by central alarm system.
10. Highly accessible from major highways

PHOTOS OF RCH ENTERPRISES FACILITY

RCH COSTS

This property is only available for leasing and the analysis shows leasehold improvement costs for 40,000 SF. Given this is unfinished industrial space; any conversion of use would require finishing out the spaces with office space being the most costly.

RCH Building Costs

Purchase price				Not applicable
Renovation Costs	SF	Cost/SF		Total Cost
Office Space White Box	14,420.00	20	$	288,400
Industrial Space Renovations	25,504.00	6	$	153,024
Site Work	Allottment		$	50,000
Construction Cost			$	491,424
Contingency		10%	$	49,142
Total Construction Cost			**$**	**540,566**
Soft Costs				
Architect Fees		8%	$	43,245
Permits		0.4%	$	2,162
Fixture, Furnishings & Equipment for Organization		5%	$	27,028
Total Soft Cost			**$**	**72,436**
Total Project Cost			**$**	**613,002**

PERFORMANCE FIT RECOMMENDATIONS

The varied building structures provide for many types of tenant within one facility. The large spaces with high clearances also allow for many configuration and ceiling heights as well. The rail line access also is highly conducive to manufacturers and warehousing. While the building is currently mostly industrial usage, many of the industrial spaces could be readily converted to other uses such as education, laboratory and storage.

On the negative side, the large amounts space would require an ongoing and significant leasing and property management effort. Utility costs for the building are higher than the other facilities which would only be a problem when the space is not leased. Aesthetically, the building projects a very utilitarian, low investment aesthetic that may not appeal to professional offices, educational groups nor research institutions.

2. NORTHLAND BUILDING, WI Rapids

SUMMARY DESCRIPTION

The Northland building was built in the 1970's as an office/conferencing/storage facility and has 32,000 SF on one level along with a full basement. The office space is "A" quality with both the interior and exterior being in good condition. There is a large ballroom with 12' high ceilings that could be used for large presentations and seminars as well.

The exterior is a masonry structure covered with an EIFS wall system and has few windows. The roof structure is steel joists with metal deck and it is a flat roof. The interior was until recently used as office space and has a mix of private and open office areas. There is also a supporting mix of conference rooms, restrooms, break room with kitchenette, dining hall, full-service kitchen and archive storage area. The entry has a significant reception area that could be used by the incubator as a common reception. There is a full basement that served as a storage space and still has items stored in it. Being on a highly trafficked street, the site offers great visibility to passerby's.

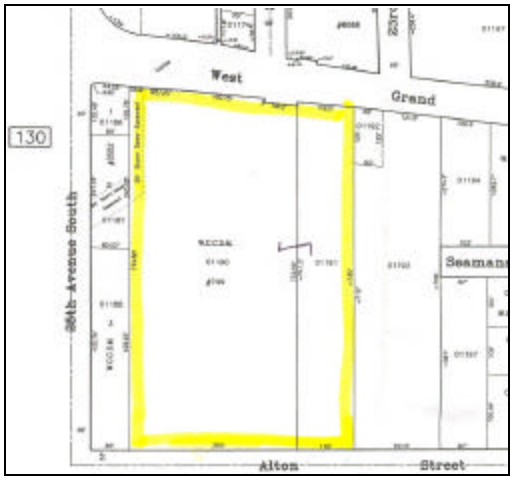
In much of the building, the spaces are fully equipped with open office systems and private offices furniture. The furniture is in excellent condition and suitable for reuse. Other furnished spaces include a conference room and the dining hall.

The possibility of raising the roof in the rear portion was explored as a way to accommodate industrial tenants. Based on the steel structure and the way the building is modularized, we deem it feasible to take the rear portion that was once a bowling alley and raise the roof structure to a clear height of 20'. Loading docks would need to be added as well most likely on the east side of the building. Costs for this identified in the estimate below.

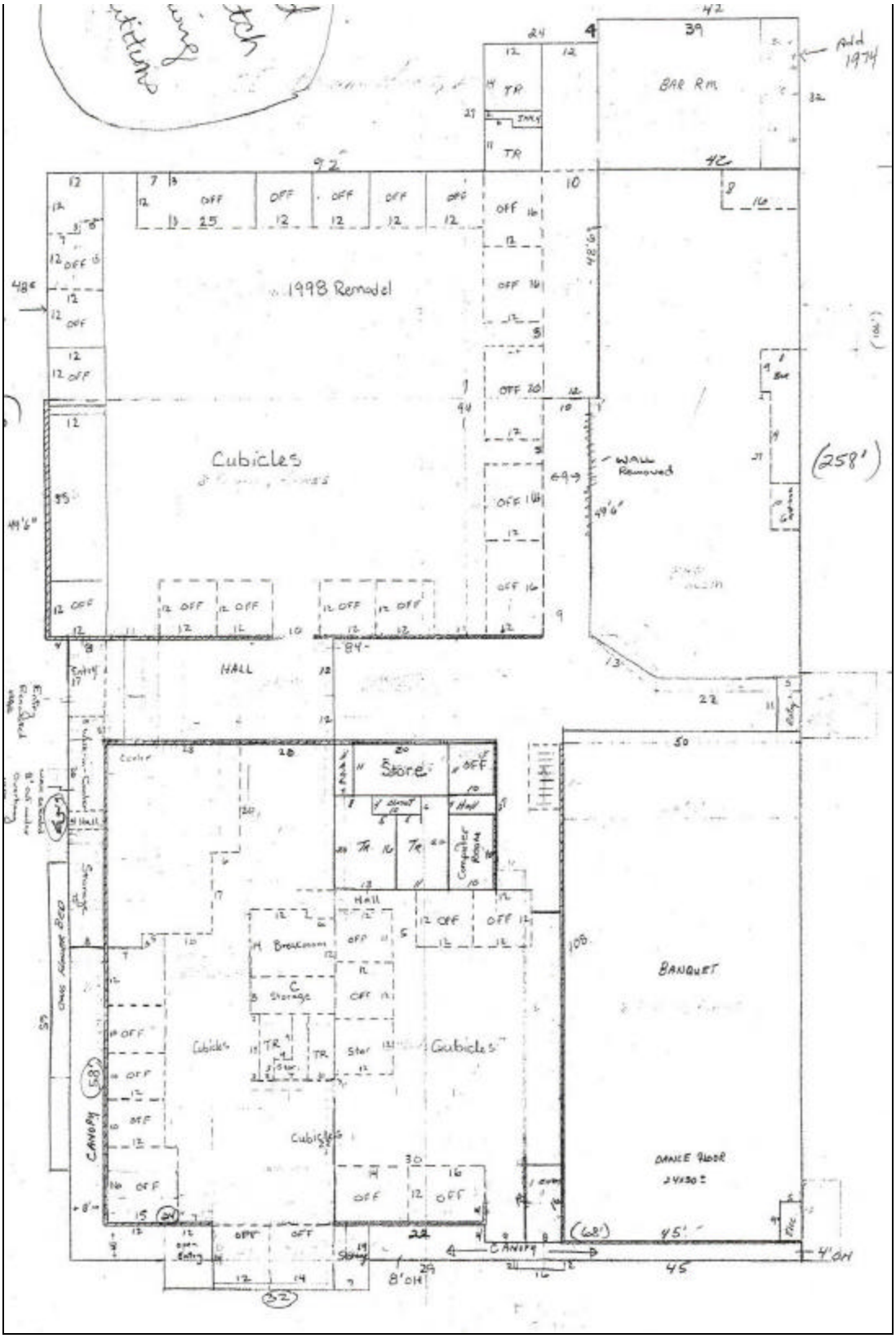
From the tour given by an administrative assistant, the space needs of the building owner continues to shrink and she gave impression that Northland Cranberries would be willing to sell the building and stay as a tenant. As the building is not listed, there is no public price listed.

SITE PARCEL PLAN

The parcel is approximate 710'x 469' and totals 332,990 SF or 7.2 acres. The site stretches between two streets and allows for cross-traffic circulation.



NORTHLAND BUILDING DIAGRAM



NORTHLAND BUILDING PHOTOS

NORTHLAND COSTS

The building has its basic shell in place for offices; the majority of the costs would be on reconfiguring the interiors to meet the needs for future tenants. The renovation costs include an allotment for demolishing unneeded partitions, providing demising walls and "white box" interiors ready for final finishing. While there are many furnishings available for usage or purchase, we assume that some new fixtures such as networks and telephones will need to be purchased

Northland Construction Costs

Purchase price

Renovation Costs	SF	Cost/SF	Total Cost
Office Space Improvements	32,200.00	6	$ 193,200
Industrial Space, Roof Raising	10,000.00	18	$ 180,000
Site Work	Allottment		$ 10,000
Construction Cost	**42,200**		$ 383,200
Contingency		10%	$ 38,320
Total Construction Cost			**$ 421,520**
Soft Costs			
Architect Fees		8%	$ 33,722
Permits		0.4%	$ 1,686
Fixture, Furnishings & Equipment for Organization		5%	$ 21,076
Total Soft Cost			**$ 56,484**
Total Project Cost			**$ 478,004**

PERFORMANCE FIT RECOMMENDATIONS

For office and educational uses, this building fits the performance criteria excellently. A high quality office environment can be provided here with minimal initial outlay. It falls short though for manufacturing, heavy storage or laboratory space as the ceilings are not high enough for these uses. This could be addressed through the raising of the rear roof. One environmental drawback is the lack of many windows on the exterior that could provide some day lighting relief to the tenants. The organization may want to consider punching windows in as part of the initial construction package. The site features sufficient land to provide parking and landscaping amenities.

3. DOMTAR BUILDING, WI Rapids

SUMMARY DESCRIPTION

The building has 10,000 SF and currently functions as a high-tech computer office. The building has one office story and a full basement. The exterior brick and the interiors are in good condition and require little renovation expense. In the central core of the building exists a small kitchen, bathrooms and a main frame computer room.

Along the perimeter are enclosed office spaces each with large windows... Each space faces the exterior of the building. Each room has at least one telephone/data box. Finally the restrooms are in excellent working order and are handicapped accessible.

The basement is currently used as record storage but there is evidence of water flooding, perhaps from river flooding or groundwater seepage.

The location is in a business area with other businesses surrounding it. Its visibility and accessibility is quite desirable.

SITE PARCEL PLAN

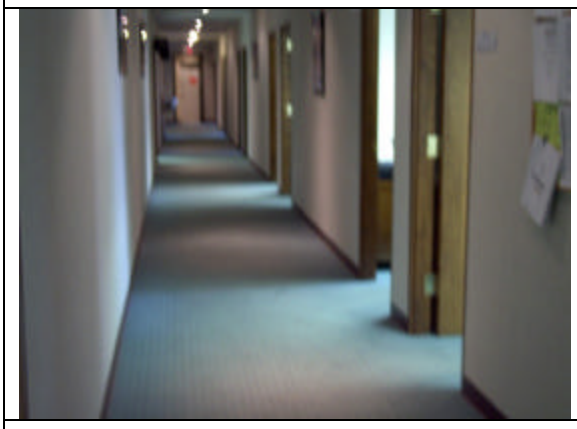
The parcel is approximately

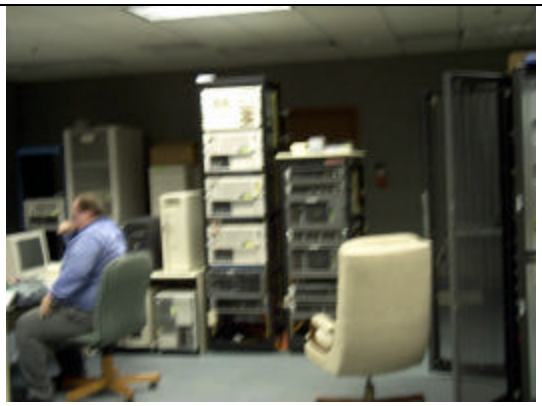
Not found

BUILDING DIAGRAM

Not Found

DOMTAR BUILDING PHOTOS





DOMTAR COSTS

As the building has its basic shell in place for offices, the majority of the costs would be on reconfiguring the interiors to meet the needs for future tenants. The renovation costs include an allotment for demolishing unneeded partitions, providing demising walls and "white box" interiors ready for final finishing. Usage of the basement should be limited to equipment and not archive storage.

Domtar Construction Costs

Purchase price

Renovation Costs	SF	Cost/SF		Total Cost
Office Space White Box	10,000.00	12	$	120,000
Basement Storage Space			$	-
Site Work	Allottment		$	10,000
Construction Cost	**10,000**		$	130,000
Contingency		10%	$	13,000
Total Construction Cost			**$**	**143,000**
Soft Costs				
Architect Fees		10%	$	14,300
Permits		0.4%	$	572
Fixture, Furnishings & Equipment for Organization		4%	$	5,720
Total Soft Cost			**$**	**20,592**
Total Project Cost			**$**	**163,592**

PERFORMANCE FIT RECOMMENDATIONS

This building provides quality office space and possibly education space. It does not provide the other types of tenant space: industrial, storage and laboratory. The small footprint of this building does not make it suitable for the size needs of prospective tenants. At most, three to five businesses could incubate in here and these would be small 2,000 office suites. For any other office type it will require major renovations. The footprint is also hemmed in and there is no room for expansion. Being adjacent to the river makes this building suspect to flooding in the basement as has already happened.

While construction costs are low, the net result will be a very small incubator that is limited in its tenant appeal.

4. L&S ELECTRIC BUILDING. WI Rapids

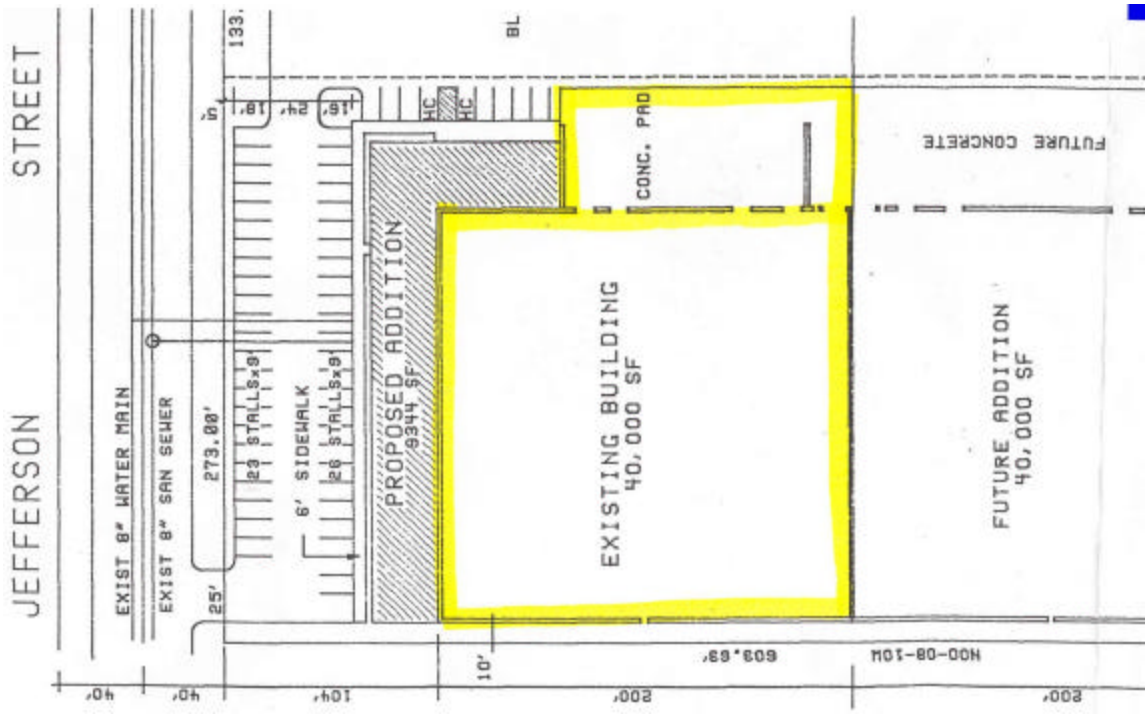
SUMMARY DESCRIPTION

The L&S Electric Building is a metal paneled structure that on the interior is completely open and unfinished. The entire floor is one level with sealed concrete and no other flooring finishes. The ceiling has a height of 24’ and is unfinished and exposes the steel structure. There is industrial high-bay lighting and a heating system zoned for one user currently. On the exterior the building has metal panels and low slope roof typical of pre-engineered buildings

The building lacks any built-out office areas or any entry vestibule or canopy. These items could be built out however within the cavity of the space. The current owners had envisioned an office wing addition on the Jefferson Street side but never built it out. As such its visual appearance is very utilitarian and no sense of entry is apparent.

The lot, located in an industrial park, is very narrow for its size, 273’ x 626, and the current building is 10’ from the one side property line. The facing property line has truck loading paving right up to it. Again, the current owners had envisioned an addition extending the facility into the deeper part of the lot.

BUILDING PLAN DIAGRAMS:



BUILDING & SITE SPECIFICS

1. Office Space: none.
2. Industrial Space: 40,000 SF. 200’ x 200 footprint
3. Site acreage: 3.92 acres
4. Utilities: Municipal fuel heat (gas, oil, wood potential).
5. Parking: 60 cars
6. Power service: 1,200 Amp. 3 phase
7. Loading: 4 truck loading docks plus one overhead door.
8. Fire Protection: entirely sprinkled for fire protection
9. Accessible from major highways
10. Asking price: $1,290,000

L&S ELECTRIC BUILDING PHOTOS

L& ELECTRIC COSTS

This property is only available for sale or leasing and the analysis shows leasehold improvement for both office and industrial space. As this is unfinished industrial space, the office space conversion would be more costly.

L&S Building Costs

Purchase price			$	1,290,000
Renovation Costs	SF	Cost/SF		Total Cost
Office Space White Box	15,000	35	$	525,000
Industrial Space Renovations	25,000	5	$	125,000
Site Work	Allottment		$	50,000
Construction Cost			$	700,000
Contingency		10%	$	70,000
Total Construction Cost			**$**	**770,000**
Soft Costs				
Architect Fees		8%	$	61,600
Permits		0.4%	$	3,080
Fixture, Furnishings & Equipment for Organization		5%	$	38,500
Total Soft Cost			**$**	**103,180**
Total Project Cost			**$**	**873,180**

PERFORMANCE FIT RECOMMENDATIONS

With its high clearance ceilings, level floor, and long clear spans, the building is very conducive to industrial, assembly, laboratory uses. For office usage, the building lacks any built-in features such as entry way and lobby, reception desk, restrooms, break rooms and kitchenettes, meeting rooms and offices. The cost for building these within the larger space or as an addition would be significant as this would require a fire-separation wall of concrete extending up to the roof, a separate HVAC system, separate power and all the interior build-out costs.

The site is narrow and does not lend itself to having parking on three sides of the building as the loading area blocks car travel around the structure. Thus parking may be limited to the 60 stalls currently on site.

Aesthetically, the building is very industrial and non-descript. Any attempt at creating a corporate image or presence would require alterations to the exterior such as signage, canopies, colors and landscaping.

5. EXPEDEX, WI Rapids

SUMMARY DESCRIPTION

The Expedex building was built in 1995 as a shipping facility as part of a 10 year lease. The building is divided into three distinct parts: a 40,000 industrial bay with 24' clear height ceilings, a 7,000 SF enclosed loading dock that allows trucks to park inside, and 7,000 SF office space with 9' high drop down ceiling. The building is a steel structure with metal paneled walls and a low-slope roof.

The office area is complete with entry vestibule, 8 private offices, an open office are for 15 workstations, conference room, equipment storage, kitchenette/break room and restrooms. The office has the required fire separation from the industrial bay along with a few connecting doors.

The industrial bay is unfinished, exposed to the structure and has concrete floors. The Loading Dock area is similar but intended to be exposed to outside temperatures. Both areas have high-bay industrial lighting

The site is in an industrial park and has parking in the front with the loading docks facing the street. There is parking for 60 cars.

BUILDING PLAN DIAGRAMS:

Waiting for constructor to forward plans

BUILDING & SITE SPECIFICS

1. Office Space: 7,000 SF.
2. Industrial Space: 40,000 SF.
3. Site acreage: not known, but appears to be at least 4 acres.
4. Utilities: standard for industrial park setting.
5. Parking: 60 cars.
6. Power service: Not known.
7. Overhead conveyance: not known.
8. Loading: 4 truck loading docks.
9. Fire Protection: not determined but building was code compliant for 1995.
10. Accessible from major highways

EXPEDEX BUILDING PHOTOS

EXPEDEX COSTS

This property is only available for leasing and the analysis shows leasehold improvement costs for 40,000 SF. Given this is unfinished industrial space, any conversion of use would require finishing out the spaces with office space being the most costly.

Expedex Building Costs

Purchase price			Not listed	
Renovation Costs	SF	Cost/SF		Total Cost
Office Space White Box	7,000.00	10	$	70,000
Industrial Space Renovations	40,000.00	5	$	200,000
Site Work	Allottment		$	50,000
Construction Cost			$	320,000
Contingency		10%	$	32,000
Total Construction Cost			**$**	**352,000**
Soft Costs				
Architect Fees		8%	$	28,160
Permits		0.4%	$	1,408
Fixture, Furnishings & Equipment for Organization		5%	$	17,600
Total Soft Cost			**$**	**47,168**
Total Project Cost			**$**	**399,168**

PERFORMANCE FIT RECOMMENDATIONS

The building meets the incubator performance criteria in many ways: it has both industrial and office space, the office area has a distinct entry and vestibule, it has varied ceiling heights, there is a covered loading dock, it is set in an industrial park with utilities. The office space could be converted to a multi-tenant office space through minimal reconfiguration of the space. Many of the rooms could be reused for common facilities or for smaller companies. Moreover, there is an existing restroom that is specific for the office areas.

A few negatives on the space are that the 7,000 SF of office space is short of the 15,000 SF desired. More office space could be provided through an addition to the building. Any conversion of the industrial bay to office space would require a concrete block fire-separation wall extending up to the roof.

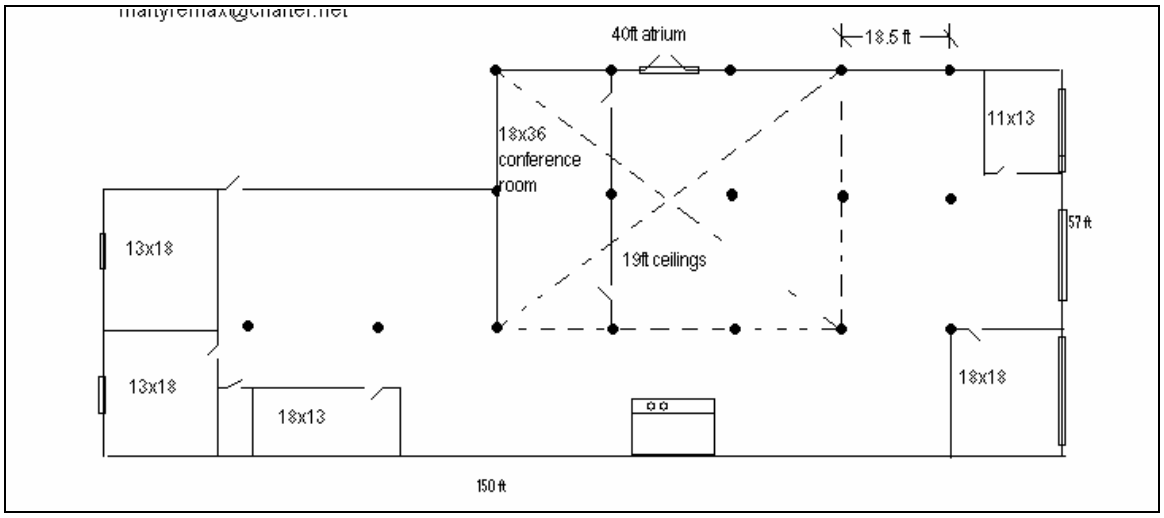
6. 320 W. GRAND AVENUE, WI Rapids

SUMMARY DESCRIPTION

Located in the central business district of Wisconsin Rapids the site offers the potential to have retail oriented incubator businesses along with professional and service oriented businesses. The building is a 1910 structure originally designed as a department store and contain three floors with the first floor ceiling being 19'. From the center entry doorways, there is a tall corridor leading to a central atrium that reaches up the three flights.

The site only offers the potential to be leased in portions and currently there are two suites available. The first suite is on the first floor and has 7,500 SF of office space where the two shorter end have windows facing the exterior. Until recently it was used as offices for Stora Enso and still has four offices and conference room in it. The main part of the space is open office area along with a 19' high ceiling area off the main entrance. The second available suite is on the third floor and contains 2,800 SF. Laid out as a training facility, it has two large classrooms room, a large break room and some smaller offices. Throughout both suites and in the common areas, there is high quality woodwork, hardware, lighting fixtures and carpeting that lend itself to a professional or retail character. The entire building is wired for cat 5 network wiring.

BUILDING PLAN DIAGRAMS:



BUILDING & SITE SPECIFICS

1. Office Space: 10,300
2. Industrial Space: None.
3. Site acreage: not applicable.
4. Utilities: standard city business district.
5. Parking: 80 cars with more accessible in lots and streets.
6. Power service: standard office systems.
7. Overhead conveyance: none.
8. Loading: none.
9. Fire Protection: entirely sprinkled for fire protection
10. Accessibility: in central business district.

320 W. GRAND BUILDING PHOTOS

320 W. GRAND COSTS

This property is only available for leasing and the analysis shows leasehold improvement costs for the 10,300 available.

320 W. Grand Improvements Costs

Purchase price			Not applicable	
Renovation Costs	SF	Cost/SF		Total Cost
Office Space White Box	10,300	15	$	154,500
Industrial Space Renovations			$	-
Site Work	None			
Construction Cost			$	154,500
Contingency		10%	$	15,450
Total Construction Cost			**$**	**169,950**
Soft Costs				
Architect Fees		8%	$	13,596
Permits		0.4%	$	680
Fixture, Furnishings & Equipment for Organization		5%	$	8,498
Total Soft Cost			**$**	**22,773**
Total Project Cost			**$**	**192,723**

PERFORMANCE FIT RECOMMENDATIONS

While this building option provides for retail, professional and educational spaces, it does not provide for any industrial spaces. The amount of office space available is though what is targeted for in the Space Needs Table listed prior, if we take out the Heart of Wisconsin offices from the tabulation.

As a retail/office incubator space, it is highly conducive to foot traffic, other shoppers in the CBD and business to business transactions. The building character is highly recognizable and conducive to corporate identity branding. The quality of the interior environments is good and meets the performance criteria.

This option would be only considered if the Heart of Wisconsin wishes to create a virtual or split location Incubator.

SUMMARY & RECOMMENDATIONS

Based on these candidate sites, the Northland facility ranked highest in meeting the performance criteria for the Incubator. It does this in terms of meeting the needed square feet, offering quality office and educational space, containing many support facilities in place that can be commonly used by the tenants, having a structure and exterior that is in good order and by having many furnishings and fixtures readily available. The costs for converting this space is also the lowest compared to the other candidate sites.

A summary of these sites' performance fit and ranking is listed below:

Candidate Site Selection Matrix

Rating 1-5, 5 being most beneficial

	1	2	3	4	5	6
Criteria	**RCH**	**Northland**	**Domtar**	**L&S**	**Expedex**	**320 Grand**
Selling Price	n/a			$ 1,290,000		n/a
Lease SF costs triple net				$ 2.83		
Renov./Improvement Project Costs	$ 740,252	$ 478,004	$ 163,593	$ 873,180	$ 399,168	$ 192,723
Lease SF Size	40,000	32,200	10,000	40,000	47,000	10,300
Renov. Costs/Lease SF	$ 18.51	$ 14.84	$ 16.36	$ 21.83	$ 8.49	$ 18.71
			Performance Criteria Rating			
Size Fit	5	5	2	5	5	2
Office Space Quality	4	5	5	1	5	5
Industrial Space Quality	5	3	0	5	5	1
Parking lot size	5	5	3	2	4	3
Loading & Conveyance	5	1	1	4	4	1
Accessibility to Highways	4	5	4	4	4	4
Appearance, Landscaping	2	5	5	2	3	5
Expandability	5	3	1	3	3	1
Cost Efficiency	3	4	4	2	5	2
Total Rating	**38**	**36**	**25**	**28**	**38**	**24**

Notes:
Northland building costs involving raising the roof in the rear portion.
L&S costs involve building an office space within the footprint.

Based on this numerical ranking, both the RCH and the Expedex site rate as the best candidate incubator sites for Heart of Wisconsin. The RCH offers extensive amount of space, types of space, clearance height, conveyance and rail connections. Moreover, RCH has a management that supports and works with growing businesses. The one drawback would be the creation of quality, A type office space for professional services would require more build out costs than the Expedex build out.

The Expedex building is built-out and configured already to much of the performance criteria and requires the least amount of cost per leased square foot.

For a stand alone incubator facility, the Expedex site offers the best choice as it could provide for many tenant types all in one site plus have the Heart of Wisconsin offices located there.