

Agri-Business Community Work Group 2014
Meeting Notes
December 8, 2014
Location: 300 Monroe Avenue N.W.

Members Present: Commissioners Saalfeld (Chair) and Ponstein; Patty Birkholz, Bryan Posthumus, Ed Robinette, Dr. Paul Isely, and Steve Wilson

Members Absent: Diane Jones, Steve Grimm, Bryan Harrison, Rick Baker, Bert Bleke, Rick Chapla, and Mimi Fritz

Staff Present: Assistant County Administrator Mary Swanson; Executive Assistant to the Board of Commissioners Conni Mutchler

Media Present: *None*

Public Present: Russ Slater

- I. Chair Saalfeld called the meeting to order at 4:30 p.m.
- II. **Approval of the Minutes:** The work group approved the November 10, 2014 meeting notes.
- III. **Presentation by Mark Knudsen, Ottawa County Director of Planning and Performance Improvement**

Chair Saalfeld welcomed Mark Knudsen, Ottawa County Director of Planning and Performance Improvement, who gave a presentation on the Great Lakes Ag-Tech Business Incubator. The project was developed in response to the recession of 2008, as a way to create jobs. In looking at Ottawa's core competencies, agriculture immediately stood out. West Michigan is second only to California in diversity of agricultural production. The expanding food processing industry, network of agricultural machinery companies and technology suppliers, as well as the proven innovation by farmers, made agriculture technology from a business development standpoint a natural focus for the project. At the time, there were only 25 agriculture incubators worldwide, with only one - in Illinois - focused on ag technology.

Ottawa County formed a steering committee and received a USDA grant to commission a study. The consultant who conducted the study said that he had never seen more demand for a niche incubator than he had seen for ag technology. However, the consultant strongly recommended a mixed use incubator, which differed from Ottawa County's desire that the incubator be focused on agriculture.

The consultant also felt strongly that a large facility should be built. The steering committee did not agree, and eventually the consultant and the steering committee parted ways.

Mr. Knudsen explained that there are two types of incubators: a virtual incubator, in which everything is on-line, and there is no physical structure; and a physical incubator, with actual office space. The model developed by Ottawa County is a combination of the two.

A pilot was developed, beginning with the three top ideas: a freezer racking system, a sprouting system for fodder efficiency, and a Grass Roots Energy project for extracting ethanol at a more efficient rate. The incubator has found a market for the last product, and Grass Roots Energy is now working with Carbon Green in Lake Odessa. Payback for these systems is about four and a half years. The incubator provides full services to get private businesses running.

The steering committee identified four reasons for initial success: (i) differentiated assistance, in which services are customized to help start-up companies through business hurdles; (ii) partner expertise and relationships with the public and private sectors; (iii) agricultural community involvement, in which farmers who are potential customers review ideas for potential and test prototypes; and (iv) a garage start-up attitude. This garage start-up attitude means that all of the resources of the incubator are put into services rather than buildings. It is low-risk with no residual assets. Demand and results justify growth. The steering committee determined they would only build or find space for a physical facility if they found the need for it.

The incubator has received State funding of \$500,000 over three years. The State likes this model because there is a lot of private sector financing, and the model is self-sustaining. The goal is for the incubator to be state-wide, starting in West Michigan. Barry County is the first county to sign up.

Mr. Saalfeld questioned Mr. Knudsen regarding the non-profit status of the incubator, which Mr. Knudsen confirmed.

Mr. Wilson asked about the staffing. Mr. Knudsen answered that three members of his department are supporting the incubator on a part-time basis, along with a couple of support staff.

The first reason for the success of the incubator is keeping high quality ideas coming in. The incubator's affiliate partners, such as attorneys and banks, are referring people to the incubator. They are also getting hits from their Twitter account. The department has done a couple of meetings with the Allendale Chamber of Commerce, who has brought in farmers to get their ideas. Additionally, there is a Student Entrepreneur Program with Michigan State University.

The second reason for their success is a 10-step screening/enrollment process to ensure high quality business ideas. When a client signs up with the incubator, two percent of their gross sales will go to the incubator for the first nine years, and on the tenth year there is a buyout provision. The client must also sign a client engagement agreement.

The third reason is financial sustainability. For the first three years, the model receives revenue from local counties, local sponsorships, and state-wide sponsorships. Initially, one full-time employee will be hired. The cost of running one business through the business incubator is estimated to be \$48,000 per year. Initially, the program will use the State grant, contributions from counties, and sponsorships to support the incubator. The County membership fee is estimated at \$27,000 per year during this first three-year period. It is estimated that the business service fees will begin to pay for the model by the third year. If not, the incubator will close its doors.

Mr. Saalfeld asked for clarification on contributions and sponsors.

Mr. Knudsen answered that \$5,000 is the minimum sponsorship contribution. The average contribution is about \$25,000. There is also a law firm which has agreed to a reduced rate for helping clients with patent applications.

The organization structure of the incubator is a non-profit, 501(c)(6), with a Board of Directors, an advisory committee comprised of a single representative from each member county, incubator staff, and incubator clients. Mr. Knudsen said there is funding for two full time staff when it is warranted.

Mr. Posthumus asked what goes into the yearly cost figures, how did the incubator arrive at the figure of \$48,000 per year.

Mr. Knudsen said that the costs are mostly staff, with contractors coming in to provide services, such as legal services and accounting.

Mr. Saalfeld asked if the incubator is looking for other counties to join.

Mr. Knudsen answered that they are looking to start with three counties for the first five or six months, and evaluating at that time if they can add more. They figure a consultant can work with five businesses. The incubator should be able to work with 15 businesses/clients to begin.

Mr. Saalfeld asked what the cost of Kent County's participation would be.

Mr. Knudsen answered that the estimated cost is \$27,000 or \$28,000 annually. If a county is located too far away geographically, they would consider a satellite office with a full time employee. They would like to see Kent County join this group.

Ottawa County has received national recognition from the National Association of

Counties (NACO) for this program.

Ms. Swanson asked if a grant paid for the consultant who did the initial study.

Mr. Knudsen answered yes.

Ms. Swanson pointed out that The Right Place has written a letter of support for the program.

Mr. Saalfeld asked if, in the process of setting up the incubator, they found any hindrance from the government in the form of regulations.

Mr. Knudsen answered that having State Representative, Joe Haveman, as appropriations chair in Lansing, was helpful, and there was not any government hindrance.

Mr. Wilson asked if the program received a grant from the State.

Mr. Knudsen said yes, it received a line item appropriation of \$500,000 from the State.

Ms. Swanson asked Mr. Knudsen to speak about timing for memberships.

Mr. Knudsen replied that they are looking for three counties to participate for the first year.

Mr. Ponstein asked if there has been any response from the Michigan Economic Development Corporation (MEDC).

Mr. Knudsen answered that they are working with them right now, and MEDC will have an at-large position on the Board of Directors.

IV. Public Comment

Russ Slater of the Kent County Agricultural Preservation Board said he has spoken with The Right Place about the program and recommends that Kent County participate in the program.

V. Adjournment: Mr. Saalfeld adjourned the meeting at 5:50 p.m.

VI. Next Meeting: Monday, January 12, 2015, at 4:30.