



**DOMINION RESOURCES
GREENTECH INCUBATOR**

**VACo ACHIEVEMENT AWARD
APPLICATION**

PROGRAM CATEGORY: Economic Development

POPULATION CATEGORY: 50,001-100,000

May 2010



1. Abstract of the Program

Hanover County's Economic Development Strategic Plan established an objective to create a Hanover Entrepreneurial Center, which would provide management guidance, technical assistance, and consulting tailored to young, growing companies; provide access to rental space with flexible leases; provide shared business services and equipment; provide technology support services; and assist in the securing of financing, including startup capital. The County approached the Virginia Biotechnology Research Park (VBRP) in February 2009 to explore the possibility of starting a business incubation program. VBRP has run a very successful life sciences incubation program for 15 years at its Virginia Biosciences Development Center (VBDC). During the County's discussions with the leadership of the VBRP and VBDC, the concept of a green technology incubator was developed as a unique and valuable niche for the mid-Atlantic region. The County and VBDC realized that the appropriate corporate sponsor was needed to insure the incubator's success, and Dominion Resources, a Fortune 500 energy company headquartered in Richmond, was approached. Dominion agreed to sponsor the incubator through its Alternative Energy Solutions Group. Shortly after securing Dominion's sponsorship, the Town



of Ashland agreed to become a major sponsor as well. Dominion Resources *GreenTech* Incubator (DRGI) has two target clients: 1) domestic startup companies developing new technology in the energy space and, 2) international energy technology companies seeking to enter the US market. The incubator opened in January 2010 and currently has admitted four companies to its program. The goal of DRGI is to incubate 25 companies and

15 graduates within the first five years. DRGI staff is working on a partnership agreement with the City of Nottingham, UK and is planning to travel to Israel in early 2011 to identify potential companies for its international program.

2. The Problem/Need for the Program

Economic development has changed dramatically over the past several years and the changes have accelerated during the current "Great Recession." While communities will continue to support their existing businesses and recruit new companies, the concept of "economic gardening", or growing one's own companies is becoming a more important element of local economic development strategies. Home-grown companies tend to have stronger ties to the local community and are more likely to stay in the area as they grow. In addition, small technology businesses tend to grow at a faster rate and create more jobs than larger firms.



An incubator program greatly increases the chances of success for startup businesses. According to a recent study by the National Business Incubation Association, 88 percent of its member incubator graduates are still in business after five years, while only 44 percent of the companies in the general business population survive four years.

In addition, NBIA members report that 84 percent of incubated companies stay in their communities. DRGI is the only greentech incubator located in the mid-Atlantic region. One of the objectives of the Hanover County Economic Development Strategic Plan was the creation of an incubator facility. However, because of the high startup and subsidy costs associated with incubators, Hanover was unable to develop a cost-effective strategy for starting its own incubation program.

3. Description of the Program

Hanover County approached the VBRP and VBDC to determine best practices for starting an incubation program. During these discussions, the President and CEO of the VBRP and the Executive Director of the VBDC suggested that we could partner to create a greentech incubator in Hanover. The VBDC agreed to manage the greentech incubator for a reasonable fee, allowing Hanover to leverage the expertise of VBDC staff as part of its incubator program. Hanover County and VBRP then approached Dominion Resources, a Fortune 500 energy company headquartered in Richmond, Virginia, to determine if it would be willing to become the primary corporate sponsor for the incubator. Dominion had just formed a new business unit within the company for alternative energy and saw the benefits of a relationship with an incubator program. Dominion became the primary corporate sponsor and designated the head of its Alternative Energy Solutions Research and Development group as its representative to the DRGI Board of Directors. Because the proposed location of the incubator facility is in the Town of Ashland, the County approached the Town about sponsorship and the Town readily agreed to become a founding partner. The incubator program provides a variety of services, including:



- Access to business and technology experts from Dominion Resources;
- Expert advice from business advisory board, tailored to the specific needs of each client company;
- Assistance with strategy development and business planning; and,
- Introductions to sources of grant and capital investment.



Companies interested in participating in the incubator program first meet with the Executive Director to discuss their business concept and determine if the business is a potential fit for the incubator. If the Executive Director determines that the company could benefit from participation in the program, he requests that the company make a formal application. The application is reviewed by a 7-person tenant selection committee, which includes a representative from Dominion Resources, several attorneys, an accountant, the managing partner of an Angel Group and a representative from each of the public partners. If the application is approved by the tenant selection committee, it is sent to the Chairman of the Board of DRGI for final approval. A 12-month lease and membership agreement is signed after final approval and the company becomes a member of the incubator. Generally, domestic companies will spend two to three years before graduating from the program and international companies, which are more advanced, will typically spend one to two years in the program developing an entry strategy for the US Market.

The incubator itself is an 8,200 square-foot facility with individual offices, office suites, cubicles, high-bay workspace and shared common space such as reception, conference rooms and a lunch room. The landlord is a local commercial real estate professional who is also a sponsor of the program and has leased space to the incubator on very favorable terms in exchange for preferred referrals to the DRGI members.



The incubator also has a number of other sponsors, including an office furniture sponsor and a number of professional service sponsors, including law firms, accounting firms, payroll companies, and insurance companies. These sponsors help to underwrite the cost of the facility and also provide discounted services to member companies.

The companies pay rent, which includes reception support, conference room access, high speed internet access, copy, scanning, and printing services, and all utilities. In addition, they pay a monthly membership fee that covers the business support services. Companies also grant the incubator a one percent equity warrant for each year spent in the incubator. The warrants will be converted to equity when a significant funding event occurs for the company and can be used to “endow” the incubator’s operation.



4. The Cost of the Program

The cost of the Dominion Resources GreenTech Incubator is estimated at \$1.6 million over the first five years, including capital expenditures, rent, and program operating costs. Funding for the program comes from a variety of sources including:

- Hanover County
- Dominion Resources
- The Town of Ashland
- Other Corporate Sponsorship
- Lease Payments
- Membership Fees

The goal of the incubator program is to become self-sustaining with minimal public support at the end of the five-year period.



5. The Results/Success of the Program

The Dominion Resources GreenTech Incubator has been very successful since its creation in January 2010. The initial pro forma for the incubator assumed that three companies would be in residence at the end of the first year. Already, four companies have been admitted to the program and three of these have signed leases and are resident at the facility. Several other companies are in the process of making application for admission to the incubator. The international commercialization program is just underway, but already DRGI is in joint planning with the Virginia-Israeli Advisory Board for a trip to Israel at the beginning of 2011 to interview Israeli greentech companies for admission to the incubator. In addition, DRGI is in discussion with BioCity Nottingham to form a partnership with its new greentech incubator.



This program represents an outstanding example of a public/private partnership for economic development. Partners include Hanover County and the Town of Ashland, two local governments, the VBRP and

VBDC, which are 501c3 entities, and Dominion Resources and other business sponsors. This partnership has allowed Hanover County and the Town of Ashland to create a premier incubator facility in a cost-effective and efficient way, with the potential to generate many new technology firms for the area and the region.