

University of New Orleans

ScholarWorks@UNO

Planning and Urban Studies Reports and
Presentations

Department of Planning and Urban Studies

Spring 2015

Incubating Success: Building Capacity for Minority Social Entrepreneurs in Central City, New Orleans

Department of Planning and Urban Studies, University of New Orleans

Follow this and additional works at: https://scholarworks.uno.edu/plus_rpts



Part of the [Urban Studies and Planning Commons](#)

Recommended Citation

Department of Planning and Urban Studies, University of New Orleans, "Incubating Success: Building Capacity for Minority Social Entrepreneurs in Central City, New Orleans" (2015). *Planning and Urban Studies Reports and Presentations*. Paper 29.

https://scholarworks.uno.edu/plus_rpts/29

This Capstone Report is brought to you for free and open access by the Department of Planning and Urban Studies at ScholarWorks@UNO. It has been accepted for inclusion in Planning and Urban Studies Reports and Presentations by an authorized administrator of ScholarWorks@UNO. For more information, please contact scholarworks@uno.edu.



INCUBATING SUCCESS

Building Capacity for Minority Social Entrepreneurs
in Central City, New Orleans

University of New Orleans
Planning and Urban Studies
Community Development Finance Capstone
Spring 2015



*Incubating Success:
Building Capacity for Minority Social Entrepreneurs in
Central City, New Orleans*

University of New Orleans Study Team:

Laura Baños

Brigette Bernal

Victoria Flagg

Katherine Guidry

Matt Loftis

Kim Mosby

Amy Ulmer

Supervised by:

Marla Nelson, PhD, AICP
Associate Professor
UNO- PLUS

Kristyna N. Jones
Managing Partner
K. Jones Advisors

Special Thanks to:

The Greater New Orleans Foundation

Executive Summary

Since Hurricane Katrina, entrepreneurial activity in New Orleans has grown faster than the national average (Plyer, Ortiz, Horwitz, & Hobor, 2013). Nationally, however, there is an overall lack of minority startups that are backed by venture capital (Schmid, 2015). These disparities are evident in New Orleans as well (Walker, 2014). The Foundation for Louisiana (FFL) and Camelback Ventures (Camelback) seek to address this issue through the creation of an empowerment incubator for minority entrepreneurs near the LaSalle St. corridor in Central City, New Orleans.

To this end, FFL and Camelback commissioned the UNO-PLUS Community Development Finance Capstone team to examine the financial feasibility of developing a minority-centered, co-working and incubation space for social entrepreneurs. Over a four-month period, the team: researched the incubator, accelerator, and co-working landscape in New Orleans to assess the need for additional incubator space; identified available sites in Central City best suited for the development of an empowerment incubator; proposed designs for each of those sites; examined the financial feasibility of an empowerment incubator on each of those sites; and explored potential partnership structures for a real estate joint venture between FFL and Camelback.

The findings indicate:

- Demand exists for an empowerment incubator in Central City. Local incubators do not cater specifically to social ventures led by entrepreneurs of color. An empowerment incubator could serve as a hub of entrepreneurial activity, advance minority-driven social ventures, and act as a welcoming community space for Central City residents.
- Several sites exist within Central City that can accommodate the project and community needs. The team identified four sites and developed a unique site design for each. The designs allow for easy accessibility, provide ample space for programming needs, and are in compliance with the draft comprehensive zoning ordinance (CZO) of New Orleans. As such, the designs take into account permitted land uses, height restrictions, and parking requirements specific to each location.
- According to preliminary analyses, the project is financially feasible on all four proposed sites. A review of the project costs, sources of funds, and operating pro forma indicates project operations generate enough revenue

to repay capital investment costs and provide financial sustainability for FFL and Camelback.

- A Limited Liability Corporation (LLC) is the most viable joint venture partnership structure to meet the goals of both FFL and Camelback. LLCs allow the most flexibility in ownership and management arrangements and offer the highest degree of protection to the partners from debt and legal liabilities incurred by the project. This type of partnership structure can also incorporate a master lessor arrangement if FFL and Camelback choose to share management of the incubator or appoint a third-party manager.

Next Steps:

This project represents a new opportunity and experience for FFL and Camelback. As such, the UNO-PLUS capstone team suggests FFL and Camelback:

- Hire a third-party to conduct a full market analysis to understand the specific demand for an empowerment incubator for minority owned enterprises located in Central City and develop a marketing strategy to reach potential clients.
- Engage the community to ensure the incubator creates a welcoming and inviting atmosphere and serves community needs. Involving the community in the planning stage can serve to educate residents about the project and allow residents to shape programming and design aspects. It will also help mitigate potential negative impacts of the development on the community.
- Develop strategic partnerships with existing stakeholders in Central City and throughout New Orleans to provide and support community programming within the incubator.

About the Clients



The Foundation for Louisiana (FFL) invests in people and practices that work to reduce vulnerability and build stronger, more equitable and more sustainable communities statewide. FFL provides support and investment to small business development, affordable housing, leadership development, citizen engagement, and equitable policy. To date, FFL, which was created in the aftermath of Hurricanes Katrina and Rita, has invested \$41.5 million in more than 200 mission-critical nonprofit organizations working across the state towards rebuilding a better Louisiana.



Camelback Ventures is a non-profit organization that helps local leaders and entrepreneurs of color to develop community-focused social ventures through a seed fund and intensive fellowship program. The goal of Camelback Ventures is to provide 'coaching, capital and connections' to close the opportunity gap faced by many minority-driven social ventures. Camelback Ventures targets entrepreneurs working on early-stage education and economic opportunity initiatives in Chicago, New Orleans, New York and Oakland.

About the Authors



The University of New Orleans Department of Planning and Urban Studies (UNO-PLUS) has been an important regional institution helping to train leaders in urban issues for over 40 years. As the economic and urban landscape of New Orleans continues to evolve post Hurricane

Katrina, the planning program faculty has been committed to the equitable and sustainable rebuilding of the city and region.

The department's Master of Urban and Regional Planning (MURP) program is the only accredited planning program in the State of Louisiana. The Community Development Finance Practicum provides advanced MURP students in the housing and community economic development specialization with an opportunity to apply their technical and analytical skills developed through their planning coursework. Students work in small teams, under the supervision of the course instructor and a community development practitioner, to advance a community development finance project in collaboration with a client.

Table of Contents

Introduction	2
Central City Neighborhood Profile.....	5
Incubators, Accelerators and Co-Working Spaces.....	11
Case Studies: Local Incubator Space.....	19
Case Studies: National Incubator Space.....	21
Site Selection and Design Elements.....	24
Project Feasibility.....	36
Partnership Structure	40
Conclusions and Next Steps	46
References.....	49
Appendices.....	52

List of Tables

Table 1:Local and National Inventory of Incubator, Accelerators, and Co-Working Models	18
Table 2: Criteria for Site Selection.....	25
Table 3: Project Development Scenarios Summary	39
Table 4: Partnership Structures Advantages and Disadvantages.....	46

WELCOME
to
CENTRAL CITY

Sponsored by
The Greater New Orleans AFL-CIO and Councilwoman Diana E. Bajole

Introduction

Introduction

Since Hurricane Katrina, entrepreneurial activity in New Orleans has grown faster than the national average (Plyer, Ortiz, Horwitz, & Hobor, 2013). Nationally, however, there is an overall lack of minority startups that are backed by venture capital (Schmid, 2015). In fact, minority business enterprises (MBEs) receive less equity than non-minority owned firms nationwide (Minority Business Development Agency, 2010). These disparities are evident in New Orleans as well (Walker, 2014). The Foundation for Louisiana (FFL) and Camelback Ventures (Camelback) seek to address this issue through the creation of an empowerment incubator for minority entrepreneurs.

FFL and Camelback want to create a unique space near the LaSalle St. corridor in Central City to house both organizations and provide minority entrepreneurs with a social networking hub and office amenities. The LaSalle St. corridor in Central City, a historic African-American neighborhood, is the ideal area to locate this project. The neighborhood has a rich history and is currently the site of several redevelopment projects. By locating the project in Central City, it has the potential to serve as a community anchor and to provide an underserved population with access to business resources specifically designed for minority social entrepreneurs.

Central City is undergoing a renaissance stimulated through public and private investment in redevelopment projects ranging from cultural institutions to affordable housing developments. Reinvestment creates tensions as communities change and new residents move in. This presents the challenge of ensuring long-term residents have equitable access to the benefits of revitalization. This project will meet multiple needs by serving several purposes. First, it will act as headquarters and base of operations for FFL and Camelback, two nonprofit organizations concerned with increasing opportunity and resiliency in minority communities. Second, the project will generate revenue to provide long-term organizational sustainability for project partners. Third, as an incubator, it will establish a social networking hub and a supportive environment to nurture minority-run social ventures and help generate wealth and positive social change within the community. Finally, the project will create a welcoming and accessible community space to anchor further revitalization efforts in Central City while ensuring long-term residents benefit from community revitalization.

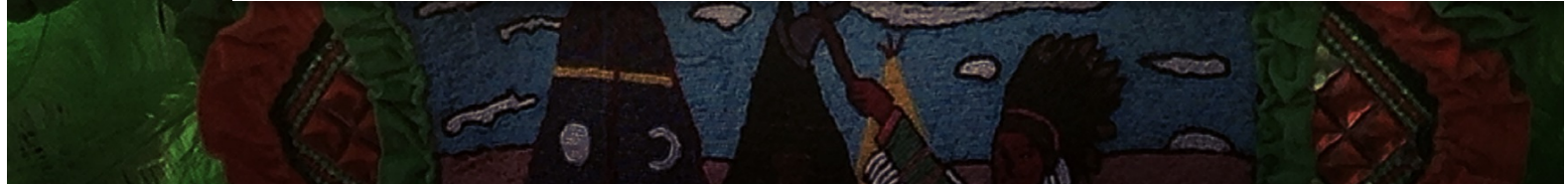
FFL and Camelback commissioned the UNO-PLUS Community Development Finance Capstone team to examine the financial feasibility of developing a minority-centered empowerment incubator and co-working space for social entrepreneurs in Central City, New Orleans. Over a four-month period, the team:

- Researched local and national incubators, accelerator programs and co-working spaces to assess the need for an empowerment incubator in Central City
- Identified four suitable sites for an empowerment incubator near the LaSalle St. corridor
- Developed site designs for each of the selected sites
- Developed and reviewed project costs, sources of funds and operating pro forma for each of the selected sites to determine overall project feasibility
- Examined potential partnership structures for a real estate joint venture between FFL and Camelback.
- Interviewed key stakeholders in Central City and incubator staff and developers nationally and locally

We begin the report by discussing the historical and cultural significance of Central City. From there we examine the importance of and barriers to entrepreneurship before moving into a description and market analysis of incubators, accelerators, and co-working spaces. The team then proposes four locations within Central City that present unique development opportunities for FFL and Camelback to consider. Next, we present different design options for the four locations and the project feasibility for each site. We then examine potential partnership structures for a real estate joint venture between non-profits and identify one best suited for FFL and Camelback. We conclude the report with next steps.



Central City Neighborhood Profile



Central City Neighborhood Profile

Cultural and Historic Significance of Central City

Central City, located in Uptown New Orleans, is steeped in cultural and historic significance. Originally developed in the 1830's, the neighborhood is bounded by I-10 to the east, Saint Charles Ave. to the south, Toledano St. and Louisiana Ave. to the west, and, for the purpose of this study, Claiborne Ave. to the north (Figure 1).



Figure 1: Uptown New Orleans Neighborhoods Map
Source: The Data Center, 2015

The majority of the structures built in Central City were raised “shotgun” houses designed to be rental units for immigrants. By the late 1800's with much of area developed, Central City was a dense residential neighborhood just outside of the city's core (GNOCDC, 2004). Today, many of the original shotgun homes remain and provide housing for working class residents.

Over time, the neighborhood became a beacon for diversity and social activism in the city. By the early 1900's, many African Americans moved into the area,

making it one of the most racially diverse neighborhoods in New Orleans. Through limiting the places available for African Americans to work, shop, go to school, and enjoy recreational activities, Jim Crow segregation laws created pockets within New Orleans where minority communities flourished. Despite the oppressive conditions, Central City became one of the most vibrant African-American neighborhoods in the entire South.

As the Civil Rights movement gained momentum in the late 1950's, Central City quickly became center stage for African-American rights in New Orleans. In 1957, Dr. Martin Luther King, Jr. spoke to a congregation at the New Zion Baptist Church located in the neighborhood. Three years later, African-American residents in Central City organized the Dryades St. Boycott, which targeted commercial establishments on Dryades St. that served African Americans but refused to employ them. Ultimately, the boycott forced Dryades St. businesses to hire African-American employees and paved the way for future demonstrations throughout the city (Buchanan, 2014). To commemorate the Dryades St. Boycott

in the late 1980s, the city renamed the corridor Oretha Castle Haley Blvd., in honor of Mrs. Haley, a civil rights pioneer that participated in the Boycott and served as the chapter president of the Congress of Racial Equity (OCHBMBA, 2014).

Like many inner city neighborhoods throughout the nation in the late 1960's, Central City began to experience disinvestment. While The Civil Rights Act of 1964 lifted segregation laws and marked a milestone in racial equality efforts, it adversely affected the inner city and historically African-American neighborhoods. With the newfound freedom to shop anywhere, many African Americans began to frequent businesses outside of their communities, decreasing the economic activity within historically black neighborhoods. Additionally, banks utilized discriminatory lending practices to deny loans to African Americans and minority neighborhoods. As white families moved en masse to the suburbs, the local tax base dwindled. This process, in conjunction with the dispersal of African-American households throughout the city, caused economic decline in Central City.

Present-Day Central City

In 2005, as the neighborhood continued to struggle with decades of population loss, crime, and lack of investment activity, Hurricane Katrina hit the Gulf Coast and the failure of the federal levees flooded thousands of homes and businesses through the city resulting in billions of dollars in damages. Even though most of Central City did not flood, the population of Central City dropped from 19,072 in 2000 to 11,257 in 2010, a reduction of over 40 percent (Plyer, 2011). Recovery strategies are partly to blame for the decrease in population. Following the storm, federal and city officials decided to demolish the C.J. Peete Public Housing Development and create a mixed-income community with significantly fewer public housing units (Reckdahl, 2010). The new development did not open until 2010, forcing many low- and moderate-income Central City residents into prolonged displacement. Now rebranded as Harmony Oaks, the former C.J. Peete serves as an anchor for the community providing housing and community amenities, such as a clubhouse, exercise facility, pool, and play areas for children (MacCash, 2011). However, because the new development did not provide one to one replacement of public housing units, many low- and moderate- income families were unable to return to their neighborhood.

Recent and Proposed Developments

Although Hurricane Katrina forever changed New Orleans, the city has made great strides in its redevelopment efforts. The resurgence of economic activity along the city's main streets has stimulated the revitalization of many neighborhoods throughout New Orleans. In Central City, Oretha Castle Haley Blvd., a 'Louisiana Main Street' has received substantial public and private investments. The City of New Orleans, the New Orleans Redevelopment Authority (NORA), and foundations including FFL have been important partners in many of the catalytic projects along the corridor, including the redevelopment of the former Myrtle Banks School into a shared workspace and public market, the New Orleans Jazz Market, which serves as a learning and entertainment space for jazz musicians, and NORA's offices. Furthermore, new restaurants and businesses have opened on the corridor, joining long-standing community institutions including the Ashé Cultural Arts Center and Café Reconcile (OCHBMBA, 2014).

Presently, local community members and organizations are working to redevelop LaSalle St. as a prominent corridor in Central City. In its heyday, LaSalle St. served as a bustling musical destination for African-American musicians, such as King Oliver, Kid Ory, and Buddy Bolden (The Data Center, 2004). The corridor is



Figure 2: Potential Dew Drop Inn Design
Source: Dew Drop Inn, Tulane City Center, 2015

home to the legendary Dew Drop Inn, a hotel, music hall, and barbershop that from the mid-1940s through the 1960s served as the city's premiere nightclub for top African-American entertainers from across the country. Also situated along LaSalle St. was the C.J. Peete Housing Projects (now Harmony Oaks), where local rap artist Juvenile grew up and the city's unique style of hip-hop—Bounce—was launched. The corridor remains important in the city's brass band and Mardi Gras Indian traditions and is the popular meeting spot for the Uptown Mardi Gras Indian Super Sunday and St. Joseph's Day Festivities.



Figure 3: Potential Mardi Gras Indian Campus Design
Source: PL16_LaSalle Corridor // Mardi Gras Indian, Tulane City Center

The current LaSalle St. revitalization is being anchored by the redevelopment of the Dew Drop Inn, which is located near LaSalle and Washington Ave. The Dew Drop Inn is an iconic music landmark and will bring live music

back to the neighborhood and spur commercial activity along the LaSalle Corridor (Tulane City Center, 2015). Redevelopment of the Dew Drop Inn will pay homage to what LaSalle St. once was, while also signaling to long-time Central City residents that the corridor is coming back (Figure 2). Additionally, plans are underway for the development of a Mardi Gras Indian cultural campus (Figure 3). The project, to be developed by the Mardi Gras Indian Council in conjunction with FFL and the Tulane City Center, will provide programming to educate youth and preserve Mardi Gras Indian traditions while creating revenue-generating opportunities for the Mardi Gras Indian Council. Finally, the YAYA Arts Center, a \$1.3 million collaborative endeavor between YAYA and Harmony Development, is under construction at 3322 LaSalle St. (Figure 4). The center, scheduled to open in June 2015, will provide arts education and instruction for children.

In the last ten years, Central City has undergone dramatic change that has affected the area's demographics, public infrastructure, and its real estate environment. Various private and public actors initiated these changes in order to improve the neighborhood and nurture the culture that made the community unique. The recent efforts to revitalize Central City provide a



Figure 4: Potential YAYA Arts Center Design
Source: MacCash, 2014

solid platform for the neighborhood to flourish, and for the first time in decades, the future of Central City looks as bright as its colorful past. However, many long-term residents and advocacy organizations that focus on equitable revitalization have concerns regarding the gentrification that often accompanies economic revitalization. Recognizing these concerns, this project seeks to engage Central City residents and entrepreneurs of color by creating a space where they feel welcome and have the opportunity and resources to grow.



Incubators, Accelerators and Co-Working Spaces



Incubators, Accelerators and Co-Working Spaces

In order to identify models for the project and assess the demand in the New Orleans market for an empowerment incubator, we looked at local and national examples of incubators, accelerators, and co-working spaces. Our analysis included over twenty spaces and programs, ten of which are in New Orleans, the rest of which are located throughout the U.S. We examined each space's website to gather information on their offerings, capacity, programming, target population, and organization. After confirming their fit, we interviewed staff and developers from local examples and two national sites about their operations, programming, and structure.

In this section, we identify the economic importance of entrepreneurship and review the challenges minority entrepreneurs face nationally and in New Orleans. Then we define the language we use to describe these spaces and provide their basic history. Finally, we examine the incubator landscape in New Orleans to assess local needs and provide case studies of model business examples.

Minority Entrepreneurship

Technological advancements have enhanced the process of starting and running a small business. Individuals can easily access legal advice, marketing help, financial information, and tools to manage and share documents and other files online. With these developments, entrepreneurship has become more popular around the country, reaching a record high in 2012 with 13% of adults working in start-ups (Pofeldt, 2013). Entrepreneurship provides greater potential for upward wealth mobility than those who do not own their own businesses (Quadrini, 1999). Along with economic mobility, entrepreneurs have the freedom to determine their own work schedule and the opportunity to be creative and make decisions that reflect their personal intentions. These benefits, along with many others, are attractive to millennials and working adults and influence their decisions to become entrepreneurs.

The exciting process of developing a new entrepreneurial venture involves many challenges. Challenges are unique to a start-up's structure, product, customer base, and capital needs among other factors. When a business venture encounters issues, it is important that entrepreneurs have the resources to continue operations for the venture to succeed. Chris Goward, CEO of

WiderFunnel says, "...today's challenge is the biggest challenge I've ever faced. The challenges don't get smaller as the business grows, but my capacity to meet the challenges grows to match the need" (Heitzman, 2014).

In New Orleans, 60% of the population is African American, but only 28% of business owners are African Americans (U.S.Census Bureau, 2007). The underrepresentation of African Americans as entrepreneurs is not a local problem but is national in scope. According to a study produced by the Minority Business Development Agency, minority business enterprises (MBE) growth rates from 1997-2002 greatly out-paced non-minority owned businesses (Minority Business Development Agency, 2010). Despite this growth, MBE's still have not reached equality in share of businesses. The study also found that minority owned firms received a lower percentage of business loans and equity investments than their non-minority owned counterparts. Furthermore, the average value of loans and equity investments received was lower for MBEs than non-minority firms (Ibid.). Major barriers to MBE activity include access to capital, markets, and social networks (Ibid.).

Davidson and Honig (2012) studied entrepreneurship and the factors that affect entrepreneurial success. They found that social capital--having family and friends in business to serve as role models and to encourage activity—is the most significant identifier of entrepreneurial success (Davidsson and Honig, 2012). Social networks begin to form in childhood and expand as one moves into higher education and into the working world. Not only is a social network important for business mentorship, but it also serves as a source for financing. Among small enterprises, the majority of those that fail blame the inability to secure financing (Pofeldt, 2013).

In New Orleans, the minority population accounts for 70% of all residents. The poverty rate in the city is 27%, ranking seventh among all cities in the U.S. New Orleans must increase the possibility for upward wealth mobility for all its residents, and fostering entrepreneurship is a proven method. By targeting minority ventures and providing programs that link them to capital, minority-led ventures can survive and expand, which would lead to more jobs, and ideally, less poverty overall. Through an empowerment incubator this project seeks to confront these issues and help build a strong base of minority-owned businesses and social enterprises.

Incubators, Accelerators, and Co-working Spaces

It is widely agreed that entrepreneurs need business savvy, financing, connections, and an environment supportive of risk taking in order to succeed. A business incubator is a facility designed to provide these things to new and growing small businesses as they become established and profitable. Incubators and accelerator programs provide a work environment that supports and strengthens new ventures through mentorship, advice, and other support services. Incubators eliminate some of the barriers that often lead to new business failure by reducing costs, increasing confidence and capacity of the entrepreneur, and linking the entrepreneur to the resources required to start and grow a business (Beer et al., 2003, p.132).

Business incubators select start-up companies based on predetermined criteria to participate in their business development programs. These business development programs are known as incubators and accelerators. Incubator programs offer selected start-up companies office space for free or at reduced rates, as well as shared facilities and equipment. This lowers basic start-up costs. Participants in the program receive management guidance, mentorship, basic business training, and professional services. All of these services are located in one space. The space also serves as a communal meeting point and an intersection of different social networks, which provides participants with an increased network of contacts. Generally, companies can stay in the incubator for as long as needed, or until the business grows to a scale that it can relocate and be self-sufficient (Deeb 2014). Incubator programs do not normally provide funding to new ventures. These programs assist in obtaining financing through the incubator's network of contacts.

Accelerator programs are similar to incubator programs in that selected participants receive office space and business support services, but accelerator programs are delivered at a faster pace. Accelerators provide a structured curriculum with intensive mentoring focused on rapid growth in a short period of time, usually three to four months, after which time participants "graduate" from the program. Typically at the end of an accelerator program, participants pitch their idea at a demonstration day attended by investors and the media in the hopes of securing financing. In addition to mentorship and technical assistance, some accelerators invest in the companies enrolled in their program in return for an equity stake in the venture.

Although each incubator and accelerator program is unique, differing in the length of the program, the intensity of their curriculum, and the amount of equity they take from a company, their aim is to support young companies through the difficult early stages of starting a business. Because incubators and accelerator programs both aim to foster successful start-up ventures and share many of the same characteristics, for the purpose of this report, we will use the term *accelerator* to refer to the business support program that works with select, early-stage companies and offers targeted, business assistance services to those companies. The term *incubator* will be used to refer to the physical space where start-up companies participating in an accelerator program are located.

In addition to housing accelerators, incubators often rent extra desk and office space in their facilities to people and companies that are not enrolled in their business development program. This sharing of collective office space is referred to as co-working and is often utilized by people in the community who are self-employed or work for a small business or organization. Co-working facilities are designed to provide independent or small teams of workers with a collaborative environment and shared equipment, utilities, computer services, conference rooms, and other resources in order to lower basic operating costs, as well as foster a sense of community. By offering co-working space to the general public, a business incubator receives revenue from desk and office rents, conference room rents, and fees from printing, consulting, and other services.

History of Business Incubation

In the late 1970s, federal, state, and local policy makers realized the important role that entrepreneurship played in economic development and began to initiate and sponsor several programs to support new businesses and small businesses (Karlsson et al 2012, p. 302). In the mid-1980s, the U.S. Small Business Administration (SBA) promoted incubator development, held regional conferences on business incubation, and published handbooks and newsletters to encourage state and local business leaders and government officials to promote entrepreneurship and economic development through business incubation. Early incubator programs focused on technology companies and a combination of light industrial, technology, and service firms, which are considered mixed-use incubators. Currently, incubators target several types of industries including software development, medical technologies, food processing, and arts and crafts

among others. Incubator sponsors have also branched out to target minority- or women-owned startups and social and environmental enterprises.

Business accelerators have a much shorter history and evolved from the incubator model. In 2005, Paul Graham launched Y Combinator in Silicon Valley, which focused on developing startups that focused on web and mobile applications. The Y Combinator concept was similar to a traditional incubator, but distinct in that the development cycle of these startups is usually no longer than three months, which reflects the rapid development of web and mobile applications (Miller & Bound 2011). The kind of business Y Combinator started has become known as an accelerator. In 2011, there were approximately 200 accelerator programs running across the U.S. (Gilani 2011).

Empowerment Incubators

Entrepreneurs of color represent a largely untapped and underleveraged group of entrepreneurs in the U.S. Empowering minority entrepreneurs and accelerating their growth and potential is necessary for the overall growth and competitiveness of the regional, national, and international economy. Empowerment incubators facilitate this goal by providing office space, customized training, and technical assistance, as well as expanded access to strategic alliances, markets, and sources of financing, to minority-owned businesses and social ventures.

By supporting ventures in their early stages, an incubator targeted toward minority-owned ventures can greatly increase the likelihood of their success. Like other incubators, an empowerment incubator reduces the financial burden of a young venture by offering shared space and facilities at below market prices. Mentoring and consulting services are tailored to meet the specific needs of minority-led business. Most importantly, empowerment incubators foster a community of support and expand an entrepreneur's social networks. Social networks build relationships that connect entrepreneurs to resources such as investors, customers, experts, and strategic alliances. This network of entrepreneurs is valuable because it provides information flows (exchange of ideas) between members, and fosters collaboration. Social networks connect people, allowing individuals to utilize each other's skills and abilities reciprocally and build a sense of community.

The Incubator, Accelerator, and Co-Working Landscape in New Orleans

New Orleans has gradually increased the number of incubators and shared workspaces available throughout the city. Currently, there are at least seven shared co-working spaces available including: Beta New Orleans, the Ice House, Idea Village, Launch Pad, Propeller, the Blue House, and Myrtle Banks (Table 1; Appendix A). These workspaces provide office desks, internet, conference rooms, printers, and other amenities to contract customers. Currently, the city has five working incubators: 4.0 Schools, Idea Village, Propeller, Edible Enterprises, and the Arts Business Program. These incubators all have different niches, including education, social entrepreneurship, food, and art. They connect entrepreneurs to capital and coaching so they can create profitable and sustainable businesses. Although PowerMovesNola is a fellowship and not an incubator or accelerator program, we included it in our analysis because of their focus on minority-led ventures.

Through an analysis of incubators, accelerators, and co-working spaces in the city we find:

- Incubators with accelerator programs operate with waiting lists for private desks and/or office space (Propeller, 4.0 Schools, Launch Pad). Accelerator programs generate their own demand for workspace because most program graduates still need the financial and programmatic support that incubators provide.
- New Orleans does not have an incubator or accelerator program that caters specifically to minority social entrepreneurs.
- Location will be an important factor to any new co-working space. Many of the existing co-working businesses lack parking space and connectivity to public transit. The location for the project should provide both.
- The building design should take equal importance to accessibility. The building designs of some existing co-working spaces and incubators lack a welcoming aesthetic. The design of the project should not only fit with the scale and architecture of the surrounding community, but should be approachable and inviting.
- All incubator staff interviewed stressed the need to have strong networks and a sense of community. Many identified networks as more important than the actual physical space. The proposed incubator should build strategic alliances with the residents and community organizations to

foster a mutually beneficial relationship and serve as a community resource as well as an event or gathering space.

- It is important to set the incubator apart from others in the city. Not only should the general public know that the incubator exists, but it is also essential to market the incubator to its specific niche and curate the first members in order to establish the desired community. This would require a marketing strategy specifically designed to reach minority entrepreneurs.

An empowerment incubator in Central City would provide the physical space for Camelback's minority-focused accelerator. The incubator would support socially-minded entrepreneurs of color by providing access to office space, advisors, and capital. Though other incubators operate in New Orleans, none fill the niche of catering to minority-owned ventures, whose founders may not feel welcome in the current incubator landscape. This project has the potential to serve as a hub of entrepreneurial activity in Central City and strengthen the social networks of minority entrepreneurs by connecting them to the surrounding community and to each other.

Table 1: Local and National Inventory of Accelerator, Incubator and Workspace Models					
	Company	Niche	Accelerator	Incubator	Co-working Space
Local	Propeller	Social Impact	X	X	X
	4.0 Schools	Education	X	X	
	Idea Village	Mixed	X	X	X
	Launch Pad				X
	Beta New Orleans				X
	Ice House				X
	The Blue House				X
	Myrtle Banks				X
	Edible Enterprises	Food		X	
	Arts Business Program	Art		X	
National	Charter Network Accelerator	Education	X		
	Cincinnati Minority Business Accelerator	Minority	X		
	Co.lab	EdTech	X		X
	DreamIt Ventures Access	Minority	X		
	Driven	Minority & Tech		X	
	GoodCity	Minority		X	
	Kaplan EdTech Accelerator	EdTech	X		
	Metro Tech	Minority		X	X
	NewMe	Minority & Tech	X		
	Opportunity Hub	Minority	X	X	X
	Points of Light	Social Impact	X		

Source: Online Research and UNO Analysis, spring 2015.

Case Studies: Local Incubator Space

Propeller – New Orleans, LA

Propeller is an incubator with shared workspace with an accelerator program targeted to social entrepreneurs. This year, Propeller focused its accelerator program on public health, food systems, and water initiatives. Their facility is 10,000 sq. ft. and offers two conference rooms.

- **Space/Programming Available:** Propeller can accommodate approximately 150 people. There are 50 co-working seats available, 22 personal desks, and 14 private offices.
- **Operation structure:** Green Coast Enterprises developed the space in partnership with Propeller for a 50/50 equity split. While Green Coast invested all the capital, Propeller runs the operation and received ownership that way. Revenue is split 70/30 between Green Coast and Propeller, respectively.
- **Occupancy:** Propeller is at approximately 80% capacity. All of the private offices and personal desks are under contract with a waiting list. They do have some availability for co-working seats.

4.0 Schools – New Orleans, LA

4.0 Schools is a nonprofit incubator targeted towards entrepreneurs working to enhance education. This offers programming similar to Camelback Ventures, but it does not focus on minority entrepreneurs. This space provides some private desks and co-working space. 4.0 Schools offers two programs: Essentials and Launch. The Essentials program is an intensive weekend workshop program designed to develop a business idea while Launch is a three-month accelerator program for selected participants.

- **Space/Programming Available:** 4.0 Schools offers 7 desks and 7 private offices for co-working members in approximately 5,000 sq. ft. of office space. Their primary offering is the Essentials and Launch acceleration programming for education based entrepreneurs.
- **Operation Structure:** 4.0 Schools is a nonprofit that receives support from foundations including: the Bill & Melinda Gates Foundation; the Broad Foundation; the Foundation for the Mid South; the Walton Family

Foundation; the Goldring Family Foundation; and the Mary Freeman Wisdom Foundation.

- Occupancy: Their co-working space is highly sought after, but it is only available to accelerator graduates. Perhaps because of its exclusivity, they commonly operate with a waiting list.

Launch Pad – New Orleans, LA

Launch Pad started as a co-working space in 2009 and opened in the historic Intellectual Property “IP” building in the heart of downtown. The IP building developers wanted to encourage the expansion of entrepreneurship and technology in New Orleans post-Katrina and sought to house programs and companies that fostered technology start-ups. The three owners of Launch Pad were involved in the technology business, and had a community of entrepreneurs in the market for office space before the opening. Launch Pad offers co-working space and an accelerator program funded primarily by donations. Its success can be attributed to its excellent management staff, the ease of membership, and community initially created by the original clientele.

- Space/Programming Available: Launch Pad has 11,000 sq. ft. which includes 34 private offices, 20 permanent desks and 24 co-working desks. It has approximately 75 members.
- Operation Structure: Launch Pad leases space from the IP building, which includes maintenance, cleaning, and some utilities. The company itself operates as its own corporation, with one sole employee who manages everything. It received \$25,000 in seed funding from the Partnership 504Pitch in 2009.
- Occupancy: There are often co-working desks available, but the permanent desks and private offices are typically under contract. Currently there are four vacancies for private offices. Occupants typically stay for close to two years, sometimes shorter depending on how (un)successful their business ventures become.

PowerMovesNola Fellowship– New Orleans, LA

PowerMovesNola is a national initiative to increase the number of minority-founded, venture-backed companies in high tech and high growth sectors. Though it is not an accelerator, it sources and supports talented high growth entrepreneurs of color. It hosts an annual conference, regional boot camps, and

has a network of esteemed mentors, advisors, and investors. It awards 4 or 5 fellowships per year.

- **Space/Programming Available:** PowerMovesNola is a fellowship program that only offers workspace to fellowship recipients. There are only eight workspaces in their office, four for PowerMovesNola staff and four for the year's fellows. Fellows received \$25,000 in investment capital, technical assistance, marketing assistance, legal advice, and most importantly, mentorship.
- **Operation Structure:** PowerMovesNola is an initiative of the New Orleans Startup Fund, a 501(c)(3) evergreen seed fund established by business and financial leaders in the New Orleans region to accelerate the evolution of early-stage, innovative businesses into venture-ready companies.

Case Studies: National Incubator Space

Opportunity Hub – Atlanta, GA

Opportunity Hub, an Atlanta incubator and co-working space aimed at fostering entrepreneurship among minority and underserved communities, is expanding in scope and physical footprint. Launched in 2013, Opportunity Hub aims to grow the next-generation of consumer products, supply chain, and technology services tech startups.

- **Space/Programming Available:** Shared co-working desks and private offices are available. All membership plans offer access to mentors and hands-on business coaching.
- **Operation Structure:** Opportunity Hub is financed by its membership.
- **Opportunity Hub's involvement extends beyond nurturing entrepreneurial activity.** They are giving back by working in partnership with Greenville, South Carolina, to develop a coding school to teach and sponsor women and minority students from underserved communities. This camp will be offered free of charge to the campers and the sessions are scheduled for six week cycles throughout the year.

GoodCity – Chicago, IL

The mission of GoodCity is to identify and support high potential community-based entrepreneurs whose goals are to create or enhance neighborhood and

faith-based programs that promote self-sufficiency, hope, and a sense of purpose in the lives of individuals in under-resourced communities in Chicago. The GoodCity Incubator Program was started by GoodCity Chicago to bring together a cohort of entrepreneurs looking to launch an idea to address a need in their community. The GoodCity Incubator Program lasts for four months and works with individuals in building a foundation and launching their start-up organization.

- Space/Programming Available: GoodCity provides shared back office administrative services such as information technology, communications, and fiscal management for small to mid-sized organizations. Their consulting services include: strategic planning, leadership development, advancement and funding, and communications and marketing. They also offer workshops that cater to nonprofits.
- Operation Structure: 501(c)(3)
- GoodCity provides fiscal sponsorship that enables individuals to start something new without starting a separate nonprofit organization or while they are waiting for their nonprofit status to be finalized through the federal government. Fiscal sponsorship is commonly used in the nonprofit sector as a cost effective way for individuals to implement new programs, start new organizations, and test new approaches for social change in a community.

Freret
Washington Av

Site Selection and Design Elements

Site Selection and Design Elements

Identifying Project Locations

To select possible locations for the project, the team identified vacant lots and properties for sale in Central City that could accommodate an empowerment incubator. Through internet research and site visits, the team created a database of available properties and their sale prices, if applicable (Appendix B). In order to evaluate the potential sites, the team created a list of important characteristics that emerged from client goals and project needs (Table 2). These characteristics included: proximity to the LaSalle St. corridor, proximity to public transit, historic designation, adjacent land uses, percentage of rehabilitated and vacant properties on the block, zoning requirements, previous land use, permitted land uses, dimensions of the property, scale of adjacent buildings, and nearby amenities (such as parks, coffee shops, or restaurants). The team used these criteria to narrow the initial results to the 20 most suitable properties (Appendix C). Next, the team devised a tier system to rank these sites.

The team classified the properties into three separate tiers. Sites received Tier I designation if they satisfactorily met the majority of the site criteria considerations (Appendix C). Tier I properties included locations close to LaSalle St., on main transportation arteries with public and personal transit accessibility. Additionally, lot size, ownership, and adjacent land uses and scale factored into the desirability of these sites. The team classified many sites on LaSalle St. as Tier II with dimensions deemed too small to support the project, lots that may require remediation due to previous land uses (such as funeral homes), or properties currently used for community purposes such as neighborhood church parking. The team designated properties with residential structures as Tier III given concerns that most residential structures are not suitable for conversion into incubators and that such conversions would be costly. The team was also concerned that the conversion of housing units could result in the loss of affordable housing and thus run counter to the clients' community development goals.

For special consideration, the team examined sites near Washington Ave. and LaSalle St. including the corner properties on LaSalle St. & Sixth St. (adjacent to the Dew Drop Inn) and LaSalle St. & Seventh St. Although these properties met Tier I requirements, several Central City stakeholders are currently developing plans for these parcels.

The research team found the following sites best aligned client goals with the spatial requirements necessary for a successful incubator project. The team recommends the following four sites, which represent different opportunities for development throughout Central City:

1. Firehouse on Louisiana Ave.
2. Martin Luther King Jr. Blvd. & Willow St.
3. Washington Ave. & Freret St.
4. Simon Bolivar Ave. & Josephine St.

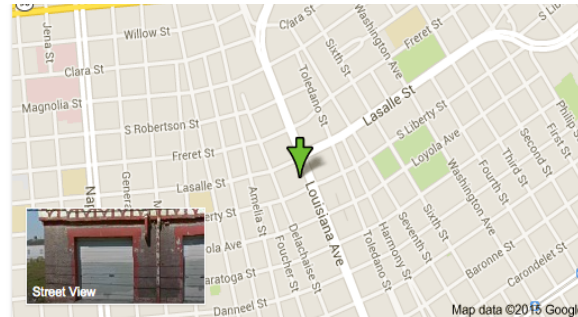
Sites 1, 3, and 4 are located in close proximity to the LaSalle St. corridor, have high visibility, and are adjacent to rehabilitated structures. The second site is located on the edge of Central City, farther from the Washington and LaSalle target area. Next, we detail the strengths and weakness of each site before discussing incubator design elements.

Table 2. Criteria for Site Selection	
Location	Location considerations include vicinity to Central City, specifically the proximity to the LaSalle St. corridor. Also considered are the site's visibility and location on a block (interior vs. corner lot), surrounding property and whether it is inhabited, and the zoning of the parcel(s).
Surrounding Property	This criterion seeks to identify neighborhood amenities (i.e. schools, parks, etc.), potential for shared parking, and the scale of surrounding development.
Historic and Cultural Significance	Because of the rich historic and cultural significance of Central City, this criterion was developed to seek out any specific designations of the site that may impact development or the community's perception of the project.
Design	The design element identifies the size of the lot, existing lighting and landscaping, space for parking, and current and surrounding construction materials.
Accessibility	Accessibility identifies whether the site is on a major transportation corridor, the proximity to public transportation, and the walk score of the existing sidewalks.
Human and Environmental Health	Health considerations seek to determine previous land uses and whether any remediation may be required before construction is able to commence.
Acquisition	Acquisition identifies any other parties interested in purchasing the land, who the current owner(s) is, if the land is for sale, and whether it has a clear title or any associated liens.
Community	Community considerations are evident throughout the process, however this criterion specifically seeks to identify current plans around the property or potential negative impacts a redevelopment of the site could have.

Site 1: Louisiana Avenue - Firehouse

Description:

An old firehouse and a single story rear storage building currently occupy the lot, located within a block of the LaSalle St. corridor. Choosing to rehabilitate the firehouse may make the project eligible for state and federal historic tax credits. The surrounding land uses are one-story residential. The two-story existing structure is proportional to overall neighborhood look and aesthetic. The highly visible structure is located on Louisiana Ave., a major transportation corridor that connects different areas of the city. The draft zoning proposes to change this area from a medical district into a mixed-use district, which would allow the structure to be used as an incubator. While zoning exempts the project from parking requirements, our designs incorporate some parking to accommodate the needs of the incubator clientele and to alleviate pressures for parking on the surrounding community.



Close to the LaSalle St. corridor, the Firehouse on Louisiana Ave. is a historic community landmark that could be transformed into a vibrant incubator. The site may be eligible for state and federal historic tax credits.

Strengths:

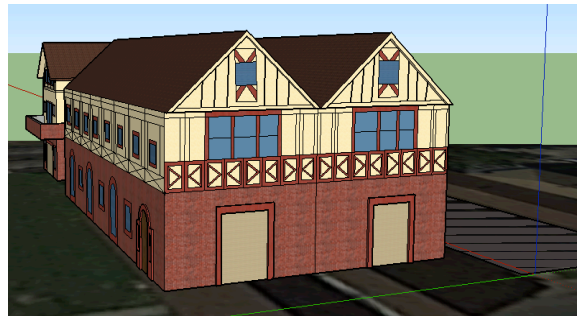
- Less than 2 blocks from 2 bus routes and 7 blocks from the St. Charles Streetcar
- High visibility and accessibility
- Site is within the Uptown New Orleans Historic District and may be eligible for state and federal historic tax credits.
- Familiar neighborhood landmark
- Rear building could be restored as event space

Weaknesses:

- Not directly on LaSalle corridor
- Other stakeholder are interested in repurposing the building

Design Elements

- Historic renovation to maintain original façade and design integrity of the firehouse
- Glass garage doors allow natural light and flexibility in creating unique event space
- Large windows for natural light
- Rear building provides additional event and office space
- Off-street vehicle and bike parking



Design Challenges

- Historic rehab limits exterior changes
- Repurposing oversized garage doors
- Historic main entrance is on the side of the building (not in the front)



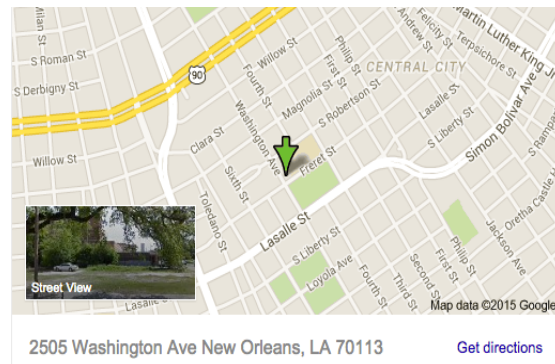
Site Specifications – 2314 and 2316 Louisiana Ave.

Current Zoning	Medical Service District (MS)
Draft Zoning	Historic Urban Mixed Use (HU-MU)
Owner	City of New Orleans
Office space land use	Permitted
Total Development Cost	\$2,798,068
Number of Parcels	2
Site Dimensions	93' x 120'
Height	35'
Number of Stories	3 stories
Total Square Footage	15,426 ft ²
Required Vehicle Parking*	20 spaces
Required Bicycle Parking	3 short term & 2 long term

Site 2: Washington Ave & Freret St.

Description:

The vacant lots are adjacent to historic A.L. Davis Park, the Kipp Central City Academy, the Harmony Oaks development, and the proposed Mardi Gras Indian Walk of Fame. The surrounding properties are multi-story, allowing a three-story structure on this site to match the scale of the area. The site is located on a major transportation corridor, which is highly walkable. The area is largely redeveloped with heavy foot traffic. There is the potential for shared parking with adjacent businesses.



While the project is permitted under current zoning, the draft CZO designates this area as a multi-family residential district. This would make office space a non-conforming land use in this area. After the new CZO is adopted, a variance would be necessary to operate office space on this lot. For this reason, zoning changes could complicate the development process

Strengths:

- Close proximity to the LaSalle St. corridor
- Adjacent to a historic park, landmarks, and new developments
- High accessibility and visibility
- Directly on the Washington Ave. bus route and 9 blocks from the St. Charles Streetcar
- Area is primed for redevelopment
- 3-story scale appropriate for surrounding community

Weaknesses:

- A zoning variance may be required
- Due to small lot sizes, parking space could be an issue
- Large oak tree could interfere with development process

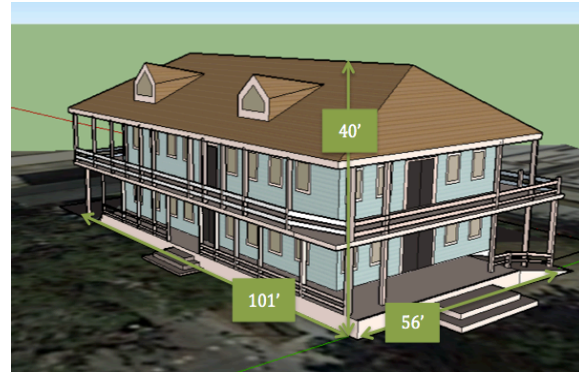
This highly visible and accessible site is adjacent to new developments, open space, and community landmarks. However, under the draft CZO, a zoning variance would be required.

Design Elements

- Large windows for natural light
- New Orleans style architecture
- Covered, wrap-around porches
- Off-street vehicle and bike parking
- Exaggerated entrances
- Outdoor collaboration space

Design Challenges

- Existing trees
- Permitted use in current CZO only; variance required under draft CZO
- Zoning variance required by draft CZO
- Residential area



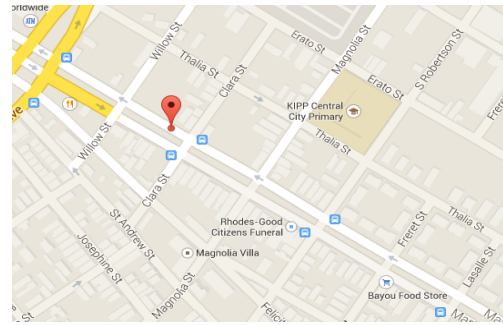
Site Specifications - 2505 Washington Ave.	
Current Zoning	General Commercial District (C-1)
Draft Zoning	Historic Urban Multi-Family (HU-RM1)
Owner	Two owners (1 private individual & a nonprofit redevelopment entity)
Office space land use	Not permitted - variance required
Total Development Cost	\$2,936,477
Number of Parcels	3
Site Dimensions	120' x 90'
Height	40'
Number of Stories	3 stories
Total Square Footage	16,800 ft ²
Required Vehicle Parking*	23 spaces
Required Bicycle Parking	3 short term / 2 long term



Site 3: MLK Jr. Blvd. & Willow St.

Description:

This largely vacant block of Martin Luther King Jr. Blvd. is located within walking distance of Kipp Central City Primary. There is a community garden and a play space for children around the corner from the site on Willow St. and Thalia St. The few adjacent structures on the block are one and two-story residential houses. The site could easily accommodate a two-story building. There is ample room for parking and open space to create a welcoming environment in an area that needs redevelopment.



The vacant lots on Thalia St. and Willow St. could support future expansion. The team identified twelve vacant lots on this block. The proposal uses five of the vacant lots that include the building, parking, and open space. Compared to other corridors in Central City, Martin Luther King Jr. Blvd has received less redevelopment since Hurricane Katrina and would benefit from a catalytic investment. On this site, the project could potentially spur redevelopment similar to that seen along the LaSalle St. and Oretha Castle Haley corridors.



Strengths

- Strong catalytic potential
- Largest land area available in the community
- High accessibility and visibility
- Close to multiple bus routes
- Linear park and greenway along neutral ground

Weaknesses

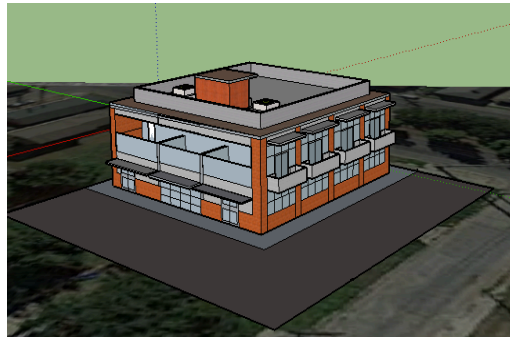
- 5 blocks from LaSalle St. corridor
- 40-50% of neighboring structures are boarded up and/or vacant
- Multiple owners could make acquisition difficult and increase costs
- Less revitalization in this section of Central City

Design Elements

- Modern incubator style
- Private outdoor meeting spaces
- Large rear open space
- Rooftop event/ collaboration space
- Large windows for natural light
- Off-street vehicle and bike parking
- ADA accessible
- 2 double shotgun style rental units

Design Challenges

- Lots need to be combined in order to build across lot lines
- Large amount of vacant land
- Residential area
- Residential scale
- Little existing shade



An incubator on the 2800 block of Martin Luther King Jr. Blvd. could catalyze revitalization along the corridor.

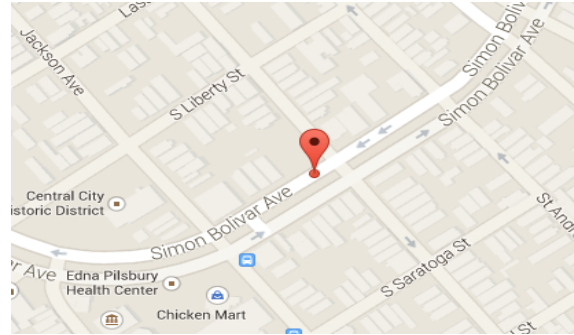
Site Specifications – 2800 Block of Martin Luther King Jr. Blvd.

Current Zoning	Multi-Family Residential (RM-4)
Draft Zoning	General Commercial (C-1)
Owner	Multiple owners including private individuals and families, NORA, a church, and nonprofits
Office space land use	Permitted
Total Development Cost	\$2,157,503
Number of Parcels	5
Site Dimensions	127' x 124'
Height	27'
Number of Stories	2 stories
Total Square Footage	11,552 ft ²
Required Vehicle Parking	20 spaces
Required Bicycle Parking	2 short term & 1 long term

Site 4: Simon Bolivar Ave. & Josephine St.

Description:

This site is located on the LaSalle St. corridor. This vacant lot on the corner of Simon Bolivar Avenue and Josephine St. is the largest of the Tier I sites. It does not have existing trees that could impact design. It is located in an area of 1 and 2-story shotgun homes near the Planters Grove urban park. The lot



could support a 2 or 3-story structure. The site is highly accessible and visible along the corridor. The site is one block from the bus route and seven blocks from the St. Charles Streetcar. Empty lots to the rear and across Josephine St. could provide ample room for parking and future growth. However, a zoning variance is required to operate an incubator in a multi-family residential district.

Strengths:

- High accessibility & visibility
- 1 block from bus stop and 7 blocks from the St. Charles Streetcar
- Largest vacant lot on the LaSalle St. corridor
- Revitalized atmosphere that could support a 3-story building
- Single owner



Weaknesses:

- Zoning would require a variance to place office space in a residential area
- Lack of surrounding commercial properties

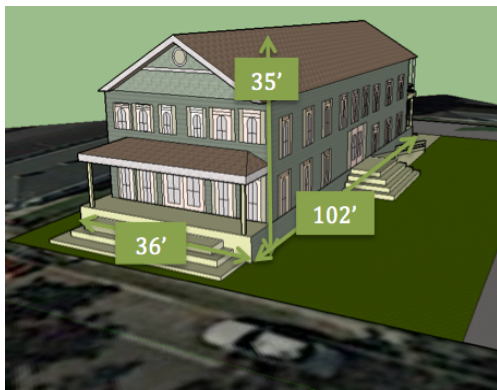
Design Elements

- Large windows for natural light
- New Orleans style architecture
- Covered porches and rear balcony for outdoor collaboration space
- Wide steps
- Off-street vehicle and bike parking
- Open space could be used for events



Design Challenges

- Residential area
- Residential scale



Only one person owns this large lot, which is located on the LaSalle St. Corridor. Roughly 90% of nearby structures are renovated. However, to operate an incubator on this lot, a zoning variance is required because it is a residential district.

Site Specifications – 2113 Simon Bolivar Ave 2216 Josephine St	
Current Zoning	Multi-Family Residential District (RM-4)
Draft Zoning	Historic Urban Two-Family Residential (HU-RD2)
Owner	One private owner.
Office space land use	Not Permitted – Variance required
Total Development Cost	\$1,394,311
Number of Parcels	2
Site Dimensions	106' x 119'
Height	36'
Number of Stories	2 stories
Total Square Footage	7,344 ft ²
Required Vehicle Parking	14 spaces
Required Bicycle Parking	1 short term & 1 long term

Site Design and Building Program

The team created a site design for each of the recommended locations based on local and national incubator design precedents and interviews with FFL, Camelback, and developers of comparable spaces. Both clients stressed the desire to create a welcoming atmosphere through design. To this end, each design strives to balance the needs of the project with those of the proposed location and the surrounding community. The designs consider the existing scale, use, and architectural style of the neighborhood and the connection to the community while adhering to parking, height, and other requirements stipulated in the draft CZO of the city. The design chosen by the clients should be vetted with the community in order to ensure the final design offers a welcoming atmosphere to the neighborhood.

Following incubator design best practices and recommendations, the designs incorporate large windows to maximize natural light. The Washington & Freret and the Simon Bolivar & Josephine site designs feature New Orleans style residential architecture to create a welcoming and familiar atmosphere. As a benefit, the traditional porches and balconies provide outdoor workspace. The team favored design choices that respected the integrity of the Central City neighborhood over the more modern incubator style of architecture for these two sites.

To provide an alternative to the traditional New Orleans style, the team designed the Martin Luther King Jr. Blvd. site to favor the modern incubator style. The Martin Luther King Jr. Blvd site is the ideal location for this style because it is a mixed-use commercial corridor with many different architectural styles. It is also the least residential of the four areas. The model draws upon the University of Tennessee Research Foundation's Business Incubator in Knoxville (University of Tennessee Research Foundation, 2014). The team selected this particular building style because it resembles the KIPP Central City Academy on Third St. in the heart of the neighborhood.

The Firehouse on Louisiana Ave. is the only recommended site with an existing structure. The redevelopment strategy we propose preserves the exterior integrity of the firehouse because it is a unique and familiar sight in the community. The team recently learned that the City of New Orleans is considering plans to repurpose the firehouse into a public library. However, we chose to keep the firehouse among our recommendations given that plans are in

the initial stage of development, and the property remains available for acquisition.

Although physical design differs according to site location, the building program remains consistent. To create a sustainable incubator space, the building must provide space for co-working desks, dedicated desks, and private offices of various sizes. The co-working space should be easily transformable to allow for reconfiguration during events and workshops. This enables the co-working space to generate revenue through different rental opportunities. In addition, local incubator operators recommended phone rooms, large and small conference rooms, lockers, and a lounge or break room with a kitchenette. Of secondary consideration, key stakeholders suggested indoor and outdoor collaboration space for incubator members as well as spaces to support community programming, such as adult education, literacy, or computer training. The team initially considered including a commercial kitchen in the building program. However, the interviews with key stakeholders illuminated different needs within the community, and the market analysis indicated that food-specific incubators already exist. As such, the team ultimately decided against the inclusion of a commercial kitchen.

The recommended sites align client goals and community needs with the spatial requirements for a successful incubator project. The Firehouse on Louisiana Ave. and the Martin Luther King Jr. Blvd. & Willow site appear as the most advantageous options due to favorable zoning designations and the ability to act as a community anchor. However, all of the sites offer the necessary space to accommodate building program to support a viable incubator and community needs.

WHEN I GROW UP



Project Feasibility

Project Feasibility

To determine the financial feasibility of the project we developed financial models for each of the four development scenarios. The structural build-outs for these scenarios vary in size from 7,344 to 16,800 sq. ft. In creating our financial models we based our assumptions on local development costs, research on local and national incubator spaces, as well as current interest rates, and tax credit prices.

In order to take on a project of this scope, multiple financing sources are needed. Financing sources will likely include: a permanent bank loan; deferred developer fees; and soft financing to fill the gap. Because the firehouse property is a historic building it is eligible for both federal and state historic tax credits. Based on our calculations, historic tax credits could provide up to \$737,482 in equity to the project. New Market Tax Credits (NMTC) are also an important source of equity for community revitalization efforts and are often used in tandem with historic tax credits. This project, however, is too small to benefit from the NMTC program. Given the costs of completing a NMTC transaction, NMTC projects typically have total development costs of at least \$5 million.

For soft financing, this project could benefit from NORA's Commercial Gap Financing Program, which provides funding for catalytic commercial revitalization developments in economically disadvantaged neighborhoods of the city (NORA, 2013). Furthermore, the project may be eligible for grant support and program related investments from foundations. The Ford Foundation and the W.K. Kellogg foundation are two philanthropic organizations that have been active in New Orleans' recovery and revitalization. The Ford Foundation, for instance, has supported the rehabilitation and construction of low- and moderate-income housing throughout the city including community land trust housing in the Lower 9th Ward as well as the Gert Town Revival Initiative (Ford Foundation, 2015). Meanwhile the W.K. Kellogg Foundation has provided support to Liberty's Kitchen, the Fresh Food Initiative and the Make It Right Foundation (W.K. Kellogg Foundation, 2015). Likewise both the Ford and the W.K. Kellogg foundations have sponsored key community organizations in Central City including the Central City Renaissance Alliance and the Oretha Castle Haley Merchants and Business Association.

Analysis of the projected cash flow for each of the development scenarios indicates that this project will not only cover its debt service, but it can be a solid

investment opportunity for project partners. Table 3 provides a summary of the financial outlook for each of the proposed sites. Detailed pro forma for each of the scenarios are provided in Appendices D-G.

While all of the scenarios are feasible both in the short and long term, the firehouse site on Louisiana and the 2505 Washington site provide the most attractive financial returns. In the case of the firehouse on Louisiana, equity from state and federal tax credits will provide more than a quarter of total development costs resulting in less permanent debt, a smaller deferment of the developers fee and no gap financing. Meanwhile the site at Washington & Freret would provide the greatest stabilized cash flow.

Table 3: Project Development Scenarios Summary				
	Firehouse @ Louisiana Ave.	Washington & Freret	MLK & Willow	Simon Bolivar & Josephine
Total Development Costs	\$2,798,068	\$2,936,477	\$2,157,503	\$1,394,311
Total Sources	\$2,798,068	\$2,936,477	\$2,157,503	\$1,394,311
Historic Tax Credits	\$737,482	--	--	--
Permanent Bank Loan	\$1,888,967	\$2,114,276	\$1,318,975	\$703,592
Soft Loan Financing	--	\$528,553	\$622,778	\$481,573
Deferred Developer Fee	\$171,619	\$293,648	\$215,750	\$209,147
Total Uses	\$2,798,068	\$2,936,477	\$2,157,503	\$1,394,311
Stabilized Cash Flow	\$83,277	\$93,210	\$30,525	\$15,523
Stabilized Debt Coverage Ratio	1.64	1.64	1.26	1.24
Year 10 Cash Flow	\$92,192	\$104,599	\$33,697	\$12,527
Year 10 Debt Coverage Ratio	1.71	1.72	1.29	1.20



Partnership Structure

Partnership Structure

Overview

Joint ventures are often used as vehicles for nonprofits to support social enterprise projects (Bromberger, 2015). The joint venture between FFL and Camelback aims to increase each organization's financial sustainability with an investment in real estate and revenue generation by way of a for-profit empowerment incubator. Partnerships can provide ways to best utilize funds, pool resources and experience from one another, and share in the risks. A partnership between FFL and Camelback could support both organizations' mission by providing co-working space and business incubator for minority social entrepreneurs. The developed property would house both organizations and also act as an event space for the community.

Joint ventures between non-profit organizations bring unique challenges and advantages. We have identified three partnership structures that are most appropriate for a joint venture between FFL and Camelback: a Limited Liability Company (LLC); a Low-Profit Limited Liability Company (L3C); and a Master Lessor scenario. Our analysis addresses the roles and responsibilities of each member and the terms and conditions of the partnership.

Limited Liability Corporation (LLC)

With a Limited Liability Corporation (LLC), there is no limit on the number of members within the partnership and all members are permitted to participate in the management of the business. This flexibility allows management decisions and other responsibilities among partners to be allocated according to the needs and strengths of each partner. However, this could present a challenge if member roles and responsibilities are not delineated clearly (e.g. who is in charge of what, who can sign certain contracts). Creating an LLC Operating Agreement could solve this. An LLC is advantageous because it provides limited liability protection for all of its owners regardless of their level of management participation. FFL and Camelback would both be "members" in the LLC, and both would be liable only for the amount of capital invested in the project. An LLC is not required to allocate profits and losses in proportion to ownership interests, but instead has flexibility in deciding the distribution of profits. All business expenses, losses, and profits pass through the company to the

individual members and therefore can offer tax advantages. There are no stringent reporting requirements for an LLC.

An LLC has an ownership structure conducive to a partnership between two non-profits as the amount of capital contributed can be divided in an equitable manner. There are different classes of ownership with varying rights and obligations (Local Initiatives Support Coalition, 2006). Ownership percentages can be divided in a variety of ways: 50/50; 99/1; or by any split agreed upon by both parties.

Low-Profit Limited Liability Company (L3C)

The low-profit limited liability company (L3C) is a hybrid business form that combines the legal and tax flexibility of the traditional for-profit LLC, the socially beneficial aspects of nonprofit organizations, and the branding and marketing advantages of a social enterprise. An L3C is a for-profit entity that engages in socially beneficial activities, which may not be lucrative enough to attract sufficient commercial investment. An L3C can take advantage of both nonprofit and for-profit sources of capital by bringing together foundations, trusts, endowment funds, pension funds, individuals, corporations, other for-profits and government entities into an organization designed to achieve social objectives while operating according to a for-profit structure.

The L3C entity has the same liability protection, management structure, pass-through tax status, and flexible ownership of other LLCs. Unlike an LLC, however, the L3C must have an explicit primary charitable mission and only a secondary profit concern. The L3C structure is designed to make it easier for socially oriented business to attract private and philanthropic capital by allowing “investments” rather than only “donations.” L3Cs are designed to receive private foundation support, government funding, and traditional investment capital. Profits earned from such investments may be distributed to owners or investors, after taxes (Americans for Community Development, 2015).

A principal advantage of the L3C is its qualification as a program related investment (PRI). PRIs are IRS sanctioned investments made by foundations to support charitable activities, which may involve the potential return of capital within an established period of time. Foundations must invest a minimum of five-percent of its assets to charitable organizations every year to maintain their tax-exempt status. The L3C specifically complies with IRS regulations regarding PRIs. Foundations may buy ownership shares, make loans to, or otherwise

financially interact with the L3C, using all or part of that portion of its assets, which would normally be given out annually as grants. Another advantage of an L3C is through the marketing and branding of the entity as a social enterprise. Classifying the entity as an L3C communicates a commitment to specific social goals and is a marketing tool to attract socially conscious tenants and investors.

Finally, under L3C status FFL would retain ownership and management rights of the L3C while possibly recovering its principal investment and potentially realizing a capital gain and/or a portion of the income. The incubator would align with FFL's PRIs to, "support ventures, projects and programs that create jobs, provide economic engines for rebuilding neighborhoods, and lift up people who need help to move their lives forward – all in keeping with our work to ensure Louisiana's vulnerable communities have greater economic opportunities" (Foundation for Louisiana, 2015).

There are, however, disadvantages to the L3C structure. L3Cs are not as well known as LLCs and because they are so new, many private foundations do not recognize them as potential funding recipients. Because the IRS has not ruled that all L3Cs automatically qualify as PRIs, foundations may be cautious about investing in them. If an investment does not qualify as a PRI, according to IRS rulings, foundations run the risk of incurring significant penalties. Another disadvantage is that L3Cs are for-profit organizations that pay tax on profits and cannot receive traditional grants or tax-deductible charitable contributions.

Master Lessor

A third option is the master lessor structure. In this type of partnership the owner/developer would develop the property and lease the portion of the property they do not occupy to a master tenant/landlord. The master tenant/landlord is responsible for tenant selection and rental payments, and would sublease the vacant space to tenants. The master tenant/landlord controls all the space under the lease agreement, chooses the types of tenants, and decides the lease terms. The owner/developer could give the master tenant a below market rental rate, or other favorable terms, and in turn, the master tenant/landlord could pass those below market rental rates to the startup ventures who would occupy the incubator. Additionally, the master tenant/landlord may be able to lease space to tenants at rates above the master lease rental rates, thus providing some cash flow to the master tenant/landlord.

In one scenario between FFL and Camelback, FFL would acquire and develop the property on its own and enter into a master lease agreement with Camelback. In this scenario FFL would be the owner/developer and Camelback would be the master tenant/landlord. FFL would be the sole owner of the land and structure, and could master lease the inside of the building to Camelback, less its own office space. Camelback would be responsible for tenant selection and rental payments. Camelback could develop co-working and office space that to facilitate its incubator, and offer subsidized rent to social ventures and enterprises. Camelback could sublease office or retail space at market rate to other businesses to generate additional income. The rent Camelback pays to FFL could be subsidized until the space starts to generate a profit. In this structure, Camelback assumes most of the risk for the business venture and FFL assumes all of the risk for developing the property.

Propeller is an example of a successful master lessor structure. Propeller's accelerator program, A Force for Social Innovation, is a 501c3 nonprofit. It handles all entrepreneurship and community programming. Green Coast Enterprises (GCE) acts as the developer/owner. HUB NOLA LLC is a subsidiary for-profit joint venture between Propeller and GCE. The ownership split is 50/50, where GCE provides capital and Propeller provides operations. The revenue split is 70/30 (GCE/Propeller). HUB NOLA LLC is the building tenant, handles all facility operations and has one full-time employee. The income generated from the LLC pays the operating expenses.

Recommendations

The goal of a joint venture between FFL and Camelback is to create a sustainable empowerment incubator that creates greater economic opportunity for residents of Central City. The idea is to construct a partnership that can establish a catalytic and community focused development. While all three partnership structures have strong potential, we propose the LLC structure as the best recommendation for this project. The Master Lessor scenario is added as a second recommendation to show that varying models of sustainable real estate partnerships do exist. Both recommendations include permanent office space for FFL and Camelback.

1st Recommendation: LLC

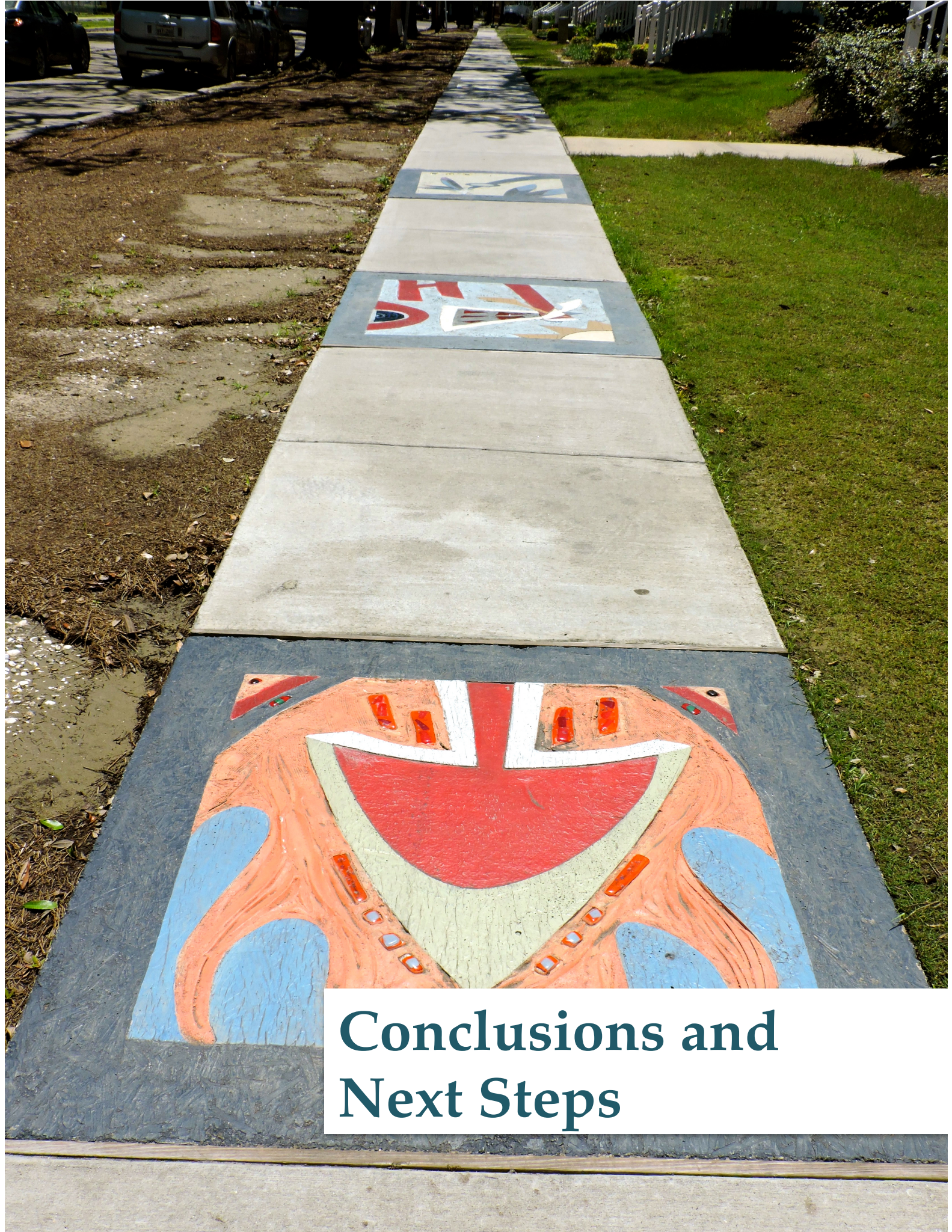
In meetings with FFL and Camelback, ownership and management structure were found to be of chief concern. A LLC would be the most appropriate joint venture structure between the two organizations to address this issue. FFL and Camelback would both be members of the LLC. Both entities would provide funding for acquisition and build-out costs of the property. The ownership percentage is determined by amount of investment by each party into the project, although exact percentages are beyond the scope of this report, the ownership agreement could be structured in an equitable way. Management flexibility allows FFL and Camelback to be equal managing partners. Lastly, as members, FFL and Camelback have limited liability protection against debt and actions of the LLC (Bromberger, 2015).

2nd Recommendation: Master Lessor

The master lessor structure allows for the building (or a large portion of it) to be managed by one entity and owned by another, typically for a long period of time. FFL would become the developer and owner of the property, providing funding for acquisition and development costs. FFL would lease a portion of the vacant space to Camelback at a reduced rate or offer other incentives. Camelback, acting as the master tenant, would choose tenants and manage daily operations. Camelback would receive the property's cash flow above the master lease payment and tax benefits, if any.

Another scenario within the master lessor structure allows for a third party to act as the facility manager. FFL would be the owner/developer and enter into a master lease agreement with an LLC or L3C made up of project partners that included Camelback, but could also include other organizations.

Table 4: Advantages and Disadvantages of Three Partnership Structures		
	Advantages	Disadvantages
LLC	<ul style="list-style-type: none"> • Simple to form and maintain • Pass-through tax treatment • Flexible management and ownership structure • Limited liability protection • Most widely used 	<ul style="list-style-type: none"> • Management and ownership ambiguity • Need to have well-defined operating agreement
L3C	<ul style="list-style-type: none"> • Ability to accept private and philanthropic investments, including PRIs • Legal and tax flexibility • Branding and marketing advantages 	<ul style="list-style-type: none"> • Relatively new entity, not well-known • Pays taxes on profits • Cannot receive traditional grants or tax-deductible charitable contributions
Master Lessor	<ul style="list-style-type: none"> • To the owner/developer: The entire building (or a large portion of it) is leased to one entity • To the master tenant/landlord: receives the property's cash flow above lease payment and tax benefits, if any. 	<ul style="list-style-type: none"> • To the master tenant/landlord: significant risk and responsibility



Conclusions and Next Steps

Conclusions and Next Steps

Community-focused real estate investments are an important tool to foster equitable growth in rapidly changing neighborhoods, such as Central City, New Orleans. Collaboration between FFL and Camelback affords the opportunity to create a sustainable project that meets the needs of the both organizations and the community while expanding the capacity of minority-driven social ventures. By establishing an empowerment incubator program for minority social entrepreneurs, this project promotes the revitalization of a culturally and historically significant neighborhood in New Orleans, stimulates the development of a diverse economy, and serves as a model to change patterns that isolate underserved minority populations nationally and in New Orleans.

In this report, the UNO-PLUS capstone team: researched the incubator, accelerator, and co-working landscape in New Orleans to assess the need for additional incubator space; identified available sites in Central City best suited for the development of an empowerment incubator; proposed designs for each of those sites; examined the financial feasibility of an empowerment incubator on each of those sites; and explored potential partnership structures for a real estate joint venture between FFL and Camelback.

Our findings indicate:

- Demand exists for additional incubator space in New Orleans. Although other incubators operate within the city, none cater specifically to social ventures led by entrepreneurs of color. An empowerment incubator could serve as a hub of entrepreneurial activity in Central City, advance minority-driven social ventures, and act as a welcoming community space for neighborhood residents.
- Several sites exist within Central City that can accommodate project and community needs. The team identified four sites and developed a unique site design for each. The designs allow for easy accessibility, provide ample space for programming needs, and are in compliance with the draft comprehensive zoning ordinance (CZO) of New Orleans. As such, the designs take into account permitted land uses, height restrictions, and parking requirements specific to each location.
- According to preliminary analyses, the project is financially feasible on all four proposed sites. A review of the project costs, sources of funds, and operating pro forma indicates project operations generate enough revenue

to repay capital investment costs and provide financial sustainability for FFL and Camelback.

- A Limited Liability Corporation (LLC) is the most viable joint venture partnership structure to meet the goals of both FFL and Camelback. LLCs allow the most flexibility in ownership and management arrangements and offer the highest degree of protection to the partners from debt and legal liabilities incurred by the project. This type of partnership structure can also incorporate a master lessor arrangement if FFL and Camelback choose to share management of the incubator or appoint a third-party manager.

Next Steps:

Although our research proved the viability and financial feasibility of a developing a minority social entrepreneur incubator in Central City, this project represents a new opportunity and experience for both FFL and Camelback. The following considerations, however, were beyond the scope and capabilities of this project. The UNO-PLUS capstone team suggests FFL and Camelback:

- Hire a third-party to conduct a full market analysis to understand the specific demand for a minority social entrepreneur empowerment incubator located in Central City and develop a marketing strategy to reach potential clients.
- Engage the community to ensure the incubator creates a welcoming and inviting atmosphere and serves community needs. Involving the community in the planning stage can serve to educate residents about the project and allow residents to shape programming and design aspects. It will also help mitigate potential negative impacts of the development on the community.
- Develop strategic partnerships with existing stakeholders in Central City and throughout New Orleans to provide and support community programming within the incubator.

References

- AR24_Dew Drop Inn. (n.d.). *Tulane City Center*. Retrieved February 23, 2015, from <http://www.tulanecitycenter.org/dew-drop-inn>.
- Barling, L., Fornell, A., Larsson, G., Mardstrom, V., Westergard, V., Wrackefeldt, S. (2012). *Accelerating Success: A Study of Seed Accelerators and Their Defining Characteristics* (Unpublished Bachelor Thesis. Chalmers University of Technology, Gothenburg, Sweden.
- Bromberger, Allen.(2008). Social Enterprise: A Lawyer's Perspective. Retrieved April 30, 2015 from <http://www.perlmanandperlman.com/publications/articles/2008/socialenterprise.pdf>
- Buchanan, Susan. (2014). *Desegregation in New Orleans Rooted in 1960s Dryades St. Boycott*. Retrieved from February 14, 2015, from: http://www.huffingtonpost.com/susan-buchanan/desegregation-in-new-orle_b_5675854.html
- Business Incubation Toolkit. (2014, March 1). Retrieved January 28, 2015, from: <http://www.infodev.org/business-incubation-toolkit>
- Central City Neighborhood Snapshot. (2004, June 23). *Greater New Orleans Community Data Center*. Retrieved February 23, 2015, from: <http://www.datacenterresearch.org/pre-katrina/orleans/2/61/snapshot.html>
- Davidsson, B. H. (2012). The Role of Social and Human Capital Among Nascent Entrepreneurs. *Academy of Management Proceedings*, B1-B6.
- Grants. (2015). *W.K. Kellogg Foundation*. Retrieved May 4, 2015, from <https://www.wkkf.org/grants>
- Grants Database. (2015). *Ford Foundation*. Retrieved May 4, 2015, from <http://www.fordfoundation.org/grants/search>
- Greater New Orleans Community Data Center. (2012). *News and Publications*. Retrieved March 10, 2014, from: <http://gnoinc.org/news/gno-inc-results/>
- Heitzman, A. (2014, August 14). *Entrepreneurs Share Their Biggest Challenges in Growing a Business*. Retrieved March 19, 2015, from <http://www.inc.com/ilan-mochari/elizabeth-holmes-theranos-icons.html>
- The Garden District, Uptown, and Carrollton. (2015). *New Orleans Tourism Marketing Corporation*. Retrieved March 29, 2015, from: <http://www.neworleansonline.com/tools/neighborhoodguide/uptown.html?notmct=17>
- Al-Mubarak, H., & Busler, M. (2012). The incubators economic indicators: Mixed approaches. *Journal of Case Research in Business and Economics*, vol. 4. Retrieved February 10, 2015 from <http://www.aabri.com/jcrbe.html>

- MacCash, D. (2011, February 13). Harmony Oaks Apartments, at a glance. Retrieved April 9, 2015, from: http://www.nola.com/politics/index.ssf/2011/02/harmony_oaks_apartments_at_a_g.html
- MacCash, D. (2014, September 3). YAYA youth organization to build \$1.3 million art center in Central City. Retrieved March 2, 2015, from: http://www.nola.com/arts/index.ssf/2014/09/yaya_youth_organization_to_bui.html
- Minority Business Development Agency. (2010, January). *Executive Summary - Disparities in Capital Access between Minority and Non-Minority Businesses*. Retrieved March 19, 2015, from: MBDA.gov: <http://www.mbda.gov/node/483>
- Neighborhood History. (2014). *Oretha Castle Haley Boulevard Merchants & Business Association*. Retrieved March 2, 2015, from: <http://www.ochaleyblvd.org/neighborhood-history/>
- PL16_Lasalle Corridor // Mardi Gras Indian. (n.d.). *Tulane City Center*. Retrieved February 23, 2015, from: <http://www.tulanecitycenter.org/lasalle-corridor-mardi-gras-indian>
- Place Dynamics. (2014). Business Incubator Feasibility Study for River Falls Wisconsin. Retrieved March 11, 2015 from: www.rfcity.org/DocumentCenter/View/794
- Plyer, Allison. *Population Loss and Vacant Housing in New Orleans Neighborhoods*. February 5, 2011. The Data Center. Retrieved January 26, 2014 from: http://www.datacenterresearch.org/reports_analysis/population-loss-and-vacant-housing/
- Plyer, Ortiz, Horwitz, & Hobor. (2013, August 14).. Retrieved April 22, 2015 from: http://www.datacenterresearch.org/reports_analysis/the-new-orleans-index-at-eight/
- Pofeldt, E. (2013, May 27). *U.S. Entrepreneurship Hits Record High*. Retrieved April 12, 2015 from: <http://www.forbes.com/sites/elainepofeldt/2013/05/27/u-s-entrepreneurship-hits-record-high/>
- Quadrini, V. (1999). *Entrepreneurship, Saving and Social Mobility*. Duke University and CEPR.
- Reckdahl, K. (2010, February 24). New Orleans public housing complex gets new life as Harmony Oaks. Retrieved April 9, 2015, from: http://www.nola.com/politics/index.ssf/2010/02/new_orleans_public_housing_com.html
- Rustam, L. (2001, November). *'Best Practices' in Business Incubation: Lessons (yet to be) Learned*. Paper presented at International Conference on Business Centers: Actors for Economic & Social Development, Brussels, Belgium.

- Thronton, P. (n.d.). The value of social capital in starting new ventures - The Duke Entrepreneurship Manual: A Resource for Entrepreneurs. Retrieved April 7, 2015 from: <http://www.dukeeven.com/Home/selected-special-topics/The-value-of-social-capital>
- Top 101 cities with the most people below the poverty level, excluding cities with 15% or more of residents in college and with the median age below 28 (population 50,000+).* (2015). Retrieved April 2015, from: City-Data.com: <http://www.city-data.com/top2/c3.html>
- U.S. Census Bureau. (2014, 2 24). *New Orleans and Louisiana*. Retrieved February 24, 2014, from: State and County QuickFacts: <http://quickfacts.census.gov/qfd/states/22/2255000.html>
- U.S. Census Bureau. (2010). Census 2000 Summary File (SF-1) 100-Percent Data. Retrieved March 19, 2015 from: http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF1_P001&prodType=table
- U.S. Census Bureau. (2007). *State and County QuickFacts, New Orleans, LA*. Retrieved March 19, 2015, from: U.S. Census Bureau: <http://quickfacts.census.gov/qfd/states/22/2255000.html>
- University of Tennessee Research Foundation. (2014). UTRF business incubator. Retrieved February 2, 2015, from: <http://utrf.tennessee.edu/techtransfer/offices/business-incubator.shtml>
- Vierbicher. (2010). Business Incubator Feasibility Study for Stoughton Wisconsin. Retrieved January 21, 2015 from: <http://www.cityofstoughton.com/vertical/Sites/%7BAD56022C-1B67-4258-BBEF-C30CBFAFA5F7C%7D/uploads/%7B5AC362A6-0CEE-4D3D-BEF6-BC590A676B30%7D.PDF>

Appendices

All appendices are attached in electronic version to provide utility for clients:

Appendix A: Cumulative Research on National Incubator Best Practices

Appendix B: Central City Property Database

Appendix C: Tier Structure for Site Selection

Appendix D: Site 1: Louisiana Avenue - Firehouse Detailed Development Pro Forma

Appendix E: Site 2: Washington Ave at Freret St. Detailed Development Pro Forma

Appendix F: Site 3: MLK Jr. at Willow St. Detailed Development Pro Forma

Appendix G: Site 4: Simon Bolivar Ave at Josephine St. Detailed Development Pro Forma