



Vanguard Community Development Corporation

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**Planning Practicum
Urban and Regional Planning Program
Michigan State University**

Practicum

Michigan State University Urban and Regional Planning Program

- Graduating Seniors and Graduate Students

Community Development Projects

- Vanguard CDC
- Scott Alan Davis

Overview

- Vanguard CDC
- Our Tasks
- Methodology
- Northend Community Profile
- Small Business Incubator
- Small Business Data
- Case Studies
- Data Analysis
- Recommendations



Vanguard Community Development Corporation

Founded in 1994 by Reverend Edgar L. Vann, Jr.

- Vanguard Community Development Corporation is the non-profit outreach arm of Second Ebenezer Church

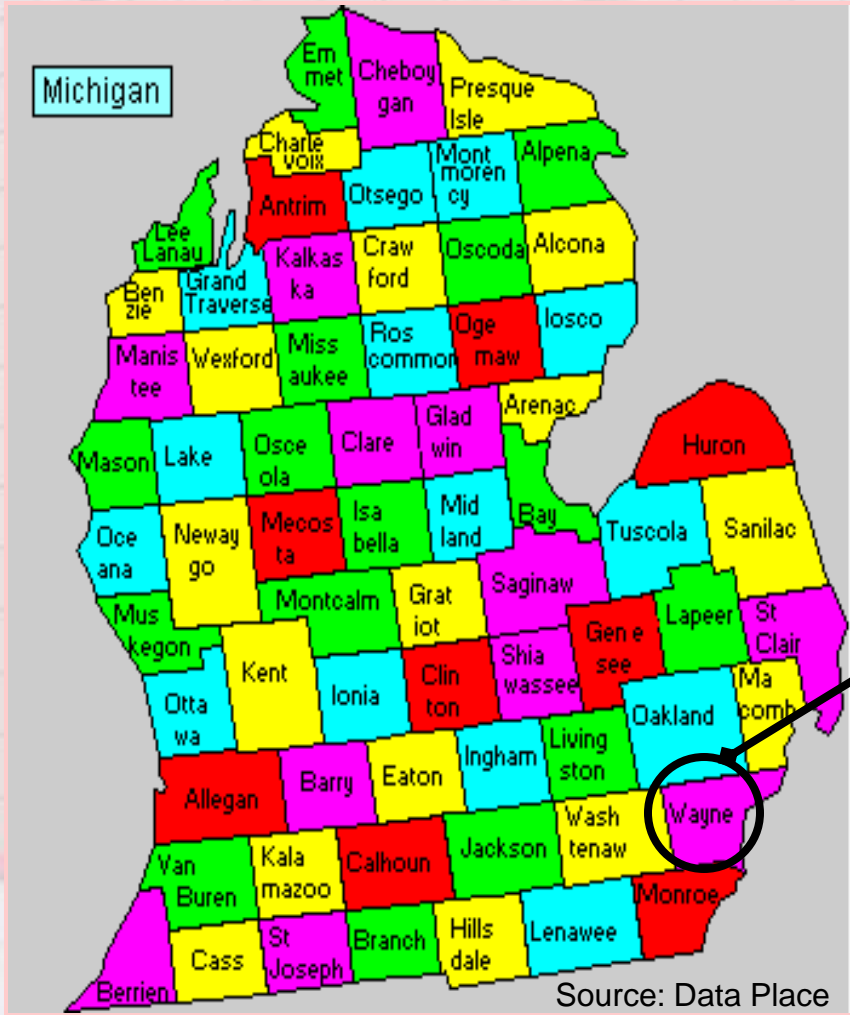
Mission

“To facilitate the revitalization of the physical, social, and economic fabric of the Northend Neighborhood”

Services

Facilitating new business investment, in-fill housing development, and providing activities to enhance the quality of life for adults and youth in the Northend neighborhood

Vanguard CDC Location



Vanguard CDC Location

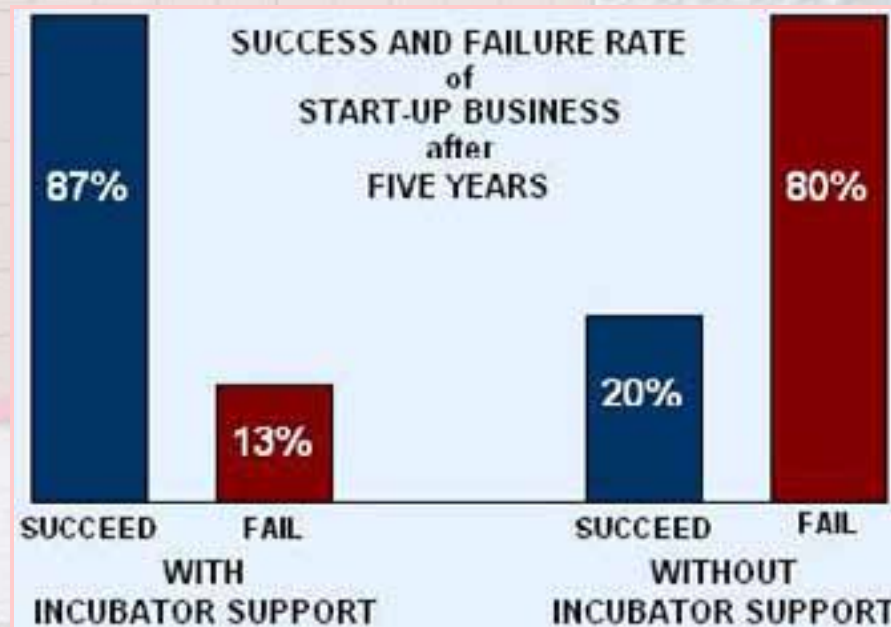


Our Tasks

- Identify target businesses for Milwaukee Junction Small Business Center
- Propose a sustainable financial structure
- Identify small business incubator best practices

What is an Incubator?

- A business support process that accelerates the successful development of new entrepreneurs
- Incubator graduates create jobs, revitalize neighborhoods, and commercialize new technologies
- Business incubators reduce the risk of small business failures



Advantages to Small Business

Benefits

- Below Market Rent
- Flexibility to Expand
- Shared Office Amenities
- Networking Opportunities

Services

- Business Planning
- Links to Financial Resources
- Business Licensing
- Business Marketing
- Legal Advice

Milwaukee Junction Small Business Center



Source: Vanguard Practicum

- Single story
- 6,850 square feet
- 12 parking spaces in rear

Milwaukee Junction Small Business Center



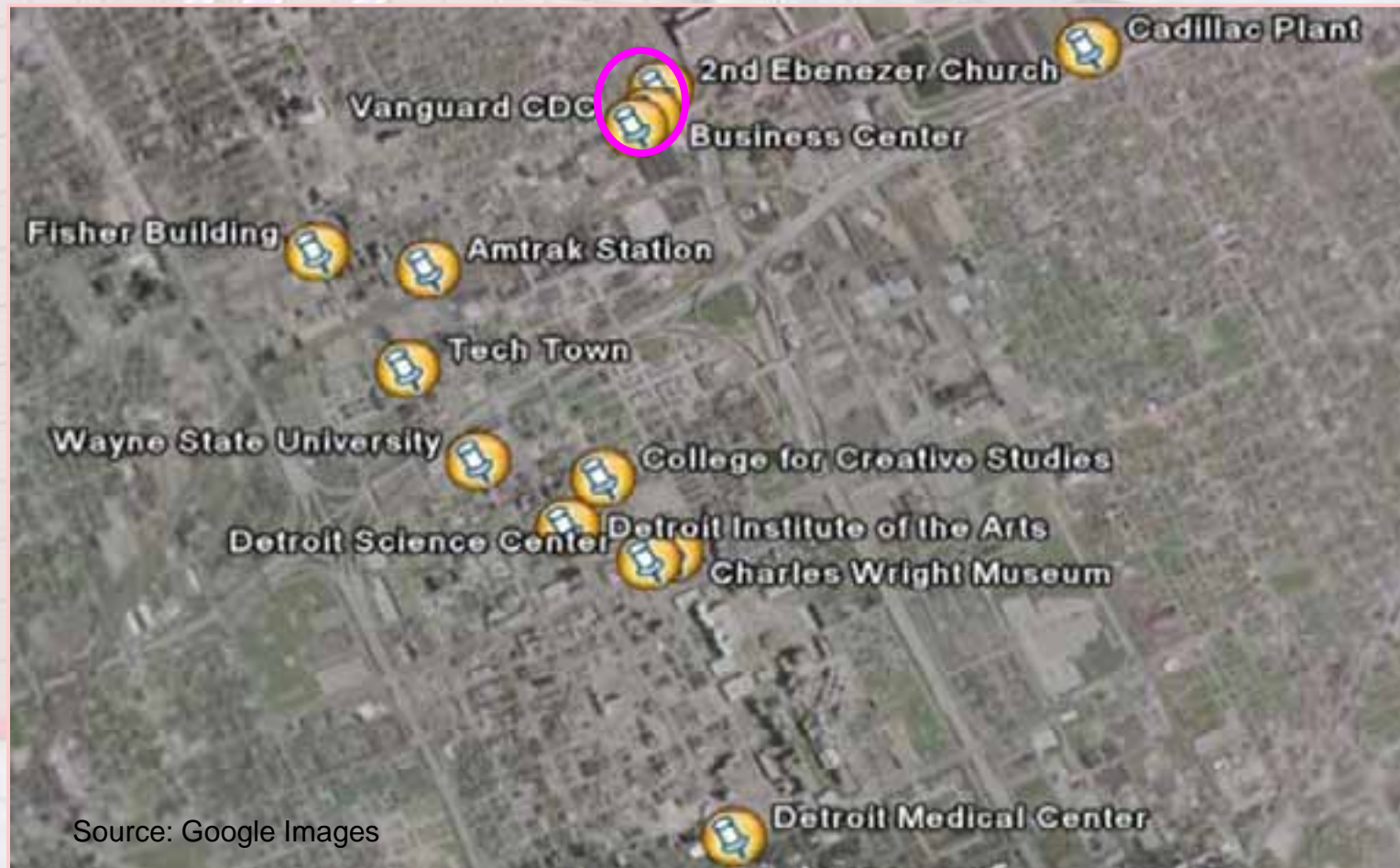
Source: Vanguard Practicum

- Interior is open
- Awaiting renovation

Business Center Location



Surrounding Attractions

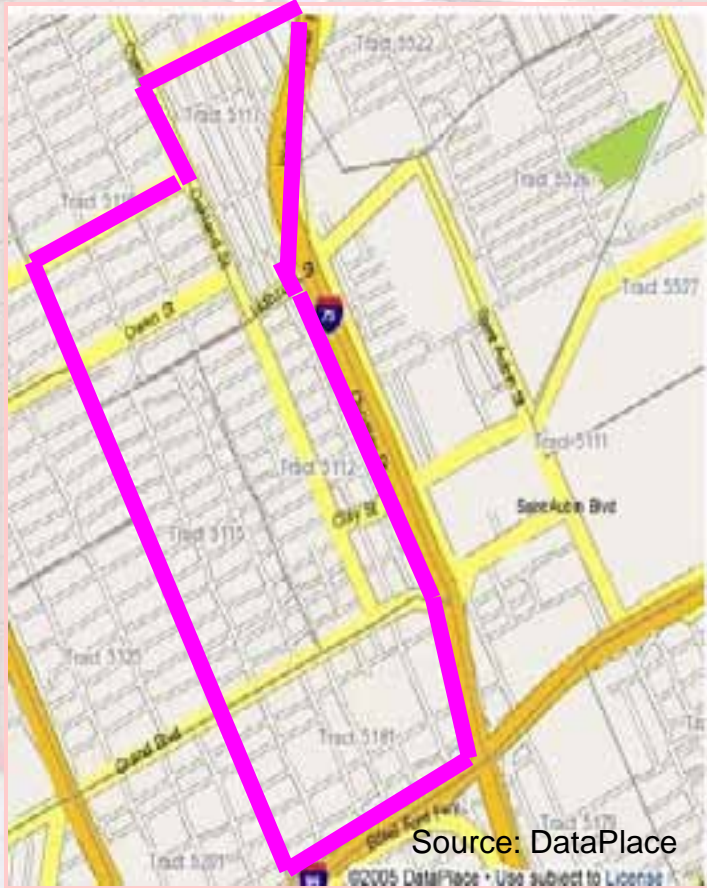


Methodology

Qualitative & Quantitative

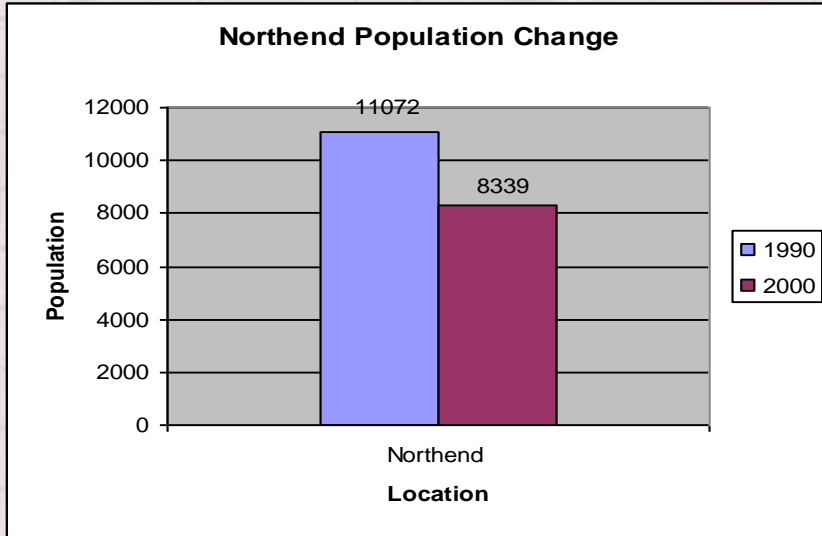
- Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis
- U.S. Census, and Environmental Systems Research Institute (ESRI)
- Northend Community Meeting and Survey
- Literature
- Interviews
 - Roni Weaver, Executive Director, Jackson Industrial Incubator
- Interviews
 - Sister Cathy DeSantis, Detroit Catholic Pastoral Alliance, former Executive Director of the McAnoy Business Center
 - Mike Hindenach, Executive Director, Albion Industrial Incubator
 - Lauren Kruer-Driscoll, Hastings Economic Development Corporation Community Development Specialist, Hastings Industrial Incubator
 - Roger Hamlin, Michigan State University
 - Lawrence Molnar, University of Michigan

Northend Community Profile



- 1990-2000 Census Data
- Northend Census Tracts
 - 5112, 5115, 5116, 5117, 5181
- Comparables
 - City of Detroit
 - Wayne County

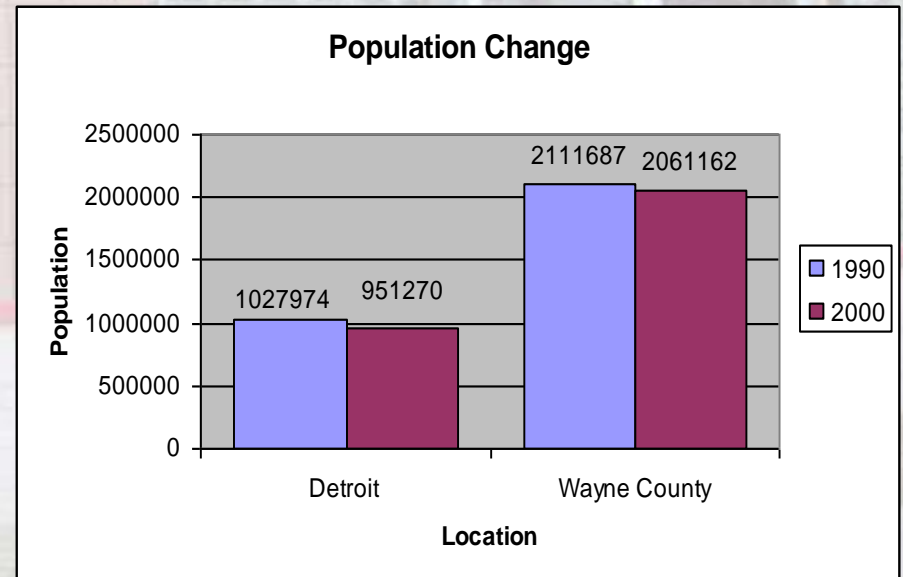
Population Change



Northend: -25%

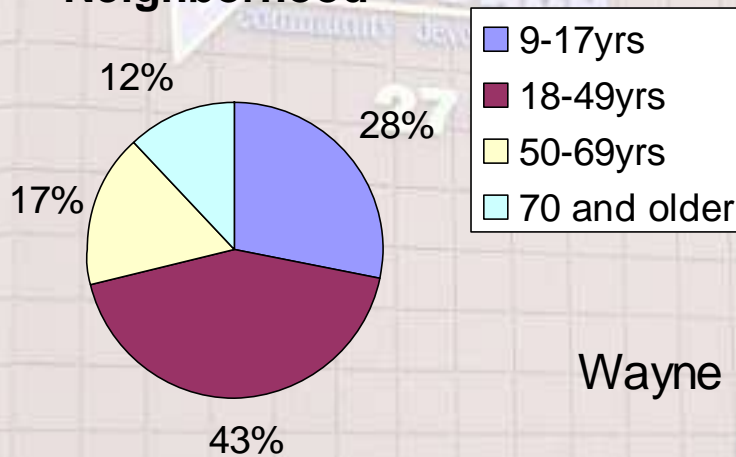
Detroit: -7%

Wayne County: -2%

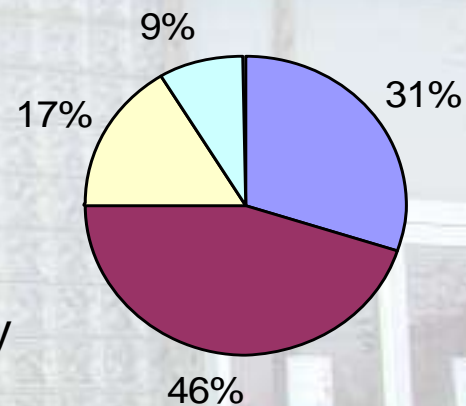


Age Distribution

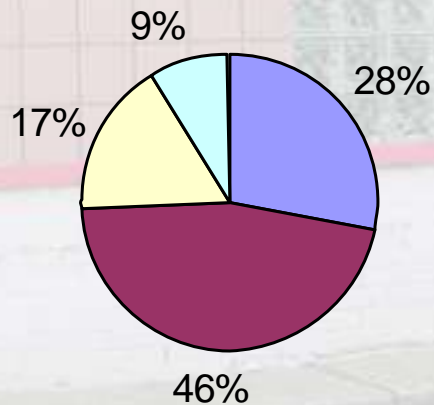
**Northend
Neighborhood**



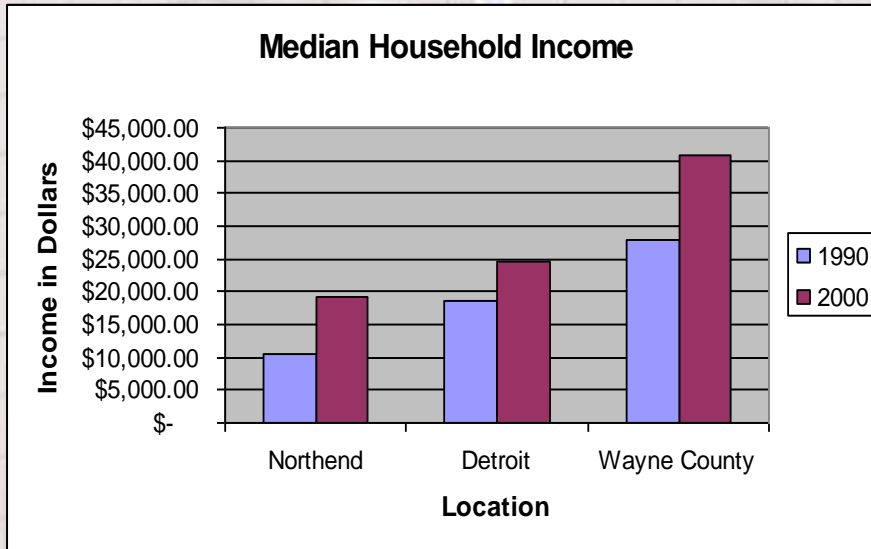
Detroit



Wayne County



Income

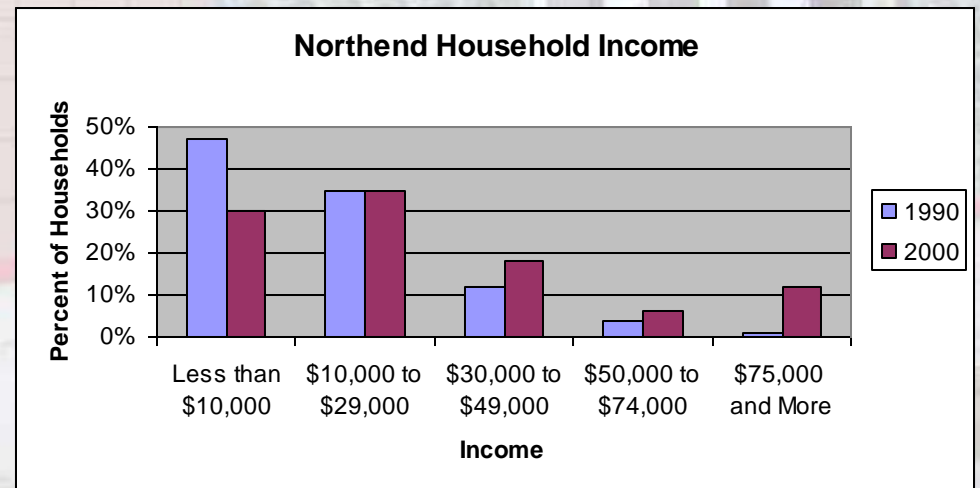


Median Household Income Increased

Northend Neighborhood: +81%

Detroit : +31%

Wayne County : +46%



Source: 1990-2000 Census

S.W.O.T.

Strengths

Location

Easy access to highways

Weaknesses

Decreasing population

Perception of crime

Opportunities

Prices below market rate

Proximity to cultural, educational, and business institutions

Threats

Inaccurate pricing

Proximity to New Center and Downtown

Community Meeting

February 16, 2006

Purpose

- Community Input
- Inform the community of plans

Method

- Surveys
- Group discussion
- Interactive questions

Survey Participants

- 16
- Current Business Owners
- Potential Business Owners

Survey Response

- Identified community attitudes about small businesses
 - Services desired
 - Problems and threats
 - Reasons for locating in Northend
 - Need for Vanguard leadership

Small Business Data

- Identify Small Business Opportunities
 - Business trends
 - Contracting opportunities
- Local and Regional Office Market
 - Lease Rates
 - Revenue Calculations



48202 Zip Code Data

County Business Patterns

From 1998 to 2003 this zip code lost:

- 5,361 employees, representing \$252 million in annual payroll; averaging \$47,000 per employee.
- It also lost a total of 36 establishments, a substantial portion of which had 10 or more employees



Key	
48202	
48211	
Northend Neighborhood	
Vanguard CDC	

48202 Zip Code Data

From 1998 – 2003:

- **Total number of establishment with 1 to 4 employees stayed constant at 208.**
- **Notable Increases in establishments with 1 to 4 employees:**
 - Professional, scientific, & technical services: 82%
 - Construction: 50%
 - Real estate, rental, & leasing: 30%
- **Notable decreases in establishments with 1 to 4 employees:**
 - Wholesale trade: -50%
 - Educational services: -50%
 - Administrative, support, waste management, & remediation: -50%
- **Industry descriptions with twenty or more 1 to 4 employee establishments:**
 - Retail trade, Professional scientific & technical services, Health care & social assistance, Accommodation & food services

Wayne County Non-Employer Statistics

11 out of 16 categories experienced growth from 1998 to 2003

Top five industry descriptions by number of establishments in 2003

1. Other services: 15,372
2. Health care and social assistance: 13,289
3. Professional, scientific, and technical services: 9,545
4. Real estate, rental, and leasing: 8,933
5. Construction: 7,881

Declining industry descriptions by percent change

1. Forestry, Fishing, Hunting, & Agriculture Support –35%
2. Wholesale Trade –10%
3. Finance and Insurance –8%
4. Professional and Scientific –3%
5. Manufacturing -2%

General Business Climate

Map of Number of establishments per 1,000 population in 2002 in Detroit, MI Metro



ESRI Data

At an one-mile radius:

Total Businesses: 774

2785

Total Employees: 28,409

Total Population: 10,600

Daytime to Nighttime Ratio: 2.68

At a two-mile radius:

Total Businesses: 2,514

Total Employees: 92,826

Total Population: 74,330

Daytime to Nighttime Ratio: 1.25



At a five-mile radius:

Total Businesses: 12,219

Total Employees: 248,040

Total Population: 450,296

Daytime to Nighttime Ratio: 0.55

Shift-Share Analysis

Effective tool to elicit industries with relative strength in local and regional markets

Compare Detroit to Consolidated Metropolitan Statistical Area (CMSA)

Utilized readily available U.S. Census Bureau Economic Census Data

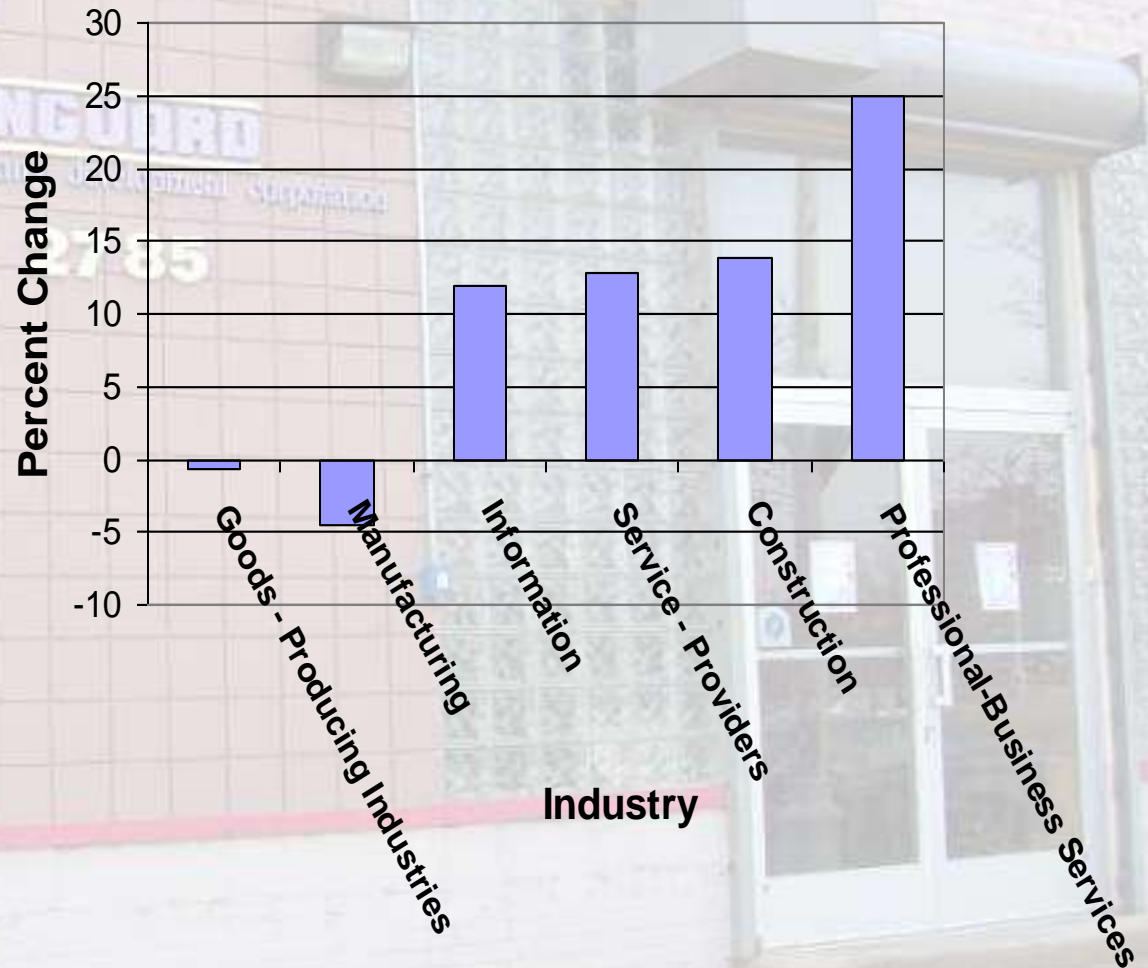
- Number of businesses per 3- and 4-digit NAICS industrial classification
- 1997 and 2002 data available
- 19 out of 212 NAICS codes reclassified, majority of these codes stem from Information Technology sector

Shift-Share Analysis

	ABOVE AVERAGE LOCAL LEVEL GROWTH	BELOW AVERAGE LOCAL LEVEL GROWTH
ABOVE AVERAGE REFERENCE ECONOMY GROWTH	<i>TIER I</i> <i>Accounting, Management & Scientific Consultants</i>	<i>TIER II</i> <i>Scientific research & development services</i>
BELOW AVERAGE REFERENCE ECONOMY GROWTH	<i>TIER IV</i> <i>Office administrative services</i>	<i>TIER III</i> <i>Plastics & Rubber Products mfg</i>

DLEG Forecast

- Detroit CMSA Employment Forecast 2002 to 2012
- Identifies Growth Industries



Small Business Data Findings

- Overall these industries performed well
 - Professional, Scientific, Technical
 - Real Estate
 - Information
- Overall the only category that declined consistently was Manufacturing

Identification of Businesses

Architectural & Design Services

Accounting, Tax Preparation,
Bookkeeping, & Payroll services

Advertising & Related Services

Building Inspection

Business Support Services

Computer Systems Design

Document Preparation Services

Engineering

Janitorial Services

Landscaping

Leasers

Management, Scientific, & Technical
Consulting

Office Administrative Services

Offices of Lawyers

Promoters of Performing Arts, Sports,
& Similar Events

Property Managers

Real Estate Brokers

Specialized Design Services

Translation & Interpretation Services

Financial Estimates

Assessed several factors

- Potential revenue, likely expenses, and market conditions

Conservative estimates used

- Building size: 6,850 sq. ft.
- Leasable space per proposed floor plan: ~2,900 sq. ft.
- Vacancy rate: 20%
- Lease rate: \$15 per sq. ft. per year
- Operating expenses (estimated by MSU Team & Consultant)

Revenue Calculations

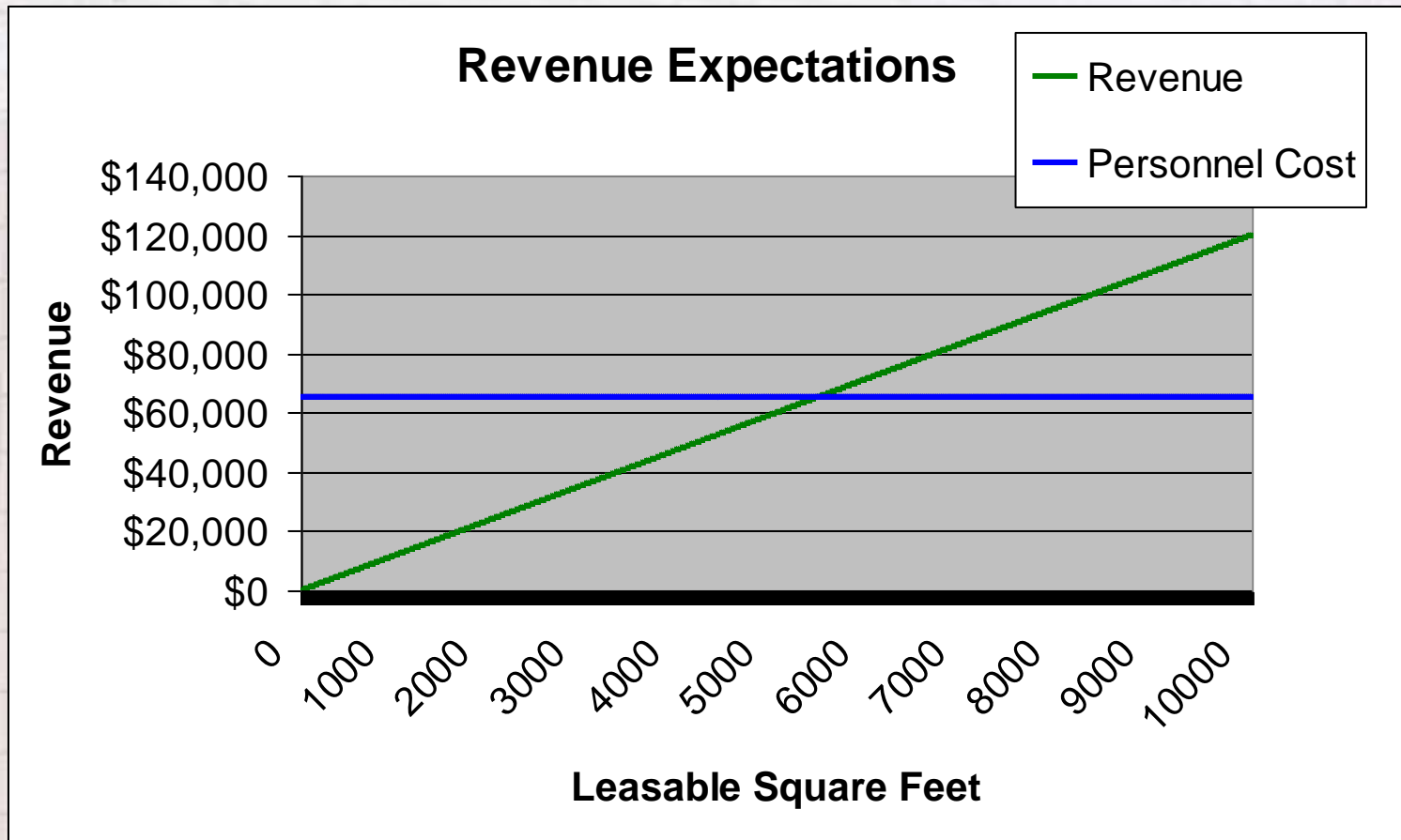
Factors Considered

Northend real estate market

- High vacancy rates
- Below-average lease rates

High client expectations

- Recuperate investment within five years
- At a minimum, break even



- Revenue from rent will cover personnel costs at 5,417 leasable square feet, taking into account vacancy rates.

- Proposed floor plan has 2,900 leasable square feet, revenue from rent will only pay for slightly over half of personnel costs

Case Studies

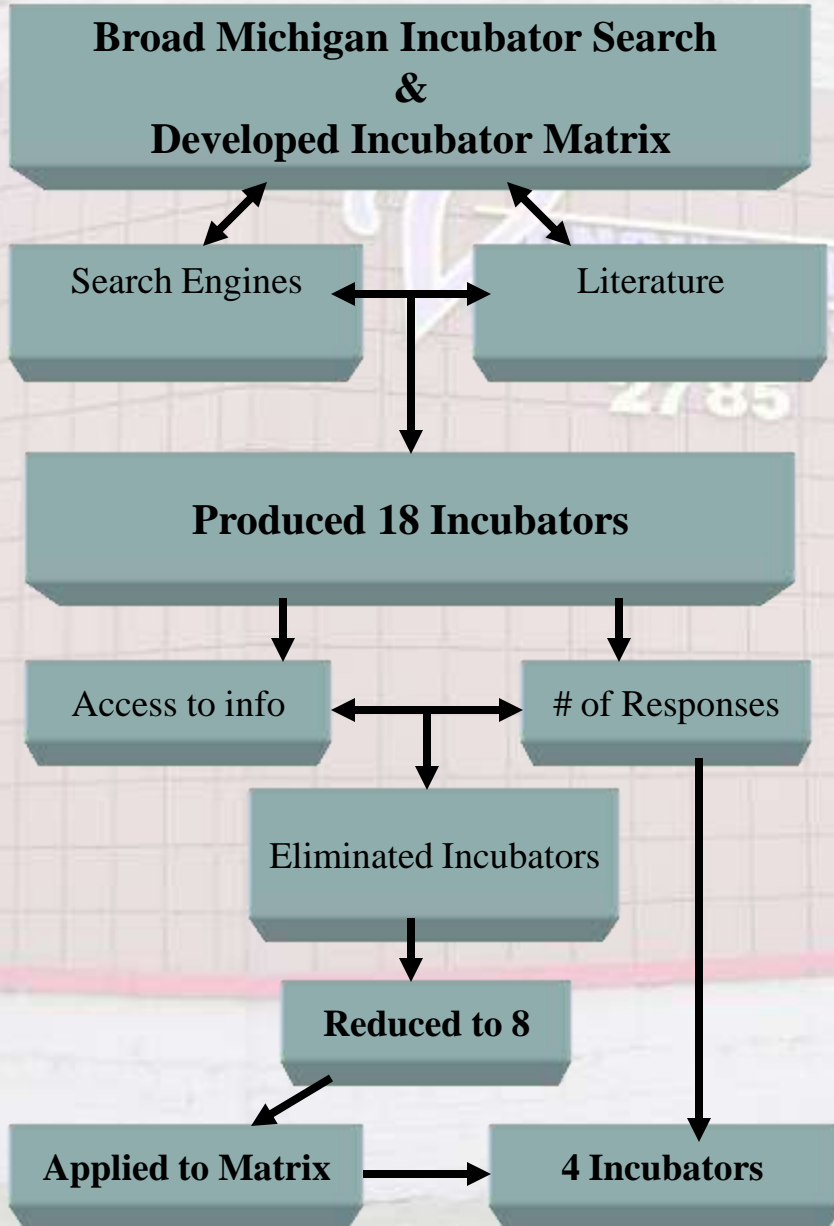
Literature Review

- NBIA's "Industry Best Practices" guidelines
- Erlewine and Gerl's Ten Keys to Successful Incubation

Characteristics Identified

- Services provided
- Type of incubator/ number of tenants
- Selection guidelines or criteria
- Resources
- Financial resources
- Outcomes

Selection Process



IdeaWorks, LLC

Finlandia Center for Global Design & Business

Southwest Michigan Innovation Center

Central Michigan Research Corporation

Jackson Industrial Incubator

Hastings Industrial Incubator

Albion Industrial Incubator

McAnoy Business Center

Business Incubator Matrix

	Albion Industrial Incubator	Hastings Industrial Incubator	Jackson Industrial Incubator	McAnoy Business Center
Services	Accounting, human resource training, access to business finance	Space	Space, general business counseling and services	Conference Room, business plan assistance, computer, internet access, other business technical support
Number of tenants	4	6	5	10
Selection criteria	No application; active recruitment process	No formal selection criteria	No formal selection criteria	Yes; application process
Size of facility	21,000 square feet; 18,000 leased	44,600 square feet	54,000 square feet; 37% unleaseable	3,200 square feet

Business Incubator Matrix

	Albion Industrial Incubator	Hastings Industrial Incubator	Jackson Industrial Incubator	McAnoy Business Center
Sources of finance	Grants, rent, TIF, BRA, EDC	Rent, subsidies	City Block grant funds; rent; subsidies	Grants, Empowerment zone funds, Hudson-Weber, Black
Lease rates	<i>Office: \$10 per square foot; Manuf. \$3.50 per square foot; caged workspace \$10 per square foot</i>	<i>\$3.50 per square foot + utilities</i>	<i>\$3.00 per square foot (does not include utilities)</i>	UnitedFund, banks <i>\$2 below market rate per square foot</i>
Staff	Part-time manager	Part-time manager	Full-time manager	Full-time manager
Operating costs	\$37,200 for 2005	Not available	\$30,000 per year	\$47,000 per year
Measurable outcomes	Does not track graduates; other forms of measurement	Informal	Informal	9 graduates

Case Studies

Key Findings

- Formal and informal variations of tenant selection
- Measurable outcomes varied; tangible and non-tangible
- Adaptive and flexible based on environment and location
- Sustainability was key; minimum emphasis on subsidizing
- Physical structure is key
- Strong internal and external organizational emphasis
 - Internal: Qualified manager and staff
 - External: Boards and advisory groups

Disconnect Between Theory and Practice

- Literature
 - Active and involved Board of Directors
 - Measurable outcomes of performance and frequent self-evaluations
 - Strict tenant selection policy
 - Contradictions surrounding reliance upon grants
- Case Studies
 - Managers acting autonomously
 - Haphazard or non-existent tracking of former tenants
 - “Take what you can get” for tenants
 - Reliant upon significant third-party financial support

Overall Analysis

- Flexibility and adaptability are key
 - Operational and management structure
 - Leases
 - Floor plan
 - Latest market trends and research

Recommendations

- Target Businesses
 - Focus on local and regional marketing resources in industries showing high potential of growth
 - Professional, Scientific, and Technical Services
 - Real Estate, Rentals, and Leasing
 - Information
 - Compatible with business center environment
 - Accounting, design services, architects, etc.
 - Conduct continuous market research
 - Current small business trends
 - Potential for contracting services

Recommendations

- Best Practices
 - Manager with broad knowledge of small business entrepreneurship, current incubation practices
 - Access to educational and professional services and network resources for tenants
 - Establish guidelines for business entry and exit
 - Track tenants after leaving the incubator
 - Evaluate the progress of the incubator itself

Recommendations

- Financial Considerations
 - Develop an incubator financial structure that is independent of grants for continued operation
 - Maximize the amount of floor space that it may lease
 - Consider partnerships to reduce the cost of operating expenses
 - Seek further support for renovation expenses via other funding opportunities.
 - Consider options that can increase the physical size of the facility in order to create an economy of scale that can support operating costs

Thank You

Vanguard CDC

Scott Alan Davis

Tosha Brown

Donna Givens Williams

Albion

Mike Hindenach

Hastings

Lauren Krueer-Driscoll

Jackson

Roni Weaver

McAnoy

Sister Cathey De Santis

Professor Roger Hamlin

Professor Lawrence Molnar

Professor Rex LaMore

Professor Zenia Kotval



VANGUARD
SOLUTIONS

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Questions?

