
Local business incubators

Tri-City Herald May 17, 2000

In hospital nurseries, newborn babies are often placed in incubators, to be carefully monitored until they become stabilized. Business incubators do much the same thing for new companies. They nurture young firms, helping them survive and grow during the startup period when they are most vulnerable.

Business incubators offer space and services. Tenants typically can choose from office space, areas for meeting with customers and investors, room for product development and testing and small-scale manufacturing space. Firms often have access to office services and equipment. For many tenants, the most valuable service is ongoing mentoring and assistance from on-site, experienced business advisors.

The goal of an incubator is to produce successful graduates, meaning firms that are financially viable and freestanding when they leave, often in three to five years. Who uses incubators? Sometimes it's a fledgling firm that started in the owner's garage but needs to expand to a more businesslike site. Often, it's a company just breaking into the market, requiring a low-cost location for a few years until sales really take off. Or it's a high-tech startup that needs specialized facilities such as laboratories, an electronics assembly area or a high bay.

The Mid-Columbia area offers a wide variety of incubators and services to support new ventures in the first few years of operation. Incubator facilities are owned and operated by various city and county organizations and associations, often in partnership with local economic development entities. Space costs from less than fifty cents to a few dollars per square foot per month, depending on type of space, services, and length of the lease. Tenants can rent everything from a 150-square-foot standard office to a 15,000-square-foot manufacturing area with 30-foot-high ceilings.

One of the best-known Tri-City incubator services is offered through the Tri-Cities Enterprise Association. TEA has offered incubator services in Richland since 1988, serving nearly 400 businesses as tenant clients since then. TEA opened another incubator in downtown Kennewick last year. Current TEA tenant clients range from a regional opera company to the Tri-Cities' only tool and die maker.

Perhaps the service that sets TEA apart is its in-depth, personalized business assistance. "Hands-on mentoring and coaching are critical to get companies over the hurdles they face as newcomers in a competitive and often unforgiving marketplace," said Bill Henderson, TEA director.

The Port of Benton operates perhaps the most diverse incubator facilities in the area, with more than 100,000 square feet spread among six sites in Richland and Prosser. Two of the four Richland sites were developed when they were no longer needed by the U.S. Department of Energy for Hanford site operations. Now, they

house businesses as diverse as a locomotive repair center, a commercial wool processor and a glass blower.

The Agri-Business Commercialization and Development Center, or ABCD, is a Port of Benton building tenant that offers incubator services for new agribusinesses. In addition to its commercialization assistance, ABCD has a lab, pilot plant with a high bay and office space for firms to develop new agriculture-based products and processes.

Companies that sell specialty food and wine items are prime customers for the two Prosser incubators. One of these facilities, the Prosser Wine and Food Park, is being marketed as a destination location for tourism, according to Scott Keller, assistant executive director for the Port of Benton.

A relative newcomer to the Tri-Cities is the Applied Process Engineering Laboratory, or APEL, celebrating its second birthday this month in Richland. The former Energy Northwest building was transformed into a 90,000-square-foot building for high-tech startups. Tenants can lease pilot manufacturing space and other specialized areas including biomedical and electronics labs. The facility's current ten tenants range from the health and energy sectors to a dot-com venture from Seattle. The Port of Kennewick operates four incubator buildings totaling more than 80,000 square feet, but they are so popular that space is rarely available, according to Marv Kinney, director of operations. Two buildings at Vista Field specialize in high-tech and electronics firms.

Kennewick's Oak Street Industrial Site houses two more facilities for heavy industrial use. The main tenant is Titanium Sports Technologies, which makes titanium-based recreational equipment and wheelchairs. At the Oak Street Site, the Port can rent space at less than market rates to young businesses at the verge of getting their products to market, or those that are undergoing expansion during heavy growth periods.

Rather than designated incubators, the Port of Pasco can negotiate what it calls incubator rates to support startups. Said Jeff Bishop, director of properties and development for the port, "We can structure a lease for almost any of our buildings so the company pays less in the first few years, gradually increasing to the market rate after about five years." The net lease cost remains the same, but the phased approach lets new businesses maximize their cash flow in the critical early years, he said.

TEA director Bill Henderson likes to quote two contrasting statistics that reveal the power of the business incubator concept. According to Henderson, 80 percent of most new businesses fail after five years. However, a 1997 study by the National Association of Business Incubators found that 87 percent of businesses that had been through the incubator process were still surviving after five years and beyond. "That's a pretty dramatic testament to the value of incubators," he said.