

# San Luis Business Incubator Business Plan Update



Arizona, is a business initiative designed to support and nurture the development and growth of businesses. The Business Incubator offers a variety of programs and services aimed at fostering business growth and development within the San Luis entrepreneurial community.

## **Current Services**

The San Luis Business Incubator provides a range of essential services designed to meet the diverse needs of its tenants. These include:

### **Office and Warehouse Space**

The Incubator offers approximately 20,000 square feet of rentable space distributed across seven suites. Each suite is equipped with essential amenities such as air conditioning, access to fiber optic internet service, and utility services (water/sewer/waste) in the common area. This space is designed to accommodate

various business needs, from small startups to expanding enterprises, providing a conducive environment for business operations.

### **Business Planning Support**

Tenants are offered comprehensive business planning assistance, including access to a wealth of resources and expert counseling services. This support encompasses the development of business plans, financial forecasting, market analysis, and strategic planning, ensuring that tenants achieve a solid foundation for growth and success.

### **Networking Opportunities**

The Incubator coordinates regular networking events and opportunities, enabling tenants to connect with the broader business community. These events are designed to foster collaboration, exchange knowledge, and build valuable relationships that can lead to business growth and innovation.

### **Access to Common Areas**

Tenants have access to well-maintained common areas, including lobbies, hallways, restroom facilities, conference rooms, and parking lot. These spaces are designed to enhance the tenant's experience by providing a relax and suitable environment for conducting meetings and enhance collaborations..

## **Security and Safety**

The facility is equipped with robust security systems to ensure the safety of staff, tenants, and visitors. This includes the fire protection systems that are composed of alarms that are directly connected to Fire/Police dispatch, ensuring a quick response in case of emergencies, fire extinguishers, and fire sprinkler system. Regular safety drills and maintenance of security systems are conducted to maintain a safe environment.

## **Mission Statement**

The mission of the San Luis Business Incubator is to create an environment that supports and nurtures businesses and individuals seeking to establish and expand their business ventures. The Business Incubator program is dedicated to providing the necessary resources, guidance, and networking to ensure the success and growth of its participants.

## **Vision**

The vision of the San Luis Business Incubator is to be a leading catalyst for economic development in San Luis, foster innovation and entrepreneurship, and contribute to the overall prosperity of the community.

## **Business Incubator Financial Analysis**

### **Revenue Analysis**

#### **Rent Revenues:**

The rent revenue for the Business Incubator has shown an increasing trend from 2021 (\$41,812.23) to 2024 (\$121,869.00). However, the actual rent revenue collected in 2024 (\$85,621.41) was significantly lower than both the adopted and amended budget figures, indicating a shortfall of \$36,247.59. This discrepancy highlights potential issues with rent collection or tenant occupancy rates that need to be revised to match the current market rates.

The projected rent revenue for 2025 is \$122,000.00, assuming an increase without considering the shortfall experienced in 2024.

#### **Other Revenues:**

Miscellaneous Revenue and Lease Interest have shown minor fluctuations over the years, with a notable decrease in 2023 where Lease Interest reported a negative amount (-\$815.00). This suggests possible accounting errors or collection issues that need to be rectified.

## **Expense Analysis**

### **Salaries & Related Expenses:**

There has been a significant reduction in salaries and related expenses from \$40,373.41 in 2021 to \$11,068.63 in 2023, further decreasing to \$8,292.26 in 2024. This reduction is due to the Economic Development (ED) Department subsidizing staffing costs, with most of the salary expenses allocated to the ED Department rather than the Business Incubator unit.

### **Special Services:**

Contractual services expenses were significantly higher in 2021 (\$14,148.94) compared to subsequent years. In 2024, actual expenses (\$10,505.10) were lower than the budgeted amount (\$15,000.00), suggesting either effective cost-saving measures or unmet service needs.

Lease Payments have remained fairly consistent, but the actual expenses are lower than the budgeted amounts, indicating potential savings or renegotiated terms.

### **Non-Departmental Costs:**

These costs have consistently increased year-over-year, with a significant jump from \$39,214.05 in 2021 to \$76,560.00 requested for 2025. This increasing overhead requires detailed scrutiny to identify areas for potential cost savings.

### **Overall Budget Health**

The Business Incubator has consistently operated at a deficit. The gap between revenues and expenses was notably high in 2021 (\$146,121.53) and, although improved in 2023 (\$35,899.10), it is projected to widen again in 2025 (\$23,110.00 deficit).

Despite lower actual expenses in 2024 (\$42,583.13) compared to budgeted amounts, the organization continues to operate at a deficit due to lower than expected revenues.

## **Market Analysis**

To understand the competitive landscape for the San Luis Business Incubator, it is important to examine the offerings and structures of other business incubator programs in rural Arizona. This analysis provides insights into the services provided, target markets, and operational models of similar organizations.

## **Moonshot at NACET**

Location: Flagstaff, Arizona

Services Offered:

- Office and Manufacturing Space: Provides tailored office and manufacturing space for entrepreneurs.
- Entrepreneurial Support: Offers mentorship, training programs, and a comprehensive two-year campaign aimed at fostering entrepreneurial ecosystems in rural communities.
- Pitch Competitions: Organizes pitch competitions like the Rural AZ Pitch Competition to support innovative business ideas (Moonshot AZ, 2024).

Target Market:

- Entrepreneurs and innovators in rural Arizona, focusing on high-impact business ideas that require specialized support to scale.

Unique Selling Points:

- Emphasis on moonshot-thinking, which involves ambitious, innovative projects.
- Does not take equity in the companies it assists, making it an attractive option for startups (Moonshot AZ, 2024).

## **AZ TechCelerator**

Location: Surprise, Arizona

Services Offered:

- Office Space and Facilities: A four-building campus offering nearly 60,000 square feet of space designed to support technological ventures.
- Business Services: Provides mentorship, training, and resources tailored for technological innovation and entrepreneurship.
- Specialized Programs: Hosts events, webinars, and other programs to help startups navigate the business environment (AZ TechCelerator, 2024).

Target Market:

- Technology startups and entrepreneurs in Arizona looking for a supportive environment to grow their businesses.

- Unique Selling Points:
- Focus on technological innovation and a comprehensive support structure that includes affordable space and access to a network of industry professionals (AZ TechCelerator, 2024).

### **University of Arizona Center for Innovation (UACI)**

Location: Various locations across Southern Arizona

Services Offered:

- Business Incubation: Supports scalable science and technology ventures by connecting entrepreneurs with necessary resources.
- Access to University Resources: Leverages the University of Arizona's resources to provide comprehensive support to startups.
- Community Support: Includes community and global entrepreneurs, offering a wide network for collaboration and growth (Startup Tucson, 2024).

Target Market:

Science and technology startups, including those initiated by university faculty and researchers.

Unique Selling Points:

- Strong integration with the University of Arizona, providing unique access to academic and research resources.
- Focus on scalable ventures with a significant emphasis on science and technology (Startup Tucson, 2024).

### **Recommendations for San Luis Business Incubator**

To differentiate and enhance the San Luis Business Incubator:

Expand Service Offerings:

- Develop specialized support programs focusing on local industries such as agri-tech or cross-border commerce.
- Increase the frequency and diversity of networking events to include virtual options and workshops tailored to the needs of rural entrepreneurs.

### Leverage Local Strengths:

- Partner with local educational institutions and business organizations to provide additional resources and mentorship opportunities.
- Highlight unique regional advantages, such as proximity to the border for businesses involved in cross-border trade.

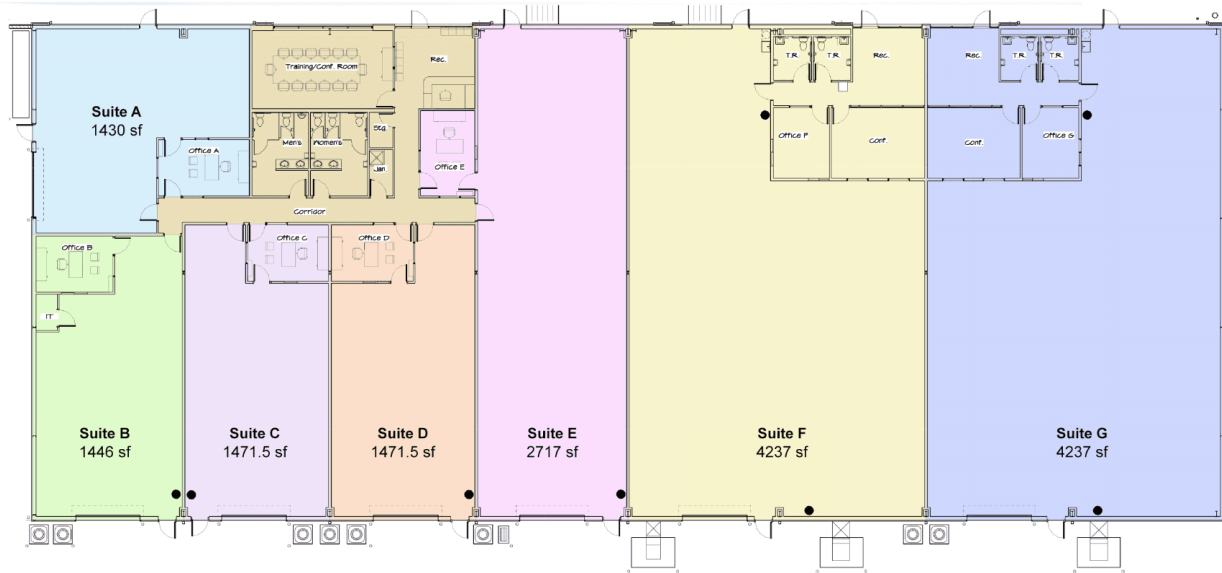
### Enhance Marketing Efforts:

- Implement targeted marketing campaigns to attract high-quality tenants, focusing on the unique value proposition of the Incubator.
- Strengthen digital presence through social media, an updated website, and partnerships with local media outlets to increase visibility.
- By adopting these strategies, the San Luis Business Incubator can better position itself as a premier destination for entrepreneurs and startups in the region, contributing to the economic growth and innovation within the community.

## **Organizational Structure**

The San Luis Business Incubator is structured to effectively manage resources, support tenant businesses, and achieve the incubator's strategic goals. The organizational structure ensures clear roles, effective communication, and streamlined operations, facilitating the growth and success of incubated businesses. Below is an overview of the key team members and their roles within the incubator and the Economic Development Department.

## Current Facilities



The floor plan for the San Luis Business Incubator features a well-organized layout with seven suites of varying sizes designed to accommodate different business needs. The suites are distributed as follows:

- Suite A: 1430 square feet.
- Suite B: 1446 square feet.
- Suite C: 1471.5 square feet.
- Suite D: 1471.5 square feet, similar in size and layout to Suite C.
- Suite E: 2717 square feet, offering a larger open space for more extensive business operations.
- Suite F: 4237 square feet, the largest suite with reception, office, conference room, restrooms, and warehouse.
- Suite G: 4237 square feet, matching Suite F in size and layout.

Common areas include restrooms, a RAC (Reception and Administration Center), and a conference room centrally located for access and use by all tenants. The design emphasizes flexibility and accessibility, catering to the diverse needs of incubating businesses.

## Financial Projections

The financial projections for the San Luis Business Incubator are designed to provide a clear picture of expected revenue streams based on current and proposed lease rates. These projections will help in strategic planning and ensuring financial sustainability while supporting the growth of incubated businesses.

### Current Lease Rates

Year	Current Lease Rate
1	\$0.39
2	\$0.44
3	\$0.50
4	\$0.575
5	\$0.65
6	\$0.75

The current lease rates are structured to offer competitive pricing that gradually increases over the first three years, reaching a stable rate in subsequent years. This approach provides initial affordability to attract new tenants while ensuring revenue growth as businesses become more established.

### Proposed New Rates

Proposed New Rate	Year 1	Year 2	Year 3+
TRUE Startup	\$0.44	\$0.58	\$0.79
ESTABLISHED Business	\$0.79	\$0.79	\$0.79

The proposed new rate structure introduces differentiated pricing for startups and established businesses. TRUE Startups will benefit from lower initial rates, increasing gradually to provide a runway for growth. Established businesses will maintain a consistent rate, reflecting their ability to sustain higher lease costs from the outset. This tiered approach ensures support for nascent businesses while maximizing revenue from mature enterprises.

## Projected Revenues

Suite	SQFT	Rate	Rent
A	1,430	\$0.79	\$1,129.70
B	1,446	\$0.79	\$1,142.34
C	1,471.5	\$0.79	\$1,162.49
D	1,471.5	\$0.79	\$1,162.49
E	2,717	\$0.79	\$2,146.43
F	4,237	\$0.79	\$3,347.23
G	4,237	\$0.79	\$3,347.23
<b>MONTHLY</b>			<b>\$13,437.90</b>
<b>YEARLY</b>			<b>\$161,254.80</b>

Based on the proposed new rates, the projected monthly revenue for the San Luis Business Incubator amounts to \$13,437.90, leading to an annual revenue of \$161,254.80. This projection assumes full occupancy at the proposed rates and provides a sustainable income stream to support the operational costs and further development of the Incubator.

The financial projections outlined above, including the current and proposed lease rates, are integral to the strategic planning for the San Luis Business Incubator. By offering competitive and tiered lease rates, the Incubator can attract a diverse range of businesses while ensuring financial stability and growth. The detailed revenue projections provide a roadmap for anticipated income, supporting the Incubator's mission to foster entrepreneurship and economic development in the San Luis community.

## Implementation Plan

The San Luis Business Incubator will adopt a phased approach to implementing the new rate structure. This strategy ensures a smooth transition for current tenants while aligning with the Incubator's long-term financial objectives. As existing six-year leases come to an end, new contracts incorporating the revised rates will be introduced. This means no tenant will renew their lease at the original rate, ensuring gradual adoption of the new pricing. This approach minimizes disruption and provides tenants with ample time to adjust their financial planning, and will facilitate rotation and admission of new tenants with different business ventures.

## **Communication Strategy**

Effective communication is crucial for the successful implementation of the new rates. The Incubator will:

- **Provide Advance Notice:** Tenants will receive detailed information about the new rates well in advance of their lease renewal dates.
- **Offer Support:** Dedicated support will be available to assist tenants with any concerns or questions regarding the new rates.
- **Transparency:** Clear and open communication about the reasons for the rate changes, including the benefits for the Incubator and the enhanced services it will provide.

## **Potential Risks and Mitigation Strategies**

Implementing a new rate structure involves several potential risks, including tenant dissatisfaction and increased vacancy rates. To mitigate these risks, the following strategies will be employed:

- **Tenant Engagement:** Engage tenants early in the process to understand their concerns and gather feedback. This will help in fine-tuning the implementation plan to address tenant needs.
- **Market Research:** Conduct thorough market research to ensure that the new rates are competitive and in line with similar incubators in the region. This will help in retaining existing tenants and attracting new ones.
- **Incentives for Early Adoption:** Offer incentives for tenants who opt to transition to the new rates early. These could include temporary discounts or enhanced service packages.

### **Continuous Monitoring**

The Incubator will monitor the impact of the new rate structure closely, allowing for adjustments as needed to address any emerging issues promptly. This proactive approach ensures that potential problems are identified and resolved quickly, maintaining tenant satisfaction and occupancy rates.

## **Marketing and Sales Strategy**

To promote the San Luis Business Incubator and its new rate structure, the following strategies will be employed:

### **Promotion on Social Media Channels**

The Incubator will leverage social media platforms such as Facebook, LinkedIn, X, and Instagram to reach a wide audience. These channels will be used to:

- **Highlight Success Stories:** Share testimonials and success stories of current tenants to showcase the benefits of the Incubator.
- **Promote Events:** Advertise upcoming networking events, workshops, and other activities.
- **Engage with the Community:** Regularly post updates, industry news, and relevant content to engage with the entrepreneurial community.

### **Promotion at Industry and Business Events**

Active participation in local and regional business events is essential. The Incubator will:

- **Exhibit at Trade Shows:** Set up booths at trade shows and industry conferences to promote its services.
- **Host Workshops and Seminars:** Organize workshops and seminars to provide valuable insights and attract potential tenants.
- **Networking:** Attend networking events to build relationships with key stakeholders and potential partners.

### **Stronger Partnerships with Business Organizations**

Building and strengthening partnerships with local business organizations will enhance the Incubator's visibility and credibility. Key partnerships include:

- **Small Business Development Center (SBDC):** Collaborate with the SBDC to offer joint programs and services.
- **Arizona MBDA Business Center:** Work with the MBDA to support minority-owned businesses and entrepreneurs.
- **Chamber of Commerce:** Engage with the Chamber of Commerce to promote the Incubator's offerings and participate in community initiatives.

### **Enhanced Online Presence**

Develop a comprehensive digital marketing strategy that includes:

**Search Engine Optimization (SEO):** Optimize the Incubator's website for search engines to increase online visibility.

**Content Marketing:** Create valuable content, such as blog posts, whitepapers, and eBooks, to attract and educate potential tenants.

**Email Marketing:** Use targeted email campaigns to reach out to prospective tenants and keep current tenants informed about upcoming events and opportunities.

## Metrics and KPIs

To measure the effectiveness of the marketing and sales strategies, the following key performance indicators (KPIs) will be tracked:

- **Tenant Acquisition Rates:** The number of new tenants acquired each quarter.
- **Occupancy Rates:** The percentage of occupied suites compared to total available space.
- **Engagement Metrics:** Social media engagement rates, website traffic, and event attendance.

## Conclusion

The San Luis Business Incubator is poised to significantly enhance its role in fostering local economic growth and supporting entrepreneurial ventures through a series of strategic initiatives. The financial projections, including a phased approach to the new rate structure, are designed to ensure both tenant satisfaction and financial stability. By adopting competitive and tiered lease rates, the Incubator aims to attract a diverse array of businesses, thereby creating a robust tenant base and driving sustained revenue growth.

## Key Takeaways:

- **Financial Sustainability:** The proposed new rates, detailed financial projections, and revenue targets ensure the Incubator's operations remain financially viable while supporting tenant growth. The careful balance between affordability and revenue generation positions the Incubator to meet its financial goals.
- **Smooth Transition:** The phased implementation of the new rates, coupled with transparent communication and support for current tenants, minimizes disruptions and facilitates a smooth transition. This approach ensures existing tenants can adjust their financial plans accordingly, maintaining high occupancy rates.
- **Risk Mitigation:** By engaging tenants early, conducting thorough market research, and offering incentives for early adoption, the Incubator mitigates potential risks associated with the new rate structure. Continuous monitoring and the flexibility to make adjustments ensure tenant satisfaction and retention.
- **Enhanced Marketing and Sales Strategy:** Leveraging social media, participating in industry events, and strengthening partnerships with business organizations will boost the Incubator's visibility and attractiveness. A comprehensive digital marketing strategy, including SEO, content marketing, and targeted email campaigns, will further enhance outreach efforts.

- **Robust Support Services:** The expansion of specialized support programs, increased networking opportunities, and leveraging local strengths ensure the Incubator provides comprehensive support to its tenants. This holistic approach fosters a thriving business environment conducive to innovation and growth.

The San Luis Business Incubator's strategic plan, focusing on financial sustainability, risk mitigation, and robust marketing efforts, aligns with its mission to nurture businesses and drive economic development in San Luis. By implementing these strategies, the Incubator will continue to be a vital resource for entrepreneurs, contributing to the prosperity and innovation of the local community.

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