



CITY OF BELLEVUE

In Partnership with the
University of Washington

VIABILITY RESEARCH FOR A SMALL BUSINESS INCUBATOR IN RICHARDS VALLEY

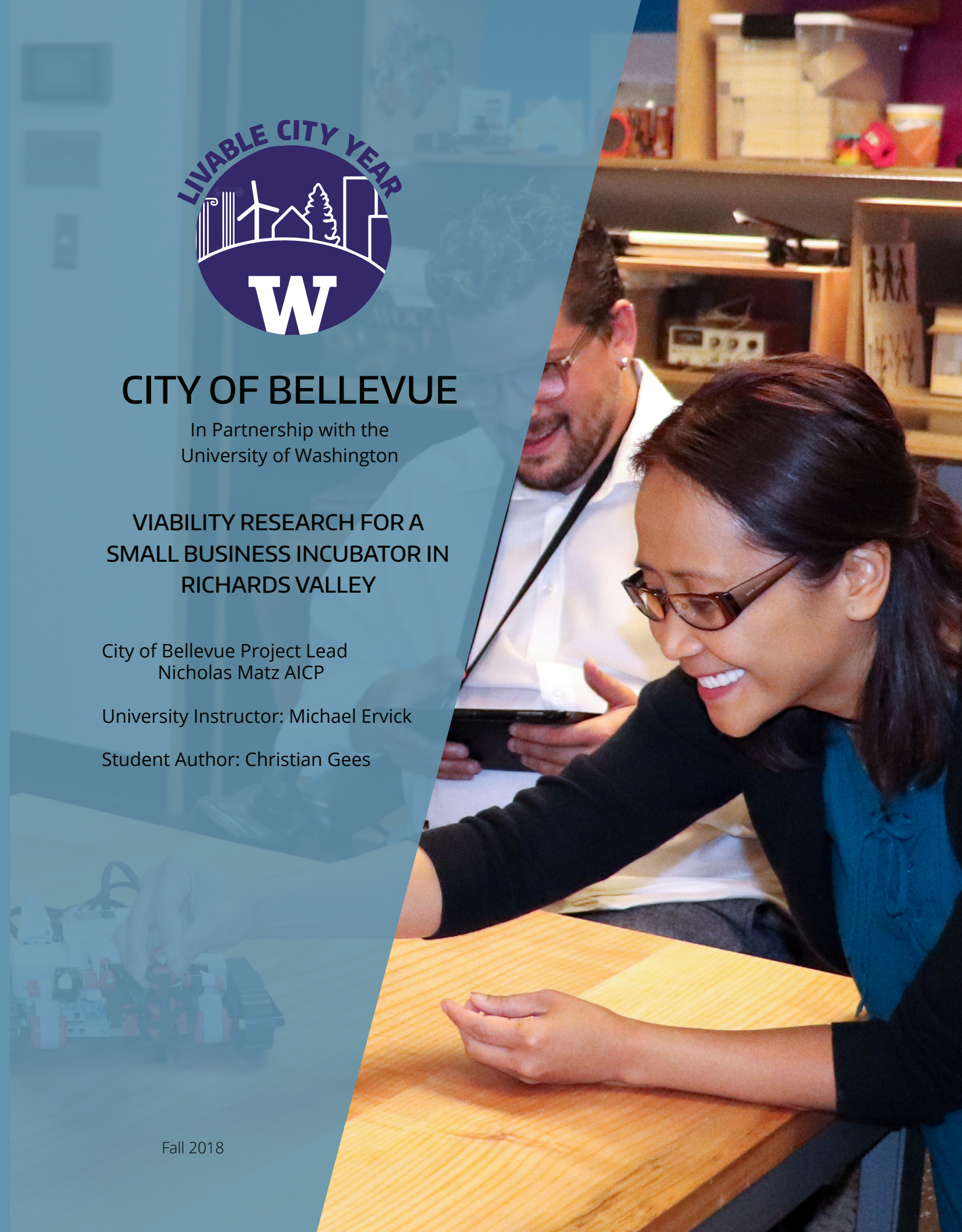
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Livable City Year 2018–2019
in partnership with
City of Bellevue

Fall 2018





Livable City Year 2018–2019
in partnership with
City of Bellevue
www.washington.edu/livable-city-year/



The student team celebrates with university and city leadership following their final presentation on December 11, 2018. From left to right: Sandeep Krishnamurthy, UW Bothell Business School Dean; David Shamataylo; Rui Nakagawa; Christian Gees; Lalin Kiarttichaiwarakul; Project Lead Nicholas Matz, Senior Planner, City of Bellevue; and Dravida Seetharam. TERI THOMSON RANDALL

ACKNOWLEDGMENTS

We would like to express our sincere thanks to the City of Bellevue and to Nicholas Matz for his guidance and support. Mr. Matz works in city planning, and was our key point of contact for questions and resources regarding the Richards Valley Industrial Zone. Although our project was difficult at times, these individuals were always friendly and pushed our group to do the best that we could. Without their support and guidance, we would not have been able to learn and grow as much as we did from our experiences in this project. Thank you.

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ABOUT LIVABLE CITY YEAR

The University of Washington's Livable City Year (LCY) initiative is a partnership between the university and one local government for one academic year. The program engages UW faculty and students across a broad range of disciplines to work on city-defined projects that promote local sustainability and livability goals. Each year hundreds of students work on high-priority projects, creating momentum on real-world challenges while serving and learning from communities. Partner cities benefit directly from bold and applied ideas that propel fresh thinking, improve livability for residents, and invigorate city staff. Focus areas include environmental sustainability; economic viability; population health; and social equity, inclusion and access. The program's 2018–2019 partner is the City of Bellevue; this follows partnerships with the City of Tacoma (2017–2018) and the City of Auburn (2016–2017).

LCY is modeled after the University of Oregon's Sustainable City Year Program, and is a member of the Educational Partnerships for Innovation in Communities Network (EPIC-N), an international network of institutions that have successfully adopted this new model for community innovation and change. For more information, contact the program at uwlcyl@uw.edu.



ABOUT CITY OF BELLEVUE

Bellevue is the fifth largest city in Washington, with a population of more than 140,000. It's the high-tech and retail center of King County's Eastside, with more than 150,000 jobs and a skyline of gleaming high-rises. While business booms downtown, much of Bellevue retains a small-town feel, with thriving, woodsy neighborhoods and a vast network of green spaces, miles and miles of nature trails, public parks, and swim beaches. The community is known for its beautiful parks, top schools, and a vibrant economy. Bellevue is routinely ranked among the best mid-sized cities in the country.

The city spans more than 33 square miles between Lake Washington and Lake Sammamish and is a short drive from the Cascade Mountains. Bellevue prides itself on its diversity. Thirty-seven percent of its residents were born outside of the US and more than 50 percent of residents are people of color, making the city one of the most diverse in Washington state.

Bellevue is an emerging global city, home to some of the world's most innovative technology companies. It attracts top talent makers such as the University of Washington-Tsinghua University Global Innovation Exchange. Retail options abound in Bellevue and artists from around the country enter striking new works in the Bellwether arts festival. Bellevue's agrarian traditions are celebrated at popular seasonal fairs at the Kelsey Creek Farm Park.

Bellevue 2035, the City Council's 20-year vision for the city, outlines the city's commitment to its vision: "Bellevue welcomes the world. Our diversity is our strength. We embrace the future while respecting our past." Each project completed under the Livable City Year partnership ties to one of the plan's strategic areas and many directly support the three-year priorities identified by the council in 2018.



**BELLEVUE 2035:
THE CITY WHERE YOU WANT TO BE**

Viability Research for a Small Business Incubator in Richards Valley supports the *Great Places Where You Want to Be* target area of the Bellevue City Council Vision Priorities and was sponsored by the Department of Community Development.



BELLEVUE: GREAT PLACES WHERE YOU WANT TO BE

Bellevue is the place to be inspired by culture, entertainment, and nature. Learn, relax, shop, eat, cook, read, play, or marvel at our natural environment. Whatever your mood, there is a place for you in Bellevue.

From the sparkling waters of Meydenbauer Bay Park, you can walk or bike east, through Downtown, across the Grand Connection to the Wilburton West center for business and entertainment. Along the way you enjoy nature, culture, street entertainment, a world fusion of food, and people from all over the planet.

For many of us, Bellevue is home. For the rest of the region and the world, Bellevue is a destination unto itself.

The arts are celebrated. Bellevue's Performing Arts Center is a success, attracting the best in onstage entertainment. Cultural arts organizations throughout the city are supported by private philanthropy and a cultural arts fund. Arts and cultural opportunities stimulate our creative class workers and residents, whether they are members of the audience or performers. The cultural arts attract Fortune 500 companies to our community, whether it is to locate their headquarters or visit for a convention.

The past is honored. Residents experience a sense of place through an understanding of our history.

Our community buildings, libraries, community centers, City Hall, and museums provide places where neighbors gather, connect with each other, and support our civic and business institutions.

Bellevue College, the Global Innovation Exchange (GIX), and our other institutes of higher learning are connected physically and digitally from Eastgate to Bel-Red, Downtown, and the University of Washington in Seattle. We've leveraged our commitment to higher education into some of the most successful new companies of the future.

From the constant beat of an urban center, you can quickly escape into nature in our parks, streams, trails, and lakes. You can kayak the slough, hike the lake-to-lake trail, and have the opportunity to enjoy the latest thrill sport.

**BELLEVUE 2035:
THE CITY WHERE YOU WANT TO BE**

*Bellevue welcomes the world. Our diversity is our strength.
We embrace the future while respecting our past.*

The seven strategic target areas identified in the Bellevue City Council Vision Priorities are:



ECONOMIC DEVELOPMENT

Bellevue business is global and local.



TRANSPORTATION AND MOBILITY

Transportation is both reliable and predictable. Mode choices are abundant and safe.



HIGH QUALITY BUILT AND NATURAL ENVIRONMENT

From a livable high-rise urban environment to large wooded lots in an equestrian setting, people can find exactly where they want to live and work.



BELLEVUE: GREAT PLACES WHERE YOU WANT TO BE

Bellevue is a place to be inspired by culture, entertainment, and nature.



REGIONAL LEADERSHIP AND INFLUENCE

Bellevue will lead, catalyze, and partner with our neighbors throughout the region.



ACHIEVING HUMAN POTENTIAL

Bellevue is caring community where all residents enjoy a high quality life.



HIGH PERFORMANCE GOVERNMENT

People are attracted to live here because they see that city government is well managed.

For more information please visit: <https://bellevuewa.gov/city-government/city-council/council-vision>

EXECUTIVE SUMMARY

Over the last several months, our team of four students came together to address whether there is a way to encourage development in Bellevue's Richards Valley Light Industrial Zone, through a messy space or some other type of facility. After researching various small business development tactics, we found that an incubator is the appropriate solution to promote development in the area. An incubator in its most basic form provides startups with mentoring, facilities, and an environment where entrepreneurs can congregate and exchange ideas.

Our next task was to create a rough framework that outlines how to implement an incubator in Richards Valley. First, we looked at which industries our incubator would need to serve. After examining data on Bellevue's growing industries, and cross-referencing this with existing incubators, we found that providing a tech and retail hybrid incubator would capture and serve the most people. Next, we defined the services that the incubator would provide. To do so, we began performing competitive analyses of other incubators in the area as well as on a national scale. At first, we explored all types of incubators, but as time passed, our search filtered to only tech and retail incubators.

After completing our research, we conducted surveys and interviews, which provided us with a key list of services that the incubator would need to provide. These services are: event and workshop hosting, online courses, and a shared workspace. Last, our team needed to determine a physical location for the incubator. Richards Valley's real estate proved difficult to investigate, due to complexities between business owners and building owners, but nonetheless, four real options were found. We highly recommend two of these options for consideration or further investigation: the Bellevue Honda Support building, and a development project in which a makeshift campus would be created with portables. Although the incubator's actual formation and oversight remains in question, creating an incubator in Richards Valley would help to increase development in the area and support local startups and small businesses.



An incubator in Richards Valley could help to foster collaborative innovation and thereby development in the region. BELLINGHAM MAKERSPACE

INTRODUCTION

The Richards Valley Light Industrial Zone is an area in need of development, which can be achieved through a startup or small business development entity. The key to this development lies in the creation of a state-of-the-art incubator.

RICHARDS VALLEY

Richards Valley is an industrial neighborhood located on the north side of Interstate 90 (I-90), west of Bellevue College, and near the neighborhood of Factoria. The area spans 7,002,234 square feet of land, and is split into 78 individual parcels, each with its own quirks (Economic Profile n.d.). Our team visited Richards Valley and searched for any information that could explain why the area is not developing as other nearby zones are. We found a large array of information related to possible preventions of development. The key possibilities are:

- Poor ease of access to local freeways (I-90 and I-405)
- Distant and few bus stops
- Focus on industrial businesses in a technologically innovative and changing region (the Greater Bellevue Area)

From our initial research, we concluded that Richards Valley had become stagnant, as its core competency no longer fits the needs of Bellevue residents. However, this does not mean that Richards Valley is incapable of change, nor does it mean the area is not a suitable location for an incubator. We believe that the area's current stagnation is reason enough to attempt to locate an incubator in the zone. Richards Valley is filled with small businesses and empty lots that are ready to be developed into hubs of learning, designing, planning, and entrepreneurship.

Richards Valley had become stagnant,
as its core competency no longer fits
the needs of Bellevue residents.



Richards Valley is an industrial zone in which the City of Bellevue hopes to encourage development and mitigate stagnation. CHRISTIAN GEES

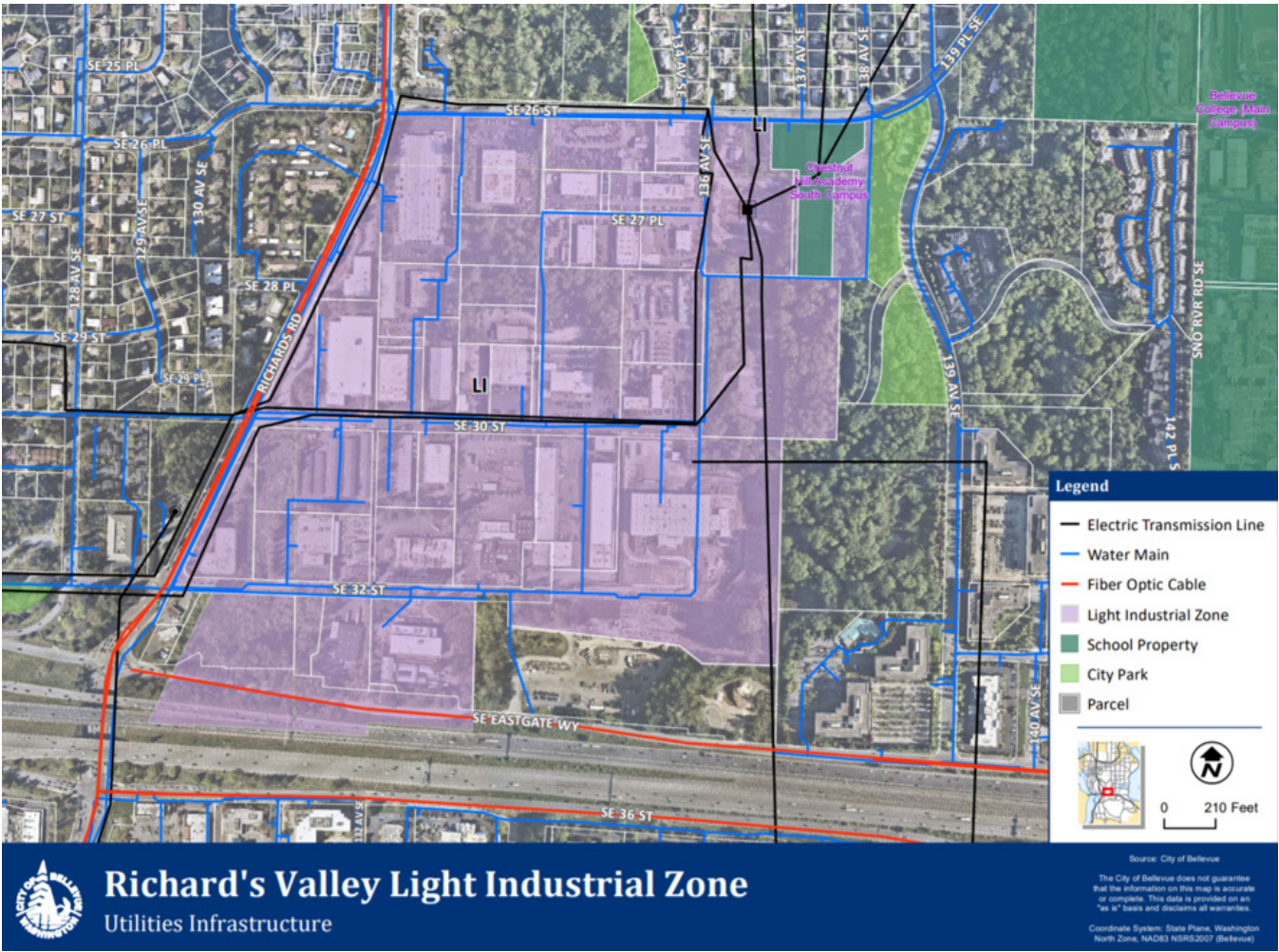
INITIAL DATA

The image on Page 6 maps the utilities infrastructure within the Richards Valley Light Industrial Zone. From this map, we see that the entire zone has access to power, water, and fiber optic cable (also known as Internet). Additionally, this map helps to conceptualize where the zone is located, as well as that the west and north sides of the zone border large residential areas.

The Google Maps screenshots on Page 7 show the accessibility to I-90 from Richards Valley during rush hour (5:00 pm) in both directions. As is evident in these maps, heavy traffic impedes access to I-90 from Richards Valley, which may affect businesses' desires to move into the area.

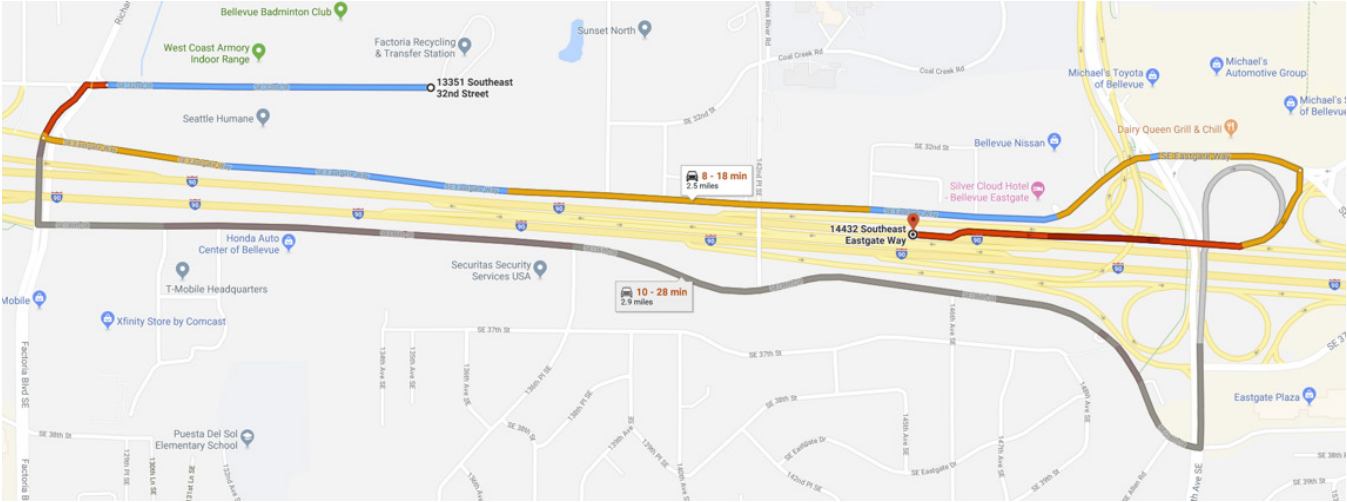
PROBLEM STATEMENT

Bellevue, Washington, was founded in 1953 and has grown and changed ever since. Today, Bellevue is a large city with all sorts of companies and services, and constantly sees new development in the form of buildings and changing legal structures. Recently, the City took part in encouraging the development of a commercial area near SR-520 and Bel-Red Road. The positive changes in this area have been truly dramatic over the past few years, and the City is currently seeking to apply a similar model to other areas in Bellevue. Specifically, the City hopes to do so in the Richards Valley Light Industrial Zone. Richards Valley is currently an area that seems to be stagnated and withering into a poor state. This state is one that the City aims to prevent. For the City of Bellevue to do so, it first needs to consider all its possible options and research them to find which ones make the most sense for Richards Valley. One idea that the City suggested was to create an environment for an incubator or “messy space”—a space where a startup can experiment with its prototyping in a workshop-like area—in hopes that it could produce new small businesses that will naturally develop the area. The City of Bellevue tasked our group with exploring the option of a messy space to develop Richards Valley, and this open-ended endeavor has led us to a solution that we believe could significantly improve the growth of the area.

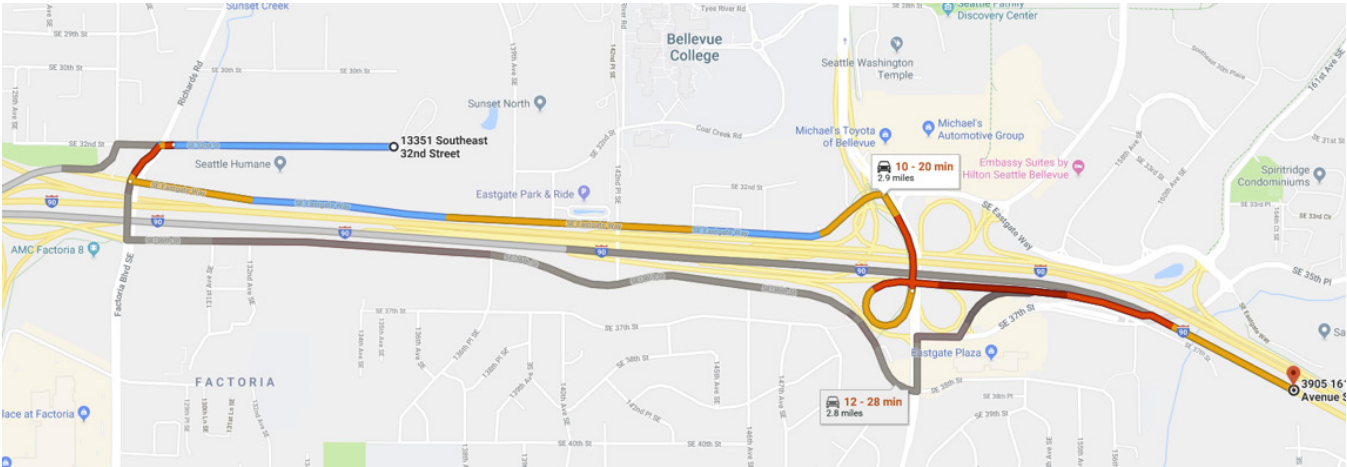


Richards Valley is equipped with comprehensive utility infrastructure, and is bordered by large residential areas. CITY OF BELLEVUE

GETTING ON 1-90 FROM RICHARDS VALLEY



Getting on the I-90 going West from Richards Valley. GOOGLE MAPS



Vehicle access to Richards Valley is impeded during rush hour (5 p.m.), which may affect businesses' desires to move into the area. GOOGLE MAPS

INITIAL GOALS

After taking on the project and meeting with our client, Nicholas Matz, we reached an agreement on the scope and specificities of what would be researched, and how we would go about doing so. The overall goal of researching and brainstorming a solution for the Richards Valley stagnation was clear, but how to achieve it was open-ended, as many real projects are. To take this on, we split the goal into several objectives that would help us to determine possible solutions and whether they would be feasible. These objectives included researching:

- Whether an incubator or accelerator would be more appropriate for the area
- Whether there is demand for an incubator
- Who this incubator will serve (which industries)
- How the incubator will serve startups
- What types of services the incubator would need to provide
- And finally, where this incubator could be located

As with most projects, many complications changed our plans, so our objective list became a living document that could adapt to new progress. The goal and end deliverable, however, remained a constant, unless slight alterations were made after discussion with the client.



Incubators commonly feature shared workspaces, which encourage collaborative work and foster innovation. BELLINGHAM MAKERSPACE

METHODS

Because this project is so expansive, our team began by creating a methodology for each goal and question we faced. To determine whether Richards Valley would need an incubator or an accelerator, we began with online research focused on finding the differences between and benefits of the two models. To establish whether there is demand for an incubator, as well as what industries it would serve, we performed more online research, starting at the national level and eventually focusing on the local area.

As for identifying how potential startup clients will be served and what services they will require, we applied our gained understanding from our research by creating a survey and conducting interviews with small businesses that have participated in an incubator. Along with this hands-on information gathering, we continued to look for online sources that would support our findings.

Our location-specific research was conducted by visiting the area itself, researching each promising plot of land, and contacting business and building owners. Through these methods, we found the answers we needed to meet our initial goal.



Project Lead Nicholas Matz, Senior Planner, City of Bellevue (center, facing camera), introduces the project to the students.
TERI THOMSON RANDALL



Instructor Michael Ervick with students. TERI THOMSON RANDALL

FINDINGS

INCUBATOR OR ACCELERATOR

INCUBATORS

An incubator in its simplest form is a facility that provides services to startups to help them become successful small businesses. A popular way of conceptualizing an incubator is to think of it as a greenhouse garden: it provides the right conditions for a seed—or startup—to grow, namely water, temperature, fertilizer, and other aspects that plants require. In the real world, these conditions include mentors that give lessons on marketing, and spaces where startups can collaborate and exchange ideas. The number of services an incubator can provide is tremendous, but each incubator must specialize in a few services and industries. To refer to the greenhouse analogy, one greenhouse cannot house both tropical plants and desert plants; it must specialize in one plant type or few compatible or similar ones. Incubators also require payments from startups in the same way that any subscription service does, but pricing models range from incubator to incubator. Additionally, incubators are designed to work with a startup in any stage, ranging from initial idea to developed prototype. Most incubators, in addition to their own programs, also provide opportunities for startups to connect and work with business success orientation services.



Incubators help startups become successful small businesses through tailored services such as mentoring and networking. HELLOQUENCE

ACCELERATORS

Accelerators are like incubators but feature several minor differences. Namely, accelerators host businesses for shorter periods of time, and are meant to boost specific aspects of a startup. Unlike incubators, accelerators also usually come with funding and a requirement of partial ownership of the startup. Since accelerators operate for short periods of time and are focused on boosting sales or other aspects of the startup, they are value- and size-oriented.

CULTIVATING STARTUPS

When evaluating whether to implement either an incubator or an accelerator to address the problems in Richards Valley, it is important to consider the end goals of the project. As discussed previously, incubators are modeled to bolster startups into small businesses, while accelerators are geared more towards generating revenue from and taking ownership of startups. When both models are compared at their foundational levels, building an incubator rather than an accelerator is a more appropriate solution for Richards Valley.

FINDING AN INDUSTRY WITH DEMAND

Certain industries in Bellevue are booming. The highest-growth industries in Bellevue are biotechnology (biotech), health and beauty, commercial products, retail, technology (tech), and tourism. There are 259 tech startups and 135 biotech companies in Bellevue, with tech and retail being the top employers. This trend is partially due to the fact that Bellevue is home to the company headquarters of Amazon, Drugstore.com, T-Mobile, Expedia, Eddie Bauer, and QFC. Additionally, there are other large tech and retail companies in close proximity to Bellevue. These companies include Genie, Nintendo, AT&T Mobility, Microsoft, and Starbucks.

According to the City of Bellevue, Information Technology is the largest, fastest growing, and most concentrated industry cluster in Bellevue. This intense growth is likely caused by the close proximity of many large corporations. In any city where business is booming like Bellevue,

entrepreneurs are attracted by potential for talent recruitment and network building. Additionally, many business professionals from local companies exit these companies and create their own startups. An incubator in Bellevue is the perfect solution for these new startups to grow, learn, and make connections.

Having an incubator in the area will support the growth of new and existing tech and biotech small businesses, which will increase the local employment rate and provide more people in the area with professional opportunities. Furthermore, implementing an incubator in the area will attract more investors, which will stimulate development. This is also a good opportunity for more local entrepreneurs to develop new skills. We believe that significant investments in math and science education (or STEM education), human capital, and entrepreneurial development—which can come from implementing an incubator—will yield a good return on investment, particularly when aligned with the creation of businesses and encouragement of the entrepreneurial spirit. Lastly, an incubator will also help commercialize university research. Universities are constantly looking for new projects to invest in, because these projects can generally promote success in their endeavors. This practice is common at the University of Washington and other large schools, especially when these schools have their own incubator for students and alumni to use.

INCUBATORS IN BELLEVUE

Currently there are 16 incubators and 34 coworking spaces in the Bellevue area. Of those 16 incubators, two are biology- or chemistry-focused, one is fashion-focused, one is video-games-focused, one is socially-focused, one is biotech-focused, two are VR-focused, one is cloud-technology-focused, four are general tech, two are healthcare, and one is multi-industry (including Healthcare, Biotech, CleanTech, Engineering, and Hardware industries, virtual reality (VR), Information Technology, and Software).

WHAT SERVICES SHOULD AN INCUBATOR PROVIDE?

SURVEYING EXPERIENCED USERS

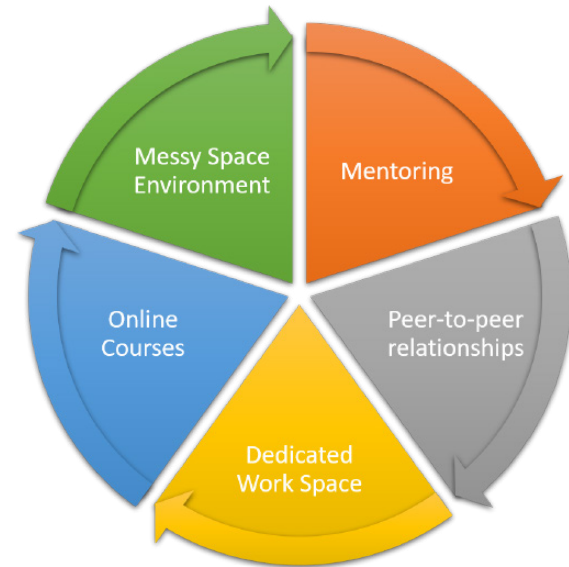
In order to understand what services an incubator in Richards Valley should provide, we initially conducted several broad surveys with local small businesses. The first survey we conducted was general and only provided us with information that was base-level and unactionable. Although it supported our findings, it did not progress our understanding of business development needs. Because of these results, we created a new survey with a new target: small businesses that have participated in incubator programs. This target allowed us to extract firsthand experiences about leading incubators directly from past users. Based on these experiences, we can understand what other incubators are doing, and how we can adapt their methodologies to fit Richards Valley.

The questions that we posed in our survey are:

- What did the incubator do best? What was the value that they provided? Where did the incubator fall short?
- How did you know that you needed incubation?
- How did you discover or choose your incubator?

To answer these questions, we called roughly 20 startups on the phone and spoke with managers, receptionists, and answering machines. From the responses, we learned that most incubators provided significant value to entrepreneurs through workshops and hands-on experiences. For example, one interviewee participated in a fashion retail incubator program, and they said that the workshops that their incubator provided were akin to business school for them. Rather than only learning about fashion, as they expected to, the participant learned about pricing and merchandising strategies from successful individuals in the industry. In other words, professionals from the fashion industry acted as mentors to them. This interviewee also was able to visit manufacturing sites to learn more about production and factory operations, which helped to expand their perspective of the fashion industry. Another person we interviewed discussed their experience with financial services, HR resources, seminars, and how amenities like a ping pong table, coffee, and food were provided for them. In addition, this individual told us that their incubator offered them a lot of networking opportunities with venture capitalists.

When we asked about what incubators are missing, this interviewee said that their incubator lacked manufacturing space. This was important to them because their business focuses on producing medical devices, which is best achieved in a manufacturing space. This interviewee also explained to us that their involvement in an incubator stemmed from their need for a practical workspace on a month-to-month lease, as well as connections to other professionals in their industry. In their final decision of which incubator to participate in, this person considered referrals from their colleagues, location, and flexibility. Flexibility ultimately became one aspect of the incubator that this person appreciated most, as their incubator allowed them to slowly and passionately develop their business according to their own schedule.



A successful incubator provides mentoring, peer-to-peer relationships, dedicated work space, online courses, and a messy space environment. CHRISTIAN GEES

ONLINE FEEDBACK OF INCUBATOR EXPERIENCES

Conducting online interviews with individuals who participated in incubation gave us new insights into what incubation is like, and how users have their own personal incubator preferences. Most of our interviewees responded positively about incubators, which shows that incubators, on average, are great places for small businesses grow. Most importantly, our interviewees all shared that their incubator mentors were very supportive, and always tried to provide them with new ways of thinking about problems before jumping to quick solutions.

Our interviewees all shared that their incubator mentors were very supportive, and always tried to provide them with new ways of thinking about problems before jumping to quick solutions.

Additionally, the interviewees shared their love for the workshops and events at their incubators. These services provided participants with social ways to learn, network, and exchange ideas. On the other hand, though, some of our feedback indicated that incubators can focus too heavily on the social networking aspect of incubation and provide a space that feels too relaxed to be a productive workplace for developing small businesses. Some individuals recalled that their incubators strove to be like larger, leading incubators by providing fewer desks in work areas, and more coffee machines and ping pong tables in their break rooms. In the end, without exceptional people—namely mentors—these incubators became environments for social interactions.

KEY SERVICES

With a wide variety of incubation services offered worldwide, it is difficult to distill which services are most essential. With this in mind, we filtered our research for services in incubators to only include incubators within the United States. By focusing on successful incubators within the US, we were able to determine popular services and amenities that participants see as essential. What we found astonishing—and yet understandable—was that some of these services, like online programs, were in demand but had yet to be incorporated because the technology to implement them has only come available in recent years. Services like online programs, where individuals can complete a course and earn certifications to help develop their companies, were commonly found throughout all successful incubators, regardless of industry specialization. Other services that we found to be in high demand were events and workshops. Generally, incubators host highly knowledgeable individuals or

large corporations, which provide valuable workshops for participants and prospective members.

A great example of a successful incubator is SURF Incubator, which is located in Seattle. SURF is a tech incubator that specializes in innovative technology and software. SURF offers resources like Gigabit Internet, conference rooms equipped with the latest phone technology, and most importantly, hundreds of educational events. These events are open to the public for a fee, but for members they are typically free. This provides SURF with a way to advertise its services and attract new small businesses to participate in its programs. As mentioned previously, workshops can also be a place to network. As a place of opportunity to meet and connect with new people, workshops open new doors for incubator participants by facilitating new partnerships, business ideas, and connections to investors.

Aside from major services like workshops, smaller amenities like shared and individual workspaces are also in high demand. Shared workspaces are known to be very beneficial to emerging businesses because they allow people to meet others with whom they can share ideas and inspiration. A shared workspace can be seen as an ecosystem, where people aim to thrive and prosper together. In this environment, user experience is enhanced when mentors participate. Thereby, ideas can be passed not only between peers, but also to experts. By gaining perspectives from all angles, young startups and individuals have an easier time making difficult choices and developing their business fully.

INCUBATOR SERVICE PLAN

SCREENING PROCESS

The goal of any incubator selection process is to identify businesses that will be successful after the program. By performing intensive research on how successful incubators screen applicants, we found that there are several different processes that we could consider for Richards Valley. From these options, however, we chose one screening process based on how appropriately it fit our model. We chose to base our screening process on research conducted by Dr. Natasha Ramkissoon-Babwah and Ms. Jameela McDavid. From this approach, incubators select businesses based on needs and cultural fit. The first step of the selection process is to set specific guidelines for admissions criteria, such as business

type and growth potential, so that the incubator's selection committee has clear standards to adhere to. At this point, applicants will have the option to submit either a business plan or a formal application to be reviewed by the selection committee. After the applicants meet the basic qualifications, they then move on to the interviewing process with the selection committee, through which they have the opportunity to clarify their needs and expectations. There should also be an inclusive review of graduation criteria and of any contracts that clients are required to sign. The third step in the selection process requires applicants to submit an executive summary after the selection committee has conducted an internal review. If the assessment is positive, the applicant will be required to deliver a 10-minute presentation of their business plan to the success committee, which is comprised of external industry experts. After being accepted into the program, the applicant, then member, must frequently meet with the success committee to monitor their progress and ensure that their work remains a good fit within the incubator.

In addition, if a small business wants to be accepted into the incubator, it must not be competitive with existing incubator clients, and must have a complete business plan. If any of these requirements are not met by an applicant, they will not be accepted into the program. Though not crucial, the incubator will also favor applicants that have stable finances, a high capacity for managerial competence, and products and services that have a positive environmental impact. Applicants will be rated along



A dedicated creative space encourages collaboration, drives innovation, and supports entrepreneurs and students. CLAUDE IOSSO

these criteria on a scale of one to 10, and the criteria will be weighted according to the importance to the incubator. For example, an applicant's capacity for managerial competence might be weighted twice as heavily as whether their product or service has a positive environmental impact. These weighted scores are then summed to an overall score that can be compared between applicants. Through this methodology, an applicant that lacks financing but has an exceptional group of employees, for example, can still be accepted as an incubator client.

INCUBATOR PHASES

An incubator should implement phases, or stages, in order to create an organized flow. Phase zero is the business idea phase; this phase occurs when a person has a business idea and simply wants to talk to someone for advice. He or she can walk into the incubator and speak with a business consultant at no charge. Once the person decides that they want to pursue the idea, they can apply to participate in the incubator. When they pass the screening process and are accepted, they move on to phase one.

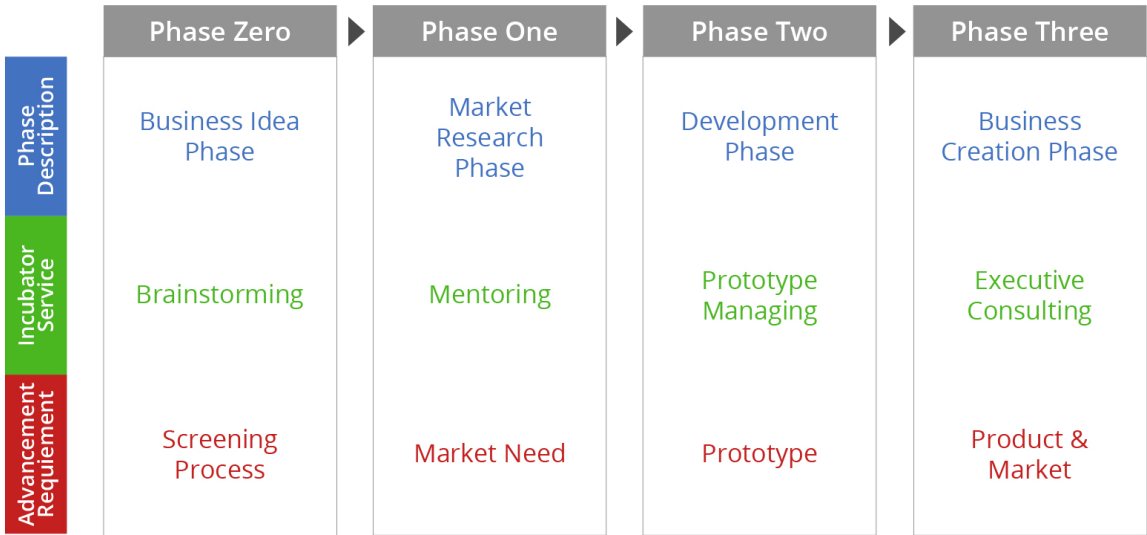
Phase one is the market research phase. Here, the client works with mentors to identify whether there is a market need for their product before moving on to the development phase. The services offered in this phase are mentoring—with mentors who specialize in market research and market identification—seminars on identifying markets, and networking events for building connections. To move on to phase two, the client needs have identified that there is a need in the market for their product or service.

Phase two is the development phase, where the client begins designing and prototyping their product or services. Here, the client develops creative solutions for their product and turns it into a workable design. After developing a workable design for the product or service, they move to the prototype lab to create the product. The services offered in this phase are: expert mentoring in design and prototyping; help financing any materials needed to create the prototype through bank partnerships; and tuition assistance like discounts for outstanding candidates on the basis of merit and financial need. Clients can also enroll in programs that allow them to learn new skills and gain qualifications that will further assist them in creating a prototype. Last, clients are provided with working spaces and resources like mentor contacts, computers, and desks. To

move on to the next phase, the client needs a workable prototype that has been tested and is ready to be marketed.

Phase three is the business development phase, where the client will develop their business plan and marketing strategy, obtain a business license, and create a website and logo. The services offered in this phase include business mentorship, and seminars on the essential components of building a business. Examples of skills that can be taught in these seminars are business plan development, marketing strategy, business license acquisition, website and logo creation, and investor or corporate partnership building. Clients will also have the option to take business classes at Bellevue College, such as Introduction to Business, Entrepreneurship, Introduction to Marketing, Market Research, and others, with potential for scholarships and financial aid. Professors can also teach short courses on these topics at the incubator. To graduate from the incubator, the client should have a product and a market established. At this point, the client's company can either go out on its own or move on to an accelerator to promote its growth. In the case of Richards Valley, an accelerator could be created at some point in the future, after the incubator has grown and created enough demand for an acceleration program.

INCUBATOR PHASES



Successful incubators cater to the needs of clients in different phases of business development. CHRISTIAN GEES

FINDING A SUITABLE LOCATION

While brainstorming where an incubator could be physically located in Richards Valley, we investigated buildings and lots that are currently available for redevelopment. At first, we looked into buying a lot or a building, but soon realized that the average price of a space in Richards Valley is around 1.6 million dollars, which meant that we would need to think outside the box. The next idea we had was to partner with an existing local business in order to maintain a physical space for our incubator. Many businesses in the area have office spaces, warehouses, or manufacturing space, and much of this space is not completely utilized. With this in mind, we looked into a model of sharing workspaces and tried to apply it to buildings with existing businesses. In typical shared workspaces, however, users are all generally startups, share the same facilities, and can easily maneuver around each other because the space was built with the intention of hosting a shared space. The buildings we tried to apply the shared space model to were not intended to be shared workspaces, and some building and business owners told us that renting out a single office or workbench would be profitable, but would likely cause more issues than the benefit of the extra revenue. This idea was then abandoned, and we returned to the drawing board.



Our research team considered, but ultimately abandoned, the idea of partnering with existing local businesses with underutilized facilities to create shared workspaces. CHRISTIAN GEES

After another visit to Richards Valley and an exploration of existing undeveloped, non-wetland lots, we realized that there were still three promising options for development on the table. One of these options is the Bellevue Honda Support Building, located at 13305 SE 26th St. The Bellevue Honda Support Building seemed especially promising because it appeared move-in-ready. Looking in the windows, we saw that the inside of this space seemed unused, and that the lot was essentially treated as another parking area for Bellevue Honda, a car dealership just three minutes away on the other side of I-90. After we contacted the manager responsible for the building and encountered some communication and clarity problems due to our inexperience, our professor, Michael Ervick, offered his help and called the manager once more. Professor Ervick then returned to us with the news that the building is, for now, closed for further exploration, but that in the future—with some help from the City of Bellevue—it could become available again for consideration. In this case, this building would be one of the best options for an incubator in Richards Valley. From the looks of the building, there are garages that would fit the needs of our incubator: a messy space, as well as normal offices for those who need to work at a computer or hold meetings with experts and other mentors.



The Bellevue Honda Support building is a promising option to locate an incubator, because it is move-in-ready. CHRISTIAN GEES

The next option is the lot at 13305 SE 26th St., a space that has the highest square footage per dollar compared to the other two lots available for development. The location of this lot would require a new road to be built, as it is currently inaccessible. This, however, is not as problematic as it seems, because the properties surrounding this lot feature roads that either border one side of the lot or encircle the entire lot, which would make building a new road fairly simple. As non-building-experts, we realize that the price alone of \$172,400 for the lot—with no building—renders this option less appealing. Additionally, the lot is not ready to be built on, as is. So, in addition to the lot cost, the cost of clearing the land and preparing it to be built upon would also be incurred. Plus, building a fully equipped incubator would increase costs even more. Rather than building a complete incubator, we considered the idea of a campus made of portables. Portables are common purchases for schools that need extra classrooms for short-term or permanent space, because they are a low-cost and fast solution. With several portables and the correct planning, we feel that an incubator could be created on this second lot option. Moreover, utilizing portables will leave extra land open, which can later be expanded upon to increase the incubator's capacity for new services and amenities.



The lot at 13305 SE 26th St., where a new incubator could potentially be built with a campus of portables. CHRISTIAN GEES

Our third and final idea to place an incubator in Richards Valley is to lease one of the existing buildings in the area. This leasing option would not be nearly as scalable or well-equipped as the Honda building or a new building, because certain amenities and services will not fit into many of the buildings that are open to leasing. For example, an incubator needs a messy space, or tinkers' space, for individuals that are building businesses around a physical product. An office building will not be able to provide or accommodate the necessary workbenches and heavy machinery for these activities. One benefit to the leasing option, however, is ease of start. Starting this incubator would be far simpler, as leasable buildings are intended to be move-in-ready, so setting up an incubator with the necessary resources would be relatively straightforward. This incubator would then be functional but limited to mainly to tech startups (namely software), which could restrict the incubator's long-term success.



The building at 3150 Richards Rd. is one of the more promising leasable buildings in Richards Valley, and could help kickstart an incubator in the area. CHRISTIAN GEES

CONCLUSION

We suggest that implementing an incubator could help develop the Richards Valley Light Industrial Zone, because it will attract investors, developers, and small business that are seeking opportunities for growth. Because many new startups are formed without a business education background, having an incubator will be a great resource for entrepreneurs to bolster their knowledge, increase their success rates, and build a strong business foundation. Although there are already a lot of incubators and accelerators in the Seattle and Bellevue areas, there is nonetheless an excess in demand for incubator services. After doing intensive research on how to make an incubator successful, we found several key concepts that could be applied to our incubator. Namely, incubators need mentorship programs, workshops, online resources, shared workspace, and flexible lease options, to be successful. We additionally recommend that this new incubator serve tech and retail businesses, because Bellevue is a tech and retail hub. The services that we suggest the incubator provide are workshops and events, mentorships, and online certification programs, so that startups have a strong foundation for success. Although portables could be viable and cost less, we recommend using a complete building to host the incubator, such as the Bellevue Honda building, because it features existing, move-in-ready offices, and garages for a messy space.

FUTURE EXPANSION

What does the future look like for the incubator? First, the incubator can partner with a university or city. Universities have an interest in incubators because they are a great resource for faculty and students. For example, Washington State University (WSU) recently partnered with an incubator-accelerator program in Seattle, and said that, “this partnership adds value to [their] efforts to commercialize WSU faculty-driven innovations in the marketplace.” Second, the incubator can expand its facility. If the incubator begins to gain traction, there is an option to purchase more property in Richards Valley or elsewhere. Third, the incubator can add more industry services and tinker spaces to the program, depending on demand. If the incubator becomes a success and expands to more locations, additional services for prominent industries like biotech can be added. Finally, accelerators can be very beneficial to businesses after they have participated in incubation. Adding an accelerator program could be another great option for the future. By moving from incubation to acceleration in the same system, a company will likely feel more

comfortable with the process, which will result in higher success rates from participating companies. Implementing these three considerations in the future could help to bolster the future success of an incubator in Richards Valley, which will positively impact the area’s development and benefit the City of Bellevue as a whole.



Collaborative work in an incubator setting will help to foster business growth in Richards Valley, which will aid development and benefit the City of Bellevue as a whole. MIMI THIAN

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