COMMUNITY AND ECONOMIC DEVELOPMENT ASSOCIATES (CEDA)

BUSINESS INCUBATION PROGRAMS UTILIZING EXISTING RENTAL PROPERTIES

STEWARTVILLE, MN CASE STUDY

PRESENTED & PREPARED BY:
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INTRODUCTIONS:

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DIRECTOR OF MARKETING, CEDA
ECONOMIC DEVELOPMENT DIRECTOR, CITY OF STEWARTVILLE

CRIS GASTNER
SENIOR VICE PRESIDENT, CEDA
CEDA History

CEDA's corporate mission focuses on the strategic growth and success of small, rural communities. The organization is passionate about helping small communities be proactive about development.

**CEDA FACTS:**

- Founded in 1986
- Initially focused almost exclusively in grant writing
- 501(c)(3) Nonprofit
- Services provided at or below cost
- Operating budget is funded by community support program and donations from investing partners
- No Geographic Boundaries
- Receives no State or Federal funding
CEDA Communities
BUSINESS INCUBATION UTILIZING EXISTING RENTAL PROPERTIES

BACKGROUND AND RESEARCH

PROGRAM DETAILS

PROGRAM OUTLOOK

EDAM 2018
What Does Success Mean to Your Community?

**Why Does Business Incubation Matter?**

- Often Affiliated with Increased Entrepreneurship
- New Businesses Often Need Help
- Shared Resources Can Offset Costs
- Consulting/Business Assistance
- Acceptance into Incubator can Insinuate Legitimacy
- ~52% of Businesses Home Based (SBA)
- ~50% of Businesses Will Survive 5 Years (Bureau of Labor Statistics)
- First Year of Business is Especially Volatile

EDAM 2018
Business Incubation Research

The City of Stewartville conducted research for nearly 2 years on the feasibility of a business incubation concept in the City.

**WHAT DID THEY FIND?**

- Recruitment of Businesses is Time Consuming
- Many do Month-to-Month Leases (Flexibility)
- 24-Hour Access is Suggested by Many
- Office Support is Time Consuming
- Education and Assistance Is Needed for Start Ups
- High-Speed Internet is very Important
- Partnerships Can Help- e.g. Free/Discounted Copy Machines or Internet for Sponsorship Recognition
- ACH for Rent Payments is Crucial
- There Can Be a Need for Private Spaces/Offices
- Sense of Community is Key
Costs Associated with Building Construction or Purchase

In the research process, costs associated with ownership included the following considerations.

**COST CONSIDERATIONS**

- Land Cost
- Building/Construction Cost
- Furnishing and Equipment
- Maintenance
- Insurance
- Utilities
- Telecommunications Services
- Marketing/Recruitment
- Education and Training
- Staff/Property Management Cost
Best Practices Visits
What are they?
Why are they impactful?

BACKGROUND AND RESEARCH

I ❤ Fargo
WHAT MAKES THIS PROGRAM SPECIAL?
Program Funding and Partnerships

Partnerships helped to create, fund and substantiate the program.

WHO ARE THEY?

- **Stewartville EDA** - $30,000 + Staff Time/Resources
- **Southern MN Initiative Foundation** - $9,000
- **Community and Economic Development Associates** - Business Education ($6,000 Value)
- **Local Chamber of Commerce** - Education Marketing
- **Regional Small Business Development Center** - Small Business Counseling and Resources
Program Components

This 18-month program capitalizes on the assets and priorities of the City of Stewartville.

WHAT ARE THEY?

- No Designated Space to Maintain
- Promoted Mixed Use Support
- Quarterly Financial Check-Ins
- Presentation at Public EDA meeting after 1 Year
- Rental Assistance at Decreasing Rates for 18 Months
- Business Education in Core Competencies
WHAT DOES RENTAL ASSISTANCE DO?

1. Months 1-6: 50% subsidy or $830/month maximum
2. Months 7-12: 33% subsidy or $560/month maximum
3. Months 13-18: 17% subsidy or $275/month maximum

- Promotes Mixed Uses
- Fills Vacant Structures
- Creates Ability to Utilize Services from Local Businesses
FILL EXISTING PROPERTIES

100 2nd Street SE
$9/sf + CAM

100 2nd Street SE
$9/sf + CAM

100 2nd Street SE
$9/sf + CAM

411 S Main Street
$175,000

411 S Main Street
$175,000

411 S Main Street
$175,000

507 S Main Street
$147,800

507 S Main Street
$147,800

507 S Main Street
$147,800

SO FT
975-3000

SO FT
2006 sf, Lot Size .5 acres

SO FT
39,800 SF (105 x 379)

STYLE
Commercial Building

STYLE
Commercial Lot for Lease

STYLE
Commercial Lot for Sale

STYLE
Commercial Land

STYLE
Property for Sale
WHAT DOES BUSINESS EDUCATION TEACH?

1. Business Planning and Financial Projections (Prerequisite)
2. Market Research
3. Pricing and Inventory
4. Marketing Strategies
5. Customer Service and Business Etiquette
6. Online Marketing—Websites and Social Media
7. Basic Bookkeeping
8. Legal Considerations for Small Businesses
HOW ARE APPLICANTS EVALUATED?

1. Demonstrated Financial Sustainability
2. Inclusion of Operating Capital
3. Protection of Investment Through Appropriate Insurance(s)
4. Reasonable Hours of Operation
5. Secured Financing
6. Acquisition of Appropriate Licences and/or Permits
7. Thoughtful Market Analysis
8. Owner Equity Infusion
OUR FIRST TENANTS
Our team has been humbled by the tremendous support we have received from the City of Stewartville. We have received education and funding which helps at a business level, but also gives us encouragement and great motivation to serve this great town. We are excited to offer our members and prospects a store-front in the community where we both live, where we both worship, and where each of our kids go to school. The community members and its elected leaders have given us a great head start on that dream, and for that, we are extremely grateful.

By having extra financial support at the opening of our business, we have more flexibility with our marketing dollars as well as additional money to be put toward community impact projects. Growing a business takes time, but this program has allowed us to accelerate the timeline in reaching our goals.

-Nick Johnson, Thrivent Financial, Stewartville, MN
Continuous Improvement

The program will undergo reevaluation on a regular basis to ensure maximum effectiveness.

CHALLENGES AND OPPORTUNITIES:

- Education Resistance
- Relationship Building
- Guideline Definitions (e.g. "open" or "new")
- Marketing to Correct Audiences
**Significant Takeaways**

**DEFINE SUCCESS FOR YOU**
- Determine your community's unique priorities, assets and opportunities.

**LEARN FROM OTHERS**
- Understand that you can shape other programs, guidelines and ideas to fit your needs.

**BE WILLING TO ADAPT**
- Constantly reevaluate and adapt ideas. This can be based on challenges, feedback and experiences.
QUESTIONS?

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