PATTERN FOR PROGRESS
2009 / 2010 FELLOWS PROGRAM

INCUBATOR STUDY

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FELLOWS PROGAM INCUBATOR REPORT

A. Executive Summary

New York faces a range of serious challenges that it must address if it is not to continue losing ground to competing states and overseas locations. It is the 49th most expensive state in the Union in which to do business and its state government seems unable to transcend partisan politics in favor of the general interest. The trend shows that the Hudson Valley is losing ground in job creation in those economic sectors that will support jobs paying an above-median annual wage of $56,500.

The Hudson Valley forms the umbilical cord linking New York City and Albany, both with two key economic focal points. It has vast potential and it is at serious risk of becoming the disadvantaged step-child unless it takes aggressive steps to capitalize on its potential. In the immediate term no material assistance will likely be forthcoming from Albany to assist in this and the current global economic situation raises the level of challenge.

In view of this a small group of Pattern for Progress 2009/2010 Fellows has undertaken to examine one aspect of economic development and the role that incubators can play in sustainable job creation. We conclude that there is a role for additional incubator initiatives and that Pattern for Progress could take the lead in moving forward the ideas expressed in this report. We do not believe that the free market, left to its own devices, is capable of delivering the sort of solutions the Hudson Valley needs in any sort of acceptable time frame.

B. Overview

The United States is facing an employment crisis. By a series of measures, including work force quality, economic, immigration and infrastructure policies, the Boston Consulting Group says the U.S. is falling behind in innovation. The Manhattan Institute claims that New York has lost over 1.5 million residents in the period 2000 through 2008. It notes, however, that new residents continue to arrive albeit with a lower income profile and the US Census projects that there has been a slight increase in population (2.98%) and jobs (5.13%).

The situation in relation to job losses and gains across all sectors of economic activity is mixed. According to the NYS Department of Labor (NYS DoL), at the headline level reporting units have increased from 67,081 in 2000 to 73,783 in 2008 and average wages have increased over the same period from $39,464 to $51,996. Both statistics are encouraging. However, at a more granular level both reporting units, i.e. firms, and jobs, are being lost in sectors that traditionally pay a higher wage and employ more people, such as manufacturing. The causes of these losses range from efficiency improvements to competition from lower cost locales in the U.S. and overseas.

By way of example, according to the NYS DoL, in the Manufacturing sector in the Hudson Valley, average employment declined from 65,192 in 2000 to 56,367 in 2008, whilst in the information sector the respective numbers were 27,752 and 20,970. Perhaps paradoxically, average wages in these sectors increased by 39% in Manufacturing and by 18% in the Information sector. The causes are many and the current economic climate has exacerbated the situation. Continued lack of employment opportunities and further job losses are likely given New York's position at 49th on the Tax Foundation's state business tax climate index (New Jersey being 50th). The gravity of the situation is compounded by the prospect of substantial multi-year budget deficits and a grid-locked state government.

Over time, much research has been done on the subject of job retention and stimulating growth in the state. In January of this year, the Public Policy Institute published a report on innovation, *"Transcending the Hamster Cage, Unfettering New York's Static Innovation Economy."* The document lays out seven essential innovation themes and offers a series of recommendations. To be adopted and become effective, a raft of actions will be necessary by state government. Therein lies a serious challenge to implementation.

Given that government, due to its current gridlock, is likely to be of limited help, a group of Pattern for Progress Fellows with an interest in the long-term economic viability of the Hudson Valley (HV) region undertook to explore what initiatives might be appropriate to stimulate sustainable business growth and employment in the area. Since time and resources were limited, the scope of the inquiry was focused on New York and on the role that incubators could play in job creation.

New York has a long history in the field and business incubators are spread around the state with concentrations in New York City and the Capital Region. There are two facilities in the HV. Some of the initiatives are successful and others less so. Accordingly, the focus of the group was to visit a small sampling of incubators in the area with a view to establishing what services they offered and what it was that distinguished the more successful ventures. The group also sought input from participants in the economic development field in order to obtain differing perspectives on the subject. The intent being to arrive at some preliminary conclusions that could inform a potential involvement in either an existing or a new incubator that would add to the economic development resources in the region.

In order to establish some benchmarks against which to evaluate the facilities visited, criteria from the National Business Incubation Association (NBIA) were adopted. Their definition of an incubator states: *"A business incubator is a comprehensive business-assistance program targeted to help start-up and early-stage firms, with the goal of improving their chances to grow into healthy, sustainable companies."*

Pursuant to this, the NBIA has identified three characteristics that distinguish a business incubator:

1. A mission to provide business assistance to early-stage companies
2. Staff who deliver and coordinate business assistance to client companies
3. Designed to lead its companies to self-sufficiency

Research indicates that many of the incubators focus on technology and other types of activity that could be described as employing significant amounts of intellectual capital. While this has the benefit of generating jobs with high wage levels, there may be limited spin-off in terms of creating larger numbers of jobs with more modest wages. The challenge, therefore, is to establish a form of incubator model that will graduate companies that will create significant numbers of jobs coupled with a sustainable living wage.

To better understand the ramifications of this we have analyzed the NYS DoL statistics for job losses and gains by reference to the recent HUD figures for median income, which, for the HV, equates to $56,500 annually. There are approximately 100 different industry classifications that embrace all forms of economic activity and losses and gains are spread across all sectors. However, in the period 2000 to 2008 there were a total 14,946 job losses reported by 29 reporting units in the income bracket below the median as opposed to 24,181 losses from 17 units in the above-median group.

On the job gains side, over the same period, 52,800 jobs were generated by 35 units in the below median income bracket and 29,886 jobs were generated by 12 units in the above median bracket.

We are cautious in drawing definitive conclusions from this but it would tend to indicate that conditions in NY are such that it has difficulty in holding existing and generating new jobs at wage levels above the median income. We would note that of the jobs created in the above-median category some 44% were in government and none were in the manufacturing sectors.

C. Market Segmentation

Business incubation in New York started in 1959 with the Batavia Industrial Center in Batavia (upstate western NY). From this humble beginning incubation has developed into a major economic development tool in the state. There are said to be over 5,000 programs in more then 100 countries.

Initially the concept of incubation was based largely upon providing low-cost real estate to entrepreneurs. However, the industry has developed and matured in a number of ways to respond to changing economic conditions. It is now seen as needing to provide effective program management and delivery of support services. Although not widely accepted by those in the industry, incubation facilities may be broadly characterized as either an incubator, an accelerator or a virtual incubator. The latter may well operate as an adjunct to the first two facilities.

An accelerator may be thought of as a late-stage incubator with the capacity to serve businesses that are further along in development and better able to meet the demands of the commercial marketplace. A virtual incubator will usually lack a focal point in terms of real estate and may be conceived of more in terms of a support network. In a number of cases incubators and accelerators offer support and mentoring services to off-site companies and therefore also operate as virtual incubators.

The most recent development has been the emergence of the international business incubator. This follows the format of a "traditional" incubator but serves foreign companies wishing to enter the US marketplace. The support and mentoring services offered reflect the fact that language, cultural and regulatory/tax inputs may be necessary.

At the heart of innovation lies the capacity to create in an appropriate environment and therefore there is no "standard" template for an incubator. Some serve single industries while others cross industry lines as a matter of policy. In 2008 a report prepared for BIANYS indicated that in New York some 47% of the industry was mixed use in nature with a further 37% devoted to technology. Manufacturing, services and other sectors contributed the remaining 16%.

D. Hudson Valley Statistics

According to Empire State Development, there are approximately 80 technology incubators or co-location facilities in New York State. In the Hudson Valley there are two incubators: the Orange County Accelerator and the Hudson Valley Center for Innovation. The Orange County Accelerator is six months old and has at least three on-site companies and two affiliates. The Hudson Valley Center for Innovation has been around for approximately four years. While it lost its funding stream from Ulster County in 2008 and its location in 2009, it has recently received a NYSERDA grant. There are also remnants of an incubator run by SUNY Ulster.

The following is a quick look at statistics for three of the counties in the Hudson Valley:

	2000 Population	2009 Population	2000 Income	2008 Income	Mean travel time	Private nonfarm establishments, 2007	Private nonfarm employment, 2007	Private nonfarm employment, percent change 2000-2007	Unemployment March 2010*
Dutchess County	280,967	293,562	$53,086	$68,752	29.8	7,746	98,783	8.50%	7.70%
Orange County	343,119	383,532	$52,058	$70,345	32.5	9,441	106,974	13.80%	8.10%
Ulster County	177,881	181,440	$42,551	$54,338	26.9	4,862	47,883	4.70%	8.00%

* *USA unemployment for March 2010 10.2%

The major growth sectors for jobs in the Hudson Valley are educational services, healthcare and social assistance, arts, entertainment and recreation, accommodations and food service, and local government (state and federal jobs have declined). In the manufacturing sector, food manufacturing has bucked the trend and is on the rise.

The region is very close to the major metropolitan center, New York City. The New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area (CSA) has an estimated population of 21,858,830 (as of 2004). About one out of every fourteen Americans resides in this metropolitan area.

The size of this attractive market is counterbalanced by high taxes and complex regulations. The US Census reported that 69% of new employer establishments created in 2000 survived at least two years and 51% survived five or more years. Small businesses account for over half of US employment. Small business represents 99.7% of all employer firms, have generated 64% of net new jobs over the past 15 years, and hire 40% of high tech workers (US Department of Commerce, Bureau of Census and International Trade). What is most critical to innovation is that small business produces thirteen times more patents per employee than large patenting firms with these patents twice as likely to be among the 1% cited.

The NYS DoL job projections continue to show a decline in manufacturing and a growth in service sector jobs. Given the importance of small business and the manufacturing and information sectors in particular, it is critical for start-ups and new ventures in these sectors to ramp up quickly and set up good policies and procedures that will help them to navigate the New York market.

E. Incubator History and Statistics

Incubator industry and outlook.

Business incubators are used to alleviate the high failure rate of business start-ups. Failures can be attributed to:

- undercapitalization
- lack of entrepreneurial management skills
- lack of flexible low-cost space
- lack of advisory services

MIT research indicated that 66% of new jobs created between 1969-1976 came from firms with twenty or fewer employees and 80% were created by firms with fewer than 100 employees.

There were three historical roots from US business incubator development:

- efforts to develop inner-city blighted areas growing to encompass other distressed communities
- an experiment by the National Science Foundation to foster entrepreneurship and innovation at major universities
- Initiatives of individual entrepreneurs and investors seeking to transfer their experience

Many early programs were started in old, single-purpose manufacturing plants. By the mid-1980s, incubator developers were warning that these white elephants often contained environmental hazards, were too large, had uncontrollable utility costs, or

were otherwise unprofitable to operate as incubator facilities. It also became clear that a real estate facility does not an incubator make. Rather, the business incubation process is the critical determinant.

NBIA found that companies usually stay in an incubation program for two to three years. At least two incubators in and around New York City have shorter programs from six months to 18 months. Incubators must expel recalcitrant clients - those that don't achieve benchmarks or who fail to thrive or meet other graduation criteria.

Incubator services may include:

- Reception
- Telephone answering
- clerical help
- conference rooms
- computer labs
- contacts with potential funding sources
- support from accountants and attorneys (reliable and low-cost)
- CEO clubs and mentors
- intellectual property management
- product design assistance
- regulatory compliance help

A general profile of an incubator client would be a student or professor seeking to capitalize on an idea, a subject matter expert seeking to capitalize on their expertise, an entrepreneur with a solid business plan, 20-40 year olds exiting the State, New York City business people with second homes.

F. Commentary Upon Facilities

Members of the group visited the under noted incubator facilities in the HV and New York City:

160 Varick Street, NYC

Hudson Valley Center for Innovation (HVCFI)

Hudson Valley Technology Development Center, Inc. (HVTDC)

Orange County Business Accelerator (OCBA)

Additionally we visited the Beahive facility in Kingston. Although not strictly an incubator it seeks to meet a need in the area of job creation.

Set out in Appendix A hereto are the call reports generated from these visits.

In summary, 160 Varick and HVTDC appear successful. HVCFI has undergone some changes in its modus operandi and time will tell whether the new direction is successful. OCBA is a new venture and the indications look promising.

The Rensselaer Incubation Program promoted by the Rensselaer Polytechnic Institute (RPI) was commenced in 1980 but ceased operations recently. Despite an apparently successful initiative RPI terminated the program. We have been unable to establish contact with RPI to discuss the program but understand that it may not have been cost-effective. Reports from people aware of the situation, suggest that deterioration of the building and a change in RPI leadership and strategy were at the root of the decision to close. Additionally, it utilized space needed for other academic programs.

G. Products and Services

In general, there are certain core products and services which are being supplied by successful incubators and which seem to establish the "minimum standard" which would be needed in such a facility:

Facilities:

- Facility should provide for physical tenants and virtual tenants;
- Secure office access 24/7
- Flexible space should be available:
    - Virtual offices (lowest rental tier)
    - Shared, furnished office space (mid-rent tier)
    - Larger, furnished private offices (highest rental tier)
- Shared conference room(s) with media equipment
- If possible a video conferencing area should be available
- Standard office resources: high-speed Internet, phone, mail, fax, printers, copiers
- Staff Common Areas: Kitchen, dining area, lounge, etc.

Administrative Services:

- Office Manager to coordinate facilities and tenant services
- Receptionist to meet and greet visitors

Business Services

- Businesses will be assisted with:
    - Product development
    - Operations
    - Marketing
- Assistance with IP protection should be provided
- Access to talented tech and management student interns
- Regular and frequent reviews of tenant progress by Incubator management.

- Legal consulting services available:
    - Business startup
    - Employment agreements
    - Sales contracts

- Opportunities provided for business entrepreneurs to interface with each other
- Business Development Program--seasoned business veterans work closely with startups during the critical early growth phase.
- Financial Advising Services - preparing entrepreneurs to successfully raise outside investment, including a capital strategy, strong business plan and investor presentation.
- "Step out program" will be provided to ease the transition of each business from the incubator to independent status;

General Guidelines:

- Businesses sign short term leases – e.g. 6 mos. at a time, maximum of 18 months;
- A committee should be established to review applications for admission and select the businesses
- Business should be tracked against a 24-month Business Plan that they're required to submit with their application;
- The incubator Coordinator provides the coaching and is someone out in the community

H. Organization and Management

Based upon our review of several incubators and accelerators there needs to be a strong personality at the top level of management to ensure any success. The management team should include member(s) possessing the following qualities:

1. Knowledge of the region - The management team for any incubator must have a clear understanding of; a) the business climate of the region b) the strengths and weaknesses of the region as it relates to business development c) the resources available in the region to help both the incubator and the tenants succeed. The business plan for any new incubator should be therefore be tailored to promote and assist businesses to succeed in the business environment of the particular region in which they are operating.

2. Prior business experience - The management team should include at least one member with hands on experience in developing successful businesses. This experience will help management counsel tenants in developing and implementing a business plan and avoiding pitfalls experienced in typical new business ventures.

3. Ability to identify potential funding sources - The management team must include at least one member with the ability to identify sources of financing/grants to fund the start up of the incubator. The successful incubators identified in this report received seed money from various sources to finance the startup. i.e. NY University funding for 160 Varick Street, NYSERDA for the Tech Garden, and Orange County IDA for Orange County Business Accelerator. Once the incubator is successfully up and running the effort to secure new funding sources for both the incubator itself and the incubator's tenants will need to continue to ensure ongoing success of the incubator.

4. Ability to promote - It is important to have members of the management team out in the public eye promoting the incubator and its tenants, identifying and pursuing funding sources, attracting tenants, recruiting support from the local business and development community and most importantly making sure that everyone in the region is aware of all success stories in generating tax paying, job creating businesses helped by the incubator.

5. Set realistic goals - The management team must understand that there will be more failures than successes and the management plan should be continually be reviewed and revised as necessary to learn from the failures and build on the successes.

6. Identify potential for strategic alliances - The management team should continually seek to develop relationships and alliances with local universities, mentor programs, local chambers, think tanks, Angel networks, etc. This effort will help to insure that any incubator continues to take the pulse of the region and also incorporate new and innovative ideas to assist in the development of new businesses.

7. Understand that it is important to be selective - The success or failure of any incubator will be directly tied to the success or failure of the tenants therefore the management team must select tenants that are viable enterprises. The management team of the incubator must think like venture capitalists as they screen and select tenants based on a number of basic criteria such as:

    - Business concept
    - Commitment, passion, and skills of the entrepreneur
    - Quality of overall management team or likelihood that a high-quality team can be assembled
    - Attractiveness of the business concept to financiers
    - The degree to which the intellectual property or unique business idea can be protected
    - Size of the market
    - Manageability of risk

8. Monitor and Mentor - Once the management team has chosen a tenant it must monitor and track the progress of each individual tenant to make sure that they have a business plan (24 month), are following that plan and are updating that plan based upon actual experience. Additionally the management team must take an active role in mentoring each tenant in areas such as; product development, operation, marketing, etc. Just as important is having partnerships with established entrepreneurs to serve as additional mentors.

9. Understand how to graduate companies - All members of management team must from the very onset be prepared to guide tenants through the growing process with the understanding that the goal is for the business to become self sustaining and LEAVE after becoming successful.

10. Understand the importance retaining links - a management team must encourage any successful tenant in effect "pay it forward" by contributing time and finances to ensure continued viability of the incubator and the success of future tenants.

I. Financial Considerations

In the tech-bubble era of the 1990s there was a rapid rise in for-profit incubators funded by private sources but this support has fallen away leaving about 80% of the industry with public-sector leadership in New York. This track record questions the viability of privately funded incubators; it indicates that without public sector backing a sustainable self-supporting industry is not a practical proposition. Support for this industry then becomes a matter of public policy.

Funding falls in to two categories – that needed for start-up and that needed to sustain operations once established.

The NBIA recognizes three types of for-profit incubators:

1. Anticipates a return on investment from rents and service fees
2. Seeks return on equity holdings in start-up companies
3. Corporate incubators seek benefits primarily from spinning out technologies or acquiring new technologies that promise incremental or radical innovations with a strategic fit for the corporation

A characteristic of US incubators, relative to non-US incubators, is their high level of reliance on their own sources of revenues. Lacking in most cases significant sources of subsidy, US incubators are often lean in staffing and resources. They have an average of 3 staff per incubator compared to 8 for the business innovation centers (BICs) that are members of the European Business and Innovation Centre Network.

This need to be highly reliant on self-generated revenues also means that a significant number of US incubators face constant funding challenges. In some cases, this

impacts program quality. Rural incubators in particular tend to be smaller and have poorly paid management. The weakest of these incubators actually consume greater subsidies from poorer communities due to their poor design and inadequate management.

J. Conclusions and Recommendations

From our preliminary work it is clear to us that the Hudson Valley faces a number of challenges in the need to develop a coherent job creation strategy. Part of the issue is the need to bring all the different economic development initiatives into some sort of alignment. There are too many different agencies competing for resources and this leads to overlap, diffusion of effort, lost opportunity and waste. We accept that resolving this issue will involve strong leadership and may not be practical in any sort of reasonable time frame since it will likely require political initiatives at the local, county and state level.

That said, we believe that there is scope to move forward constructively in this area. The existing incubation/acceleration facilities meet a variety of needs but there is scope for more to be done.

We do not subscribe to the view that there is a standard form of template for a successful incubation project (for present purposes we use incubator and accelerator interchangeably). Rather we believe that flexibility is required since, essentially, one is seeking to operate at the cutting edge and a "standard" approach to incubation will likely foreclose as many possibilities as it engenders.

Nevertheless there are a number of characteristics that a successful incubation project should embrace. We note them below:

1. The requirement for a permanent location
2. Strong entrepreneurial leadership and competent management
3. Leadership and management must embrace best practices
4. Provision of extensive support and mentoring services
5. A rigorous yet flexible tenant selection process
6. A bias towards a mixed use profile of tenants that will foster cross-pollination
7. On-going support for graduating companies
8. An association with Angels and financing sources

There is some debate in the industry about the need for a close association with a center of higher learning. From our perspective the jury remains out on this aspect. There are pros and cons but we believe that the need for this will turn on the decision as to what industry sector or sectors the incubator decides to focus upon. As video conferencing improves and data transfer speeds increase, the ability to align an incubator with a remote educational facility becomes more attractive.

What is also clear to us is that lack of secure funding in the start-up phase of the incubator will impair its viability. Indeed, we believe that it should be part of society's role to foster innovation and job creation and therefore public funds should be permanently allocated to such initiatives. That said we do not believe that incubators should be wholly subsidized. Within a period of three years they should be capable of supporting at least 50% of their operating budget from revenues generated by their activities.

In our view this subject is worthy of further study before final recommendations are developed. Our interim recommendations are as follows:

1. Pattern for Progress could take the lead in further developing a strategy since this has regional implications;

2. An in-depth dialogue should be commenced with centers of higher learning in the Hudson Valley to establish their perspective and interest in incubation and job creation;

3. An investigation of new industry activities should be undertaken in the Hudson Valley and beyond to establish what needs might arise from their successful operation. We are thinking here of identifying spin-off activities that could be developed into an industry cluster.

4. Allocation of funding is needed to permit this additional research work to be properly undertaken;

Note: Employment data in this report is taken from the Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the U. S. Bureau of Labor Statistics.

APPENDIX A

REPORTS ON FACILITIES

160 Varick Street

160 Varick Street is a business incubator established by the Polytechnic Institute of New York University in lower Manhattan. They lease a 16,000 square foot facility in a high-rise building from Trinity Real Estate (at a nominal cost), and they have partnered with New York City, as part of the City's plan to promote entrepreneurial activity following the economic downturn of 2008. New York's City Council has passed a regulation to provide preferential buying to locally produced products and services, which is benefiting the facility.

Bruce Niswander, director of the facility, is a lawyer and businessman with a diverse background in business development. The facility has been in existence since July, 2009 and boasts the following statistics:

- 41 physical tenants
- 14 virtual tenants
- $250/month per physical seat
- $125/month per virtual seat
- $1,000/month per private office
- Businesses sign for a small short term lease – 6 mos. at a time, maximum of 18 months;
- The Incubator facility provides furniture and a network
- They have 2 full-time people – a manager and a receptionist;
- Shared facilities include a conference room, lounge area and employee kitchen facilities;

Tenants in the incubator must provide a 24 month business plan, which they review on a monthly basis with the director. Services provided for free (or at a minimal cost) include product development, operations planning, marketing, sales, legal and bootstrapping IP protection.

The University is able to provide an inexpensive pool of talented interns for hire by the incubator tenants. They have also arranged for SBRI consultants to support the tenants with startup terms, employment agreements, sales contracts, employment structuring and other professional services, at minimal cost.

In their brief history, the facility has already won a NYSERDA award and one company just sold for $18 million dollars. Two other tenants are in the process of significant business expansions. They have created 125 new or full-time jobs and six of the University faculty members have started companies in the facility.

Hudson Valley Center for Innovation (HVCFI)

Unlike other facilities visited HVCFI does not have a specific location and considers itself a “virtual” operation. It also characterizes itself as an accelerator rather than an incubator. It is run by Les Neumann, Managing Director, who operates as a sole principal.

In its early incarnation HVCFI followed the “standard” incubator model of viewing the provision of real estate, preferably subsidized, as the key element for getting new ventures launched. Since April 2009 when their lease was up, they have changed direction and focused on becoming a virtual incubator.

Some of the companies that they hosted have re-located to other HV locations, others remain at the old site.

The current business model is to use relationships with, for example, community colleges as the focal point for meetings and interactions. To the extent that real estate is required it is made available by partners or collaborators. Neumann is essentially a facilitator or service provider who uses his connections, both domestic and international, to move companies through the various development stages.

HVCFI is sponsored by the HVTDC (reported on below) which has federal and state backing. HVCFI raises revenues by charging a fee to its companies and takes a piece of the equity.

Neumann appears to have lots of irons in the fire and specifically mentioned an initiative to focus on light wind vertical turbines. One of his original wind turbine incubator companies has changed its name and is now at 160 Varick. He wants to create an industry cluster that would include the capacity to test, classify and manufacture these products. Apparently he has buy-in from community colleges in Sullivan, Ulster, Orange and Rockland who want to operate test sites.

Recently, HVCFI has been the recipient of a grant from NYSERDA to assist in development of job creation in the high-tech alternative energy sector. This initiative involves the College of Nanoscale Science and Engineering at the University of Albany.

Neumann believes that the way forward is to operate as a virtual service provider. A key element will be the provision of finance for incubators as well as early stage finance for suitable companies. On several occasions he mentioned the lack of a regional approach as an hurdle to developing both incubators and their companies.

Hudson Valley Technology Development Center, Inc. (HVTDC)

Founded in 1988, HVTDC is a not-for-profit business resource center located in the Westage Business Center in Fishkill off Exit 13 on I-84. Led by Tom Phillips and a resident team plus some off-site staff HVTDC provides hands-on business support services to small and mid-size manufacturers and early stage technology companies by delivering high-quality, cost beneficial technical and management services.

HVTDC assists small to medium-sized manufacturers, businesses, inventors, and entrepreneurs in the seven-county Hudson Valley area to become viable and more competitive in the marketplace. It is one of ten regional technology development centers funded in part by the New York State Office of Science, Technology and Innovation (NYSTAR) as well as the National Institute of Standards and Technology (NIST). It has additional partners including Cornell and HVCFI (which it funds).

HVTDC characterizes itself as a business accelerator rather than in incubator. It differentiates between the two and believes that business incubation has to be closely associated with a research or educational center which generates new ideas and business possibilities. Absent such a center in the Hudson Valley it sees its role as working with young businesses that have passed the initial stages. By way of analogy Phillips describes the role as assisting babies that can stand but not yet walk.

They provide a wide array of services across a spectrum of industries. By adopting an entrepreneurial mindset and applying common sense and a fresh perspective to businesses and their processes, the HVTDC approach improves clients operations, efficiency and financial performance.

Team members include industrial engineers and project managers who have in-depth experience in business and production operations, business process analysis/improvement, grant writing and administration, management policy analysis, workforce training/development, strategic planning, organizational design, management policy and industrial engineering. The staff also includes marketing, business development and information systems professionals.

Approximately 50% of their operating budget is subsidized by federal and state grants. The balance of the revenue stream is generated by fees and participations in the activities of their clients.

HVTDC & HVCFI operate cooperatively with the latter being responsible largely for delivering services to start-up operations, i.e. it operates more as an incubator rather than as an accelerator.

Phillips' view is that rather than a "new or improved" incubator or accelerator what the Hudson Valley needs is a unified regional policy towards business development and job creation. By aligning the interests of all the different economic development agencies and diffusing the competitive element much better use of human and financial resources would be possible. He recognizes the political barriers to this.

The HVTDC appeared to be a well-run business and that it has endured for over 20 years speaks to its effectiveness.

Orange County Business Accelerator

Located on the first floor of a newly constructed 20,000 square foot, two story high-tech building owned by First Columbia on the grounds of the Stewart Airport. The initiative is funded by the Orange County IDA to the tune of $1.5 millions which is anticipated to support the operation for 3 years.

Historically, Orange County saw a slow down in economic activity some 18 months back and wanted to focus on job creation, hence the decision to fund this initiative.

Mike DiTullo, Executive Director, emphasizes that OCBA is an accelerator rather than an incubator and says incubators have a 10% success (graduation) rate as opposed to 80% for accelerators.

The business plan envisages supporting second stage companies, not start-ups, with a business plan and some funding in place. OCBA has a five person management council that reviews applications. Criteria for acceptance include return on investment, jobs created, ratables generated and job creation. A management council of five review applications and look for the three I's – Intellect, Intuition, Intelligence.

After five months in operation tenants include Ethan Allen Personnel & Hudson Valley Economic Development Corp. The focus is on companies in the following areas:

Renewable/alternative energy
Life sciences/ Biomedical
IT/ Web-based software development

OCBA provides a variety of support services and seeks "associate" or virtual tenants who are located remotely. The revenue stream is from tenants, virtual tenants and a subsidiary business which offers the use of AV facilities and a developing rich media initiative.

OCBA do not see the need for specific relationships with centers of higher learning but are developing an intern program with SUNY New Paltz and working on protocols with other colleges. They are also working with ESD, SDBC, and the Orange County Chamber of Commerce.

The revenue model includes fee for services and taking equity in successful ventures.

Within five years OCBA hopes to graduate to its own 30 – 40,000 square foot building on an adjacent site ground leased from First Columbia and a new building financed through the Orange County IDA. The objective is to increase deal flow through the IDA.

An additional aspect unique to OCBA is that it is in discussion with a Louisiana-based VC firm to establish a fund in OC to promote local companies. Some $6 – 8 millions in capital may be available. They see finance for start-up companies as being a key to success.

Beahive

Beahive is a social media, service, and networking incubator. It has two locations, one in Kingston and the other in Beacon, NY. It works to attract individuals, not businesses, to become members. It is based on the movie business model (many separate businesses working together creatively to produce something). They provide co-counseling for business with an ad-hoc advisory board. They have a solo-sounding board where one person discusses their ideas with the board. They offer a physical space, change from the individuals' normal working space, and a social atmosphere Co-working and looking for collective efficiencies is encouraged. They provide a conference room, telephone. There is a lack of private space in Kingston, but Beacon apparently offers some privacy if needed. They have printing/shared services.

Beahive is part of a co-working movement with sister organizations: the Center for Social Innovation in Toronto and the Business Alliance for Local Living Economies (BALLE), an international network of socially responsible businesses that includes a presence in the Capital Region and New York City.

If a Beahive member is traveling, they may use facilities at the sister organizations**.**