Collaborative Workspace Training
Agenda

1. What are collaborative workspaces?
2. Why should you consider collaborative workspaces?
3. Types of Collaborative Workspaces
4. Introductions
5. Market Analysis and other Necessary Feasibility Work
6. 10 Minute Break
7. Wrap Up
What are Collaborative Workspaces?
WHAT are collaborative workspaces?

Places where multiple individuals and businesses share infrastructure such as meeting rooms, kitchens, specialty equipment, shop space, and even administrative staff for the purpose of lowering overhead costs while creating opportunities for connection, interaction, & collaboration.
Collaborative workspaces emphasize a culture of sharing, collaboration, and connection.

They provide shared infrastructure and administrative support systems to let entrepreneurs focus on their business.
Why Should you Consider Collaborative Workspaces?
Why are collaborative workspaces relevant?

People are working differently

Today, @ 1 in 3 U.S. workers are freelancers, temps, independent contractors, and “solopreneurs”.

By 2020, this figure is expected to reach 40%.

Source: U.S. Bureau of Labor
The economy is changing...

The Economist

The sharing economy

Hugo Chávez’s rotten legacy
Is the stockmarket right?
Management tips for the Vatican
Getting Britain to grow
The comet that could hit Mars

On the internet, everything is for hire

Share a juicer, your dog or a room in your home?
How the sharing economy took off

Car-sharing services grow, and expand options

Airbnb and the unstoppable rise of the share economy
Combined, this changing focus on

- sharing rather than owning;
- temporary work rather than permanent employment, and
- an increasingly mobile & cloud-based economy

is dramatically disrupting the way we work, live, play, and learn.

The focus is increasingly on ACCESS & SHARING rather than OWNERSHIP & CONTROL.
Benefits for building owners/developers:

- **Creates a flexible leasing strategy** that relies on multiple businesses, and focuses on local demand, business clusters, community needs, and complementary uses that create a place...

- **reduces leasing and financing risk** by relying on multiple businesses

- **lowers build-out costs**, allowing for a mix of smaller and start-up businesses;

- **maximizes potential revenue** *(in commercial real estate, it is generally true that the smaller the space being leased, the higher the amount per square foot you can reasonably charge)*
Benefits for businesses/individuals:

• Reduces start-up costs

• **lowers overhead costs** by limiting the amount of separate, dedicated space a business needs to lease;

• offers the benefit of co-locating with other businesses to support and enhance operations--- **create opportunities for knowledge-sharing, cross-marketing, networking, collaboration, etc..**

• provides **opportunities for sharing services & overhead costs**—office cleaning, bookkeeping, web, IT/IS, insurance...
Benefits for a community:

When managed well, collaborative workspaces can transform vacant buildings into vibrant hubs of economic activity.

“Innovation & creativity are the engines of economic growth.

Creativity is not a solitary process... Bringing creative professionals under the same roof allows members to learn from each other and with time collaboratively start new ventures, grow existing businesses and enhance their business network.”

– Click Workspace website, Northampton, MA.
Types of Collaborative Workspaces
## Models of collaborative workspace:

<table>
<thead>
<tr>
<th>Model</th>
<th>Physical space</th>
<th>Programming/ support</th>
<th>Management/ Lease terms</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRADITIONAL BUSINESS CENTER</strong></td>
<td>Separately-leased; may share bathroom, lobby, reception</td>
<td>No coordinated programming or business support</td>
<td>Traditional landlord/tenant; fixed rent terms</td>
<td>Lawyers’ offices</td>
</tr>
<tr>
<td><strong>SHARED-USE</strong></td>
<td>Mix of shared and dedicated – i.e. bathrooms, kitchen, meeting rooms</td>
<td>Limited formal business support</td>
<td>Traditional landlord/tenant; fixed rent terms</td>
<td>3rd Sector NE, Brewery Small Biz Center; artist studios</td>
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<tr>
<td><strong>CO-WORKING</strong></td>
<td>Mostly shared space for office users; open floor plan; often focused on specific industries</td>
<td>Emphasizes collaborative work environment; offers events, trainings &amp; gen. business support</td>
<td>Flexible -Hourly, monthly, annual members; professnl management/ operator</td>
<td>Work Bar, Space with a Soul, Click, Camb. Innvtn Center</td>
</tr>
<tr>
<td><strong>BUSINESS INCUBATOR/ ACCELERATOR</strong></td>
<td>Mostly shared space; open floor plan</td>
<td>Mission-focused for start up &amp; early stage ventures; explicit, formal business support &amp; TA</td>
<td>Curated application; typically time-limited; rent terms may vary</td>
<td>Greentown Labs, Bolt, CropCircle Kitchen, MassChallenge</td>
</tr>
<tr>
<td><strong>MAKERS, HACKERS, ETC.</strong></td>
<td>Mostly shared space; open floor plan for creative industries; equipped w/specialty tools</td>
<td>Industry-focused; limited formal business support, but with training and certificate programs</td>
<td>Hourly, monthly, annual membership mostly for individuals</td>
<td>Artisans’ Asylum, TechShop,</td>
</tr>
</tbody>
</table>
Co-working spaces across Massachusetts

“You focus on your business. We’ll take care of the rest.” - CIC

Pricing varies from $20/day for drop-in desk space to $400/month for dedicated offices.

Mix of for-profit & non-profit operators.
What do these co-working spaces have in common?

1. Offer a range of options from daily drop-in on an open workstation to dedicated, private office space;

2. Provide infrastructure, including, wifi, copier, printer, mail service, and some mix of admin support;

3. Emphasize collaborative work environments, networking, peer support, etc.

4. Often focused on a particular sector or space need—tech., education, creative, food....

Source: INC. magazine, March 2014
WELCOME

WORKBAR

in

CAMBRIDGE

IT IS VERY NICE TO SEE YOU

MEMBERS

YOU MAY PROCEED TO FLOOR

05

or

HANG OUT HERE

VISITORS

YOU ARE EXACTLY WHERE YOU SHOULD BE

for

INFORMATION
Multiple types of workspaces
According to Deskmag’s 2013 Global Co-working Survey, 72% of co-working spaces become profitable after two years in operation.

On average, income is generated from:

- @ 60% from desk rental;
- @10% from renting meeting & event space;
- @5% in food & beverage;
- @5% in classes and event fees;
- @3% on back-office services
70% of spaces that serve 50+ members are profitable.

Spaces with 10-49 members have a profitability rate of @ 40% - close to the overall average. The more members they take on, the more profitable they become.

The most difficulties are suffered by small spaces with less than 10 members; 56% report a loss. Even though they pay less rent and have lower operating costs, only a quarter of small spaces achieved a direct profit.

Economies of scale matter.
WHAT’S NEXT? The timeshare coffee shop!!!

@ $2/hr for co-working space inside a coffee shop; San Francisco
Business incubators & accelerators

- **Have an explicit mission** to support the start-up, development and growth of businesses.

- **Intentionally integrate business training, administrative services, and technical assistance** into a comprehensive support program.

- Are typically **curated** – meaning there is a competitive selection process.

- Are generally **time limited**, (usually 1-4 years) with the end result being “graduation” from the program.

- Often integrate **both shared and separate work space** as part of the program offerings.

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**Business incubators increase the likelihood of success.**

87% of businesses that graduate from an incubator are still in business 5 years later, compared to less than 50% of businesses overall.

Source: NBIA
MASSACHUSETTS INCUBATORS & ACCELERATORS
Most common goals of incubation programs are:

- Starting or growing businesses;
- Creating jobs;
- Enhancing a community’s entrepreneurial climate;
- Building or accelerating growth in a particular industry; and
- Diversifying and strengthening local economies.

What business incubators typically help with:

- Business planning
- Financial management
- Access to capital
- Legal/organizational structure
- Marketing, procurement, and sales
- Mentoring & coaching
- Networking
- Access to equipment & facilities
- Intellectual property/patents/trademarks
CropCircle Kitchen, Boston:

- Boston’s only non-profit shared-use commercial kitchen and business incubator
- Hourly rental of fully-equipped commercial kitchen
- 4,000 SF facility supports @ 40 businesses, employing over 85 people
- CCK facility has “graduated” @ 18 businesses in the last 3 years.
- Combined, these graduating businesses have created more than 250 permanent jobs.
The power of compounding

**Shared kitchen earned income:**

- Businesses pay $30/hour to rent a fully equipped kitchen
- Businesses separately rent storage on a monthly basis ($60-100/month)
- The combined income generates @ $75-90 per square foot in income to pay rent, utilities, insurance, staff, etc.
Pearl Food Production Small Business Center, Dorchester

- Shared kitchen for 40+ businesses;
- A separate food truck kitchen & commissary;
- Dedicated kitchens for individual businesses;
- Shared offices, meeting rooms, lockers, etc.;
- Aggregate purchasing;
- Support for 50+ businesses annually
- Creation of 125+ new permanent jobs on site

A partnership of Dorchester Bay Economic Development Corp. & CropCircle Kitchen
The rise of maker nation

In April 2013, MassDevelopment issued a report describing makerspaces as, “...new and rapidly evolving hotbeds of innovation facilitated by the latest in prototyping technology while rooted in traditional pillars of manufacturing: engineering, design, science, and art.”
Artisan’s Asylum, Somerville

- 50,000 SF warehouse in the old Ames Envelope facility, Somerville, MA.
- Currently hosts @ 280 monthly members;
- 160 studios
- 50 pallet storage units, 90 shelf storage units available for rent.
Sources of revenue:
- Membership fees
- Storage fees
- Class fees
- Printing/materials
Incubator? Co-working? Makerspace? Which is right for you?

What are the space constraints/opportunities?

What are the local/regional needs?

What is the demand for space?

Who is the operator?

How will you pay for the renovations?

The ongoing operations?
Market Analysis and Other Feasibility Work
Getting started: understanding feasibility

• Market demand
• Physical feasibility
• Financial feasibility
• Community support
• Political support
Market Analysis

The best market research you can do is talk to the people who live, work, and visit the community around where you are focused.

- Talk to local business and neighborhood organizations;
- Research vacancy rates, rents, rent structures, business mix...;
- Find out where the freelancers hang out– the library? The coffee shop?
- Engage as many people as you can; Always Be Networking! MAKE IT A BARN-RAISING!
Artist workspace in Lawrence

- Mix dedicated artist work space with shared classroom, gallery and other common space.
- Integrate occupancy cost of common space in base rent.
- Market space to artists interested in teaching classes & being part of an active arts community.
- Require a nominal fee for classroom use, with proceeds going to support shared marketing, a website, gallery shows, insurance, etc.

If each artist who teaches a class:

- pays $25/class to use the space,
- and classes are taught 5 hours/day, 6 days/week, 40 weeks/year

Then the artist organization will earn @ $30,000 in rental fees- or the equivalent of @ $40/per square foot to support their work.
A Moment to Focus on Community
Why is Community Important?

• Collaborative spaces are not only about real estate! Be responsive to the users.

• Critical mass is important, who is the “core” of your community? (Might be as few as 5-7 people)

• Once you have a direction and a core, attract attention to your space, free events, etc.

• Consider your model: Shared vs. Personal. Do people have a “home” in your space?
Necessary Feasibility Work
Design Consideration/Physical Feasibility

- Mix of private and shared space depends on tenant needs & operating model (where your income is coming from), so get your operator on board early!
- More open/shared spaces allows for more flexibility over time;
- Open work spaces lower the initial cost for interior walls, lighting, heat, ventilation, A/C, etc; but consider sound & odor separation, privacy issues, and code requirements;
- Identify unique infrastructure needs – such as 3-phase electric, specialized ventilation.... depending on tenants
- Understand the needs of your tenants – Storage? Equipment? Specialized work spaces?
- Define owner vs. tenant responsibilities- who pays for the drapes? What is included in the rent?
Financial feasibility: the cost to create; the cost to get up and running, and the cost to operate long-term

- How much will the building cost to buy or lease? Renovate? Operate? Where will the money come from?
- How strong is the demand for space?
- Does your operator have prior experience?
- Does your projected income cover operating expenses? Can you borrow what you need? Will you have to raise grant funds?
- Can you get early/contingent commitments from prospective tenants/letters of interest?
- Are there zoning or permitting issues to deal with?
## Development and Operating Budgets: the basics

<table>
<thead>
<tr>
<th>Hard costs</th>
<th>Soft costs</th>
<th>Fees &amp; Reserves</th>
<th>Operations/occupancy</th>
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<tbody>
<tr>
<td>acquisition</td>
<td>architect/ engineer</td>
<td>project staff</td>
<td>rent/mortgage</td>
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<tr>
<td>construction</td>
<td>environmental</td>
<td>start-up</td>
<td>utilities</td>
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<tr>
<td>equipment</td>
<td>legal</td>
<td>rainy day fund</td>
<td>insurance</td>
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<tr>
<td>furnishings</td>
<td>accounting</td>
<td>replacement reserves</td>
<td>taxes</td>
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<td>marketing/leasing</td>
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<td>management</td>
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<td></td>
<td>zoning</td>
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<td>bookkeeping</td>
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<td></td>
<td>permitting</td>
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<td>cleaning, trash, recycle</td>
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<td></td>
<td>insurance</td>
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<td>office supplies</td>
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<td>loan interest</td>
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<td>telecomm</td>
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<tr>
<td></td>
<td>inspections</td>
<td></td>
<td>reserves</td>
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Marketing and Leasing

- Early and often! Be relentlessly opportunistic!
- Be well-informed! Know the competition.
- Create a compelling narrative. Tell your story.
- Reach out to local business/merchant/civic/community associations.
- Define your tenant underwriting criteria and lease terms.
- If you have a parking problem, it probably means you’re doing something right!
Another Moment to Focus on Community
The role of the public sector

• Catalyst/connector/convener
• Linkages within geographic and industry hubs, institutions, etc.
• Data resource on demographics, employment, income, etc.
• Potential financial support at local and/or state level
• Formal public support lends credibility; helps with securing funds
• Remember: it’s a collaborative effort; not just a real estate play
Wrap Up
Are you CRAZY???
Why would you do this?

• When would it be crazy?
• When does it make sense?

DISCUSS
Take-aways/advice:

• Commercial real estate development is hard – have a clear vision and goals from the outset;

• There are no cookie-cutter models – the project needs to respond to local market/community needs & financial realities

• It’s difficult to line up tenants before building the space – ways to get around it possible

• Have staff dedicated not just to the physical or financial development, but also leasing, marketing, operations, etc.

• Whenever possible – work incrementally

• Have a compelling narrative.

• If focus is on business development – make sure you have a strong operator/partner thinking about all phases of the process

• Be persistent, relentlessly entrepreneurial, opportunistic, & creative!

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