

"A Canvas for Innovation" Feasibility Study Final Report

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Prepared For

**The Innovation Alliance of Baltimore
and
The Abell Foundation**

Prepared By



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Executive Summary

During the initial phase of the study, The Innovation Alliance sought to evaluate how innovators and entrepreneurs in Baltimore interact and collaborate, what existing programs, events and activities work well in supporting this community, and what is missing that might accelerate innovation and entrepreneurship. These responses were then evaluated in the context of a review of "Best Practices" from other markets in an effort to identify how best to bridge any gaps in the Baltimore entrepreneurship ecosystem to achieve a more vibrant, cohesive, collaborative, sustainable ecosystem resulting in employment growth and wealth generation that acts as a catalyzing force to stimulate even greater entrepreneurial activity.

Methodology

Facility Logix employed several methods to evaluate existing market conditions in the city of Baltimore as well as Best Practices nationwide including:

1. Searches of publicly available resources to identify Best Practices
2. Interviews with founders and operators of Best Practices programs as well as influencers within the Baltimore community
3. Personal attendance at StartupWeekend and Startup America Partnership events
4. Observation of Baltimore Tech Facebook discussions
5. Survey of the community of users from the City of Baltimore
6. Town Hall Meeting to invite further dialogue and further drill down on the needs of the Baltimore innovation community
7. Site visits to General Assembly and WeWork

Upon completion of the first phase of the study, Facility Logix developed an operational model based on awareness of existing Baltimore real estate market information, similar Baltimore area innovation models such as the former Beehive and the current Emerging Technology Center, as well as information drawn from hybrid models such as the Centre for Social Innovation in Toronto. In addition to participating in a site visit to the Centre for Social Innovation (CSI), Facility Logix interviewed Eli Malinsky, the Centre's director and the lead on CSI's expansion effort in New York City, due to open in the second quarter of 2013.

Best Practices Summary

To date we have not discovered a single, individual model that captures all of the required entrepreneurial ecosystem elements in a single destination. CONNECT in San Diego may be the closest thing; however, it does not offer a single point-of-entry and space for the entrepreneur or innovator and the emerging growing company to support the entire range of ecosystem needs.

General Assembly also excels in some areas of the entrepreneurial ecosystem such as collaborative space and educational opportunities, but falls short in other areas such as a continuum of space and program offerings to meet the needs of companies that are beyond the start-up phase. With its strong emphasis on education, GA appears to be less successful or even interested in accelerator programs or in measuring outcomes such as job generation and wealth creation for its clients.

In several communities, there were a number of different programs each addressing some portion of the ecosystem's needs; however, we did not find a single location that serves as a meeting space, community forum, networking venue, mentor and investor destination, co-founder dating place, incubator, accelerator, co-working venue, and educational resource for programs and content ranging from how to develop a business plan, to how to implement Ruby on Rails®, or how to use a Facebook API among many other topics of interest. Similarly, while

many note the importance of celebrating entrepreneurial successes and failures (Kaufman Foundation, 2012), few places do it well and often when celebrated, in may be outside the context of where the other ecosystem activities reside. Noted Vivek Sharma (personal communication, 2012), "if someone did celebrate successes and failures well, they could get a lot more out of the community."

Survey Summary

Over fifty percent (50%) of survey respondents identified themselves as idea people, innovators, or entrepreneurs. Many respondents characterized their role in the community as "actively engaged" as mentors, influencers, or connectors. Respondents were drawn from a wide mix of the community including private company representatives, educators, social enterprises, and the arts. Over fifty percent (50%) identified their sector of interest as business services with social/non-profit enterprises and mobile applications, ranking second and third respectively.

Nearly seventy-five percent (75%) of the respondents felt as though the current community "was better than average", with thirty percent (30%) characterizing the community as "vibrant". When asked what makes Baltimore an attractive place to launch and grow a business participants listed connectivity, opportunity, creative environment, and quality of life as the strongest attributes, followed by a "sense of place", a like-minded community of innovators and a "wealth of ideas."

The terminology used to describe what stands-out about Baltimore's innovation community as both an attribute and a challenge illustrates the link between people, place, community, and collaboration as elements that are integral parts of a self-sustaining entrepreneurial ecosystem.

Over 85% of respondents indicated that they would take advantage of a "Hub" if created.

The following characteristics of a proposed "Hub" received strong support:

1. Meeting space - 46% of respondents
2. Mentoring - 42%
3. Educational programs - 41%
4. Space for various activities - 35%

Respondents preferred location was the "East" region described as Harbor East, Fells Point, or the Central Avenue Corridor, followed closely by the "North" region drawing from Station North or the Charles Village area.

Town Hall Summary

Attended by over 130 individuals, participants hailed from a wide diversity of interests including investors, entrepreneurs, attorneys, educators, artists, and real estate. Online chatter during the Town Hall itself was positive with numerous Twitter feeds (hashtag #/IATH) remarking about the "diversity", "inclusiveness", and "energy" of the participants. Utilizing the full two-hours and more, the group engaged in a focused, mediated discussion on three of four topics arising out of the previously conducted survey.

1. What is behind our need to connect?

Noted DeGuzman (2011), "in the focused and random conversations you have with community members your creative thinking is bolstered. It's the economies of scale argument: the power of collective brainpower." The diversity of interests from Town Hall

attendees resulted in a wide range of responses to the above question. We chose to consolidate responses and observations into four categories: 1) ideas; 2) resources; 3) space; and 4) learning.

2. Who do we want to connect with and why?

There was a broad range of connections that were sought by Town Hall participants. The inter-relatedness of those connections and the ability to draw from and seek out many different perspectives was an underlying theme of this discussion.

The community wants to connect with these individuals to:

- Find a common platform;
- Keep an eye and ear on the pulse of what is happening;
- Import ideas and people;
- Develop and promote social understanding;
- Receive criticism;
- Interact with "right-brained" people;
- Encourage randomness;
- Leverage connections; and
- To break down "cliques" in the innovation community

3. What's the importance of space and place?

Common themes arising in this discussion centered on flexible, informal spaces with a variety of meeting areas ranging from café/Starbucks-type spaces, to conference rooms and gathering spaces that encourage the cross-pollination of ideas from non-industry-specific users promoting a "student union" feel as well as co-located space for the "grown-ups" to meet. The metaphor of a kitchen was used with informal gathering spaces or "kitchens", while the conference rooms might be the "family room/TV room, den, or living room", followed by the "grown-up" spaces being the "bedrooms". While the house metaphor was used to articulate the relationship between several functions within a single facility, the focus of those functions was understood by all to be business-centered. Having a single "Hub" or space would create an opportunity for the Baltimore innovation and creative community to brand itself.

Statement of Need

Presently the creative, innovation, and entrepreneurial community in the city of Baltimore is fractured as evidenced by the numerous entities with some involvement in the community ranging from the well-regarded Emerging Technology Centers to accelerators like BetaMore and co-working venues like the former Beehive Baltimore, or programming and networking events like IgniteBaltimore, createBaltimore, and many others. This lack of cohesive identity has contributed to an inability to realize the potential to develop a sustainable entrepreneurial ecosystem built on the inherent attributes of the City, namely, a dense, walkable urban environment; high quality educational and research institutions; global access through the nearby Baltimore Thurgood Marshall International Airport; world-class arts and culture; a geographic location that is part of the Eastern metropolis ranging from New York City through Washington, DC; a high quality of life; and a well-educated workforce.

As the survey and Town Hall Meeting have evidenced, the Baltimore Innovation community is aspirational, but must overcome challenges if it seeks to create and foster a culture of entrepreneurship that results in a sustainable ecosystem that generates jobs and wealth that continue to reside in the City.

The creation of a single "Hub" to focus such efforts within the City of Baltimore could be the missing piece that enables the City to focus its resources and efforts in building a first of its kind "Hub" that is far more than a place. By removing barriers to community and connectivity, whether real or perceived, and by promoting inter-disciplinary sharing of ideas, lessons learned, and the opportunity to address the real needs of the innovation and creative community, such a "Hub" could not only fill the gaps identified in the survey but emerge as a new model that measures itself by job generation and wealth creation that is replicable and sustainable in a City where people want to live, work, and play - and remain to encourage the next generation.

Recommendations

Given the high probable likelihood that Baltimore's innovation community would become future users of a proposed innovation "Hub" based on survey responses (85%) and Town Hall Meeting discussions, Facility Logix recommends that the Innovation Alliance, The Abell Foundation, and other leaders move forward with the following:

- Discussions with key stakeholders in the Baltimore business community to include: the Mayor's office; the Baltimore Development Corporation (BDC); the GBTC; TEDCO; the ETC; and others to determine the most beneficial partnership for advancing the "Hub" concept;
- If an opportunity exists to pursue a strong partnership with the ETC, the "Hub" should look to leverage the brand recognition and strong historical track record of the ETC in a converged strategy moving forward resulting in a stronger initial brand for the proposed new organization;
- In the absence of an ETC partnership, the "Hub" should seek to engage another strong innovation community entity that could provide similar services to that offered by the ETC while at the same time establishing cross-functional partnerships and leveraging opportunities with other "Hub" ecosystem partners such as Accelerator organizations, educational content providers, "graduate" tenants housed in adjoining spaces and nearby buildings, and creative organizations taking part in community functions and presentations;
- Further engaging volunteers from the community of users to further develop the design of the proposed "Hub" including actual physical design, as well as components of what the proposed "Hub" offers the community, including the naming of the facility;
- Development of a business plan and model that will address:
 - Development costs to renovate a facility like the "car barn" and surrounding property to accommodate the proposed "Hub";
 - Development timeline to achieve re-development of a facility like the "car barn";
 - Development and testing of an operational business model for the proposed "Hub";
 - Financing requirements as required to support either capital costs and operational needs as identified in the development of the business model;
 - Organizational structure, leadership and staffing plan; and
 - Branding and marketing approach

- Pursue a strategy that allows the proposed "Hub" to forego concentrating on specific technology sectors or business opportunities while maintaining a continually evolving model that is grounded in a socially organized fashion;
- Adopt enough structure and "governance" to ensure that the proposed "Hub" maintains its relevancy and its measurable contribution to Baltimore's economy;
- Design a sustainable revenue model for the proposed "Hub";
- Define and determine the relevancy of measurable outcomes such as new business formation and job creation; and
- Create a model and environment that strives for collaboration not only within the facility but also from among the organizations involved in innovation and entrepreneurship throughout the community.

Primary Location Overview

Working with the Innovation Alliance, we identified and evaluated a facility for "The Hub" in the desirable Central Avenue corridor, the former "Pratt Street Car barns" located at 1146 East Pratt Street, just a short walk from many amenities. According to the Maryland Department of Planning (2013), the property was constructed in 1890 as a car barn and power house to support the briefly viable traction street-car system in Baltimore in the 1890's. Early in 2013, the Pratt Car barns building was announced as a recipient of a 2013 Sustainable Communities Tax Credit award

The total rentable square footage for "The Hub" based on the area plan developed by Marks, Thomas Architects on behalf of A&R Companies is 26,207 square feet. Elevators, rest rooms and other common area spaces are located in the central area that divides two rectangular spaces on the ground level of the building. The adjoining diagonally connected building, with the exception of the café, is not considered a leasable part of "The Hub" space; however, it does represent an important part of the innovation ecosystem as the space is intended to house the offices of individual, private companies once they have developed to a point that private, dedicated office space is required.

Utilizing the Marks, Thomas area plan, information from other models, information gathered during phase I, and feedback from CSI regarding the relationship between *types* of spaces in relationship to one another, Facility Logix developed the following program of spaces with the understanding that all of the spaces should be designed to maximize flexibility.

- | | |
|--------------------------------|------------------------------|
| • Traditional "incubator" area | 15,000 square feet |
| • Accelerator area | 1,500 square feet |
| • Hot Desk area | 1,500 square feet (15 desks) |
| • Conference rooms | 2,280 square feet (9 rooms) |
| • Stage area | 500 square feet |
| • Event area | 1,500 square feet |
| • Gaming room | 180 square feet |
| • Café area | 1,200 square feet |

The above spaces yield a total of 23,660 square feet. Applying a fifteen percent (15%) core factor to allow for hallways and other circulation space results in an overall requirement of 27,209 square feet; which is close to the area outlined by Marks, Thomas Architects.

The physical space at “The Hub” is intended to be the canvas or container in which innovation is seeded, is nurtured, thrives, and begets next generation innovation and innovators in Baltimore. The space should be filled with light and include interesting architectural features such as exposed beams and brick walls consistent with restored historic properties such as those which house the Centre for Social Innovation, General Assembly, We Work, and Open Grounds in Charlottesville, among others. The historic nature of the Pratt Street Car barn property lends itself well to this type of features and uses.

All of the spaces need to be highly adaptable and reconfigurable such that the type of events and functions hosted at “The Hub” are not limited by fixed interior architectural elements such as walls. The kinds of events that will be held at “The Hub” span a broad range, including educational offerings such as those offered at General Assembly, hack-a-thons, start-up weekends, meetups, Ignite Baltimore, TEDx events, business plan competitions, and so on. The physical space should foster community and serve to link developers, inventors, manufacturers, artists, investors, and others in a network of shared ideas and shared passion for innovation and entrepreneurship.

Operational Model

Facility Logix developed a Ten-Year Pro Forma Operating Budget detailing anticipated revenues and expenses that comprise the operational model. Please refer to Appendix D for the Pro Forma Operational Budget. Over the ten-year model “The Hub” generates a total of \$12,733,708 in revenues, while expending a total of \$12,320,475 for a total ten-year net operating income of \$413,233.

We have identified fifteen revenue sources:

- Incubator or Anchor Tenant Rent
- Accelerator Rent
- Desk Memberships
- Community Memberships
- Shared Amenity Fees
- Conference Room Rental
- Event & Stage Income Rental
- Educational Session Fees
- Café Income
- Liquor License Income
- Gaming Room Rental
- 3D-Printer Fees
- City Subsidy
- Grants
- Sponsorships

The staffing plan includes two primary roles. The Director, hired as a full-time staff member in year one will be the key driver of the success of the project. We have modeled an annual salary of \$100,000 for this position. The Community Organizer will begin in year one as a fifty percent (50%) position which grows to a full-time position in year two as the facility and programs become populated. Later, we add an additional Community Organizer to address the demands of more clients, and ever-changing programs, courses, configurations, and offerings. Direct labor costs represent 25.4% of total expenses.

Apart from labor costs the other large expense is rent. Rent is included at \$22.50 full service per square foot over the entire leased space of 27,209 square feet. We have included 3% annual escalations in this expense. Rent comprises fully 57% of total expenses.

Significance of Estimates

Where possible we have relied on published or communicated data to develop the assumptions captured in the operational budget. The ground-breaking nature of the proposed "Hub" made it impossible to rely on a completely aligned "Best Practice". As described previously, our model represents a hybrid that draws elements from a range of "best practice" scenarios. In particular, we feel that further study and data normalization is needed based on current Baltimore area pricing in the following revenue categories:

- Event and stage rentals;
- Conference room rentals;
- Educational session fees;
- Café income;
- Liquor license income;
- Gaming room rentals; and
- 3D printer fees

Likewise it would be prudent to analyze current market rental rates to determine whether the pricing structure for the incubator or anchor tenant rent, accelerator rent, and Innovation Alliance rent is competitive. The proposed rates coupled with the qualitative allure of "The Hub" being the place to be for Baltimore's innovation community, must represent a significant hard and soft value proposition to rapidly generate interest and enthusiasm for the project ultimately encouraging the innovation community to establish its ecosystem at "The Hub".

Next Steps

While "The Hub" presents an attractive home for Baltimore's Innovation Ecosystem and represents a brand new model for engaging and fostering the entrepreneurial effort of the innovation community, it is clear that the above model relies heavily on revenue generated from a yet-to-be-named anchor or incubator tenant. When this study began, the Emerging Technology Center (ETC) was a prime candidate to move into that role. The Innovation Alliance understands that the ETC is considering options other than the Car Barn for its continued Canton-based operations. The ETC had recently completed its own study that argued for a smaller, more flexible footprint that would allow it to provide more programming and nurturing services for entrepreneurs with less time spent on property management and leasing-related functions.

Securing a forward thinking anchor tenant that may or may not be modeled on more traditional incubators remains of critical importance for the success of this project. Given what we have seen in other cities, we believe that the proposed model described in this report represents the best opportunity to create and nurture the entire entrepreneurial ecosystem described in phase I of this study under one roof. It will be important for the Innovation Alliance to package the opportunity in a manner that captures the potential of "The Hub" to be a first-mover that engages and catalyzes new company formation and job growth.

Several steps must occur to firm up the package and message that the Innovation Alliance will need to use to secure the anchor or incubator tenant, to secure vibrant, successful accelerator programs, and to generate community interest in the project.

- Work with A&R Companies and its architect to develop a floor plan and corresponding design for the project. Engage the innovation community that was so energized by the Town Hall to solicit their input in the design and development of the facility.

- Develop a prioritized list of key vendor suppliers that might contribute expertise and product that could be used at the facility (e.g., systems/modular office furniture, gaming consoles and gear, 3D printers, scheduling software providers, etc.). Contact these firms and determine their level of interest in participating financially.
- Work with A&R Companies to develop a capital improvement budget for the restoration and build-out of the Pratt Carbarns building.
- Work with A&R Companies and The Abell Foundation to arrive at a lease structure that enables the Innovation Alliance to be successful while underwriting some of the risk inherent in A&R's investment in the project.
- Meet with the Baltimore Development Corporation to secure its support for the project and the associated subsidy.
- Test the revenue and expense assumptions against local and regional market conditions specific to the type of revenue generation anticipated (e.g., what do conference rooms rent for in the Baltimore area)
- Develop and issue a Request for Proposal (RFP) seeking an anchor/incubator tenant. Evaluate responses and select the anchor/incubator tenant.
- Develop and issue a Request for Proposal (RFP) seeking multiple accelerator programs. Evaluate responses and develop a schedule for accelerator program hosting at "The Hub".
- Develop a job description and conduct a search for the Director position as this hire will be critical to the success of the project.

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Introduction and Background

The role of entrepreneurship in the generation of net new jobs is a topic that has drawn much attention during the economic downturn beginning in 2008. While there are many state-level programs promoting entrepreneurship across the country, including state-supported pre-seed and seed funds, investment tax credits for angels, and state and regional subsidies to support business incubators, there is a sense that these measures may not be having the desired outcomes when measured by employment growth, sales growth, and business survival.

In the fall of 2011, The Innovation Alliance of Baltimore issued a "white paper" describing a perceived need in the Baltimore Innovation Community for a single entry-point and facility for the innovation community in Baltimore. While existing programs like the Emerging Technology Centers (ETC), and others addressed the needs of a portion of the user community, the notion persists that the City was missing the synergistic effects that a fully engaged entrepreneurial ecosystem might offer.

In January of 2012, The Innovation Alliance, Inc., with support from the Abell Foundation commissioned this study to evaluate emerging trends in innovation and entrepreneurship in Baltimore.

During the initial phase of the study, The Innovation Alliance sought to evaluate how innovators and entrepreneurs in Baltimore currently interact and collaborate, what existing programs, events and activities work well in supporting this community, and what is missing that might accelerate innovation and entrepreneurship. These responses will be evaluated in the context of a review of "Best Practices" from other markets in an effort to identify how best to bridge any gaps in the Baltimore entrepreneurship ecosystem to achieve a more vibrant, cohesive, collaborative, sustainable ecosystem resulting in employment growth and wealth generation that acts as a catalyzing force to stimulate even greater entrepreneurial activity.

Following the issuance of the interim report in May of 2012, the Innovation Alliance authorized Facility Logix to conduct the second phase of the study, which focused on developing an operational model that could be implemented in the first-choice facility identified as the "Pratt Street Car Barns" located at 1146 East Pratt Street in Baltimore and owned by AR Companies.

This Final Report presents a compilation of the findings from the phase I portion of the study and the operational model developed during the phase II portion of the study.

Phase I: Market Assessment

Methodology

Best Practices

Prior to initiating our research, Facility Logix felt it was important to define the different types of programs currently in existence in the marketplace because a range of terminology is frequently inter-mixed when discussing different programs which can confound an analysis of what works best and why.

For our purposes we are utilizing the following definitions to distinguish between the three primary types of programs:

- **Incubator** - Business incubation programs are often sponsored by municipal entities and public institutions, such as colleges and universities. Typically incubators offer a facility with ready offices and other defined spaces such as wetlabs for rent at below market rates coupled with programs designed to help incubator clients build and grow their businesses by providing support and other services. According to the National Business Incubation Association (NBIA), there are now over 1000 incubators worldwide. The Emerging Technology Center (ETC) is an example of a traditional business incubator.
- **Accelerator** -Business Accelerators have some similarities to incubators; however, they usually focus on companies with high growth potential that offer products or services with a national or global market. Accelerator programs are frequently funded by venture capital organizations that are looking for the next best business program that affords them an opportunity to invest in a company and continue with a high level of involvement in the future development of the business. These programs frequently run competitions for firms to be admitted into intensive immersion programs, many of which include a residency requirement, along with an upfront investment by the accelerator in the selected company participants. Usually the only link to a physical location for an accelerator program is the space used to host the competition for entry along with the two to four times per year, ten to fifteen week "boot camp" sessions for winners.
- **Co-Working Facility** - A relatively new type of facility, co-working offers collaborative work-space that is highly flexible and loosely organized with a range of membership options (hourly, daily, weekly, monthly, etc.) coupled with some community space and related activities meant to form a sense of community among co-workers. Some estimates now put the number of co-working facilities at 750, representing a near doubling of the 400 co-working facilities in existence at the end of 2010 (Economist, 2011).

Utilizing publicly available information we identified several active and emerging innovative communities such as Atlanta, Georgia; Austin, Texas; Boston, Massachusetts; Boulder, Colorado; Chicago, Illinois; New York City; Pittsburgh, Pennsylvania; Portland, Oregon; Silicon Valley, California; Seattle, Washington and several others to evaluate highly recognized programs and practices to determine what works and how that might apply to the Baltimore innovation community. We reviewed ranked lists such as those developed by Forbes, TECHCOCKTAIL, and Xconomy to select target programs for evaluation and to line up interviews with program founders and operators when possible. While it would be nearly impossible to evaluate all of the various programs in the marketplace, our analysis includes a range of programs from across the country.

To get a sense of how the community of users interacts we participated in a Start-Up Weekend, held in Seattle in November of 2011 and attended the organizational Town Hall meeting for Start-Up Maryland, part of the Startup America Partnership (www.startupamericapartnership.org) held in Columbia, Maryland on February 10, 2012. The Startup America Partnership is a private organization working to help young companies succeed in order to accelerate job growth in America. According to its website, The Startup America Partnership is "bringing the private sector together to maximize the success of America's entrepreneurs, and augment America's competitiveness in an increasingly global world. Startup America is an independent nonprofit entity (NGO) that was launched at the White House in early 2011. The Ewing Marion Kauffman Foundation and the Case Foundation provided the initial funding for the Startup America Partnership. American Express OPEN, Dell Inc., Intuit Inc., and Microsoft are corporate sponsors."

On February 28th, we visited General Assembly in New York City and met with Vivek Sharma, founder of Movable Ink (<http://movableink.com/>) followed by a visit to WeWork, a co-working facility business with multiple locations in New York City (<http://wework.com/>). We were unsuccessful in our attempts to arrange for site visits to 500 Startups and YCombinator, both located in Silicon Valley.

Survey Development, Distribution, and Analysis

A kick-off meeting was held in Baltimore on January 4, 2012 at which the team developed a strategy for identifying the "community of users" whose input we would like to solicit as part of our gap analysis effort. Lists of attendees from events like createBaltimore, IgniteBaltimore, and the Baltimore Tech Facebook page were identified as sources of active community participants among several others. We did not limit or restrict the community of users by technology, role of participant, industry sector or focus, size of enterprise, stage of enterprise (e.g., ideation, formation, start-up, emergent, etc.), size of market opportunity or any other criteria.

We developed a survey using SurveyMonkey and distributed it to a list of potential respondents drawn as a result of outreach to the following:

Baltimore Tech Facebook Page
bwTech CEO's
Citybizlist BALTIMORE
Create Baltimore List
ETC Tenants at Canton and Eastern
Gus Sentementes' Blog
Ignite Baltimore
Johns Hopkins Carey School of Business
Johns Hopkins INNOVATE Students
MD-DC Chapter of Physician Engineers
MICA Entrepreneurship & Business Development Students
UMB/UMCP Smith School of Business
UMBC Alex Brown Center
UMBC Student Entrepreneurship Club
University of Baltimore Entrepreneurship Center

The following email lead-in was used to provide background and to encourage recipients to participate:

Dear Baltimore Innovation and Entrepreneurship Leader,

Facility Logix is conducting a needs analysis to evaluate emerging trends in innovation and entrepreneurship in Baltimore as part of a study commissioned by the Innovation Alliance with funding from the Abell Foundation. We are doing this so that we can better understand how Baltimore innovators and entrepreneurs collaborate and interact, which activities support this community, and what elements are missing that might accelerate innovation and entrepreneurship so that you can be successful in your efforts. We would appreciate it if you could take part in this assessment as we know that you will provide very valuable input to help shape any future initiatives that arise out of this study.

The data you send us will be completely confidential and will not be shared with anyone else. We will use the data in aggregate form; but, under no circumstances will the specific information you share with us be disclosed further. We expect the results to be available by February 29th, 2012.

We would like to receive the populated surveys by close of business, February 3rd, 2012.

Please find the link to the survey here: <https://www.surveymonkey.com/s/N9GSDMK>

After collecting responses to this survey, the Innovation Alliance will invite you and others to participate in a town hall meeting to discuss our community's needs face-to-face. We will focus on concrete solutions and next steps. We want you to be part of that process.

Many thanks in advance for your input and time.

The survey was launched on Monday, January 23, 2012 allowing two weeks for respondents to participate.

Please refer to Appendix A for the survey questions.

Town Hall Design & Facilitation

Following receipt and initial analysis of the survey responses, Facility Logix secured the assistance of Greg Conderacci of Good Ground Consulting to develop a Town Hall format to engage survey participants and others who may not have participated in the survey, but with an active interest in the innovation and entrepreneurship community to join the discussion and dig deeper into the collective thinking about how to improve Baltimore's innovation community and how a shared space might be best used. Town Hall meeting announcements went out through several channels including *CitybizList* Baltimore, Gus Sentementes' Blog, the Baltimore Tech Facebook page and several others.

The Town Hall Meeting announcement and EventBrite invite included the following background information:

"What does Baltimore need to nurture its best and brightest ideas and the entrepreneurs who have them? The overwhelming majority of more than 170 members of Baltimore's innovation community responded to our survey with great ideas, including how a shared space, a hub, might accelerate collaboration. This is your

chance to describe in depth your thinking about how to improve Baltimore's innovation community and how such a hub might be used. Join us at The Town Hall to be held at the Mt. Washington Conference Center on Monday, March 12th, from 5:30 to 7:30 pm.

We have room for 150 members of the community to join this discussion, so please register by following this link (<http://innovationalliancetownhall.eventbrite.com>) as soon as possible.

As promised, in the next few days we will be sharing the results of the Innovation Alliance survey about what we can do to improve Baltimore's innovation community. Some who responded to our survey asked who participated. The survey was distributed to as many lists as we could find, from incubator tenants and graduates, to the GBTC membership, to TEDCO's portfolio companies, to createBaltimore, to posting on the Baltimore Tech Facebook page, in articles in citybizlist and the Sun, to lists we received from MICA, Hopkins and other colleges. We tried to leave no stone unturned in having as many participate as possible. If you didn't have a chance to respond to the survey, we will still want your input, so sign up for the Town Hall.

Some survey responses also asked about the Innovation Alliance itself. Newt Fowler and Jason Pappas formed the Innovation Alliance to study the needs of Baltimore's innovation community with support from the Abell Foundation, and hopefully the Innovation Alliance will facilitate the creation of a hub facility for the innovation community. If at the Town Hall, such a facility makes sense to the community, we are going to ask for volunteers to join the Innovation Alliance to help in the design and use of the hub".

The Town Hall was held at the Mount Washington Conference Center on March 12, 2012 from 5:30-7:30 PM. Greg Conderacci facilitated an active discussion attended by approximately 130 participants. Tables seating 8-10 people were scattered about the room and flip charts with markers were available at each table.

Topics explored were as follows:

1. What's behind our need to connect?
2. Who do we want to connect with and why?
3. What's the importance of space and place?
4. What would make such a space successful?

In addition to recovering the flip charts from each table, Jennifer Fowler and Kelly McKew took notes during the Town Hall.

Facility Logix analyzed the flip charts and the notes taken by Ms. Fowler and Ms. McKew in addition to our own notes.

Best Practices Research

As part of our effort to understand the communication channels used by the Baltimore innovation community Facility Logix tracked various events held in the city during the early part of 2012. From meet-ups and hack-a-thons posted on the Baltimore Node (<http://baltimorenode.org>), to EvilPlans hosted by the GBTC and ThinkBigBaltimore among others, the observation that there are many avenues by which the community engages without a central entry point was reinforced.

Facility Logix consultant, Janna Jacobson, attended a Startup Weekend (<http://startupweekend.org>) held in Bellingham, Washington (north of Seattle) in late 2011. Startup Weekends can be held anywhere in the country at any given time. Each weekend is run by an organizer who can be anyone "on the ground" in the region where the weekend will take place. The focus of these weekends is networking and prototype creation. Typical outcome measures indicate that approximately thirty-six percent (36%) of the businesses launched during a single startup weekend remain viable. Roughly half of the attendees are developers, while the remaining attendees are business people with varying backgrounds. At the event Janna attended, the attendees were not particularly diverse as the crowd was predominantly young and male. The weekend was held in a large room with many tables and chairs. A projector, screen, and stage area were available for pitches. Minimal training was provided in advance of the weekend. Mentors were available to attendees during the weekend. Many mentors were venture capitalists in search of ideas or people to invest in. Janna described the energy at the event as "frenetic, positive, fun, intimidating but also supportive and open", followed by "competitive".

Another example of a similar model is Massachusetts Institute of Technology's (MIT) Global Startup Workshop. The MIT Global Startup Workshop is more structured than Startup Weekend, provides education for attendees, is held at different locations worldwide once each year and has a pitch competition that leads to a very modest monetary award, \$1,500 for the top vote getter. People attend this workshop for networking and exposure purposes.

Facility Logix attended Startup America Partnership's, (<http://startupamericapartnership.org>), Startup Maryland Inaugural Town Hall organizing meeting in February. Startup America Partnership was founded to "remind the country of its entrepreneurial roots" and is focused on supporting the growth aspects of small companies, according to Donna Harris, Managing Director of Startup Regions for the Startup America Partnership. The event was attended by about eighty (80) drawn from a wide variety of interests. Prior to the Town Hall, Startup Maryland conducted a survey that had drawn thirty (30) responses which inquired about:

1. The level of interest in participating in Startup Maryland.
2. What are the obstacles for startups in Maryland and what should form the major objectives for Startup Maryland?
 - a. Easier access to tech transfer
 - b. Access to partnerships
 - c. Making university resources more accessible
 - d. Cultivate a system that enables entrepreneurs to become more fundable
 - e. Mentorships/access to coaches
 - f. Access to technology
 - g. Access to early stage and growth capital
 - h. Access to talent
 - i. Corporate matchmaking
 - j. Networking events
3. What effort would you be able to contribute to Startup Maryland?
4. Which of the objectives in question two would you be willing to work on?
5. What stage of growth is your organization in?
6. How do you prefer to communicate?
7. What information do you wish to receive from Startup Maryland?
8. How likely are you to relocate if another region approached you with resources?
9. How satisfied are you with the amount and accessibility of resources in the Mid-Atlantic region?
10. What can initiatives do to improve your experiences and opportunities?

Survey responses indicated a strong desire for coaching and mentoring, and a need for increasing the frequency by which successes and failures are celebrated.

Startup Maryland appears to be part of the Mid-Atlantic regional network that is organizing to promote access to community-driven needs as articulated in survey responses and during organizing events. The umbrella organization, Startup America Partnership, offers discounts for services and supplies to assist eligible high growth companies. Discounts are available through sponsoring partners, American Express, Dell, Intuit, MicroSoft, and RocketGenius.

Incubators

Business incubators entered the market in the 1950's and have frequently been part of economic development programs and/or tied to research universities. The incubator network within the state of Maryland is extensive with incubators tied to research institutions, county and city economic development efforts, and a variety of foci, including life science, information technology, mobile applications and design, and minority businesses.

Facility Logix conducted a study on behalf of the ETC during late 2010 and 2011 that revealed an interesting new trend brought on by the economic downturn coupled with the rising mobility of today's workplace and today's workforce made possible by mobile applications and cloud computing. From interviews conducted with incubator managers across the state Facility Logix learned that the number of Affiliate members (e.g. non-office or tenant clients) was rising. Affiliate members pay monthly fees and are able to access conference rooms, training events, and other incubator resources; however, they are not physically located at the incubator facility. We contacted the National Business Incubator Association (NBIA) to explore whether this trend was occurring elsewhere and were surprised to learn that the organization had only anecdotal evidence that Affiliate memberships were increasing and that, at the time of our conversation, they did not intend to explore the trend further.

The ETC has enjoyed success historically throughout its ten-plus year existence as measured by traditional incubator performance outcomes (Ann Lansinger, 2012):

As of 12/31/11:

- 253 companies assisted, of which 78 are current clients
- 175 companies graduated, of which 80% are still in business
- Over 1,800 jobs have been created at an average salary of \$72,000
- Over 200 patents have been issued to ETC companies
- 33% of current ETC companies are minority and/or women owned
- 35 companies have transferred technology from a university or federal lab
- 59% of graduate companies remain in Baltimore City; all graduates are in Maryland

Category	Current Clients	Graduates
Alternative Energy	5	9
Engineering/Product Development	11	23
Information Technology	36	80
Life Sciences	17	38
Strategic Partners	2	12
Technology Services	7	13

The ETC and its companies have been recognized with numerous awards, including NBIA's Incubator Company of the Year for 2011 for Well Doc, NBIA's Incubator Client of the Year for 2009 for CSA Medical, NBIA's Incubator Client of the Year for 2008 for Millennial Media, and many others.

Baltimore's own ETC is representative of Best Practices in business incubation. With the recent launch of the \$3.3M Propel Baltimore Fund, sponsored by the Abell Foundation and TEDCO, the

ETC is continuing to evolve as a key component of Baltimore's innovation and entrepreneurship community.

In fact, several participants in the Innovation Alliance Survey, conducted as part of this study and discussed later in this report, called out the ETC specifically as the "best of Baltimore's innovation community."

Despite this recognition both nationally and regionally, the ETC continues to explore what the future holds as its leadership is aware that a move away from committing to 45,000+ gross square feet of space may be one of the best strategies to adopt to workplace trends that are moving toward informal spaces and away from traditional offices.

Accelerators

Across the country, the prevalence of accelerators is increasing. This model holds annual or semi-annual competitions, with winners receiving an equity investment with a requirement to attend the accelerator's boot-camp, usually an intensive ten to fifteen week residency where winners receive access to expert mentors, legal resources and office space during the period of the boot-camp itself. Accelerators are usually founded by private venture capital interests. Increasingly accelerators are becoming sector or niche-focused in order to provide more focused mentoring, curriculum, tie-ins to existing corporate landscape, and parallels with specific venture capital interests, notes Casey Allen of Project Skyway in Minnesota (<http://www.quora.com/What-is-the-difference-between-startup-incubators-and-accelerators?srid=2A>).

We found accelerators in nearly every metropolitan region we explored and it would be nearly impossible to evaluate all such organizations in the context of this report.

TECHNETWORK ranks TechStars, an accelerator based out of Boulder, Colorado and founded in 2006 as the "#1 Accelerator in the World". TechStars' companies get seed funding from seventy-five venture and angel investors from around the world. The organization has locations in Boston, Boulder, New York City, Seattle, and San Antonio. In September 2011, TechStars announced that it would increase the equity investment in each TechStars' company from \$18,000 to \$100,000. TechStars takes a mentor and community-driven approach to "incubating" startups and supporting founders. The company pairs at least ten (10) mentors in the local technology industry with each startup to give founders access to both seasoned entrepreneurs and venture capitalists. TechStars currently funds about sixty (60) companies annually and counts 120 TechStar alumni companies (<http://www.techstars.com>).

YCombinator of Palo Alto, California was founded by Paul Graham in 2005. Twice a year YCombinator invests money (recently increased from an average of \$18K to \$150K in convertible debt) in a large number of startups (most recently 65). The startups can come from anywhere in the world and move to Silicon Valley for three months, during which YCombinator works intensively with them to get the company into the best possible shape and to refine their pitch to investors. Each cycle culminates in Demo Day, when the startups present to a large audience of investors. YCombinator and its alumni network to continue to help founders for the life of their company. Since 2005, YCombinator has funded over 380 startups (<http://ycombinator.com>).

500 Startups also of Silicon Valley was founded in 2010 by Dave McClure. 500 Startups provides early-stage companies with funding ranging from \$10K to \$250K via seed investments, from its startup accelerator fund and micro-fund models. 500 Startups has an extensive worldwide mentor network (<http://500.co>). Facility Logix was unable to secure an interview with Dave McClure of despite several attempts.

The Capital Factory is one of Austin's accelerator entries. Startup companies apply to participate in the program's ten-week extensive, residency boot-camp which recently switched to align with South by Southwest (SXSW) from previously being conducted during the summer months. Demo Days are hosted at the end of the ten-week session where companies deliver presentations to investors. (<http://capitalfactory.com>).

Excelerate Labs is located in Chicago and is an intensive summer accelerator for startups driven by entrepreneurs and investors. Excelerate is ranked 3rd nationally for accelerators by Forbes.com. Every spring the program selects ten winners out of 100 applicants. The winners then reside in Chicago for the three-month program which culminates in an Investor Demo Day where the companies showcase their progress and plans to more than 500 investors from around the country. Excelerate brings in over 145 mentors over the summer program and invests \$25,000 in each company in exchange for 6% of their common stock (<http://exceleratelabs.com>). Troy Henikoff, an Excelerate founder, has offered to participate in an interview with Facility Logix, but not until mid-April after the program selects its ten winners for 2012.

MassChallenge (MC), founded by John Harthorne, is an independent not-for-profit organization that operates as "the world's largest accelerator and start-up competition", according to the organization's website (<http://masschallenge.org>). Because of its non-profit status, MassChallenge does not make equity investments in winning companies, but rather, connects those companies to other investors, offers resources, educational programs, and showcases entrepreneurship resources globally.

Facility Logix has participated in meetings at MC. Elevators open into a wide-open, unfinished floor space that has a very techy, industrial look. There are no walls or ceilings. Some work spaces are desks sitting immediately adjacent to one another (two separate companies), while others are somewhat segregated by modest, relatively short partitions. Walled conference rooms are available in each corner.

While we did not have an opportunity to speak with John Harthorne, he did respond to a list of questions we sent him as highlighted below (personal communication, February 24, 2012):

- 20-25% of finalists come from outside the Boston area;
- MC conducts outreach via speaking engagements at events, social media, and personal meetings;
- While MC plans many activities, there is a self-organizing aspect that bubbles up out of social media and email inquiries that results in identification of topics of interest;
- Despite the wide openness of the floor plan, companies have not expressed concerns about intellectual property-related issues;
- During the first two years finalists have come from high tech 40-45% of the time followed by an even split of roughly 12-15% from energy, social impact, and general/retails sectors respectively;
- The quality of applicants has risen annually as MC's brand power and marketing have improved;
- MC does not take any equity in its firms/finalists despite award prize money of \$50,000 to each winner and Harthorne believes this to be a key differentiator between MC and YCombinator or TechStars as some of the highest-quality entrants are not willing to "give away 5-10% equity in return for small money and mentorship";
- MC's model does present challenges for sustainability;
- MC operates on a \$1.8M annual budget of which \$250,000 (14%) comes from the Commonwealth of Massachusetts. Despite this public contribution, MC does "not promise a certain amount of jobs or pre-specify target metrics, but it does

share metrics and the secretary for economic development sits on its Board of Advisors";

- Most of MC's mentors/experts are from the Commonwealth;
- While some companies are lost each year to other states, there is a net gain to the Commonwealth;
- The first class of 111 startups created 500 new jobs and raised over \$100M in less than 12 months from joining MC with about 80% in Massachusetts; and finally,
- MC does a lot of outreach across sectors and engages multiple communities in events and activities.

MC is currently entertaining possible expansions into New York City and London according to Scott Kirsner (December, 2011).

Co-Working Facilities

The Cambridge Innovation Center (CIC) is an "instant-on, flexible office" facility according to Dougan Sherwood, a Director at CIC whom we interviewed February 17, 2012. While not a co-working facility it offers many similar features to co-working facilities with plug-and-play office space. CIC is a privately run operation that offers space to clients with a typical profile of one-two employees in startups focused on a "microcosm of MIT" or software, life sciences, and clean technologies. To some degree CIC competes with Dogpatch Labs and MassChallenge as a company cannot physically take part in more than one program at a time. Sherwood does see companies moving regularly between the three models depending on the stage of formation and the startups' needs. Originally, operating more like a co-working facility, CIC offered programs and events for clients; however, they moved away from that model and now are correcting back to more of a "cruise ship director model", noted Sherwood. Every Thursday night, CIC hosts VentureCafe which draws 50-300 people weekly. See: <http://www.cictr.com>. Facility Logix has participated in meetings hosted at the CIC. A mix of collaborative spaces and hard-walled offices are available.

Dogpatch Labs, a Polaris Venture Partners co-working company was founded to "connect entrepreneurs and help founders conceive, launch, and grow startups" and has locations in Cambridge, Massachusetts, Palo Alto, California, New York City, and Dublin, Ireland. Dogpatch bills itself as "much more than a physical space" and as "a community of like-minded entrepreneurs who benefit from sharing connection points (<http://dogpatchlabs.com>)."

The Hub was founded in 2005 in London and now operates 25 Hubs worldwide with another 50 in the planning stages. Current US Hub locations are in the San Francisco Bay Area and Atlanta. The Hub notes that "physical spaces are key to our impact" with other benefits being access to peer-to-peer ecosystem, engineered serendipity, and vibrant communities (<http://www.the-hub.net>). Educational programs do not appear to be a consistent part of the Hub's model. Facility Logix attempted to schedule an interview with Michelle Morgan of the Hub Atlanta; however we were unsuccessful.

WeWork is a for-profit co-working company founded in New York City in 2009 that now operates out of six buildings, with four in New York City, and one each in San Francisco and Los Angeles (<http://wework.com>). Facility Logix toured the WeWork facility located in New York City's meatpacking district on February 28, 2012. The facility we toured was located in a five story, ~30,000 gross square foot building and offered 350 "maximum seats". Hard-walled offices were of mixed sizes and accommodated between one and six employees. WeWork describes its offering as "space for grown-ups". Frequently the program hosts social events and seminars on the fifth floor which has a bar area. Each property within a given market has a sector focus (e.g. fashion, art, etc.) with a broad range of industry sectors represented including technology, graphic designers, shoe designers, and LSAT tutors. The program offers

month-to-month license agreements rather than leases, and requires a security deposit and license fee. Each building has a manager, a porter and a janitorial service. Rates are published on the company's website.

OpenSpace in Charlottesville, Virginia is a co-working company founded by Jeff Gunter, an entrepreneur, and offers affordable, simple-to-use workspace at a variety of membership rates (<http://gettoopenspace.com>). Facility Logix has participated in several meetings at OpenSpace. The lay-out is divided into three main sections, the largest being the front co-work area with open tables that can seat between four and six individuals at each table. The middle area serves a dual purpose, to create an access point between the front co-work area and the conference rooms of several sizes to the rear of the middle area, and to offer high round tables which offer additional spaces for one or two individuals. A central stocked kitchen is also provided. OpenSpace plans to open its second facility in 2012.

Hybrid Models

Jumpstart Ohio is a nationally-recognized non-profit accelerating the success of entrepreneurs, their high growth companies, and the ecosystems supporting them according to its website (<http://jumpstartinc.org>). Jumpstart achieves its objectives by 1) investing in and assisting entrepreneurs in high growth companies in the Greater Cleveland area; by 2) raising funds to support other entrepreneurial organizations and by managing a network of twenty incubators, accelerators, and investors; and by 3) applying the Greater Cleveland success and experience to other regions.

The Plug and Play TechCenter in Silicon Valley connects over 170 investors to startups and is organized into active International, University, and Corporate divisions. Like traditional incubators, Plug and Play Tech Center offers shared resources including staff to assist client companies, space for startups, and hosts educational sessions for entrepreneurs and the broader community. With three Silicon Valley locations, Plug and Play TechCenter has distinct space offerings out of each location. At the Sunnyvale location cubicles, dry lab, flex space, and office space is available. At the Redwood City campus cubicles, flex space and private office space is available. The Palo Alto location offers only private offices. According to the company's website, the combined facilities are home to 300 startups (<http://www.plugandplaytechcenter.com>). This model does not provide direct equity investments like accelerator models; however, it does host a SpringExpo where startups present their business concepts and progress to a range of potential investors. The diagram below is representative of Plug and Play TechCenter's approach to fostering collaboration:



It remains unclear whether any of the three locations offers a café environment nor is there an emphasis on serving as a single point-of-entry to the Silicon Valley entrepreneurial and innovation community.

The Innovation Pavilion in Denver, Colorado launched in the fourth quarter of 2011. According to its website, the Innovation Pavilion is loosely based on Silicon Valley's Plug and Play TechCenter and offers both co-working space and traditional incubation space (<http://innovationpavilion.com>). At 80,000 gross square feet, the project already counts among its tenants the 35-employee firm, BusinessGenetics. This model presently does not include an accelerator program nor does it offer collaborative workspaces.

CONNECT, founded in San Diego in 1985 positions itself as a resource for "all stages of innovation". From our interview with Ruprecht von Buttlar, Vice President of Business Creation and Development, on February 15, 2012, Facility Logix learned that CONNECT was originally formed to diversify the San Diego economy from its reliance on naval operations. Over the years the organization has evolved into an "accelerator and an incubator", noted von Buttlar. CONNECT is a non-profit organization and holds trade association status which grants them the opportunity to advocate politically. Entrepreneurs receive services pro-bono with CONNECT acting as a "neutral, independent broker". Operating revenues are generated through corporate membership fees and sponsors. CONNECT maintains a close association with Tech Coast Angels which provides seed funding at the \$500,000 to \$1M level. The organization hosts a Venture Roundtable three to four times annually with a focus on a particular technology sector. Presenters must apply and advance through a 3-step selection process. According to von Buttlar, CONNECT's model has been replicated 57 times worldwide. While the organization launched its mentoring program in 2006, it does not offer physical space for any CONNECT functions, but rather, relies on sponsors to provide space for collaboration, education and interaction (<http://www.connect.org>).

General Assembly (GA), founded in 2011, is located in New York City and offers educational programming, space and support to facilitate collaborative practices and learning opportunities for the entrepreneurial community (<http://generalassembly.ly>). Hosted by Vivek Sharma, founder of Movable Ink, we learned that GA offers desks at \$300/month and dedicated office space at \$600/month; however, the organization's main source of revenue is its educational offerings. The size of the space we toured was 20,000 gross square feet; however, the organization is in the process of expanding to include additional space across the street.

Dedicated desks are available for 1-10 people from an individual firm according to Sharma. Once a firm grows beyond that point, as is the case with Movable Ink, there is no option to remain a part of the community, and therefore Movable Ink was planning to move-on to a new location within a month of our visit. Noted Sharma, "GA was 100% sold-out prior to opening."

Some companies come to GA for its educational curriculum and firms located at GA have to deliver one class or presentation a month to the community. Members get discounts to GA educational programs and GA hosts Happy Hours each Friday. The GA space is divided into four main areas, with the main, open collaborative space furnished with a range of tables, couches, benches and other informal meeting areas. There are two separate, dedicated office areas which are walled off from the informal area; however, companies work side-by-side at long tables that might seat an entire individual company or multiple companies. The final type of space is shared and includes conference rooms, bike storage areas, lockers, and a kitchen. Sharma remarked that acoustics is definitely an issue as it can be very difficult to conduct a private conversation in the current environment. Similarly, additional break-out space and more conference rooms would be advantageous as he currently has to "hunt for private space for a call." In many ways GA functions like a "college environment." The single most important feature of the space is the speed and reliability of the Internet connection, which was "awful" according to Sharma when GA opened. Discounts are available to clients through RackSpace, health club memberships, and coffee shops.

Sharma believes that GA could benefit from the following changes:

- Increased number of conference rooms;
- Quieter, private spaces in addition to current offerings;
- Celebration of successes and failures as this is lacking;
- Better use of events to create bonds between companies and encourage socializing; and,
- Strong cell phones signals throughout space as no one uses a traditional phone.

Vivek and Movable Ink will return to GA from time to time following its relocation, in an effort to stay engaged and maintain a high level of quality for the organization. Because GA operates only one facility, there is tremendous press coverage from New York City organizations resulting in greater awareness for participating clients and companies.

Discussion

To date we have not discovered a single, individual model that captures all of the required entrepreneurial ecosystem elements in a single destination. CONNECT in San Diego may be the closest thing; however, it does not offer a single point-of-entry and space for the entrepreneur or innovator and the emerging growing company to support the entire range of ecosystem needs.

General Assembly also excels in some areas of the entrepreneurial ecosystem such as collaborative space and educational opportunities, but falls short in other areas such as a continuum of space and program offerings to meet the needs of companies that are beyond the start-up phase. With its strong emphasis on education, GA appears to be less successful or even interested in accelerator programs or in measuring outcomes such as job generation and wealth creation for its clients.

In several communities, there were a number of different programs each addressing some portion of the ecosystem's needs; however, we did not find a single location that serves as a meeting space, community forum, networking venue, mentor and investor destination, co-founder dating place, incubator, accelerator, co-working venue, and educational resource for programs and content ranging from how to develop a business plan, to how to implement Ruby

on Rails®, or how to use a Facebook API among many other topics of interest. Similarly, while many note the importance of celebrating entrepreneurial successes and failures (Kaufman Foundation, 2012), few places do it well and often when celebrated, in may be outside the context of where the other ecosystem activities reside. Noted Vivek Sharma (personal communication, 2012), "if someone did celebrate successes and failures well, they could get a lot more out of the community."

The more fractured or diffuse the overall community is, the harder it becomes for the community to function as just that, a *community*. In our discussion of both the survey results as well as the Town Hall Meeting observations, this theme will re-emerge highlighting the importance of both community and a space for that community to call its own and to in effect, brand itself.

According to Charles Landry, a thought-leader on transforming cities and stirring innovation, the four most important characteristics of "Hub" locations are (Helgeson, 2010):

1. They facilitate a robust talent churn;
2. They offer tangible support for innovative ventures;
3. They provide physical ground to connect across divisions and clusters; and
4. They create an undeniable sense of distinctiveness - an experience that cannot be had somewhere else.

Innovation Community Survey Results

While the survey has remained "live" since its launch back in January, Facility Logix collected and analyzed responses as of February 6th. At that date there were 171 respondents with a 75% completion rate for the survey. Over fifty percent (50%) of the respondents identified themselves as idea people, innovators, or entrepreneurs. Many respondents characterized their role in the community as "actively engaged" as mentors, influencers, or connectors. Respondents were drawn from a wide mix of the community including private company representatives, educators, social enterprises, and the arts. Over fifty percent (50%) identified their sector of interest as business services with social/non-profit enterprises and mobile applications, ranking second and third respectively.

While online connections were the most frequent form of communication through channels such as the Baltimore Tech Facebook page, blogs and Twitter feeds, more standard networking events such as those offered by the Greater Baltimore Technology Committee (GBTC), Ignite, and createBaltimore were also noted with high regularity among respondents.

Specific questions with narrative responses were analyzed utilizing SurveyMonkey's cloud view mapping analysis tool. The larger the font for each word noted in the cloud mapping views below, the higher the frequency of respondents who utilized that particular word in their response.

"What stands out about Baltimore's current innovation community?"

Baltimore Community Connected
Creative Thinking DIY Energy Events Fragmented
Going **Groups Growing** Involvement Little Network
Opportunities Outside **People Willing Potential** Reach
Resources **Strong** Support Talent **Tech** Vocal Willingness
Young

Nearly seventy-five percent (75%) of the respondents felt as though the current community "was better than average", with thirty percent (30%) characterizing the community as "vibrant". When asked what makes Baltimore an attractive place to launch and grow a business participants listed connectivity, opportunity, creative environment, and quality of life as the strongest attributes, followed by a "sense of place", a like-minded community of innovators and a "wealth of ideas."

What is missing that might accelerate innovation and entrepreneurship in Baltimore?

Business Capital Collaboration
Community Companies Disparate Groups Easier
Entrepreneurship Events Experienced **Focused**
Funding GBTC Incubators **Innovation** Interesting
Local Colleges Money **Network** Participation **Place** Smart **Social**
Startups Step **Support** Tax Workforce

Interestingly, many of the same words used to describe what stands-out about Baltimore's innovation community are listed as challenges as seen when comparing the above two cloud views. The link between people, place, community, and collaboration are all elements that are integral parts of a self-sustaining entrepreneurial ecosystem.

In the strongest, single response from the entire survey, over 85% of respondents indicated that they would take advantage of a "Hub" if created.

The following characteristics of a proposed "Hub" received strong support:

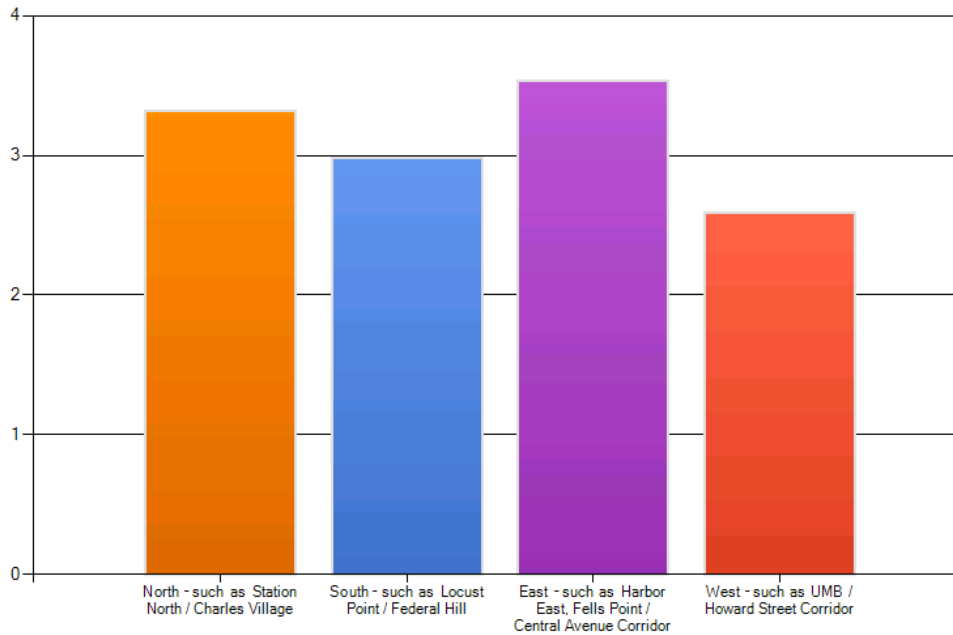
1. Meeting space - 46% of respondents
2. Mentoring - 42%

3. Educational programs - 41%
4. Space for various activities - 35%

Respondents preferred a potential location for a proposed "Hub" in a market we labeled "East" followed closely by a market we labeled "North". See table 1 below for a graphic representation of these responses.

Table 1

If a "hub" were created to address a broad range of needs for Baltimore's Innovation Community, rank the attractiveness of the following potential locations for establishing such a "hub". (1 = Not Attractive, 5 = Very Attractive)



We also looked to the community for ideas on which aspects of a proposed "Hub" would contribute to its success:

Access Business Community
 Companies Energy Entrepreneurs Environment Existing
 Fun Gather Getting Grow Important Innovation Meeting
 Mentors Needs Networking Offerings Options Place
 Public Transportation Relevant Space Synergy

When the same question was re-phrased to address aspects of a proposed "Hub" that would create challenges or lead to failure, we found similar responses:

Access Business Model Capital Community
Controlled Energy Fees Focus Fully Going Government Hub
Innovation Involvement Leadership Location
Management Marketing Needs Opportunities Physical Place
Poor Public Transportation Services Space
Top-down

The parallels between the two responses namely, community, access, space, and needs formed the basis for the development of the Town Hall Meetings described below.

Town Hall Overview and Results

The response to the Town Hall Meeting and the corresponding energy, focus and enthusiasm of the participants was hard to miss. With attendance over 130 people, the importance of engaging in such a discussion for the Baltimore creative and innovative community could not be under-stated. Participants hailed from a wide diversity of interests including investors, entrepreneurs, attorneys, educators, artists, and real estate. Online chatter during the Town Hall itself was positive with numerous Twitter feeds (hashtag #/IATH) remarking about the "diversity", "inclusiveness", and "energy" of the participants. Utilizing the full two-hours and more, the group engaged in a focused, mediated discussion on four topics, arising out of the previously conducted survey. Due to time constraints, the group was unable to include discussion on the last question.

1. What is behind our need to connect?

Noted DeGuzman (2011), "in the focused and random conversations you have with community members your creative thinking is bolstered. It's the economies of scale argument: the power of collective brainpower." The diversity of interests from Town Hall attendees resulted in a wide range of responses to the above question. We chose to consolidate responses and observations into four categories: 1) ideas; 2) resources; 3) space; and 4) learning.

From generating new ideas, to the value of "face to face" interaction, serendipitous exchange, or "exiting the vacuum of your own thoughts", the need to connect is fundamental to the success of a vibrant, sustainable entrepreneurial ecosystem.

Connections offer the opportunity to leverage resources, find needed skills, discover collaborators, and to invite critical analysis of business plans and strategies while offering timely feedback. Access to mentors in particular, proved to be a driver behind the desire to connect and efficiently use time and financial resources.

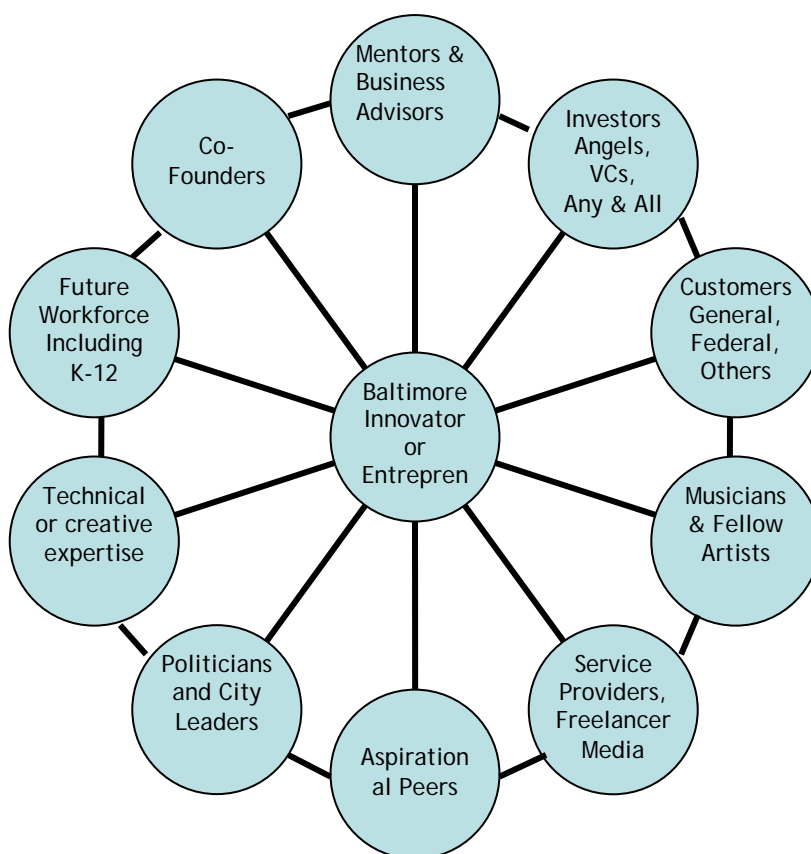
Connections require a space to take place in that is accessible, offers resources and services of value (e.g., mentors, meeting space, or educational offerings), a "community identity" that is not fractured, and affordability. The space should "frame Baltimore as not only a place to stay, but a DESTINATION."

Connections combined with space present an opportunity to engage in educational offerings both formal and informal that can advance the pace at which an individual or

company advances a business concept from ideation to start-up to acceleration and sustainability. Whether the education is in the form of success or failure stories presented by those earning their entrepreneurial "stripes" in the process, or classes focused on specific topics such as how to develop a website or specific programming code lessons, these connections could dramatically enhance the learning curve of a would-be innovator or entrepreneur or perhaps catalyze the growth curve of a plateauing start-up.

2. Who do we want to connect with and why?

The diagram below represents the collective responses and discussions around the question of whom the community wants to connect with. While this graphic representation shows the Baltimore Innovator or Entrepreneur as the center of the spoke of a wheel, it is important to note that the community does not limit the directionality of any of these contacts, but more importantly, the importance of entering the dialogue from any perspective.



The community wants to connect with the above individuals to:

1. Find a common platform;
2. Keep an eye and ear on the pulse of what is happening;
3. Import ideas and people;
4. Develop and promote social understanding;
5. Receive criticism;
6. Interact with "right-brained" people;
7. Encourage randomness;
8. Leverage connections; and

9. To break down "cliques" in the innovation community

3. What's the importance of space and place?

Common themes arising in this discussion centered on flexible, informal spaces with a variety of meeting areas ranging from café/Starbucks-type spaces, to conference rooms and gathering spaces that encourage the cross-pollination of ideas from non-industry-specific users promoting a "student union" feel as well as co-located space for the "grown-ups" to meet. The metaphor of a kitchen was used with informal gathering spaces or "kitchens", while the conference rooms might be the "family room/TV room, den, or living room", followed by the "grown-up" spaces being the "bedrooms". While the house metaphor was used to articulate the relationship between several functions within a single facility, the focus of those functions was understood by all to be business-centered. Having a single "Hub" or space would create an opportunity for the Baltimore innovation and creative community to brand itself.

4. What would make such a "Hub" successful?

Given the extensive two-hour plus discussion of prior topics we ran out of time and were unable to discuss this topic. Town Hall organizers invited participants to join us in a further discussion of this topic at a later time.

Wrap-Up

Jason Pappas, a member of the Innovation Alliance, closed out the Town Hall with the announcement that the Alliance had potentially secured a property located off Central Avenue and Pratt Street and would be developing plans to convert a facility like the former "car barn" into a "Hub" for Baltimore's innovation community. Pappas called for volunteers from the community to assist in the design and planning of the "Hub" to ensure alignment with the community's needs.

Statement of Need

Presently the creative, innovation, and entrepreneurial community in the city of Baltimore is fractured as evidenced by the numerous entities with some involvement in the community ranging from the well-regarded Emerging Technology Centers to accelerators like BetaMore and co-working venues like the former Beehive Baltimore, or programming and networking events like IgniteBaltimore, createBaltimore, and many others. This lack of cohesive identity has contributed to an inability to realize the potential to develop a sustainable entrepreneurial ecosystem built on the inherent attributes of the City, namely, a dense, walkable urban environment; high quality educational and research institutions; global access through the nearby Baltimore Thurgood Marshall International Airport; world-class arts and culture; a geographic location that is part of the Eastern metropolis ranging from New York City through Washington, DC; a high quality of life; and a well-educated workforce.

In its Greater Baltimore State of the Region 2011 report, the Regional Economic Studies Institute (RESI) of Towson University found that the Baltimore Metro Area was ranked third (3rd) highest within the study peer group of twenty (20) metropolitan areas throughout the United States, including many that are home to "Best Practices" candidates discussed earlier in this report. The "New Economy Index" is a ranking developed by the Kaufmann Foundation and is designed to measure a state's capacity to continue competing in the new global economy (RESI, 2011). Notes RESI that while Maryland is home to pre-eminent research institutions, and is ranked within the top five for the number of firms in the Deloitte Technology Fast 500 and Inc 500 firms as a percentage of total firms within the state, it is still lacking in new entrepreneurs and startups. Despite the presence of a high concentration of the noted pre-

eminent research institutions and a highly educated workforce, the city of Baltimore is not excluded from having a lack of entrepreneurs and startups.

Noted the renowned inventor Paul Graham as quoted in article by Derek Thompson of The Atlantic (February, 2012), "If you look at a list of US cities sorted by population, the number of successful startups per capita varies by orders of magnitude. Somehow it's as if most places were sprayed with startupicide." While various regions throughout the country are striving to become the next Silicon Valley, or Austin, Texas, others are taking a hard look at what it takes not only avoid Graham's "startupicide", but rather, to continue the metaphor, apply the appropriate cultivation techniques throughout the growing and harvest season to create and foster a well-fertilized, sustainable entrepreneurial ecosystem that renews itself and adapts to the pressures of continually changing climate and resource availability.

Venture capitalists and journalists attending a Chicago area dinner in early 2012 agreed that what it takes to create a startup ecosystem regardless of the urban location is the presence of serial entrepreneurs, noted dinner attendee Dylan Tweeney (2012). "Someone has to take that first leap, start a company, recruit talent, and then stick around long enough to do it again", commented Tweeney. These serial entrepreneurs generate wealth and can then provide capital by becoming angel investors or venture capitalists within the Baltimore community. Second and third generation entrepreneurs and their former employees become a pool of talent that collectively have experienced the myriad challenges, successes and failures of building, financing, and growing a company and can then apply those lessons learned in each new venture they touch. Serial entrepreneurs also provide aspirational leadership to others who are new to entrepreneurship and can be talent draws for others from outside the region as well as globally (e.g., Dave McClure of 500 Startups).

As the survey and Town Hall Meeting have evidenced, the Baltimore Innovation community is aspirational, but must overcome challenges if it seeks to create and foster a culture of entrepreneurship that results in a sustainable ecosystem that generates jobs and wealth that continue to reside in the City.

The creation of a single "Hub" to focus such efforts within the City of Baltimore could be the missing piece that enables the City to focus its resources and efforts in building a first of its kind "Hub" that is far more than a place. By removing barriers to community and connectivity, whether real or perceived, and by promoting inter-disciplinary sharing of ideas, lessons learned, and the opportunity to address the real needs of the innovation and creative community, such a "Hub" could not only fill the gaps identified in the survey but emerge as a new model that measures itself by job generation and wealth creation that is replicable and sustainable in a City where people want to live, work, and play - and remain to encourage the next generation.

Recommendations

Given the high probable likelihood that Baltimore's innovation community would become future users of a proposed innovation "Hub" based on survey responses (85%) and Town Hall Meeting discussions, Facility Logix recommends that the Innovation Alliance, The Abell Foundation, and other leaders move forward with the following:

- Discussions with key stakeholders in the Baltimore business community to include: the Mayor's office; the Baltimore Development Corporation (BDC); the GBTC; TEDCO; the ETC; and others to determine the most beneficial partnership for advancing the "Hub" concept;
- If an opportunity exists to pursue a strong partnership with the ETC, the "Hub" should look to leverage the brand recognition and strong historical track record of the ETC in a

converged strategy moving forward resulting in a stronger initial brand for the proposed new organization;

- In the absence of an ETC partnership, the "Hub" should seek to engage another strong innovation community entity that could provide similar services to that offered by the ETC while at the same time establishing cross-functional partnerships and leveraging opportunities with other "Hub" ecosystem partners such as Accelerator organizations, educational content providers, "graduate" tenants housed in adjoining spaces and nearby buildings, and creative organizations taking part in community functions and presentations;
- Further engaging volunteers from the community of users to further develop the design of the proposed "Hub" including actual physical design, as well as components of what the proposed "Hub" offers the community, including the naming of the facility;
- Development of a business plan and model that will address:
 - Development costs to renovate a facility like the "car barn" and surrounding property to accommodate the proposed "Hub";
 - Development timeline to achieve re-development of a facility like the "car barn";
 - Development and testing of an operational business model for the proposed "Hub";
 - Financing requirements as required to support either capital costs and operational needs as identified in the development of the business model;
 - Organizational structure, leadership and staffing plan; and
 - Branding and marketing approach
- Pursue a strategy that allows the proposed "Hub" to forego concentrating on specific technology sectors or business opportunities while maintaining a continually evolving model that is grounded in a socially organized fashion;
- Adopt enough structure and "governance" to ensure that the proposed "Hub" maintains its relevancy and its measurable contribution to Baltimore's economy;
- Design a sustainable revenue model for the proposed "Hub";
- Define and determine the relevancy of measurable outcomes such as new business formation and job creation; and
- Create a model and environment that strives for collaboration not only within the facility but also from among the organizations involved in innovation and entrepreneurship throughout the community.

Phase II: Development of Operational Model

Methodology

In June of 2012, Facility Logix and representatives from the Innovation Alliance, the Greater Baltimore Technology Council, and A&R Companies visited the Centre for Social Innovation (CSI) in Toronto, an internationally recognized leader in the creation of shared workspaces for organizations involved in social entrepreneurship. CSI was founded in 2003 by entrepreneurs from the Commons Group, Urbanspace Property Group, Ideas that Matter, Heritage Canada, and DECODE who imagined a new shared workspace for social entrepreneurs. The Urbanspace Property Group had purchased the Robertson Building located at 215 Spadina Avenue and the Ziedler Family (Urbanspace Property Group) funded the initial tenant improvements for CSI's inaugural 6,000 square foot space. The Ontario Trillium Foundation and the Harbinger Foundation provided operating grants to help with start-up and organizational costs. CSI opened its doors in 2004 to fourteen initial tenants. Gradually the facility expanded to include an additional 14,000 square feet in 2006 and had become home to over 180 social mission groups by mid-2007.

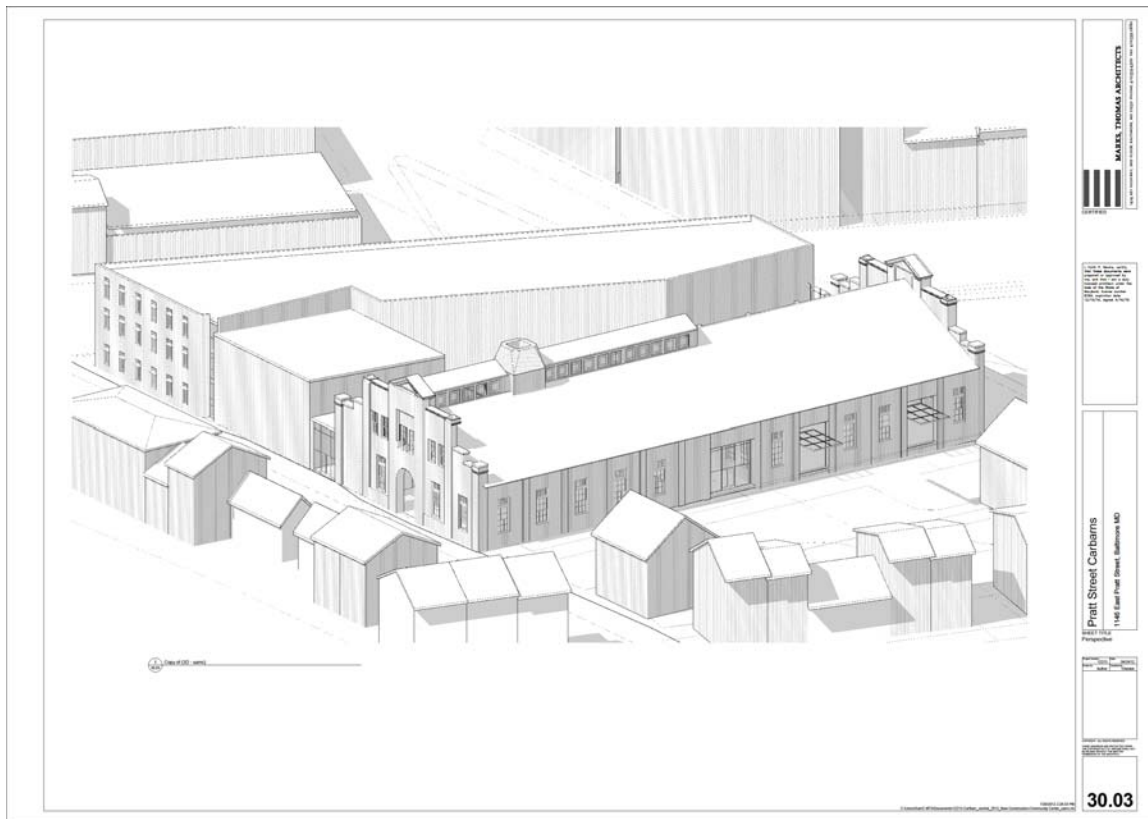
In 2010, CSI purchased a building located at 720 Bathurst Street in a residential neighborhood. This three-story building includes spaces typical of CSI's original facility on Spadina and added a ground floor café, stage space, and specific equipment provider equipped rooms that enable game developers to utilize the latest tools in their entrepreneurial efforts. CSI has continued to add to its success story in Toronto with the addition of 10,000 square feet in Regent Park, Canada's largest public housing community now undergoing revitalization. Now in 2013, CSI is expanding into New York City, leasing 24,000 square feet in partnership with RXR Realty. Eli Malinsky will lead CSI's expansion in New York City.

CSI focuses solely on advancing innovation in social entrepreneurship. CSI's model includes many of the elements of the innovation ecosystem articulated by the Baltimore community in the first part of this study such as: co-work space; small private offices; a variety of meeting spaces; flexible participation levels; and elements of a self-organizing framework. Notably, CSI has open-sourced their model which enabled us to draw from aspects of the model that work well and apply those approaches to the new model we are developing for "The Hub". Additionally, we conducted two separate phone meetings with Eli Malinsky of CSI to further understand specific features of CSI's organizational model and price structure.

As described previously, we were not able to find an existing model that matched all aspects of Baltimore's Innovation Ecosystem, or the new "Hub". As a result, the operational model described in the following pages reflects collective elements drawn from several individual models including incubators, accelerators, co-work spaces, educational forums, membership-driven/affiliate innovation communities, inclusion of café spaces within models, stage and presentation spaces, private office space, and a variety of meeting rooms and other resources under one roof.

Primary Location Overview

Working with the Innovation Alliance, we identified and evaluated a facility for "The Hub" in the desirable Central Avenue corridor, the former "Pratt Street Carbarns" located at 1146 East Pratt Street, just a short walk from many amenities. According to the Maryland Department of Planning (2013), the property was constructed in 1890 as a car barn and power house to support the briefly viable traction street-car system in Baltimore in the 1890's.

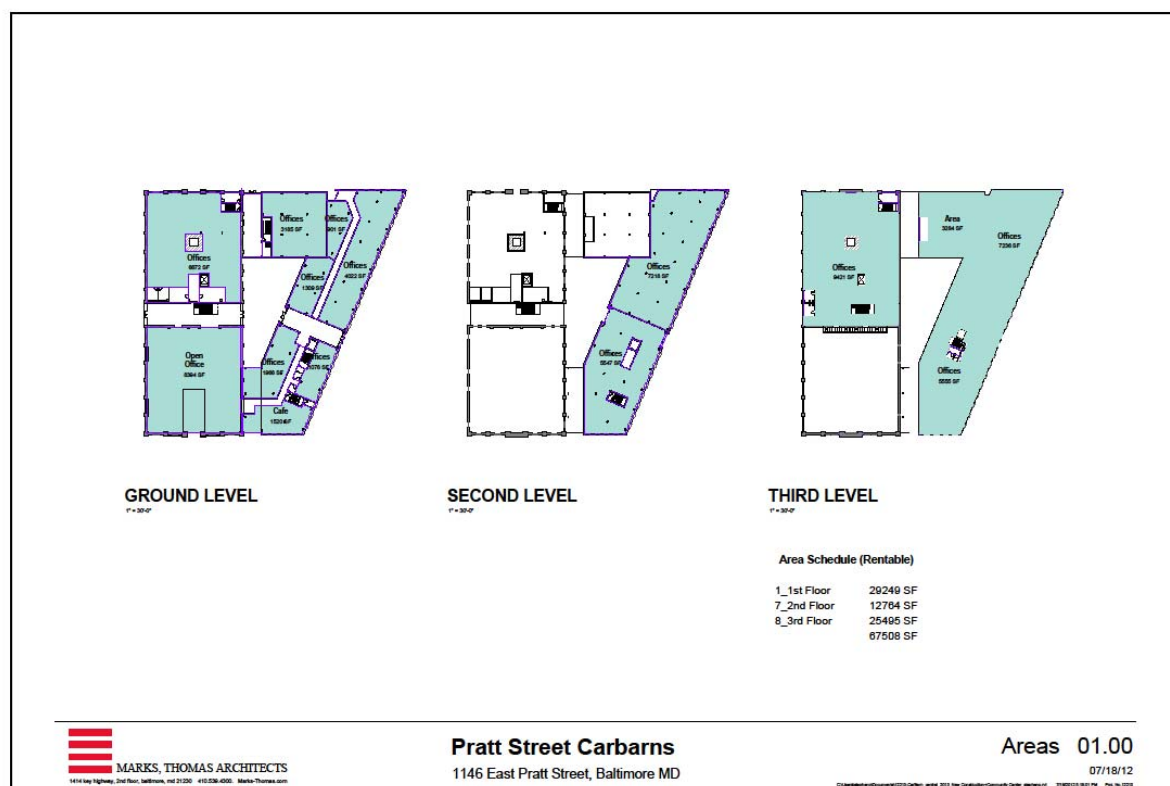


In January of 2013, the Maryland Department of Planning announced that the project to convert the Pratt Street Car barn into an innovation "Hub" was awarded \$2,820,722 in Sustainable Communities Tax Credits which will be used to support the rehabilitation and conversion of this historic property into "The Hub" which will become a key contributor to the rehabilitation of the surrounding community.

Area Review

The Innovation Alliance working with A&R Companies, a Baltimore developer, engaged the services of Marks, Thomas Architects to develop a rentable area schedule complete with required common/core space from which we were able to develop an operational model.

Marks, Thomas Architects developed an area plan with associated square footages that Facility Logix used to further the program of spaces upon which the operational model was developed.



"The Hub" areas include the two large green blocks shown in the rectangular shape on the above diagram. The block facing Pratt Street is 8,394 square feet in size while the one behind it is 6,872 square feet. The larger of these two blocks will have a high bay that extends to the roof. This space will be the "front door" of "The Hub". A small mezzanine or balcony area reachable from the third level office space (9,421 square feet) immediately above the rear portion of the first floor rectangular space overlooks the open office area of "The Hub". The café area is currently sized at 1,520 square feet and is located just to the right of the main entry area off Pratt Street in the diagonally connected portion of the building. The total

rentable square footage for "The Hub" based on the above area plan is 26,207 square feet. Elevators, rest rooms and other common area spaces are located in the white area that divides the two rectangular office spaces. The areas shown in the diagonally connected building, with the exception of the café, are not considered a leasable part of "The Hub" space; however, they do represent an important part of the innovation ecosystem as that space is intended to house the offices of individual, private companies once they have developed to a point that private, dedicated office space is required. These spaces would be marketed directly by A&R Companies and would likely be set at market rent. Such space should remain an attractive part of the innovation ecosystem as it enables firms to grow on site, while remaining in close proximity to the nexus of innovation that has energized their growth.

Program of Spaces

Utilizing the Marks, Thomas area plan, information from other models, information gathered during phase I, and feedback from CSI regarding the relationship between *types* of spaces in relationship to one another, Facility Logix developed the following program of spaces with the understanding that all of the spaces should be designed to maximize flexibility.

• Traditional "incubator" area	15,000 square feet
• Accelerator area	1,500 square feet
• Hot Desk area	1,500 square feet (15 desks)
• Conference rooms	2,280 square feet (9 rooms)
• Stage area	500 square feet
• Event area	1,500 square feet
• Gaming room	180 square feet
• Café area	1,200 square feet

The above spaces yield a total of 23,660 square feet. Applying a fifteen percent (15%) core factor to allow for hallways and other circulation space results in an overall requirement of 27,209 square feet; which is close to the area outlined by Marks, Thomas Architects.

Several of the above spaces have multiple functions. For example, the stage area and event areas can double as a community area and will include couches and a variety of other seating options where clients or members can work, meet, and interact over a cup of coffee or light lunch. The space allocated to hot desks should also be flexible enough that it could expand or contract as necessary depending upon community demand for that type of space.

Conference rooms would be available in a variety of sizes ranging from the smallest at 120 square feet to the largest at 800 square feet. The gaming room is sized such that it can be used for a conference room if necessary; however, the primary function of the space is intended to house sponsor-provided equipment for use by game developers. For a full review of the program of spaces please refer to Appendix C.

Ecosystem Features

The physical space at "The Hub" is intended to be the canvas or container in which innovation is seeded, is nurtured, thrives, and begets next generation innovation and innovators in Baltimore. The space should be filled with light and include interesting architectural features such as exposed beams and brick walls consistent with restored historic properties such as those which house the Centre for Social Innovation, General Assembly, We Work, and Open Grounds in Charlottesville, among others. The historic nature of the Pratt Street Car barn property lends itself well to this type of features and uses.

All of the spaces need to be highly adaptable and reconfigurable such that the type of events and functions hosted at "The Hub" are not limited by fixed interior architectural elements such

as walls. The kinds of events that will be held at "The Hub" span a broad range, including educational offerings such as those offered at General Assembly, hack-a-thons, start-up weekends, meetups, Ignite Baltimore, TEDx events, business plan competitions, and so on. The physical space should foster community and serve to link developers, inventors, manufacturers, artists, investors, and others in a network of shared ideas and shared passion for innovation and entrepreneurship.

Operational Model

Based on our experience with similar projects that include some elements of the proposed "Hub", Facility Logix recommends that a single, for-profit, private entity own the building. In this case, A&R Companies fulfills this role. In its ownership capacity, A&R Companies will oversee the historic rehabilitation of the property, lease designated areas to the Innovation Alliance and other entities consistent with the overall mission of the project, and lastly, provide third party property management services to the Innovation Alliance and other occupants such as accelerator programs, etc. It will be important to clearly define the role of the various project collaborators to ensure the project success as measured by new business formation and job generation, and to ensure a clean, responsive, effective environment that fosters desired collaborations and networking.

Facility Logix developed a Ten-Year Pro Forma Operating Budget detailing anticipated revenues and expenses that comprise the operational model. Please refer to Appendix D for the Pro Forma Operational Budget. Over the ten-year model "The Hub" generates a total of \$12,733,708 in revenues, while expending a total of \$12,320,475 for a total ten-year net operating income of \$413,233.

Sources of Revenue

For the project to achieve fiscal sustainability, it will be important that all possible revenue generation sources are explored and re-visited at least annually to ensure proper alignment with emerging trends in the innovation community and as the Innovation Alliance and the third party management firm become more familiar with how to maximally operate the facility.

For the initial model we have identified fifteen revenue sources described below.

1. Incubator or Anchor Tenant Rent - We have assumed a full service rental rate for this space of \$26.50 per square foot (15,000 square feet) and have applied a 15% core factor and 3% annual escalations over the ten-year rental period. This revenue source comprises 41% of the overall project revenues.
2. Accelerator Rent - Accelerators typically operate during intense, brief periods of 3-4 months. We have assumed a full service rental rate for the accelerator space (1,500 square feet) and have applied a 15% core factor and 3% annual escalations over the ten-year model period. In year one, one accelerator program operates out of the facility. In succeeding years, two separate 4-month accelerators operate out of the facility. These accelerators can be from outside the region and do not need to be permanently hosted out of the facility. This revenue source comprises 2.6% of the overall project revenues.
3. Desk Memberships - Hot desk memberships are offered at three different levels based on the committed amount of monthly desk time associated with the different levels. The maximized total hot desk revenue based on our model is \$106,575 annually. Our operating model sets hot desk revenue sales in year one at 10% of the annual maximum; moving to 40% of the annual maximum in year two; 60% of the annual maximum in year three; followed by 85% thereafter. This revenue source comprises

- 5.9% of the overall project revenues. Please refer to Appendix E for the Desk Membership Pricing Structure.
4. Community Memberships - Community memberships are non-resident memberships similar to the affiliate member programs now offered through incubator program across the country. Our operating model prices these memberships at \$30 per month. We have assumed twenty (20) community memberships in year one; thirty-five (35) in year two; fifty (50) in year three; followed by 10% annual increases thereafter. This revenue source comprises 1.8% of the overall project revenues.
 5. Shared Amenities Fees - These fees are only charged for hard space leases such as that for the incubator/anchor tenant and the accelerator. Shared amenities include things like Internet service, building security, janitorial services, coordination of vendors and relationship management, and so on. According to Eli Malinsky of CSI (2012), these fees can range from 10-20%. By keeping these fees separate from the rent, it allows management to be frank with members about these costs. Due to economies of scale, securing these services through the management service remains cheaper than securing them individually. In our model, these fees are factored at ten percent (10%) of annual rent. This revenue source comprises 1.3% of the overall project revenues.
 6. Conference Room Rentals - Conference rooms can be rented by outside parties as well as members or tenants of "The Hub". We developed a conference room rental price structure based on the size of the various rooms and the length of time needed. Based on this pricing structure, the maximum annual fee generation for this space is \$498,960. Our model is very conservative in this area. In year one we assume conference room rentals reach 15% of the maximized annual total; followed by 30% of the maximum annualized total in year two; 50% in year three; followed by three percent (3%) annual increases thereafter. This revenue source comprises 19.2% of the overall project revenues. Please refer to Appendix F for the Conference Room Rental Pricing Structure.
 7. Event and Stage Rentals - Please refer to Appendix F to find our assumptions on rental rates for these areas. The maximized annual income based on our assumptions for these two uses is \$103,200. The annual revenue targets for event and stage rentals match the assumptions for gradual increases taken for Conference Room Rentals above. This revenue source comprises 4.0% of the overall project revenues.
 8. Educational Session Fees - We developed our assumptions for educational session fees on modified General Assembly-type course offerings. Our model includes both individual educational sessions priced at \$40/class (short classes) and three-hour workshops priced at \$150 each. In year one, we assume 24 classes with 20 attendees at each class, and 12 workshops with 10 attendees at each workshop. In year two, these figures increase by 10%; in year three these figures increase by 20%; and are followed by 5% annual increases thereafter. This revenue source comprises 4.7% of the overall project revenues.
 9. Café Income - According to the National Restaurant Association (2012), the average size coffee shop or café is 1,200 square feet. Utilizing data presented in the SBDC's National Information Clearinghouse report we developed an income model for the café. CSI's café is a fairly new addition to its Bathurst Street location. As Eli noted, "CSI did not want the café to be a public space even though it is in a residential neighborhood. The café depends on CSI to bring in business." CSI has entered into a strategic partnership with the café manager whereby CSI receives five percent (5%) of the total café revenues. Please refer to Appendix G for our Café Income Determination

structure. Our model shows a relatively negligible contribution to the overall project revenues at 0.2%.

10. Liquor License Income - Our model includes the ability to host events and other functions where liquor is served. We estimated maximum annual liquor license income at \$60,480 based on holding six events per month with an average attendance of sixty (60) people at each event. The cost per drink is estimated at \$10, with the margin per drink estimated at \$7 each. Each attendee averages two drinks per event. For our model, we conservatively hedged the above maximized income and modeled year one revenue at 30% of the maximum; year two revenue at 50% of the maximum; and years three through ten at 85% of the annual maximum. This revenue source comprises 3.6% of the overall project revenues.
11. Gaming Room Rental - The rental rate for the gaming room is set at \$150/hour. In year one, we modeled 10 hours per month. In year two, we modeled 20 hours per month. In year three, we modeled 30 hours per month, followed by 10% increases per year thereafter. This revenue source comprises 5.2% of the overall project revenues.
12. 3D-Printer Fees - We modeled an average job cost of \$175 with a maximum number of three jobs per day. The maximum annual total revenue is \$136,500 which decreases to \$109,200 if we include 20% downtime. Our model includes 20% of the maximum annual total revenue in year one, with 10% annual increases thereafter to a maximum of 60% of the total. *This fee estimate is the least understood of all modeled revenue sources.* This revenue source comprises 2.4% of the overall project revenues.
13. City Subsidy - We have included a subsidy from the Baltimore Development Corporation of \$200,000 in year one, which decreases to a subsidy of \$75,000 in year two. Our model does not include any city subsidy following year two.
14. Grants - We have included modest grant revenues to support operations in years one through five.
15. Sponsorships - We have included revenue from sponsorships starting at \$30,000 annually in year one, followed by 15% annual increases thereafter.

Staffing Assumptions

Based on information shared by CSI, We Work, and others, Facility Logix developed a staffing plan that includes the following positions:

The "Director"



The "Community Organizer"



Accounting Assistant



The Director is the engine that will drive the success of "The Hub". This individual must be an active member of the innovation community and will need to be an innovation "evangelist" capable of securing commitments from accelerators, interest and engagement from angels and other investors, credibility among the creative and innovation community, and an entrepreneur. This is a full-time position. We have modeled a starting salary of \$100,000 per year with 4% annual increases. We have included a 32% mark-up for overhead and benefits associated with this position.

The Community Organizer is similar to a position coined by CSI, the "Community Animator". This individual will play a key role in shaping the feel and vibe of "The Hub" and in developing and organizing events, programmatic contents, and other "Hub" offerings. Our model includes fifty percent (50%) of a full-time equivalent in this role in year one at a base salary of \$40,000 with a 32% mark-up for overhead and benefits. In year two this becomes a full-time position.

We include 4% annual salary increases in our model. As the volume of events and the activity picks up we add a second, full-time Community Organizer in year four.

The Accounting Assistant is responsible for bookkeeping, accounts payable, and accounts receivable. Our model includes fifty percent (50%) of a full-time equivalent in this role in year one at a base salary of \$40,000 with a 32% mark-up for overhead and benefits. This remains a part-time position until year five when it becomes a full-time position. We include 4% annual salary increases in our model.

Payroll services are provided by a third party service provider such as Paychex. We have modeled the rates and benefits packages based on similarly sized non-profit organizations.

Expense Assumptions

We have modeled expenses as follows:

1. Rent is included at \$22.50 full service per square foot over the entire leased space of 27,209 square feet. We have included 3% annual escalations in this expense.
2. Property management is built into the full service lease amount described in number one above. The full service lease amount includes A&R Companies' figures of \$2 per square foot for operating expenses and \$6.50 per square foot for pass throughs and taxes.
3. Administrative expenses include items such as: cell phones for staff; internet service; website hosting fees; office supplies; kitchen supplies; copier lease; copier supplies; and postage.
4. Based on our experience with similar programs across the country, we have included an allowance for bad debts at 2% of the annual gross revenues.
5. We have included accounting services at \$15,000 annually which will include the cost of annual non-profit auditing.
6. We have included a year one budget of \$20,000 for legal services under the assumption that costs would be incurred to set up the non-profit. This may no longer be required.
7. We have included advertising and marketing costs estimated at \$20,000 in years one and two and tapering slightly thereafter.
8. We have included property and liability insurance at \$12,000 in year one followed by 3% annual escalations thereafter.
9. We have include Director's and Officer's insurance for the Innovation Alliance Board of Directors at \$7,000 in year one followed by 3% annual increases thereafter.
10. Based on input from Eli Malinsky of CSI as well as our own experience with incubator and co-work spaces throughout the country, we have included a "Reconfiguration Allowance" set at \$7,500 in year one, followed by 3% annual increases thereafter.
11. We have included costs associated with obtaining and maintaining a liquor license at \$50/day, followed by 3% annual increases after year one.

12. Given the number and variety of events we anticipate will be offered at "The Hub" it will be important to utilize scheduling software. As in the case of CSI, we have modeled an off-the-shelf product for use in the first two years with associated modest expense to obtain the software and licenses. In year three of the operating budget, we include a one-time expense of \$50,000 for the development of custom scheduling software.
13. We have included costs associated with purchasing a 3D-printer and associated supplies. *This estimate is the least understood of all expenses outlined in our ten-year budget model.*
14. We have included costs to obtain computers and software for Innovation Alliance staff.

Significance of Estimates

Where possible we have relied on published or communicated data to develop the assumptions captured in the operational budget. The ground-breaking nature of the proposed "Hub" made it impossible to rely on a completely aligned "Best Practice". As described previously, our model represents a hybrid that draws elements from a range of "best practice" scenarios. In particular, we feel that further study and data normalization is needed based on current Baltimore area pricing in the following revenue categories:

- Event and stage rentals;
- Conference room rentals;
- Educational session fees;
- Café income;
- Liquor license income;
- Gaming room rentals; and
- 3D printer fees

Likewise it would be prudent to analyze current market rental rates to determine whether the pricing structure for the incubator or anchor tenant rent, accelerator rent, and Innovation Alliance rent is competitive. The proposed rates coupled with the qualitative allure of "The Hub" being the place to be for Baltimore's innovation community, must represent a significant hard and soft value proposition to rapidly generate interest and enthusiasm for the project ultimately encouraging the innovation community to establish its ecosystem at "The Hub".

Next Steps

While "The Hub" presents an attractive home for Baltimore's Innovation Ecosystem and represents a brand new model for engaging and fostering the entrepreneurial effort of the innovation community, it is clear that the above model relies heavily on revenue generated from a yet-to-be-named anchor or incubator tenant. When this study began, the Emerging Technology Center (ETC) was a prime candidate to move into that role. The Innovation Alliance understands that the ETC is considering options other than the Car Barn for its continued Canton-based operations. The ETC had recently completed its own study that argued for a smaller, more flexible footprint that would allow it to provide more programming and nurturing services for entrepreneurs with less time spent on property management and leasing-related functions.

Securing a forward thinking anchor tenant that may or may not be modeled on more traditional incubators remains of critical importance for the success of this project. Given what we have seen in other cities, we believe that the proposed model described in this report represents the

best opportunity to create and nurture the entire entrepreneurial ecosystem described in phase I of this study under one roof. It will be important for the Innovation Alliance to package the opportunity in a manner that captures the potential of "The Hub" to be a first-mover that engages and catalyzes new company formation and job growth.

Several steps must occur to firm up the package and message that the Innovation Alliance will need to use to secure the anchor or incubator tenant, to secure vibrant, successful accelerator programs, and to generate community interest in the project.

- Work with A&R Companies and its architect to develop a floor plan and corresponding design for the project. Engage the innovation community that was so energized by the Town Hall to solicit their input in the design and development of the facility.
- Develop a prioritized list of key vendor suppliers that might contribute expertise and product that could be used at the facility (e.g., systems/modular office furniture, gaming consoles and gear, 3D printers, scheduling software providers, etc.). Contact these firms and determine their level of interest in participating financially.
- Work with A&R Companies to develop a capital improvement budget for the restoration and build-out of the Pratt Carbarns building.
- Work with A&R Companies and The Abell Foundation to arrive at a lease structure that enables the Innovation Alliance to be successful while underwriting some of the risk inherent in A&R's investment in the project.
- Meet with the Baltimore Development Corporation to secure its support for the project and the associated subsidy.
- Test the revenue and expense assumptions against local and regional market conditions specific to the type of revenue generation anticipated (e.g., what do conference rooms rent for in the Baltimore area)
- Develop and issue a Request for Proposal (RFP) seeking an anchor/incubator tenant. Evaluate responses and select the anchor/incubator tenant.
- Develop and issue a Request for Proposal (RFP) seeking multiple accelerator programs. Evaluate responses and develop a schedule for accelerator program hosting at "The Hub".
- Develop a job description and conduct a search for the Director position as this hire will be critical to the success of the project.

Appendix A Survey Questions

Innovation Alliance Survey	
<p>The Innovation Alliance, Inc. with funding from the Abell Foundation, has commissioned a study to evaluate emerging trends in innovation and entrepreneurship in Baltimore. The study will evaluate how innovators and entrepreneurs currently interact and collaborate, what existing programs, events and activities work well in supporting this community, and what is missing that might accelerate innovation and entrepreneurship. This survey will take approximately 20 minutes to complete.</p> <p>After collecting responses to this survey, the Innovation Alliance will invite you and others to participate in a town hall meeting to discuss our community's needs face-to-face. We will focus on concrete solutions and next steps. We want you to be part of that process.</p> <p>We will be happy to share the Executive Summary with respondents who provide complete contact information.</p> <p>1. Provide Contact Information:</p> <p>Name: <input type="text"/></p> <p>Company (If Applicable): <input type="text"/></p> <p>Twitter (@username): <input type="text"/></p> <p>Email Address: <input type="text"/></p>	

Innovation Alliance Survey

Tell Us About Yourself

***2. How would you describe your role(s) in the innovation/entrepreneurship continuum?**

- | | |
|---|---|
| <input type="checkbox"/> Idea person | <input type="checkbox"/> Angel investor |
| <input type="checkbox"/> Innovator | <input type="checkbox"/> VC investor |
| <input type="checkbox"/> Evaluator | <input type="checkbox"/> Mentor |
| <input type="checkbox"/> Co-Founder | <input type="checkbox"/> Influencer |
| <input type="checkbox"/> Community Leader | <input type="checkbox"/> Connector |
| <input type="checkbox"/> Entrepreneur | <input type="checkbox"/> Student |
| <input type="checkbox"/> Event organizer | |
| <input type="checkbox"/> Other (please specify) | |

***3. How would you describe the industry sector(s) or business opportunities you are interested in? (check all that apply)**

- | | |
|---|---|
| <input type="checkbox"/> Arts and humanities | <input type="checkbox"/> Software (other than mobile applications) |
| <input type="checkbox"/> Business services | <input type="checkbox"/> Graphic / web |
| <input type="checkbox"/> Education (for profit) | <input type="checkbox"/> Search |
| <input type="checkbox"/> Healthcare | <input type="checkbox"/> Digital / cyber security |
| <input type="checkbox"/> Hardware | <input type="checkbox"/> Social and non-profit |
| <input type="checkbox"/> Mobile applications | <input type="checkbox"/> Product development – other than hardware/software (i.e., manufacturing) |
| <input type="checkbox"/> Other (please specify) | |

Innovation Alliance Survey						
Tell Us About Yourself (Cont.)						
*4. How often do you connect or interact with the Baltimore Innovation/Entrepreneur community? (1 = Rarely, 5 = Frequently)						
	1	2	3	4	5	N/A
Meet-ups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digital word-of-mouth	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hacker events	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Networking events	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Blogs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facebook sites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Educational programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Co-working group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Special Interest Groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
College or University	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>					

Innovation Alliance Survey	
Tell Us About Yourself (Cont.)	
* 5. Indicate which specific events you have attended in the last 18 months or groups you are affiliated with (check all that apply):	
<input type="checkbox"/> Find a Co-Founder	<input type="checkbox"/> Ignite Baltimore
<input type="checkbox"/> Baltimore TechBreakfast	<input type="checkbox"/> betascape
<input type="checkbox"/> Open Source Hack Night	<input type="checkbox"/> TEDx Baltimore
<input type="checkbox"/> CreateBaltimore	<input type="checkbox"/> GBTC Event
<input type="checkbox"/> theNode	<input type="checkbox"/> ETC Accelerator
<input type="checkbox"/> thinkBIG Baltimore	<input type="checkbox"/> I did not attend an event and am not affiliated with any of these groups
<input type="checkbox"/> Other (please specify)	
<div></div>	

Innovation Alliance Survey					
Tell Us About Baltimore's Innovation Community					
<p>*6. How would you rate the innovation/entrepreneur community in Baltimore in comparison to other communities that you are familiar with? (1 = Stagnant, 5 = Very Vibrant)</p>					
	1	2	3	4	5
Rate the innovation/entrepreneur community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>7. What one thing stands out to you about Baltimore's Innovation Community?</p> <div> <div></div> <div></div> </div>					

Innovation Alliance Survey						
Tell Us About Baltimore's Innovation Community (Cont.)						
* 8. What qualities or factors make Baltimore the kind of place you would like to start and grow a business? (1 = Low, 5 = Very Important)						
	1	2	3	4	5	N/A
Harbor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Creative environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public transportation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Connectivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Like-minded community of innovators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Funding environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Workforce quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mentoring environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sense of "place"	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment	<input type="text"/>					

Innovation Alliance Survey						
Tell Us About Baltimore's Innovation Community (Cont.)						
*9. What qualities or factors make Baltimore the kind of place where it is difficult to start and grow a business? (1 = Low, 5 = Very Important)						
	1	2	3	4	5	N/A
Quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Creative environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public transportation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Connectivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Like-minded community of innovators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Funding environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Workforce quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mentoring environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disparate/dilute incubation/acceleration/innovative programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sense of "place"	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Celebration of innovation/entrepreneurship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment	<input type="text"/>					

Innovation Alliance Survey	
Tell Us About Baltimore's Innovation Community (Cont.)	
10. What existing programs, events and activities work well and why?	<div></div>
11. What is missing that might accelerate innovation and entrepreneurship in Baltimore?	<div></div>

Innovation Alliance Survey					
Tell Us Whether a Hub for the Innovation Community Makes Sense					
* 12. If a facility, a "hub", were created to support a broad range of needs for Baltimore's Innovation Community, what type of programs/services should such a "hub" offer? (1 = Not Important, 5 = Essential)					
	1	2	3	4	5
Educational	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Start-up Weekends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mentoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Office space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Co-work space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Meeting space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demo Labs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fabrication Areas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wifi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Snacks and beverages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquor License	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fun space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment	<input type="text"/>				

Innovation Alliance Survey

Tell Us Whether a Hub for the Innovation Community Makes Sense (Cont.)

***13. If such a hub were available, would you take advantage of it?**

☐ Yes

☐ No

Innovation Alliance Survey																																			
<p>* 14. How frequently would you use/take advantage of such a "hub"? (e.g., hours/week or number of times/week, number of times/month, etc.)</p> <table border="1"> <thead> <tr> <th></th> <th>1-5</th> <th>6-10</th> <th>> 10</th> </tr> </thead> <tbody> <tr> <td>Visits per Month</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> </tbody> </table>							1-5	6-10	> 10	Visits per Month	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>																						
	1-5	6-10	> 10																																
Visits per Month	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>																																
<p>* 15. If a "hub" were created to address a broad range of needs for Baltimore's Innovation Community, rank the attractiveness of the following potential locations for establishing such a "hub". (1 = Not Attractive, 5 = Very Attractive)</p> <table border="1"> <thead> <tr> <th></th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>North – such as Station North / Charles Village</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>South – such as Locust Point / Federal Hill</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>East – such as Harbor East, Fells Point / Central Avenue Corridor</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>West – such as UMB / Howard Street Corridor</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> </tbody> </table>							1	2	3	4	5	North – such as Station North / Charles Village	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	South – such as Locust Point / Federal Hill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	East – such as Harbor East, Fells Point / Central Avenue Corridor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	West – such as UMB / Howard Street Corridor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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<p>Comment</p> <div></div>																																			

Innovation Alliance Survey

Tell Us Whether a Hub for the Innovation Community Makes Sense (Cont.)

16. What would make such a Hub successful?

17. What would make such a Hub fail?

Innovation Alliance Survey

Your Forum

18. We're sure we haven't captured the entire range of ideas or needs on the future of innovation and entrepreneurship in Baltimore. Please use the space below to share any additional thoughts and/or to suggest other individuals or organizations that we should talk to regarding this study.



Appendix B
Town Hall Facilitation Presentation



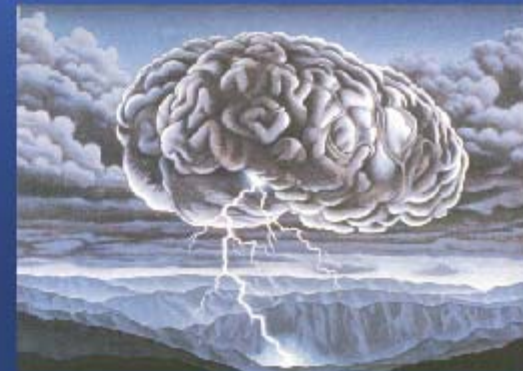
Proposed Objectives

- To look inside your heads to discover...
 - What does the innovation community need?
 - What do we need to collaborate better?
 - What might help?
 - Who would like to help?
- To have fun!



Why Brainstorm A Hub?

- Your ideas are key
- What the questionnaire said
- The thinking behind the hub



A Scan of the Agenda

- Introduction
- The need to connect
- The need to connect with whom
- The need for a space to connect
- The need to succeed
- Next steps



Ground Rules

- Stay on track and on time
- Looking for needs, NOT solutions
- Rotate reporting; note-taking
- One conversation at a time
- All participate, no one dominates
- Turn off cell phones, "crackberries"
- Go for 80%; "B" is OK
- "Yes...and"
- No "blame-storming"
- Say it NOW!



Roles

■ Facilitator

- ☐ Suggest a process
- ☐ Content neutral
- ☐ Rodeo Clown

■ You

- ☐ Lots of needs
- ☐ Lots of ideas
- ☐ Energy
- ☐ Volunteer



Why Connect?

You ask for mentoring, education, meeting, support, networking, and co-work space:

- Why?
- What needs will this meet?
- How do you meet those needs now?
- Are they being met in the way and at the level you want?
- What's missing?



Connect to Whom?

- To Whom Do You Want to Connect?
- Why? Who are they? What are they like?
- What do they do for you?
- What do you want or need from them?
- Under what circumstances do you want to connect with them?
- What stands in the way of connecting with them now?
- What is the best way in which to connect with them – what type of program or environment?



The Importance of Space & Place

- How does space affect Baltimore's innovation community?
- Would it be important to have a "hub" for the different activities? Why?
- How would you use such a space to share ideas and collaborate?
- What do you need the hub to do for you?

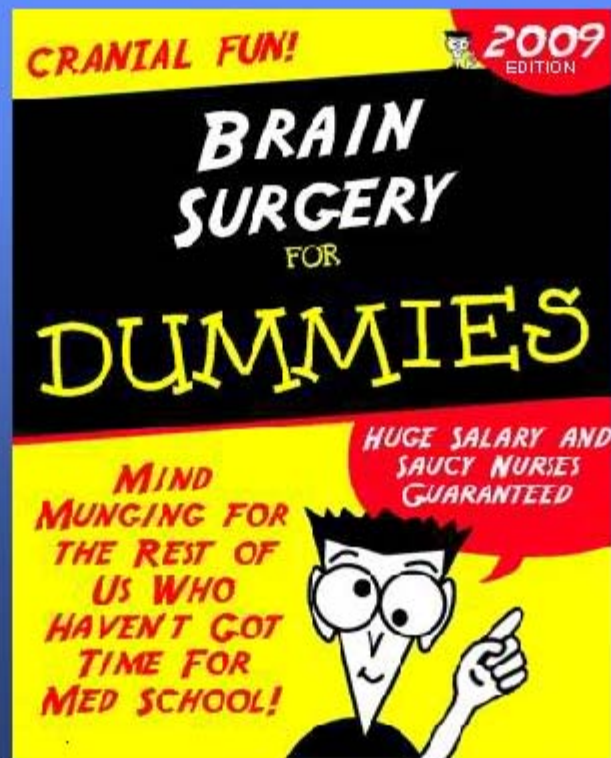


What's a Hub Need to Succeed?

- What would bring you to a Hub?
- What would keep you away?



Next Steps



Thank You!

Greg Conderacci
Good Ground Consulting LLC
gc@goggc.com
[www.goodgroundconsulting](http://www.goodgroundconsulting.com).com
@gregsdirt
443-756-8213



Appendix C Program of Spaces

Allocation of Space Summary		
<u>Type of Use</u>	<u>Leasable Square Footage</u>	<u>Comments</u>
Incubator Area	15000	Dedicated space
Accelerator Area	1500	Dedicated space
Hot Desk Area	1500	100 sft/desk
Conference Rms.	2280	Breakdown below
Stage Area	500	Doubles as community area - e.g. includes couches, etc.
Event Area	1500	Doubles as community area - e.g. includes couches, etc.
Gaming Room	180	Dedicated space with sponsor-provided equipment.
Café Area	<u>1200</u>	Avg café/coffee shop size 500-3000 sqft
Sub-Total:	23,660	
Core Factor @ 15%	3,549	
Facility Total:	27,209	If you pull out café to match Marks Thomas' allocations total drops to 25,829 gsf - match to Marks Thomas @ 24,687 gsf.

Conference Room Specifics:

	Square Footage Required	
120 Square Feet:	2	240
180 Square Feet:	2	360
240 Square Feet:	2	480
400 Square Feet:	2	400
800 Square Feet:	1	<u>800</u>
Total:		2280

January 6, 2013
Prepared by: Facility Logix

Appendix D Pro Forma Operating Budget

DRAFT INNOVATION ALLIANCE TEN-YEAR OPERATING BUDGET

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Income											
Incubator/Anchor Tenant Rent ¹	457,125	470,839	484,964	499,513	514,498	529,933	545,831	562,206	579,072	596,444	5,240,426
Accelerator Rent ²	15,249	\$ 31,413	32,355	33,326	34,326	35,356	36,416	37,509	38,634	39,793	334,376
Desk Memberships ³	10,658	42,630	63,945	90,589	90,589	90,589	90,589	90,589	90,589	90,589	751,355
Community Memberships ⁴	7,200	12,600	18,000	19,800	21,780	23,958	26,354	28,989	31,888	35,077	225,646
Shared Amenity Fees ⁵	14,171	15,068	15,520	15,985	16,465	16,959	17,467	17,991	18,531	19,087	167,244
Conference Room Rental ⁶	74,844	149,688	249,480	256,964	264,673	272,614	280,792	289,216	297,892	306,829	2,442,992
Event & Stage Income ⁷	15,480	30,960	51,600	53,148	54,742	56,385	58,076	59,819	61,613	63,461	505,285
Educational Session Fees ⁸	37,200	44,640	53,568	56,246	59,059	62,012	65,112	68,368	71,786	75,376	593,367
Café Income	587	1,409	2,348	2,465	2,583	2,660	2,740	2,822	2,907	2,994	23,515
Liquor License Income ⁹	18,144	30,240	51,408	51,408	51,408	51,408	51,408	51,408	51,408	51,408	459,648
Gaming Room Rental ¹⁰	18,000	36,000	54,000	59,400	65,340	71,874	79,061	86,968	95,664	105,231	671,538
3D-Printer Fees ¹¹	21,840	24,024	26,426	29,069	31,976	35,174	35,174	35,174	35,174	35,174	309,205
City Subsidy ¹²	200,000	75,000	-	-	-	-	-	-	-	-	275,000
Grants	50,000	30,000	15,000	15,000	15,000	-	-	-	-	-	125,000
Sponsorships ¹³	30,000	34,500	39,675	45,626	52,470	60,341	69,392	79,801	91,771	105,536	609,112
Total Income:	970,498	1,029,010	1,158,289	1,228,540	1,274,909	1,309,261	1,358,413	1,410,859	1,466,930	1,526,999	12,733,708
Expenses											
Personnel											
Director ¹⁴	132,000	137,280	142,771	148,482	154,421	160,598	167,022	173,703	180,651	187,877	1,584,806
Community Organizers ¹⁵	26,400	54,912	54,912	109,908	114,305	118,877	123,632	128,577	133,720	139,069	1,004,314
Accounting Asst. ¹⁶	26,400	27,456	28,554	29,696	64,247	66,817	69,490	72,269	75,160	78,166	538,256
Payroll services - 3rd party ¹⁷	7,000	7,210	7,426	8,500	8,755	9,018	9,288	9,567	9,854	10,149	86,767
Rent @ \$22.50 psf Full Service, 3% es.	612,000	630,360	649,271	668,749	688,811	709,476	730,760	752,683	775,263	798,521	7,015,894
Property Management ¹⁸	0	0	0	0	0	0	0	0	0	0	-
Administrative											
Bad Debt Allowance ¹⁹	19,410	20,580	23,166	24,571	25,498	26,185	27,168	28,217	29,339	30,540	254,674
Telephone	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	114,639
Staff cell phones ²⁰	6,000	6,000	6,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	74,000
Internet service, main & website	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	229,278
Office supplies	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	28,660
Kitchen supplies	2,500	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	53,296

Prepared By: Facility Logix

1/6/2013

1

Copier lease	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829	68,783
Copier supplies	2,000	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	42,636
Postage	1,200	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900	16,439
Legal services	20,000	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	45,398
Accounting services	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	171,958
Advertising & marketing	20,000	20,000	15,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	139,000
Travel - lodging, travel, meals	3,000	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	63,955
Bank Fees, miscellaneous dues	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	11,464
Miscellaneous	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	11,464
Building Expenses											
Insurance - property & liability	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	137,567
Insurance - Directors & Officers	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	80,247
Security Systems & Equipment	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,928
Reconfiguration Allowance	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	171,958
Class C Liquor License @ \$50/day	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	229,278
Scheduling software	3,000	5,000	50,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	75,500
3-D printer & supplies	15,000	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	35,318
Employee computers & software	4,500	-	-	1,500	-	1,500	-	1,500	1,500	1,500	12,000
Total Expenses	1,004,410	1,036,918	1,109,064	1,149,829	1,218,538	1,259,171	1,298,386	1,341,998	1,385,559	1,430,622	12,320,475
Net Operating Income:	(33,912)	(7,908)	49,225	76,711	56,371	50,090	60,027	68,860	81,371	96,377	413,233

1. Incubator Rent: \$26.50 psf full service with 15% core factor and 3% annual escalations.
2. Accelerator Rent: \$26.50 psf full service with 15% core factor. Assumes one, 4-month accelerator program in year one, followed by two, 4-month accelerator programs thereafter. 3% escalation on rent.
3. Hot desk memberships at 10 % of annual max year 1; 40% of annual max year 2; 60% year 3; 85% thereafter. Annual max is \$106,575.
4. Community memberships estimated at \$30/month/member. Estimate 20 members in year 1; 35 in year 2; 50 in year 3; followed by 10% increases annually thereafter.
5. Only taken on hard space leases (e.g., incubator and accelerator) - allows for increases related to provision of amenities - factored at 10% of rent, increases at 3% annually.
6. Conference room rentals at 15% year 1; 30% year 2; 50% year 3; followed by 3% increases annually thereafter.
7. Event and stage rentals at 15% year 1; 30% year 2; 50% year 3; followed by 3% increases annually thereafter.
8. Educational session fees set at \$40/class and \$150/workshop; year 1 @ 24 classes with 20 attendees at each and 12 workshops with 10 attendees at each; year 2 increase by 20%; year 3 increase by 20%; followed by 5% annually thereafter.
9. Year 1 at 30% of annual liquor license income from worksheet; year 2 at 50% of annual liquor license income; year 3-10 at 85% of annual liquor license income.
10. Gaming room rental rate set at \$150/hour; year 1 @ 10 hrs/mo; year 2 @ 20 hrs/mo; year 3 @ 30 hrs/mo; followed by 10% increases annually thereafter.
11. 3-D printer avg. job cost of \$175; max # of jobs/day of 3; annual max total is \$136,500 w/20% downtime = annual max of \$109,200; year one at 20% of max; followed by 10% increase/year to max of 60%.
12. Year 1 BDC subsidy @ \$200,000 (less than half current ETC subsidy); decreases to \$75,000 subsidy in year 2; and goes away thereafter.
13. Year one at \$30,000, increase by 15% annually thereafter.
14. Hired year 1, base salary @ \$100,000 with 32% overhead mark-up, 4% increases annually after year one.
15. Initial hire 50% FTE year 1 base salary @ \$40,000 with 32% overhead mark-up. 4% increases annually after hire year one. 2nd hire @ year 4, base salary @ \$40,000 with 32% mark-up. 4% increases thereafter.

16. Accounting assistant 50% FTE @ \$40,000 with 32% overhead mark-up, 4% increases annually. Full-time as of year 5.
17. Third party payroll services for payroll, taxpays, benefits, etc. - matched to other non-profits by # of employees. Increases with additional employees. Escalates @ 3% annually.
18. Property management built into full service lease amount - A&R rates of \$2 psf for OPEX and \$6.50 for pass throughs and taxes.
19. Bad debt allowance only - 2% of annual gross income.
20. Cellphones for direct hire staff only at \$165/staff member/month. Increase as staff brought on.

Appendix E Desk Membership Pricing Structure

Desk Membership Pricing Structure							
Desk Membership Type	Rate	# Desks	Avail Slots		Sales/Mo ²	Rev/Mo	Rev/Year
			Month ¹				
Desk20	75	4	35		53	\$ 3,938	\$ 47,250
							20 hours desk time w/3 conf rm slots/month
Desk60	125	4	12		18	\$ 2,188	\$ 26,250
							60 hours desk time w/6 conf rm slots/month
Desk100	150	7	12		18.38	\$ 2,756	\$ 33,075
							100 hours desk time w/8 conf rm slots/month
Total:						\$ 106,575	

Notes:

1. Regular work hours @ 175/month x # of desks/# hours for each membership type.
2. Available slots/month x 0.5 off-hours access x 3 for oversell.

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Appendix F Conference Room Rate Schedule

Conference Room Event Price Structure

Space		RATES				
Name	Square Footage	Hourly	Daily ¹	Monthly	Weekend	
Event Area	2000	n/a	\$1,000	n/a	\$2,500	
Stage Area	500	n/a	\$800	n/a	\$1,500	
Conference Room 1	120	\$50	\$275	n/a	n/a	
Conference Room 2	120	\$50	\$275	n/a	n/a	
Conference Room 3	180	\$70	\$375	n/a	n/a	
Conference Room 4	180	\$70	\$375	n/a	n/a	
Conference Room 5	240	\$100	\$535			
Conference Room 6	240	\$100	\$535			
Conference Room 7	400	\$200	\$1,000			
Conference Room 8	400	\$200	\$1,000			
Conference Room 9	800	\$350	\$1,900			
Rental Projections per Month						
Name	Hourly Rentals	Daily Rentals	Weekend Rentals	Monthly Rentals	Monthly Total	Yearly Total
Event Area		1 x \$1000	1.5 x \$2500		\$4,750	\$57,000
Stage Area		2 x \$800	1.5 x \$1,500		\$3,850	\$46,200
Conference Room 1	20 x \$50	4 x \$275			\$2,100	\$25,200
Conference Room 2	20 x \$50	4 x \$275			\$2,100	\$25,200
Conference Room 3	20 x \$70	4 x \$375			\$2,900	\$34,800
Conference Room 4	20 x \$70	4 x \$375			\$2,900	\$34,800
Conference Room 5	20 x \$100	4 x \$535			\$4,140	\$49,680
Conference Room 6	20 x \$100	4 x \$535			\$4,140	\$49,680
Conference Room 7	20 x \$200	4 x \$1000			\$8,000	\$96,000
Conference Room 8	20 x \$200	4 x \$1000			\$8,000	\$96,000
Conference Room 9	10 x \$350	2 x \$1900			\$7,300	\$87,600
Total					\$602,160	

Notes:

- Daily rates are based on 8-hour day multiplied by hourly rate with a 33% discount for full-day rental.

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Appendix G Café Income Determination

Café Income Determination

<u>Type of Café Visitor</u>	<u>No of visits</u>	<u>Rev/visit</u>	<u>Extended Revenue/Day</u>	<u>Extended Revenue/Yr</u>
Coffee trip generation - AM rush	160	\$ 4	\$ 640	\$ 232,960
Coffee trip generation - Afternoon rush	30	\$ 4	\$ 120	\$ 43,680
Lunch meal generation	30	\$ 7	\$ 210	\$ 76,440
Dinner/evening meal generation	15	\$ 7	\$ 105	\$ 38,220
Gross Revenue:				\$ 391,300
12% Profit:				\$ 46,956
5% Target Share of Profit:				\$ 2,348
Year One Projection - 25% of target share:	\$ 587			
Year Two Projection - 60% of target share:	\$ 1,409			
Year Three Projection - 100% of target share:	\$ 2,348			
Year Four Projection - 105% of target share:	\$ 2,465			
Year Five Projection - 110% of target share:	\$ 2,583			
Year Six Projection - Year 5 plus 3%:	\$ 2,660			
Year Seven Projection - Year 6 plus 3%:	\$ 2,740			
Year Eight Projection - Year 7 plus 3%:	\$ 2,822			
Year Nine Projection - Year 8 plus 3%:	\$ 2,907			
Year Ten Projection - Year 9 plus 3%:	\$ 2,994			

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Appendix H References

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