

BUSINESS INCUBATOR FEASIBILITY STUDY

RIVER FALLS, WISCONSIN

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EXECUTIVE SUMMARY

When successfully implemented, business incubation can have a positive effect on the success of new ventures. Some keys to success include accurately defining the market opportunity and delivering the services (programming and facilities) required by start-up and small businesses. This study is intended to determine the market demand for a business incubator to be located in the City of River Falls, to recommend a format and general operating procedures for the incubator, and to assess its potential financial performance.

MARKET

The market opportunity for a business incubator in River Falls was evaluated using a combination of data concerning businesses in the region and interviews with entrepreneurs, industrial property owners, economic development officials, and representatives of the UW-River Falls, who provided insight into conditions within the community.

Existing Businesses

The analysis used the National Employment Time Series (NETS) database to develop an understanding of business dynamics at the local level. This database, derived from Dun & Bradstreet listings, is comprised of annual records for all reported businesses. Because the database tracks individual businesses, it is possible to determine when a new business starts, when existing businesses move, or when a business ceases operation. While new business starts will be the most important element in determining the market for incubation, the analysis of moves and closures can point to needs that may be addressed through incubator programming.

In 2011 there were 1,406 business establishments in River Falls. The majority of these were small, with 41.8 percent having a single employee, and 82.9 percent having fewer than five employees. Small businesses were even more prevalent within all of Pierce and St. Croix Counties, with 44 percent having only one employee, and 89 percent having fewer than five employees. Business services dominated, followed by construction, agriculture, and retail.

Entrepreneurship has been an important component of establishment and employment increases in River Falls. Between 1991 and 2011 there were 1,697 new establishments opened in River Falls, for an average of 81 per year, while 13,183 new establishments opened in both Pierce and St. Croix Counties. The pace of start-ups increased in the most recent decade, though the recession has impacted both start-up activity and business closures. The largest number of new businesses are in the business services sector. An average of only 2.7 manufacturing businesses were started annually in River Falls, and 23 in Pierce and St. Croix Counties combined.

Work Force

The education, skills, and industry experience of the work force will have a bearing on the types of businesses that may be started. River Falls draws a work force from Pierce, St. Croix, Dunn, and Polk Counties in Wisconsin, and Dakota, Ramsey, and Washington Counties in Minnesota. This is a diverse work force with concentrations of workers in highly skilled and technical positions. Compared to the laborshed as a whole, Pierce and St. Croix Counties (the primary market area) have a lower percentage of workers in some of these fields, such as computer, engineering, and science occupations.

Community Insight

Persons interviewed for this analysis offered some valuable observations. Many of these centered around the University of Wisconsin – River Falls, which is acknowledged to be the city's greatest asset for entrepreneurship. Several programs and resources were highlighted including the Tissue and Cellular Innovation Center, the College of Agriculture and its Food Processing Pilot Plants, the College of Business and its new MBA program that require students to perform a practicum within an area business, and several other departments or programs. Some concern was expressed that University staff are not engaged in business formation or outreach to the business community.

Proximity to the Twin Cities has been critical to the area's growth, providing a market for businesses in outlying areas such as River Falls. The Minneapolis-St. Paul area contains many large companies engaged in research and spinning off new ventures. Examples include 3M, Cargill, and ESRI. These businesses may be a source of entrepreneurs and may provide partnership opportunities for an incubator.

River Falls is a desirable place to live, and this is seen as an opportunity to attract residents who may be interested in starting their own businesses. The city also enjoys costs (such as lease rates) that are below those found in the Twin Cities

and even Hudson. On the other hand, the city is further from the center of population, and some people may have the perception that skilled labor is hard to find.

Market Opportunity

Based on national averages, there are an estimated 4,011 people annually considering entrepreneurship in Pierce and St. Croix Counties, which are the primary market area for an incubator based in River Falls. These potential entrepreneurs will start about 1,203 new businesses. Another 37,845 people are considering entrepreneurship in the secondary market comprised of Dakota, Ramsey, Washington, Dunn, and Polk Counties, and will start 11,353 new businesses. These estimates are in line with the actual pace of start-up activity in 2005 before the start of the recession.

Not every resident will start their business in the county in which they reside. It is estimated that 10 percent of the new businesses formed by residents of Pierce and St. Croix Counties will be started elsewhere, while three percent of the businesses in the secondary market will be formed in either Pierce or St. Croix County. This results in an estimated total of 1,424 businesses started annually in the two counties. River Falls has been averaging eleven percent of the two-county total, which would result in 157 new businesses started in the city each year. The business incubator will want to consider outreach to existing businesses as well, as many of these can benefit the programming and services it will provide.

RECOMMENDED INCUBATOR FORMAT

The River Falls market does not have the depth necessary to support a narrowly focused incubator. While there is some concentration in manufacturing and high value services related to agriculture, it is not sufficient to generate the clients needed to make incubation a viable economic development strategy. The projected market is likely to produce the clients needed to occupy a mixed use facility. Additionally, the incubator should provide a tiered structure, offering broad assistance (such as classes and seminars) that is available to all, customized assistance on a one-time or continuing basis, and the most intensive services for incubator tenants.

Service Offerings

Services that should be provided to clients include:

- Business planning, ranging from introductory courses such as those provided by the SBDC, to individualized assistance in developing business plans.
- Coaching and mentoring assistance, which may include service provider referrals, one-on-one coaching, industry mentor programs, and advisory boards.
- Financial advisory services, including budgeting assistance and help in identifying or obtaining capital.
- Market development assistance, including market research, advertising and public relations support, and contract procurement. Some organizations have sponsored reverse trade shows to promote business to business or business to government sales.
- Export assistance, partnered with state export assistance resources
- Networking opportunities to develop sales leads, foster collaboration among entrepreneurs, and build mentoring relationships.
- Software addressing business needs such as planning, marketing, human resources, and accounting.

In addition, the incubator should maintain its strong affiliation with the University of Wisconsin – River Falls, and serve as a conduit to faculty, students, facilities, and other resources on campus.

Incubator Facility

The proposed incubator is to be a 21,818 square foot facility consisting of 12,000 square feet of general manufacturing space, with office space and common areas taking up the remainder. Significant components of the facility include an economic development suite providing office space for the incubator administration, Small Business Development Center, and other economic development partners, large and small conference rooms, twelve private offices, and an open work area that will accommodate another twelve desks.

At this time the facility should not be developed with specialized facilities or equipment (such as wet rooms or air handling equipment) that may not be required and could be added later. Aside from common areas, basic infrastructure should include T1 internet access, private mailboxes, and a security system providing 24/7 access to tenants.

Governance

A non-profit 501(c)3 corporation is the recommended organizational structure for the incubator. This will allow the incubator to accept tax-deductible donations and seek grant funding. This organization will be governed by a board of directors who will establish policy and conduct operations through a business incubator manager. The incubator facility should be owned by the City or the Economic Development Corporation, which will enter into a long term lease with the incubator organization. The terms of this lease may be a mechanism to provide continuing financial support to the organization.

FINANCIAL FEASIBILITY

The recommended 21,818 square foot business incubator facility has a development cost estimated at \$3,208,000. Assuming that the City receives a grant from the US Economic Development Administration for half of that amount, there will be a need to finance the remaining half. At current rates, this will result in a monthly debt service of \$8,938.

Operational costs are provided under two scenarios. The first of these assumes that the UW-River Falls will provide staff who will act as the business incubator manager. Estimated costs and revenues are almost equal under this scenario, with an annual operating surplus of about \$6,000 after 2017. Under the second scenario the incubator organization would hire its own business incubator manager. With wage and benefit costs added in, the facility would have an annual operating deficit of about \$113,000.

FINDINGS AND RECOMMENDATIONS

While there is a market for business incubation in River Falls, it is a general one rather than limited to any particular industry. There is some industry concentration in manufacturing and services related to agriculture, but this should not be the sole focus of the incubation program. Pierce and St. Croix Counties will generate the majority of tenant client opportunities, but entrepreneurs and businesses in a wider region may access individual programs and services, or even become virtual incubation clients.

While the Center for Innovation and Business Development has been incorporated into this study, it is envisioned as a separate entity occupying space within the incubator facility and delivering services in coordination with an incubator organization that will be formed as a non-profit entity. There are several administrative as well as financial reasons for this approach. This does not preclude the possibility for staff from the Center for Innovation and Business Development to provide management for the incubator.

The proposed incubator facility is a 20,818 square foot building to be constructed in the City's Sterling Ponds Corporate Park. The \$3.2 million building will contain office and general manufacturing space along with conference and meeting rooms, and access to basic office equipment for incubator tenants. The total cost to develop and furnish the facility is estimated at just over \$3.4 million. A grant from the U.S. Economic Development Administration and/or other grants may help to defray these costs. It is recommended that the City of River Falls retain ownership of the building and provide a long term lease to the incubator organization, underwriting the building cost as a means of providing continued operational funding to the organization.

INTRODUCTION

There is a growing recognition on the part of economic development professionals that new businesses are responsible for the majority of job creation. This is an especially sobering fact for Wisconsin, which has the fourth-lowest rate of business starts in the nation. According to the Ewing M. Kauffman Foundation's annual Index of Entrepreneurial Activity, 180 new businesses were formed for every 100,000 working age adults in Wisconsin. This compares to a national average of 300 starts, and a high of 530 starts per 100,000 working age adults in Montana.

The State, the UW System, and local communities are seeking ways to change Wisconsin's culture to embrace entrepreneurship and increase the number of new businesses being created. Business incubation is one strategy that economic developers use to encourage new business formation and help to ensure a greater chance of success for those ventures.

PURPOSE OF THE FEASIBILITY STUDY

The University of Wisconsin – River Falls and the City of River Falls have jointly prepared a concept for an incubator in the region with the goals of fostering an entrepreneurial culture, creating jobs, accelerating the growth of new and existing businesses, encouraging the commercialization of University research, and improving small business access to campus resources including facilities, faculty, and students.

This study is intended to examine the market feasibility for a business incubator in the City of River Falls, identify potential costs, and to recommend appropriate strategies for the design and operation of the facility. The feasibility study will develop an incubator concept that can be implemented within the community, and which responds to actual market conditions and business needs. The proposed incubator will not be financially self-sufficient without support from public and private partners in the area. Future subsidies for its operation will need to be measured against the results it is able to demonstrate through objective performance measures.

INCUBATION IN PRACTICE

The field of business incubation is in a period of change. Introduced in the 1950's and gaining in popularity over the last two decades, the practice was focused on manufacturing for much of its existence. More recently the trend has been toward specialized fields such as food processing, technology, biosciences, or software design. The typical pattern was to provide flexible space, and in some cases access to equipment and/or technical assistance, to firms in the early stages of production. Startup firms were expected to "graduate" to conventional space at the end of three to five years. This proved to be a challenge for many incubators, as companies struggled to develop the capacity to stand alone.

The first significant new model came in the early 2000's when many economic development organizations turned to virtual incubation. This strategy eliminated the need for the organization to support expensive physical space. Instead, it concentrated on delivering technical support and advice, often through a network of partner organizations, each with its own area of expertise.

Along another train of thought, some economic developers shifted from start-ups to turn their attention to existing small businesses with the potential for rapid growth. Rather than incubators, these new facilities were called accelerators. Their goal is to provide the very targeted kinds of technical assistance their client businesses need to enter a growth phase. Product design or commercialization, and market intelligence are some of the more common types of assistance being provided. Business acceleration is a practice embraced by proponents of economic gardening.

METHODOLOGY

This study was completed in two phases. The initial phase gathered and assessed data to determine the market for entrepreneurship and small business development services, specifically targeting start-ups and growing small businesses. At the conclusion of this phase the Incubator Working Group met to review the results and make decisions regarding the targets and structure for the proposed incubator. The second phase of the project included recommendations for developing the incubator and a financial pro forma.

The market research evaluated the potential for entrepreneurship and business growth in the region, including:

- Characteristics of the region as part of the Minneapolis-St. Paul Metropolitan Statistical Area;

- Business dynamics within the project vicinity, such as new business formation, relocation and expansion, contraction, and cessation;
- Industry composition within the region consisting of Pierce and St. Croix Counties in Wisconsin, and Dakota, Ramsey, and Washington Counties in Minnesota;
- Work force composition by industry and occupation; and
- Resources that may support entrepreneurship and small business development.

The analysis identifies multiple potential targets for business start-up and growth assistance. Several incubation strategies are discussed, noting their potential to address needs specific to these targets.

A structure and development plan are recommended in the second phase of the project. This section includes:

- Description of industries targeted for the incubator
- Identification of potential programming, including instruction, counseling, or one-on-one assistance;
- Discussion of needs related to business capital;
- Evaluation of facility and infrastructure needs related to the targeted industries;
- Recommendations concerning a preferred format or structure for the incubator; and
- An implementation strategy to guide the City and its partners in developing the incubator.

The final element of the study is a financial pro forma estimating the potential development and operating costs for the facility as it has been envisioned.

MARKET RESEARCH

The purpose of the market analysis is to document actual and potential business start-up activity from which a business incubator in River Falls may draw clients. Added to this are stage one and two businesses that may also have the potential to become clients of the space, or more commonly, of programs run through the incubator.

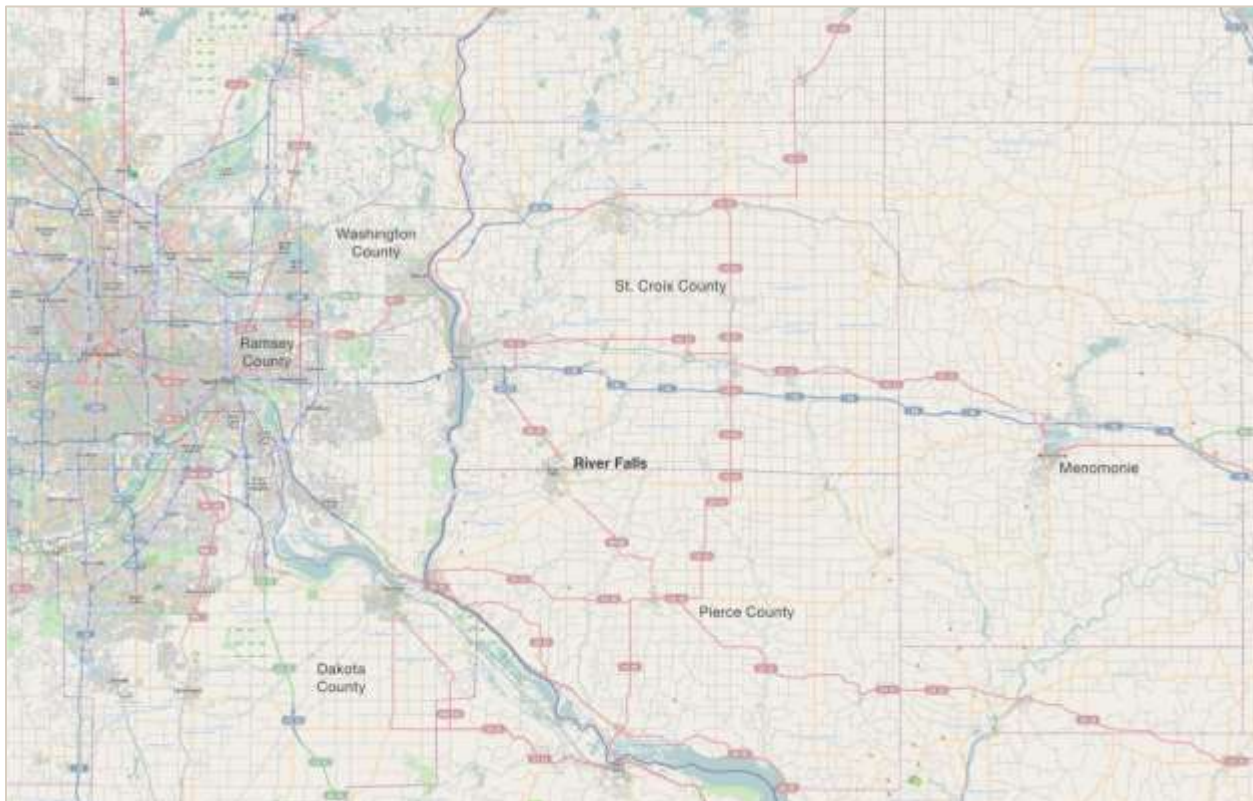
REGIONAL SETTING

Pierce and St. Croix Counties are a part of the Minneapolis-St. Paul Metropolitan Statistical Area, which is comprised of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties in Minnesota, and Pierce and St. Croix counties in Wisconsin. The City of River Falls is approximately 30 miles from downtown St. Paul. The City of Hudson lies to the north along Interstate Highway 94, and is considered the gateway to Wisconsin. The location of River Falls several miles south of the interstate somewhat removes it, both in a physical and perceptual state, from the metropolitan center. This may result in some advantages for the city, such as lower land costs, a "small town" lifestyle, and recognition as a stand-alone community rather than one of many suburbs.

Proximity to the metropolitan area is a significant factor in the City's continued growth. As the metropolitan region has grown, residents have spread from more central locations to outlying counties such as Pierce County and St. Croix County in Wisconsin. With the St. Croix River acting as a barrier, growth started along the interstate corridor at Hudson, and has moved south toward River Falls. Businesses have followed people. Some businesses have been attracted by lower real estate costs, competitive wages, a favorable tax regime, and qualitative benefits such as easier commuting. Among these are several small businesses. The primary market for start-ups, though, will still come from within Pierce and St. Croix Counties.

This analysis focuses on a core area made up of Pierce and St. Croix Counties in Wisconsin, which constitute a local market area for entrepreneurship and potential assistance programs. Dakota, Ramsey, and Washington Counties in Minnesota can be added to create a broader market area, recognizing that there is a considerable flow of establishments and employees across the state line, and these areas may produce entrepreneurs with an interest in River Falls.

RIVER FALLS AND THE SURROUNDING AREA



DEMOGRAPHICS OF RIVER FALLS AND THE SURROUNDING AREA

	River Falls	Pierce County	St. Croix County	Metro Area
Population (2011 estimate)	14,889	40,814	85,242	3,259,654
Households	5,304	14,960	31,986	1,271,957
Median Age (Years)	24.5	34.5	36.7	35.9
Race – White	94.8%	96.8%	96.5%	82.2%
Hispanic Origin	1.8%	1.5%	2.1%	5.2%
Foreign Born Persons	1.5%	1.5%	2.3%	9.5%
High School Grad (Age 25+)	94.9%	93.4%	94.5%	92.7%
Bachelors or Higher (Age 25+)	43.3%	26.6%	32.0%	37.9%
Median Household Income (2011)	\$49,217	\$61,443	\$68,513	\$63,352
Per Capita Income (2011)	\$22,658	\$27,132	\$31,895	\$32,226

Source: US Census Bureau 2007-2011 American Community Survey

Demographically, the population of River Falls and the surrounding area might be described as relatively homogenous. It is overwhelmingly white, with small numbers of Hispanic or foreign-born residents. This is worthy of note as rates of entrepreneurship tend to be higher among Hispanic and immigrant groups.

Residents of the region, and especially River Falls, tend to be well educated, with the highest percentages of high school and college graduates. The city’s median age is also younger than the surrounding areas, and per capita and median household incomes area also lower. This is a profile typical of a small community with a large college presence.

BUSINESS DYNAMICS AT THE LOCAL LEVEL

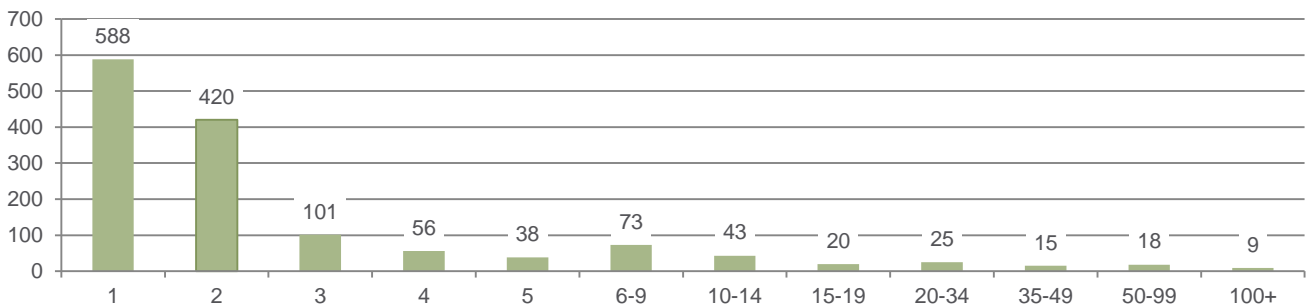
Data necessary to examine business dynamics at the local level was obtained from the National Establishment Time Series (NETS) database, containing an annual record for each company in the database. This detail permits tracking of establishments to ascertain new openings, moves into or away from the area, and closures. The NETS database is used to describe business dynamics in River Falls along with Pierce and St. Croix Counties. Other sources have been used to provide a more general description of the broader economic region.

Growth in the number of establishments can be attributed to new business starts, opening of branch facilities, or relocations from another area. Declines in the number of establishments may be caused by closures, or relocations to another area.

Existing Businesses in River Falls

In 2011 there were 1,406 establishments in the City of River Falls. The clear majority of these are very small businesses, with 41.8 percent having a single employee, and 82.9 percent having fewer than five employees. Additional detail is provided in tables within Appendix A.

DISTRIBUTION OF ALL ESTABLISHMENTS BY NUMBER OF EMPLOYEES - RIVER FALLS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

By industry, establishments in the business services classification dominates in the city as well as within the two-county region (Pierce and St. Croix Counties). Business services is a broad grouping comprised of activities such as:

- Advertising
- Consumer credit and mercantile reporting agencies and adjustment and collection agencies
- Mailing, reproduction, commercial art and photography, and stenographic services
- Services to dwellings and other buildings
- Miscellaneous equipment rental and leasing
- Personnel supply services
- Computer programming, data processing, and other computer related services
- Miscellaneous business services

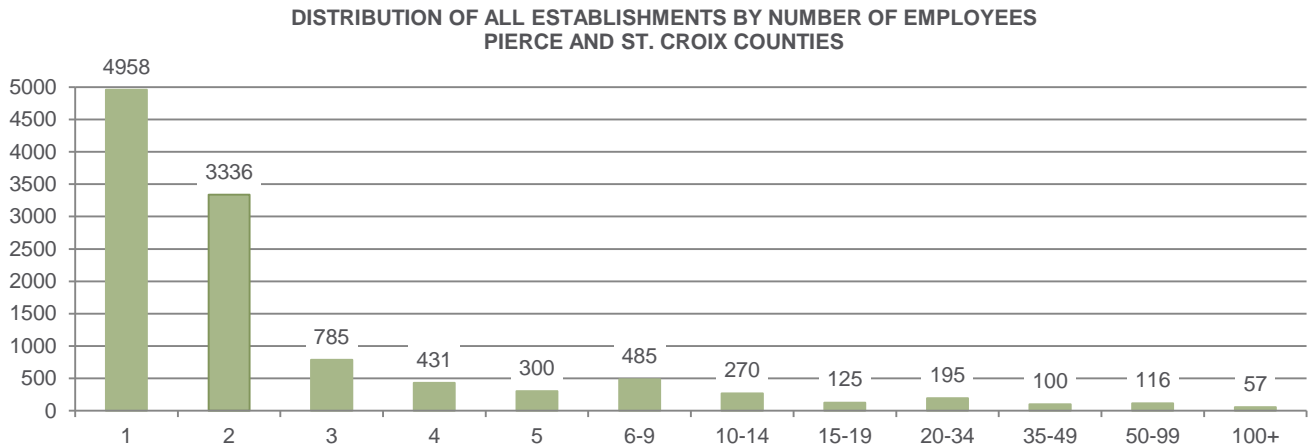
ESTABLISHMENTS BY INDUSTRY - 2011

Industry Sector	River Falls	Pierce and St. Croix Counties
Business Services	361	3,514
Construction	133	1,069
Agriculture	112	1,051
Retail Stores	107	855
Finance, Insurance and Real Estate	77	661
Engineering, Accounting, Research, Management and Related Services	74	347
Manufacturing	55	474
Personal Services	49	314
Health Services	48	288
Membership Organizations	46	270
Social Services	44	211
Transportation, Communications and Utilities	34	302
Amusement and Recreation Services	33	151
Wholesale Trade - Durable Goods	32	225
Eating and Drinking Places	30	227
Automotive Repair, Services and Parking	30	192
Educational Services	27	122
Miscellaneous Repair Services	24	187
Services, NEC	16	139
Lodging	14	68
Legal Services	12	88
Wholesale Trade - Nondurable Goods	11	151
Government	10	97
Motion Pictures	5	24
Other	2	14
Mining	0	4

Source: 2011 National Employment Time Series data and Place Dynamics LLC

Existing Businesses in Pierce and St. Croix Counties

Compared to River Falls, a slightly higher percentage of establishments in Pierce and St. Croix Counties are among the smallest in terms of employment. About 44 percent of the total number have a single employee, and about 89 percent have five or fewer employees.



Source: 2011 National Employment Time Series data and Place Dynamics LLC

The distribution of establishments by industry sector in the two county region is similar to that of River Falls. Business services has the largest number of establishments, followed by construction, agriculture, retail stores, and finance, insurance, and real estate. At the bottom of the table, motion pictures, "other" and mining retain their place as industries with the fewest number of establishments.

Transportation comprises a far greater share of businesses in the two counties than it does in River Falls. This is likely due to the desire for a location close to the interstate highway, and/or a common practice of farmers to have second businesses in trucking. Other businesses more heavily represented in the two counties than in River Falls include wholesale trade in nondurable goods, social services, government, and miscellaneous repair services.

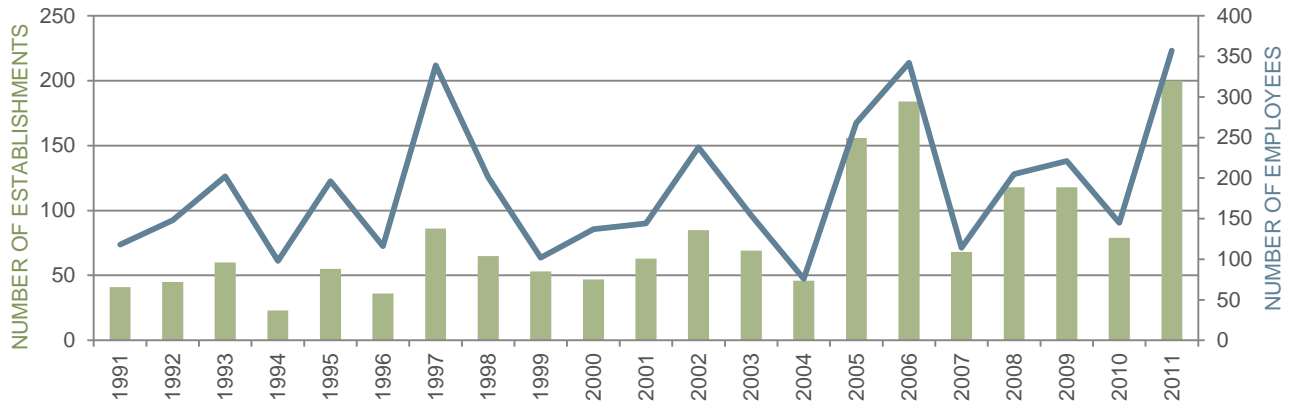
River Falls has greater shares of businesses in sectors including amusement and recreation services, educational services, lodging, and eating and drinking places, when compared to totals for the two counties. Some of this is to be expected of any larger city within a large rural region, as these kinds of activities tend to cluster in urban places. Undoubtedly, the presence of the UW-River Falls also plays a role in the larger number of these businesses, as students and campus visitors will create additional demand for the services these industries provide.

Business Start-Up and Cessation in River Falls

Entrepreneurship has been an important component of establishment and employment growth. Between 1991 and 2011 there were 1,697 new establishments started in River Falls, for an average of about 81 per year. Through the 1990's and into the early 2000's the pace averaged about 50 starts per year, but then increased dramatically from 2005 onward, including during the recession years. At the same time, the average number of employees per new establishment has declined, averaging less than two in each of the last eight years.

The first year jobs created by these new establishments comes to 3,921, however, as some establishments later closed, the remaining jobs do not reach this total. Of those establishments started since 1991, there were 1,045 still in operation in 2011., with a total of 2,549 employees. 652 establishments had either moved from the community or ceased operation. The largest establishment among those remaining has 75 employees, and can be considered an outlier in terms of its size. Only 27 establishments have ten or more employees, and another 57 have from five to nine employees. Nearly half (448) have only a single employee.

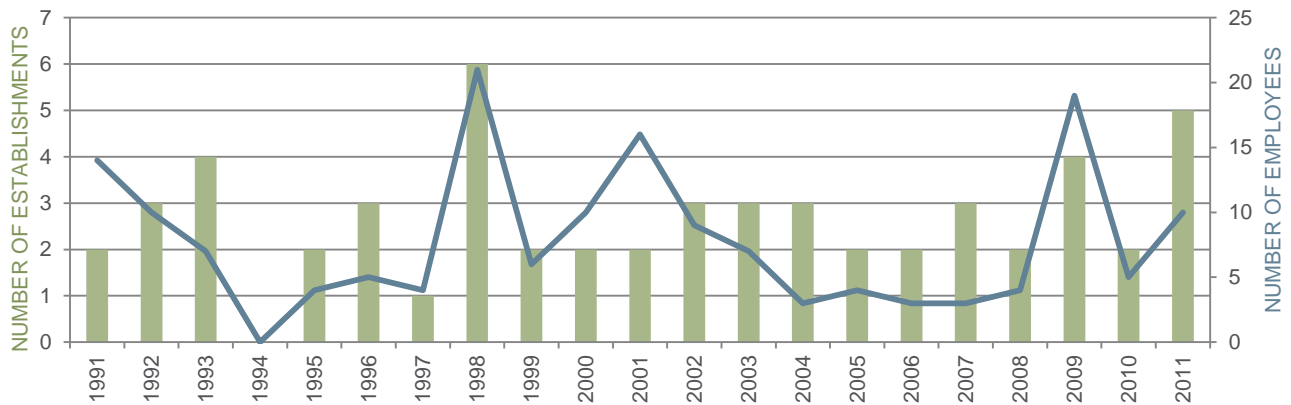
START-UP ESTABLISHMENTS IN RIVER FALLS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

Manufacturing, a target of particular interest as an incubation target, has a slightly different trend. While averaging just 2.7 starts per year, the pace of start-ups has remained consistent, whether measured in terms of the number of establishments or employees per establishment. Manufacturing start-ups average 2.9 jobs per establishment, compared to 2.3 jobs as an average for all new establishments. This is typical of the region. (A table of manufacturing starts by industry is provided in Appendix A.)

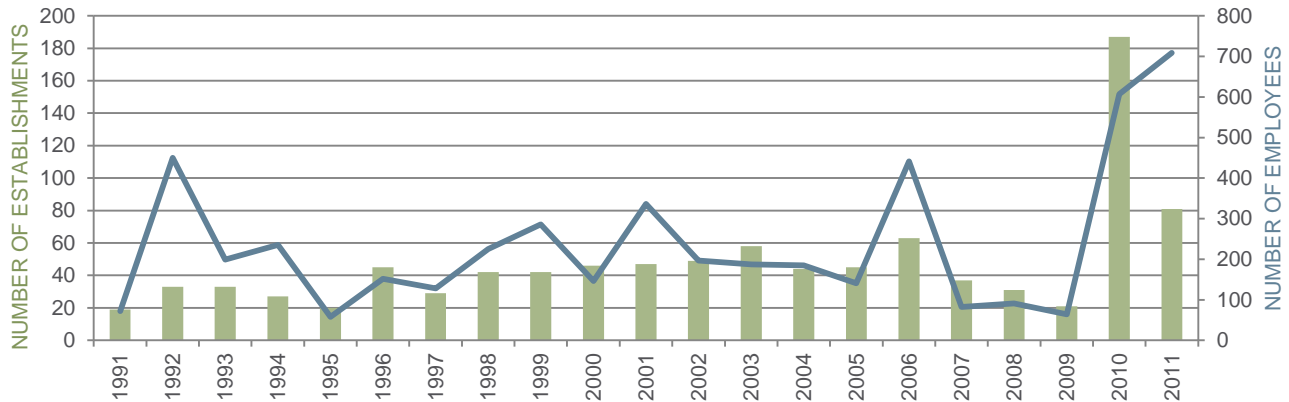
MANUFACTURING ESTABLISHMENT STARTS IN RIVER FALLS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

The largest number of new businesses are in the business services sector, with more than twice as many new establishments as the next highest industry. Manufacturing falls much lower on the list with its 56 new establishments since 1991. Other sectors making up a large portion of the total include construction, retail, finance, insurance and real estate, agriculture (including agricultural support activities) and engineering, accounting, research, management, and related services.

ESTABLISHMENT CLOSURES IN RIVER FALLS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

Businesses may cease operations at a location for several reasons. They may close, relocate out of the city, or be acquired by another business. The available data do not differentiate among these possibilities. Between 1991 and 2011, a total of 999 River Falls establishments ceased operations, leading to the elimination of 4,991 jobs. This comes to about 48 establishments per year, with an average of 5.0 jobs per establishment. Of the total, 78 were identified as branch facilities of parent companies headquartered elsewhere, while the remainder are businesses that were based in River Falls.

Year to year, there is not much variation in the number of business closures until the most recent years. As the recession began, the number of establishments ceasing operation actually dropped. There might be several possible explanations for this. One is that some businesses that might otherwise be failing attributed their problems to the recession, and may have therefore been more inclined to “wait out” the poor economy, rather than to recognize a fundamental problem with their business. It may also be possible that businesses took advantage of formal and informal opportunities more available at the height of the recession, such as the ability to renegotiate lease terms, decrease hours and/or wages, or to delay payments, thus prolonging the business’s life. Still another possibility is that owners may have recognized that poor employment opportunities left them with few options but to continue in their own business even as profits disappeared.

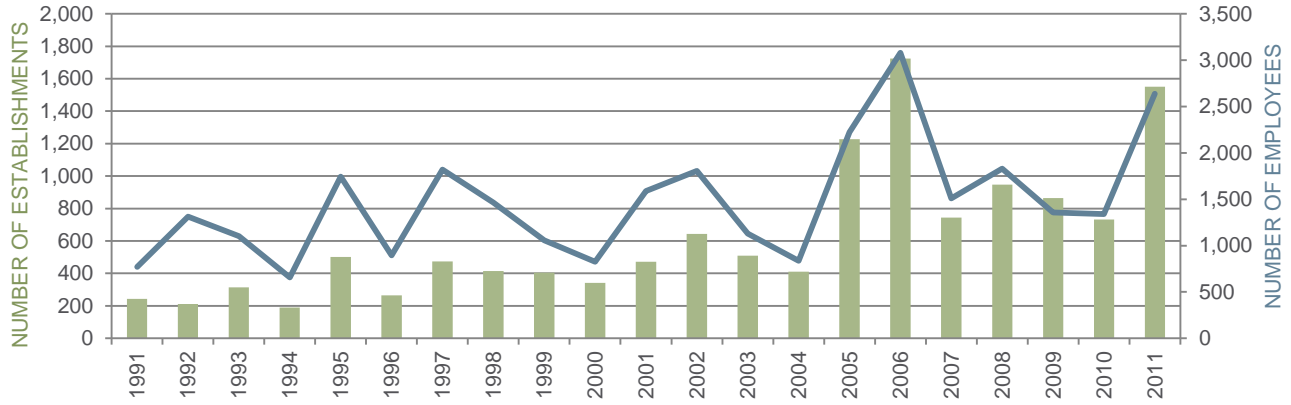
In 2010 the trend of declining closures was radically reversed. Of 268 establishments closing in 2010 and 2011, 90 had only been opened between 2008 and 2010. Another 53 had been established in 2006 or 2007 as the recession began. It might be speculated that some of these were temporary businesses created by people who did not have good employment alternatives, and their closure represents improving job conditions, allowing their owners to return to wage employment. The number of businesses closing in these years is overwhelmingly made up of establishments with one or two employees. A similar trend is seen in national data, where a large number of very small businesses began to close as the economy and job opportunities improved.

Business Start-Up and Cessation in Pierce and St. Croix Counties

Between 1991 and 2011 there were 13,183 new establishments started in Pierce and St. Croix Counties, creating 30,997 new jobs. As with River Falls, the pace of starts increased in recent years, while the number of jobs per establishment declined. Business services again counted for the largest number of establishments, followed by construction and retail. About 23 manufacturing establishments were created in each year. Detailed information on these is provided in Appendix A. Some of the more common manufacturing industries include:

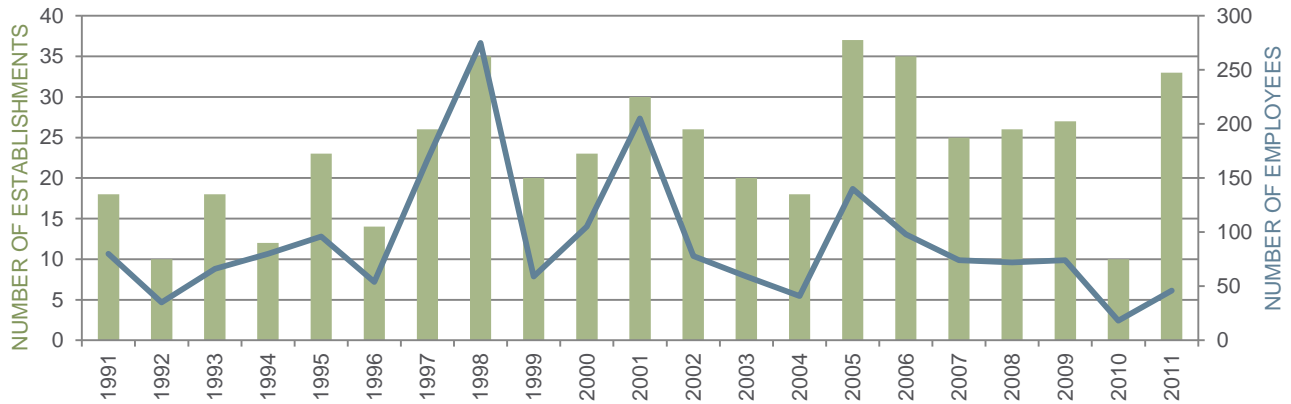
- Embroidery and art needlework
- Millwork
- Miscellaneous publishing
- Commercial printing, lithographic
- Machine and other job shop work
- Signs and advertising specialties
- Manufacturing industries, nec

ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES



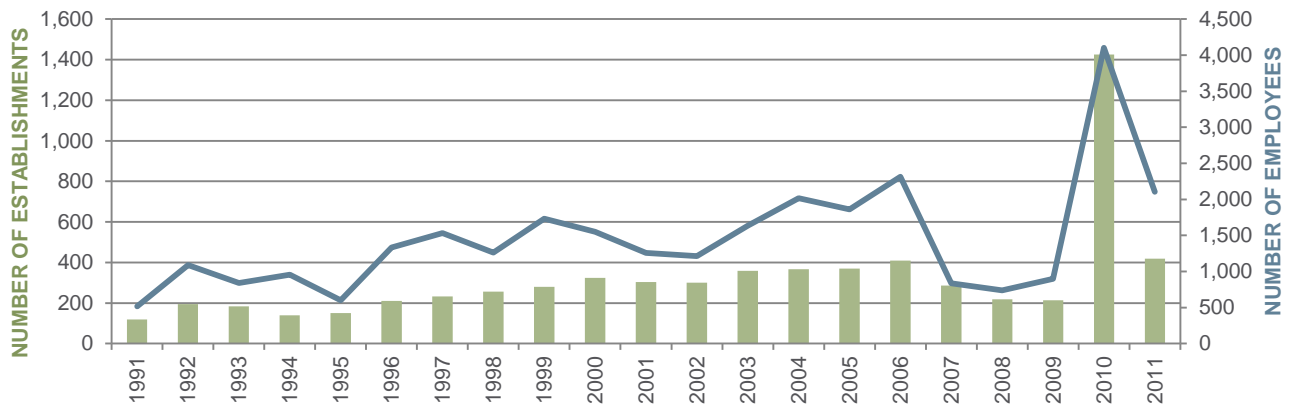
Source: 2011 National Employment Time Series data and Place Dynamics LLC

MANUFACTURING ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES



Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT CLOSURES IN PIERCE AND ST. CROIX COUNTIES

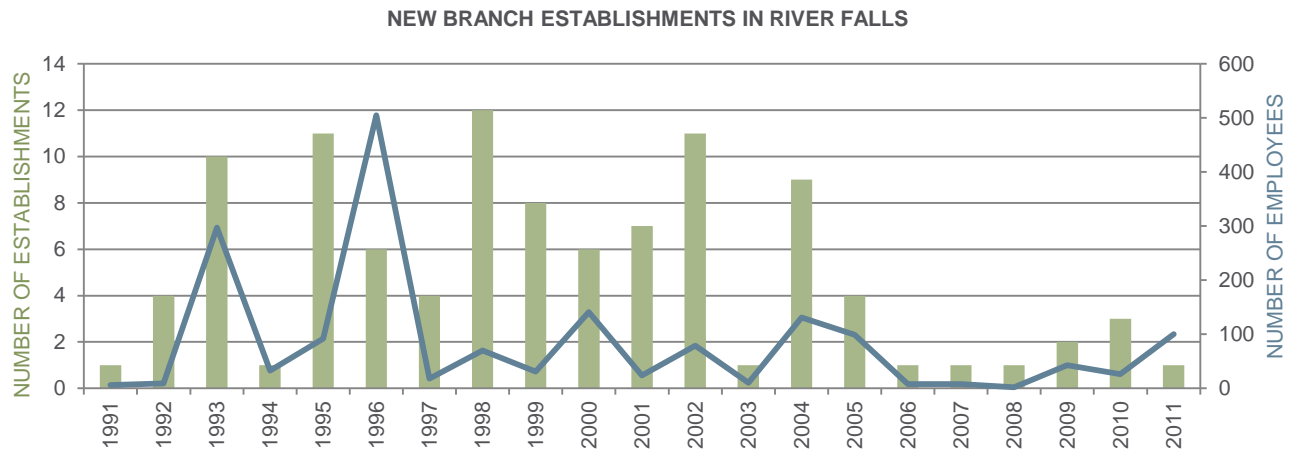


Source: 2011 National Employment Time Series data and Place Dynamics LLC

Within Pierce and St. Croix Counties combined, a total of 6,759 establishments closed between 1991 and 2011, with 420 branch establishments are included in that total. With their closure, they eliminated 30,385 jobs. The pattern is similar to that in River Falls, with decline in closures during the recession years, and a sharp peak in 2010. There have been a consistent number of jobs lost per establishment.

Branch Facilities Opening in River Falls

Branch establishments are those that are created by a parent company, or headquarters, in a different location. This can mean branch manufacturing facilities, as are often thought of as a target for recruitment through economic development, but more often are more mundane operations such as a chain fast food restaurant or bank branch.



Source: 2011 National Employment Time Series data and Place Dynamics LLC

There is an inconsistent pattern to the opening of new branch establishments in River Falls. Even while the most activity occurred between 1993 and 2004, there were years with just one new establishment during this period. The number of new establishments opening began to drop in 2005 and remained low throughout the recession, as well as into the most current years. Altogether, 104 new branch establishments resulted in 1,732 jobs, or an average of 16.7 per establishment.

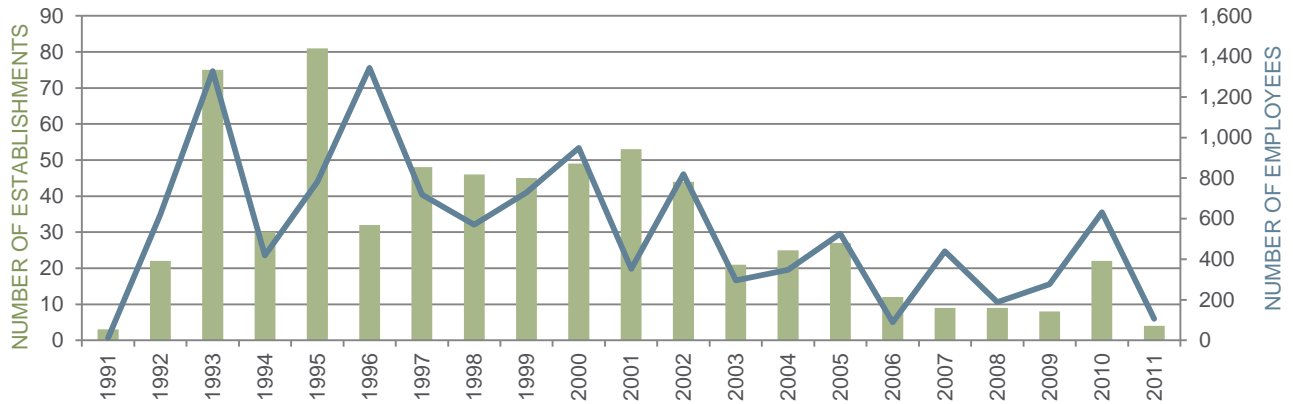
The average number of employees per establishment has also ranged wildly, from as few as 2.3 to as high as 100. This results from a low number of establishments as well as the differing nature of the businesses. A single large facility, such as a manufacturing plant of a big box retailer, can skew the averages for any given year.

Considered by industry, the most common branch facilities are retail stores. These make up almost one quarter of the total new branch establishments in River Falls since 1991. Finance, insurance, and real estate has the second largest number of new branch facilities. This might include bank branches, payday loan services, insurance or real estate agents, and similar businesses. Manufacturing is tied with educational services for the third rank, each with just seven new establishments.

Branch Facilities Opening in Pierce and St. Croix Counties

The pattern of branch establishment openings in all of Pierce and St. Croix counties is more consistent than in River Falls. New branch facilities were opened at a regular pace that dropped off through most of the 2000's, including the recession years.

NEW BRANCH ESTABLISHMENTS IN PIERCE AND ST. CROIX COUNTIES



Source: 2011 National Employment Time Series data and Place Dynamics LLC

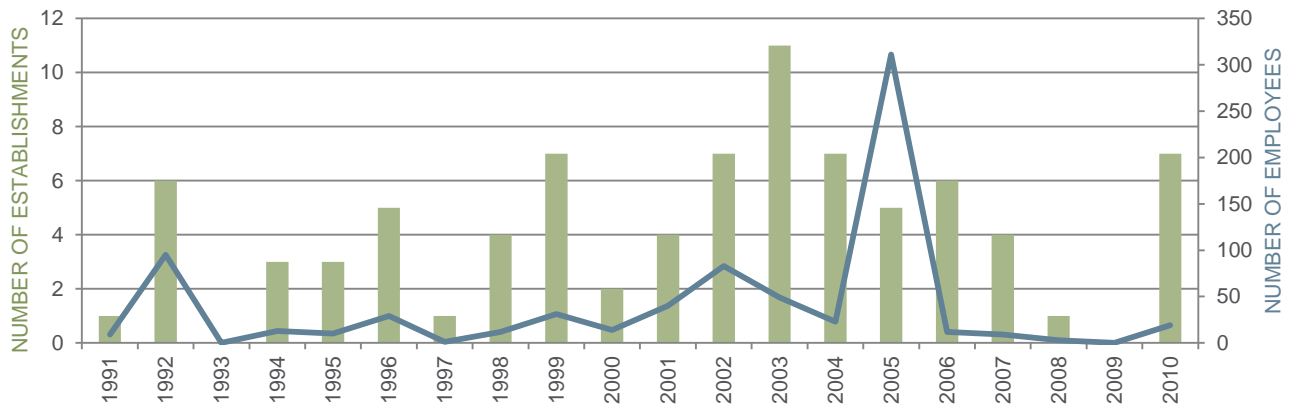
From 1991 to 2011, 665 new branch establishments were opened in Pierce and St. Croix Counties, creating 11,540 jobs, or an average of 17.4 per establishment.

Retail is also the most common industry, followed by finance, insurance, and real estate, although these do not represent as high a proportion of the total as they do in River Falls. The 116 retail branch establishments comprise 17.4 percent of the total. There are also a significantly larger number of manufacturing establishments (69) which appear to be concentrated in areas closer to the Minnesota border. Hudson is clearly the location of a majority of these branch plants, although it can be argued that their location tends to fall along the I-94 and Highway 35 corridors.

Businesses Moving To or From River Falls

This analysis addresses moves from one location to another within River Falls, establishments moving into River Falls from other communities, and establishments leaving River Falls to locate elsewhere.

ESTABLISHMENTS MOVING WITHIN RIVER FALLS



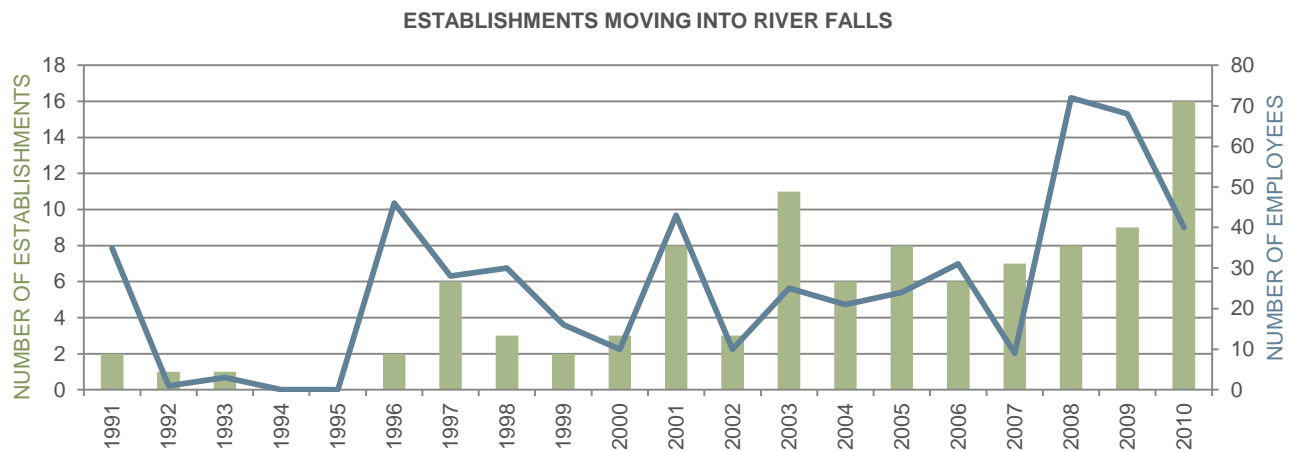
Source: 2011 National Employment Time Series data and Place Dynamics LLC

The reasons why businesses move are not in any way addressed in the available data. Other studies have pointed to a number of frequently occurring motives. These include a growing business, changes in processes that may create demand for more or less space, the need to be more visible or accessible to clients, termination or changes in lease terms, and changes in ownership. Given that the database contains many very small businesses that are likely home-based, it is likely that some changes reflect a household move on the part of the owner. This may be particularly true of many small businesses that have moved from the twin cities to River Falls or other parts of the Pierce and St. Croix Counties.

Overall, businesses moving within River Falls will not have an impact on the city’s employment, but understanding these movers may help to add to an understanding of mobility among the city’s businesses. About two businesses per year have moved within the city. The peak years were largely during the early 2000’s, and moves dropped off significantly during the recession.

Construction and business services were the industries with the greatest number of relocating establishments. This might be expected, given that they also have among the highest number of establishments in the community.

A look at establishments moving into River Falls from elsewhere reveals an apparent trend. The number of establishments moving in has increased steadily over the past two decades, even sustaining its pace through the recession. These are mostly small businesses, although the average employment is skewed higher by the presence of a few larger ones.



Source: 2011 National Employment Time Series data and Place Dynamics LLC

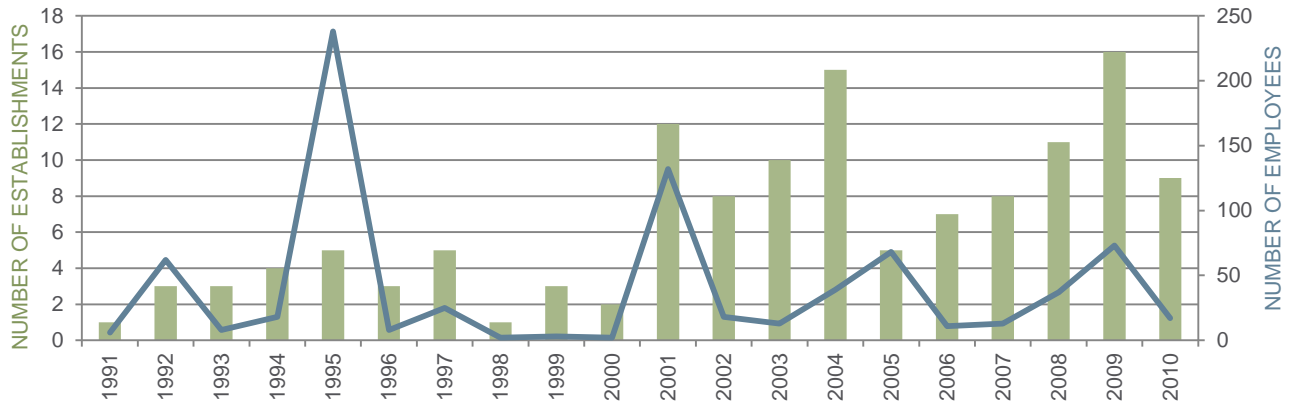
While Minneapolis, Saint Paul, and other Minnesota cities are among those from which establishments are relocating to River Falls, the majority on establishments are moving in from other Wisconsin communities. Wisconsin cities were the origin of 52 businesses moving to River Falls, or 51 percent of the total. Cities with the largest number of establishments leaving for River Falls include:

- Saint Paul, MN (15)
- Hudson, WI (11)
- Prescott, WI (10)
- Ellsworth, WI (7)
- Minneapolis, MN (6)
- Hastings, MN (5)

While business services ranks first in the number of establishments moving into River Falls, manufacturing falls second on the list. This is an important deviation from the pattern seen elsewhere. River Falls is able to attract a disproportionate (though still small) number of manufacturers from elsewhere. The fact that the city shed an almost equal number of manufacturers to other locations raises a question of whether there may be conditions within the city that make it less desirable for manufacturers to remain in the city. This is a topic that should be explored if the city seeks to grow the number of manufacturers through incubation or other methods.

Just as the pace of establishments moving into River Falls increased in recent years, so to has the pace of businesses moving out. Even the patterns of peaks and troughs is very similar when moves in and out of the city are looked at on an annual basis. Business services, construction, and retail are the most common industries moving out. While manufacturing is next on the list, its count of 12 establishments leaving the city is only one less than the number moving in.

ESTABLISHMENTS MOVING FROM RIVER FALLS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

The total number of establishments moving out of River Falls since 1991 exceed those moving into the city, so that relocations have tended to have a net negative impact on the city's economy. The number of employees in those establishments and the average number of employees per establishment are also higher among establishments moving out of the city.

The majority of businesses moving out of the city had only a handful of employees. Larger movers included Kolpak (230 employees, 1995), Farm Credit Services (69 employees, 2001), Agstar Farm Credit (62 employees, 2005), The Virginian (40 employees, 1992), Hals Millwork (35 employees, 2009), Hudson-River Falls Chrysler (20 employees, 2001), and Dettmann Trucking (20 employees, 1992). These account for the peak years. Excluding these businesses from the analysis may bring the net change in employment closer to parity, but will also obscure the fact that businesses leaving the city for elsewhere are a source of net job losses.

Of 103 businesses moving into the city since 1991, 73 are still in operation. Expanding businesses have added a net 233 jobs in the years following their move into River Falls. Even when that growth is factored in, establishments moving to River Falls have created 489 jobs, while those moving out have taken 795, for a ratio of 0.62 jobs gained for every one lost through relocation.

There do not appear to be any immediately apparent explanations for the net loss of establishments and employment due to relocation. While other communities have documented higher operating costs, difficult regulatory environments, lack of suitable space for expansion within the community, or proximity to a key workforce segment, these do not appear to be issues in River Falls. For the overall health of River Falls' economy, the imbalance between movers should be investigated in further detail. Depending on the reasons why the city is shedding more jobs than it is bringing in (and subsequently growing), the incubator may develop programs that can help to retain businesses.

Other Wisconsin communities were the destination for 94 establishments, or 72 percent of the total. Minnesota attracted 24, or 18% of the total. Communities attracting the most establishments included:

- Hudson, WI (23)
- Ellsworth, WI (11)
- Saint Paul, MN (8)
- Roberts, WI (7)
- Beldenville, WI (6)

Businesses Moving To or From Pierce and St. Croix Counties

As with River Falls, there were a number of moves internal to Pierce and St. Croix Counties. These may include moves between communities, or even between the two counties. Following the same pattern as in River Falls, the pace of movement picked up in the 2000's. These 446 businesses had an average of 5.6 employees, or 2,490 in aggregate.

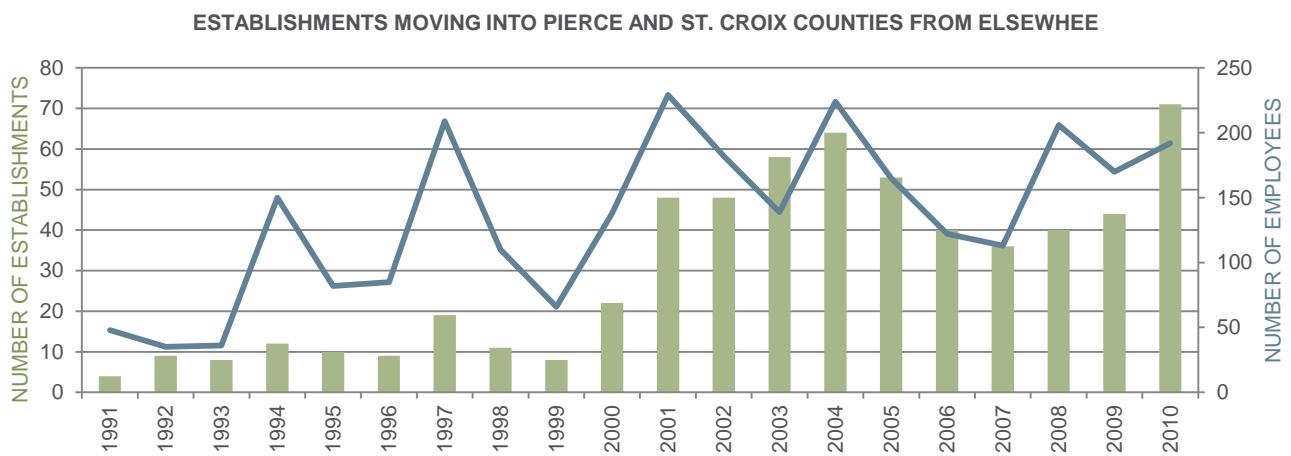
Construction and business service establishments were again the most common ones to move. Agriculture, retail, and manufacturing followed with roughly equal numbers.

Establishments moving into Pierce and St. Croix Counties from elsewhere tended to be smaller than those moving into River Falls, or those moving within or out of the counties. This results in an interesting observation that while more establishments moved into the two counties than moved out, more jobs were lost through establishments moving out of the counties than were gained by new establishments moving in.

The net number of manufacturers moving into the counties was positive, with 73 establishments moving in and 46 moving out, for a net gain of 27. Business services and construction were the most likely establishments to move into the counties, followed by manufacturing, retail, and engineering, accounting, research, management and related services.

Minnesota sent the largest number of establishments to the two counties (422) followed by other places in Wisconsin (136). Other states contributed 56 establishments. Some of these included Colorado (7), Illinois (5), and Florida (4). Cities from which a large number of establishments originated include:

- Saint Paul, MN (149)
- Minneapolis, MN (58)
- Stillwater, MN (42)
- Hastings, MN (18)
- Cottage Grove, MN (14)
- Red Wing, MN (13)
- Lakeland, MN (12)
- Menomonie, WI (12)
- Amery, WI (11)
- Eau Claire, WI (10)
- South Saint Paul, MN (9)
- Lake Elmo, MN (7)
- Afton, MN (6)
- Clear Lake, WI (6)
- Anoka, MN (5)
- Downing, WI (5)

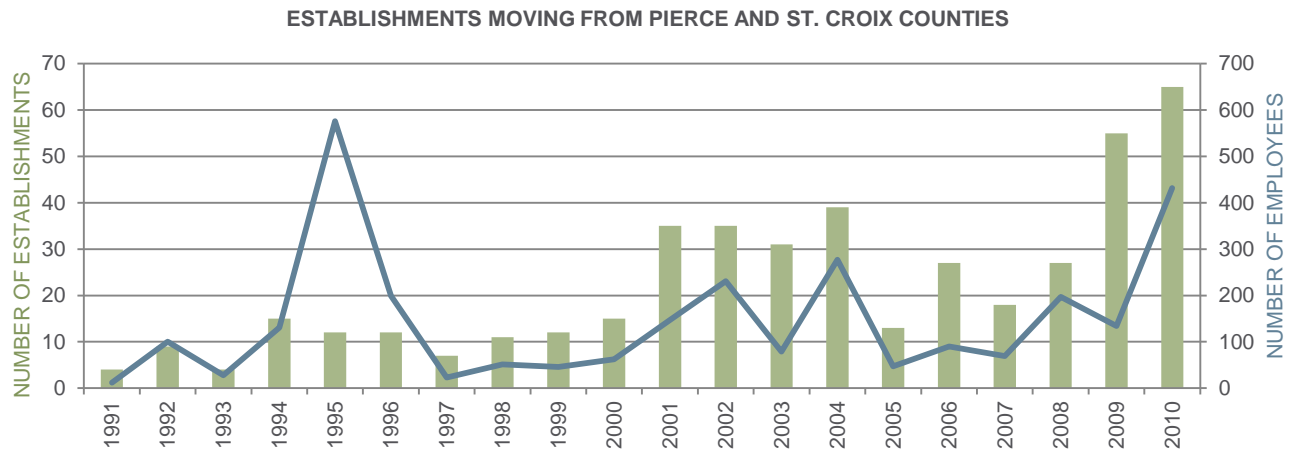


Source: 2011 National Employment Time Series data and Place Dynamics LLC

The number of establishments moving to other locations in Minnesota (172) was almost equal to the number moving to other communities in Wisconsin (177). What was more interesting, however, was the large number of establishments moving to other states. A total of 97 establishments (22 percent of the total) left for states other than Wisconsin or Minnesota. Leading destinations included many southern states often considered retirement destinations, such as:

- Arizona (12)
- Florida (8)
- Colorado (7)
- Tennessee (7)
- Texas (7)

The majority of these companies are small in size, usually having from one to five employees.



Source: 2011 National Employment Time Series data and Place Dynamics LLC

Business Dynamics Summary

The charts included in Appendix A depict the changes in establishments and employment attributable to the opening of new or branch establishments, moves into or away from the community, and closures. In both River Falls and in the two-county region, start-ups account for the majority of growth in the number of establishments in every year. They do not necessarily lead to the biggest gains in employment, however. Branch facilities tend to offer a greater number of jobs per establishment, but these are not necessarily the best jobs, as branches include large number of retailers, restaurants, and others often paying low wages for part-time work.

Establishment closures lead to the largest declines in the number of establishments. This is again true in all years, both in River Falls and in the two-county region. In most years they also account for the bulk of lost jobs. The exception to this is two years in which establishments moving from River Falls made up the majority of job losses in the city.

Both River Falls and the two counties saw a net gain in establishments in most years. Similarly, the net change in employment was positive in all but three years. Losses were most pronounced not in the peak recession years, but as the economy began to recover in 2010.

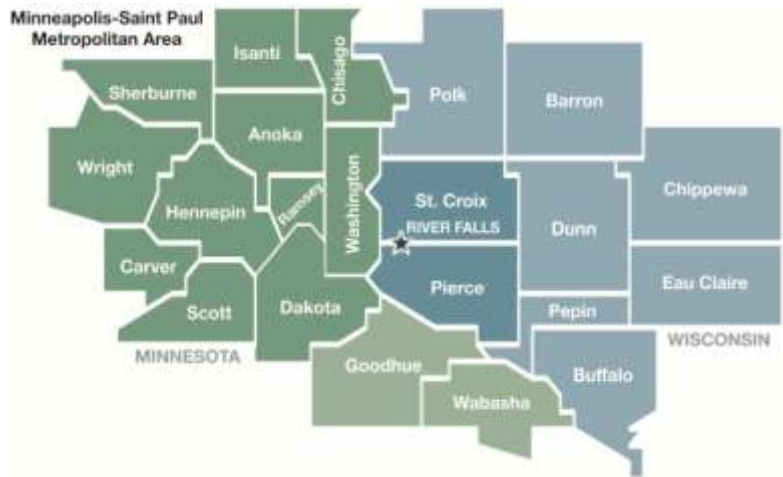
THE BROADER ECONOMIC ENVIRONMENT

The majority of start-ups occur near the entrepreneur’s home. Taking this statement a step further, many actually occur within the entrepreneur’s home as home-based businesses, which make up about half of all US businesses. There are many reasons for this, including the desire to be close to home, cost savings through lower overhead, familiarity with the community, and a business network that may be drawn upon for either sales or support. Research has also shown that businesses started close to the owners’ homes tend to achieve higher sales and remain in business for longer periods than those started at a greater distance. It is unusual for a business to be started at a greater distance – unless the location offers some unique and compelling advantage that cannot be replicated locally or accessed remotely. For these reasons, Pierce and St. Croix Counties were identified as the primary market for entrepreneurs who might start a business in River Falls. A 20-minute commute, which is the average for River Falls, takes in a majority of these two counties along with a portion of Washington County in Minnesota.

These observations were corroborated through interviews with multiple business incubators, including some affiliated with universities and some in state border regions. Few drew tenants from beyond a distance of 15 to 20 miles. Those in border regions seldom drew tenants from the neighboring state. This was thought by incubator managers to be do to the business owners' familiarity with regulations and taxes in their home state.

Even while not part of the primary market for entrepreneurs, it is still important to understand the economy of the broader region, as 1) primary economic drivers of the larger metropolitan areas, especially Minneapolis-Saint Paul, will help to shape the kinds of businesses that might be generated in River Falls, and 2) some entrepreneurs in more distant locations may be drawn to starting their businesses in River Falls.

Pierce and St. Croix Counties are part of the 13-county Minneapolis-Saint Paul metropolitan area. Washington, Ramsey, and Dakota Counties are most closely tied to River Falls economically, as revealed in commuting patterns and in the flows of establishments previously documented. Together with Polk and Dunn Counties in Wisconsin, these five counties represent a secondary market from which an incubator in River Falls may pull clients.



SECONDARY MARKET ESTABLISHMENTS BY INDUSTRY

Description	Non-Employer Establishments	Employer Establishments	Total Establishments
Total for all sectors	84,482	30,097	114,579
Agriculture, forestry, fishing and hunting	471	31	502
Mining, quarrying, and oil and gas extraction	0	23	23
Utilities	40	34	74
Construction	7,650	2,744	10,394
Manufacturing	1,429	1,339	2,768
Wholesale trade	1,568	1,751	3,319
Retail trade	7,575	3,706	11,281
Transportation and warehousing	3,651	875	4,526
Information	1,429	491	1,920
Finance and insurance	3,066	1,824	4,890
Real estate and rental and leasing	8,815	1,495	10,310
Professional, scientific, and technical services	15,121	4,030	19,151
Management of companies and enterprises	0	305	305
Administrative and support and waste management and remediation services	5,692	1,521	7,213
Educational services	3,070	472	3,542
Health care and social assistance	7,470	3,461	10,931
Arts, entertainment, and recreation	6,367	543	6,910
Accommodation and food services	746	2,316	3,062
Other services (except public administration)	10,311	3,088	13,399

Source: 2010 County Business Patterns and Nonemployer Statistics and Place Dynamics LLC

The Edward Lowe Foundation defines three types of establishments and five establishment stages based on the number of employees. Establishment types are:

- Non-commercial – This establishment type includes educational institutions, post offices, government agencies and other nonprofit organizations.
- Non-resident – These are establishments that are located in the area but headquartered in a different state.

- Resident – Resident establishments are either stand-alone businesses in the area or establishments with headquarters in the same state.

Stages are based on employment, but establishments within each stage tend to share some commonalities in terms of their growth and needs. The five stages defined by the Edward Lowe Foundation are:

- Self-Employed (1 employee) – This includes small-scale business activity that can be conducted in homes (cottage establishments) as well as sole proprietorships.
- Stage 1 (2-9 employees) – This includes partnerships, lifestyle businesses and startups. This stage is focused on defining a market, developing a product or service, obtaining capital and finding customers.
- Stage 2 (10-99 employees) – At this phase, a company typically has a proven product, and survival is no longer a daily concern. Companies begin to develop infrastructure and standardize operational systems. Leaders delegate more and wear fewer hats.
- Stage 3 (100-499 employees) – Expansion is a hallmark at this stage as a company broadens its geographic reach, adds new products and pursues new markets. Stage 3 companies introduce formal processes and procedures, and the founder is less involved in daily operations and more concerned with managing culture and change.
- Stage 4 (500 or more employees) – At this level of maturity, an organization dominates its industry and is focused on maintaining and defending its market position. Key objectives are controlling expenses, productivity, global penetration and managing market niches.

CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN THE SECONDARY MARKET AREA

Establishments	2000	2010	Change	Percent
Total	53,416	101,163	47,747	89.4%
Non-Commercial	3,015	4,227	1,212	40.2%
Non-Resident	2,987	2,590	-397	-13.3%
Resident	47,414	61,846	14,432	30.4%
Self-Employed (1)	14,456	39,207	24,751	171.2%
Stage 1 (2-9)	24,500	47,207	22,707	92.7%
Stage 2 (10-99)	7,634	7,212	-422	-5.5%
Stage 3 (100-499)	734	644	-90	-12.3%
Stage 4 (500+)	90	76	-14	-15.6%

Jobs	2000	2010	Change	Percent
Total	770,497	820,744	50,247	6.5%
Non-Commercial	84,720	96,092	11,372	13.4%
Non-Resident	124,026	118,827	-5,199	-4.2%
Resident	561,751	605,825	44,074	7.8%
Self-Employed (1)	14,456	39,207	24,751	171.2%
Stage 1 (2-9)	89,052	134,560	45,508	51.1%
Stage 2 (10-99)	195,356	188,831	-6,525	-3.3%
Stage 3 (100-499)	130,570	117,285	-13,285	-10.2%
Stage 4 (500+)	132,317	125,942	-6,375	-4.8%

YourEconomy.org and Place Dynamics LLC

The pattern that is revealed in the data on establishments and employment is similar to that seen in much of the country. There has been strong growth among self-employed and stage 1 businesses, with decreases in the number of larger establishments and the employment they provide. The decline in non-resident establishments (those with an out-of-state headquarters) is also reflective of national trends. These trends have led many people in the economic development profession to argue for increased efforts to promote entrepreneurship and small business growth through strategies such as business incubation.

For comparison purposes, data for Pierce and St. Croix counties, over the same period, show a slightly different pattern. Self-employed and stage 1 establishments increased in number and employment, as did stage 2 establishments. These

counties have attracted a number of new businesses, such as retail stores and dining establishments, which would fall into the stage 2 employment range of having ten to 99 employees.

CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN PIERCE AND ST. CROIX COUNTIES

Establishments	2000	2010	Change	Percent
Total	5,840	11,158	5,318	91.1%
Non-Commercial	302	430	128	42.4%
Non-Resident	219	184	-35	-16.0%
Resident	5,319	10,544	5,225	98.2%
Self-Employed (1)	1,830	4,849	3,019	165.0%
Stage 1 (2-9)	2,818	5,005	2,187	77.6%
Stage 2 (10-99)	633	659	26	4.1%
Stage 3 (100-499)	36	31	-5	-13.9%
Stage 4 (500+)	2	0	-2	-100.0%

Jobs	2000	2010	Change	Percent
Total	44,039	52,156	8,117	18.4%
Non-Commercial	3,576	4,611	1,035	28.9%
Non-Resident	6,034	5,993	-41	-0.7%
Resident	34,429	41,552	7,123	20.7%
Self-Employed (1)	1,830	4,849	3,019	165.0%
Stage 1 (2-9)	9,576	14,419	4,843	50.6%
Stage 2 (10-99)	15,924	17,141	1,217	7.6%
Stage 3 (100-499)	5,752	5,143	-609	-10.6%
Stage 4 (500+)	1,347	0	-1,347	-100.0%

YourEconomy.org and Place Dynamics LLC

Changes in establishments and their employment can be attributed to establishments closing or new ones opening, expansions and contractions, and move into or out of the counties. From 2000 to 2010, the increase in the number of establishments in the secondary market area was due entirely to new establishments opening. Even with an additional 47,990 new establishments, the jobs created by these starts were not adequate to make up for losses resulting from closures. Conversely, while establishments moving out of the area outnumbered those moving in, the establishments moving in held the greater number of jobs, leading to a net gain in employment. The largest gains in employment, though, came through the expansion of existing establishments (though some of these may have been started during the time frame reviewed). Stage 1 businesses (with two to nine employees) accounted for the largest share, with self-employed persons and stage 2 businesses (ten to 99 employees) making roughly equal contributions.

Both starts and relocations led to a positive change in the number of establishments in Pierce and St. Croix Counties, and it is likely that many of the businesses moving from the secondary market area ended up in these counties. Newly opened establishments were responsible for nearly the same number of jobs as expansions. These gains were concentrated among self-employed and stage 1 businesses.

WORK FORCE AND DEMOGRAPHICS

An area’s work force has a defining impact on its business start-up potential. Potential entrepreneurs are inclined to start a business within their field of work, so that the industry and occupational distribution of workers will roughly parallel new business starts.

Reflecting the size of the Minneapolis-Saint Paul metropolitan area, there is a concentration of persons employed in occupations requiring high levels of education, such as:

- Management, business, and financial occupations
- Computer, engineering, and science occupations
- Education, legal, community service, arts, and media occupations

- Health care practitioners and technical occupations

SELECTED OCCUPATION FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

Occupation	Dakota	Ramsey	Washington	Pierce	St. Croix	Dunn	Polk
Total	212,842	251,588	123,071	22,261	44,589	22,151	21,097
Management, business, and financial	38,272	39,079	23,987	2,843	7,254	2,303	2,327
Management	23,055	23,987	15,134	1,993	5,326	1,775	1,557
Business and financial operations	15,217	15,092	8,853	850	1,928	528	770
Computer, engineering, and science	16,305	19,538	10,044	818	2,788	913	759
Computer and mathematical	10,569	10,164	4,819	383	1,248	344	181
Architecture and engineering	4,290	5,529	3,683	306	1,149	418	400
Life, physical, and social science	1,446	3,845	1,542	129	391	151	178
Education, legal, community service, arts, media	21,264	35,552	12,749	2,015	4,662	2,327	1,953
Community and social service	3,512	5,253	2,051	286	722	451	354
Legal occupations	2,618	3,973	1,601	35	186	148	144
Education, training, and library	11,710	18,683	6,532	1,431	3,116	1,382	1,176
Arts, design, entertainment, sports, and media	3,424	7,643	2,565	263	638	346	279
Healthcare practitioners and technical	12,000	12,951	7,909	981	2,390	725	839
Health diag. treating practitioners and other tech	8,471	9,172	6,484	578	1,670	503	569
Health technologists and technicians	3,529	3,779	1,425	403	720	222	270
Healthcare support	4,731	6,618	2,194	664	1,232	740	667
Protective service	3,177	3,061	1,818	361	698	169	332
Food preparation and serving related	9,479	13,466	5,916	1,147	1,855	1,858	1,208
Building and grounds cleaning and maintenance	5,301	9,441	3,080	865	1,071	676	713
Personal care and service	8,930	9,805	4,324	1,258	1,247	764	647
Sales and related	25,844	25,282	13,994	1,978	4,364	2,273	2,010
Office and administrative support	31,477	35,625	17,313	2,588	6,128	3,090	2,534
Farming, fishing, and forestry	633	985	312	351	543	314	239
Construction and extraction	6,969	7,800	4,458	1,395	2,303	989	1,439
Installation, maintenance, and repair	6,581	5,503	3,530	843	1,485	1,072	1,074
Production, transportation, and material moving	21,879	26,882	11,443	4,154	6,569	3,938	4,356
Production	10,728	15,738	6,037	2,662	3,916	1,925	2,995
Transportation	7,512	6,602	3,506	882	1,503	887	764
Material moving	3,639	4,542	1,900	610	1,150	1,126	597

Source: 2009-2011 American Community Survey 3-Year Estimates

While Pierce and St. Croix Counties combine to make up about one-tenth of the area's employed population, they do have a lower percentage of persons employed in these four categories. The difference is most pronounced in computer, engineering, and science occupations. The two counties have a larger percentage of their workforce employed in personal care and service occupations, and production, transportation, and moving occupations.

THE START-UP MARKET OPPORTUNITY

At any given time, about seven percent of the working age population in the United States is considering forming a business. Nationally, there were 300 new businesses started for every 100,000 employed people who did not already own a business. In Wisconsin, this number was only 180 new businesses per 100,000 employed people who did not already own a business. Because of these lower rates of actual business formation, a conservative estimate of six percent of the population may better reflect the potential market of people considering starting a business in River Falls. River Falls' immediate market for potential incubator clients will be the working population of Pierce and St. Croix Counties.

The secondary market area, including Dakota, Ramsey, and Washington Counties in Minnesota, and Dunn and Polk Counties in Wisconsin, may provide a smaller number of clients. This assumption is consistent with the actual performance of incubators, concerning distance and the influence of metropolitan areas and state borders, documented in Appendix C.

POTENTIAL MARKET FOR BUSINESS START-UPS IN PIERCE AND ST. CROIX COUNTIES

Region	Considering Entrepreneurship	Starting a Business
Primary Market Area	4,011	1,203
Secondary Market Area	37,845	11,353

Source: Estimates prepared by Place Dynamics LLC

The estimate of 1,203 annual start-ups establishments originating in Pierce and St. Croix Counties is consistent with the actual pace of start-ups since 2005. The average number of annual start-ups recorded from 2007 to 2011 was 1,113. Based on research of the national impacts of the recession on entrepreneurship, it is safe to assume that the recession depressed the number of start-ups in Pierce and St. Croix Counties from 2007 to 2010.

Not all of the new businesses formed by residents of the two counties will be located in Pierce or St. Croix Counties. For a variety of reasons, residents of these counties may choose to locate their new business elsewhere, most likely closer to the Twin Cities, so as to be closer to targeted customers. At the same time, some percentage of residents in the secondary market area will choose to locate their business in Pierce or St. Croix Counties, perhaps to have access to the space and/or services of a future River Falls incubator. It is estimated that 90 percent of the start-ups generated by residents of the primary market area, and three percent of the start-ups in the secondary market area (approximately the same percentage of commuters from these counties) will locate in Pierce or St. Croix Counties. This results in an annual potential for 1,424 new establishments.

ESTIMATED MARKET CAPTURE FOR BUSINESS START-UPS IN PIERCE AND ST. CROIX COUNTIES

Region	Market Capture Rate	Start-ups Generated
Primary Market Area	0.90	1,083
Secondary Market Area	0.03	341
Total		1,424

Source: Estimates prepared by Place Dynamics LLC

Over the past several years, River Falls has captured anywhere from nine to thirteen percent of the total number of new establishments started in Pierce and St. Croix Counties. Using an average of eleven percent, the estimated number of annual start-ups in River Falls will be 157 per year.

As a final consideration, a River Falls incubator may want to consider targeting existing businesses that may be struggling with formation or growth issues. The combination of self-employed and stage 1 businesses – almost 10,000 strong in Pierce and St. Croix Counties – may contain good candidates for incubation services.

RESOURCES SUPPORTING INNOVATION AND ENTREPRENEURSHIP

The UW-River Falls is the single greatest asset in the region to spur innovation and entrepreneurship, or simply to support the growth of small businesses. Its foremost assets are its faculty and students, who are the source of knowledge and creativity that can be transferred to existing businesses, or be directed into new business ventures. Of secondary importance are a number of physical assets and programs housed at the university. A partial list might include:

- Small Business Development Center
- College of Business
- College of Agriculture, with one of the top-ranked dairy programs in the nation
- Food processing pilot plants and laboratory farms, along with research by faculty and students of the College of Agriculture, Food and Environmental Science
- Tissue and Cellular Innovation Center
- GIS and remote sensing technology in the Department of Geography
- Strong arts and design programs, including glass and ceramics

- Marketing communications programs including digital production

The College of Agriculture at UW-River Falls is among the university's strongest programs. Through its Food Processing Pilot Plants, the university works closely with businesses and entrepreneurs to develop marketable products. The university is planning significant upgrades to these facilities, funded in part through collaboration with private sector entities such as the Wisconsin Cheese Makers Association.

The College of Business will be launching an MBA program in the fall of 2013. This program will require students to complete a practicum, partnering with businesses in the region to address real-world issues. Approximately 20 students will be available to work with businesses that may include tenants of a potential business incubator in River Falls.

The University is seeking funding for a project they have called the St. Croix Valley Center for Innovation and Business Development (CIBD). The purpose of this center will be to "support and catalyze entrepreneurship, small business growth, new product development, and job creation in western Wisconsin", and it will work hand-in-hand with the proposed incubator. Some of the features or resources that have been proposed to be provided include:

- Leveraging the Small Business Development Center, Center for Economic Research, and MBA students to assist with feasibility studies, business and marketing plans, analysis and development of international markets, and strategic management.
- Focusing research and development in the key areas of food product development and biomedical sciences.
- Establishing three University/Business Innovation Fellows; private sector or university researchers or entrepreneurs who demonstrate a track record and strong potential for new product development that will lead to business growth and job creation.

Chippewa Valley Technical College and Indianhead Technical College also play a role in supporting entrepreneurship, including providing education in entrepreneurial topics and work force training to meet business' skill needs. The NanoRite Center at Chippewa Valley Technical College supports entrepreneurial and applied research needs for business start-ups in nanotechnology, micro-fabrication, and other advanced technologies. The facility is the first of its kind in the region and offers 40,000 square feet of newly constructed incubation space, applied research facilities, wet lab space and a cleanroom facility.

Chippewa Valley Technical College has a regional campus in River Falls with three computer labs, a fully equipped chemistry lab, a high-fidelity medical simulator and a specialized residential construction lab. Regular and continuing education courses and special programs are provided in a variety of formats. Business and service/health occupations have the largest enrollments.

Financial assistance programs help to meet the financing needs of start-up or growing businesses. Examples include the Wisconsin Business Innovation Corporation (WBIC), which operates two revolving loan funds and created the Wisconsin Rural Enterprise Fund (WREF), a community-based venture capital fund.

Interviews with business owners, economic development officials, and university staff provided further insight into strengths and weaknesses of the city and its resources for entrepreneurship. Observations made by these individuals included the following.

- One of the more important qualities of the city is its proximity to Twin Cities. Coupled with a good quality of life, this proximity has helped to attract diverse, highly skilled, and educated residents to the community. As several participants in interviews for this study noted, the area labor force is more diverse than are the employment opportunities in the community. The region also contains many potential midlife entrepreneurs wanting to get out of a corporate setting.
- River Falls may be further from the Twin Cities than competing communities such as Hudson, but it does have a lower cost structure. Lease rates and land costs are lower than in Hudson, which is priced similarly to the Minneapolis-Saint Paul market. Labor costs are also less, which is a two-edged sword. Although wages may be lower, it may also be more difficult to attract skilled, in-demand workers who have the option of working elsewhere for higher wages. On the other hand, workers in River Falls can enjoy a reverse commute, shortening their travel time.
- Large companies in the Minneapolis-Saint Paul region are an important source of innovation. Examples include 3M and Cargill. 3M, in particular, encourages its engineers to act as entrepreneurs within a company. Many go on to commercialize products originally developed at 3M in new companies they form.

- River Falls does face some challenges. Businesses have commented that taxes in Wisconsin are perceived by some people in Minnesota as being not as favorable¹. Businesses unfamiliar with the area may also believe that it will be difficult to find skilled and specialized labor in the more remote location of River Falls.
- Perhaps most importantly, the UW-River Falls has traditionally focused on education, and does not have a history of active partnering with the private business community. Faculty may be more inclined to consult on the side, rather than through the university, as may be the case with an institution such as the UW-Stout. Many UW-River Falls facilities are also aging (such as the food processing pilot plants), and the university lacks any singular facility or piece of equipment (such as a nuclear magnetic resonance spectrometer) that might be of critical interest to the business and entrepreneurial community.

ALTERNATIVE INCUBATION STRATEGIES

In the typical practice of economic development, the various needs of existing businesses and start-ups may be met by any of a large number of service providers. Delivery of these services is often characterized by minimal collaboration among them, and the lack of a single entity to coordinate the relationship between client businesses and the service providers. There are many possible structures to provide business start-up and growth assistance through what might be called an “incubator”. In all of these, the most important role that they play is that of a single point of contact for businesses to understand what assistance may be available to them and to gain access to the appropriate service providers.

Facility-Based Incubators

The traditional model of incubation is centered on a physical space in which client businesses are housed. This concept was pioneered in the 1950’s but not widely adopted until the 1990’s. Facilities of this type often came about as a means to subdivide large, older industrial complexes that might no longer fit a single user. Early on, tenants might be provided with shared services including a receptionist and/or administrative support person, fax and photocopy services, and other basic business functions – of the 1990’s. With the arrival of new technologies, many of these services are no longer necessary. They have been replaced by access to sophisticated telecommunications and network or online services.

Incubator facilities are now much more commonly newer buildings designed for flexibility, with high ceilings and easily moved partition walls to allow businesses to expand. Many incubators are also specializing in a subset of industries and incorporating key resources for those businesses. As an example, a biotech incubator might have a shared wet lab for its tenants and clients. Food incubators will often have a full range of processing machinery and cold storage facilities in a space designed to meet USDA requirements for food handling.

A key aspect of good incubation is the ability to provide quality, customized training and technical assistance to clients. This goes far beyond the standard classes offered through organizations such as Small Business Development Centers. Incubators may offer direct technical assistance, through their own staff or contracted industry experts, on issues such as product design, market testing, cost management, regulatory compliance, sales and marketing, distribution, production, and more.

The idea behind facility-based incubation is that businesses, once established, will grow to a point where they can move from the incubator into market space. One of the criticisms of incubation is that in many cases, the tenant businesses do not “graduate” from the incubator space. This is often because they fail to reach a level of profitability that allows them to support a market rent, and that may often be traced back, at least in part, to the quality of assistance provided while the business was being incubated.

Virtual Incubators

The high cost of constructing and maintaining a physical incubator is often a challenge for economic development organizations, who are reluctant to take on the role of perpetually supporting a facility. This concern gave rise to the concept of virtual incubation, in which the organization provides the same services as might be delivered by any other incubator, but does not have a physical space in which clients are housed. While clients may find conventional space, many organizations have partnered with private facility owners who are willing to reduce front-end costs to help grow prospective tenants.

¹ Note that the comment was that taxes are not *perceived* as being as favorable in Wisconsin. In actuality, personal income tax rates are comparable, ranging from 5.63 percent to 7.85 percent in Minnesota, and from 4.6 percent to 7.75 percent in Wisconsin.

Coworking and Collaborative Consumption

Coworking is a more recent approach to work environments, that many see as also being a viable approach to incubation. Much more than simply shared workspace, coworking establishes a community of workers who may cross multiple disciplines. Many may be solo workers, but a growing number of small businesses and even workers within large businesses are choosing to work in this environment. The interaction between members creates what has been called accelerated serendipity – the chance interactions that give birth to new ideas and collaborations. Most regular coworkers report increased networking, collaboration with others, and higher earnings after joining a coworking facility.

Coworking tends to appeal most to people in creative and technical occupations. Examples might include software, computer systems design, marketing and design, writing, business services, industrial design, engineering, and similar professions. Coworking facilities offer broadband internet, meeting rooms, and other basic office services. Some may provide access to specialized resources such as recording studios or software programs. Space may vary from a desk in an open area to small office suites that might be suited to a two or three-person business. Many facilities offer the ability to lease an unassigned desk by the day, or may provide assigned desks, offices, and office suites on a monthly or longer term.

As an incubator, the same kinds of services can be provided to members and non-member clients as might be provided in a typical incubator environment. In addition, the coworking community is itself an asset peer-to-peer assistance as well as opportunities to jointly grow businesses through collaboration.

Business Accelerators

While not incubation, there are at least two good reasons to consider business acceleration as an option. The first is that there is a great deal of overlap in the kinds of programming offered through incubators and accelerators. The second is that the River Falls region has a large number of small businesses that might be spurred to growth through acceleration services.

While an incubator helps companies grow through their formative stage, an accelerator steps in to foster growth of businesses that are already established. Unlike incubation, which may last for a period of years, accelerators are generally intensive and last only a period of months. Acceleration often focuses on entering new national or global markets.

Economic Gardening Programs

Economic gardening is a concept closely tied to entrepreneurship and acceleration. Economic gardening creates a supportive environment for entrepreneurship, connects entrepreneurs to resources, and spurs growth of the community's high growth businesses. Market intelligence and strategy are key elements within this approach, as the economic development community provides connections to data and analysis that the business can use to identify and pursue opportunities. Examples include database and data mining resources, and geographic information systems.

INCUBATOR STRUCTURE AND APPROACH

The following recommendations are based upon the preceding market analysis, the proposal for a St. Croix Valley Center for Innovation and Business Development, and consultation with the Incubator Working Group. The recommended approach is to establish a general business incubator offering tiered services, in a combination of virtual and facility-based approaches. The Center for Innovation and Business Development is a component of the incubator, however, a separate organization is proposed to manage the facility and coordinate programming.

TARGETED INDUSTRIES

The preceding industry analysis provided a clear picture of start-up activity and overall composition of the economy by industry. The primary market area does not demonstrate any strong patterns of industry clustering. This suggests that a narrowly focused incubator project will experience difficulty in identifying clients. This is especially true of an incubator with physical space and needing to attract tenants. It is therefore recommended that the proposed incubator be general in its client scope, focusing on the potential for the business to have a significant positive impact on the local economy as a criteria for access to services.



The proposal for the St. Croix Valley Center for Innovation and Business Development identified food product development and biomedical sciences as potential targets. The market analysis demonstrated that there has been a low

level of start-up activity in these sectors, amounting to 1.25 companies per year in both Pierce County and St. Croix County combined. Broadening this sector to include related manufacturing and service activities, and taking into consideration the strengths and resources of the UW-River Falls may suggest the potential for an emerging cluster, however, the level of activity in this cluster is still considered insufficient to support a tenant-based incubator without including other types of businesses.

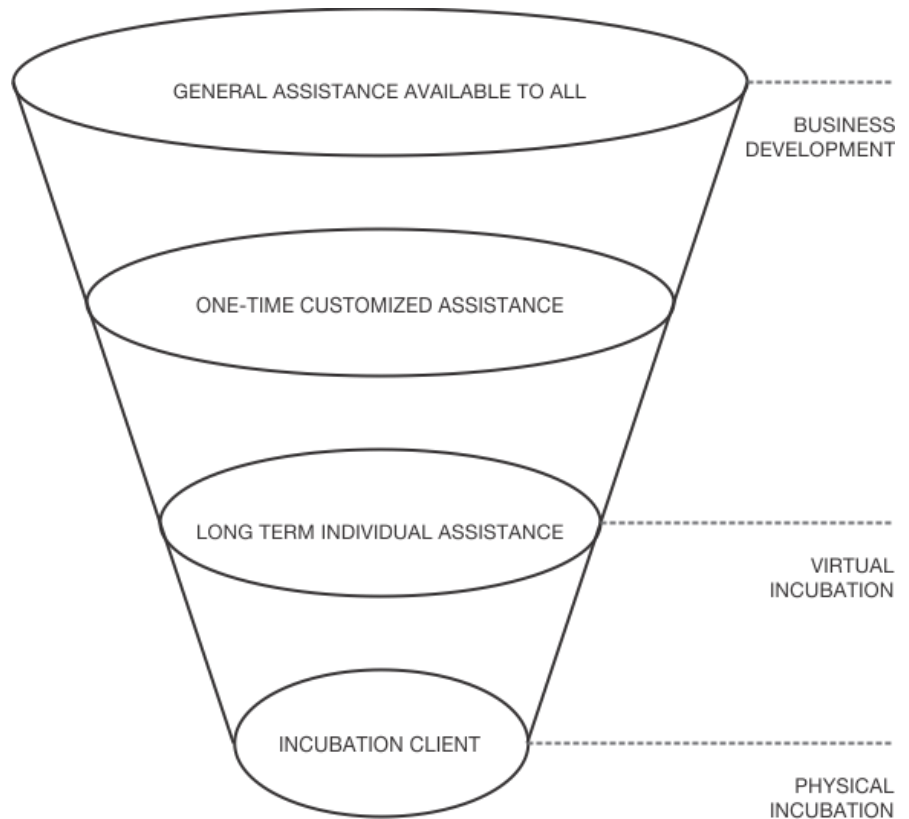
Supportive Businesses (Anchor Businesses)

A number of local and regional businesses have been considered as potential anchor tenants for an incubator facility. These include Interfacial Solutions, Sajan, and BioDiagnostics in River Falls, and companies such as 3M or Cargill in the Twin Cities area. Occupying a space in the incubator may provide staff with an environment outside of the corporate office, improve access to university facilities and students or staff, and provide space to develop spin-off ideas that may be taken to market. At this time there have been no commitments from any companies to occupy space. During the development stages of the incubator, these anchor tenants can help to raise the percentage of leased space, improving the facility's cash flow.

PROGRAMMING NEEDS

Clients for services offered through the incubator will include individuals in the exploratory stages of forming a business, current start-up businesses, existing or future Stage 1 and Stage 2 businesses (as defined by the Lowe Foundation) and larger businesses. On the demand side of the equation, programming needs will vary by stage of business and the capabilities within the individual business. On the supply side, the incubator will need to establish criteria by which it will determine an appropriate level of participation in fostering the growth of an individual client. Some of these criteria may include:

- Viability of the business idea
- Likelihood of job creation
- Quality of jobs to be created
- Economic impact on industry and the local area
- Cost of providing services needed by the business



Businesses that will have the greatest impacts should be offered higher levels of service.

The market analysis documented nearly 50,000 people considering, or already engaged in forming a business within the broad region. This includes 5,214 potential entrepreneurs in just Pierce and St. Croix Counties, forming an estimated average of 1,424 new businesses per year. River Falls is expected to capture 157 of these. There are also an additional 10,690 self-employed, stage1, and stage 2 businesses already in the two counties, with 1,339 in River Falls.

Program Clients

Some clients will only occasionally make use of incubator services. These will be referred to as program clients. At the most basic level are users of courses, assistance in business planning, and other generic forms of assistance such as those currently offered through Small Business Development Centers and other providers. This level of service can be made available to all businesses and potential entrepreneurs, either for free or at a minimal cost sufficient to cover expenses.

Some start-up and existing businesses will require more tailored assistance on a one-time or infrequent basis. Examples may include access to work force training, assistance in market research or exporting, or limited access to research facilities or staff through the university. These represent a second tier of business development services, where the additional investment of public resources should be offset by a greater potential for positive economic impact, or opportunities presented to the University for research or student placement.

Utilization of these services is highly dependent upon variables such as the scope and quality of activities, frequency, cost, and marketing. A market penetration of ten percent of the Pierce and St. Croix County totals is not unrealistic, meaning that at least ten percent of potential entrepreneurs and existing businesses would use at least one service. This would result in approximately 1,120 unique clients per year. Approximately half can be expected to participate in additional activities. These numbers are conservative. A high quality program with good marketing could reach larger numbers, with greater repeat utilization of services.

Affiliate Clients

A still smaller set of businesses will require more prolonged assistance, but will not require space within an incubator building. These may be start-up or existing businesses that will typically be in the research, development, or commercialization stages of their business idea. As they develop their idea they may require repeated access to University facilities, prototyping and testing, assistance raising capital, or other forms of assistance. Because of the long term nature of the relationship, and the location of the business in conventional space, the services provided to these businesses can be described as virtual incubation.

Reflecting the additional cost of these services, along with limited resources and the desire to invest only in those projects having significant potential for business growth, a much smaller number of businesses will receive these services. A market penetration of one half of one percent of all nascent entrepreneurs, self-employed, and state 1 or 2 businesses would result in demand from 80 businesses. This should be viewed as a number of clients anticipated in a fully-developed program. Counts in the earlier years of the program will be lower.

Incubation Clients

Incubator tenants will receive the most comprehensive services. Occupying space within the facility, they will have regular contact with advisors and/or mentors, as well as having access to resources within the incubator facility.

The market for incubation will most likely be influenced by the incubator's policies for admission. The incubator will probably be in a position to decline to accept several businesses that do not have a great likelihood for success or significant impact. Based on a review of the kinds of businesses that have historically been formed in River Falls and in Pierce and St. Croix Counties, a target of eight to ten businesses admitted per year is realistic. This would result in full capacity in the third year of opening, with some loss of prior years' tenants.

PROGRAMMING

The incubator should serve as a one-stop location for coordinated delivery of business development services offered through several organizations. This should initially include the UW-River Falls, the City of River Falls, and the Small Business Development Center. As the center is developed, an effort should be made to bring other services providers into the facility, such as workforce programs, county economic development organizations, and the UW-Extension.

Potential Business Programming

In recent years there has been a great deal of research conducted into the needs of emerging and small businesses, from organizations including the U.S. Small Business Administration, the Ewing M. Kauffman Foundation, the Edward T. Lowe Foundation, and others. These studies have identified critical needs, some of which were also cited by individuals interviewed in River Falls. These needs include the following:

- Business planning and business basics training
- Technical assistance – management, legal, accounting, human resources, e-commerce, etc.
- Access to capital
- Market development – ensuring a regular stream of customers
- Manufacturing support
- Product development

The Edward T. Lowe Foundation notes differences in the needs stage 1 and stage 2 businesses. Self-employed persons and stage 1 businesses (employing fewer than ten people) are focused on defining a market, developing a product or service, obtaining capital, and finding customers. Stage 2 businesses (with ten to 99 employees) have moved beyond the survival stage and need to adapt their management structure to continue to grow.

Businesses having the origins in research, sciences, and emerging technologies are a small portion of all start-ups. These businesses may have need for specialized assistance in areas such as:

- Technology licensing and commercialization
- Legal assistance related to intellectual property
- University research commercialization
- Prototyping and testing

Typical services provided through business incubators may include the following, all of which should be considered in River Falls.

- Business planning, ranging from introductory courses such as those provided by the SBDC, to individualized assistance in developing business plans.
- Coaching and mentoring assistance, which may include service provider referrals, one-on-one coaching, industry mentor programs, and advisory boards.
- Financial advisory services, including budgeting assistance and help in identifying or obtaining capital.
- Market development assistance, including market research, advertising and public relations support, and contract procurement. Some organizations have sponsored reverse trade shows to promote business to business or business to government sales.
- Export assistance, partnered with state export assistance resources
- Networking opportunities to develop sales leads, foster collaboration among entrepreneurs, and build mentoring relationships.
- Software addressing business needs such as planning, marketing, human resources, and accounting.

Once a standard feature, reception or secretarial services are no longer an essential incubator component. Technology and internet-based services can fill this role at a far more advantageous price while also delivering 24/7 coverage and remote access.

Involvement of the UW-River Falls in the project expands on the range of potential services that can be offered through the incubator. Three opportunities will add great value to the project, including access to faculty and students, access to University facilities, and placement of MBA students with incubator clients.

- Access to university staff and students offers a cost-effective and efficient means for emerging entrepreneurs and small businesses to expand their technical capabilities. Students and faculty may assist in research or other project work for incubator clients.
- Access to UW-River Falls facilities can help start-ups and existing companies with activities such as product development and testing. As an example, the University's food processing pilot plants may be used to develop new products and produce small batches as a precursor to a company fitting out its own manufacturing facility.
- Placement of MBA program students

Additionally, the UW-River Falls will be a source of clients through commercialization of research and other faculty and student entrepreneurship.

BUSINESS CAPITAL NEEDS

The vast majority of start-up businesses are self-funded using a combination of owner savings, equity, and credit. Assistance from family and friends is often the second option for funding. Some of these may fit the typical profile of angel investors. A relatively small number of businesses actually seek, and fewer obtain funding from banks or other more traditional lenders. The reasons for this are simple. In their earlier stages, most businesses need funds for uses such as working capital, research and development, or similar activities, rather than for the sorts of capital investments that can be collateralized and are the target of most commercial lenders (and often most economic development loan programs).

As one person stated during interviews conducted to assess the incubator opportunity, capital funding is a critical need as many potential entrepreneurs have "a great idea and no cash". While a simplification of the issue, it is non-the-less true

that few people have the resources to both continue to support themselves financially and simultaneously fund a business start-up over the time it takes to generate a profit. This is a barrier to starting a business and often a factor in the high rate of failure among new businesses.

Rather than provide financing directly, the role of the incubator with regard to financing small businesses should be to help identify appropriate sources of financing and to assist businesses in presenting a strong case for funding approval. This will be accomplished through well-written business plans, quality market research and market development, a strong product or service offering, demonstrated financial and management expertise, and thorough preparation.

The incubator may work with economic development entities or lenders to create programs addressing specific business needs that may become apparent as the organization works with clients. The organization should be familiar with alternative sources of funding, including grant opportunities related to research, or other grant programs. It should also monitor and consider emerging practices with regard to meeting business capital needs. Examples of this are online community lending platforms and the growing practice of collaborative consumption.

Online funding platforms, or crowdfunding platforms, can be a means for some businesses to raise start-up or growth funds. Dozens of sites like Kickstarter and Fundable allow entrepreneurs to present an idea and ask for funding in an amount of hundreds to millions of dollars. Three models have emerged:

- Donation sites raise funds without offering equity in the business. Often a reward is offered, such as merchandise or discounts. This approach is often used to seek funds for arts-related projects, research, or social entrepreneurship.
- Direct investment sites allow investors to acquire an equity position within a specific business.
- Pooled investment sites merge funds to invest in new businesses.

Collaborative consumption is a practice well suited to incubation. The concept is that expensive, but infrequently used resources may be purchased jointly and shared among users, rather than each individual acquiring the item. Examples might include software, large format or 3D printers, material handling equipment used in the manufacturing space, etc.

FACILITY AND INFRASTRUCTURE NEEDS

Given the general business targets, no specialized facilities (such as wet labs, cold storage, etc.) are contemplated in the incubator. The facility will be comprised of office space and supporting uses, and general manufacturing space. The recommended space configuration is presented in the following table. Comments relating to some of the programmed uses follow.

PROPOSED INCUBATOR FACILITY SPACE REQUIREMENTS

FUNCTION	DIMENSIONS	QTY	UNIT SQ. FT.	TOTAL SQ. FT.
Economic development suite (UWRF/SBDC/City)	25' x 40'	1	1,000	1,000
Private office	10' x 15'	12	150	1,800
Office cubicle / open work space	8' x 8'	12	64	768
Large conference room / classroom	30' x 50'	1	1,500	1,500
Small conference room / boardroom	20' x 25'	1	500	500
Reception area	20' x 20'	1	400	400
Kitchen / break room	15' x 20'	1	300	300
Work room	15' x 20'	1	300	300
Subtotal				6,568
Circulation factor (30%)				1,970
Usable square feet – office component				8,538
Common area factor (15%)				1,280
Total office component				9,818
General light manufacturing or warehouse space				12,000
TOTAL				21,818

- The economic development suite is a private suite containing six offices to house University staff, the Small Business Development Center, and potential City economic development staff.
- The proposed space allocation does not include any dedicated office pods for anchor tenants, which would likely occupy 800 to 1,000 square feet each, consisting of three- to four-office suites. Alternatively, these anchors could be housed in the planned private offices.
- The office cubicle/open work space could include cubicles assigned to businesses, but importantly, will also be a collaboration space as well as work space for students working with businesses.
- The large conference room has been sized to accommodate 40 people in a classroom configuration (rows of tables), or 24 people in a boardroom configuration (tables in a square). The small conference room will accommodate 20 and 12 people in these formats.
- Restrooms for the office portion of the building are included in the common area calculation. A second set of restrooms should be provided in the manufacturing area.
- The general manufacturing space should be designed to be divided into square foot bays with a shared loading areas (overhead doors and loading docks).
- The facility should be designed to allow expansion as future demand warrants, up to approximately 40,000 square feet.

Infrastructure needs will not differ significantly from any typical office/manufacturing facility. Facility resources should include the following.

- T1 internet service, with both wired (Ethernet) and wi-fi access. Cable may be used as a back-up.
- Common spaces including a conference room, meeting room, kitchen and lunchroom, and reception area.
- Private mailboxes
- Security system with 24/7 facility access

It is recommended that the City of River Falls construct and own the building, leasing it to the incubator organization. The reasons why City ownership is preferred are:

- The City currently has the capabilities and resources needed to construct the building in a timely manner. The City owns the land, has the ability to use tax incremental financing or other local funding mechanisms, is eligible for EDA or state grants, and has experience developing capital projects.
- It will often take a year or more to establish and secure 501(c)3 status for a new organization. Waiting construction until the incubator organization is formed could create a significant delay in the proposed timeline.
- The City's annual investment in the incubator might take the form of subsidized rent for the building, rather than annual cash contributions. Since the City and the incubator organization will enter into a multi-year lease, the City's contributions will be guaranteed for several years, helping to create a more stable budget for the incubator organization.
- Continued ownership of the building will help to protect the City's investment. If the incubator is ever dissolved, the City will still retain ownership of the building.

OFFICE EQUIPMENT AND RELATED NEEDS

An initial outlay will be required to furnish the building and establish incubator operations. The incubator should plan to rent out fully furnished office spaces and provide shared office equipment for the use of incubator staff and tenants. Businesses should be expected to provide their own computers and software, except for basic business application software packages provided for the use of all clients. Items that will need to be budgeted include:

- Furnishings for private offices and the economic development suite
- Cubicles and furnishings
- Workspace furnishings
- Conference room and meeting room furnishings
- Reception area furnishings
- Kitchen furnishings, microwave, and refrigerator
- Material handling equipment for the manufacturing space (hand trucks, lifts, etc.)

RECOMMENDED INCUBATOR FORMAT

The recommended structure for the incubator is a non-profit organization directly supported by the City of River Falls and the University of Wisconsin – River Falls, and with contributing support from other economic development organizations in the region, and others. The building should be owned by the City of River Falls and leased to the incubator organization, which will be responsible for management of the facility and programming. The University will provide staff support connecting businesses to resources on campus.

It is recommended that the St. Croix Valley Center for Innovation and Business Development be an anchor tenant of the incubator, rather than the incubator organization itself. This does not preclude the possibility that Center personnel could be contracted to staff the incubator. Establishing a separate organization to manage the facility and coordinate programs results in several advantages.

- An organization independent of the University, and even the City, will have greater flexibility to act quickly with fewer restrictions on the activities in which it may engage.
- The separate organization will not be dependent upon state budgets, which can be subject to political whim. The current economic development funds proposed in the governor’s budget, from which the Center would seek an allocation, is not proposed as a permanent increase in funding for the UW System.
- An organization with 501(c)3 status is capable of receiving tax-deductible donations of cash, goods, or services. This may be an important consideration for many potential contributors, and is usually a requirement for foundation or grant support.
- A separate organization, not controlled by the City or University, will be in a better protection to maintain the confidentiality of incubator clients as it is not subject to open records laws.

Incubator Organization

The incubator organization should be formed as a 501(c)3 non-profit organization, capable of receiving tax-deductible donations of cash, goods, or services. This tax-exempt status will enable it to more successfully solicit funds and donations of other resources used to provide programming for incubator clients. A majority of incubators have taken this approach.

Board of Directors

The initial board of directors should be appointed by the City or its Economic Development Authority. Care should be taken to ensure that the entrepreneurial and small business community is well represented on the board. Many communities will tend to appoint economic development staff or city officials to board positions, however, these people generally do not have small business experience and often lack first-hand knowledge of the issues entrepreneurs and small businesses are facing. A well balanced board might be composed as follows:

- Small business owner (manufacturing)
- Small business owner (business services)
- Small business owner (scientific/technical services)
- Small business owner (retail)
- Financial sector representative (banking or accounting)
- Attorney
- Member of the River Falls EDC
- Member of the city council
- University representative

Ex officio members might include:

- City or county economic development staff
- Chamber of commerce staff
- SBDC staff

The role of the board will be to provide strategic direction and oversight of the incubator. It is not expected that the board will be involved in the day-to-day management of the facility or in delivering services provided by the incubator. Responsibilities of the board should include:

- Establishing a mission, vision, and core values for the incubator
- Guiding long-term strategic planning and annual work plans for the incubator
- Establishing policies for incubator facilities, clients, and staff

- Developing relationships with key partners and funders
- Providing oversight for incubator operations – reviewing financial performance, supervising staff, assessing incubator performance
- Setting criteria and policies for admitting tenant companies

City

The City of River Falls will initially play the lead role in developing the business incubator. Specific roles will be to form the incubator organization, provide temporary space, and to construct the incubator building. Over the long term the City will continue to be a lead partner, advocate, and funder of the incubator. In addition to owning the facility in which the incubator will be housed, the City will be a likely provider of annual operational funding.

University

The University should be a tenant in the facility, housing key staff who will collaborate to make connections between incubator clients and University resources. The positions that have been envisioned include:

- Center for Innovation and Business Development director
- Business/university innovation fellows (3)
- Small Business Development Center director and specialist

In addition, the University will operate the Center for Innovation and Business Development, promoting entrepreneurship and innovation by linking companies and individuals to staff, students, and on-campus facilities that may assist in research or business development.

Partners

The Small Business Development Center, Pierce County Economic Development Corporation, and St. Croix County Economic Development Corporation may be among the primary partners in supporting the business incubator.

Mission and Goals

One of the first priorities for the incubator organization should be to define a mission and set goals that it hopes to accomplish. The mission and goals will be in part determined by the composition of partners in the organization, and their respective priorities. Examples of common goals would include:

- Increase the rate of new business start-up activity in the market area.
- Improve the long term success rate for recently formed businesses.
- Increase the number of new businesses started by faculty and staff from the university.
- Create opportunities for university students to gain hands-on experience in entrepreneurial and small businesses.
- Help to diversify the local economy.
- Foster a culture that is supportive of entrepreneurship.
- Create employment opportunities for area residents.
- Provide networking, mentoring, training, technical assistance, and customized services for client businesses.

The mission should be a concise statement of what the organization will do: who, what, how, and why. As a starting point, the organization may want to use the following:

The [organization] will foster entrepreneurship and enhance the success of new and existing small businesses through a comprehensive program of business incubation, resulting in a more dynamic and diverse local economy, new job opportunities, and increased wealth.

Management

A full-time director will be necessary for the incubator to be successful. The individual hired for this position should have prior experience managing a business incubator, especially during the initial years as the incubator is established and grows to capacity. The director will:

- Assist in developing and the incubator’s strategic plan and annual work plans.
- Build relationships with public and private organizations that may support the mission of the incubator.
- Develop, coordinate, and market programs and services provided through the incubator.
- Market the incubator, screen potential tenants, and negotiate leases or other agreements.
- Establish and manage the incubator’s professional services, mentor, and investor networks.

- Provide financial management, prepare annual budgets, and report routinely to the board.
- Support fundraising and grant activities
- Collect data to measure outcomes.
- Manage operations of the incubator facility.

The role of the director will initially be dominated by logistical issues associated with establishing the incubator, developing programs, and marketing services. Over time this role should transition more to that of a business counselor, connecting clients to the assistance they need to start or grow their business.

The choice of director is critical. Management is one of a small handful of factors crucial to the success of a business incubator. Especially with a new incubator, the manager's qualifications and abilities will play an outsized role in determining its success.

Client Intake, Progress, and Graduation

The incubator strategy proposed for River Falls envisions three types of clients. Little to no screening will be required for program clients, where services are often delivered in classes, or costs are recovered through fees. Affiliate clients will receive more intensive assistance that may be subsidized, and therefore should receive greater screening to justify the investment. Incubator tenants will receive the greatest level of subsidy, and should meet criteria established by the incubator board.

It will commonly take three to four years for an incubator to reach full capacity and to generate revenue. During the initial years of operation, some incubators will use less restrictive criteria for client intake, later adopting more stringent measures. Some of the commonly used evaluation criteria include:

- Market viability (marketing plan)
- Ability to execute (business plan)
- Targeted industry sectors (agriculture, technology services, manufacturing)
- Potential job creation
- Selling to a non-local market
- Opportunities for university research or student placement

During the period in which clients are an affiliate or tenant, the incubator will want to ensure that there is adequate progress on the business concept for it to continue its investment. If the business is not making reasonable progress or the business idea is proven to be not viable, the incubator may consider terminating services (or at least no longer subsidizing the cost of services it provides).

The ultimate goal of a physical incubator is to graduate tenants as viable businesses occupying commercial space that they own or lease at market rates. For a variety of reasons, achieving this goal is often a challenge that incubators face. Continually monitoring business progress and setting up a tiered lease structure are two measures used to help ensure graduation.

Most incubators will try to graduate tenant businesses within a three year time frame. This is usually sufficient to launch the business, develop a marketable product or service, begin to secure customers, and build a sustainable revenue stream. Since not all businesses will accomplish this within the three years, incubators will typically allow for up to two one-year extensions if the business is continuing to make progress toward self-sufficiency. This would be an appropriate strategy for River Falls.

Leasing Strategy

Many business incubators are set up to provide low-cost space to tenants. Currently advertised space in River Falls and the surrounding area is available for lease at \$12 to \$18 per square foot for office space, and \$4.50 to \$8.00 for manufacturing space. These tend to represent the middle to better quality space within the market. Lower cost, unadvertised space might be expected to lease for as little as \$8 per square foot for offices, and \$2 per square foot for industrial space.

A straight-forward comparison of lease costs is difficult to accomplish, however, as an incubator will typically provide free or discounted services, shared equipment, conference and meeting space, and other resources included in the lease. Utilities, taxes, janitorial services and maintenance are also included in the lease price, and may not be included in a conventional space.

PROPOSED LEASE RATES

AREA	UNITS/SIZE	COST PER UNIT	ANNUAL TOTAL
Economic development suite	1,000 square feet	\$25 per square foot	\$25,000
Private office	12 offices	\$400 per month	\$57,600
Office cubicle	8 cubicles	\$200 per month	\$19,200
General manufacturing space	10,800 square feet	\$8 per square foot	\$86,400
Annual total at 100% occupancy			\$188,200

Maximizing occupancy will be important in achieving the best possible financial performance. Well managed incubators can easily achieve an overall occupancy rate in excess of 90 percent, and will have periods of full occupancy. Even in those times it will be important to continue to market the incubator. In many cases, an incubator may have a waiting list for space within its facility, so that vacated space may be quickly filled.

Marketing Strategy

Word of mouth will ultimately be the best source of referrals to the incubator, but a more concerted marketing plan will be required to build an initial client based. The following strategies should be employed.

Partner Organizations

Partner organizations include the UW-River Falls, the Small Business Development Center, area economic development organizations, the chamber of commerce, and others. These organizations will be a source of referrals for programs, services, and leased space. They should be encouraged to publicize the incubator in their printed and web marketing.

Public Relations Campaign

Public relations activities are generally more effective than paid advertising. A public relations campaign will seek to create awareness of the incubator and its programs through repeated placement in various forms of media targeting Pierce and St. Croix Counties, and the Twin Cities region more broadly. Earlier public relations efforts will tend to focus on the facility and its service offerings. Over time, the emphasis can shift to feature success stories of businesses that have been started or have grown as a result of their association with the incubator. The public relations campaign can be initiated with an opening reception to which the media are invited.

Website

The incubator should have its own website describing the facility, programs, and services. Elements of the website should include:

- A description of the incubator organization, facility, programs and services
- Profiles of incubator tenants
- A listing of upcoming events, classes, programs, etc., with the ability for people to register and pay online
- Information for investors and volunteers
- Links to partners and resources

The Grand Valley Incubator Center is an example of a very good website: <http://www.gjincubator.org/>.

Printed Materials

Limited printed materials should be developed for distribution at presentations, trade shows or other business events, and in locations such as city or county buildings, libraries, the Small Business Development Center, economic development organization offices, and chambers of commerce.

Community Presentations

Incubator staff should be available to make presentations to civic or business organizations.

University/Business Innovation Fellows

The Center for Innovation and Business Development will initially support three fellows bridging the academic and business worlds. These fellows may be selected from the University or private researchers and entrepreneurs who will hold

a shared appointment with a regional business and the UW-River Falls. They will teach one or more classes while simultaneously conducting research that may lead to business formation and job growth.

Anchor Tenants

A handful of established businesses have been discussed as potential anchor tenants, who would occupy some space in the incubator during its formative years. These businesses may develop spin-off products or conduct research through the facility. They might include manufacturers or even service providers who may desire proximity to potential clients. Examples can include attorneys, accountants, and business consultants. Larger businesses and manufacturers might include the likes of 3M, Cargill, Interfacial Solutions, and BioDiagnostics.

Mentoring and Advisory Services

Mentoring is one of the most valuable services that an incubator can provide. All incubator tenants should be required to participate in the recommended mentoring services. These same services can be offered to affiliate clients.

Advisory Boards

Advisory boards are typically comprised of volunteer professionals and successful entrepreneurs who can provide expert advice to help the business negotiate processes and make decisions. The composition of the advisory board will vary depending on the nature and needs of the business. A business conducting scientific research, for instance, may have members within related fields of study to provide technical advice. In general, boards will be comprised of persons with backgrounds in areas such as accounting, business management, marketing, human resources, business law, and finance. The business will meet with the advisory board as needed, but not less than once each quarter.

Service Provider Network

The service provider network is a list of professionals who can be called upon to provide technical assistance to businesses. These providers are usually paid fees for their services, but may offer discounted rates to incubator clients. Most incubators require some screening to ensure the quality of the professionals in the network. Professionals may include University faculty along with individuals and companies in the region. Examples of the kinds of providers in the network are:

- Accountants
- Attorneys (business law, intellectual property, etc.)
- Financing professionals (bankers, angel investors, venture capitalists, etc.)
- Experienced entrepreneurs
- Graphic designers
- Human resource professionals
- Marketing and public relations specialists
- Technical specialists (scientists, technicians, industrial designers, mechanical engineers, etc.)
- Web designers and software application developers

These providers benefit from their involvement with the incubator in that they may gain access to clients and they may foster a positive community image through their participation. These providers are also a source of paid participants in business networking events hosted by the incubator, and may also be sponsors of events or resources.

Peer Network

Given the chance to interact with each other, entrepreneurs and small business owners will create a community of self-support, sharing their knowledge and experience with their peers. In addition, they can be a source of emotional support for those struggling to overcome challenges in their business, or to balance life and work. In the literature on coworking, researchers have noted an additional benefit that has been termed “accelerated serendipity”. This is an increase in the chance interactions that lead to new ideas, collaborations, and business ventures.

Measurement

The success of both the incubator and its clients should be tracked on an annual basis using discrete measures as well as qualitatively through interviews with incubator clients. Information collected from clients should be used to refine services and monitor trends within the incubator, its clients, and the regional economy. Past affiliate clients and incubator tenants should be surveyed for several years following their graduation, in order to assess long term performance. Some of the measures to be used will include:

The incubator should develop qualitative assessment tools (participant surveys) to gather participant feedback from classes, workshops, events, counseling, and other services or programs. This information can be used to assess the program’s value and consider changes needed to respond to user needs. Affiliates and incubator tenants should be surveyed on an annual basis to document the value they place on the services being provided as well as to gather metrics used to assess incubator results.

Some suggested tools and metrics have been included in Appendix B. A free online resource is made available through the National Business Incubation Association to assist incubators in assessing their management performance and comparing it to other facilities. The assessment tool is found at https://www.nbia.org/resource_library/peer/benchmark/index.php.

POTENTIAL IMPACT

There is conflicting data concerning the net impact of business incubators. Many of the most-quoted statistics are decades old, most notably the statement that incubated businesses have a survival rate twice that of their counterparts, calling into question their value. Within newer data, there is also the variable of incubator quality. A good incubator may produce much better results than a poor one providing little more than inexpensive shared space. Some of the most recent and comprehensive analysis comes from “Boon or Boondoggle? Business Incubation as Entrepreneurship Policy” by Alejandro Amezcua, drawing on a sample of approximately 35,000 incubated and un-incubated businesses. Findings included:

- The average incubated firm stays in business for five years and 42% of incubated firms close by the time they are 3.63 years old.
- Just four percent of businesses graduate from their incubator, at an average of 3.84 years in the incubator.
- Incubator-based businesses averaged sales of \$693,000 in their first year versus \$437,000 for other businesses
- Incubated businesses average of 4.43 employees versus 3.45 employees for other businesses.

This study made the observation that “incubated firms outperform their peers in terms of employment and sales growth but fail sooner. These are important findings for policymakers who support incubation as a strategy to increase employment locally and for entrepreneurs who risk their livelihoods in order to earn a decent living”. But this observation may be flawed in its definition of “failed” businesses. This definition certainly does include businesses that have closed without the intent to reopen. It may also include businesses that have reorganized or been acquired by others. In these cases the business continues, perhaps under a different structure, but it does not fail.

The proposed incubator facility has enough space to house 24 small or start-up businesses. A plausible scenario for River Falls might look as follows:

Number of tenants graduating each year (¼ of total).....	6
Number of failed businesses each year.....	3
Number of jobs provided by graduates	26
Number of jobs provided by businesses in the incubator	66

The business incubator is also designed to provide virtual assistance to businesses through classes, events, programs, and more intensive services. Because of the variability of these services it is impossible to try to estimate the impact these services will have. Never-the-less, they will make a contribution to improving business success and survival.

IMPLEMENTATION TIMELINE

The Incubator Working Group has established an ambitious timetable in which to develop a preliminary incubation program, and the permanent incubator facility. A number of activities need to take place to meet the desired date for completion of a new facility by January of 2015.

ESTABLISH AN INCUBATOR ORGANIZATION

ACTIVITY	SEP 2013	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	JAN 2015	FEB 2015	MAR 2015	APR 2015	MAY 2015	June 2015	July 2015	Aug 2015
Prepare and file bylaws and articles of incorporation	X																							
File for tax-exempt status	X																							
Appoint board and hold initial meeting		X																						
Elect officers, approve mission, budget and work plan			X																					
Raise funds for incubator operations			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Obtain 501(c)3 status ¹							X																	
Create incubator director job description and hire for position ²								X	X	X														
Develop policy manuals, forms, etc.											X	X	X	X	X	X	X							

¹ Tax exempt status requests will require a minimum of six months for the IRS to process.

² Alternatively, contract with CIBD to provide management.

DESIGN, FUND, AND CONSTRUCT THE INCUBATOR BUILDING

ACTIVITY	SEP 2013	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	JAN 2015	FEB 2015	MAR 2015	APR 2015	MAY 2015	June 2015	July 2015	Aug 2015
Design business park infrastructure	X	X	X																					
Design incubator building	X	X	X																					
Submit preliminary EDA grant questions		X																						
Prepare business park TID plan	X	X	X	X																				
Submit draft EDA grant application				X																				
Approve business park TID					X																			
Approvals for business park design							X																	
Secure matching funds for incubator	X	X	X	X	X	X	X																	
Submit final EDA grant application							X																	
EDA grant funding decision										X														
Construct business park infrastructure											X	X	X	X	X	X								
Construct business incubator													X	X	X	X	X							
Finish space, relocate incubator organization, partners, anchors																X	X							
Open facility to the public																		X						

MARKET AND LEASE INCUBATOR BUILDING

ACTIVITY	SEP 2013	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	JAN 2015	FEB 2015	MAR 2015	APR 2015	MAY 2015	June 2015	July 2015	Aug 2015
Secure commitments from EWRP, SBDC, economic development partners	X	X	X	X																				
Secure commitments from potential anchor tenants			X	X	X	X	X	X																
Develop web presence and print marketing materials								X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Begin pre-marketing incubator space												X	X	X	X	X								
Market incubator space for immediate occupancy																	X	X	X	X	X	X	X	X

DESIGN AND BEGIN TO COORDINATE PROGRAMMING

ACTIVITY	SEP 2013	OCT 2013	NOV 2013	DEC 2013	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	JAN 2015	FEB 2015	MAR 2015	APR 2015	MAY 2015	June 2015	July 2015	Aug 2015
CIBD launches in temporary space					X																			
Inventory existing programs, classes, services from all sources						X	X																	
Host monthly business networking events								X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Identify program and service gaps								X	X															
Coordinate existing programming – “one stop shop”										X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Work with partners to develop new classes, programs, and services										X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Identify participants for advisory boards										X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Identify service provider network										X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

FINANCIAL ANALYSIS

The financial analysis consists of two components. The first consists of cost estimates to develop and furnish the incubator building. The second is a projection of annual operating costs and revenues.

FACILITY DEVELOPMENT COSTS

The following are estimates of the cost to develop and furnish the incubator facility.

Land

Approximately three to four acres of land will be required on which to site the incubator. This will provide an adequate area for the initial 21,818 square foot building (expandable to 40,000 square feet) and parking.

Building

Reed Construction Data surveys construction costs for major U.S. cities on an annual basis. In 2012 the average construction cost for industrial buildings in the Minneapolis metropolitan area was \$107 per square foot, and office buildings averaged \$196 per square foot. If these figures are used, the proposed 21,818 square foot building, consisting of 9,818 square feet of offices and 12,000 square feet of manufacturing space would have a total cost of \$3.2 million.

Aside from the private offices, a majority of the office area within the building will be shared by multiple tenants. As a result, lease rates will be calculated on the 2,800 square feet of private office space. Additionally, ten percent of the manufacturing space has been deducted for common areas, leaving 10,800 square feet available to lease. This brings the total leasable space to 13,600 square feet.

Commercial mortgage rates for industrial properties averaged 4.58% at the end of the first quarter of 2013, with a debt coverage ratio of 1.5 and a 69% loan-to-value ratio. Assumptions used in estimating debt costs for the River Falls incubator include a \$3.2 million construction cost, offset by an EDA grant of \$1.6 million, covering half of this amount. This leaves a balance of about \$1.6 million to be financed at 4.5%, on a five-year note with a 25-year amortization, and a 1.5 debt coverage ratio.

Building construction cost.....	\$3,208,000
Less EDA grant	\$1,600,000
Balance financed (4.5% interest, five-year term, 25-year amortization)	\$1,608,000
Monthly mortgage cost.....	\$8,938
Required with 1.5 debt coverage ratio	\$13,407
Leasable square footage	13,600
Average monthly lease rate per square foot	\$0.99
Annualize average lease rate.....	\$11.83

Proposed lease rates were identified in the previous section of this study and are copied here. Anticipated revenue would be sufficient to service the debt.

PROPOSED LEASE RATES

AREA	UNITS/SIZE	COST PER UNIT	ANNUAL TOTAL
Economic development suite	1,000 square feet	\$25 per square foot	\$25,000
Private office	12 offices	\$400 per month	\$57,600
Office cubicle	8 cubicles	\$200 per month	\$19,200
General manufacturing space	10,800 square feet	\$8 per square foot	\$86,400
Annual total at 100% occupancy			\$188,200
Monthly total			\$15,683

Furnishings and Equipment

The following table identifies quantities and anticipated costs for furnishings and equipment that will be made available to incubator tenants. As part of the start-up costs of the incubator, some grant programs may cover a portion of these costs.

ESTIMATED FURNISHING AND EQUIPMENT COSTS

ITEM	QUANTITY	UNIT COST	TOTAL
Office – desk, chair, filing cabinet, lighting	18	\$2,000	\$36,000
Cubicle – walls, desk, chair, lighting	6	\$2,000	\$12,000
Open workspace – table, chair	6	\$500	\$3,000
Reception – desk, chairs, lighting, table, displays	1	\$5,000	\$5,000
Conference room – table, chairs, projector and screen, white boards, teleconferencing equipment	1	\$10,000	\$10,000
Meeting room – table, chairs, white boards, teleconferencing equipment	1	\$4,000	\$4,000
Kitchen – table, chairs, refrigerator, microwave	1	\$2,500	\$2,500
Printers (color laser, auto-duplexing)	5	\$500	\$2,500
Photocopier	2	\$3,000	\$6,000
Binding, shredding, cutting equipment, etc.		\$1,000	\$1,000
Manufacturing space – material moving equipment		\$5,000	\$5,000
Subtotal			\$88,500
Allocation for miscellaneous small items			\$7,500
TOTAL			\$95,000

Total Facility Costs

The total estimated cost for facility development comes to

Land	\$120,000
Building	\$3,208,000
Furnishings and Equipment.....	\$95,000
Total	\$3,423,000

At this time it is anticipated that the City of River Falls will provide a site at no cost, which can be used to match potential grant funding. An EDA grant may be available to pay half of the cost of the facility, from approximately \$1.6 to \$1.7 million depending on whether the land and furnishings and equipment can be included in the grant.

The incubator organization would be responsible for paying the cost of any furnishings and equipment not covered through grant funds.

As owner of the building, the City of River Falls would be responsible for paying the financing costs of any balance not covered by grant funds. The principle amount is estimated at \$1.6 million if the City were to receive the EDA grant and no other grants. Other grants may be available from the Wisconsin Economic Development Corporation and should be explored. Tax increment financing may be a source used to pay off the amount borrowed to construct the building.

It has been suggested that the City’s contribution to incubator operations be structured in the form of a subsidized lease, assuring a consistent level of support for several years. In this way the City will retain ownership of the primary asset and the incubator organization will not be saddled with the responsibility of paying off a large loan balance.

OPERATIONAL COSTS

Only about one out of five business incubators generate all of the funds needed to support their facilities and mission through lease and program revenue. Most receive annual operating subsidies from economic development organizations. The proposed River Falls incubator lies with the majority in that it will not generate enough revenue to fund both a facility and operations. The estimated and projected costs that follow attempt to define the extent of subsidy that will be required to fund the project.

Potential Sources of Income

Several sources of income may be considered for the incubator, some of which will support the initial facility development while others may be more aligned to continuing operations. Funding sources that may contribute to developing the facility include:

- Grants, such as the EDA grant already identified and potential grants through the Wisconsin Economic Development Corporation.
- Tax increment financing or other revenue sources provided by the City of River Falls
- Corporate sponsorship of facilities

Funding sources more aligned to operational costs include:

- Lease payments and payments for use of the conference or meeting rooms
- Fees paid for services or to attend classes, programs, or events organized by the incubator organization
- Corporate sponsorship of programs and activities
- In-kind contributions of services or materials (such as legal and accounting services or office supplies)
- Equity stakes or royalties from client companies

Although listed as a potential source of program income, it is not anticipated that the incubator organization will acquire an equity position within client companies, or seek royalties. These approaches are more typical of high technology companies and incubators associated with venture capital investment.

Incorporated as a not-for-profit corporation and upon securing approval for its 501(c)3 status, the incubator organization would be able to accept denotations of goods and services that may be deductible. This tax status will also be critical to establishing eligibility for most private foundation grants.

Budget Pro Forma

Alternative budget scenarios are provided to allow comparison of different options for staffing of the facility. In either scenario, it cannot be expected that the incubator will be financially self-sufficient.

ASSUMPTIONS

A number of assumptions are made in preparation of these scenarios. The following are among the more important of these:

- Economy – The economy will continue to grow at a slow pace for the next several years. A downturn similar to that experienced from 2007 to 2010 would impact market demand for the incubator.
- Timeline – The incubator will be developed on the timeline included in the prior section. A delay in project implementation will impact annual estimates of revenue and expenses.
- Management –The incubator will have qualified and capable management. Management is a critical factor in incubator success. Poor management may affect the quality of programming, ability to recruit clients and tenants, and operations of the facility.
- EDA grant – The City (or incubator organization) will receive an EDA grant of \$1.6 million to offset a portion of the facility development cost.
- Financing – The City (or incubator organization) will receive financing to cover the remaining development costs at terms approximating those assumed in the analysis.
- Expenses – development costs will approximate those estimated in the feasibility study.
- Revenues – The estimated revenues from programs or sponsorships, leases, grants, and donations were intended to be conservative. The incubator will need to raise these sums to achieve the totals shown in the scenarios.

SCENARIO 1 – THE CIBD PROVIDES STAFF FOR THE INCUBATOR

	2013 (part)	2014	2015	2016	2017
REVENUE					
Lease revenue ¹	\$0	\$0	\$94,100	\$141,150	\$169,380
Fees for services ²	\$0	\$20,000	\$25,000	\$25,000	\$25,000
Sponsorships	\$0	\$3,000	\$5,000	\$5,000	\$5,000
Grants ³	\$0	\$46,500	\$0	\$0	\$0
Donations of goods or services	\$0	\$0	\$5,000	\$5,000	\$5,000
Total revenue	\$0	\$69,500	\$134,100	\$181,150	\$209,380
EXPENSE					
Facility lease	\$0	\$18,000	\$110,000	\$110,000	\$110,000
Maintenance ⁴	\$0	\$2,750	\$11,000	\$11,000	\$11,000
Insurance (property and liability)	\$0	\$4,500	\$15,000	\$15,000	\$15,000
Utilities (electric, gas, water, sewer) ⁵	\$0	\$8,250	\$33,000	\$33,000	\$33,000
Telecommunications services	\$0	\$1,500	\$6,000	\$6,000	\$6,000
Director salary, taxes, and benefits	\$0	\$0	\$0	\$0	\$0
Professional services (legal, accounting, etc.)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Office supplies	\$0	\$2,500	\$5,000	\$5,000	\$5,000
Furnishings and equipment	\$0	\$95,000	\$2,500	\$2,500	\$2,500
Postage	\$250	\$500	\$500	\$500	\$500
Travel	\$500	\$2,000	\$2,000	\$2,000	\$2,000
Education and training	\$500	\$2,000	\$2,000	\$2,000	\$2,000
Web development and maintenance	\$0	\$4,000	\$1,000	\$1,000	\$2,500
Marketing and public relations	\$0	\$2,500	\$2,500	\$2,500	\$2,500
Programming costs	\$500	\$4,500	\$6,000	\$6,000	\$6,000
Total expense	\$6,750	\$153,000	\$201,500	\$201,500	\$203,000
Net Income	(\$6,750)	(\$83,500)	(\$67,400)	(\$20,350)	\$6,380

¹ Lease revenue is calculated on an average 50% occupancy in 2015, 75% in 2016, and 90% in following years.

² Calculated at an average of 100 participants per month at \$25 each for classes, networking events, etc.

³ Portion of EDA grant allocated to furnishings and equipment.

⁴ Estimated at \$0.50 per square foot.

⁵ Estimated at \$1.50 per square foot.

SCENARIO 2 – THE DIRECTOR IS AN INCUBATOR ORGANIZATION EMPLOYEE

	2013 (part)	2014	2015	2016	2017
REVENUE					
Lease revenue ¹	\$0	\$0	\$94,100	\$141,150	\$169,380
Fees for services ²	\$0	\$20,000	\$25,000	\$25,000	\$25,000
Sponsorships	\$0	\$3,000	\$5,000	\$5,000	\$5,000
Grants ³	\$0	\$46,500	\$0	\$0	\$0
Donations of goods or services	\$0	\$0	\$5,000	\$5,000	\$5,000
Total revenue	\$0	\$69,500	\$134,100	\$181,150	\$209,380
EXPENSE					
Facility lease	\$0	\$18,000	\$110,000	\$110,000	\$110,000
Maintenance ⁴	\$0	\$2,750	\$11,000	\$11,000	\$11,000
Insurance (property and liability)	\$0	\$4,500	\$15,000	\$15,000	\$15,000
Utilities (electric, gas, water, sewer) ⁵	\$0	\$8,250	\$33,000	\$33,000	\$33,000
Telecommunications services	\$0	\$1,500	\$6,000	\$6,000	\$6,000
Director salary, taxes, and benefits	\$0	\$100,000	\$120,000	\$120,000	\$120,000
Professional services (legal, accounting, etc.)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Office supplies	\$0	\$2,500	\$5,000	\$5,000	\$5,000
Furnishings and equipment	\$0	\$95,000	\$2,500	\$2,500	\$2,500
Postage	\$250	\$500	\$500	\$500	\$500
Travel	\$500	\$2,000	\$2,000	\$2,000	\$2,000
Education and training	\$500	\$2,000	\$2,000	\$2,000	\$2,000
Web development and maintenance	\$0	\$4,000	\$1,000	\$1,000	\$2,500
Marketing and public relations	\$0	\$2,500	\$2,500	\$2,500	\$2,500
Programming costs	\$500	\$4,500	\$6,000	\$6,000	\$6,000
Total expense	\$6,750	\$253,000	\$321,500	\$321,500	\$323,000
Net Income	(\$6,750)	(\$183,500)	(\$187,400)	(\$140,350)	(\$113,620)

¹ Lease revenue is calculated on an average 50% occupancy in 2015, 75% in 2016, and 90% in following years.

² Calculated at an average of 100 participants per month at \$25 each for classes, networking events, etc.

³ Portion of EDA grant allocated to furnishings and equipment.

⁴ Estimated at \$0.50 per square foot.

⁵ Estimated at \$1.50 per square foot.

CONCLUSIONS

Two questions must be answered in making a determination concerning the feasibility of a business incubator in River Falls. Is there a sufficient market to support a business incubator? If so, is it likely that the business incubator can be financially self-sustaining.

The data reviewed in this analysis demonstrates a sufficient level of business start-up activity to support a business incubator. The market can be further expanded to include existing solo- and micro-businesses that may need a similar level of assistance in order to grow. While agriculture and biotechnology can be a segment of the businesses served, there is too little activity in these sectors alone to support an incubator. Similarly, there is too little activity in manufacturing to suggest that the facility be dedicated solely to industrial incubation. A mixed use facility, with a greater concentration of office tenants, will have the best chances of success.

The recommended facility is an approximately 22,000 square foot building containing a mix of office and industrial space. The building should be designed to allow expansion as demand may dictate. The building is estimated to have a construction cost of \$3.2 million. The additional costs of a site, furnishing and equipment will bring the total development cost to \$3.42 million. Annual operational costs, including debt service but not staffing, will run about \$200,000. Staffing costs will run a minimum of \$120,000 per year.

Two financial scenarios have been proposed. The first of these assumes that the incubator organization will not have any staff. Instead, management services for the incubator will be provided through an agreement with the UW-River Falls. In this scenario the incubator has been projected to break even on its operational costs by 2017 (or it might alternatively be characterized that the operational subsidy comes from the University as an in-kind contribution of staff). In the second scenario the incubator organization would hire its own director. In this scenario it would run an annual deficit of about \$140,000 by 2017. In both scenarios, an annual deficit would occur in the initial years of the incubator as it builds toward its target of 90 percent occupancy.

THE “GO AHEAD” DECISION

The decision of whether or not to launch a business incubator will weigh other factors beyond market and financial feasibility. Two questions of particular concern are:

- Does community leadership have the will to sustain support for an incubator for an extended period?

Incubators are multi-year initiatives, with the cost of a building even amortized over decades. Tenants will typically occupy the space for three to five years. Programs must be developed and adjusted on a continual basis. Staff will need to be hired, services will need to be marketed, partnerships will need to be sustained, etc. All of this requires time, energy, resources, and above all, a steady commitment to the project.

- Does the community have the financial capacity to support the incubator over an extended period.?

The incubator may provide the cash flow necessary to cover its facility and development costs, but it is not projected to provide the funds necessary to pay for its staffing. That is a very typical scenario for a business incubator, where few do not require some financial subsidy. Under one scenario, the at least some part of facility and program management would be provided by the University of Wisconsin – River Falls. At the other end of the spectrum, the City of River Falls (perhaps through its EDC) would provide funds to hire project staff. Additional funding may be raised through two approaches identified in the feasibility study. Firstly, the proposed 501(c)3 designation would allow the incubator to accept tax-free donations of funds, services, and materials. Secondly, private businesses and economic development organizations could be recruited to be anchor tenants in the facility, providing immediate cash flow and helping to sustain high levels of occupancy that improve financial performance.

A business incubator can be a costly investment, but has the potential to significantly enhance entrepreneurship and business performance in the River Falls area. Presence of a well-managed incubator with strong programs can increase the rate of entrepreneurship and improve the success rate of new ventures in the community. Existing businesses can benefit from services that help them to expand and improve performance. The incubator’s presence may also serve as a magnet to attract additional businesses and investment in the city’s business parks. These potential outcomes need to be weighed in the decision to proceed.

APPENDIX A – DATA TABLES

ESTABLISHMENTS BY INDUSTRY – 2011 – RIVER FALLS AND PIERCE AND ST. CROIX COUNTIES - DETAIL

START-UP ESTABLISHMENTS IN RIVER FALLS

START-UP ESTABLISHMENTS IN RIVER FALLS BY INDUSTRY SECTOR

MANUFACTURING START-UPS IN RIVER FALLS BY INDUSTRY – 1990 TO 2011 - DETAILED

MANUFACTURING START-UPS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY – 1990 TO 2011 - DETAILED

ESTABLISHMENT CLOSURES IN RIVER FALLS

ESTABLISHMENT CLOSURES IN RIVER FALLS BY INDUSTRY SECTOR

ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES

ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

ESTABLISHMENT CLOSURES IN PIERCE AND ST. CROIX COUNTIES

ESTABLISHMENT CLOSURES IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

BRANCH ESTABLISHMENT OPENINGS IN RIVER FALLS

BRANCH ESTABLISHMENT OPENINGS IN PIERCE AND ST. CROIX COUNTIES

BRANCH ESTABLISHMENT OPENINGS IN RIVER FALLS BY INDUSTRY

BRANCH ESTABLISHMENT OPENINGS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

ESTABLISHMENTS MOVING WITHIN RIVER FALLS

ESTABLISHMENTS MOVING WITHIN RIVER FALLS BY INDUSTRY

ESTABLISHMENTS MOVING INTO RIVER FALLS FROM ELSEWHERE

ESTABLISHMENTS MOVING INTO RIVER FALLS FROM ELSEWHERE BY INDUSTRY

ESTABLISHMENTS MOVING FROM RIVER FALLS TO OTHER COMMUNITIES

ESTABLISHMENTS MOVING FROM RIVER FALLS TO OTHER COMMUNITIES BY INDUSTRY

ESTABLISHMENTS MOVING WITHIN PIERCE AND ST. CROIX COUNTIES

ESTABLISHMENTS MOVING WITHIN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

ESTABLISHMENTS MOVING INTO PIERCE AND ST. CROIX COUNTIES FROM ELSEWHERE

ESTABLISHMENTS MOVING INTO PIERCE AND ST. CROIX COUNTIES FROM ELSEWHERE BY INDUSTRY

ESTABLISHMENTS MOVING FROM PIERCE AND ST. CROIX COUNTIES

ESTABLISHMENTS MOVING FROM PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

RIVER FALLS BUSINESS DYNAMICS – ESTABLISHMENTS

RIVER FALLS BUSINESS DYNAMICS – EMPLOYMENT

NET CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN RIVER FALLS

NET CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN PIERCE AND ST. CROIX COUNTIES

PIERCE AND ST. CROIX COUNTIES BUSINESS DYNAMICS – ESTABLISHMENTS

PIERCE AND ST. CROIX COUNTIES BUSINESS DYNAMICS – EMPLOYMENT

COMPONENTS OF ESTABLISHMENT AND EMPLOYMENT CHANGE IN THE SECONDARY MARKET AREA

COMPONENTS OF ESTABLISHMENT AND EMPLOYMENT CHANGE IN PIERCE AND ST. CROIX COUNTIES

OCCUPATION FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

FIRMS, ESTABLISHMENTS, EMPLOYMENT, AND ANNUAL PAYROLL BY ENTERPRISE EMPLOYMENT SIZE - 2010

FIRMS, ESTABLISHMENTS, EMPLOYMENT, AND ANNUAL PAYROLL BY ENTERPRISE EMPLOYMENT SIZE – 2010

INDUSTRY BY OCCUPATION FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

MEDIAN EARNINGS IN THE PAST 12 MONTHS FOR FULL-TIME, YEAR-ROUND CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

OCCUPATION BY CLASS OF WORKER FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

ESTABLISHMENTS BY INDUSTRY – 2011 – RIVER FALLS AND PIERCE AND ST. CROIX COUNTIES - DETAIL

Industry Sector	River Falls	Pierce and St. Croix Counties	River Falls Percent of Total
All Establishments	1,406	11,158	12.6
Agricultural Production – Crops	35	358	9.8
Agricultural Production - Livestock and Animal Specialties	39	432	9.0
Agricultural Services	38	245	15.5
Forestry	0	9	0
Fishing, Hunting, and Trapping	0	7	0
Mining and Quarrying of Nonmetallic Minerals, Except Fuels	0	4	0
Building Construction - General Contractors and Operative Builders	66	490	13.5
Heavy Construction, Except Building Construction - Contractors	0	18	0
Construction - Special Trade Contractors	67	561	11.9
Food and Kindred Products	1	27	3.7
Textile Mill Products	3	5	60.0
Apparel, Finished Products from Fabrics and Similar Materials	4	23	17.4
Lumber and Wood Products, Except Furniture	2	49	4.1
Furniture and Fixtures	2	8	25.0
Paper and Allied Products	0	11	0
Printing, Publishing and Allied Industries	11	55	20.0
Chemicals and Allied Products	2	20	10.0
Petroleum Refining and Related Industries	0	2	0
Rubber and Miscellaneous Plastic Products	3	29	10.3
Leather and Leather Products	0	3	0
Stone, Clay, Glass, and Concrete Products	2	18	11.1
Primary Metal Industries	0	8	0
Fabricated Metal Products, Except Machinery and Transportation Equipment	5	32	15.6
Industrial and Commercial Machinery and Computer Equipment	7	81	8.6
Electronic, Electrical Equipment and Components, Except Computer Equipment	2	24	8.3
Transportation Equipment	1	9	11.1
Measuring/Analyzing/Control Instruments; Photo/Medical/Optical Goods; Watches/Clocks	1	12	8.3
Miscellaneous Manufacturing Industries	9	58	15.5
Railroad Transportation	0	3	0
Local, Suburban Transit & Interurban Highway Passenger Transport	2	25	8.0
Motor Freight Transportation	11	176	6.3
United States Postal Service	0	15	0
Water Transportation	0	5	0
Transportation by Air	1	15	6.7
Transportation Services	10	63	15.9
Communications	5	46	10.9
Electric, Gas and Sanitary Services	5	27	18.5
Wholesale Trade - Durable Goods	32	225	14.2
Wholesale Trade - Nondurable Goods	11	151	7.3
Building Materials, Hardware, Garden Supply & Mobile Home Dealers	17	106	16.0
General Merchandise Stores	4	15	26.7
Food Stores	13	104	12.5
Automotive Dealers and Gasoline Service Stations	15	118	12.7
Apparel and Accessory Stores	5	40	12.5
Home Furniture, Furnishings and Equipment Stores	6	96	6.3

Industry Sector	River Falls	Pierce and St. Croix Counties	River Falls Percent of Total
Eating and Drinking Places	30	227	13.2
Miscellaneous Retail	47	376	12.5
Depository Institutions	6	44	13.6
Non-depository Credit Institutions	4	34	11.8
Security & Commodity Brokers, Dealers, Exchanges & Services	5	45	11.1
Insurance Carriers	3	17	17.6
Insurance Agents, Brokers and Service	20	98	20.4
Real Estate	50	353	14.2
Holding and Other Investment Offices	9	70	12.9
Hotels, Rooming Houses, Camps, and Other Lodging Places	14	68	20.1
Personal Services	49	314	15.6
Business Services	361	3,514	10.3
Automotive Repair, Services and Parking	30	192	15.6
Miscellaneous Repair Services	24	187	12.8
Motion Pictures	5	24	20.8
Amusement and Recreation Services	33	151	21.9
Health Services	48	288	16.7
Legal Services	12	88	13.6
Educational Services	27	122	22.1
Social Services	44	211	20.9
Museums, Art Galleries and Botanical and Zoological Gardens	1	10	10.0
Membership Organizations	46	270	17.0
Engineering, Accounting, Research, Management & Related Services	74	387	19.1
Services, Not Elsewhere Classified	16	139	11.5
Executive, Legislative & General Government, Except Finance	3	38	7.9
Justice, Public Order, and Safety	2	33	6.1
Public Finance, Taxation and Monetary Policy	0	1	0
Administration of Human Resource Programs	1	5	20.0
Administration of Environmental Quality and Housing Programs	3	16	18.8
Administration of Economic Programs	1	3	33.3
National Security and International Affairs	0	1	0
Non-classifiable Establishments	1	4	25.0

START-UP ESTABLISHMENTS IN RIVER FALLS

Year	Establishments	Employees	Average Employees
1991	41	118	2.9
1992	45	148	3.3
1993	60	202	3.4
1994	23	98	4.3
1995	55	196	3.6
1996	36	116	3.2
1997	86	339	3.9
1998	65	201	3.1
1999	53	102	1.9
2000	47	137	2.9
2001	63	144	2.3
2002	85	238	2.8
2003	69	154	2.2
2004	46	76	1.7
2005	156	268	1.7
2006	184	342	1.9
2007	68	114	1.7
2008	118	205	1.7
2009	118	221	1.9
2010	79	145	1.8
2011	200	357	1.8
TOTAL	1,697	3,921	2.3

Source: 2011 National Employment Time Series data and Place Dynamics LLC

START-UP ESTABLISHMENTS IN RIVER FALLS BY INDUSTRY SECTOR

Industry Sector	Establishments
Business Services	451
Construction	184
Retail	146
Finance, Insurance, Real Estate	122
Agriculture	102
Engineering, Accounting, Research, Management, Etc.	102
Personal Services	61
Manufacturing	56
Transportation	55
Health Services	54
Social Services	52
Amusement and Recreation Services	45
Wholesale Trade - Durable Goods	39
Eating and Drinking Places	36
Membership Organizations	36
Automotive Repair	34
Miscellaneous Repair Services	27
Services NEC	22
Wholesale Trade - Nondurable Goods	20
Educational Services	14
Lodging	13
Legal Services	12
Motion Pictures	9
Government	4
Museums, Art Galleries, Gardens	1
Mining	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

MANUFACTURING START-UPS IN RIVER FALLS BY INDUSTRY – 1990 TO 2011 - DETAILED

SIC	Industry description	Number
20480000	Prepared feeds, nec	1
22210408	Polypropylene broadwoven fabrics	1
22950201	Resin or plastic coated fabrics	1
23950200	Embroidery and art needlework	1
23950204	Embroidery products, except Schifflli machine	2
24210100	Building and structural materials, wood	1
24310000	Millwork	1
24340000	Wood kitchen cabinets	2
25140402	Club room furniture, household: metal	1
25410200	Cabinets, lockers, and shelving	1
27110000	Newspapers	2
27110100	Newspapers, publishing and printing	1
27310200	Books, publishing and printing	1
27410000	Miscellaneous publishing	3
27520000	Commercial printing, lithographic	1
27590000	Commercial printing, nec	1
27599911	Laser printing	1
27599918	Thermography	1
28210000	Plastics materials and resins	1
30890608	Injection molded finished plastics products, nec	1
31990000	Leather goods, nec	1
32210103	Water bottles, glass	1
32319901	Art glass: made from purchased glass	1
34239904	Carpenters' hand tools, except saws: levels, chisels, etc.	1
34419908	Tower sections, radio and television transmission	1
34480200	Prefabricated metal components	1
34710207	Polishing, metals or formed products	1
34790200	Painting, coating, and hot dipping	1
35230300	Fertilizing, spraying, dusting, and irrigation machinery	1
35410206	Flange facing machines	1
35410300	Milling machines	1
35470000	Rolling mill machinery	1
35550000	Printing trades machinery	1
35550300	Printing trade parts and attachments	1
35560000	Food products machinery	1
36720000	Printed circuit boards	1
36790300	Electronic loads and power supplies	1
36990000	Electrical equipment and supplies, nec	1
36999906	Laser systems and equipment	1
37320000	Boatbuilding and repairing	1
38410200	Diagnostic apparatus, medical	1
39449901	Banks, toy	1
39490200	Fishing equipment	1
39490207	Lures, fishing: artificial	1
39930000	Signs and advertising specialties	1
39990000	Manufacturing industries, nec	3
39999927	Pet supplies	2

MANUFACTURING START-UPS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY – 1990 TO 2011 - DETAILED

SIC8	Industry	Number
20110000	Meat packing plants	2
20130000	Sausages and other prepared meats	1
20240000	Ice cream and frozen deserts	1
20260208	Yogurt	1
20330000	Canned fruits and specialties	1
20350100	Seasonings and sauces, except tomato and dry	1
20389906	Pizza, frozen	1
20480000	Prepared feeds, nec	1
20489907	Feed supplements	1
20510000	Bread, cake, and related products	2
20519903	Bakery: wholesale or wholesale/retail combined	1
20649904	Chewing candy, not chewing gum	1
20770000	Animal and marine fats and oils	1
20770300	Rendering	1
20820000	Malt beverages	3
20999908	Emulsifiers, food	1
22110000	Broadwoven fabric mills, cotton	1
22119902	Bags and bagging, cotton	1
22210408	Polypropylene broadwoven fabrics	1
22950201	Resin or plastic coated fabrics	1
22980102	Cable, fiber	1
23290000	Men's and boy's clothing, nec	1
23310000	Women's and misses' blouses and shirts	1
23350102	Wedding gowns and dresses	1
23890203	Clergymen's vestments	1
23950000	Pleating and stitching	1
23950200	Embroidery and art needlework	11
23950204	Embroidery products, except Schiffl machine	6
23960402	Screen printing on fabric articles	2
23990202	Horse harnesses and riding crops, etc.: non-leather	1
23990601	Fishing nets	1
24110000	Logging	1
24110209	Stumps, wood	1
24119903	Logging camps and contractors	1
24210100	Building and structural materials, wood	1
24269903	Lumber, hardwood dimension	1
24310000	Millwork	23
24310100	Doors and door parts and trim, wood	1
24310101	Door frames, wood	1
24310300	Moldings and baseboards, ornamental and trim	1
24310600	Interior and ornamental woodwork and trim	1
24310605	Woodwork, interior and ornamental, nec	1
24310703	Trellises, wood	1
24340000	Wood kitchen cabinets	8
24349901	Vanities, bathroom: wood	1
24480200	Pallets, wood and wood with metal	3
24510000	Mobile homes	1
24520100	Farm and agricultural buildings, prefabricated wood	1
24919906	Wood products, creosoted	1
24991100	Decorative wood and woodwork	2

SIC8	Industry	Number
24991101	Carved and turned wood	1
24991603	Floating docks, wood	2
25120000	Upholstered household furniture	1
25140402	Club room furniture, household: metal	1
25150000	Mattresses and bedsprings	1
25190300	Fiberglass and plastic furniture	1
25220400	Office desks and tables, except wood	1
25310303	Seats, automobile	2
25310402	Stadium seating	1
25410000	Wood partitions and fixtures	1
25410200	Cabinets, lockers, and shelving	1
25990200	Bar, restaurant and cafeteria furniture	1
26110302	Pulp manufactured from waste or recycled paper	1
26210000	Paper mills	2
26210100	Towels, tissues and napkins; paper and stock	1
26210308	Specialty papers	1
26210406	Printing paper	1
26719903	Plastic film, coated or laminated for packaging	1
26730000	Bags: plastic, laminated, and coated	1
26790900	Cardboard products, except die-cut	1
27110000	Newspapers	3
27110100	Newspapers, publishing and printing	3
27110101	Commercial printing and newspaper publishing combined	1
27110102	Job printing and newspaper publishing combined	1
27210000	Periodicals	2
27310000	Book publishing	2
27310200	Books, publishing and printing	1
27410000	Miscellaneous publishing	15
27410300	Telephone and other directory publishing	1
27410500	Newsletter publishing	1
27520000	Commercial printing, lithographic	14
27520101	Offset printing	2
27540700	Stationery and invitation printing, gravure	1
27590000	Commercial printing, nec	9
27590400	Publication printing	1
27590603	Screen printing	1
27590703	Labels and seals: printing, nsk	1
27599911	Laser printing	1
27599918	Thermography	1
27820101	Account books	1
28190000	Industrial inorganic chemicals, nec	2
28190800	Silica compounds	1
28210000	Plastics materials and resins	1
28249901	Acrylic fibers	1
28330109	Vitamins, natural or synthetic: bulk, uncompounded	1
28340000	Pharmaceutical preparations	1
28340700	Vitamin, nutrient, and hematonic preparations for human use	1
28340702	Vitamin preparations	1
28349911	Veterinary pharmaceutical preparations	1
28410000	Soap and other detergents	2
28430300	Processing assistants	1

SIC8	Industry	Number
28699926	Plasticizers, organic: cyclic and acyclic	1
28799903	Fungicides, herbicides	1
28930000	Printing ink	1
28990400	Flares, fireworks, and similar preparations	1
28990402	Fireworks	3
28999927	Ink or writing fluids	1
29110203	Jet fuels	1
29510000	Asphalt paving mixtures and blocks	1
29920100	Lubricating oils	1
30110000	Tires and inner tubes	1
30699918	Toys, rubber	1
30810000	Unsupported plastics film and sheet	1
30890101	Battery cases, plastics or plastics combination	1
30890600	Plastics processing	2
30890608	Injection molded finished plastics products, nec	4
30890609	Injection molding of plastics	4
30890611	Molding primary plastics	3
30890615	Extruded finished plastics products, nec	2
30899926	Automotive parts, plastic	1
31310201	Counters	1
31519902	Gloves, leather: work	1
31990000	Leather goods, nec	1
32210103	Water bottles, glass	1
32310108	Stained glass: made from purchased glass	1
32319901	Art glass: made from purchased glass	1
32530000	Ceramic wall and floor tile	1
32590102	Drain tile, clay	1
32690000	Pottery products, nec	2
32719912	Paving blocks, concrete	1
32720000	Concrete products, nec	2
32720303	Concrete products, precast, nec	1
32720702	Building materials, except block or brick: concrete	1
32730000	Ready-mixed concrete	1
32810000	Cut stone and stone products	1
32819901	Granite, cut and shaped	1
33120800	Tool and die steel and alloys	1
33390200	Precious metals	1
33410200	Secondary precious metals	1
33699902	Castings, except die-castings, precision	1
33980000	Metal heat treating	1
34239904	Carpenters' hand tools, except saws: levels, chisels, etc.	1
34239921	Plumbers' hand tools	1
34299912	Saddlery hardware	1
34329902	Lawn hose nozzles and sprinklers	1
34410000	Fabricated structural metal	2
34419908	Tower sections, radio and television transmission	1
34430100	Industrial vessels, tanks, and containers	2
34430109	Farm storage tanks, metal plate	1
34439912	Rocket transportation casings	1
34440000	Sheet metalwork	1
34440303	Gutters, sheet metal	1

SIC8	Industry	Number
34440403	Siding, sheet metal	1
34449902	Concrete forms, sheet metal	1
34460000	Architectural metalwork	1
34480000	Prefabricated metal buildings and components	1
34480200	Prefabricated metal components	1
34490000	Miscellaneous metalwork	1
34510000	Screw machine products	1
34690000	Metal stampings, nec	1
34699902	Automobile license tags, stamped metal	1
34710207	Polishing, metals or formed products	5
34790000	Metal coating and allied services	1
34790200	Painting, coating, and hot dipping	2
34960100	Wire cloth and woven wire products	1
34970000	Metal foil and leaf	1
34990000	Fabricated metal products, nec	1
34999915	Magnets, permanent: metallic	1
35199902	Gasoline engines	1
35230000	Farm machinery and equipment	3
35230300	Fertilizing, spraying, dusting, and irrigation machinery	1
35310000	Construction machinery	2
35310102	Log splitters	1
35310200	Marine related equipment	2
35310409	Finishers, concrete and bituminous: powered	1
35370000	Industrial trucks and tractors	1
35410000	Machine tools, metal cutting type	1
35410100	Drilling and boring machines	1
35410206	Flange facing machines	1
35410300	Milling machines	1
35410400	Lathes	1
35419908	Machine tool replacement & repair parts, metal cutting types	1
35430000	Industrial patterns	1
35440000	Special dies, tools, jigs, and fixtures	3
35440100	Special dies and tools	2
35440106	Dies, steel rule	1
35450107	Precision tools, machinists'	1
35460000	Power-driven handtools	1
35460200	Saws and sawing equipment	1
35470000	Rolling mill machinery	1
35470209	Steel rolling machinery	1
35539901	Bandsaws, woodworking	1
35539903	Cabinet makers' machinery	1
35550000	Printing trades machinery	1
35550300	Printing trade parts and attachments	1
35560000	Food products machinery	1
35560100	Dairy and milk machinery	2
35560200	Cutting, chopping, grinding, mixing, and similar machinery	1
35560301	Dehydrating equipment, food processing	1
35599927	Semiconductor manufacturing machinery	2
35610000	Pumps and pumping equipment	1
35650000	Packaging machinery	2
35650200	Packing and wrapping machinery	1

SIC8	Industry	Number
35650207	Wrapping machines	1
35690100	Filters	1
35710000	Electronic computers	1
35810000	Automatic vending machines	1
35850300	Heating equipment, complete	1
35890000	Service industry machinery, nec	1
35890300	Sewage and water treatment equipment	1
35890304	Water filters and softeners, household type	1
35990000	Industrial machinery, nec	1
35990300	Machine and other job shop work	22
35999910	Grinding castings for the trade	1
35999919	Water leak detectors	1
36210110	Power generators	1
36219909	Windmills, electric generating	1
36290000	Electrical industrial apparatus, nec	2
36290100	Electronic generation equipment	1
36460000	Commercial lighting fixtures	2
36480000	Lighting equipment, nec	1
36510000	Household audio and video equipment	2
36720000	Printed circuit boards	3
36790100	Electronic circuits	1
36790300	Electronic loads and power supplies	1
36799905	Harness assemblies, for electronic use: wire or cable	1
36910000	Storage batteries	1
36990000	Electrical equipment and supplies, nec	4
36990300	Electronic training devices	1
36990500	Security devices	2
36999906	Laser systems and equipment	1
37110000	Motor vehicles and car bodies	1
37140301	Bumpers and bumperettes, motor vehicle	1
37159904	Semitrailers for truck tractors	1
37240000	Aircraft engines and engine parts	1
37280000	Aircraft parts and equipment, nec	1
37320000	Boatbuilding and repairing	1
37320102	Houseboats, building and repairing	1
37430300	Locomotives and parts	1
37510000	Motorcycles, bicycles and parts	1
37990200	Recreational vehicles	1
38120103	Airspeed instrumentation (aeronautical instruments)	1
38230400	Industrial process measurement equipment	1
38250311	Integrating electricity meters	1
38260605	Magnetic resonance imaging apparatus	1
38270000	Optical instruments and lenses	1
38410000	Surgical and medical instruments	1
38410200	Diagnostic apparatus, medical	1
38420400	Orthopedic appliances	1
38420404	Canes, orthopedic	1
38430000	Dental equipment and supplies	2
38510201	Glasses, sun or glare	1
39110108	Rings, finger: precious metal	1
39150105	Jewelry parts, unassembled	1

SIC8	Industry	Number
39420000	Dolls and stuffed toys	1
39420101	Clothing, doll	1
39440305	Board games, children's and adults'	1
39440309	Craft and hobby kits and sets	2
39449901	Banks, toy	1
39490000	Sporting and athletic goods, nec	2
39490200	Fishing equipment	1
39490207	Lures, fishing: artificial	2
39490500	Hunting equipment	2
39490512	Target shooting equipment	2
39499903	Boomerangs	1
39539908	Stencils, painting and marking	1
39559902	Print cartridges for laser and other computer printers	1
39610104	Necklaces, except precious metal	1
39930000	Signs and advertising specialties	22
39990000	Manufacturing industries, nec	23
39991205	Military insignia	1
39999905	Candles	1
39999910	Education aids, devices and supplies	1
39999927	Pet supplies	3
39999945	Wheelchair lifts	1

ESTABLISHMENT CLOSURES IN RIVER FALLS

Year	Establishments	Employees	Average Employees
1991	19	72	3.8
1992	33	450	13.6
1993	33	199	6.0
1994	27	235	8.7
1995	20	58	2.9
1996	45	152	3.4
1997	29	128	4.4
1998	42	225	5.4
1999	42	286	6.8
2000	46	146	3.2
2001	47	336	7.1
2002	49	197	4.0
2003	58	187	3.2
2004	44	185	4.2
2005	45	141	3.1
2006	63	441	7.0
2007	37	82	2.2
2008	31	91	2.9
2009	21	64	3.0
2010	187	607	3.2
2011	81	709	8.8
Total	999	4,991	5.0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT CLOSURES IN RIVER FALLS BY INDUSTRY SECTOR

Industry	Establishments
Retail	148
Construction	114
Business Services	110
Finance, Insurance, Real Estate	95
Agriculture	72
Engineering, Accounting, Research, Management, Etc.	53
Manufacturing	46
Transportation, Communications and Utilities	40
Eating and Drinking Places	39
Personal Services	37
Social Services	34
Health Services	34
Membership Organizations	29
Wholesale Trade - Durable Goods	28
Amusement and Recreation Services	25
Wholesale Trade - Nondurable Goods	20
Automotive Repair	19
Miscellaneous Repair Services	17
Legal Services	11
Services NEC	7
Educational Services	7
Motion Pictures	6
Lodging	6
Government	2
Mining	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES

Year	Estabs	Employees	Average Employees
1991	243	772	3.2
1992	212	1,313	6.2
1993	315	1,102	3.5
1994	189	658	3.5
1995	501	1,745	3.5
1996	264	895	3.4
1997	474	1,821	3.8
1998	415	1,465	3.5
1999	404	1,058	2.6
2000	341	825	2.4
2001	471	1,590	3.4
2002	643	1,805	2.8
2003	509	1,130	2.2
2004	410	835	2.0
2005	1,228	2,225	1.8
2006	1,725	3,080	1.8
2007	744	1,509	2.0
2008	948	1,832	1.9
2009	864	1,359	1.6
2010	732	1,340	1.8
2011	1,551	2,638	1.7
Total	13,183	30,997	2.4

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT STARTS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

Industry	Establishments
Business Services	4,242
Construction	1,453
Retail	1,110
Finance, Insurance, Real Estate	929
Agriculture	864
Engineering, Accounting, Research, Management, Etc.	546
Manufacturing	486
Transportation, Communications, Utilities	471
Personal Services	382
Health Services	311
Social Services	289
Eating and Drinking Places	268
Membership Organizations	267
Wholesale Trade - Durable Goods	258
Automotive Repair	231
Miscellaneous Repair Services	219
Amusement and Recreation Services	199
Services NEC	171
Wholesale Trade - Nondurable Goods	168
Legal Services	100
Lodging	64
Educational Services	52
Government	48
Motion Pictures	41
Museums, Art Galleries, Gardens	10
Mining	4

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT CLOSURES IN PIERCE AND ST. CROIX COUNTIES

Year	Establishments	Employees	Average Employees
1991	118	516	4.4
1992	195	1,087	5.6
1993	184	842	4.6
1994	140	955	6.8
1995	150	602	4.0
1996	211	1,334	6.3
1997	233	1,531	6.6
1998	256	1,262	4.9
1999	279	1,732	6.2
2000	324	1,552	4.8
2001	304	1,258	4.1
2002	300	1,213	4.0
2003	359	1,634	4.6
2004	366	2,016	5.5
2005	369	1,860	5.0
2006	409	2,313	5.7
2007	286	837	2.9
2008	218	737	3.4
2009	213	899	4.2
2010	1,426	4,100	2.9
2011	419	2,105	5.0
	6,759	30,385	4.5

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENT CLOSURES IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

Industry	Establishments
Business Services	873
Retail	858
Construction	836
Agriculture	686
Finance, Insurance, Real Estate	656
Manufacturing	356
Transportation, Communications and Utilities	318
Engineering, Accounting, Research, Management and Related Services	256
Eating and Drinking Places	234
Personal Services	196
Wholesale Trade - Durable Goods	191
Social Services	190
Health Services	171
Membership Organizations	160
Automotive Repair	157
Miscellaneous Repair Services	141
Wholesale Trade - Nondurable Goods	131
Amusement and Recreation Services	109
Legal Services	55
Services NEC	40
Government	36
Educational Services	35
Lodging	34
Motion Pictures	31
Mining	7
Museums, Art Galleries, Gardens	2

Source: 2011 National Employment Time Series data and Place Dynamics LLC

BRANCH ESTABLISHMENT OPENINGS IN RIVER FALLS

Year	Establishments	Employees	Average Employees
1991	1	6	6.0
1992	4	9	2.3
1993	10	297	29.7
1994	1	33	33.0
1995	11	92	8.4
1996	6	505	84.2
1997	4	18	4.5
1998	12	70	5.8
1999	8	31	3.9
2000	6	141	23.5
2001	7	24	3.4
2002	11	79	7.2
2003	1	10	10.0
2004	9	131	14.6
2005	4	99	24.8
2006	1	8	8.0
2007	1	8	8.0
2008	1	2	2.0
2009	2	43	21.5
2010	3	26	8.7
2011	1	100	100.0
Total	104	1,732	16.7

Source: 2011 National Employment Time Series data and Place Dynamics LLC

BRANCH ESTABLISHMENT OPENINGS IN PIERCE AND ST. CROIX COUNTIES

Year	Establishments	Employees	Average Employees
1991	3	12	4.0
1992	22	619	28.1
1993	75	1,327	17.7
1994	30	419	14.0
1995	81	782	9.7
1996	32	1,343	42.0
1997	48	718	15.0
1998	46	570	12.4
1999	45	729	16.2
2000	49	948	19.3
2001	53	353	6.7
2002	44	820	18.6
2003	21	295	14.0
2004	25	347	13.9
2005	27	526	19.5
2006	12	89	7.4
2007	9	439	48.8
2008	9	189	21.0
2009	8	277	34.6
2010	22	632	28.7
2011	4	106	26.5
Total	665	11,540	17.4

Source: 2011 National Employment Time Series data and Place Dynamics LLC

BRANCH ESTABLISHMENT OPENINGS IN RIVER FALLS BY INDUSTRY

Industry	Establishments
Retail	25
Finance, Insurance, Real Estate	18
Manufacturing	7
Educational Services	7
Government	5
Business Services	5
Wholesale Trade - Durable Goods	5
Health Services	5
Membership Organizations	4
Eating and Drinking Places	4
Construction	3
Engineering, Accounting, Research, Management and Related Services	3
Personal Services	3
Transportation, Communications, Utilities	2
Wholesale Trade - Nondurable Goods	2
Lodging	2
Agriculture	2
Social Services	1
Motion Pictures	1
Automotive Repair	0
Amusement and Recreation Services	0
Mining	0
Miscellaneous Repair Services	0
Legal Services	0
Museums, Art Galleries, Gardens	0
Services NEC	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

BRANCH ESTABLISHMENT OPENINGS IN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

Industry	Establishments
Retail	116
Finance, Insurance, Real Estate	103
Manufacturing	69
Transportation	55
Government	49
Business Services	28
Wholesale Trade - Durable Goods	26
Health Services	26
Construction	23
Membership Organizations	23
Eating and Drinking Places	22
Educational Services	22
Automotive Repair	19
Wholesale Trade - Nondurable Goods	16
Social Services	16
Engineering, Accounting, Research, Management and Related Services	11
Lodging	9
Personal Services	8
Agriculture	7
Motion Pictures	5
Amusement and Recreation Services	5
Mining	2
Miscellaneous Repair Services	2
Legal Services	0
Museums, Art Galleries, Gardens	0
Services NEC	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING WITHIN RIVER FALLS

Year	Establishments	Employees	Average Employees
1991	1	9	9.0
1992	6	95	15.8
1993	0	0	0.0
1994	3	13	4.3
1995	3	10	3.3
1996	5	29	5.8
1997	1	1	1.0
1998	4	12	3.0
1999	7	31	4.4
2000	2	14	7.0
2001	4	40	10.0
2002	7	83	11.9
2003	11	49	4.5
2004	7	23	3.3
2005	5	311	62.2
2006	6	12	2.0
2007	4	9	2.3
2008	1	3	3.0
2009	0	0	0.0
2010	7	19	2.7
Total	84	763	9.1

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING WITHIN RIVER FALLS BY INDUSTRY

Industry	Establishments
Construction	12
Business Services	10
Retail	7
Manufacturing	6
Health Services	6
Transportation	5
Personal Services	5
Agriculture	4
Finance, Insurance, Real Estate	4
Engineering, Accounting, Research, Management and Related Services	4
Automotive Repair	4
Social Services	4
Membership Organizations	3
Educational Services	3
Eating and Drinking Places	2
Miscellaneous Repair Services	1
Wholesale Trade - Durable Goods	1
Amusement and Recreation Services	1
Lodging	1
Services NEC	1
Wholesale Trade - Nondurable Goods	0
Legal Services	0
Government	0
Mining	0
Motion Pictures	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING INTO RIVER FALLS FROM ELSEWHERE

Year	Establishments	Employees	Average Employees
1991	2	35	17.5
1992	1	1	1.0
1993	1	3	3.0
1994	0	0	0.0
1995	0	0	0.0
1996	2	46	23.0
1997	6	28	4.7
1998	3	30	10.0
1999	2	16	8.0
2000	3	10	3.3
2001	8	43	5.4
2002	3	10	3.3
2003	11	25	2.3
2004	6	21	3.5
2005	8	24	3.0
2006	6	31	5.2
2007	7	9	1.3
2008	8	72	9.0
2009	9	68	7.6
2010	16	40	2.5
Total	102	512	5.0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING INTO RIVER FALLS FROM ELSEWHERE BY INDUSTRY

Industry	Establishments
Business Services	17
Manufacturing	13
Construction	11
Retail	10
Engineering, Accounting, Research, Management and Related Services	10
Finance, Insurance, Real Estate	9
Agriculture	7
Personal Services	7
Transportation, Communications, Utilities	3
Wholesale Trade - Durable Goods	3
Health Services	3
Amusement and Recreation Services	3
Legal Services	2
Eating and Drinking Places	1
Automotive Repair	1
Government	1
Social Services	0
Wholesale Trade - Nondurable Goods	0
Miscellaneous Repair Services	0
Services NEC	0
Membership Organizations	0
Lodging	0
Motion Pictures	0
Educational Services	0
Mining	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING FROM RIVER FALLS TO OTHER COMMUNITIES

Year	Establishments	Employees	Average Employees
1991	1	6	6.0
1992	3	62	20.7
1993	3	8	2.7
1994	4	18	4.5
1995	5	238	47.6
1996	3	8	2.7
1997	5	25	5.0
1998	1	2	2.0
1999	3	3	1.0
2000	2	2	1.0
2001	12	132	11.0
2002	8	18	2.3
2003	10	13	1.3
2004	15	39	2.6
2005	5	68	13.6
2006	7	11	1.6
2007	8	13	1.6
2008	11	37	3.4
2009	16	73	4.6
2010	9	17	1.9
Total	131	793	6.1

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING FROM RIVER FALLS TO OTHER COMMUNITIES BY INDUSTRY

Industry	Establishments
Business Services	21
Construction	17
Retail	15
Manufacturing	12
Agriculture	12
Finance, Insurance, Real Estate	8
Transportation, Communication, Utilities	7
Engineering, Accounting, Research, Management and Related Services	7
Automotive Repair	6
Wholesale Trade - Durable Goods	5
Personal Services	5
Social Services	4
Eating and Drinking Places	3
Miscellaneous Repair Services	2
Mining	2
Health Services	1
Government	1
Motion Pictures	1
Membership Organizations	1
Services NEC	1
Educational Services	1
Wholesale Trade - Nondurable Goods	0
Amusement and Recreation Services	0
Legal Services	0
Lodging	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING WITHIN PIERCE AND ST. CROIX COUNTIES

Year	Establishments	Employees	Average Employees
1991	7	53	7.6
1992	11	168	15.3
1993	6	64	10.7
1994	7	34	4.9
1995	11	63	5.7
1996	19	79	4.2
1997	14	74	5.3
1998	11	55	5.0
1999	13	47	3.6
2000	16	91	5.7
2001	22	225	10.2
2002	28	203	7.3
2003	49	199	4.1
2004	32	116	3.6
2005	25	425	17.0
2006	33	195	5.9
2007	14	47	3.4
2008	31	107	3.5
2009	37	111	3.0
2010	60	134	2.2
Total	446	2,490	5.6

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING WITHIN PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

Industry	Establishments
Construction	73
Business Services	65
Agriculture	39
Retail	38
Manufacturing	36
Transportation	24
Finance, Insurance, Real Estate	24
Personal Services	21
Engineering, Accounting, Research, Management and Related Services	20
Eating and Drinking Places	14
Miscellaneous Repair Services	14
Health Services	14
Automotive Repair	13
Wholesale Trade - Durable Goods	10
Membership Organizations	9
Social Services	8
Amusement and Recreation Services	5
Educational Services	5
Wholesale Trade - Nondurable Goods	4
Lodging	3
Legal Services	2
Services NEC	2
Government	2
Mining	1
Motion Pictures	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING INTO PIERCE AND ST. CROIX COUNTIES FROM ELSEWHERE

Year	Establishments	Employees	Average Employees
1991	4	48	12.0
1992	9	35	3.9
1993	8	36	4.5
1994	12	150	12.5
1995	10	82	8.2
1996	9	85	9.4
1997	19	209	11.0
1998	11	110	10.0
1999	8	66	8.3
2000	22	138	6.3
2001	48	229	4.8
2002	48	182	3.8
2003	58	139	2.4
2004	64	224	3.5
2005	53	165	3.1
2006	40	122	3.1
2007	36	113	3.1
2008	40	206	5.2
2009	44	170	3.9
2010	71	192	2.7
Total	614	2,701	4.4

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING INTO PIERCE AND ST. CROIX COUNTIES FROM ELSEWHERE BY INDUSTRY

Industry	Establishments
Business Services	123
Construction	91
Manufacturing	73
Retail	63
Engineering, Accounting, Research, Management and Related Services	39
Transportation	32
Agriculture	27
Wholesale Trade - Durable Goods	25
Finance, Insurance, Real Estate	24
Personal Services	16
Social Services	16
Eating and Drinking Places	12
Wholesale Trade - Nondurable Goods	11
Miscellaneous Repair Services	10
Automotive Repair	8
Services NEC	8
Health Services	7
Membership Organizations	7
Lodging	5
Motion Pictures	5
Legal Services	5
Amusement and Recreation Services	3
Educational Services	3
Government	1
Mining	0
Museums, Art Galleries, Gardens	0

Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING FROM PIERCE AND ST. CROIX COUNTIES

Year	Establishments	Employees	Average Employees
1991	4	12	3.0
1992	9	100	11.1
1993	4	28	7.0
1994	15	131	8.7
1995	12	576	48.0
1996	12	199	16.6
1997	7	23	3.3
1998	11	51	4.6
1999	12	46	3.8
2000	15	62	4.1
2001	35	147	4.2
2002	35	231	6.6
2003	31	79	2.5
2004	39	277	7.1
2005	13	47	3.6
2006	27	90	3.3
2007	18	69	3.8
2008	27	197	7.3
2009	55	134	2.4
2010	65	432	6.6
Total	446	2,931	6.6

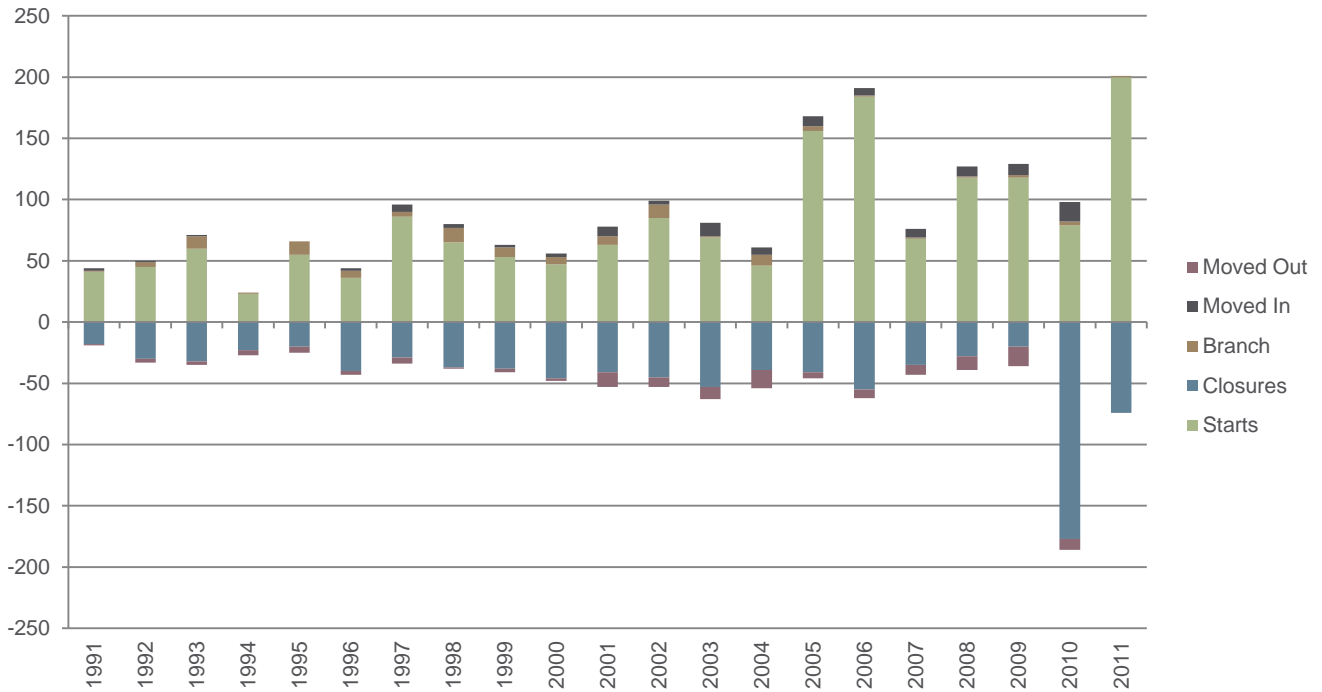
Source: 2011 National Employment Time Series data and Place Dynamics LLC

ESTABLISHMENTS MOVING FROM PIERCE AND ST. CROIX COUNTIES BY INDUSTRY

Industry	Establishments
Business Services	114
Construction	49
Manufacturing	46
Retail	43
Agriculture	39
Transportation	26
Engineering, Accounting, Research, Management and Related Services	24
Finance, Insurance, Real Estate	20
Wholesale Trade - Durable Goods	17
Personal Services	13
Miscellaneous Repair Services	10
Wholesale Trade - Nondurable Goods	7
Social Services	7
Eating and Drinking Places	6
Health Services	5
Automotive Repair	3
Government	3
Motion Pictures	2
Amusement and Recreation Services	2
Legal Services	2
Membership Organizations	2
Services NEC	2
Mining	1
Lodging	1
Educational Services	1
Museums, Art Galleries, Gardens	0

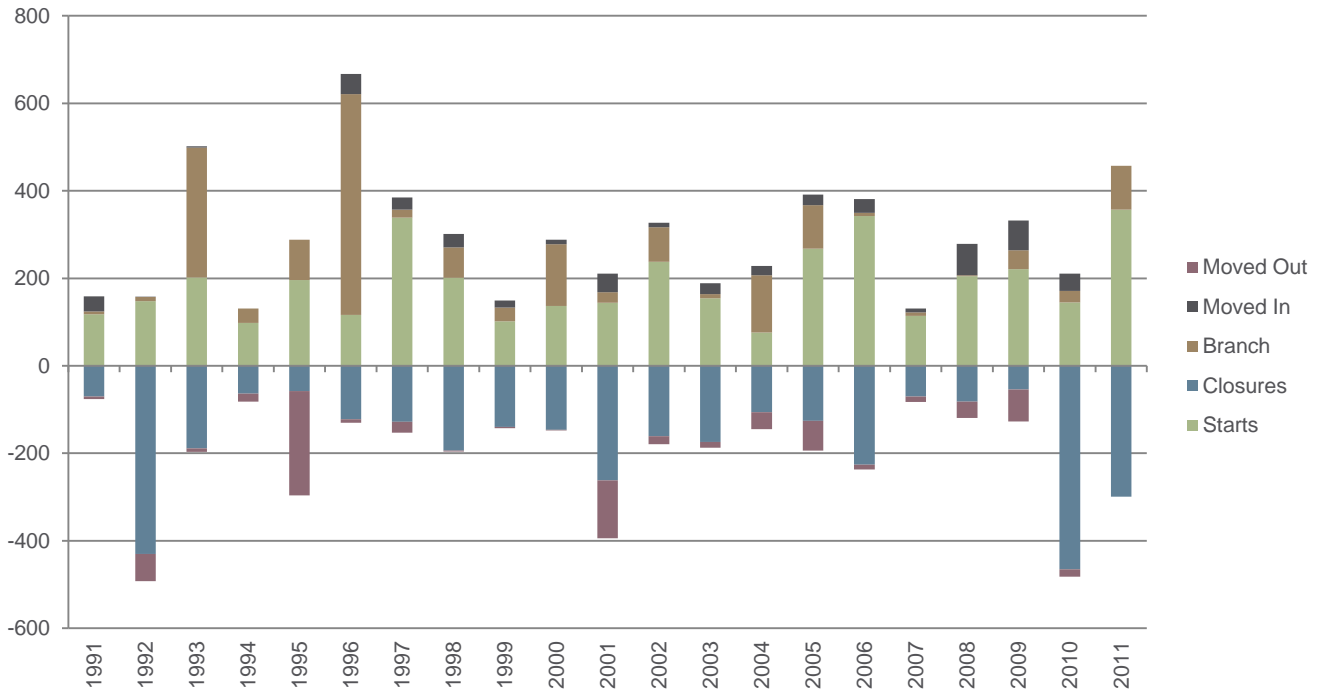
Source: 2011 National Employment Time Series data and Place Dynamics LLC

RIVER FALLS BUSINESS DYNAMICS - ESTABLISHMENTS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

RIVER FALLS BUSINESS DYNAMICS - EMPLOYMENT



Source: 2011 National Employment Time Series data and Place Dynamics LLC

NET CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN RIVER FALLS

Year	Net Change in Establishments	Net Change in Employment
1991	25	83
1992	17	-334
1993	36	305
1994	-3	49
1995	41	-8
1996	1	537
1997	62	232
1998	42	105
1999	22	6
2000	8	140
2001	25	-183
2002	46	148
2003	18	2
2004	7	83
2005	122	197
2006	129	144
2007	33	48
2008	88	160
2009	93	205
2010	-88	-271
2011	127	158
Total	851	1,806

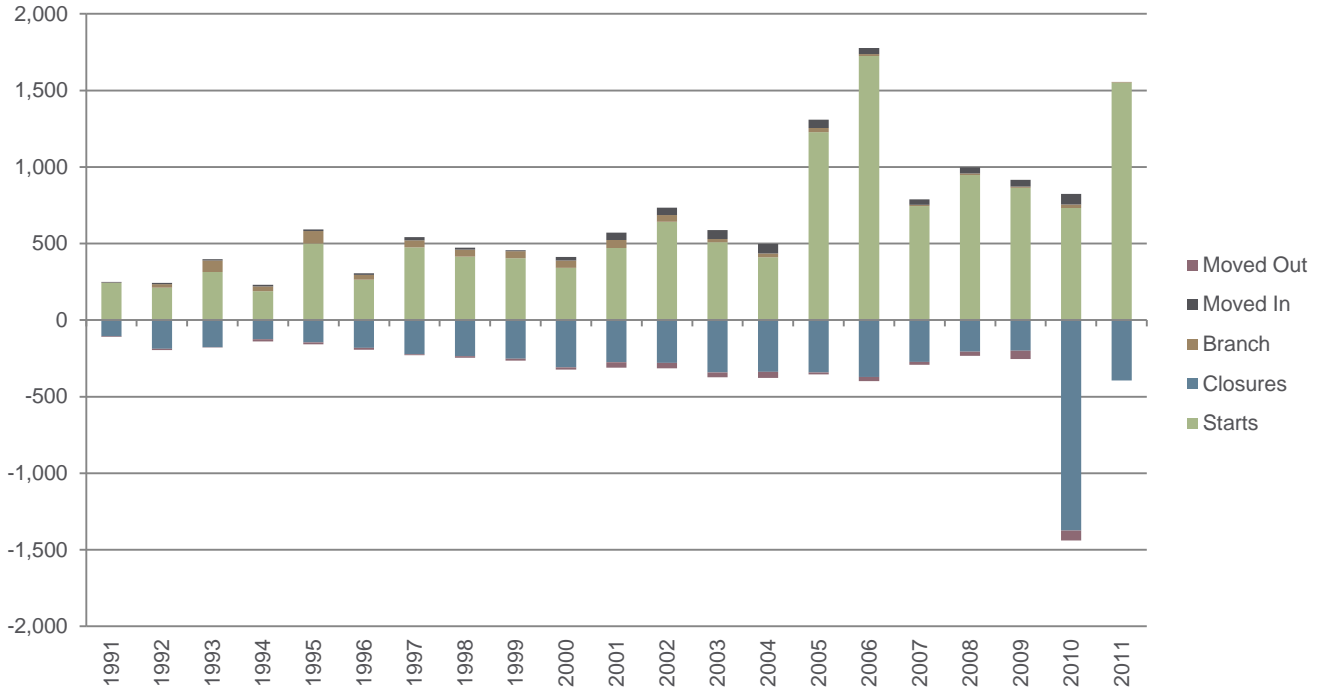
Source: 2011 National Employment Time Series data and Place Dynamics LLC

NET CHANGE IN ESTABLISHMENTS AND EMPLOYMENT IN PIERCE AND ST. CROIX COUNTIES

Year	Net Establishments	Net Employment
1991	139	354
1992	47	869
1993	218	1,639
1994	91	347
1995	434	1,442
1996	111	1,197
1997	311	1,440
1998	226	1,097
1999	193	778
2000	89	447
2001	261	968
2002	420	1,635
2003	214	-59
2004	122	-351
2005	953	1,310
2006	1,378	1,923
2007	497	1,223
2008	764	1,419
2009	662	1,116
2010	-615	-1,579
2011	1,328	1,224
Total	7,843	18,439

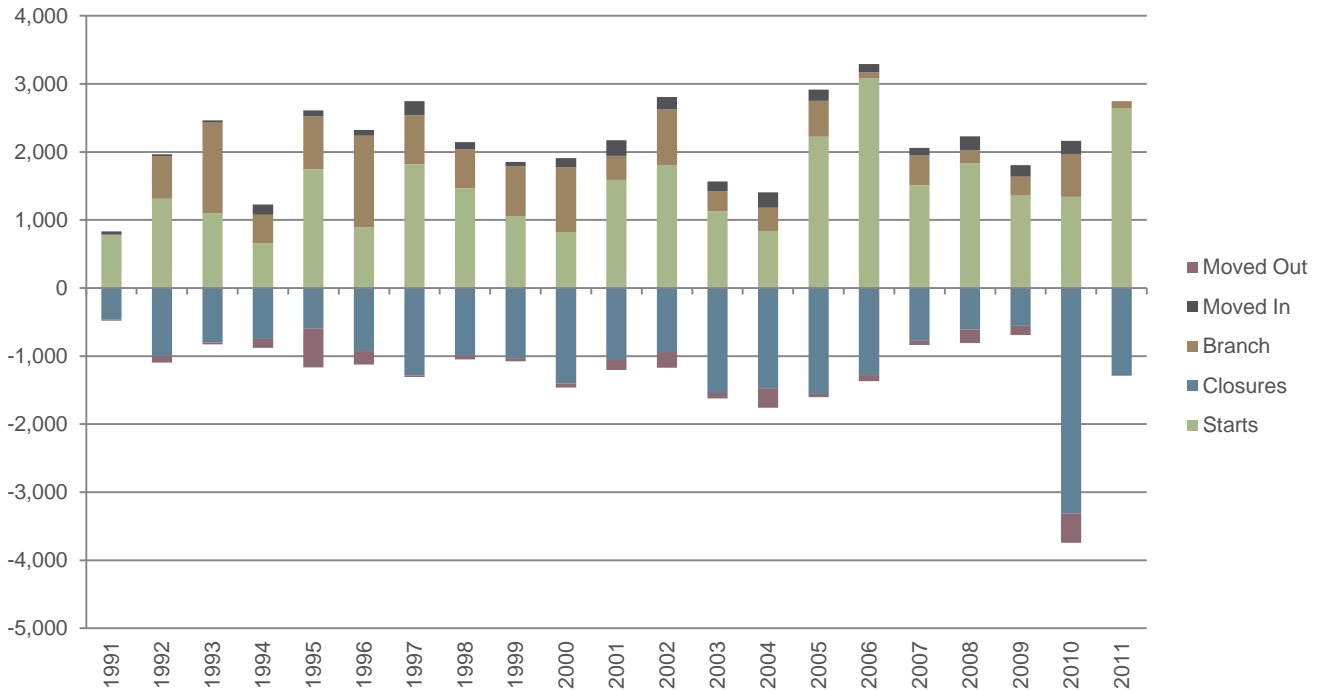
Source: 2011 National Employment Time Series data and Place Dynamics LLC

PIERCE AND ST. CROIX COUNTIES BUSINESS DYNAMICS - ESTABLISHMENTS



Source: 2011 National Employment Time Series data and Place Dynamics LLC

RIVER FALLS BUSINESS DYNAMICS - EMPLOYMENT



Source: 2011 National Employment Time Series data and Place Dynamics LLC

COMPONENTS OF ESTABLISHMENT AND EMPLOYMENT CHANGE IN THE SECONDARY MARKET AREA

Establishments	Opened	Closed	Net Opened	Expanded	Contracted	Net Expanded	Moved In	Moved Out	Net Moved In
Total	110,236	62,246	47,990	25,523	17,948	7,575	6,745	6,988	-243
Non-Commercial	4,059	2,842	1,217	1,620	1,203	417	235	203	32
Commercial	1,391	2,087	-696	1,466	1,061	405	227	226	1
Resident	104,786	57,317	47,469	22,437	15,684	6,753	6,283	6,559	-276
Self-Employed (1)	50,658	22,898	27,760	8,189	0	8,189	1,899	2,155	-256
Stage 1 (2-9)	52,269	30,705	21,564	7,771	12,375	-4,604	3,326	3,483	-157
Stage 2 (10-99)	1,754	3,426	-1,672	3,141	2,796	345	993	869	124
Stage 3 (100-499)	89	249	-160	307	462	-155	56	46	10
Stage 4 (500+)	16	39	-23	29	51	-22	9	6	3

Jobs	Opened	Closed	Net Opened	Expanded	Contracted	Net Expanded	Moved In	Moved Out	Net Moved In
Total	283,857	297,867	-14,010	181,628	136,064	45,564	47,553	45,232	2,321
Non-Commercial	32,024	26,685	5,339	24,128	23,191	937	2,424	1,214	1,210
Commercial	25,958	43,555	-17,597	20,734	24,661	-3,927	6,339	9,144	-2,805
Resident	225,875	227,627	-1,752	136,766	88,212	48,554	38,790	34,874	3,916
Self-Employed (1)	47,358	22,898	24,460	17,534	0	17,534	1,899	2,155	-256
Stage 1 (2-9)	102,844	68,277	34,567	44,649	16,566	28,083	8,662	9,304	-642
Stage 2 (10-99)	29,447	58,968	-29,521	38,671	20,097	18,574	16,515	15,106	1,409
Stage 3 (100-499)	11,720	35,134	-23,414	24,179	21,657	2,522	7,267	6,007	1,260
Stage 4 (500+)	31,206	41,710	-10,504	11,733	30,092	-18,359	4,447	2,302	2,145

YourEconomy.org and Place Dynamics LLC

COMPONENTS OF ESTABLISHMENT AND EMPLOYMENT CHANGE IN PIERCE AND ST. CROIX COUNTIES

Establishments	Opened	Closed	Net Opened	Expanded	Contracted	Net Expanded	Moved In	Moved Out	Net Moved In
Total	9,460	4,365	5,095	2,617	1,821	796	740	517	223
Non-Commercial	274	151	123	184	116	68	23	17	6
Commercial	102	141	-39	109	82	27	12	7	5
Resident	9,084	4,073	5,011	2,324	1,623	701	705	493	212
Self-Employed (1)	4,862	1,679	3,183	968	0	968	296	220	76
Stage 1 (2-9)	4,098	2,174	1,924	1,042	1,366	-324	355	225	130
Stage 2 (10-99)	124	211	-87	289	232	57	54	44	10
Stage 3 (100-499)	0	9	-9	25	23	2	0	4	-4
Stage 4 (500+)	0	0	0	0	2	-2	0	0	0

Jobs	Opened	Closed	Net Opened	Expanded	Contracted	Net Expanded	Moved In	Moved Out	Net Moved In
Total	21,296	17,714	3,582	12,987	8,789	4,198	3,104	2,767	337
Non-Commercial	1,386	862	524	1,461	926	535	88	90	-2
Commercial	2,509	2,716	-207	1,362	1,185	177	330	187	143
Resident	17,401	14,136	3,265	10,164	6,678	3,486	2,686	2,490	196
Self-Employed (1)	4,862	1,679	3,183	1,626	0	1,626	296	220	76
Stage 1 (2-9)	10,012	6,288	3,724	4,064	2,033	2,031	1,096	693	403
Stage 2 (10-99)	2,527	4,697	-2,170	3,634	1,919	1,715	1,195	770	425
Stage 3 (100-499)	0	1,472	-1,472	840	2,079	-1,239	0	807	-807
Stage 4 (500+)	0	0	0	0	647	-647	0	0	0

YourEconomy.org and Place Dynamics LLC

FIRMS, ESTABLISHMENTS, EMPLOYMENT, AND ANNUAL PAYROLL BY ENTERPRISE EMPLOYMENT SIZE - 2010

AREA DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)
Five-County Region	Total	26,957	31,264	540,788	24,161,729
	< 20	21,155	21,245	81,217	2,879,646
	20-99	2,785	3,152	93,905	3,541,646
	100-499	1,093	1,898	86,021	3,446,429
	500+	1,924	4,969	279,645	14,294,008
Dakota County	Total	8,446	9,885	160,483	7,004,356
	< 20	6,606	6,622	24,336	894,604
	20-99	868	987	28,611	1,141,616
	100-499	340	569	23,536	935,478
	500+	632	1,707	84,000	4,032,658
Ramsey County	Total	11,010	13,216	284,332	13,742,989
	< 20	8,468	8,526	34,740	1,276,439
	20-99	1,256	1,448	44,436	1,715,769
	100-499	521	957	49,496	2,057,594
	500+	765	2,285	155,660	8,693,187
Washington County	Total	4,828	5,315	65,736	2,434,012
	< 20	3,906	3,912	13,771	460,841
	20-99	433	466	13,406	454,323
	100-499	153	238	8,354	292,944
	500+	336	699	30,205	1,225,904
Pierce County	Total	747	780	5,923	182,199
	< 20	631	632	2,353	62,538
	20-99	55	61	1,796	54,579
	100-499	18	33	543	14,754
	500+	43	54	1,231	50,328
St. Croix County	Total	1,926	2,068	24,314	798,173
	< 20	1,544	1,553	6,017	185,224
	20-99	173	190	5,656	175,359
	100-499	61	101	4,092	145,659
	500+	148	224	8,549	291,931

SOURCE: 2010 County Business Patterns, release date 04/2013

OCCUPATION FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

	Dakota	Ramsey	Washington	Pierce	St. Croix
Total:	212,842	251,588	123,071	22,261	44,589
Management, business, science, and arts occupations:	87,841	107,120	54689	6657	17094
Management, business, and financial occupations:	38,272	39,079	23987	2843	7254
Management occupations:	23,055	23,987	15134	1993	5326
Top executives	3,463	3,141	2444	172	676
Advertising, marketing, promotions, public relations, and sales mgrs..	2,131	1,821	1312	79	457
Financial managers	1,828	2,199	1397	94	314
Human resources managers	723	725	405	35	220
Operations specialties mgrs.. exc. financial human resources mgrs..	3,017	2,457	1912	119	580
Farmers, ranchers, and other agricultural managers	492	366	467	349	421
Other mgmt.. occupations except agricultural mgrs..	11,401	13,278	7197	1145	2658
Business and financial operations occupations:	15,217	15,092	8853	850	1928
Human resources workers	1,402	1,370	869	136	228
Other business operations specialists	6,792	6,926	3735	335	889
Financial specialists:	7,023	6,796	4249	379	811
Accountants and auditors	4,636	4,036	2608	213	390
Other financial specialists	2,387	2,760	1641	166	421
Computer, engineering, and science occupations:	16,305	19,538	10044	818	2788
Computer and mathematical occupations:	10,569	10,164	4819	383	1248
Computer occupations:	10,170	9,316	4521	378	1206
Computer and information research scientists and analysts	1,148	1,478	814	60	342
Software developers and programmers	5,178	3,860	2274	115	401
Database and systems administrators and network architects	1,458	1,199	487	56	182
Misc. computer occupations, incl. computer support specialists	2,386	2,779	946	147	281
Mathematical science occupations	399	848	298	5	42
Architecture and engineering occupations:	4,290	5,529	3683	306	1149
Architects, surveyors, and cartographers	114	429	105	22	65
Engineers	3,086	3,806	2663	144	870
Drafters, engineering, and mapping technicians	1,090	1,294	915	140	214
Life, physical, and social science occupations:	1,446	3,845	1542	129	391
Life and physical scientists	515	2,135	828	47	240
Social scientists and related workers	354	810	418	21	32
Life, physical, and social science technicians	577	900	296	61	119
Education, legal, community service, arts, and media occupations:	21,264	35,552	12749	2015	4662
Community and social service occupations:	3,512	5,253	2051	286	722
Counselors, social workers, other community and social svc. spec.	2,494	3,990	1504	248	508
Religious workers	1,018	1,263	547	38	214
Legal occupations:	2,618	3,973	1601	35	186
Lawyers and judicial law clerks	1,777	2,712	1049	16	117
Judges, magistrates, and other judicial workers	104	63	45	0	26
Legal support workers	737	1,198	507	19	43

	Dakota	Ramsey	Washington	Pierce	St. Croix
Education, training, and library occupations:	11,710	18,683	6532	1431	3116
Postsecondary teachers	1,088	5,967	708	216	318
Primary, secondary, and special education school teachers:	7,526	7,281	3860	886	2152
Preschool and kindergarten teachers	879	806	403	244	204
Elementary and middle school teachers	4,732	4,694	2792	540	1485
Secondary school teachers	1,120	1,316	455	88	215
Special education teachers	795	465	210	14	248
Librarians, curators, and archivists	168	747	76	33	101
Other teachers and instructors, education, training, and library occs.	2,928	4,688	1888	296	545
Arts, design, entertainment, sports, and media occupations:	3,424	7,643	2565	263	638
Art and design workers	1,241	2,585	869	115	249
Entertainers and performers, sports, and related workers	626	1,758	582	32	143
Media and communication equipment workers	1,557	3,300	1114	116	246
Healthcare practitioners and technical occupations:	12,000	12,951	7909	981	2390
Health diagnosing and treating practitioners and other technical occs.:	8,471	9,172	6484	578	1670
Physicians and surgeons	714	1,893	714	11	165
Therapists	1,156	1,229	697	75	303
Registered nurses	4,949	4,377	3821	344	722
Nurses, all other	157	150	191	24	73
Other health diagnosing and treating practitioners and technical occs.	1,495	1,523	1061	124	407
Health technologists and technicians	3,529	3,779	1425	403	720
Service occupations:	31,618	42,391	17332	4295	6103
Healthcare support occupations:	4,731	6,618	2194	664	1232
Nursing, psychiatric, and home health aides	2,945	4,281	1270	408	665
Occupational and physical therapist assistants and aides	39	102	103	4	4
Other healthcare support occupations	1,747	2,235	821	252	563
Protective service occupations:	3,177	3,061	1818	361	698
First-line supervisors of law enforcement workers	111	62	256	0	42
First-line supervisors of fire fighting and prevention workers	42	10	36	5	0
First-line supervisors of protective service workers, all other	161	16	33	19	0
Fire fighting and prevention workers	119	165	123	12	32
Law enforcement workers	1,164	1,040	681	139	496
Other protective service workers	1,580	1,768	689	186	128
Food preparation and serving related occupations:	9,479	13,466	5916	1147	1855
First-line supervisors of food preparation and serving workers	1,431	1,257	644	31	193
Cooks and food preparation workers	3,064	4,875	1817	387	732
Waiters and waitresses	2,252	3,740	1850	392	392
Food and beverage serving workers except waiters/waitresses	1,422	1,858	843	239	335
Other food preparation and serving related workers	1,310	1,736	762	98	203
Building and grounds cleaning and maintenance occupations:	5,301	9,441	3080	865	1071
First-line supervisors of housekeeping and janitorial workers	223	313	93	104	21
First-line supervisors of landscaping, lawn service, and groundskeeping workers	310	185	219	6	39

	Dakota	Ramsey	Washington	Pierce	St. Croix
Building cleaning and pest control workers	3,792	7,754	2246	598	709
Grounds maintenance workers	976	1,189	522	157	302
Personal care and service occupations:	8,930	9,805	4324	1258	1247
First-line supervisors of personal care and service workers	410	447	269	80	145
Personal appearance workers	1,553	1,564	873	178	211
Baggage porters and concierges, and tour and travel guides	427	89	26	10	0
Child care workers	2,897	2,666	1225	552	382
Other personal care and service workers except personal appearance, baggage porters, concierges, and child care workers	3,643	5,039	1931	438	509
Sales and office occupations:	57,321	60,907	31307	4566	10492
Sales and related occupations:	25,844	25,282	13994	1978	4364
First-line supervisors of retail sales workers	4,414	4,285	2102	428	875
First-line supervisors of non-retail sales workers	2,338	1,397	1146	121	206
Cashiers	4,318	5,995	2610	237	794
Retail sales workers except cashiers	5,881	6,219	2791	644	950
Sales representatives, services	3,682	3,013	1896	153	738
Sales representatives, wholesale and manufacturing	3,383	1,976	2011	277	597
Other sales and related workers	1,828	2,397	1438	118	204
Office and administrative support occupations:	31,477	35,625	17313	2588	6128
First-line supervisors of office and administrative support workers	2,409	2,282	1305	185	343
Communications equipment operators	67	190	16	0	7
Financial clerks except bookkeeping, accounting, and auditing clerks	2,018	2,446	1075	123	237
Bookkeeping, accounting, and auditing clerks	2,488	2,181	1274	163	499
Information and record clerks except customer service representatives	4,280	5,333	2377	369	1074
Customer service representatives	3,967	5,126	1977	352	856
Material recording, scheduling, dispatching, and distributing workers	5,234	6,386	2903	330	1213
Secretaries and administrative assistants	4,773	5,142	3000	461	1142
Other office and administrative support workers	6,241	6,539	3386	605	757
Natural resources, construction, and maintenance occupations:	14,183	14,288	8300	2589	4331
Farming, fishing, and forestry occupations:	633	985	312	351	543
First-line supervisors of farming, fishing, and forestry workers	84	39	37	4	0
Agricultural workers	526	912	226	305	531
Fishing and hunting, and forest, conservation, and logging workers	23	34	49	42	12
Construction and extraction occupations:	6,969	7,800	4458	1395	2303
First-line supervisors of construction and extraction workers	586	650	556	110	311
Carpenters	1,400	1,785	1175	357	542
Construction laborers	1,178	1,484	661	322	466
Electricians	782	423	463	163	142
Painters and paperhangers	548	902	247	17	55
Pipelayers, plumbers, pipefitters, and steamfitters	853	505	420	41	57
Construction trades workers except carpenters, electricians, painters, plumbers, and construction laborers	1,323	1,680	675	275	558
Other construction workers and helpers	259	353	239	88	125
Extraction workers	40	18	22	22	47

	Dakota	Ramsey	Washington	Pierce	St. Croix
Installation, maintenance, and repair occupations:	6,581	5,503	3530	843	1485
First-line supervisors of mechanics, installers, and repairers	343	328	189	58	155
Vehicle and mobile equipment mechanics, installers, and repairers	2,478	1,740	1427	387	580
Other installation, maintenance, and repair occs. including electrical and electronic equipment mechanics, installers, and repairers	3,760	3,435	1914	398	750
Production, transportation, and material moving occupations:	21,879	26,882	11443	4154	6569
Production occupations:	10,728	15,738	6037	2662	3916
First-line supervisors of production and operating workers	1,275	879	896	356	412
Assemblers and fabricators	1,127	2,741	567	406	574
Food processing workers	852	1,055	454	165	202
Metal workers and plastic workers	2,103	2,608	958	523	1361
Printing workers	607	1,047	432	54	175
Textile, apparel, and furnishings workers	610	1,376	359	202	90
Woodworkers	103	141	195	56	63
Plant and system operators	388	367	236	141	29
Other production occupations	3,663	5,524	1940	759	1010
Transportation occupations:	7,512	6,602	3506	882	1503
Supervisors of transportation and material moving workers	376	468	135	5	32
Air transportation workers	1,571	283	372	51	191
Rail and water transportation workers	83	128	218	20	36
Bus drivers	831	1,559	357	51	108
Driver/sales workers and truck drivers	3,684	3,092	2074	636	1022
Motor vehicle operators except bus and truck drivers	511	525	101	20	59
Other transportation workers	456	547	249	99	55
Material moving occupations:	3,639	4,542	1900	610	1150
Laborers and material movers, hand	2,955	3,907	1573	509	931
Material moving workers ex. supervisors, laborers, material movers	684	635	327	101	219

Source: 2009-2011 American Community Survey 3-Year Estimates

INDUSTRY BY OCCUPATION FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

	Total	Mgmt., business, science, and arts occupations	Service occupations	Sales and office occupations	Natural resources, const., and maint. occupations	Production, transp., and material moving occupations
Civilian employed population 16 and over	654,351	273,457	101,738	164,441	43,754	71,006
Agriculture, forestry, fishing, hunting, mining	6,025	2,742	162	289	2,638	196
Construction	29,789	5,841	175	1,881	21,114	780
Manufacturing	84,312	32,784	1,365	13,318	4,128	32,706
Wholesale trade	18,343	3,972	251	10,232	798	3,096
Retail trade	72,332	9,925	2,487	50,102	3,248	6,579
Transportation and warehousing, and utilities	31,983	5,051	893	8,996	2,806	14,216
Information	16,935	8,781	205	5,693	1,291	974
Finance and insurance, and real estate and rental and leasing	56,483	29,452	1,981	23,805	708	540
Professional, scientific, management, and admin. and waste management services	69,621	41,318	9,302	14,012	1,136	3,880
Educational services, and health care and social assistance	158,044	100,040	35,741	18,712	909	2,596
Arts, entertainment, and recreation, and accommodation and food services	52,680	10,115	33,558	6,531	481	1,984
Other services, except public administration	30,145	8,932	9,887	4,690	3,887	2,746
Public administration	27,659	14,452	5,755	6,309	552	602
Percentage of Total						
Civilian employed population 16 and over		41.8%	15.5%	25.1%	6.7%	10.9%
Agriculture, forestry, fishing, hunting, mining		4.5%	2.7%	4.8%	43.8%	3.3%
Construction		19.6%	0.6%	6.3%	70.9%	2.6%
Manufacturing		38.9%	1.6%	15.8%	4.9%	38.8%
Wholesale trade		21.7%	1.4%	55.8%	4.4%	16.9%
Retail trade		13.7%	3.4%	69.3%	4.5%	9.1%
Transportation and warehousing, and utilities		15.8%	2.8%	28.1%	8.8%	44.4%
Information		51.9%	1.2%	33.6%	7.6%	5.7%
Finance and insurance, and real estate and rental and leasing		52.1%	3.5%	42.1%	1.3%	1.0%
Professional, scientific, management, and admin. and waste management services		59.3%	13.4%	20.1%	1.6%	5.6%
Educational services, and health care and social assistance		63.3%	22.6%	11.8%	0.6%	1.6%
Arts, entertainment, and recreation, and accommodation and food services		19.2%	63.7%	12.4%	0.9%	3.8%
Other services, except public administration		29.6%	32.8%	15.6%	12.9%	9.1%
Public administration		52.3%	20.8%	22.8%	2.0%	2.2%

Source: 2009-2011 American Community Survey 3-Year Estimates

**MEDIAN EARNINGS IN THE PAST 12 MONTHS FOR FULL-TIME, YEAR-ROUND CIVILIAN EMPLOYED
POPULATION 16 YEARS AND OVER**

	Number of Workers	Median Earnings
Full-time, year-round civilian employed population 16 years and over	436,217	\$49,576
Management, business, science, and arts occupations:	204,261	\$65,560
Management, business, and financial occupations:	95,982	\$70,763
Management occupations	61,079	\$76,153
Business and financial operations occupations	34,903	\$63,094
Computer, engineering, and science occupations:	42,467	\$73,534
Computer and mathematical occupations	23,966	\$74,217
Architecture and engineering occupations	13,128	\$76,224
Life, physical, and social science occupations	5,373	\$61,442
Education, legal, community service, arts, and media occupations:	45,433	\$51,711
Community and social services occupations	8,572	\$45,384
Legal occupations	6,715	\$75,898
Education, training, and library occupations	22,129	\$50,623
Arts, design, entertainment, sports, and media occupations	8,017	\$49,831
Healthcare practitioner and technical occupations:	20,379	\$63,147
Health diagnosing and treating practitioners and other technical occupations	14,198	\$76,666
Health technologists and technicians	6,181	\$42,051
Service occupations:	45,887	\$30,423
Healthcare support occupations	7,262	\$31,165
Protective service occupations:	6,625	\$56,175
Fire fighting and prevention, and other protective service workers incl. supervisors	2,947	\$41,359
Law enforcement workers including supervisors	3,678	\$63,183
Food preparation and serving related occupations	10,074	\$23,974
Building and grounds cleaning and maintenance occupations	10,192	\$32,656
Personal care and service occupations	11,734	\$27,519
Sales and office occupations:	107,382	\$41,526
Sales and related occupations	44,065	\$48,826
Office and administrative support occupations	63,317	\$39,029
Natural resources, construction, and maintenance occupations:	29,775	\$48,889
Farming, fishing, and forestry occupations	1,614	\$27,140
Construction and extraction occupations	12,867	\$49,875
Installation, maintenance, and repair occupations	15,294	\$50,002
Production, transportation, and material moving occupations:	48,912	\$39,793
Production occupations	29,183	\$40,161
Transportation occupations	12,784	\$43,883
Material moving occupations	6,945	\$32,997

2009-2011 American Community Survey 3-Year Estimates, 2011 Inflation-Adjusted Dollars

OCCUPATION BY CLASS OF WORKER FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER

	Management, business, science, and arts occupations	Service occupations	Sales and office occupations	Natural resources, construction, and maintenance occupations	Production, transportation, and material moving occupations
Self-Employed (Incorporated)	4.2%	2.1%	3.4%	7.7%	1.7%
Self-Employed (Unincorporated)	4.1%	8.3%	3.0%	10.0%	2.9%
Private Company Workers	55.8%	66.3%	77.4%	74.5%	86.9%
Private Non-Profit Workers	16.1%	10.8%	7.5%	1.7%	3.3%
Government Workers	19.7%	12.5%	8.8%	6.1%	5.1%

Source: 2009-2011 American Community Survey 3-Year Estimates

APPENDIX B – ASSESSMENT TOOLS AND MANAGER JOB DESCRIPTION

This section provides additional tools that may be used to help administer the incubator. It includes metrics that may be used to assess program performance and impact, and a job description for a facility manager.

ASSESSMENT TOOL

The business incubator may be assessed on the two dimensions of operational performance and program performance. Operational aspects refer mainly to the budgetary and physical performance of the incubator, while program performance addresses the statistical data and perceptions of programs and services offered by the incubator.

Operational Assessment

- Budgetary Performance
 - Revenues by source
 - Lease revenue and facility rental
 - Fees for programs or services
 - Grants
 - Cash and in-kind contributions
 - Other sources of revenue
 - Expenses
 - Facility-related expenses
 - Staff and overhead expenses
 - Programming expenses
 - Net operating revenue
 - Percentage of costs recovered
- Incubator Facility Performance
 - Occupancy/vacancy rate
 - Turnover among incubator tenants
 - Business mix of tenants
- Organizational Performance
 - Number and type of partners (funders, mentors, service providers, etc.)
 - Partners continuing on from the prior year
-

wages

Program Assessment

- Businesses started after using incubator services
 - Woman and minority business formation
- Attendance at classes and other events
- Utilization of incubator services
- Total number of clients and new clients by type
 - Incubator tenants
 - Jobs created (FT/PT)
 - Wages
 - Growth in revenues
 - Survival rate
 - Terminated companies
 - Affiliate clients
 - Jobs created (FT/PT)
 - Wages
 - Growth in revenues
 - Survival rate
 - Terminated companies
- Number of graduate businesses
 - Percent of graduates still in business

- Percent located in River Falls or percent located in Pierce and St. Croix Counties
- Length of stay in incubator prior to graduation
- Jobs created (FT/PT)
- Wages
- Growth in revenues
- University research opportunities created
- University student placement (interns or regular hires)
- Technologies commercialized
- Research and start-up funding raised with incubator assistance

Clients should be uniformly surveyed to assess perceived value of the incubator facilities and services. This would include a short survey for all participants in classes, training programs, and events, addressing the relevance of the topic, quality of instruction or assistance, need for more or less detail, value offered for the registration fee, and similar topics. A similar survey should be used to assess the quality of one-time assistance programs. A more substantial survey of tenants and affiliate clients should be conducted annually. Survey questions should explore:

- Quality of incubator facilities
- Need for additional facilities
- Need for additional equipment
- Quality of assistance provided – advisors, mentors, etc.
- Need for additional services
- Perceived impact of incubation services on business success

BUSINESS INCUBATOR MANAGER JOB DESCRIPTION

The Business Incubator Manager is responsible for programming and operations of a mixed-use business incubator serving resident and affiliate businesses. The Business Incubator Manager exercises independent judgment, decision making skills, and discretion in the performance of the position’s duties. Performance in this position will be measured by the number and success of businesses assisted through incubator services, as well as the relevance and quality of programs or services offered to businesses. Specific duties of the Business Incubator Manager include:

Incubator Development

As the business incubator is in the development stage, the Business Incubator Manager will be expected to play a lead role in designing and codifying policies and procedures to govern the facility, its programs, and its relationships with clients, services providers, and partners.

Programming Responsibilities

- Develop and manage entrepreneurial education programs, seminars, business skills training, and networking opportunities for incubator tenants, affiliate clients, and the general business community.
- Plan and execute a marketing and public relations campaign designed to increase awareness of the business incubator and its programs, and to recruit new tenants and affiliate clients.
- Provide direct support and counseling to incubator tenants and affiliate clients on basic business topics and business planning, and guide businesses to additional public or private resources that may help them to address more substantial issues.
- Establish and maintain a network of high quality service providers who can provide training, mentoring, advisory services, or resources to the incubator, its tenants, and affiliate clients.
- Carry out a community outreach program develop and sustain relationships with government agencies, economic development partners, businesses, organizations, and individuals who may provide continued political, technical, or financial support for the business incubator. Provide collaboration with area economic development partners.
- Sustain close relationships with critical resources at the UW-River Falls, provide support for expanded campus facilities, assist in technology commercialization, and support faculty and student entrepreneurship.

Operational Responsibilities

- Manage the day-to-day operations of the business incubator, including maintenance, access and security, facility or equipment scheduling, utilities and services, procurement of services and materials, and other administrative functions.

- Develop annual operating plans and budgets, prepare monthly financial and activity reports for board review, and recommend actions for board consideration.
- Ensure compliance with legal requirements for operations, including compliance with local, state and federal codes, OSHA and environmental requirements, IRS and Wisconsin Department of Revenue filings, etc.
- Schedule and conduct monthly board meetings and coordinate the activities of any committees.
- Identify and complete applications for grants funding, and carry out other fundraising activities.
- Conduct recruitment, screening, intake, and regular review of incubator tenants and affiliate clients. Negotiate and structure of client agreements and leases; including the collection of rents and fees. Keep accurate files and records of each client company and any related correspondence.
- Track and report performance of the business incubator, its tenants, and affiliate clients.

Requirements:

- Bachelor's degree in business or closely related field, master's degree preferred.
- Minimum of five years experience in business with start-up experience preferred. Candidates with experience in business incubator management are also preferred.
- Demonstrated knowledge of contract management, budgeting, fund raising, and project management. Candidates should also have expertise in the content areas of opportunity analysis, capital formation and financing, business plan and business model development, technology commercialization, customer development and lean startup, and risk assessment and risk management.
- Excellent interpersonal, verbal/written communication and problem-solving skills.
- Experience working with confidential and sensitive information.
- Flexibility and availability for working beyond the regular 8-hour work day and attending occasional weekend and evening meetings. Occasional travel may be required.

APPENDIX C – REFERENCE INCUBATORS

The following incubators were interviewed to corroborate assumptions in the feasibility study. Notes are provided for each of the incubators. Some of the general observations include:

- Incubators are drawing their tenants from nearby. A large majority are coming from within 20 miles. The exceptions tend to be incubators within urban/suburban locations that draw rural entrepreneurs who want to have their business closer to the urban center.
- Among incubators on or near a state border, there tends to be little cross-border start-up activity. The exception is an incubator that allows existing companies to set up an operation in its facility, often temporarily.
- Most of the incubators are mixed use, with one providing offices only. Demand for office space exceeds demand for industrial space. The majority of tenants are professional services businesses.
- Occupancy rates are high, often exceeding 90 percent over an extended number of years. Lower rates may be in part attributed to a recent start date for the incubator or square footage that has taken time to be absorbed.

CARBONDALE, ILLINOIS – SIU SMALL BUSINESS INCUBATOR

The incubator is a 55,000 square foot facility developed as part of Southern Illinois University. It has a combination of office, wet lab, and industrial space.

- Tenants: The strongest demand is for office space, followed by wet and dry lab space. This use is associated with spin off businesses from sponsored research. (The incubator manager quoted a figure of one spin off business for every \$30 million in federally funded research as a national average.)
- Occupancy: Occupancy is running 85 to 90 percent with industrial space being the most difficult to fill. Some space originally developed for industrial use has since been converted to office and labs.
- Draw: The market area is the county, or a distance of 15 to 20 miles at most.

CEDAR FALLS, IOWA – UNI INNOVATION INCUBATOR

The facility is affiliated with the University of Northern Iowa and is housed on campus, although at the edge of the campus. The SBDC is located in the incubator and provides management. The incubator provides offices only.

- Tenants: There are typically eight to ten tenants at any given time.
- Occupancy: The facility is usually full, but has had up to 20 percent vacancy at times.
- Draw: Nearly all tenants are drawn from the immediate area around Cedar Falls. This is also true of classes and networking events.

CROOKSTON, MINNESOTA

Crookston is a small Minnesota community about 20 miles east of Grand Forks. The University of Minnesota campus in town (2,000 students) has a strength in agriculture. The incubator was developed with a value-added agriculture focus, but has at most 25 percent of its businesses in that sector.

- Tenants: There are currently about a dozen tenants in the building.
- Occupancy: Occupancy is 45 percent by floor area. The building size (35,000 square feet) and rural location influence occupancy. A single empty manufacturing bay can represent a large percent vacancy. Demand for office space is higher than industrial.
- Draw: All of the tenants are from at most 10 to 15 miles, with none from the North Dakota side of the border.

DULUTH, MINNESOTA – UMD BUSINESS INCUBATOR

There are questions about whether this incubator will continue. It is housed on campus and originally had ten suites, however, as businesses have left, the space was converted back to university functions. There are now three spaces and one tenant.

- Tenants: One business is located in the incubator along with the SBDC and university offices. The incubator is unlikely to continue due to lack of community support.
- Occupancy: Occupancy was generally high, but vacated offices have been converted to university uses.

- Draw: Nearly all tenants came from a distance of 10 to 15 miles. There was no interest from the Wisconsin side of the border.

GRANITE CITY, ILLINOIS – RIVER’S EDGE ENTERPRISE CENTER (AMERICA’S CENTRAL PORT)

This facility is located on a former military base in the St. Louis metro area. It is a mixed use facility with multiple buildings encompassing 1.5 million square feet.

- Tenants: Current tenants lean heavily toward users of office space rather than industrial uses.
- Occupancy: Occupancy has typically been around 95 percent. The heaviest demand is for office space.
- Draw: The clear majority of tenants are from within 15 miles, with rare examples of tenants from as far as 40 miles. Madison and St. Clair Counties could be described as the market area. There are no businesses started from across the border. The incubator manager speculated that familiarity with the Missouri business environment and laws tended to keep people from crossing the border to start a business.

QUINCY, ILLINOIS – BUSINESS AND TECHNOLOGY CENTER

The Quincy Business and Technology Center is a mixed use incubator directly on the border with Missouri, and not far from Iowa. It is located in a city of 40,000 people. It is 140 miles from Davenport or St. Louis.

- Tenants: The incubator currently has 21 tenants, with 80 to 85 percent employed in professional services rather than manufacturing.
- Occupancy: Above 90 percent for the last ten years
- Draw: 70 percent of tenants are from within 20 miles. The remainder are from beyond, including other states. The incubator has allowed existing businesses to set up operations in its facility, which contributes to this high number of out of state businesses. This presently includes one business from Iowa and another from Maine. Many are temporary situations related to clients in the area.

LA CROSSE, WISCONSIN – COULEE REGION BUSINESS CENTER

The incubator is located in the City of La Crosse, directly on the border with Minnesota. The La Crosse area has a population of 115,000 and the city is the largest urban center in the region. The facility is mixed use and also includes a commercial kitchen.

- Tenants: Tenants are mixed. There is a high demand for use of the kitchen, but the majority of tenants are service related.
- Occupancy: The incubator has sustained 100 percent occupancy for over ten years.
- Draw: Most tenants come from within 15 miles. There is one tenant driving 25 miles. Since 1986 there have been two tenants from La Crescent, Minnesota, which is about five miles from the incubator.

OWATONNA, MINNESOTA – BUSINESS INCUBATOR

The business incubator has been in existence for over 20 years. Fifteen years ago it moved into its present 40,000 square foot building, with 30,000 square feet of manufacturing space and 10,000 square feet of office.

- Tenants: The incubator is having difficulty finding either office or manufacturing tenants and is leasing space on a short term basis to help cover costs.
- Occupancy: Incubator occupancy is about 20 percent, with 62 percent needed to break even. In the past it has achieved this, but the prior manager retired without having a pipeline of new tenants.
- Draw: An estimated 80 percent of tenants have come from within the city or immediate area. The remaining tenants come from throughout the rural area. Clients for services (not tenants) will occasionally come from as far as 60 miles.

PLATTEVILLE, WISCONSIN – BUSINESS INCUBATOR

Platteville’s incubator is affiliated with UW Platteville. The City is located about 25 minutes from Dubuque and over an hour from Madison.

- Tenants: The incubator typically has about 20 tenants, with the majority in professional services. It was originally constructed as an industrial incubator, but due to demand it converted 60 to 65 percent of its space to offices.

- Occupancy: Occupancy has been above 95 percent for five years.
- Draw: Nearly all tenants are drawn from the immediate area (within 15 miles). Only one tenant has been from a greater distance. Some tenants have moved to the area for other reasons and then opened a business in the incubator (for example, the wife of a university faculty member), but no person from out of state has come to Platteville to open a business in the incubator.

SUPERIOR, WISCONSIN – SUPERIOR BUSINESS CENTER

Superior is on the Minnesota border across from Duluth, where there is another incubator. This facility has been in existence for more than 20 years but has been poorly managed as little more than cheap space. Maintenance was also deferred so that the building has extensive repair needs, including a leaking roof. This impacted the ability to gain new tenants. New management is attempting a turn-around and giving the project two years to prove itself. The space is a former food coop, expanded 16 years ago to add offices. It is divided into 75% industrial space, a commercial kitchen, and offices.

- Tenants: Because the space was not marketed, there are few tenants. These include 3 offices and a fraction of the industrial space.
- Occupancy: Occupancy has been around 30 percent, however, the facility provided no services and was not marketed.
- Draw: The incubator is estimating that it has the potential to draw from up to an hour for use of the commercial kitchen. The draw for tenants not using the kitchen facilities is more limited, to Douglas and St. Clair Counties. Over more than 20 years, the incubator has never had a tenant from Minnesota. They recently had their first inquiry from a company interested in using the commercial kitchen. That company faces challenges due to differing state regulations, and will not be able to manufacture its main product at the site.

WEST DES MOINES, IOWA – BUSINESS INCUBATOR

The incubator started in 2010 with ten office and the Small Business Development Center, which provided operational support. The SBDC has since moved out and is no longer involved in operating the incubator. The space it occupied has been divided into seven new offices. It originally had no target focus, but has since evolved to target technology businesses.

- Tenants: There are currently ten tenants, some occupying more than one office.
- Occupancy: Occupancy has been around 70 percent. This would be higher but additional space was added when the SBDC left. In two years the incubator will move to a larger building being provided by the city.
- Draw: Most tenants are coming from the Des Moines metro area. A majority are under 20 miles, with the greatest distance perhaps 50 miles. People coming from longer distances are driving from rural areas to be in the metro market.

APPENDIX D – INTERVIEW PARTICIPANTS

Local Entrepreneurs

- Jeff Cernohous, Interfacial Solutions
- Greg Bennett, Interfacial Solutions
- Quentin Schultz, BioDiagnostics
- Dale Lindquest, Fiberstar, Inc.

Private/Public Incubator Operators in the River Falls Region

- Tom Elbert, River Falls Industrial Center
- Rick Roeser, Enterprise Centers in Iron River, Grantsburg, Siren, Phillips, Medford, and Spooner
- Randy Hulke, UW Stout Discovery Center

Economic Development Corporations

- William (Bill) Rubin, St. Croix Economic Development
- Bill Warner, Pierce County EDC.
- Steve Healy, Polk County EDC
- Jim Letourneau, Science and Technology Accelerator Corporation (SciTAC)
- Leslie Bleskachek, Wisconsin Indianhead Technical College and River Falls Economic Development Corporation
- Russ Korpela Momentum West
- Beth Hein, River Falls Chippewa Valley Technical College campus
- Lynn Nelson, West Central Wisconsin RPC

Staff from the University of Wisconsin – River Falls