

# CRBC



## COULEE REGION BUSINESS CENTER FEASIBILITY STUDY

SEPTEMBER 2018



# ACKNOWLEDGEMENTS

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Western Wisconsin Workforce Development Board

City of La Crosse

La Crosse Area Development Corporation

La Crosse Industrial Park Corporation

UW - La Crosse Small Business Development Center

US Department of Commerce Economic Development Administration

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# INTRODUCTION AND SUMMARY

The Western Wisconsin Workforce Development Board received a 2017 grant through the US Department of Commerce Economic Development Administration (EDA) to prepare a feasibility study for the Coulee Region Business Center. Partners in this grant included the City of La Crosse, the Coulee Region Business Center, and the La Crosse Industrial Park Corporation. Place Dynamics LLC was chosen as the consultant to complete the study.

## PURPOSE OF THE STUDY

Established in 1986, the Coulee Region Business Center (CRBC) was intended to incubate manufacturing businesses that could grow in the La Crosse region. At the time it was established, the common practice in business incubation was to focus on affordable space and shared services, with little emphasis on education and technical services. Although the practice of incubation has evolved greatly in the intervening decades, the CRBC has not had the resources to adopt new practices to any large extent. Along with this concern, the lack of outside financial support has made it necessary for the CRBC to enter into leases with entities that do not fit within an incubator environment. These and other issues led partners in the project to seek an EDA grant to examine the CRBC and recommend a new path forward, which will be more tailored to the needs of startup businesses, and more consistent with the practice of modern business incubation.

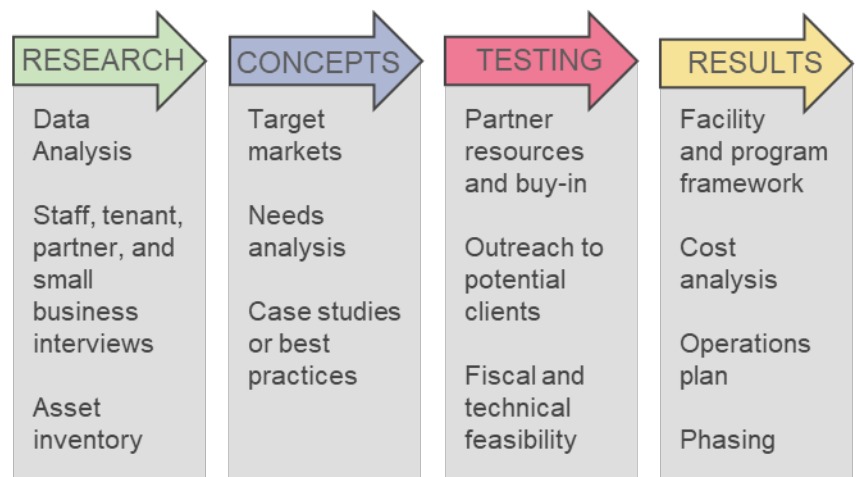
The study is intended to be a comprehensive assessment of the startup and small business environment within the region, and the potential role of the CRBC in promoting its vitality. It is divided into five primary segments:

1. Market demand and supply
2. Potential need for a fabrication lab
3. Potential need for second stage food processing
4. Potential to incorporate a transitional job training program
5. Recommendations concerning the design and programming of the CRBC.

## APPROACH

The project was initiated with a comprehensive research phase that delved into both quantitative data and insight gained by interviewing CRBC staff and tenants, economic development partners (who might also be potential competitors), and small businesses in the area. Along with more traditional sources, the analysis used the National Employment Time Series (NETS) database to prepare a detailed analysis of the area's startup businesses.

Several industries were targeted as opportunities for startup and growth potential. Analysis of the industries and outreach to area businesses helped to define their needs from formation through the early phases of growth. This information was considered in the context of resources (programming and tangible assets) already provided by the CRBC or other organizations in the region. Examples of other programs and incubators were identified to consider alternatives and potential approaches for a revitalized CRBC. These concepts were tested



through discussion with CRBC partners, outreach to potential clients to determine their interest, and by assessing the financial and technical ability of the CRBC to execute them. The final strategy lays out a clear set of recommendations along with a cost analysis and plan of implementation.

## KEY FINDINGS

While quite a large amount of information was gathered through the research, there were a handful of key findings that drove considerations for a new direction for the CRBC.

1. The existing CRBC has not evolved significantly over time, and is not has not adopted many of the practices of modern business incubation.

This conclusion was a starting point for most partners in the project. Financial need has forced the CRBC to take on a large number of non-incubator tenants, and even among those that arrived as startup businesses, there has not been a formal program of training and technical assistance to help them grow. Many have stayed long after the typical three to five year period most businesses remain in an incubator. There is a strong desire in the local economic development community for a “reset” of the CRBC to fulfill its potential as an incubator and a vital asset for business formation and growth.

2. The lack of outside financial support has been a significant impediment for the CRBC.

Nationally, about 80 percent of business incubators require a subsidy to operate successfully. The cost of space, equipment, staff, and services to tenants or other clients is rarely something that can be recovered through rent and fees. Not only must the CRBC cover costs such as these, but it is unusual in that it even pays real estate taxes, while most similar facilities are exempt. The CRBC also has approximately \$100,000 in deferred loans to the City of La Crosse.

3. There is demand for business incubation within the La Crosse market.

There is a steady pace of new businesses being formed in La Crosse County and the adjacent Wisconsin counties. As seen nationally, the rate at which new businesses are forming has slowed in recent years, and the number of small manufacturing and annual manufacturing business starts is not large. The region’s businesses have a very good survival rate, but they are not growing. Goals of a revitalized incubator should include expanding to new industry sectors as well as fostering a larger number of manufacturing startups, and focusing on growing existing businesses that appear to be stalled.

4. There is insufficient demand for a fabrication lab within the area, while the assets often found in such facilities already exist.

Fabrication labs are difficult to provision and staff without a considerable subsidy. There is not a very large base of potential manufacturing business clients in La Crosse County and surrounding counties. Furthermore, the diversity of the businesses in the area dilutes potential demand for any specific piece of equipment. This leaves the CRBC two choices. It might either provide basic machinery and equipment that most companies will already have, or it can invest in less common (and usually more expensive) tools that will be seldom used. Neither approach is likely to meet the needs of businesses and produce a positive cash flow for the CRBC. At the same time, there are resources currently available or planned at regional college campuses, high schools, and through other organizations. The best approach for the CRBC to meet this demand will be to serve as a point of coordination to direct businesses to already existing resources, and to partner with others to provide new machinery and equipment as new needs and opportunities arise.

5. Food manufacturing is a specialized growth opportunity within the region.

The La Crosse area mirrors a national trend in seeing growth among small food manufacturing businesses. The existing shared use kitchen in the CRBC falls short as an incubation asset, in comparison to those found in similarly sized communities. Meanwhile, the Viroqua Food Enterprise Center is a noteworthy effort to provide



space for growing food manufacturing businesses. In between these is a gap that can be filled by the CRBC. A new shared use commercial kitchen and food business incubator is proposed to meet the demands of startups and accelerate the growth of other food businesses. While demand from existing businesses is not sufficient to support copacking or contract manufacturing, the new facility can be equipped with packing resources to allow users to package their products for over-the-shelf sales in retail outlets.

6. Incubator tenants, or potential tenants, do not have an interest in participating in a transitional training program.

Many of the potential tenants and users of any proposed food incubator have no employees, or only occasionally have a need for assistance, which is often met informally through family and friends. Additionally, many of these businesses are too small to operate on a typical work-week schedule. They may be producing small batches once or twice per week, or even seasonally. None of the food businesses interviewed indicated any interest in participating as an employer in a transitional workforce training program. Many expressed that the added burden of meeting program requirements would be too much of a burden, when they are already short on time to spend on their business.

## VISION FOR THE COULEE REGION BUSINESS CENTER

The vision for the Coulee Region Business Center is one in which it plays a leading role in business startup and growth, but also operates within a larger sphere of partners, ensuring that there is a comprehensive support network for all business types and stages of formation.

### *Coulee Region Business Center*

Recommendations for the CRBC include developing a new food incubator facility, potentially in conjunction with an enclosed farmers market in downtown La Crosse. This facility will include a shared-use kitchen and packing resources, along with tenant spaces that can include some with a retail component such as a tasting room, café, or food hall setting. The existing incubator can be reconfigured and re-tenanted to function as a true incubation space for manufacturers and some other businesses. In addition to facilities, the reborn CRBC will provide programs and technical assistance for both resident startups and virtual clients (startups and small businesses not housed in the space).

### *Economic Development Partners*

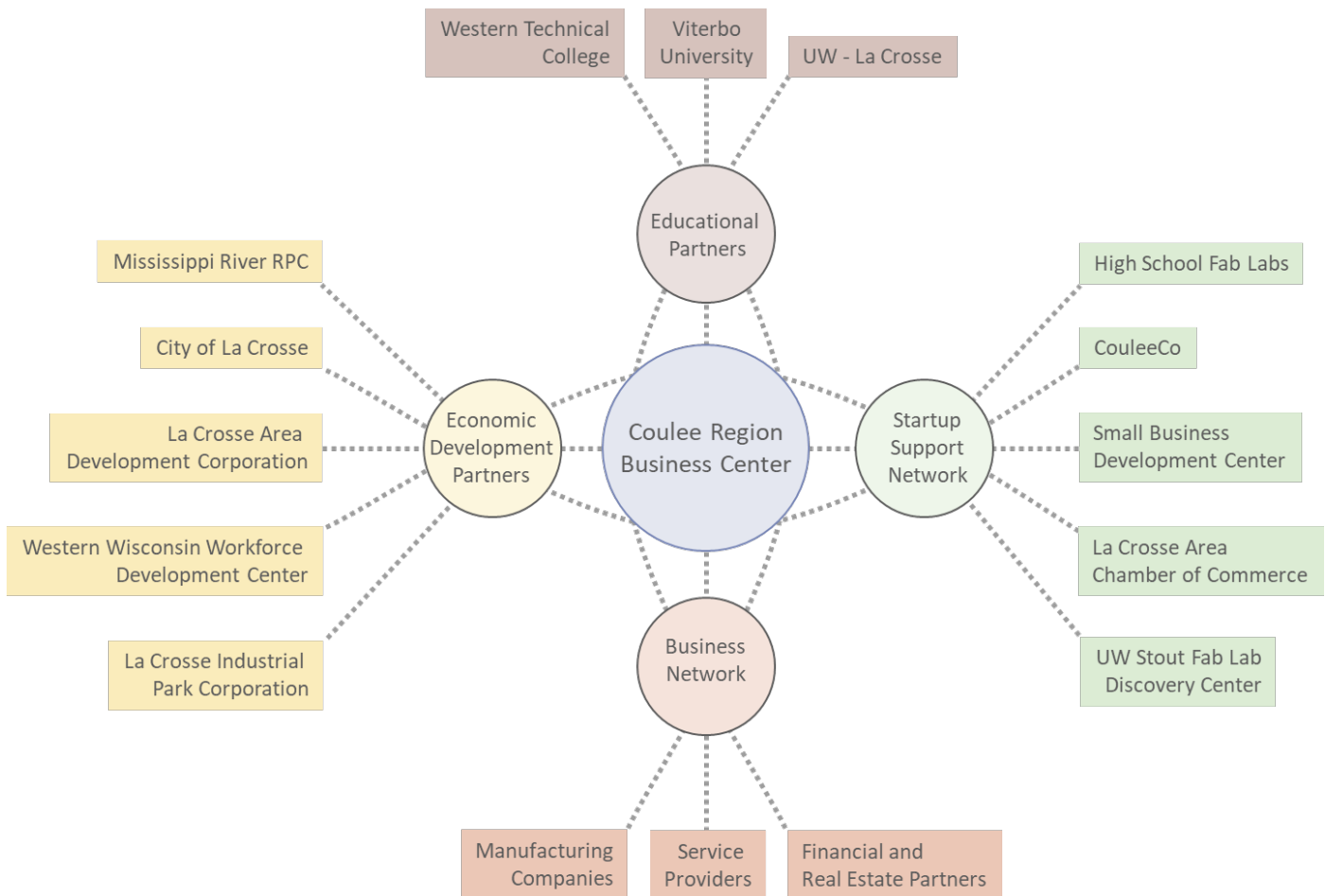
The economic development partners are those organizations playing the lead role in development, funding, and governance of the new CRBC. These organizations also play an important role in connecting the CRBC and its tenants to other resources, such as those available from the US Economic Development Administration, the State of Wisconsin, and regional organizations like the Viroqua Food Enterprise Center.

### *Educational Partners*

The area's colleges and universities have a great deal of technical expertise in the form of faculty, staff, and students who can develop mutually beneficial collaboration with the region's startup and small businesses. On-campus resources such as machinery equipment, labs, and other facilities can be made available through partnerships that enable business access. The UW-River Falls' Dairy Pilot Plant is an example of university resources made available to private sector businesses for production, while Invent @NMU is a model for university expertise assisting in product development and commercialization. These examples, and other incubator case studies are described in Appendix A.

### *Business Network*

Local businesses have a stake in supporting startups and small business growth, acting as a market, as mentors, and as a source of expertise. The financial and real estate sectors play an important role in transitioning incubator clients into the conventional marketplace.



## IMPLEMENTATION

This study recommended two phases and four overlapping steps in revitalizing and expanding the Coulee Region Business Center. The first phase focuses on reconfiguring the existing facility and developing programs for its clients. The second phase expands the CRBC by developing a food business incubator and offering a comprehensive program of entrepreneurial education and technical assistance.

### Phase One – Revitalize the Coulee Region Business Center

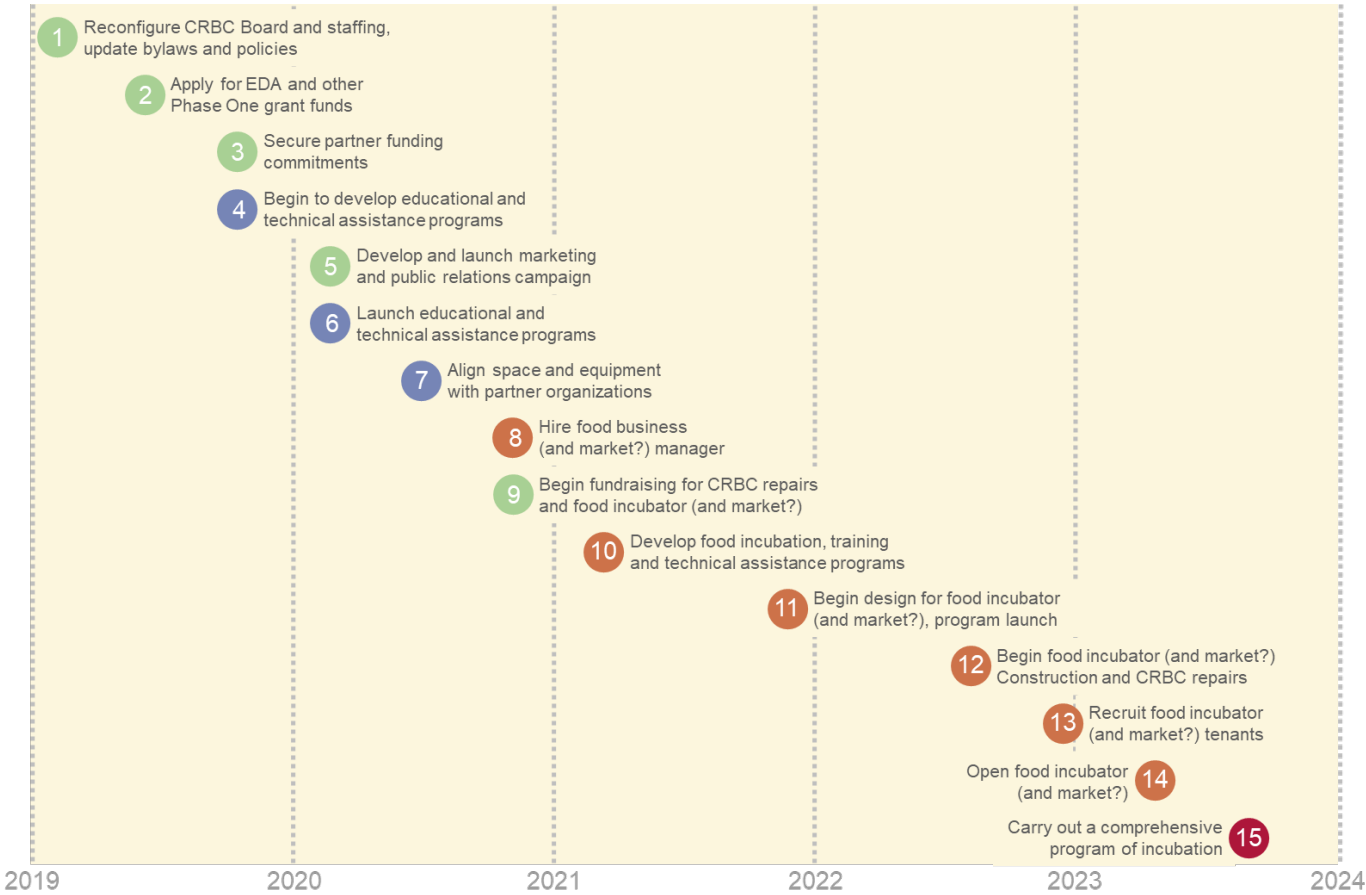
- Reorganize the CRBC and strengthen partnerships.
- Revitalize the existing business incubator.

### Phase Two – Develop the Food Business Incubator

- Plan and develop the food business incubator.
- Implement a complete program of business incubation.

A five year timeline is proposed to achieve the goal of a comprehensive and modern business incubator focused on manufacturing and food businesses. This timeline may need to be adjusted in later years, particularly with regard to the availability of funding, grant timelines, potential co-development with a farmer’s market building, or other issues that arise during implementation.

# PROPOSED TIMELINE FOR CRBC REVITALIZATION



# BACKGROUND ANALYSIS

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The updated vision and recommendations for the Coulee Region Business Center were informed by a comprehensive analysis of existing conditions and trends. This included an assessment of the design and operation of the existing facility, an analysis of entrepreneurship and small business growth in the region, a review of workforce and other data describing the area, interviews and visits to potential competing or collaborating resources, and extensive interviews with a cross-section of stakeholders.

## EXISTING CONDITIONS – COULEE REGION BUSINESS CENTER

The CRBC is well established as a facility, though it has not fully modernized its practices and met partner desires for a business incubator. Although several examples of graduated companies can be cited, there has been no attempt to review records and assess past performance and outcomes. Although the original CRBC administrator (Dave Loomis) passed in 2015, a member of the consultant team had interviewed him for a research project in 2014 and was able to refer to those notes to supplement information provided by current CRBC staff.

### *Mission*

The mission of the Coulee Region Business Center is:

*To accommodate new or expanding businesses in the Coulee Region by offering reduced overhead costs and below-market lease rates while providing professional assistance and access to local resources*

The organization's website further elaborates on its intent:

*CRBC is a full service mixed-use incubator for new and emerging entrepreneurial companies. We offer member businesses affordable space, support tools, resources and guidance to strengthen their business success and graduation into the community.*

### *History*

The CRBC was started in 1986 in a building at 2615 George Street. Three years later it moved into Trane's former plant No. 1, which was donated by the company. As this facility was not well suited to the purpose, the CRBC worked closely with the City of La Crosse and others to acquire a 2.95 acre site and develop a 20,000 square foot building at the present 1100 Kane Street location. The new building opened its doors in June of 1993. By 1996 this space had filled, and an additional 15,000 square feet was added to bring it to its current configuration. In 1998 it added the shared use commercial kitchen.

A 2001 summary records that 27 businesses had started or passed through the incubator between that year and its start in 1993. The CRBC was unable to provide a complete record of these businesses or others that have been located in the incubator in the intervening years to 2018. Without this information, it is impossible to measure the impact the CRBC has had on business formation and job creation in the region.

In 2014 a member of the consultant team had the opportunity to interview Dave Loomis, the CRBC director from 1993 to 2015, to conduct research for a pair of incubator studies. At that time, it was stated that the CRBC did not receive financial support from its partners, and funding pressures often forced the CRBC to accept tenants that were not incubator candidates. Additionally, the CRBC was not offering the kind of startup and growth programming typical of a modern business incubator. While drawing prospects from across the region, the state line is a definite barrier. None of the CRBC's tenants have originated from Minnesota, although there may be the potential for Minnesota entrepreneurs to take classes or use facilities like a shared kitchen.

## Facility and Programming

The Coulee Region Business Center is a 35,000 square foot multi-use facility located at 1100 Kane Street in the City of La Crosse. The site borders a railroad and can be seen from Highway 35 (George Street), but is accessed through a predominantly residential area. This limits its visibility to the community or to prospective tenants.

The building is divided into several private and shared suites. There is a double bay shipping/receiving dock accessed through a generously wide hallway that, along with other hall space consumes 8.1 percent of the total building floor area. Other common areas include a conference room and conference suites, washrooms, mechanical and maintenance rooms, management offices, and the loading docks. Together these take up about 3,000 square feet, or 8.6 percent of the total floor area. As a result, 16.7 percent of the building does not generate any rent to support the incubator.

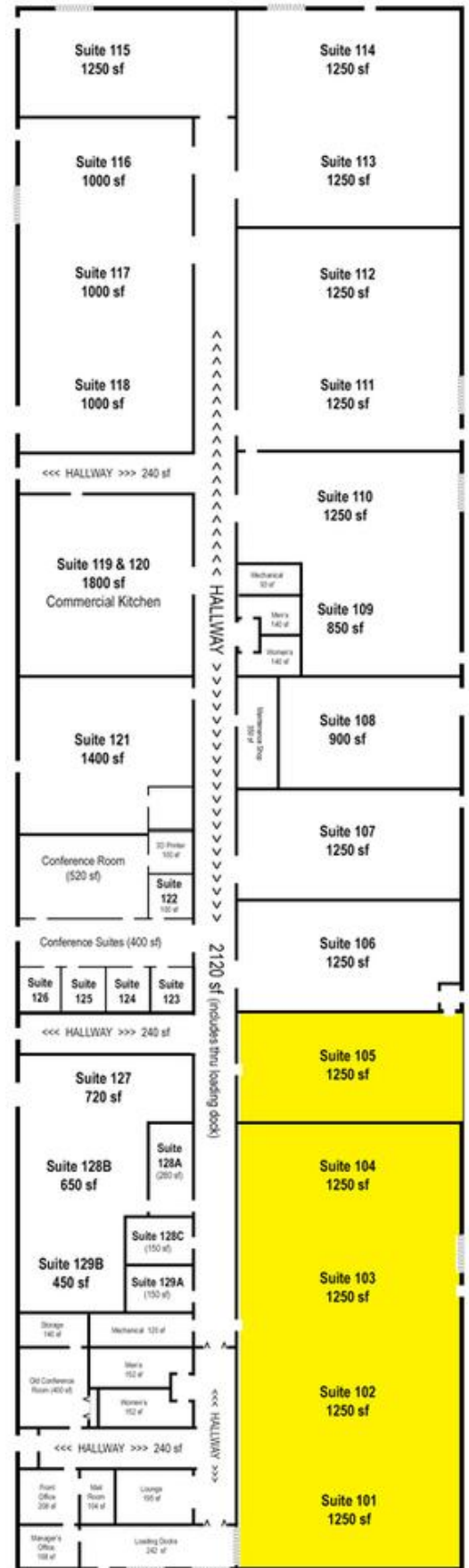
The shared commercial kitchen is one of the more important spaces in the facility. It is an 1,800 square foot DHS regulated kitchen equipped with a walk-in cooler, three convection ovens, and four prep stations. Storage space is available to rent in the kitchen area. In 2018 the CBRD did secure funding to make improvements to the kitchen space.

The majority of the space was designed to house manufacturing businesses, although many of the current tenants are not manufacturers. Even among those that are manufacturing, there is a sometimes inefficient use of the space, as businesses occupy a larger space than is needed. This has a programmatic impact in that additional tenants could be housed in the facility, and it has a fiscal impact in that it could be possible to collect a greater net rent for two, rather than one space. The facility provides several small office spaces for non-manufacturing businesses.

Limited services and equipment are made available to tenants. High speed internet access is provided. A forklift is available at the loading docks. There is a 3D printer, however, staff are not familiar with its use, and it has seldom been used by tenants or anyone else.

## Current Tenants

The CRBC lists 16 incubator tenants nine regular kitchen clients. Aside from their use of the shared commercial kitchen, the food businesses, including most food manufacturers, do not have a presence within the incubator. Many incubator businesses have tended to be tenants for longer than a typical incubation period, although there has been a recent effort to move these businesses to other facilities. Five of the current businesses have been in the building for over five years. That failure to graduate tenants and the number of non-incubator tenants are issues that must be addressed in a restructuring of the CRBC.



## CURRENT CRBC TENANTS

BUSINESS NAME	BUSINESS TYPE	DESCRIPTION
Bauer Group	Retail	Novelty production and sales
Blue Star Cadets	Education	Music education program
Cia Siab	Social service	Hmong support services
Golden Coulee, LLC	Wholesale	Industrial supply
Hmong Kashia Day Care	Social service	Adult day care
Kitchen Change	Construction	Cabinetry sales and installation
L&S Technologies	Manufacturing	Firearm accessories
Left Coast Powder Coating	Manufacturing	Powder coating
Maluna LLC	Manufacturing	Coolers
Northstar Composite Solutions	Manufacturing	Lightweight performance products
Deborah Lee Independent Agent	Insurance	Insurance services
San Graal Guitars	Manufacturing	Guitars
Service Master	Waste management	Janitorial service
Task Karate	Sports	Karate school
US Hydroprint	Manufacturing	Hydrographic film printing and supplies
Wyatt Bicycle Company	Manufacturing	Bicycles
KITCHEN CLIENTS		
Apothik Food Truck	Food service	Food truck
Cloudy's Brat Stop	Food service	Food cart
The Damn Tasty	Food service	Catering
Indian Meal Kits	Food service	Meal kits
Laura's Baking Delights	Manufacturing	Cakes, cupcakes, and cake pops
Opus Bakehouse	Manufacturing	Artisan pastries
Pappi's Taqueia y Mas	Food service	Food trailer
Aloha Dave's Cookies	Manufacturing	Bakery
Suit Yourself Cheesecakes	Manufacturing	Cheesecake bakery

A list of additional kitchen-only clients was provided by CRBC staff. This includes 19 businesses in addition to those listed above.

### *Financial Performance*

The CRBC has a respectable level of assets totaling nearly \$1 million, but few liquid resources to provide a cushion against unforeseen expenses. Nearly all of the organization's annual revenue is generated from tenant leases, yet comparatively little goes into maintaining and upgrading the building. Revenue has been stable over recent years, though declining in 2017 as some long term tenants graduated. The overall picture may be summed up as follows:

- The CRBC relies on tenant revenue to fund both the building and the organization.

- There is a small margin of profit (or loss) between revenue and expenses, even before depreciation. This makes the CRBC sensitive to unexpected costs or the loss of tenants, and provides few resources to draw on in offering programming or new resources to tenants or other potential clients.
- The need for tenant income has led the CRBC to allocate space to tenants who are not incubation clients, diluting its market for other services it might provide, as well as the impact of the incubator.

The largest share of the CRBC’s operational budget is spent on building and occupancy costs. Costs for the organization, including management (personnel) and general overhead expenses such as copies, insurance, professional services, and office supplies make up 43 percent of the total. The CRBC only budgeted \$1,000 for marketing in 2017. No funding was provided for delivery of services to tenants such as training and technical service, or for other incubation activities.

Nationally, only a small number of business incubators are financially self-sufficient. While the CRBC may be said to have attained this goal, it has done so at the cost of providing most services that define it as a modern incubator, rather than simply a multi-tenant building.

The 35,000 square foot CRBC building has 29,155 square feet of gross leasable space, once common areas, maintenance, and CRBC offices are factored out. Rental income totaled \$81,080 in 2017. This results in an average figure of \$2.79 per square foot. Comparable industrial space in the area was listed at \$3.50 to \$6.00 per square foot, triple net, as seen in the examples below, which were active listings in August of 2018.

- 2615 George Street, La Crosse (leasing at \$3.50 per square foot)
- 1108 Venture Place, Onalaska (leasing at \$4.00 per square foot)
- 3089 Airport Road (leasing at \$4.25 per square foot)
- 401 Alderson Street, Schofield (leasing at \$4.30 per square foot)
- 110 Causeway Boulevard, La Crosse (leasing at \$6.00 per square foot)

There are important things to note concerning available space on the market. The first is that the available buildings are all quite large, and would not be suitable for tenants or graduates of the CRBC. There is a notable lack of small industrially-zoned buildings or lease spaces in the market. Commercial space in a smaller size range (1,000 to 3,000 square feet) leases for considerably more than those industrial buildings listed above. Were any smaller industrial spaces available, they would also be likely to list at a higher rate.

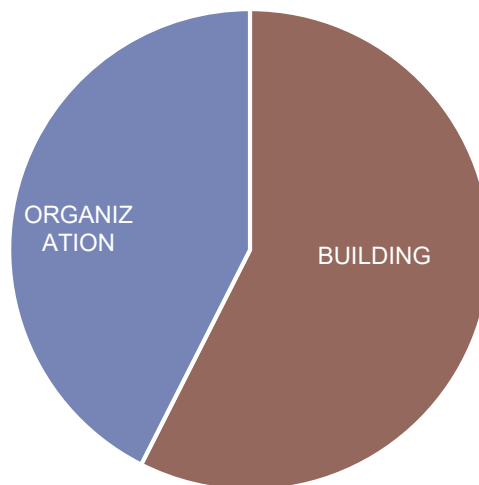
The shared-use commercial kitchen generated \$27,172 in revenue off of 1,800 square feet, or \$15.07 per square foot. Its performance makes it a critical piece of the CRBC’s revenue stream.

### *Management Practices*

Current management has the desire, and has begun to implement measures to improve management of the facility and its operations. Practices identified by the EDA as consistent with good business incubator management include:

- Development of a strategic plan and annual work plan.

ALLOCATION OF THE CRBC BUDGET



- Annual evaluation of service providers (assuming the CRBC will begin delivering services to tenants and clients).
- Annual evaluation of program effectiveness.
- Conduct of a robust marketing plan.
- Active recruiting of stakeholders to contribute expertise, resources, and support for the organization.
- Establishment and adherence to criteria for accepting new tenants.
- Requirements for tenants to share information that will allow progress tracking.
- Establishment of annual goals and a program of assistance for each tenant.
- Commitment to a firm time frame for businesses to move from the incubator.

## REGIONAL ASSET INVENTORY

Within the Coulee Region, there exist various resources to spur and support innovation and entrepreneurship, or further the growth of small businesses. UW- La Crosse, Western Technical College, and Viterbo University continue to provide traditional educational programs for students but have instituted programs for advanced manufacturing and engineering using state of the art equipment and automation. Area high schools are beginning to develop capacity that can be shared with the public. These resources are enhanced by the initiatives of other nonprofit organizations working in economic development.

### *University of Wisconsin – La Crosse and the UW – La Crosse Small Business Development Center*

The University of Wisconsin – La Crosse has just under 10,000 students in 100 undergraduate, 23 graduate, and 2 doctoral programs. Its most populous majors are biology, psychology, exercise and sports fitness, finance, and marketing. The university has several significant science and technology laboratories, and other assets on campus, along with faculty talent, but there has not been a significant effort to develop partnerships or outreach to the region’s small businesses. Early in 2018 the University completed an \$82 million dollar science labs building with 35 new instructional and research laboratories for biology, chemistry, geography and earth science, physics, microbiology, river studies, and the radiation center.

The Center for Entrepreneurship and Innovation has a mission “to be the region’s leading academic resource for entrepreneurship and innovation, providing theoretical and practical support to foster entrepreneurial opportunities, innovation and the development of best practices for sustainable businesses”. The Center’s programs in entrepreneurship and product commercialization are mostly centered around University students, though there is some outreach to the broader business community.

The UW- La Crosse Small Business Development Center (SBDC), serving a seven-county region, provides support for business owners and entrepreneurs. The SBDC is located on the UW-La Crosse Campus and provides programs and support for business start-ups and operating small businesses. Programming includes:

First Steps to Starting a Business Workshops offered by the SBDC include entrepreneurial training in:

- Business planning and start-up
- Management and strategic planning
- Finance and capitol access
- Marketing and sales growth planning
- Financial management.

The SBDC also offers one-on-one counseling on topics such as marketing, financial and management assessments, business plan preparation, human resources, and assessing the commercial potential of a new product or service. An



entrepreneurial training program (ETP) offered through the Center is comprised of eight weekly modules designed to provide the basics in business formation:

- Introduction to ETP, lean canvas and business model canvas (BMC)
- Customer focus, empathy mapping, value proposition canvas
- Business model hypothesis, customer segments/development, customer interviews, legal considerations
- BMC review, bridging the gap from proof of concept to business plan, business plan, financial considerations
- Human resources, competitive analysis and marketing, SWOT
- Industry and target market, risk mitigation, insurance and other considerations
- Marketing plan, budget and commercial/alternative financing
- Financial projections, SWOT analysis review

### *University of Wisconsin – Stout Discovery Center*

The UW Stout Discovery Center assists businesses with topics such as process improvement, product development, business growth, continuing education, culture development, and applied research. The Discovery Center provides:

- Product assessment and model, prototype, or digital design development. Clients can gain access to the Digital Fabrication Lab or have prototypes developed by Discovery Center staff.
- Commercialization through business concept, customer relations, operation, and organization, including technology licensing, marketing, and referrals.
- Conferences, training, and credentialing.
- Lead generation.
- ExporTech, a program of business acceleration for international trade.
- Assistance with Lean Certification and ISO International Standards compliance.

### *Western Technical College*

Western Technical College's Business and Industry Services (BIS), works to help business gain access to industry experts that will help them navigate the changing methods, regulatory requirements, and continuous improvement of their operations.

In August 2018, Western Technical College received a \$564,093 grant from the National Science Foundation's Advanced Technical Education Program. The grant will be used to develop courses at Western to prepare students with the skills needed for new manufacturing and automation processes. The new programs will feature collaboration with UW-Stout, offering Western students with an interested in advancing their degrees the potential to continue into a four year degree program. The program will develop an advance mechatronics program to prepare technicians and students with the skills to support industrial automation.

Western Technical College and Viterbo University recently signed a partnership to combine resources to introduce a bachelor's degree in engineering. The "engineering pathway" will be available to students from both educational institutions in fall of 2018.

### *Viterbo University*

Viterbo University is a private Roman Catholic university with nearly 3,000 students, located in La Crosse. It offers 70 undergraduate and five graduate degrees along with numerous certificate program, and is noted for its programs in science, arts, education, and health care.

## *High School Fabrication Labs*

Onalaska High School is one of twenty-two school districts to receive a grant from the Wisconsin Economic Development Corporation to expand the school's fabrication lab. The modern day classroom will feature 3D printers, laser engravers, vinyl cutters and other high tech tools. The grant requires recipients to make the lab available to the community, as the funds are considered to be an investment in the community's innovation capacity. Classes and workshops are offered to high school students along with workshops for middle school children. Onalaska will be taking a public access policy to their board in the Fall of 2018, asking that the new fab lab be staffed one day a week and available to the general public. Other high schools receiving this assistance include Black River Falls, Mauston, and Necedah.

## *Food Enterprise Center, Viroqua, Wisconsin*

What makes the facility unique is that it is not a food incubator and it does not even have a shared use kitchen. Additionally, it houses the Fifth Season Cooperative, which functions as a distributor for regional agricultural and manufactured food products. The building totals about 100,000 square feet in size with 20 tenants occupying space from 1,000 to 10,000 square feet.

When NCR closed its Viroqua plant in 2009, the Vernon County Economic Development Corporation (VEDA) proposed to acquire it and convert it to space for the food industry. VEDA financed the project with a \$2 million Economic Development Administration grant, a \$1.8 million disaster area bond secured with projected tax increment financing revenue, and \$400,000 of private investment.

Each of 20 businesses in the building has its own space, while there is common warehousing and associated equipment, loading docks, offices, and conference rooms. Tenants are responsible for the build-out of their space. VEDA is housed in the building and manages its daily operations. One business has a tasting room in its facility, while others may have interest in similar retail facilities. The relatively small local population does not make this a priority.

The building was subdivided as tenants signed leases. Tenant spaces line the exterior walls while the interior is used for warehousing. As tenants have the need to expand, the interior wall can be moved further into the warehouse space.

Unlike an incubator, tenants are not encouraged to leave. Many come to the facility because it is filled exclusively with food businesses, as well as due to the difficulty in finding space within many of the small farming communities in Vernon and surrounding counties. VEDA provides a minimal amount of technical assistance to help the businesses grow.

## *Couleecap*

Couleecap is a 501(c)3 organization serving the region, with a mission to "fight poverty and promote self-sufficiency, economic development, and social justice". The organization has several initiatives such as its Jobs and Economic Development Program. Four programs have been developed under the CouleeCo banner:

- The Gig is a coworking space in the heart of La Crosse, with furnished offices, workstations and access to support staff. The 1,400 square foot spaces offers private offices and a common area, with internet access, printers, and other common office tools.



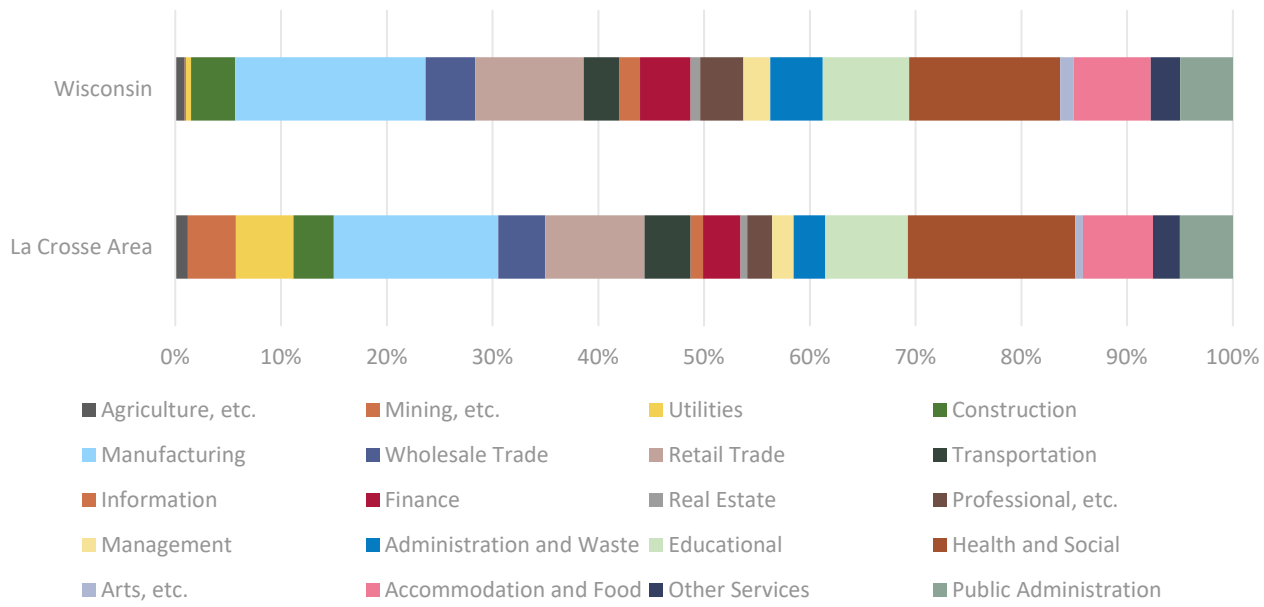
Kickapoo Valley Roasters is a tenant in the Viroqua Food Enterprise Center.

- The Co-Starters Program is a nine week course facilitated by an experienced entrepreneur, that helps entrepreneurs refine their business idea and connect with mentors. Course topics include:
  - Week 1: Knowing Yourself (Assumptions, Working Styles, Team Building, Obstacles)
  - Week 2: Knowing Your Customer (Problem, Solution, Benefit, Competition, Advantage, Customer)
  - Week 3: Getting the Relationship Right (Marketing & Message; Getting, Keeping & Growing Customers)
  - Week 4: Building the Model to Scale (Starting Small, Distribution, Revenue, Typical Sale, Price)
  - Week 5: Strengthening Your Structure (Business Structures, Licenses, IP, Hiring)
  - Week 6: Discovering the Bottom Line (Startup & Ongoing Needs, Fixed & Variable Costs, Break-Event Point)
  - Week 7: Accounting for Growth (Break-Even Point, Sales Projections, Cash Flow, Accounting)
  - Week 8: Planning for the Future (Raising Capital, Growth Plans, Goal Setting, Pitch Prep)
  - Week 9: Sharing your Story
- Co.Mentors is a networking group pairing fledgling businesses with experienced individuals who can provide advice, tips, and information.
- Po-up Shops will award three months of free storefront rent over the 2018 holiday season to five businesses, two of which will be in La Crosse, and the others in Bangor, Sparta, and Viroqua.

## WORKFORCE ANALYSIS

In 2015 there were 113,945 workers living in the study area comprised of La Crosse, Buffalo, Trempealeau, Jackson, Monroe, and Vernon counties. This is an increase from 101,787 a decade earlier. In most ways, the workforce mirrors that of Wisconsin. There is a slightly smaller percentage of workers earning more than \$3,333 per month. There are fewer minority workers in the La Crosse area, but more with an Hispanic origin. There are minor differences in the distribution of workers by industry, with somewhat higher percentages of workers in agriculture, mining, and transportation, and fewer in manufacturing, information, finance and insurance, professional, scientific and technical services, administration and waste management, health care, and arts, entertainment, and recreation. It is important to note, though, that these numbers are based on data reported by companies with employees. It does not include people who are self-employed.

## WORKERS BY INDUSTRY 2105



SOURCE: US Bureau of Labor Statistics On the Map data retrieval tool

Several industries saw notable employment growth over the period from 2005 to 2015. These included agriculture, mining, wholesale trade, transportation and warehousing, finance and insurance, professional, scientific, and technical services, educational services, health care and social services, accommodation and food services, other services, and public administration. By far, the greatest growth was in health care and social services.

### INDUSTRY TRENDS

The La Crosse area supports an economy that has grown larger and more diverse over time. For the purposes of this analysis, the region was defined as La Cross County and the contiguous Wisconsin counties of Buffalo, Trempealeau, Jackson, Monroe, and Vernon. Most of the larger population centers in these counties may be reached within a one hour drive, which would correspond to an area from which the CRBC has drawn its tenants. Appendix A contains tables depicting the business mix by establishments and employment over time, both by industry sector, and for all manufacturing industry groups.

Manufacturing was the largest sector in terms of employment in 1994, and while it added 192 establishments and 891 employees over two decades, it was overtaken in size by the health care and social services sector. Except for agriculture, there was a net increase in establishments within every sector. Figures for the agricultural sector mirror national trends toward fewer, larger operations, as the sector added 1,579 employees over the twenty year period. The finance and insurance sector experienced a loss of 1,050 employees while gaining 307 establishments. Aside from health care and social services (14,035), large employment gains were seen in administrative and support and waste management and remediation services (5,642), retail trade (4,644), education (4,513), and accommodation and food services (4,153).

Within the manufacturing sector, the largest numbers of new establishments have been in miscellaneous manufacturing (47), food manufacturing (25), fabricated metal products (25), textile manufacturing (20), and wood product manufacturing.

## *Manufacturing Startups and Survival*

Startup activity in the la Crosse area manufacturing sector is defined by a fairly constant pace of activity and better-than-average success. Over the last 20 years the region has produced 741 new manufacturing businesses at an average pace of 37 per year. Although the annual numbers vary from 15 to 64, most years fall pretty close to the average.

According to the US Bureau of Economic Analysis, about half of the businesses started in the United States survive until their fifth year. Among businesses started from 1994 to 2009, the fifth-year survival rate varies from 51.4 percent to 90.9 percent, and it exceeded 60 percent in 13 of the 15 years. More impressively, the businesses that survived added jobs. In some cases, this was more than enough to make up for losses when other businesses in their starting year closed.

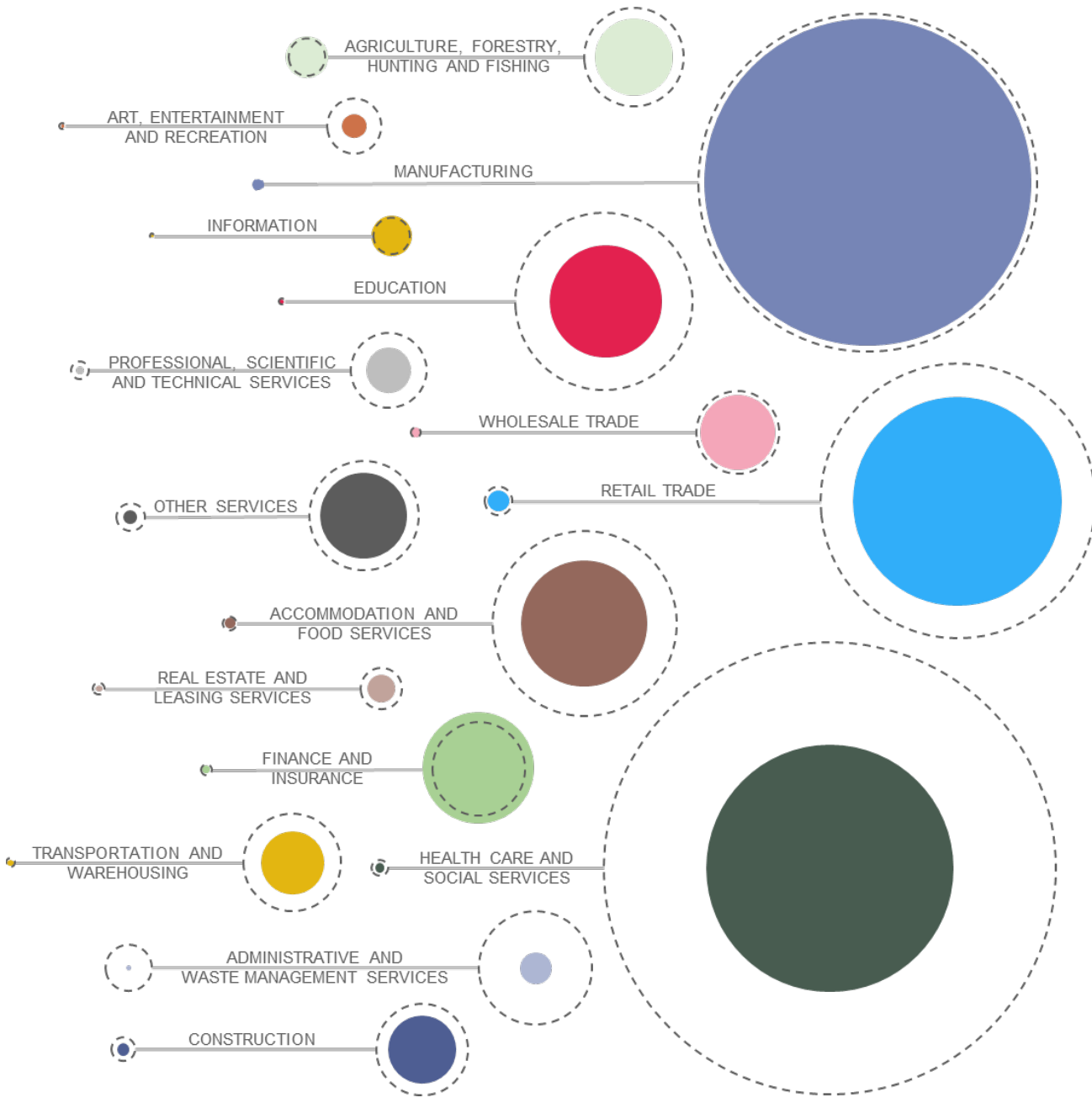
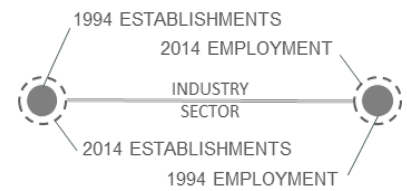
In 2014, 351 of the 741 manufacturing businesses started over the prior 20 years were still in operation. In total, these businesses created 2,514 new jobs in their startup year. By 2014, those remaining in operation employed 2,132 people. The manufacturing sector only grew by 851 jobs in this period, so the new jobs created at startup firms can be said to be responsible for much of the sector's growth, as well as for making up losses among existing businesses.

## *Food Manufacturing*

Some special consideration must be given to the food manufacturing sector. The data does show an increase of 20 establishments between 1994 and 2014, with by far the most in bakeries and tortilla manufacturing, followed by animal food manufacturing, and other food manufacturing. This is likely an incomplete picture. Many businesses classified outside of the manufacturing sector are also producing food items for packaged sale. Examples might include a brewpub making its own beer, a caterer who produces a line of bottled sauces, or a fruit farm that is producing dried fruits or jellies. Based on the results of other research, the food manufacturing classification is thought to capture only 30 to 50 percent of the true market for packaged food production.

# 1994 AND 2014 ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY SECTOR

The following diagram depicts the relative number of establishments and employees by industry sector. Each solid color circle represents the number of establishments (left) and employees (right) in 1994. The circles shown as dashed lines represent the figures for 2014. A table with the corresponding numbers is located in the appendices.



## ANNUAL NUMBER OF MANUFACTURING BUSINESS STARTS AND SURVIVORS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1994	26	26	22	22	19	17	16	15	15	15	15	13	13	12	12	12	11	10	10	10	10
1995		40	37	31	30	30	24	22	22	21	19	15	12	12	12	12	9	9	8	8	5
1996			37	37	36	32	32	32	29	28	27	26	26	23	22	22	20	19	19	19	18
1997				48	43	33	29	28	26	22	20	17	17	16	14	14	12	11	10	9	8
1998					25	25	21	19	18	17	13	11	10	10	10	10	8	7	7	5	5
1999						30	27	24	23	22	19	19	19	19	19	18	16	16	15	15	15
2000							25	22	20	19	18	18	18	17	17	17	17	16	15	14	13
2001								39	36	34	31	30	28	25	24	24	20	19	14	12	11
2002									45	39	35	31	30	30	30	29	26	25	23	21	19
2003										36	32	31	30	29	27	27	22	19	17	17	15
2004											33	33	33	30	30	30	25	24	23	21	21
2005												49	48	46	45	42	34	32	25	24	22
2006													51	49	49	48	42	40	36	33	27
2007														25	20	18	14	14	13	11	8
2008															40	40	36	32	27	24	22
2009																35	28	27	26	22	18
2010																	20	17	15	12	9
2011																		64	55	51	38
2012																			36	34	31
2013																				15	14
2014																					22
	26	66	96	138	153	167	174	201	234	253	262	293	335	343	371	398	360	401	394	377	351

*The first number in each row is the number of startups, and the number of survivors is shown in the following columns.*

### INSIGHT FROM ENTREPRENEURS, SMALL BUSINESSES, AND PARTNERS

Multiple stakeholders, partners, and area businesses were interviewed during the course of the study. Additionally, an electronic survey was prepared and delivered to a list of regional business contacts, with a primary focus on manufacturers. The results of the survey and a summary of information gleaned through the interviews has been included in the appendices.

# VISION FOR THE COULEE REGION BUSINESS CENTER

This section of the document lays out a vision for a reinvigorated Coulee Region Business Center, and a strategy for how to achieve it. The end goal is to have a business incubator that serves both resident and non-resident clients through valued programming and access to the resources they need to grow their business. Not all of these resources will be housed in the CRBC. Some will be made available through partners, and the CRBC will coordinate with them to grant access. The existing facility is recommended to be better adapted and aligned with the needs of a modern business incubator, while a new facility is proposed to expand services for food businesses. This should be considered in partnership with an indoor farmers market, for which the City of La Crosse will be preparing a feasibility study in 2018-2019.

## RECOMMENDED CRBC INDUSTRY TARGETS

Manufacturing was the primary target of the CRBC when it was created more than 30 years ago, it is proposed to remain so. The La Crosse Region is producing about 37 new manufacturing business each year. Aside from these known businesses, there are numerous other people with informal businesses that are making a product. The CRBC can set a realistic goal of enrolling three or four manufacturing incubation tenants annually, for up to five years in the incubator. This will create demand for 15,000 to 20,000 square feet of space. A second group of existing small manufacturing businesses can be enrolled as acceleration clients, where access to the facility’s technical expertise can help them to grow. These businesses should be expected to pay a market rent while occupying the space.

## PROPOSED CRBC BUSINESS ENROLLMENT GOALS

CLIENT	GOAL	FLOOR AREA	DESCRIPTION
Manufacturing startups	15 to 20 in total, enrolling 3 or 4 annually	15,000 to 20,000 square feet	Selected based on potential for success, ability to scale to a larger size, and community impact. Signed to 3 to 5 year lease and required to participate in incubation programming.
Expanding manufacturers	Enroll based on opportunity, no more than 3 or 4 at any time	Up to 15,000 square feet in total	Selected based on history of the company and the opportunity to grow, if provided the resources to overcome specifically identified obstacles.
Food production	6 with potential for more	4,000 to 6,000 square feet	These businesses will be incubator tenants selected using similar criteria to other tenants, but given access to customized training and resources.
Food services	unlimited	None or shared space	These are businesses like caterers or restaurant startups that will use the commercial kitchen or other shared resources.
Office tenants	10 to 15	2,500 to 3,000 square feet	These businesses should be selected using criteria similar to other incubator tenants, and be required to participate in programming as well as graduate.
Non-resident businesses	unlimited	None or shared space	Other businesses should be viewed as potential clients for shared resources and programming on a fee recovery basis.



Food businesses warrant additional attention. These industry groups have been among the most active in terms of business formation that includes not only food manufacturers, but also cottage producers, caterers, and restaurants that are, or may make products for packaged sale. The existing commercial kitchen will serve these businesses in the interim until a second facility is constructed. At that time the existing kitchen can be prioritized for catering and similar clients that provide a service to a local population, and the new facility can be prioritized for businesses that are making products and have the potential to add manufacturing jobs and sell products outside of the region.

Non-manufacturers should also have a place within the incubator. Care should be taken not to duplicate the coworking space being created by CouleeCo, but to provide another option for those startups and small businesses that need private office space. As with other tenants, these businesses should utilize the services of the incubator and be expected to graduate after three to five years.

## POTENTIAL FOR A FABRICATION LAB

Fabrication labs are a recent economic development trend that has taken many different forms. The concept has actually been around for a long time, though not widespread, in the form of shared garages or workshops that serve members who pay a fee for access. They are usually intended for a single activity, and examples include pottery workshops with shared kilns for firing the artists' works, auto garages serving the needs of home mechanics, and woodworking shops equipped with a more complete set of tools and machinery that a typical woodworker may have in their home.

As economic developers embraced this idea it was expanded to more sophisticated equipment used in manufacturing. The makerspaces created by economic development organizations are often equipped with tools such as CNC machines, laser cutters and engravers, lathes, woodworking and metal-working tools, industrial sewing machines, and other equipment, along with the technology to design and operate these tools. Some companies were even formed to operate these makerspaces for municipal or other public clients.

The results have been mixed at best. TechShop, one of the largest makerspace operators, filed bankruptcy in 2017. Even with local government contracts funding a significant part of their operations, most makerspaces struggle to break even. The fundamental challenge is enrolling enough members of the right type. In interviews with the operators of several makerspaces across the United States and Canada, a clear majority find that most members are hobbyists rather than businesses or people who want to start a business, and their use of the facility is intermittent, leading to an unreliable revenue stream.

Another model has emerged in which high schools, technical colleges, and libraries are developing something akin to a makerspace. Libraries are the most accessible of these spaces but tend to be limited to design and technology resources, such as software, sound and video production, and 3D and book printing. The makerspaces in schools and colleges are more likely to have the kind of manufacturing tooling and technology economic development makerspaces strive to offer, though access by the general public can be limited.

Coworking spaces offer a final example, where many spaces are branching out from more typical office technology to serve niche needs of their members. As in the library model, the uses tend to be those fitting within an office setting, like sound and video production, large format printing, and 3D printing.

### *Demand for a Fabrication Lab*

Among potential business users of a makerspace, the ability to provide shared resources will be dictated by a handful of criteria:

- There must be a sufficient number of businesses in the industry group that several may have need of a piece of equipment.
- These businesses must generate sufficient demand to justify the expense of the equipment.

- The potential shared equipment should not be so basic that any business would be expected to have it, fill so specific a niche that almost no business would need it, or be so intensive (smell, noise, vibration, heat, glare, etc.) that it would not be able to share space with equipment used for other purposes.

In general, the intent of a makerspace is to have resources that will be used by many businesses, not simply to provide a machine that will be used by one business as a substitute for purchasing it itself.

Not all manufacturers are suited to a fabrication lab, particularly within the metal fabrication and machinery manufacturing subsectors. Additionally, many of the businesses in these industries are relatively large, and likely to be able to provide the equipment they need for manufacturing. The most likely users are smaller companies that have only occasional need for a piece of equipment.

There are 457 manufacturers in the region with fewer than ten employees. This list was screened to eliminate food businesses and other businesses that would not typically be considered as potential users of a fabrication lab. Examples include sawmills, chemical manufacturing, concrete plants, farriers, and businesses of a more commercial nature (embroidery, commercial printers, dental labs, etc.). This leaves 168 businesses, with the highest industry concentrations in:

- Fabricated metal products (31)
- Machinery manufacturing (21)
- Sign manufacturing (20)
- Furniture manufacturing (16)
- Textile mills and apparel manufacturing (11)
- Transportation equipment manufacturing (11)
- Electrical equipment manufacturing (10)
- Miscellaneous wood product manufacturing (9)

A sample of the 168 small manufacturers was contacted to ask if there were any pieces of machinery for which they might have occasional need, that they did not already possess, and if they might have interest in a fabrication lab. A handful of businesses responded to the first question by saying they might want additional pieces of equipment that they already have (ex., additional table saws) and one expressed a desire for other machinery. None of the businesses had immediate interest in a fabrication lab, although some said they might be interested depending on what it offered.

The websites of several other businesses were viewed to develop a better understanding of their products. Most are making what would be described as a standard product, such as awnings, quilts, kitchen cabinetry, and vinyl signs, where it would be expected that there is not a high demand for innovation, and the need for specialized machinery.

In consideration of the small number of potential users and the disinterest on the part of businesses interviewed, as well as the nature of many of the businesses, there is little demand to support a fabrication lab in the La Crosse area. Given the comparatively high cost of space, equipment, and operations for such a facility, there is reason to believe such a facility would not be self-supporting, or have a significant impact in growing manufacturing businesses in the region.

### *Meeting the Need for Fabrication*

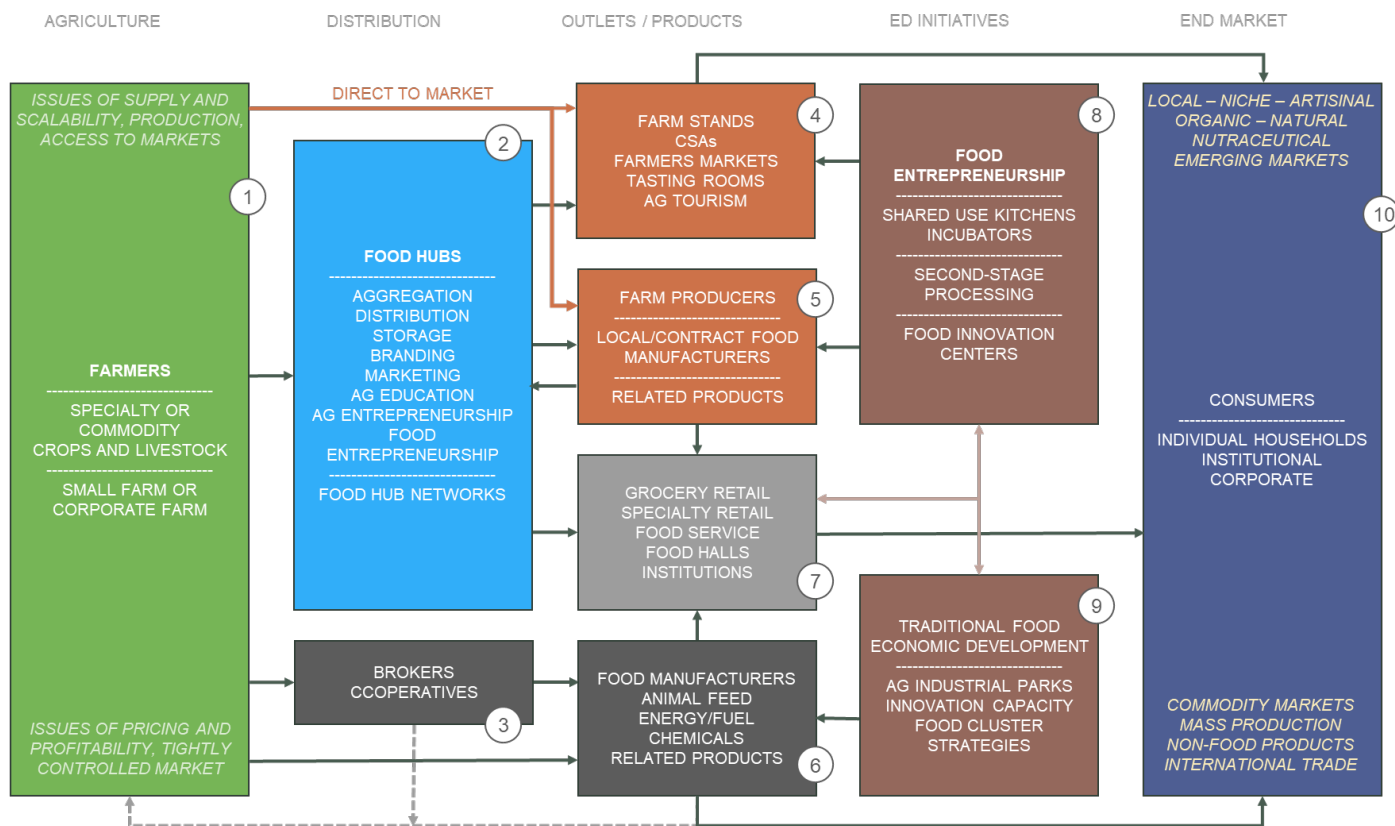
Although demand for a fabrication lab is too minimal to justify the CRBC meeting the need, there are resources in the region that can be tapped to fill the role. Much of the machinery typically found in a fabrication lab is available within the region, or could be housed in other organizations that are more publicly accessible, and have the staff to manage the resource. The CRBC can develop a portal to connect these resources to the businesses that may have a need for them. A similar model exists in Humboldt County, California, where Kitchen Connect matches food businesses with underutilized commercial kitchens in community centers, churches, social organizations, restaurants, and other locations. It is essentially an online scheduling platform where both kitchen owners and businesses can register, and

offer or reserve space. It may not be possible to allow online scheduling in the La Crosse region, but at a minimum, the platform would help business owners and others identify where they can access the machinery they do not possess.

The CRBC can also act as the lead in helping other organizations secure equipment to provide to businesses and the public. CouleeCo or the La Crosse Public Library might have more advanced technology available to businesses, as well as classes in its use. As an example, the 3D printer at the CRBC is essentially unused. If it were donated to the library, staff there could be trained in its use and offer classes to the public, along with making it available for use at other times. It would also be more visible in the library. As a 501(c)3 organization, the CRBC may partner with these or other organizations to seek grants or donations of technology equipment and software to build these resources at partner organizations.

## POTENTIAL FOR SECOND STAGE FOOD PROCESSING

While the focus of this study was on second stage food processing - food processing companies creating new products and product line extensions for retail sale – the analysis looked further into the regional food ecosystem to understand potential gaps that could be addressed through the CRBC. This is depicted in the schematic below.



1. The region has a large agricultural industry with a great diversity of crops and livestock. There are multiple niche markets in fruit, vegetables, and dairy, and a very strong presence in organic production.
2. Food hubs are emerging as important way for agricultural products to move to markets, and are increasingly playing a role in food business formation. They aggregate products from small producers and help distribute them to a broader market. The Fifth Season Cooperative, in Viroqua, is an example.
3. The more traditional way for products – often commodities – to move to market is through brokers and cooperatives. These usually supply industry and wholesalers.

4. The oldest approach is a direct-to-consumer channel such as farm stands or community supported agriculture. There is a significant presence of these operations in the area, particularly south of Interstate 90. The City of La Crosse will be examining the feasibility of an enclosed, year-round farmers market in 2019.
5. Farm production is a traditional value-added means for farmers to increase their profits, by converting their produce to a higher-value manufactured good. Common examples include jams and jellies or baked goods. In these small operations, food is often produced in private kitchens under “cottage industry” laws, with the potential to grow into commercial space as the business grows. Wisconsin has a very restrictive Cottage Food Law, only allowing high-acid canned vegetables (like jams, pickles, or sauerkraut) and baked goods. Sales under the law may not exceed \$5,000 per year. This will force these small producers to look for affordable, often seasonal commercial kitchen space.
6. Mostly commodity products move to industrial operations where they are processed for consumer and industrial markets. These are not a target for the kind of food entrepreneurship that will occur through the CRBC, although there is a need to acknowledge Organic Valley as a large operator that dominates a niche (organic dairy) and has been receptive to helping the industry grow within the region.
7. The distribution system moves to the channels where they reach their end market. Fifth Season Cooperative helps to fill this need for small producers in the region, closing a common gap found in other places.
8. The kinds of economic development initiatives that are now emerging are the focus of this study. In particular, the question is how to encourage the growth of second stage businesses whose needs often center on scaling and the issues inherent in it, from regulatory compliance to space needs, to packaging and distribution.
9. More traditional economic development focuses on the needs of established businesses. This continues to be important even for food companies that will graduate from the CRBC. The Viroqua Food Enterprise Center is especially worthy of note in that it fills another common gap, in providing space tailored to food businesses that are still in an early growth phase, but past incubation.
10. The market is important in that it will shape potential for food businesses started regionally. In the case of La Crosse, the market can easily extend to include the metropolitan areas of Chicago, Milwaukee, and Minneapolis. In addition to size, this area has several niche market opportunities and areas known for experimentation, where new products can enter and be tested.

The La Crosse region, compared to most other places, has a very robust food ecosystem. This includes agricultural production, direct-to-consumer channels, aggregation and distribution, large/mature food manufacturers, strong interest in food business startups, resources for growing companies, and a receptive market. The gap lies in resources to support startup and growth through the incubation phase, and to help small businesses scale their production. This needs to be the focus of the CRBC’s business incubation programming for food businesses.

### *Food Business Incubation*

The end goal of the CRBC should be to establish a food business incubator in a separate building (ideally connected to an indoor farmers market) where it can have a shared use commercial kitchen and packing facility along with tenant space for incubator clients. The building and equipment needs to be matched with a comprehensive program of professional technical assistance to guide clients in starting and growing their food business.

It may take three to five years to establish a new food incubator. In the interim, it will be possible to develop programming, make use of the existing kitchen facility, and provide space within the existing facility. As part of the development of a new kitchen facility, the CRBC should plan to hire a director at least a year prior, to oversee development of both the space and programming. There is an opportunity to partially fund this expense through a grant through the US Economic Development Administration (EDA).

Three types of clients are anticipated for the food incubator. A fourth, caterers and food trucks, should be encouraged to use the existing CRBC kitchen except for events held in conjunction with the incubator or farmers market. The three primary clients will include:

1. Food manufacturing businesses that are residents of the food incubator.
2. Food service businesses that are tenants of the food incubator or farmers market.
3. Non-tenant food manufacturers and other food business startups that are clients of the commercial kitchen and incubation programs.

### *Co-Packing Potential*

Co-packing or co-manufacturing refers to a service in which the co-packer packages another company's products, or in some case, both manufactures and packages the products under contract. This is an appealing option for many food companies that do not want to purchase the necessary equipment and hire the staff needed to make their product. It is especially valuable for businesses that may operate seasonally or have variations in their product runs. Additionally, the co-packer usually has the experience to ensure that the final packaged product meets all applicable regulations, and may also be responsible for getting the product to distributors.

There are a number of ways in which a co-packer (or something similar) might operate within the La Crosse area. Three of these approaches need to be evaluated as a potential for this analysis:

1. A standalone co-packer is a business operation that solely packages, and potential manufactures product for other businesses using their recipes.
2. Another type provides co-packaging services to fill down time within their own processing schedule. These businesses make their own products, but may not produce enough to operate a weekly full-time shift. Too fully utilize employees and equipment, they will take on work from other companies.
3. The final approach is to not offer a service, but rather, to provide the basic machinery necessary for small producers to do their own packaging within the shared-use commercial kitchen.



Salsa being co-packed into plastic containers using an extruder to meter the correct amount.

It is this final approach that is recommended for the Coulee Region Business Center. This is based on a determination that there is insufficient demand to support a standalone co-packing service and while there is the potential for businesses in the area to pack products for others, there is no guarantee that any will emerge to offer the service. Developing this capacity within the food business incubator will have a minor incremental cost, but will a level of assets that will distinguish it from most other commercial kitchens in Wisconsin. It may also help to enable companies to pack for others, so that in effect, the service may be provided.

The determination that there is not enough demand to support co-packing is based on an assessment of market size, packing methods, and cost to deliver service. The market size is simply the number of food businesses who may have interest in a co-packing service. While there are 102 food manufacturers in the study area, in reality, the number of businesses producing packaged food products might easily be twice that. That number would include farm and other cottage producers, caterers, restaurants, and others making a food product for sale.

Not all of these will be good candidates for co-packing. Businesses might be eliminated as potential customers for several reasons:

- They are already established and are of sufficient size that in-house production is the most advantageous approach.
- The packaging process is so simple that it does not require these services (ex., bagging bread).
- There are regulatory requirements that make it impractical for co-packing, such as alcohol or meats that need to be processed in facilities meeting strict federal regulations, and often preclude other kinds of processing in the same space.
- Concerns about odors or cross-contamination make it advisable not to process the product along with other foods (ex., fish or coffee).
- The potential client uses advanced methods that are outside of the capabilities of most packers. This is often due to cost. For example, a single piece of equipment for high pressure packaging might cost over \$1 million.

Smaller companies may be the most likely to look favorably toward co-packing, but face a different challenge. At their size, these companies usually do not distribute large quantities of product at one time, and so have small production runs. In addition to the actual time it takes to run a batch, the co-packer needs to allocate time for set-up, tear-down, and cleaning. These are essentially fixed costs that need to be distributed over the units produced. With small batches, these costs can be so high that the final product can't be sold at a profit. (See the sample co-packing analysis in Appendix B.)

Based on a review of data for the 102 food companies in the La Crosse region, it is possible to eliminate 76 as potential candidates for co-packing due to their size or products. This leaves 26 manufacturers that still only might have an interest. Even if that figure were doubled, there would still not be a large enough market to support a standalone co-packing operation.

### *Space Needs and Configuration*

The proposed design can stand alone, but will ideally be developed as part of a larger structure containing an indoor, year-round farmers market. That is the concept proposed, although cost and financial estimates assume a freestanding structure. There would likely be some efficiencies in a single structure containing both a food incubator and market, such as shared loading, storage, wash station, restrooms, and cost of scale savings in building infrastructure (electrical, gas, air handling, etc.). Additionally, the joint use would offer more options for incubator tenants, such as manufacturing space, food service/vending space, or kiosks, and would offer market vendors access to facilities not typically found in a market building (commercial kitchen, wash station / wet room, ice maker, etc.). The feasibility study for the farmers market should develop a more accurate design and cost analysis of a shared structure based on the needs determined for that use.

The proposed building will total 12,544 square feet with a multi-station shared commercial kitchen, warehouse, wash station (wet room), cooler, freezer, eight manufacturing spaces for incubation tenants, and four spaces for food service incubation tenants. Common areas are minimal and include required hallways and restrooms. Because resident businesses will be small and producing in small quantities, there will be minimal need for loading and unloading, which may be accommodated through the warehouse area and hallways.

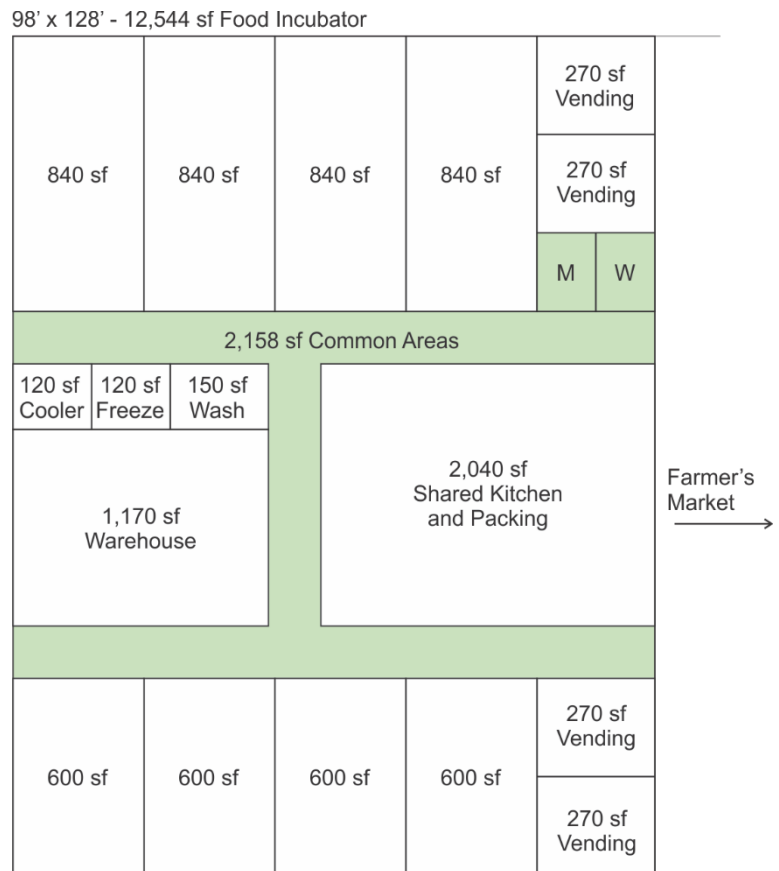
Each tenant space will need a floor drain and three compartment stainless steel sink. The kitchen will also require a drain and a single compartment sink for each work station. These spaces will need a hygienic and skid-resistant floor

surface. The trend is toward epoxy, urethane, or polyureas that can be applied to concrete. Because odors have the potential to affect other products produced in the building, there will be a need to maintain negative air pressure throughout the manufacturing facility. In addition, individual tenants may need their own air handling equipment based on the product being manufactured. As these individual air handling systems have a high cost, only half of the tenant spaces should be so equipped initially, with additional systems installed if there is a need.

Access, security, and monitoring are critical issues in the management of a commercial kitchen and incubator that will operate 24/7/365 and will not be regularly staffed outside of normal business hours. These needs are met through technology including electronic locks with code access, video monitoring of entry spaces and shared resources, and water and temperature sensors to provide alerts for flooding or if the temperature of coolers and freezers falls to unsafe levels. Scheduling and payment should be automated and online, so as to be available at any time without the need for staff to be involved.

The food business incubator should be designed with several key differences compared to the existing CRBC kitchen. These include:

- Tenant spaces should be smaller than most of those in the CRBC. The startup businesses using them will not have a need for large space, but as they grow, the size of the space will encourage them to graduate from the incubator into a larger private space.
- The vending spaces are proposed to open to the farmers market with a counter. These spaces might be used for food manufacturers that want to sell their product directly. They can also support restaurant startups as “mini-restaurants” that can be an alternative to food trucks. Food manufacturing clients and restaurant startups (using the commercial kitchen to prepare food ahead of time) may be clients for kiosks in the farmers market.
- The kitchen should accommodate several different users simultaneously, or give a single user the capability to use multiple workstations. A total of six stations can be accommodated in the space, with two set up for baking, two set up for cooking, one prep station, and one packing station. Additional pieces of equipment can be mobile and moved to any station as needed.
- A separate room should be provided for washing. In designing it this way it can be accessed by any incubator tenant or client, or potentially vendors at the market, without interfering with clients using the kitchen.



- Walk-in freezer and cooler space should also be accessed outside of the shared commercial kitchen so as to be more accessible to all tenants. Smaller refrigerators and freezers can be placed in the kitchen to meet the short-term demands of its users.
- Dry storage can be provided in a dedicated food warehouse, which could be made available to other businesses, such as non-resident incubator clients.



Buildings at The Barlow, a food-centered commercial development in Sebastopol, California, provide a model for how the La Crosse Food Incubator might look.

Building costs will need to be adjusted based on the design for the farmers market, if the two functions will be combined in a single structure. The proposed facility is recommended to have a metal frame and simple, attractive design that will incorporate a mix of glass and other materials. The level of design will put it at the high end of the construction cost range, with a current estimate from Building Journal at \$134.60 per square foot in the Madison, Wisconsin market. An additional sum will need to be budgeted for the plumbing, HVAC, and other requirements of the food manufacturing industry. Land costs are estimated at \$125,000 per acre, with the need for approximately one acre.

Land (one acre) .....	\$125,000
Building .....	\$2,090,000
Additional building infrastructure .....	\$200,000
Design and engineering.....	\$170,000
Contingency.....	\$115,000
<b>TOTAL ESTMATED COST .....</b>	<b>\$2,700,000</b>

The total building cost is expected to come to \$2,700,000, including a contingency to account for any added costs as well as inflation.

***Recommended Equipment***

The recommended facility consists of a multi-station shared-use kitchen with two cook stations, two baking stations, a prep station, and a packing station. The following is a list of equipment typically found in similar shared-use commercial kitchens, food incubators, and other food preparation facilities.

- Cook Station Equipment List
  - Double door convection oven - \$5,000-7,500
  - Commercial microwave oven - \$1,000
  - Six-burner range - \$2,500
  - Fryer - \$1,000
  - Pan rack - \$150
  - 10 qt. stand mixer - \$600
  - Stainless Steel prep tables (2) - \$300 each
  - Utility cart - \$500
  - One-compartment sink - \$400
  - Small equipment and wares - \$1,000
  - 10 square foot vent hood - \$15,000



- Bake Station Equipment List
  - Double door convection oven - \$5,000-7,500
  - Commercial microwave oven - \$1,000
  - Proofing cabinet - \$1,500
  - Dough sheeter - \$2,000
  - Pan rack - \$150
  - 10 qt. stand mixer - \$600
  - Stainless Steel prep tables (2) - \$300 each
  - Utility cart - \$500
  - One-compartment sink - \$400
  - Small equipment and wares - \$1,000
  - 10 square foot vent hood - \$15,000
  
- Prep Station Equipment List
  - Commercial microwave oven - \$1,000
  - Pan rack - \$150
  - 10 qt. stand mixer - \$600
  - Stainless Steel prep tables (3) - \$300 each
  - Utility cart - \$500
  - One-compartment sink - \$400
  - Small equipment and wares - \$1,000
  
- Packing Station Equipment List
  - Commercial vacuum sealer - \$4,000
  - Out of chamber vacuum packer - \$1,000
  - Film wrapping machine - \$800
  - Heat sealer - \$400
  - Net weight filling machine - \$5,000
  - Auger filler - \$5,000
  - Piston filler - \$5,000
  - Cylindrical label applicator - \$2,000
  - Flat (tamp) label applicator - \$2,500
  - Cap tightener and retorquer - \$4,000
  - Vertical Pouch Filler - \$12,000
  - Tube sealer - \$2,000
  - Tables, carts, misc. equipment - \$10,000

The recommended outfitting of the packing space will enable manual or semi-automated packing and labeling of goods in plastic or glass jars or bottles, plastic tubes, stand-up pouches and bags, cardboard cartons, or plastic film. With most of the items at any workstation, there is some leeway regarding size. For example, a 10 or 12 quart mixer, or a 200 or 240 pound blast chiller will meet tenant needs. This may be considered when purchasing, in order to manage costs. Acquiring good used equipment may also be an option for additional cost savings.

Aside from the equipment at each workstation, additional equipment should be provided that serves the food incubator in general, or that may be optionally added to workstations to meet the needs of the user. Optional equipment is configured to be portable so that it can be moved to the station where it is needed. Examples of equipment typically provided include the following

- General Equipment List
  - Ice machine - \$4,000

- Refrigerator (2) - \$2,500 each
- Freezer (2) – 2,500 each
- High temp. dish washer (2) - \$3,000 each
- Kitchen shelving - \$3,000
- Optional Workstation Equipment List
  - 10 gal. steam jacketed kettle - \$15,000
  - 10 gal. tilt skillet - \$10,000
  - 40 qt. floor mixer - \$7,500
  - 200 lb. blast chiller - \$20,000
  - Bowl chopper - \$2,500
  - Charbroiler (2) - \$1,500 each
  - Commercial blender (2) - \$500-1,000 each
  - Donut fryer (countertop) - \$750
  - Electric stand food mill - \$2,000
  - Food processor (3) - \$1,000 each
  - Immersion blenders (3) - \$300 each
  - Manual meat slicer (2) - \$500 each
  - Meat grinder - \$500
  - Spice grinder - \$250

Each of the four primary stations in the kitchen will have an equipment cost ranging from \$27,750 to \$29,750. The prep station is estimated to cost \$4,250, while the packing station is expected to cost \$53,700 to equip. This comes to a total of \$168,950. With the potential for additional equipment to build out the line for specific client needs, or needs related to installation, the total may be rounded up to \$180,000.

General equipment for the kitchen will total \$23,000 and optional workstation equipment will come to \$67,900. The total of \$90,900 may be rounded to \$100,000. The total of all equipment, then comes to \$280,000.

### *Recommended Services*

Services may be grouped into three categories. The first of these is basic services that are provided with use of the incubator facility. The second are general classroom and other instructional programs offered to address startup and business management topics. The final are the more tailored, one-on-one technical assistance programs for incubator tenants and other clients.

- Basic services
  - Full-time manager to coordinate facility use and technical assistance.
  - Fee-based use of commercial kitchen workstations:
    - Incubator tenants receive scheduling priority and may purchase station hours at a discounted rate, or package station hours with their lease. This leaves the option for businesses to only pay a lease for floor space if they will have their own equipment or do not need kitchen facilities. Additional equipment (items that may be moved to workstations as needed) will be available at the listed rate.
    - Incubation clients receive second priority for scheduling and pay a discounted rate for workstation hours, individually or bundled. Additional equipment will be available at the listed rate.
    - Other kitchen users pay the listed rate for workstation hours and additional equipment. Additional equipment will be available at the listed rate.
  - Dry warehouse, cooler, and freezer space should be made available at a fixed rate for all users.

- High speed wi-fi internet access should be available to all tenants, and others when leasing kitchen assts.
- General training programs – These can include a mix of free and fee-based classes or other training opportunities. Only those specific to food are listed as examples here, as more general training can be provided through the CRBC.
  - Starting a food manufacturing business
  - Business management for food manufacturing
  - Starting a food service business
  - Business management for food services
  - Introduction and training on equipment in the shared-use commercial kitchen
  - Human resource issues in the food industry
  - Legal issues in the food industry
  - Food processing licensing
  - Food safety and handling
  - Food packaging and labeling requirements
  - Nutrition
  - Marketing food products
  - Marketing for food service businesses
  - Customer service in the food service industry
- Technical assistance
  - Recipe development
  - Branding and label design
  - Packaging and labeling requirements
  - Facility design and code compliance
  - Distribution channels
  - Menu development and pricing

The most successful incubation programs are those that develop a program of courses and one-on-one assistance that maintains continual contact with the client and guides them, step by step, through the process of formation and growth. The programming of the food incubator should reflect that need for its core food manufacturing and other clients, while having the more general programming that helps to build a pipeline of future incubation clients. By offering high quality and unique training, the incubator can enroll people from well outside of its market for incubator clients, helping to generate a revenue stream for the organization.

## POTENTIAL FOR TRANSITIONAL JOB TRAINING

In June of 2018 the unemployment rate in La Crosse stood at 3.2 percent. At this level, many companies are having difficulty locating workers to meet their needs. Those needs might be met by persons who do not have a good work history or relevant skills. Transitional job training was considered as a potential solution to this problem, with the thought that incubator tenants might be employer participants to accept workers in a program, or agencies could design programs using the shared use commercial kitchen for training.

### *Overview of Transitional Job Training Programs*

The US Department of Labor defines transitional job training as “programs provide temporary, wage-paying jobs, support services, and job placement help to individuals who have difficulty getting and holding jobs in the regular labor market”. People in many different situations might be considered candidates for transitional programs, and some identified in the enabling regulations include displaced homemakers, low-income individuals, individuals with disabilities,

ex-offenders, homeless persons, youth who have aged out of foster care, English language learners, persons with low levels of literacy, and long term unemployed. These are persons with barriers to employment.

There are two models for transitional job training. They first places workers in jobs within companies, where they receive on-the-job training that is supplemented with basic jobs skill training through the workforce agency. In a second model, the workforce agency is the employer, engaging workers in production-oriented training to develop technical as well as basic job skills.

### *Potential for an Employer-Based Transitional Job Training Program through the CRBC*

In an employer-based transitional job training program, eligible individuals are placed in a limited-term, subsidized job paying at least minimum wage. In addition to work, they are provided with support services such as general education and work skills development. The goal is to help individuals establish a work history, demonstrate work success and develop new skills that could lead to employment.

Employees acquired through a transitional job training program can be an affordable staffing option because a portion, or even all of their wages are subsidized while in the program. This was considered as a potential advantage for incubation clients who often have limited capital to fund hires. Additionally, many of the training programs place a significant number of trainees in food manufacturing or food services, due to the nearly constant demand for workers in these industries, and their low threshold for prior skills. If co-packing were an option for the CRBC, these workers could help to lower operating costs.

In addition to considering the co-packing option, most existing CRBC tenants and several other regional small businesses were asked about their interest in potentially hosting a transitional job training program worker. There was virtually no interest on the part of these small employers. Reasons cited for the lack of interest included:

- Insufficient amounts of work to justify hiring staff
- Concerns related to the skill level of potential employees
- Concerns related to the time it would take to train and monitor a worker
- The potential for participation to be a distraction from the work they need to put into their business

Considering the response from small businesses and the determination that co-packing is not a feasible option within the CRBC, a transitional job training program developed in coordination with the CRBC would not serve its clients and would have little chance for success.

### *Potential for an Agency-Based Job Transitional Training Program*

The demand for food service workers make the field an attractive candidate for training programs targeting persons with barriers to employment. The shared use kitchen in the proposed food business incubator can be an asset to allow the Western Wisconsin Workforce Development Board or other agencies develop a training program for transitional workers, and potentially meet some demand for co-packing services. The recommended kitchen will have multiple stations for food production and packaging, with a comprehensive list of equipment that might be found in any restaurant or food manufacturer. An agency might look for contract opportunities in food service, or to produce and pack products for small food manufacturing businesses in the region. Utilization of the kitchen for this purpose would also provide a steady income stream for the incubator, and hours could be scheduled so as to not conflict with peak times for use by business clients.

## **RECOMMENDED CRBC DESIGN**

A new vision is needed for the Coulee Region Business Center. The La Crosse area economic development community would like it to play an elevated role as a regional innovation and entrepreneurial asset. Moving forward, the CRBC needs to better select, actively nurture, grow, and graduate tenants, with a focus on manufacturing businesses. A first phase of this shift will better organize the space, develop alliances to deliver quality programming to accompany the

space, and begin development of a standalone food business incubator. The second phase will start with opening the food incubation space, and continue realigning the existing CRBC building. This can move forward in four overlapping steps:

1. Reorganize the CRBC and strengthen partnerships.
2. Revitalize the existing business incubator.
3. Plan and develop the food business incubator.
4. Implement a complete program of business incubation.

In addition to the resident incubator, the CRBC should be developing a program for virtual incubation. These clients will receive similar training and one-on-one technical assistance, but will be located in their own space. This approach serves those who prefer to have their own location, or are further from the CRBC and do not want to commute the long distance. Additional programs can be opened up to other clients, who may simply enroll for classes or to receive other services. As a final consideration, the CRBC may evaluate the potential for residents classes that could serve a much broader market. As an example, it might develop one- or two-week classes in starting a restaurant business as part of the offerings of the food business incubator. These future programs could become an important source of revenue.

### *Leasing Plan*

The geographic market for CRBC tenants is La Crosse County and adjacent counties, although most will originate in La Crosse County. Clients for virtual incubation will mostly fall within the same region, while those for individual classes might come a greater distance. The packaging line at the proposed food business incubator will similarly have a greater draw, as there are few comparable resources in the state.

Several types of clients are envisioned for the new CRBC:

- Manufacturing (non-food) incubation tenants. These are emerging businesses that are, or will be making a product other than food. The typical business will occupy a private or shared space for three years during its incubation period, with two potential one-year extensions. Rent should be graduated up to market rate.
- Food business incubation tenants. These clients are food businesses, with an emphasis on manufacturing, but may include shorter-term tenants that are starting a restaurant business that will be located in the La Crosse area. While food manufacturers will have a three year incubation period with two possible one-year extensions, restaurant businesses should not occupy a space longer than one year, with one possible six-month extension. Restaurant tenants should not make up more than one-third of the total food business tenants, and should not be located in food manufacturing space. Rent should be graduated up to market rate.
- Non-manufacturing incubation tenants. The CRBC is configured with offices and other spaces that may be suited to non-manufacturing businesses. In selecting these tenants, extra care should be taken to ensure that they are scalable businesses and have the potential for significant economic impact in the area. Lease terms should be similar to those of manufacturing clients, with a three year initial term and two possible one-year extensions. These businesses should pay a market rate, but receive utilities, common dining areas, and some marketing value from the location, at no additional cost.
- Acceleration tenants. These are established businesses that are poised for growth, but require specific inputs or assistance to get past barriers. They will be selected when occupancy in the CRBC will provide stability and access to the resources they need to overcome their growth issues. Lease terms should be structured based on the needs of the business, but not exceed five years. These businesses should be expected to pay market rent for the space they occupy.
- Virtual incubation clients. Virtual incubation clients have the same package of business development assistance as their resident counterparts, but occupy their own private space. Services might be delivered in the CRBC or at the client location. Rather than rent, these clients will pay a fee for services.

- Clients for as-needed business start-up and growth services. Users of a la carte services can be an important revenue stream while also benefitting from classes and one-on-one technical assistance, or use of facility common areas like conference rooms.
- Food service facility clients. These businesses, like caterers or food trucks, are generally not growth prospects, but require facilities like the commercial kitchen to be able to operate. These users should continue to be served out of the existing kitchen in the CRBC, rather than the proposed food business incubator.

The CRBC needs to have a more rigorous approach to tenant or client screening and in designing a customized program of incubation or acceleration. There needs to be a formal application process through which prospective tenants or clients demonstrate a viable path to success for their business. That application process should assess:

- Technical and business management skills of the company’s principals and management.
- Viability of the product, including technical aspects, market demand, uniqueness, competition, and other factors.
- Potential of the business to grow, add employees, and have an impact on the economy of the area.
- Financial capacity of the owners, and ability to fund the operation.

Every incubation and acceleration client needs to have an individualized plan, identifying the technical assistance and other resources they need, along with timing, to ensure that they continue on a path to commercial success and graduation from the incubator. That plan needs to be part of the lease agreement. It will be the responsibility of the CRBC to make those resources available as needed, and for the business to participate. The plan may be modified or extended as needs arise, but continued progress should be a requirement to continue to be enrolled (and occupy space) in the incubator.

### *Programming and Services*

Business incubators (or accelerators) are differentiated from simple multi-tenant buildings by the services they provide, which are intended to ease the path of formation and growth, improving the chances for the business to succeed. Services may be provided by staff of the incubator itself, or through a network of providers that can include other economic development entities, higher education, and private sector subject experts. It is possible to classify these services in three tiers.

- Basic services. These are simple shared services that often do not require much technical ability to provide, may be delivered in class format, and may even be automated. Examples include:
  - Introductory classes in business formation and business planning
  - Business formation assistance
  - Class or workshop instruction in business basics, marketing, presentation skills, software, etc.
  - Assistance in obtaining financing
  - Networking activities
  - Receptionist support
  - Business address and mailbox services
  - Shared office equipment, telephone, and internet access
  - Shared office assets like conference rooms and work areas
- Business management/technical services. These services go beyond basics and are often delivered one-on-one with a client. They pair the business owner with technical expertise to produce an outcome for the business. The intent may be to meet a one-time business need or to provide advanced instruction so that the business owner can do the task themselves in the future. The assistance is still “generic” in the sense that the technical advice and assistance provided is applicable to most businesses, regardless of industry. These services should include:

- Consultation on business matters such as management, marketing and sales, human resources, accounting, and legal services
- Market research
- Technical services like graphic design, technical writing, and other creative services
- Website development and search engine optimization
- Sourcing and inventory management
- Logistics or distribution
- Mentoring and advisory boards
- Specialized services
  - Industrial/mechanical design or engineering
  - Prototype development
  - Product commercialization
  - Intellectual property
  - Production planning
  - Industry-specific regulatory compliance
  - Feasibility analysis
  - International sales / trade assistance

The CBRC will need to develop the capacity to provide all levels of service. This can be staged, with basic services added in the first two years, while a more extensive list of highly-qualified volunteer and compensated experts is compiled. Organizations such as the SBDC, CouleeCo, and UW – La Crosse can be approached to offer basic classroom or workshop training programs, and to identify technical strengths that can be drawn upon to provide more advanced services. There are many examples of university interns providing management, marketing, accounting, or other services to incubator businesses under the supervision of an instructor.

A fully-developed program for food businesses should be in place to coincide with opening the food incubator. This might include two related curricula; one for food manufacturing businesses and a second for restaurant businesses. Given their uniqueness, these programs are likely to draw from a larger region than other incubator programs, and can be a source of income to the incubator.

### *Location*

Two facilities are ultimately proposed. The first of these is the existing building at 1100 Kane Street. This will continue to be the CRBC office and the location for all non-food clients. The existing commercial kitchen will remain and will primarily serve users who are not incubation clients, such as caterers or food trucks.

The second location will house the food business incubator. A definite location has not been recommended, as the study for a potential indoor, year-round farmers market will have a bearing on its selection. Ideally, a farmers market and the incubator could be located in the same building. This will result in efficiencies for both organizations by eliminating duplication and expanding access to resources that neither one would have individually. There may also be an opportunity to share management, with one organization contracting with the second to provide staffing for its part of the facility and operations.

A downtown location is though best suited to the farmers market and potentially to the food business incubator. A downtown site will draw customer traffic that can support food service (ex., restaurant) clients of the incubator through leased space, kiosks, or pop-up events. Even manufacturers may want to have a retail location where they can sell their product or offer tastings. If developed independently of a farmers market, the food business incubator may consider alternate sites, such as vacant commercial space or even an industrial park location. These may make it less appealing for any customer-focused activities.

## *Design*

No significant physical changes are proposed for the existing CRBC building. Strategically, the space can be better optimized to increase lease revenue. This will entail allocating the north end of the building for accelerator tenants, retaining the kitchen for food truck and catering clients, adding tenants by sharing workspaces.

Several upgrades and maintenance issues need to be addressed with the facility, with a total cost of \$300,000. These include:

- **Roof.** The existing roof received minor repairs in the last few years, but is aging and in need of more extensive repair. This is budgeted at \$100,000, however, a professional assessment is needed and the cost may be higher, depending on the amount of work that is needed.
- **Security.** The building is in need of security upgrades including electronic locks, alarms and alert systems (such as temperature and flooding sensors for the building and equipment like the freezers), camera systems, lighting, and other improvements. This is budgeted at \$25,000.
- **Technology.** This will include upgrades to the building's internet and networking capacity and telecommunications resources for the building and conference facilities.
- **Tenant spaces.** Improvements will be required to optimize use of the space available and to improve the functionality of office and manufacturing spaces. This will include providing more private exterior "storefronts" to allow tenants to have a better presence. Repairs to the parking lot and upgrades to electrical and HVAC systems, and fire protection are also planned, and the facility need to be painted. These improvements are budgeted at \$125,000.
- **CRBC Kitchen.** The CRBC will retain its kitchen after the food incubator is constructed. This kitchen will be positioned for use bay caterers and food trucks. Some design improvements and new equipment are needed. In addition, the CRBC should consider facilities for fresh-water fill-up, wastewater disposal, electric hookup for overnight truck parking, propane filling station, and bagged ice capabilities. These are budgeted at \$50,000.

## *Organizational Structure and Staffing*

The CRBC is currently organized as a 501(c)3 organization with its own board of directors. It is advisable to continue to operate the facility under this structure to maximize its potential to raise grant and donor funding, and to provide a measure of independence from any of the several partner organizations with a stake in its direction. Some changes are recommended to the structure of the board of directors. Firstly, it is a good practice in any organization to promote turnover on the board. This is accomplished through term limits, and no member should serve more than two terms. Secondly, the board to be reconfigured to have broader representation from the business community. Organizations (such as the City of La Crosse) that may provide significant funding should be allowed to appoint one voting member to the board. Partner organizations like the SBDC and Workforce Development Board should serve in an ex officio capacity.

In the past, management of the CRBC was provided through the La Crosse Area Development Corporation (LADCO), however, there have been recent changes. The current manager is not an employee of either organization, but an independent contractor. That type of contractual arrangement has some advantages, but it must ensure the independence of the contractor to meet IRS rules concerning employee classification.

As plans to reconfigure and reinvigorate the CRBC unfold, the organization is recommended to have two regular employees. The first of these is the CRBC manager, who will be in charge of the overall operation of the facilities and delivery of programming for non-food business clients. The second position will be a food program manager, who will oversee day-to-day operations of the commercial kitchen in the CRBC and of the food business incubator. This person should have the expertise to be able to provide significant technical assistance to food incubator tenants and food business clients. Comin on board in approximately the second year of implementation, the food program manager will



also be the point person for developing the food business incubator. There is a potential for the farmers market to contract with the CRBC to have this position also oversee the market operation.

Other operational needs, such as maintenance and repair, should be contracted out to a third party. Services like these may be considered for in-kind contributions, such as if the City of La Crosse or La Crosse County were to add cleaning the building under its own service contracts.

### *Financial Analysis*

The financial analysis prepared here is meant to reflect recommended changes to CRBC facilities, programming, and staffing over the course of the next several years. Significant changes are reflected in a projected annual budget, and include the following.

- **2019** – No changes are proposed that would have an impact on the budget. The CRBC will be seeking partner funding commitments that will begin in the following year.
- **2020** – From 2020 forward, the budget reflects an additional \$100,000 in annual support from local government, economic development, and other partners. This amount will increase in subsequent years. The CRBC will also begin to offer services and a calendar of activities estimated to have a cost of \$60,000, of which three-quarters (\$45,000) is anticipated to be recovered through user fees and donations of in-kind services or materials. There should be a full accounting of the value of donated time and materials.
- **2021** – The CRBC should begin recruiting to hire a food program manager at the start of 2021. This is budgeted at \$100,000 for salary and benefits, and another \$30,000 for food-related programs. The budget assumes that the CRBC is awarded an EDA grant to offset some of the cost of this position, as well as costs associated with design of the food business incubator (estimated at \$170,000). The grant is expected to cover half of the cost of design and the first two years of the food business manager salary, and other costs associated with opening the food business incubator, or \$200,000 (half of the \$400,000 total).
- **2022** – Construction of the proposed food business incubator and upgrades or repairs to the existing CRBC building are scheduled for 2022 and 2023. These include \$2.56 million for the food business incubator, \$280,000 in equipment for the food business incubator, and \$300,000 in improvements to the existing CRBC. These costs are split between 2022 and 2023, with \$1.57 million in each year. The implementation plan recommends a fundraising effort to offset construction costs, and this budget has been prepared with the assumption that \$500,000 might be raised in cash and in-kind contributions. It takes a more conservative approach of assuming that most of the needed funds will be borrowed. The amount borrowed (\$1.1 million) will result in an annual debt service of \$129,000, at 4.5 percent over 20 years. A second EDA grant is anticipated to pick up \$1.65 million in food incubator development costs.
- **2023** – This year reflects completion of construction on the food business incubator and commencement of the full program of business incubation. Lease and kitchen revenues are adjusted to reflect the new space available and its impact on the existing kitchen.
- **2024 and subsequent years** – No major new budget impacts are contemplated as the CRBC works toward its anticipated operational and financial norms.

Partner contributions and increasing rents (simultaneously providing tenants with services to grow their business) will ensure continued financial viability for the CRBC and food business incubator. Financial performance can be further enhanced by developing additional revenue-generating programming, aggressive marketing of the kitchen and packing line proposed for the food incubator, and fundraising that would lower the amount necessary to be borrowed for construction. The potential for the food incubator to be co-located with the farmers market will impact these numbers.

GENERALIZED PROJECTED BUDGET FOR THE CRBC

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>INCOME</b>										
Leases/taxes/CAM	\$110,000	\$110,000	\$120,000	\$130,000	\$165,000	\$205,000	\$215,000	\$225,000	\$235,000	\$240,000
Kitchen rental	\$27,000	\$28,000	\$29,000	\$30,000	\$45,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Other facility rental	\$3,000	\$3,000	\$3,000	\$3,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Fees for services	\$10,000	\$45,000	\$45,000	\$50,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Partner contributions	\$0	\$100,000	\$100,000	\$120,000	\$125,000	\$130,000	\$135,000	\$140,000	\$145,000	\$150,000
Fundraising				\$250,000	\$250,000					
Grants	\$0		\$200,000	\$825,000	\$825,000					
Loan				\$550,000	\$550,000					
<b>Total income</b>	<b>\$150,000</b>	<b>\$286,000</b>	<b>\$497,000</b>	<b>\$1,958,000</b>	<b>\$2,025,000</b>	<b>\$450,000</b>	<b>\$465,000</b>	<b>\$480,000</b>	<b>\$495,000</b>	<b>\$505,000</b>
<b>EXPENSES</b>										
Debt service	\$0	\$0	\$0	\$0	\$33,500	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000
Building/utilities	\$40,000	\$40,000	\$40,000	\$40,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Property taxes	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
CRBC facility upgrades	\$2,500	\$2,500	\$2,500	\$150,000	\$150,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Food incubator constr.	\$0	\$0	\$170,000	\$1,280,000	\$1,280,000	\$0	\$0	\$0	\$0	\$0
Equip.t rental/purchase	\$2,500	\$2,500	\$2,500	\$150,000	\$140,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Salaries/wages/benefits	\$80,000	\$80,000	\$90,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Marketing	\$1,000	\$6,000	\$8,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Insurance	\$7,000	\$7,000	\$7,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
General operations	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Client services/programs	\$0	\$60,000	\$60,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
<b>Total expenses</b>	<b>\$175,000</b>	<b>\$240,000</b>	<b>\$422,000</b>	<b>\$1,959,000</b>	<b>\$2,002,500</b>	<b>\$472,500</b>	<b>\$472,500</b>	<b>\$472,500</b>	<b>\$472,500</b>	<b>\$472,500</b>
<b>NET</b>	<b>-\$25,000</b>	<b>\$46,000</b>	<b>\$75,000</b>	<b>-\$1,000</b>	<b>\$22,500</b>	<b>-\$22,500</b>	<b>-\$7,500</b>	<b>\$7,500</b>	<b>\$22,500</b>	<b>\$32,500</b>

# IMPLEMENTATION

This study recommended two phases and four overlapping steps in revitalizing and expanding the Coulee Region Business Center. The first phase focuses on reconfiguring the existing facility and developing programs for its clients. The second phase expands the CRBC by developing a food business incubator and offering a comprehensive program of entrepreneurial education and technical assistance.

## Phase One – Revitalize the Coulee Region Business Center

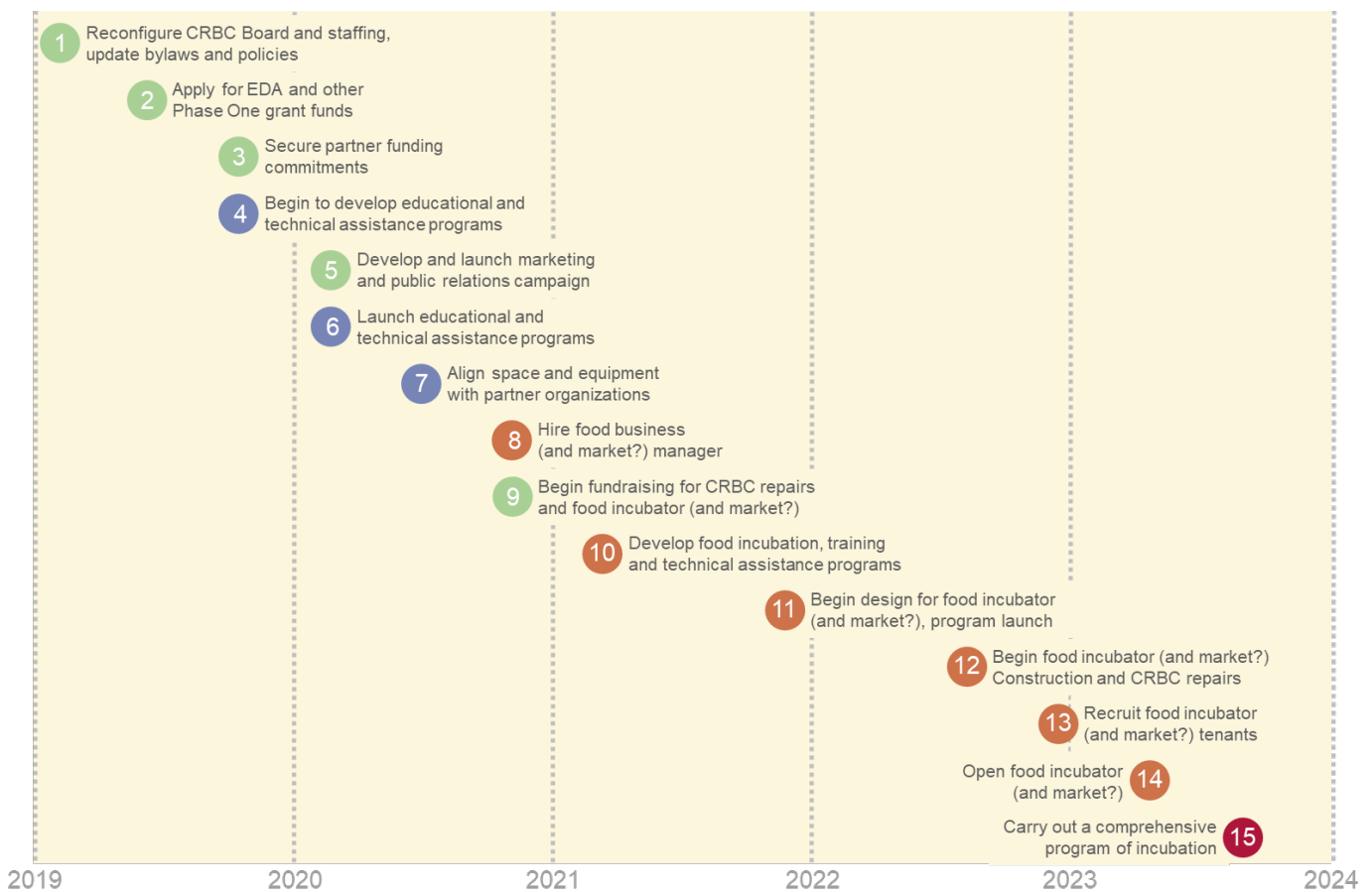
- Reorganize the CRBC and strengthen partnerships.
- Revitalize the existing business incubator.

## Phase Two – Develop the Food Business Incubator

- Plan and develop the food business incubator.
- Implement a complete program of business incubation.

A five year timeline is proposed to achieve the goal of a comprehensive and modern business incubator focused on manufacturing and food businesses. This timeline may need to be adjusted in later years, particularly with regard to the availability of funding, grant timelines, potential co-development with a farmer’s market building, or other issues that arise during implementation.

PROPOSED TIMELINE FOR CRBC REVITALIZATION



## PROPOSED CRBC IMPLEMENTATION PLAN

The following is a recommended plan for reconfiguring and revitalizing the CRBC, including development of a separate food business incubator. The combination of the food incubator with an indoor farmers market will greatly enhance the viability of both initiatives while simultaneously reducing the cost, as compared to having separate facilities. For that reason, this implementation plan assumes that the two projects will be combined, and activities such as fundraising, grant applications, planning and design, and construction will be combined, as will future management of the operations.

1. **Organization.** The first steps that need to be taken relate to modifications to the organization of the Coulee Region Business Center. These include:

- a. **Update CRBC bylaws.** Changes to the bylaws should focus on the other actions in this step, such as reorganizing the board, staffing, and updating policies.
- b. **Reorganize the CRBC Board of Directors.** The CRBC needs broader representation from the business community and elected officials. Staff from various organizations should serve in an advisory or ex officio role. Organizational positions might be considered for significant funders (ex., the City of La Crosse, La Crosse County, and other potential funders among local governments and community organizations).

Research commissioned by the EDA has shown a strong correlation between broad business community representation on incubator boards, and the success of the incubator. In particular, the CRBC should be looking for small manufacturing and other business owners to serve on the board. These might include past graduates. With regard to appointed positions, having a member of the governing body (i.e., elected official or board member) serve on the CRBC Board of Directors will help to improve communication and buy-in from the organization. Staff from organizations like the City of La Crosse, La Crosse County, the Small Business Development Center, and other organizations should not be put in the position of voting members of the CRBC Board due to the nature of some decisions that may be considered, such as policy decisions and funding requests, that may present conflicts with the organization in which they are employed.

- c. **Develop a formal staffing plan.** Operations of the CRBC have previously been delegated to the La Crosse Area Development Corporation (LADCO) and are now contracted to an individual. Going forward the CRBC will need to determine if it is best served by continuing to contract to others for management services, or retain its own employees. If a decision is made to continue to contract for the service, the terms of the contract need to ensure compliance with relevant regulations concerning the conditions defining an independent contractor.
  - d. **Update policies for the facility and tenants.** The CRBC should review its policies and amend them as necessary to be consistent with modern incubation practices, particularly with regard to tenant or client selection, incubation contract and leases, and graduation policies. Tenant selection for startups should require a viable idea, business plan, and indicators of the owners' ability to execute it. The CRBC is also recommended to enroll acceleration tenants, and qualifiers for them should include evidence of the ability to scale and identification of one or more barriers that can be addressed through enrollment in the CRBC. Incubation contracts (for virtual clients) and leases should include a detailed, multi-year program of services that the CRBC will provide, including training and technical assistance in addition to space. They should also spell out client or tenant requirements concerning attendance, reporting, and progress. Graduation should typically be required by the third year, although most programs offer one or two one-year extensions based on the business need and continuing potential.
2. **Grant applications.** Prepare grant applications for the first phase of the implementation plan. The US Department of Commerce – Economic Development Administration (EDA) is one source of grant assistance, however, there may be others through the US Department of Agriculture, US Small Business Administration,

or State of Wisconsin. There is a potential to pursue EDA assistance through two grants. The first would cover a period from 2019 to 2022 during which the CRBC will develop programming for the existing incubator and food incubator, as well as plan and design the food incubator. This grant should seek assistance for staffing and design. The second grant, applied for in 2021, will seek funds for construction.

3. **Partner funding commitments.** The CRBC must receive ongoing financial support to have a realistic opportunity for transformation and long-term success. The costs of providing a facility and quality programs can rarely be recovered through rent and fees alone. The City of La Crosse and other local county and municipal governments, economic development and community organizations, and business community are all potential sources of ongoing financial support, or possibly in-kind contributions in the case of the business community. To avoid having to seek support every year, major funders should be asked to commit to annual donations over a three to five year period. These can be formalized with a commitment from the CRBC to deliver specific services (space, educational and technical assistance programs, etc.) for which businesses in the community are eligible.
4. **CRBC program development.** During the initiation years of the transformation (and beyond) the most important enhancement to the CRBC will be its provision of high-quality programming, including entrepreneurial and small business training, one-on-one technical assistance for businesses, networking opportunities, coordinated access to resources like the commercial kitchen and fab labs, and other initiatives to develop the region's entrepreneurs and small businesses. Some of these programs will be offered by other organizations and the role of the CRBC will be to provide coordination, space, referrals, and marketing. Other programs will need to be developed by the CRBC, where there are current gaps between business needs and available programs – or where existing programs are not meeting business needs. CRBC staff will need to compile a detailed listing and calendar of activities, identifying needs and developing the capacity to meet them.
5. **Marketing and public relations.** There is a strong need to raise the profile of the CRBC, both to garner community support and to grow a pipeline of new clients and tenants. Awareness can be encouraged through a combination of targeted advertising and public relations using conventional and social media and events, especially those directed to the business community.
6. **CRBC program launch.** This action is broken out from program development as it should be seen – and portrayed – as a turning point for the CRBC. It is a signal of the organization's restructuring, commitment, and introduction of new resources to propel the growth of the regional entrepreneurial and small business community. The launch should introduce a comprehensive list of services that the CRBC is positioned to deliver to tenants and other clients, and announce a calendar of classes, training sessions, and events. These must be updated and added to over time.
7. **Space and equipment alignment.** This feasibility study noted the availability of many different pieces of equipment in various organizations throughout the area. Some of these are not being used to the extent possible because of policies, location, staffing limitations, or other reasons. The 3D printer at the CRBC serves as an example. If it were located at the library, as one alternative, it would be more visible and library staff could be trained, and provide training on its use. The goal for this initiative is to identify the resources available and work to improve access to them. It should also identify gaps where resources that are in demand are not available, and work with partner organizations to fill them.
8. **Food business manager.** The goal of this initiative is to hire a food industry professional who can develop related programming, coordinate construction of the food incubator and farmers market building, recruit tenants, and manage the facility and programs following its opening. This person will need to have the necessary experience, training, and certifications to manage the commercial kitchen as well as the remainder of the facility, and provide advanced technical assistance to food businesses related to product development, manufacturing, packaging, labeling, and marketing. It is expected that this person will report to the CRBC executive director, and there will be a division of responsibilities between the executive director (overall management, general incubator programs and facility oversight) and food program manager (food programs and the food incubator).

9. **Fundraising.** The CRBC will need to undertake a capital development fund drive for both construction of the food incubator and farmers market, and for necessary repairs and updates to the existing CRBC building. The existing building is expected to need a new roof and upgrades to technology and security systems, along with general maintenance issues like painting and repairs to the parking and drives. Some interior reconfiguration may be possible to maximize use of the space, and there should be some consideration of creating individual exterior entrances for some of the units. Upgrades to the kitchen may be needed, and there is the potential to construct a food truck servicing station.
10. **Food program development.** The food program manager should immediately be tasked with developing and beginning to deliver training, certification, technical assistance, and other programs for the food industry. These can be launched using the existing kitchen or other facilities, until the food incubator is constructed.
11. **Food incubator and market design.** The food program manager should be assigned the lead role for coordinating design of the proposed facility.
12. **Food incubator construction.** The food program manager should be assigned the lead role for coordinating construction of the proposed facility. While the food incubator can open earlier, the timing of the opening of the farmers market should coincide with the availability of fresh local produce, and capture a full growing season to help get the facility and its tenants established.
13. **Food tenant recruitment.** Tenant recruitment for the food incubator and farmers market will need to begin a minimum of six months prior to the planned opening of the facility. During the interim, the tenants should be encouraged to take advantage of CRBC general and food-oriented programming and services in order to prepare for the facility opening.
14. **Open food incubator and market.** The food incubator, and especially the farmers market, will benefit from well-planned and marketed events to coincide with its opening. These can begin before the formal opening and should continue through the year. Food-related activities like cooking shows, contests, and classes can be accompanied by more general entertainment that will drive traffic to the site and build market awareness.
15. **Continuing implementation.** The CRBC will have new and remodeled facilities and comprehensive and well-regarded programming at the end of this implementation plan. It will need to give thought to its future direction as business needs change and new opportunities arise. The CRBC should design a process to assess its progress, relevance, and need for adaptation over time. This should include:
  - a. **Tracking.** Annual data collection concerning the progress of clients, tenants, and graduates. To the extent possible, this should include sales, profitability, investment, and employment data, along with information such as new product or service launches, markets served, and other company-specific indicators of change.
  - b. **Assessment.** It is not enough to measure programs by statistics like the number of people attending or utilizing a service. The CRBC should follow up with clients to compile a short (3-5 question) survey that will objectively assess the value they attribute to the service.
  - c. **Benchmarking.** The CRBC should collaborate with other incubators that are conducting similar, disciplined and objective tracking and assessment, to compare its progress against others. These organizations and others should be monitored to identify new initiatives that may be replicated at the CRBC.
  - d. **Adaptation.** Based on the information it collects, the CRBC should annually review its facilities, services, partners, and other aspects of the organization to highlight areas where change, improvement, or new initiatives are needed. CRBC staff should develop an annual and five-year work plan to address proposed changes.

# APPENDICES

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- A. Manufacturing Incubation Case Studies
- B. Food Incubation Case Studies
- C. Sample Co-Packing Analysis
- D. Data tables
- E. Interview notes
- F. Survey results

## APPENDIX A: BUSINESS INCUBATION CASE STUDIES

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Several incubators were examined in the course of the analysis, in order to identify best practices and examine different models that might fit for the Coulee Region Business Center. A few of these have been summarized in this appendix. Common issues are highlighted below.

### *Invent@NMU, Northern Michigan University, Marquette, Michigan*

Northern Michigan University has developed an entrepreneurial assistance program that has been highly successful, and will soon be replicated throughout Michigan's university system. Invent@NMU is a shop set up to provide students with real world experience assisting entrepreneurs in all stages of product development, from ideation through validation, prototype design, and production.

Invent@NMU is intended to accelerate product development and help businesses to launch successful innovations. Multi-disciplinary student teams work under the guidance of professional mentors to assist businesses in all aspects of product development, from market and intellectual property research, through iterative design and prototype development, to determining the optimal manufacturing and distribution structure.

### *UW – River Falls Dairy Pilot Plant*

The dairy plant on the UW – River Falls (UWRF) campus was established in 1983. The plant is used in education to teach cheese-making and other dairy specialties, but also partners with industry to develop new dairy products. UWRF often approves contracts with organizations requesting the use of the College's Food Science laboratory facilities for research or other needs. It may serve as a model for opening access to facilities on the UW – La Crosse campus for similar product development and testing.

### *Advance Business and Manufacturing Center Incubator, Green Bay, Wisconsin*

The Advance Business and Manufacturing Center is a product of the Green Bay Chamber of Commerce. There are currently 30 tenants and seven virtual tenants. The incubator partners with the Brown County Culinary Kitchen to offer food business incubation. Other partners include Northeastern Wisconsin Technical College Small Business Initiative & Entrepreneur Resource Center, Wisconsin Small Business Development Center at UW-Green Bay, and Green Bay Wisconsin Chapter 508 SCORE, who provide technical assistance.

Virtual tenants can use the Center's address as their business mailing address and access shared technology, meeting rooms, and receptionist, in addition to receiving support and mentoring. Tenants of the incubator can also take advantage of secure 24-hour access, high speed internet, and the loading dock with material handling equipment.

### *Manufacturing Solutions Center, Conover, North Carolina*

The Manufacturing Solutions Center is a non-profit organization located in Conover, North Carolina, organized a division of the Catawba Valley Community College. Core services it provides include:

- Prototyping/product enhancement resources
- Reverse engineering
- Product testing
- Marketing
- Distribution
- Exporting assistance



- Business management
- Accounting and financial
- Financing sources and visibility to private investors
- Advisory boards and mentors
- Product commercialization
- Links to higher education resources
- Links to strategic partners
- Intellectual property

Below are the requirements for admission to the Business Incubator:

- A realistic business and marketing plan reflecting the potential to grow the business and become a leading player in its market segment.
- Credit and background checks.
- Adequate financial resources to remain in business for at least six (6) months.
- Completion the Kauffman "FastTrac" entrepreneur program or shown business competency.
- A match between the needs of your company and the resources available within the accelerator program and the community.
- Not in direct competition with other accelerator clients.
- A product or service that represents a unique technology that can create a competitive advantage.
- No legal claims or lawsuits pending against the business.
- The potential for multiple job creation at wages higher than the county average.
- Plans to locate in surrounding area and stay for at least five (5) years.

Once in the program, companies meet with accelerator staff to determine benchmarking events they hope to complete in the first six months. Staff assists the company in determining the needed resources to achieve their objectives and work with them to meet those goals. The companies continue to meet with accelerator staff at least every quarter to review past and future goals to ensure they meet their objectives. The company also submits to open book accounting during their tenancy in the program.

### *Tech Valley Center of Gravity, Troy, New York*

Tech Valley Center of Gravity is a makerspace, creative community, prototyping center and manufacturing business incubator established as a 501(c)(3) organization and supported by members, donors and sponsors. The space is designed to function as a coworking community, with some small resident spaces called innovation spaces. These are six feet by eight feet and primarily offer office and storage options for users of other parts of the facility, which include a coworking space, a board room and community room, a full product development kitchen, 3D printing, laser cutting, fiber arts, enamel and glass kilns, electronics zone, model shop, wood shop, welding shop, and metal shop. Tech Valley Center of Gravity is also home to the ThinQubator, one of the world's first fully-designated and outfitted children's makerspaces.

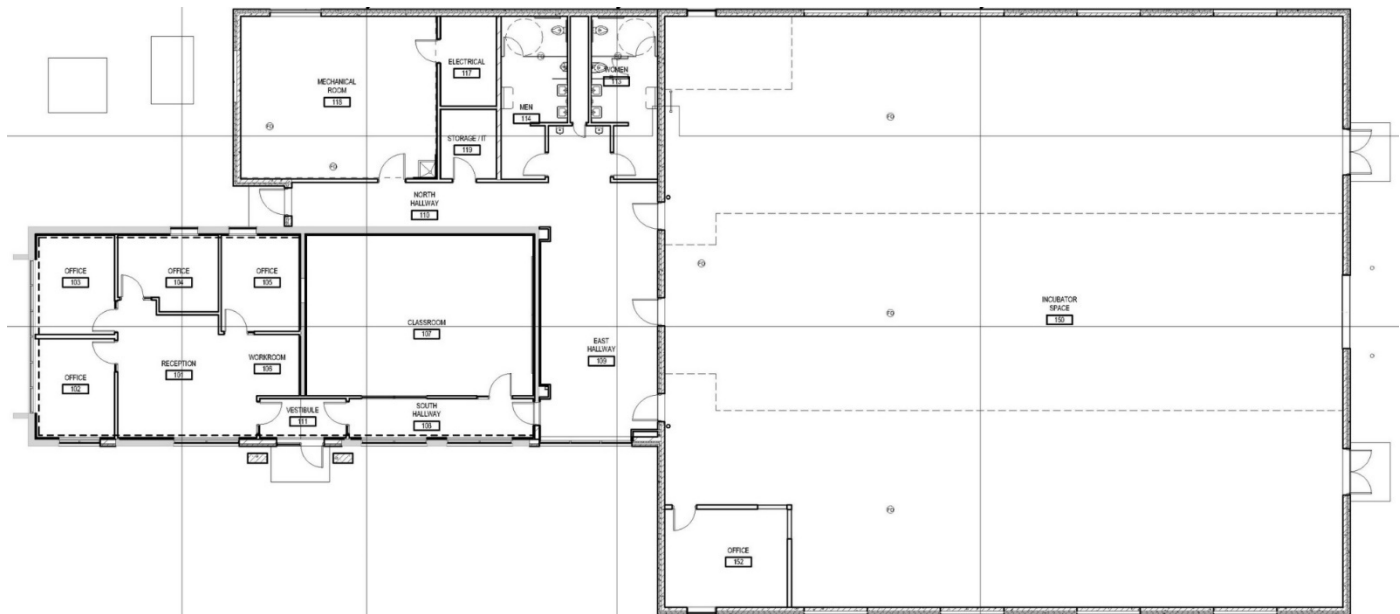
The Manufacturing Incubator is focused on mitigating risks for product start-ups. The program is independent, open to the public, and provides two levels of assistance. Manufacturing Incubator Phase 1 is focused on design and prototyping. Manufacturing Incubator Phase 2 helps the business to scale up manufacturing and grow. The Prototyping

Center provides access to advanced prototyping equipment, hands-on training, and manufacturing space for hardware startups. Machine training and certification is required prior to use.

### *Pine Innovation Center, Pine, Minnesota*

The Innovation Center is hosted at Pine Technical and Community College, to support, educate, and champion entrepreneurial manufacturing ventures with the goal of augmenting the region economy by establishing and maintain high technology manufacturing companies and employment in the region. The Center provides assistance with technology transfer to move from concept to a commercially feasible product, assists businesses in adopting innovative manufacturing strategies and techniques, and serves as a location for workforce development training.

The Pine Innovation Center board has a primary objective that incubator tenant companies will graduate from the incubator to become self-sufficient companies that are able to support their costs without depending upon grants, subsidies of other forms of aid. It consists of 7,800 square feet of open production space for start-ups and growing businesses interested in relocating to, or expanding in Pine City. It is designed to house up to three companies at a time, with two interior office spaces for incubator occupants along with the open light industrial advanced technology floor. The organization maintains a network of experienced professionals providing a full range of support services: accounting, legal, banking, real estate, marketing, and consulting.



# APPENDIX B: FOOD INCUBATION CASE STUDIES

Shared use commercial kitchens and food incubators have become very popular economic development tools over the past decade. Where equipment is provided for short-term or long-term lease, it often stops at those resources needed for production. It is far less common that any facility will house more than the most basic shared-use packaging equipment or provide copacking services.

Information was gathered on a large number of food incubators, accelerators, product development centers, co-packers, and other facilities promoting food business development. Both public and private organizations were examined. Case studies were prepared for several of these facilities, where their staff was willing to be interviewed, and in some cases, provide tours of the facility.

In the case studies and among other facilities that were researched, there are some common themes that are echoed in the comments of Humboldt County food businesses. These are highlighted in the table below, which also summarizes how some organizations have approached the issue.

ISSUES FACED RELATED TO FOOD BUSINESSES	
Growing businesses face a lack of available or affordable space for expansion.	Tulsa’s Mother Road Market food hall was developed in part to create space into which incubator tenants can graduate. The Viroqua Food Enterprise Center helps to fill this role in the La Crosse area.
Many businesses need to develop and test products, scale recipes, and produce sample runs to launch products.	The MSU Food Processing Center is designed to fill this need with small batch processing including packaging resources. The Organic Food Incubator supplements its leased kitchen with small batch contract manufacturing and packaging.
Most distributors have little interest in handling small quantity products.	The Fifth Season Cooperative (Viroqua Food Enterprise Center) was established to link local organic and natural farms and producers to institutional clients.

ISSUES FACED RELATED TO FACILITIES	
Nearly all of the facilities report a need for more space than was planned in the building.	All facilities recommended designing with ample dry, refrigerated, and freezer storage.
Some facilities only have drive-in doors, while a loading dock is often desired.	Facilities should be designed with both a loading dock and drive-in door.
Some number of businesses would like to have a retail space or tasting room, or event space.	The Mother Road Market’s food hall addresses this need. Others are experimenting with pop-up space.
The building infrastructure needed for food processing is expensive and complex, and difficult to plan out in a facility where flexible subdivision is required to house unknown future tenants.	To the extent possible, facilities should be designed around the equipment they will house. The Mother Road Market created an alliance with a company that manufactures kitchen air handling equipment, where it received discounted pricing and the company benefits from culinary services from the Market.

## ISSUES FACED RELATED TO CO-PACKING OR PACKING LINES

Many businesses have little knowledge of packing processes or requirements.	Organizations have developed curriculum and one-on-one services to work with clients on these needs.
Most food business incubators do not have packing equipment for their tenants.	Aside from a vacuum sealer and label maker, few of the facilities offer much in the way of packing machinery. Just as the businesses lack the knowledge of packing, perhaps most food facilities do as well.
Commercial co-packers are often not interested in small batch production.	CommonWealth Kitchen and the Organic Food Incubator (OFI) both have contract manufacturing and packing services. CommonWealth Kitchen prices these services to make a profit, but does not have the number of clients it needs for the service to be profitable. OFI commented that the cost to small batch clients does not allow them to sell their product at a competitive price.

### *Michigan State University Food Processing Center, East Lansing, Michigan*

The Michigan State University Food Processing Center is located in Lansing, Michigan. It is not an incubator with typical tenants, but a facility to help businesses develop food products for market. The space allows clients to test small batch products in the market without incurring high research and development costs associated with private facilities. Still, pricing averages \$3,000 per day of use.

Facility type: Food product development facility  
 Size: 7,756 sq. ft.  
 Information:  
<https://www.canr.msu.edu/afre/projects/food-processing-and-innovation-center-msu-product-center>

The majority of the space consists of a kitchen, with a packaging area of approximately 1,000 square feet. The entire building is 7,756 square feet, with rooms for shipping and receiving, a freezer, cooler, temperature controlled raw preparation room, processing room, and quality assurance lab. There is also a training room and offices for the manager and a USDA representative.

The facility has about 55 pieces of equipment that tenants can use. The equipment includes a cook-chill system, freezers, convection oven, spiral freezer, freeze dryer, baking oven, steam kettles, and a cooler. The product line supports various packaging processes such as film, pouch, glass or plastic jars, and trays.

Development costs totaled \$5.7 million, \$735 per square foot, including equipment and interior build-out. Funding was provided by Michigan State University, the United States Department of Agriculture, and a variety of other sources. It took five years from conception to opening the door.

The Food Processing Center opened in March 2018 and is operated as a 501(c)3 in association with the university. It has one current client, a meat producer making small batches of meat product. The company has been at the facility since prior to formally opening and helped to “soft launch” the center. A second tenant will soon move in.

Pricing for use of the facility is dependent on what each tenant will need. The cost varies based on what equipment is needed, if the tenant needs staff to help with production, and the amount of time the tenant will need in the facility.

Expressed interest in using the facility has come from all over the United States and internationally. Potential clients have contacted the Center from places like Brazil, California, and Wisconsin. The current tenant in the facility is from Michigan, but the center sees potential users coming from greater distances to create and test small batch products.

Although the Food Processing Center has only been open since March of 2018, the creators and managers of the facility identified a few areas for improvement or that might have been approached differently. Design aspects of the building were among these, with too little thought given to infrastructure to accommodate how the space would be used. After construction, the facility ran into many issues related to power and service connections for the equipment that was installed, resulting in increased costs.

Staff also realized that many of the users of the packing line are unprepared because they do not understand the packaging process. From a service perspective, the center is now placing a greater emphasis on technical assistance to help clients evaluate different packaging approaches and comply with regulations.

### *CommonWealth Kitchen, Boston, Massachusetts*

The CommonWealth Kitchen is a nonprofit incubator opened in 2009. Its mission is to be a “collaborative community, providing shared kitchens combined with business assistance to help aspiring entrepreneurs build great food companies, create jobs, improve healthy food access, and strengthen [the] regional food economy.” It offers one-on-one training opportunities with incubator staff, as well as counseling and workshops.

Concerns leading to the establishment of the incubator included the difficulties of small food business owners in balancing kitchen time with sales and marketing, finding and retaining employees, and locating space that was small enough and affordable to emerging businesses.

The facility totals 36,000 square feet with a 3,450 square foot shared kitchen and 2,145 square foot commissary kitchen for food trucks. There is 3,000 square feet of dry storage, 2,000 square feet of cold storage, and 1,300 square feet of frozen storage. There are six tenant spaces in the building. Other uses include a shared office and conference room. The incubator is operated by a staff of 12 employees.

The shared use kitchen is equipped with four stations and one large production space. There is a base fee of \$75 per hour with additional fees for specific pieces of equipment, which can bring the total to \$100 to \$120 per hour. It can go higher if incubator staff are used.

The incubator does not have a retail or dine-in component in the facility, however, there is an off-site pop up retail space where tenants can sell their products, and a food stand that is subleased to tenants.

The incubator has annual revenue of approximately \$1.25 million and a budget of approximately \$2.5 million. Aside from revenue from use of the facility, other funds are contributed by businesses and foundations. The building is owned by the local economic development authority, which leased it to CommonWealth Kitchen. The incubator has graduated over 40 companies and regularly has 30 to 40 clients, along with 20 commissary clients.

### *Packing Facility*

The incubator has equipment to allow packing, and offers small batch co-packing, along with recipe development, as a service. This is designed for business owners who prefer to invest time in developing the business while contracting out kitchen work, or to fill the gap between early stages of product development and the ability of the company to purchase its own equipment or have the volume to be able to contract with a more traditional co-packer. The co-packing service requires the facility to have a large staff, which is not supported by the revenue the service takes in.

Facility type:	Food incubator
Size:	36,000 sq. ft.
Tenant spaces:	Six, totaling 24,000 sq. ft.
Kitchens:	3,450 sq. ft. shared-use kitchen with four work stations; 2,145 sq. ft. commissary kitchen
Packing:	Small batch co-packing services offered using commissary kitchen in off hours
Information:	<a href="http://www.commonwealthkitchen.org">http://www.commonwealthkitchen.org</a>

The packing space is equipped with a semi-automatic labeler, piston filler, bag-in-box machine, vacuum sealer, and modified atmosphere packaging machine. This equipment must be operated by facility staff. The greatest interest is in packaging with poly bags and glass jars.

Contract manufacturing and co-packing services have not grown as quickly as anticipated. It is difficult to find clients and make sales. The services are priced to be profitable, but fundraising is necessary to support the operation due to limited sales.

The incubator manager offered that when starting a packing line or copacking services, one should understand how challenging and multifaceted shared use packaging and copacking is. There are three different people that need to be hired. The first is someone who is a good community leader and can help develop a strong sense of community within the facility and its clients. The second is someone who is experienced in regulatory matters. The third person is someone who is strong in the area of facilities and equipment. This can range from purchasing the equipment to training clients on different pieces of machinery and processes.

### *Organic Food Incubator, Bloomfield, New Jersey*

The Organic Food Incubator is a privately-owned facility with about 55 clients (nine residents) served through the shared kitchen. The owner had prior experience in the restaurant industry and as the owner of Bad Ass Organics before starting the incubator, which has since moved from its original location in Queens. It was seen as a way to utilize excess space and capacity at the owner's plant.

The incubator occupies a 15,000 square foot building and is operated vegetarian and gluten free. There is one 300 square foot daily rental and test kitchen equipped with an induction burner, single convection oven, 100 gallon steam jacket kettle, work tables and three bin sink, liquid bottle fillers (for cold fill, thin liquids only), labeling machine, and access to a walk-in cooler and loading dock.

The incubator offers contract manufacturing and packing services with a staff of 16 people. There are about 70 current clients, mostly drawn from New York City. Most are nascent entrepreneurs and small companies with small production runs, packaging as little as 50 gallons of product. The most common products are sauces and ready-to-drink beverages that are bottled in glass, though a dry packing line is being added to package items like pancake mixes.

There is a general lack of co-packers with an interest in running small batches, such as those packaged at the Organic Food Incubator. The set-up and clean-up times associated with small quantities can often take longer than it actually takes to run production. This is a fixed cost that is passed on to the client, along with a per unit charge, which can make co-packing uneconomical for small quantities.

The owner offered a single piece of advice; not to undertake the operation. The cost, difficulty of working with small batch processors who lack industry knowledge, and difficulty securing sufficient business are great challenges to making it sustainable.

Facility type:	Food incubator and contract co-packer
Size:	15,000 sq. ft.
Tenant spaces:	Nine
Kitchens:	One 300 sq. ft. kitchen
Packing:	Some user equipment and contract manufacturing and co-packing
Information:	<a href="http://organicfoodincubator.com">organicfoodincubator.com</a>

## *Mother Road Market, Tulsa, Oklahoma*

The Mother Road Market is under development by the Lobeck Taylor Family Foundation. It is a food hall, incubator, and shared-use commercial kitchen housed in a 1939 grocery warehouse, located along a revitalizing stretch of Historic Route 66.

While the facility is still under development and expected to open in Autumn of 2018, the kitchen and incubator have been in existence for more than two years. They have helped to launch more than 70 restaurants and other food businesses, and some of these have committed to space within the food hall. In that approach, they have both provided the space to graduate incubator tenants into commercial space, and created the tenants for the facility. Even now, the foundation has acquired and renovated several older commercial buildings into which it graduates incubated businesses.

The food hall includes a combination of established businesses that act as anchors, improving cash flow for the food hall and acting as mentors for newer businesses. For these, the food hall is seen as a path to scale up to larger commercial space. Leases for these businesses will typically run one to three years.

The entire building is 26,000 square feet with an additional 5,000 square feet of covered outdoor seating, in which there will be a stage and a children's play area. A small miniature golf course will also be located on the grounds. The intent is to create a destination area for families and visitors traveling Route 66.

The interior is divided between the incubator and the food hall. There are 20 individual business spaces in the food hall, each measuring 320 square feet. There will also be a demonstration kitchen for restaurant pop-ups and cooking classes, a retail shop selling incubator products, other locally-made products, and Route 66-themed goods. The food hall will select a vendor to create a small market for fresh, locally-sourced fruit, vegetables, meat, and other agricultural products. Each tenant is required to offer at least one "take-home" product that customers can purchase for later consumption, further developing the "market" concept.

The common area includes more than just seating. It will house three 100 square foot kiosks for temporary tenants, and there is a small pop-up retail space in the building's original vault. Events will be programmed in the hall and on the outdoor stage, such as book readings, movie screenings, bands, and other performances.

Facility type:	Incubator and food hall
Size:	26,000 sq. ft. with 5,000 sq. ft. of outdoor seating
Tenant spaces:	20 in food hall, 320 sq. ft. each; bar; retail store; demonstration kitchen; 3 kiosks, 100 sq. ft. each
Kitchens:	One kitchen with 10 work stations – 3 prep, 4 range, and 3 baking; two wash areas, freezer and cooler
Information:	<a href="http://motherroadmarket.com">motherroadmarket.com</a> <a href="http://kitchen66tulsa.com">kitchen66tulsa.com</a>



Above: food hall interior; Below: Kitchen workstation

Each food tenant space will be priced at \$1,200 per month, which totals \$45 per square foot annually. Utilities, trash, and common area maintenance are included in the cost. The space will be delivered as a “white box” with gas, electrical, plumbing, and floor drains stubbed in. The tenant is responsible for building out the space to their needs. The Foundation will provide a \$6,400 credit for ventilation, and will also pay for ventilation costs over a \$10,000 total. This is based on an estimated cost of \$1,000 per square foot of vent hood, and a typical need for ten square feet.

The shared-use kitchen and incubator space has an unusual design, in part to meet the needs of the food hall. The space occupies 2,800 square feet. There are two wash areas separate from the kitchen, which can also be accessed by businesses in the food hall. The kitchen is a single large room in which there are ten workstations.

- Three are set up for baking, with a double stack oven, mixer, and prep table, renting for \$15 per hour.
- Four are range stations with a single or double stack oven, six-burner range, and prep table with sink. Of these range stations, one also has a griddle and one has a charbroiler. Range stations rent for \$15 per hour.
- Three prep stations have drop down electric and a prep table, renting for \$10 per hour.

Additional prep tables, fryers, tilt skillets, and other pieces of equipment are available to be added to work stations as needed. Each work station has an average cost of \$18,000 to equip, with \$10,000 of that cost being the vent hood. The facility has a walk-in cooler and freezer, and storage.

Only incubator tenants and kitchen members have access to the kitchen. Members are required to hold a food handler’s permit, be licensed by the Tulsa Health Department, carry liability insurance, and sign a contract. The cost to meet these and other requirements is estimated to vary from \$938 to \$2,363, depending on insurance and licensing. Members do have 24-hour keycard access to the facility.

Incubator tenants receive mentoring and instruction to help them grow their business. The Foundation works closely with their incubator clients to grow their business and move them to regular commercial space upon graduation.

Although the food hall has not yet opened, the incubator has been operating since 2016. Facility management identified two items they would change if designing the facility again. Firstly, the freezer, cooler, and storage space are too small for the amount of demand they experience. Secondly, instead of making each food hall tenant area 320 square feet, there would have been some larger spaces in the mix.

### *Foodworks Culinary Center, Arcata, California and Redwood Acres, Eureka, California*

The City of Arcata developed the Foodworks Culinary Center as a food business incubator. It has launched many businesses and has had several graduate, although a large number remain in the space past what would normally be considered the time it takes to incubate a business. One of the chief reasons for this is the difficulty in finding suitable space elsewhere in the region. Much of the industrial space in the market is wood frame construction dating to the 1960’s or earlier, or is too large for the needs of graduates who typically need no more than 1,000 to 2,000 square feet. Demand for space from the cannabis industry has exacerbated the problem.

Facility type:	Incubator (Foodworks)
Size:	Approximately 25,000 square feet
Tenant spaces:	20, but varies by tenant needs
Kitchens:	One 675 square foot kitchen
Information:	<a href="http://cityofarcata.org/485/Foodworks-Culinary-Center">cityofarcata.org/ 485/Foodworks-Culinary-Center</a>

Foodworks has a 675 square foot shared-use commercial kitchen which is available to food industry businesses, along with warehouse, refrigeration (458 square feet), and freezer (1,952 square feet) space. The kitchen is equipped with a 6-burner range and oven, 2-door convection oven, steam-jacketed kettle, 32-quart mixer, stainless steel work tables, vacuum seal machine, and 3-compartment sink.





The building has 19 individual food-certified rental spaces ranging from 185 to 1,050 square feet. Monthly leases are available. One lease space was available in July of 2018. Foodworks has had multiple requests from tenants looking for retail space. Many of the food businesses being formed in the area would like to have a retail front or tasting room. Examples include chocolatiers, pie bakeries, and cider mills.

Redwood Acres, the fairgrounds for Humboldt County, is managed by a nonprofit organization. Faced with the need to raise funds for the fairgrounds, and recognizing the difficulty food businesses have in finding space, the organization saw an opportunity in its seldom-used buildings. Several fairgrounds structures have been converted to manufacturing space for food businesses. Most of these contain a retail component such as a tasting room or retail counter. This produces a revenue stream for the fairgrounds while helping to meet the regional demand for manufacturing space, but available structures will soon be built out. Redwood Acres provides the shell, while the tenant is responsible for building out the interior space and equipment.

Facility type:	Manufacturing space (Redwood Acres)
Size:	Varies per building and tenant
Tenant spaces:	8
Kitchens:	One
Information:	redwoodacres.com

Along with leased spaces, Redwood Acres features two shared-use kitchens. One is equipped with a six-top gas oven, commercial refrigerator, small freezer, three-sink wash station and two prep-tables. The larger has two commercial six-top gas ovens, a commercial refrigerator, a three-sink wash station, two prep tables, and two additional sinks and counter space. Redwood Acres is also equipped to function as a food truck commissary.

## APPENDIX C: SAMPLE CO-PACKING ANALYSIS

The analysis of food businesses in the La Crosse area suggests a total market size of 52 businesses. It is reasonable to assume that no more than a quarter of these – 13 businesses – might actually become clients of a co-packer based in La Crosse. Due to the nature of the business, it is also likely that a co-packer in the city can draw from a broader area between Milwaukee and Minneapolis, but will face competition from already existing establishments.

The typical small business that may have an interest in co-packing is not running product continuously. Most are at a level where they are making product between one day per month and one day per week, or seasonally. A typical product run may take one day, on average. While that is the length of time to manufacture the product, a shorter time is needed to package it.

All of this information then can be used to generate an estimate of the number of processing days that might be required to support a co-packing operation. This assumes these small businesses will take product to a co-packer an average of 1.5 times per month.

[13 Clients] x [18 Package Runs per Year]  
x [1 Day per Package Run, with set-up, tear-down, and cleaning]  
= 234 Production Days

With 210 days in a typical Monday to Friday work year, a co-packer located in Eureka would need to capture nearly all of the potential market to operate at full utilization. Working against this are the higher costs associated with small batch production that often make it uneconomical for the client, the limited capital of most small food startups, the high rate of client churn and financial risk associated with failures of startup businesses, and few opportunities to scale to a larger business. These forces discourage investments in automation that would enable large runs, and favor manual methods that are more expensive because of the associated labor costs. Added to this is the dynamic in which co-packing involves fixed and variable costs. In small batch production, the fixed costs to set up production and clean equipment after a run are spread across fewer units.

### CO-PACKING SCENARIOS

The impacts of a limited market and labor-intensive approaches can be demonstrated with a simple scenario. This assumes a \$500,000 investment in equipment and leasehold improvements to a 5,000 square foot building. Labor (a manager/owner, supervisor, and three line workers), lease costs, operating costs (utilities, insurance, office and cleaning supplies, etc.), debt service, and marketing and other expenses are estimated at \$400,000 per month. To break even, the business would need to make \$192.30 per hour, or \$1,538 per day. This does not include the cost of ingredients or packaging materials, which are assumed to be passed through to the client. The following scenarios were drawn from quantities indicated by respondents to the food business survey. Each assumes one day to process the product run.

#### EXISTING WISCONSIN CO-PACKERS

Assemblies Unlimited, Milwaukee  
Bushel and Peck's, Beloit  
Contract Comestibles, East Troy  
Contract Packaging, Somerset  
Create-A-Pack Foods, Ixonia  
DreamPak LLC, New Berlin  
Farm Market Kitchen, Algoma  
Jonco Industries, Milwaukee  
Kleen Test Products, Mequon, Milwaukee, and Port Washington  
Kwik Trip – Palace Street Foods, La Crosse  
Lakeside Foods, Manitowoc  
MarVac Assemblies, Milwaukee  
Nu Pak, Boscobel  
Snappy Valley Foods, River Falls  
SupplyOne, Jackson  
The Visual Pak Companies, Pleasant Prairie  
Troystar Food Packaging, Burlington  
Winona Foods, Green Bay  
Wisconsin Innovation Kitchen, Mineral Point

- **Scenario 1 - Production run of 800 one ounce packages currently selling at \$3.00 each**  
The break-even cost to the client would be \$1.92 per unit, which is 64.1 percent of the current product cost. On average, labor in the food manufacturing industry makes up 5.0 percent of expenses while materials account for 65.2 percent of the total. It is not likely that this product could be made economically by a co-packer without having to raise the price significantly.
- **Scenario 2 – Production run of 2,400 units selling at \$9.00 each**  
The break-even cost to produce this product would be \$0.64 per unit, which is 7.1 percent of the unit’s retail price. The larger size of the production run and higher unit cost enable co-packing to be more feasible under this scenario.
- **Scenario 3 – 1,500 bottles (three different mixes) selling at \$2.50 each**  
The actual time required to fill bottles is not very long, but because different flavors are used, the equipment needs to be cleaned between each flavor. This brings production time to 10 hours. The co-packer would need to make \$1.28 per bottle to break even. That is 51.3 percent of the unit’s selling price. Again, it does not appear that co-packing can be an economically viable approach at these quantities.

## APPENDIX D: DATA TABLES

The following tables contain data concerning establishments and employment derived from the National Employment Time Series (NETS) database, which has its origins in annual Dun & Bradstreet business filings. The data was compiled by Place Dynamics for a geographic area comprised of La Cross County and the contiguous Wisconsin counties of Buffalo, Trempealeau, Jackson, Monroe, and Vernon.

ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY SUBSECTOR

NAICS	INDUSTRY SUBSECTOR DESCRIPTION	1994		1999		2004		2009		2014		1994 TO 2014 CHANGE IN ESTABLISHMENTS	1994 TO 2014 CHANGE IN EMPLOYMENT
		ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT		
111	Crop Production	463	1966	503	2236	1041	2272	1380	2551	1174	2334	711	368
112	Animal Production and Aquaculture	2155	2914	913	3843	1431	3278	1388	3745	1227	4066	-928	1,152
113	Forestry and Logging	25	103	23	96	47	107	39	90	33	85	8	-18
114	Fishing, Hunting and Trapping	1	3	1	5	5	10	6	14	7	12	6	9
115	Support Activities for Agriculture and Forestry	26	113	36	191	63	189	77	207	57	181	31	68
211	Oil and Gas Extraction	0	0	0	0	2	43	2	43	1	28	1	28
212	Mining (except Oil and Gas)	7	96	7	101	6	98	7	112	10	268	3	172
213	Support Activities for Mining	1	11	1	10	3	10	2	10	5	42	4	31
221	Utilities	32	1001	29	726	34	872	41	879	34	762	2	-239
236	Construction of Buildings	212	1254	237	1574	460	1736	681	2017	562	1687	350	433
237	Heavy and Civil Engineering Construction	47	514	43	761	84	909	104	860	83	1219	36	705
238	Specialty Trade Contractors	459	2683	523	3124	962	3580	1138	3984	925	3252	466	569
311	Food Manufacturing	67	1724	60	1863	70	2152	86	2326	92	2504	25	780

312	Beverage and Tobacco Product Manufacturing	6	1100	9	805	7	209	9	204	10	237	4	-863
313	Textile Mills	3	335	5	316	11	173	13	202	10	201	7	-134
314	Textile Product Mills	10	1040	13	1057	28	490	28	477	23	473	13	-567
315	Apparel Manufacturing	6	94	7	103	12	136	15	143	11	108	5	14
316	Leather and Allied Product Manufacturing	2	72	2	54	3	51	1	25	1	1	-1	-71
321	Wood Product Manufacturing	61	1315	63	1510	79	1397	92	1302	81	1194	20	-121
322	Paper Manufacturing	3	201	3	216	7	237	7	233	5	231	2	30
323	Printing and Related Support Activities	64	1322	64	1793	75	1476	74	1392	54	1210	-10	-112
324	Petroleum and Coal Products Manufacturing	1	4	2	5	6	222	6	13	3	6	2	2
325	Chemical Manufacturing	8	74	15	114	29	377	34	371	20	156	12	82
326	Plastics and Rubber Products Manufacturing	19	1828	18	886	19	805	21	683	18	571	-1	-1,257
327	Nonmetallic Mineral Product Manufacturing	21	985	25	1149	36	1332	38	1103	30	1026	9	41
331	Primary Metal Manufacturing	7	296	7	378	9	341	8	155	6	146	-1	-150
332	Fabricated Metal Product Manufacturing	49	3044	65	2691	85	3309	89	2759	74	2839	25	-205
333	Machinery Manufacturing	54	3935	61	4647	74	4906	81	4523	76	4713	22	778
334	Computer and Electronic Product Manufacturing	14	348	16	437	16	257	20	270	17	191	3	-157
335	Electrical Equipment, Appliance, and Component Manufacturing	3	346	5	412	8	206	7	267	9	506	6	160
336	Transportation Equipment Manufacturing	17	1042	18	825	24	1220	29	1314	21	1377	4	335
337	Furniture and Related Product Manufacturing	29	2412	35	3097	38	3466	44	4824	29	4671	0	2,259
339	Miscellaneous Manufacturing	33	495	36	751	73	779	90	763	79	542	46	47
423	Merchant Wholesalers, Durable Goods	254	2354	264	2642	355	2812	445	3102	385	3112	131	758
424	Merchant Wholesalers, Nondurable Goods	237	2525	226	3234	279	2728	337	2626	284	2502	47	-23
441	Motor Vehicle and Parts Dealers	157	1502	158	1639	224	1695	241	1649	182	1337	25	-165
442	Furniture and Home Furnishings Stores	69	414	81	463	118	501	128	510	112	471	43	57
443	Electronics and Appliance Stores	65	670	69	819	96	872	114	784	89	644	24	-26

444	Building Material and Garden Equipment and Supplies Dealers	144	1126	146	1122	189	1403	228	1706	164	1568	20	442
445	Food and Beverage Stores	206	3161	224	4164	281	5374	289	4886	257	4560	51	1,399
446	Health and Personal Care Stores	72	572	79	960	99	967	119	950	110	944	38	372
447	Gasoline Stations	86	619	81	731	94	662	91	664	77	597	-9	-22
448	Clothing and Clothing Accessories Stores	117	640	125	804	127	735	142	866	139	883	22	243
451	Sporting Goods, Hobby, Musical Instrument, and Book Stores	90	446	102	612	183	788	202	749	176	636	86	190
452	General Merchandise Stores	52	3263	53	3277	62	2900	75	3361	75	3599	23	336
453	Miscellaneous Store Retailers	218	1194	257	1508	436	1532	506	1661	413	1487	195	293
454	Nonstore Retailers	31	348	39	387	58	1156	62	1854	69	1873	38	1,525
481	Air Transportation	1	20	3	118	3	123	3	119	2	28	1	8
482	Rail Transportation	3	417	3	422	5	428	7	320	3	304	0	-113
483	Water Transportation	0	0	0	0	0	0	0	0	0	0	0	0
484	Truck Transportation	141	2517	151	3598	295	4164	359	4385	290	4157	149	1,640
485	Transit and Ground Passenger Transportation	24	224	27	444	44	530	58	581	45	467	21	243
486	Pipeline Transportation	0	0	0	0	0	0	1	1	1	2	1	2
487	Scenic and Sightseeing Transportation	3	15	2	5	1	1	1	10	0	0	-3	-15
488	Support Activities for Transportation	29	169	43	312	84	384	126	513	113	533	84	364
491	Postal Service	40	494	38	503	48	575	55	653	51	682	11	188
492	Couriers and Messengers	4	18	4	44	18	197	22	228	17	197	13	179
493	Warehousing and Storage	29	221	34	338	52	396	62	432	46	185	17	-36
511	Publishing Industries (except Internet)	33	643	37	688	44	867	67	843	46	770	13	127
512	Motion Picture and Sound Recording Industries	18	288	21	346	27	131	40	150	39	232	21	-56
515	Broadcasting (except Internet)	12	278	14	278	23	338	22	280	24	263	12	-15
517	Telecommunications	36	918	39	741	61	983	102	922	80	955	44	37
518	Data Processing, Hosting, and Related Services	6	40	12	65	26	57	28	80	26	106	20	66
519	Other Information Services	30	402	29	292	41	176	43	215	50	218	20	-184

521	Monetary Authorities-Central Bank	0	0	0	0	0	0	0	0	0	0	0	0
522	Credit Intermediation and Related Activities	121	2032	143	1989	215	2426	258	2648	224	2129	103	97
523	Securities, Commodity Contracts, and Other Financial Investments and Related Activities	36	3505	48	1702	89	2681	155	2890	166	2900	130	-605
524	Insurance Carriers and Related Activities	199	1845	213	1989	300	1764	343	1650	265	1248	66	-597
525	Funds, Trusts, and Other Financial Vehicles	0	0	0	0	6	14	10	23	8	55	8	55
531	Real Estate	271	1222	326	1645	629	1752	785	2220	635	1924	364	702
532	Rental and Leasing Services	62	445	71	641	96	900	118	779	131	804	69	359
533	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	2	11	2	11	3	12	5	51	4	48	2	37
541	Professional, Scientific, and Technical Services	435	2915	517	3713	945	4619	1244	5296	1242	4975	807	2,060
551	Management of Companies and Enterprises	4	27	4	28	20	100	49	171	44	165	40	138
561	Administrative and Support Services	175	1797	245	2090	705	3553	5285	9013	3021	7098	2,846	5,301
562	Waste Management and Remediation Services	34	227	35	248	61	293	76	363	65	568	31	341
611	Educational Services	220	7456	240	9100	277	9467	311	10215	357	11969	137	4,513
621	Ambulatory Health Care Services	263	4034	314	8236	439	11480	605	12572	641	12758	378	8,724
622	Hospitals	22	6288	27	6408	27	6254	27	8831	29	8828	7	2,540
623	Nursing and Residential Care Facilities	63	3596	82	4637	95	5103	115	5577	98	5287	35	1,691
624	Social Assistance	163	2695	204	3481	322	3698	351	4145	330	3775	167	1,080
711	Performing Arts, Spectator Sports, and Related Industries	51	609	70	742	171	938	181	975	153	820	102	211
712	Museums, Historical Sites, and Similar Institutions	13	50	18	96	27	94	33	108	34	101	21	51
713	Amusement, Gambling, and Recreation Industries	84	833	104	1757	160	2225	197	2584	181	2811	97	1,978
721	Accommodation	107	1396	145	2594	200	2692	249	3176	228	3291	121	1,895
722	Food Services and Drinking Places	517	6958	594	8215	762	9384	827	9559	702	9216	185	2,258
811	Repair and Maintenance	278	1598	306	1855	644	2349	756	2561	622	2284	344	686
812	Personal and Laundry Services	241	1380	263	1618	498	1628	605	1736	552	1624	311	244

813	Religious, Grantmaking, Civic, Professional, and Similar Organizations	290	2745	360	4234	758	3938	739	3436	739	3476	449	731
814	Private Households	0	0	0	0	0	0	0	0	0	0	0	0
921	Executive, Legislative, and Other General Government Support	85	5365	131	5080	166	5049	158	3486	198	4653	113	-712
922	Justice, Public Order, and Safety Activities	26	575	43	1443	72	1523	107	2298	119	2700	93	2,125
923	Administration of Human Resource Programs	10	1104	16	936	24	1059	23	1169	28	2660	18	1,556
924	Administration of Environmental Quality Programs	10	213	26	473	35	527	40	854	43	969	33	756
925	Administration of Housing Programs, Urban Planning, and Community Development	10	58	11	69	14	74	18	86	18	96	8	38
926	Administration of Economic Programs	8	129	17	122	24	508	24	526	30	646	22	517
927	Space Research and Technology	0	0	0	0	0	0	0	0	0	0	0	0
928	National Security and International Affairs	8	2364	14	2755	27	3515	28	4402	40	6682	32	4,318
999	Unclassified	3	33	5	41	15	59	61	346	215	1201	212	1,168



MANUFACTURING ESTABLISHMENTS AND EMPLOYMENT IN THE LA CROSSE REGION

NAICS	DESCRIPTION	1994		1999		2004		2009		2014		AVERAGE 2014 EMPLOYMENT BY ESTABLISHMENT	1994 TO 2014 CHANGE IN ESTABLISHMENTS
		ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT	ESTABLISHMENTS	EMPLOYMENT		
3111	Animal Food Manufacturing	7	54	6	75	4	59	7	82	11	101	9.2	4
3112	Grain and Oilseed Milling	3	65	3	63	2	65	3	99	3	104	34.7	0
3113	Sugar and Confectionery Product Manufacturing	1	7	1	8	2	17	0	0	0	0		-1
3114	Fruit and Vegetable Preserving and Specialty Food Manufacturing	2	60	5	118	4	38	2	16	2	112	56.0	0
3115	Dairy Product Manufacturing	21	977	15	907	17	1052	18	1194	18	1146	63.7	-3
3116	Animal Slaughtering and Processing	10	240	10	360	12	231	11	66	12	71	5.9	2
3117	Seafood Product Preparation and Packaging	1	3	1	3	1	3	1	3	1	3	3.0	0
3118	Bakeries and Tortilla Manufacturing	19	289	16	300	23	359	37	435	38	350	9.2	19
3119	Other Food Manufacturing	3	29	3	29	4	325	7	431	7	617	88.1	4
3121	Beverage Manufacturing	5	1098	8	803	7	209	9	204	10	237	23.7	5
3122	Tobacco Manufacturing	3	352	1	2	0	0	0	0	0	0		-3
3131	Fiber, Yarn, and Thread Mills	0	0	0	0	0	0	0	0	0	0		0
3132	Fabric Mills	2	350	3	307	4	158	4	153	2	151	75.5	0
3133	Textile and Fabric Finishing and Fabric Coating Mills	1	5	2	9	7	15	9	49	8	50	6.3	7
3141	Textile Furnishings Mills	5	1007	5	1005	3	423	3	421	3	421	140.3	-2
3149	Other Textile Product Mills	5	33	8	52	25	67	25	56	20	52	2.6	15
3151	Apparel Knitting Mills	0	0	0	0	0	0	3	8	3	9	3.0	3
3152	Cut and Sew Apparel Manufacturing	5	63	5	70	10	70	9	67	6	50	8.3	1
3159	Apparel Accessories and Other Apparel Manufacturing	1	31	2	33	2	66	3	68	2	49	24.5	1
3161	Leather and Hide Tanning and Finishing	1	1	1	1	1	1	0	0	0	0		-1

3162	Footwear Manufacturing	2	70	2	53	2	50	1	25	0	0		-2
3169	Other Leather and Allied Product Manufacturing	0	1	0	0	0	0	0	0	1	1	1.0	1
3211	Sawmills and Wood Preservation	20	263	19	322	20	227	23	248	18	255	14.2	-2
3212	Veneer, Plywood, and Engineered Wood Product Manufacturing	2	16	2	19	3	21	5	106	3	103	34.3	1
3219	Other Wood Product Manufacturing	39	1036	42	1169	56	1149	64	948	60	836	13.9	21
3221	Pulp, Paper, and Paperboard Mills	1	1	1	1	5	47	4	7	2	5	2.5	1
3222	Converted Paper Product Manufacturing	5	200	3	215	2	190	3	226	3	226	75.3	-2
3231	Printing and Related Support Activities	64	1322	64	1793	75	1476	74	1392	51	1210	23.7	-13
3241	Petroleum and Coal Products Manufacturing	1	4	2	5	6	222	6	13	3	6	2.0	2
3251	Basic Chemical Manufacturing	0	0	2	7	3	22	3	40	4	40	10.0	4
3252	Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	0	0	0	0	2	141	2	110	1	3	3.0	1
3253	Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing	3	35	7	68	8	83	9	87	4	48	12.0	1
3254	Pharmaceutical and Medicine Manufacturing	0	0	1	4	4	12	5	8	2	7	3.5	2
3255	Paint, Coating, and Adhesive Manufacturing	1	15	1	15	1	15	2	17	2	17	8.5	1
3256	Soap, Cleaning Compound, and Toilet Preparation Manufacturing	3	16	3	12	4	16	6	21	4	18	4.5	1
3259	Other Chemical Product and Preparation Manufacturing	1	8	1	8	7	88	7	88	3	23	7.7	2
3261	Plastics Product Manufacturing	16	1810	18	867	15	771	17	656	15	558	37.2	-1
3262	Rubber Product Manufacturing	3	18	3	19	4	34	4	27	3	13	4.3	0
3271	Clay Product and Refractory Manufacturing	1	7	1	7	1	20	1	22	1	22	22.0	0
3272	Glass and Glass Product Manufacturing	2	279	4	417	5	493	4	485	4	614	153.5	2
3273	Cement and Concrete Product Manufacturing	13	85	14	105	21	178	24	190	17	163	9.6	4
3274	Lime and Gypsum Product Manufacturing	3	9	3	11	5	11	5	12	4	10	2.5	1
3279	Other Nonmetallic Mineral Product Manufacturing	2	605	3	609	4	630	4	394	4	217	54.3	2
3311	Iron and Steel Mills and Ferroalloy Manufacturing	2	24	2	8	4	16	3	15	3	28	9.3	1
3312	Steel Product Manufacturing from Purchased Steel	1	103	1	103	1	103	0	0	0	0		-1

3313	Alumina and Aluminum Production and Processing	0	0	0	0	0	0	1	4	1	4	4.0	1
3314	Nonferrous Metal (except Aluminum) Production and Processing	0	0	0	0	0	0	0	0	0	0		0
3315	Foundries	4	169	4	267	4	222	4	136	2	114	57.0	-2
3321	Forging and Stamping	8	1786	8	1193	8	1308	7	1068	5	924	184.8	-3
3322	Cutlery and Handtool Manufacturing	3	18	4	21	4	19	7	29	6	16	2.7	3
3323	Architectural and Structural Metals Manufacturing	19	608	22	800	29	816	32	890	27	875	32.4	8
3324	Boiler, Tank, and Shipping Container Manufacturing	4	299	3	286	6	642	4	357	5	653	130.6	1
3325	Hardware Manufacturing	2	12	3	15	3	111	2	14	2	8	4.0	0
3326	Spring and Wire Product Manufacturing	0	0	0	0	0	0	0	0	1	1	1.0	1
3327	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	8	82	15	119	20	129	18	128	12	106	8.8	4
3328	Coating, Engraving, Heat Treating, and Allied Activities	4	233	5	236	8	230	11	238	10	224	22.4	6
3329	Other Fabricated Metal Product Manufacturing	1	6	5	21	7	54	8	35	6	32	5.3	5
3331	Agriculture, Construction, and Mining Machinery Manufacturing	12	739	10	943	12	949	15	594	13	408	31.4	1
3332	Industrial Machinery Manufacturing	4	23	5	28	9	39	10	51	10	65	6.5	6
3333	Commercial and Service Industry Machinery Manufacturing	6	50	8	80	9	174	10	60	10	343	34.3	4
3334	Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing	7	2811	10	3272	11	3426	13	3391	14	3405	243.2	7
3335	Metalworking Machinery Manufacturing	17	197	18	179	18	140	18	131	13	69	5.3	-4
3336	Engine, Turbine, and Power Transmission Equipment Manufacturing	0	0	0	0	0	0	0	0	1	1	1.0	1
3339	Other General Purpose Machinery Manufacturing	8	115	10	145	15	178	15	296	15	422	28.1	7
3341	Computer and Peripheral Equipment Manufacturing	0	0	1	3	2	8	3	8	1	4	4.0	1
3342	Communications Equipment Manufacturing	1	2	1	2	1	2	2	4	1	2	2.0	0
3343	Audio and Video Equipment Manufacturing	4	199	4	274	3	88	4	90	1	2	2.0	-3

3344	Semiconductor and Other Electronic Component Manufacturing	6	97	5	96	4	85	3	92	5	104	20.8	-1
3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	3	50	5	62	6	74	8	76	8	77	9.6	5
3346	Manufacturing and Reproducing Magnetic and Optical Media	0	0	0	0	0	0	0	0	1	2	2.0	1
3351	Electric Lighting Equipment Manufacturing	0	0	0	0	0	0	0	0	3	4	1.3	3
3352	Household Appliance Manufacturing	0	0	0	0	1	3	1	3	0	0		0
3353	Electrical Equipment Manufacturing	1	125	2	186	4	191	3	254	2	492	246.0	1
3359	Other Electrical Equipment and Component Manufacturing	2	221	3	226	3	12	3	10	4	10	2.5	2
3361	Motor Vehicle Manufacturing	1	8	0	0	0	0	0	0	0	0		-1
3362	Motor Vehicle Body and Trailer Manufacturing	1	3	3	20	5	77	5	97	4	95	23.8	3
3363	Motor Vehicle Parts Manufacturing	6	793	7	680	9	920	7	750	5	963	192.6	-1
3364	Aerospace Product and Parts Manufacturing	1	110	0	0	0	0	1	2	2	4	2.0	1
3365	Railroad Rolling Stock Manufacturing	0	0	0	0	0	0	0	0	0	0		0
3366	Ship and Boat Building	8	128	8	124	6	218	8	159	4	12	3.0	-4
3369	Other Transportation Equipment Manufacturing	0	0	1	1	4	5	8	306	6	303	50.5	6
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	17	2219	20	2940	25	3298	31	4715	22	4589	208.6	5
3372	Office Furniture (including Fixtures) Manufacturing	12	193	15	157	13	168	12	108	7	82	11.7	-5
3379	Other Furniture Related Product Manufacturing	0	0	0	0	0	0	1	1	0	0		0
3391	Medical Equipment and Supplies Manufacturing	7	71	5	35	6	35	8	40	11	56	5.1	4
3399	Other Miscellaneous Manufacturing	25	424	31	716	67	744	82	723	68	486	7.1	43
		482	22382	535	23109	708	23538	792	23349	666	22903	34.4	184

## APPENDIX E: INTERVIEW NOTES

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The following observations are provided without commentary. The views are those expressed by individuals in the local business community, service providers, and educators who were interviewed by the consultant team.

- **Perception of the CRBC.** These comments relate to general perceptions of how the CRBC has operated and what it contributes to the region's economic development.
  - Although the CRBC was established as an incubator to foster new business development and to provide on-site management, shared resources and education, many of those interviewed did not feel that the CRBC has operated as a traditional incubator. Limited, if any, technical resources have been offered in the Center. The incubator currently offers low rent space to a variety of businesses and does not turn over tenants, allowing allow tenants to stay beyond the traditional the normal three to five year window. The length of tenancy is perceived to be the biggest problem in the incubator and limits the growth opportunities for new businesses. The incubator is not doing what the incubator was intended to do. There is limited outreach to the community.
  - The incubator lacks technical resources for the young business or the start-up entrepreneur, including a poor internet connection. The building is in fair condition but it is older and needs many interior improvements with updates, such as air conditioning, a better security system, painting and other physical improvements. The location is perceived by some to be an issue for new businesses as it is hard to get to and not visible from the street.
- **Comments related to CBRC operation.** Several relevant comments address current operations, needs, or past activities.
  - A traditional incubator is needed to help startup businesses and provide resources to help the businesses grow and stay in the La Crosse area.
  - The CRBC offers essentially no technical programs or resources to its tenants, much less the broader entrepreneurial and small business community. It could serve as a center for both regular tenants and virtual clients.
  - Some interview participants commented that the CRBC Board of Directors needs to take more action on the activities happening in the incubator and have a bigger vision for the Incubator. There is a desire to have the CRBC actively connect with the existing outside resources.
  - The demand exists for incubator space, especially for food production needing a commercial kitchen. New startup businesses are directed to the incubator or to the commercial real estate community.
  - There was once a business plan competition that awarded free or inexpensive space in the CRBC.
  - The current location of the CRBC does not offer the visibility that small retail businesses require.
  - The participants repeatedly stressed the desire for better communications between provider s and programs on how to connect the incubators with entrepreneurs. The existing resources need to work together on programs offered in the incubator. There were many comments on the lack of communication to service providers as well as lack of outreach to small businesses.
  - A new incubator should be a traditional incubator, should be independent , and should stand alone with partners bringing resources and programs to the table. The incubator could serve as a hub for the various service providers.
- **Issues of general concern.** Partners and educators also felt that the following were concerns:
  - There has not been very good communication with the economic development community and the community at-large, and the business community. This has limited the utilization of existing resources.

- Economic developers and the commercial real estate community are not connecting. Commercial realtors have a lower level of interest in small industrial spaces, yet that is what most of the businesses are seeking. Economic developers are sending clients to the realtors in search of these spaces. The client is not being served. In reality, there is a serious shortage of small industrial spaces within the market.
- The area does not have a plan for growing business. Small businesses grow and move into the commercial area of the city and become active community members.
- Several concerns were raised about the workforce. There are jobs but not enough workers to fill the jobs. Not all businesses understand that some employee performance issues are due to lack of available workers. Businesses are finding it a challenge to expand in the area due to the difficulty in finding employees.
- Many start-up businesses are seeking retail space, land, or financial assistance.
- There is a need to make the connection between people asking for assistance and the programs that are available.
- **Available resources.** Several comments offered insight concerning organizations and programs already in place, that may be partners with the CRBC.
  - The SBDC, CRBC, Chamber of Commerce, UW – La Crosse, various high schools, and the business community are available resources. Repeatedly, it was noted how essential it is to examine all of the resources available in the area as there are many to assist small businesses. Communication gaps are seen between many of the resource providers.
  - Some participants acknowledged that they had the physical resources to operate an incubator but felt it that any new incubator should be a “stand alone” facility with the understanding their resources should be connected to the incubator. It could be a pay for services type of program. All of the providers that offer services need to connect.
  - Resources should not be located in the incubator but available to the businesses via a small office or classes. These could be fee-based services.
  - There the potential for area businesses to donate retired equipment to the incubator, and strong chamber members would be willing to help small business in the center.
- **Programs that may be needed.** There were many recommendations on the various programs or courses that the CRBC or new Incubator could offer to businesses. Suggested programs included the following:
  - How to determine business space needs.
  - The cost of market rents and understanding the terms of a lease
  - How to search for space when leaving the incubator and how to become part of the real world. There are numerous model programs and resources available in the area.
  - Understanding the cost of doing business, such as permits, shipping costs, etc.
  - Understanding the need for and the cost of storage.
  - Developing a marketing plan and then testing the market feasibility of a product or service.
  - Resources or space for tinkering or product development, collaborative space, etc.
  - Financial assistance for new and existing businesses.
- **Demand for space.** There were several observations concerning availability and demand for space.

- Main Street may have a better handle on the availability of some kinds of commercial space, compared to other economic developers or the commercial real estate community.
  - Participants noted There is a strong demand for retail space, especially in the vibrant downtown area. There is a growing interest in incubator or smaller retail space. Many locations in the downtown are close to service providers and customers.
  -
- **Comments from the business community.** Some of the comments were unique to the business community and are shared here.
  - Workforce issues are a concern for larger businesses. Many of the small businesses and startups were not in the market for employees and may have acknowledged the problem, even while it did not apply to them. There is not much interest in using transitional worker training programs.
  - Among food businesses, there is an interest in having dedicated food business space. Many of the businesses indicated that packaging is a bigger issue than finding a place to manufacture their product. Many are just entertaining entry into packaged goods, and are not yet ready for even the kind of space offered in Viroqua. Some of the businesses were very interested in the idea of space attached to a farmers market, where they could have a retail component. These included manufacturers and food services.
  - Regarding the need for machinery and equipment not already owned by the company, the solo and small businesses tended not to have substantial needs. Either the equipment did not have a high cost or it was used too infrequently to justify the expense. Most exceptions to this were among food businesses.
  - There are considerable concerns among many small businesses related to the availability and cost of space. They are having difficulty finding an adequately-sized building or rental unit, as most are larger than what they need. The cost of rent is a barrier for some.
- **Other comments.** The following are miscellaneous comments gathered during the interview process.
  - Permits for food businesses needing a commercial kitchen are increasing based on records from the La Crosse County Health Department. There is a big demand for kitchen space and there are very few available spaces with commercial kitchens available. Based on permit information, many small food businesses are leasing space from fraternal organizations and churches with commercial kitchens. There is a waiting list for kitchen storage space in the CRBC.
  - There is a demand for small office space.
  - There is a very limited demand for fabrication lab space. Those interviewed did not see a need for a fab lab as there are existing resources on the Western Technical College Campus, and at Onalaska and other area high schools.
  - There were differing views on a location for a new incubator, with some favoring the current site, and others suggesting a location in a business park, near other buildings with warehouse space, close to downtown, site near providers like Western Tech or the UW-La Crosse SBDC, or simply near other businesses.

## APPENDIX F: SURVEY RESULTS

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A survey was sent to approximately 120 businesses or entrepreneurs, with the majority being food related. A total of 21 responded, including 14 food businesses, with two of the others in closely related fields. Roughly a third of the respondents had not yet started their business, while the others began between 2011 and 2018.

A variety of products are being made, including maple syrup, beer and wine, sauces, desserts, pickled foods, meat products, baked goods, spices, candies, prepared foods, and fresh produce. An equal number (35.7 percent) are in a private commercial kitchen, or are using a shared commercial kitchen. Another 28.6 percent are operating from a private, unlicensed kitchen under the state's Cottage Food Law. One is using a co-packer, commenting that the CRBC was too small and lacked equipment for them to be able to use it.

An open-ended question asked what equipment was needed to make and package their product. The largest number of responses (7) included bottling or canning lines. Ovens, stoves, mixers, steam kettles, coolers, fryers, and work tables were also mentioned. Asked what they would like to see in an incubator, the most common responses included separated refrigerator space (to avoid food taking on odors from other products stored there), and packaging and labeling equipment.

An equal number of those responding (42.9 percent) indicated that they would or would not use a new shared use commercial kitchen. Others indicated that they did not have the need for a commercial kitchen. Half would not have interest in a food incubator, while 42.9 percent would. Most (77.8 percent) would have need for refrigerated storage. A smaller number (11.1 percent each) would need warehouse or freezer space.

There is some interest in developing a retail component to the businesses, with 35.7 percent saying they would explore the idea of a tasting room or other sales space. A commercial location in La Crosse was preferred by 45.5 percent of respondents, followed by downtown (27.3 percent), and a business park (18.2 percent).

Financing equipment purchases is the biggest challenge for businesses, with 63.6 percent indicating a need. This was followed by cash flow (45.5 percent), and locating affordable space (36.4 percent).