

CREATING A COWORKING SPACE IN RURAL NORTHWEST TENNESSEE

TENNESSEE CERTIFIED ECONOMIC DEVELOPER (TCED)
CAPSTONE REPORT
LANDY G. FUQUA
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I. Background:

The UT Martin Regional Entrepreneurship and Economic Development (REED) Center¹, housing the Tennessee Small Business Development Center (TSBDC)², was established to meet the needs of existing and potential business owners through one-on-one consultations and interactive training programs. The REED Center's primary service area includes Weakley County, Henry County, Benton County, Carroll County, and Obion County.

The REED Center was established in 2005 as a service of the Horace and Sara Dunagan Chair of Excellence in Banking and the Tom E. Hendrix Chair of Excellence in Free Enterprise. The center offers a unique multilateral partnership among regional governments, economic development agencies, regional small business development centers, chambers of commerce, financial institutions, institutions of higher education, and practicing business professionals. Initial funding and ongoing operating support, including referrals and expertise, were provided by regional banking organizations and the University of Tennessee at Martin College of Business and Global Affairs – including the Dunagan Chair of Banking, the Hendrix Chair of Free Enterprise and the Oldham Center for Entrepreneurship and Economic Education.

As a public outreach and economic development program, the REED Center planning committee made a conscious effort to consider needs of existing and prospective business owners. One of those considerations was to locate the REED Center off the UT Martin campus to be visible and accessible to the general public. The first REED Center office was located 920 University Street, Martin, Tennessee in the former office of Community First Bancshares, the parent company of First State Bank now Simmons Bank. A USDA grant was obtained in 2005 by the City of

¹ <https://www.utm.edu/departments/reed/>

² <https://tsbdc.org/center/martin/>

Martin to renovate an office building located at 406 South Lindell Street in Martin which opened in May 2006. In late 2017, the City of Martin requested the center relocate to build a new library. The REED Center moved into its current location at 240 South Lindell Street in March of 2019 with the intent to create a coworking space for the community.

The REED Center became a service center of the TSBDC network in July of 2009 as the only center affiliated with a UT institution. The TSBDC is a nationally accredited program with a network of certified professional business counselors conveniently located in various locations in Tennessee. These centers, including the UT Martin REED Center, are funded in part through a cooperative agreement with the Small Business Administration (SBA).

The REED Center serves as a hub of information for prospective entrepreneurs and owners of existing small businesses who need individual consultant services, group training services, and associated technical resources. The center offers courses, workshops, and training sessions that respond to the needs of small businesses and supports regional economic development.

As a service center of the TSBDC, the REED Center has amassed client-verified data since 2009 to demonstrate the economic impact of the center. The table below is a compilation of the center's economic impact as of December 31, 2021.

UT Martin REED Center Impact* Summary

Metrics	2009-2019	2020	2020 CARES Act	2021	2021 CARES Act	Total
Clients Served	993	61	66	46	63	1229
Business Starts	64	8	n/a	8	n/a	80
Jobs Created	728	128	n/a	20	n/a	876
Jobs Retained	449	50	253	36	248	1036
Capital Formation	\$25,701,910	\$9,352,328	\$1,843,321	\$4,221,433	\$2,265,692	\$43,384,684

* All reported impact is client verified.

II. Research

In May 2016, Maureen (Mo) Collins presented training for the TCED Entrepreneurship and Economic Development Course entitled "Grow Your Own." She mentioned coworking spaces were being utilized by microenterprises and "solopreneurs." Collins stated, "Entrepreneurs need networks! Entrepreneurs learn from each other by mentoring. Lecturing is not successful."

Recently Collins wrote,

Coworking has proven successful in providing startup/scaleup entrepreneurs flexible, communal workspace and infrastructure while promoting social and business networking. The rise of pandemic-related remote workers, increasing numbers of sole proprietor (necessity) business owners and small business owners who lack the resources or capital to invest in ongoing office space makes coworking appealing for a wide array of businesses and workers. If you don't have a coworking space in your community, you need one.³

Since its inception, the REED Center's clients have proven finding affordable space for microenterprise start-ups was a barrier to entry. In addition, home-based businesses and those working remotely have expressed interest in a coworking space membership. The goal for creating a coworking space is not only to provide a "store-front" for businesses, but to serve as a space which fosters innovation, productivity, and a sense of community in a comfortable, professional workplace. This coworking space would specifically align with strategic initiatives to better leverage and connect Tennessee's higher education institutions to cultivate workforce and economic development.

³ <https://www.mocollins.com/articles>

The following Coworking Business Model Canvas was obtained from *The Coworking Handbook: Learn How to Create and Manage a Successful Coworking Space* by Ramon Suarez.

This model was used as a resource in creating the new REED Center coworking space.⁴

Coworking Business Model Canvas⁵

Key Partners Internet Service Provider Landlord Investors/bankers Influencers	Key Activities Introductions and facilitation Community building	Value Proposition Professional environment and network Increased productivity Life work balance Flexibility Cost efficiency	Customer Relationships Facilitation & Networking Community Face to face Online	Customer Segments Freelance professionals Entrepreneurs Teleworkers
	Key Resources Good Internet connection Professional premises Meeting room		Channels Website Events Social Media Email PR	
Cost Structure Rental Utilities Personnel Marketing Maintenance Legal				Revenue Streams Coworking plans (flexible or fixed) Events Meeting rooms

A global coworking survey conducted by Deskmag was studied while researching coworking trends.⁶ This data provided valuable statistical information which was compiled from surveys sent to owners/managers of over 1,000 global coworking spaces. Most notably useful were the percentage source of funding in the revenue stream and percentage cost of operating expenses to determine the projected finances of the coworking space.⁷

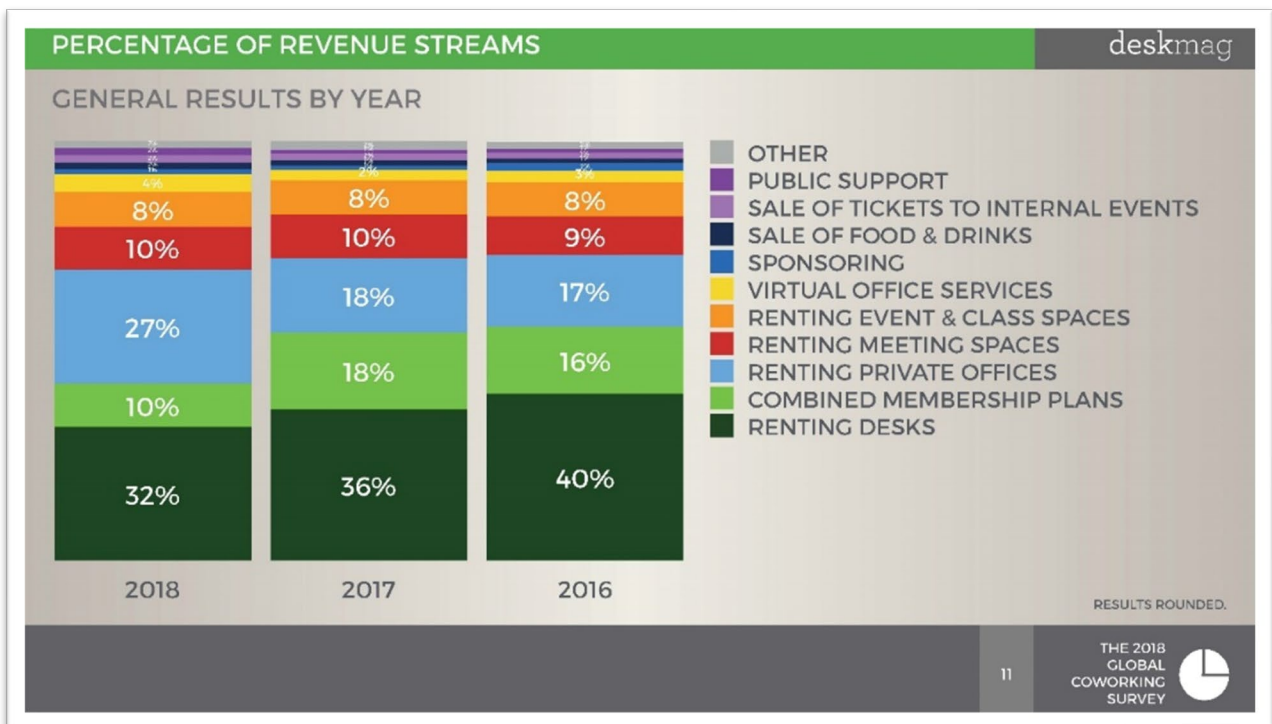
⁴ <https://www.coworkinghandbook.com/>

⁵ <https://www.coworkinghandbook.com/coworking-business-model-canvas/>

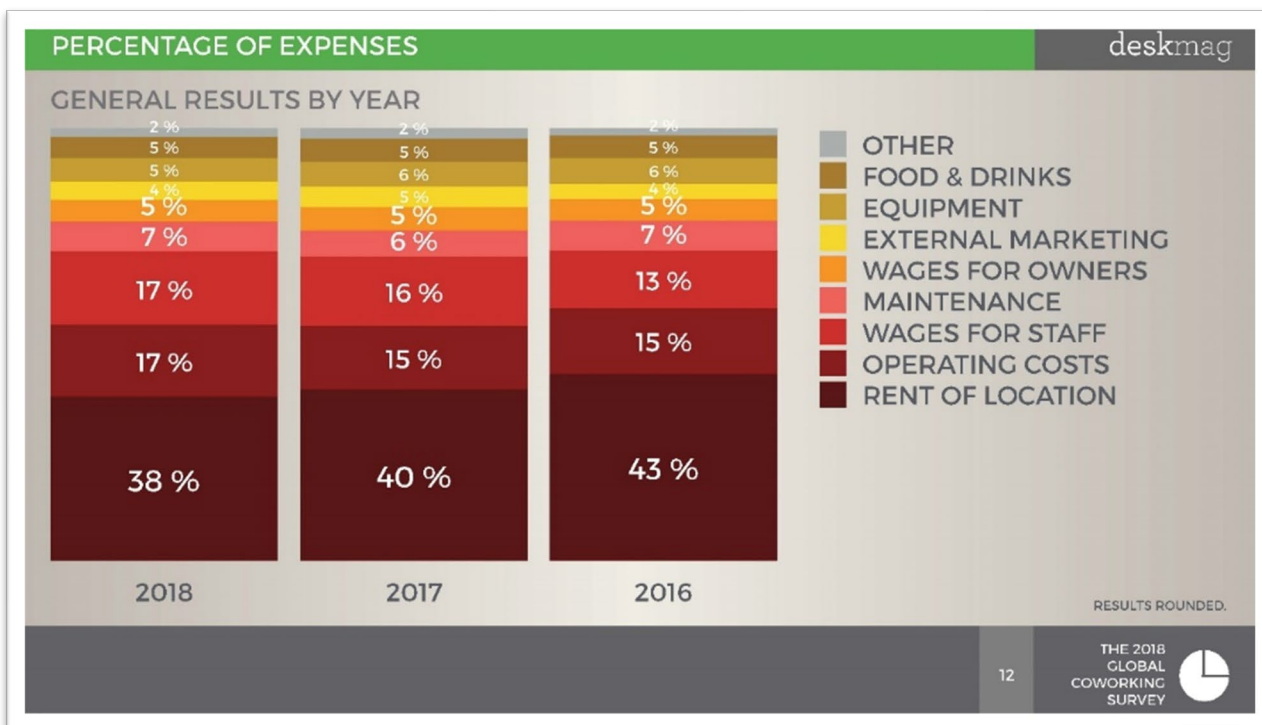
⁶ <https://coworkingstatistics.com/>

⁷ <https://www.deskmag.com/en/background-of-the-2018-global-coworking-survey-market-research>

According to Deskmag's 2018 Global Coworking Survey⁸, the largest single source of revenue was provided by Renting Desks at 32%, an average of 36% for three years, followed by combined membership which was not considered in the project. Renting Private Offices, Renting Meeting Spaces, and Renting Event and Class Spaces totaled 45% of the revenue stream, an average of 38.33% for three years.



⁸<https://www.dropbox.com/s/24p6i2vy00btzga/ULTIMATE%20COWORKING%20SPACE%20DATA%20REPORT%20-%20SELECTED%20SLIDES.pdf?dl=0>



The survey also revealed, the largest expense for the coworking space was rent at 38%, an average of 40.33% for three years, followed by staff and owner wages at 22%, an average of 20.33% for three years and operating costs at 17%, an average of 15.67% for three years.

Fortunately for the REED Center coworking space, wages, operating costs, and maintenance are underwritten by the center.

An article written by Carsten Foertsch of Deskmag stated,

Rent continues to be the biggest expense for coworking spaces, accounting for just under 40% of their spending. Its share fell slightly compared to the previous year, presumably because management contracts and joint ventures with landlords are becoming more popular, especially among new coworking spaces. However, the 70% of coworking spaces who rent their premises spend 45% of their total expenditure on rent.⁹

⁹ <https://www.deskmag.com/en/coworking-spaces/the-state-of-coworking-spaces-in-2018-market-research-development-survey>

In preparation of creating the coworking space, the following locations were visited for further research and validation:

- The Innovation Hub – Little Rock, Arkansas¹⁰
- Launch Pad – New Orleans, Louisiana¹¹
- theCO – Jackson, Tennessee¹²
- Innovation Station – Madisonville, KY¹³
- Sprocket – Paducah, Kentucky¹⁴
- The Biz Foundry – Cookeville, Tennessee¹⁵ (virtual tour and consultation)
- Cowork Columbia – Columbia, Tennessee¹⁶ (virtual tour)
- The Mill Workspace – Dyersburg, Tennessee¹⁷ (Chris Donaldson, owner of The Mill Workspace, graciously provided on-site consultations at the REED Center location.)

The new location of the REED Center is situated in a 3,789 square foot building. The space consists of a large corporate area, four private offices, kitchen, seminar room, conference room, sound-proof room, vault (casual seating area), copier/workroom, and two restrooms. The REED Center staff occupy two of the private offices with the remainder of the space available for the use by the coworking membership. The corporate area is approximately 1,200 square feet, which is slated for the coworking desk space.

Mentioned earlier, operating expenses of the REED Center are underwritten by UT Martin and the TSBDC grant. Staff supervise the day-to-day activities of the space and provide counseling and training of the membership. Relocation of the REED Center to a larger facility increased the center's operating expenses but implementation of the coworking space membership fees are

¹⁰ <https://arhub.org/>

¹¹ <https://lp.co/neworleans/#>

¹² <https://www.attheco.com/>

¹³ <https://www.kentuckyinnovationstation.com/>

¹⁴ <https://sprocketpaducah.com/>

¹⁵ <https://thebizfoundry.org/>

¹⁶ <https://columbia.cowork.space/>

¹⁷ <https://themillworkspace.com>

projected to offset the added rent increase. Rental fees charged for non-member meeting spaces were not considered in the pro forma, however, those fees will generate additional revenue.

REED Center Runway Pro Forma – Breakeven

Revenue:		Expenses:	
Pilot (Student)		Rent	\$2,250.00
Memberships	4		
Price	\$25.00		
Monthly Sales	\$100.00		
Pilot			
Memberships	10		
Ave Price	\$50.00		
Monthly Sales	\$500.00		
Aviator			
Memberships	6		
Ave Price	\$100.00		
Monthly Sales	\$600.00		
Flying Ace			
Memberships	3		
Ave Price	\$150.00		
Monthly Sales	\$450.00		
Private Office			
Memberships	2		
Ave Price	\$300.00		
Monthly Sales	\$600.00		
Total Revenue	\$2,250.00	Total Expense	\$2,250.00

III. Results

Two grants were available in Tennessee during 2019 to develop coworking spaces. The first considered was the Coworking Space \$25,000 grant through the Tennessee Valley Authority's Economic Development fund with a 50% match. The second opportunity was Tennessee Economic and Community Development's Tennessee Placemakers Entrepreneurship Fund (Placemakers). Placemakers provided a maximum of \$75,000 with a 10% match. Both funds provide funding for furnishings and supplies. Application was made to Placemakers¹⁸ and the

¹⁸ <https://www.tn.gov/ecd/rural-development/tn-placemakers.html>

REED Center was awarded \$30,000. The grant was approved January 15, 2020 with a deadline for completion by January 14, 2022.

Breakdown of disbursed Placemakers Entrepreneurship Fund is as follows:

Furnishing/Supplies	Placemakers	Match 10%
· Furniture	\$20,828	
· ROOM Phone Booth	\$4,227	
· 10 - 27" Dell Monitors	\$2,519	
· Door Keypad	\$1,031	
· Door Keypad Installation	\$409	
· Security Camera	\$195	
· Supplies	\$791	\$3,000
Total Expenditure:	\$30,000	\$3,000

It is important to note, most coworking spaces utilize an online coworking management system.

The system allows for reservations, meeting room management, building access, Wi-Fi control and guest management. As a university entity, the REED Center requires a contract to partner with outside resources. During contract negotiations, the payment processing system used by the coworking management company yielded issues with indemnification and arbitration for the university. Unable to use the coworking management system, the REED Center installed an electronic keypad for building access and receives membership and room rental payments through the university's website payment system. Room requests are processed by REED Center personnel.

The REED Center was selected as a stop on UT President Randy Boyd's *Everywhere You Look* statewide tour on August 25, 2021. "My dad's an entrepreneur. I'm an entrepreneur. I've always supported entrepreneurship," Boyd said to those gathered for the tour stop. "I'm a little biased, but I really believe entrepreneurs actually create so much good in the world. The more

entrepreneurs we can create, the better.” The tour stop provided an opportunity unveil the REED Center’s new Runway coworking space with a ribbon-cutting ceremony.

UT Martin Chancellor Keith Carver commented,

Economic development is exactly what the REED Center is all about. We offer courses, workshops and training sessions to meet the needs of small businesses, and it (the center) supports regional economic development.” He also noted that the REED Center became a service center of the Tennessee Small Business Development Center network in July 2009 “as the only center affiliated with a UT institution.

Carver highlighted the significance of the Center’s current location and intentional space for small businesses. “The REED Center moved here in March of 2019 with the intention of expanding and creating some coworking space to provide entrepreneurs, small business owners and remote workers a shared space to connect with others on professional level,” he said. He credited Landy Fuqua for her leadership of the center.

The newly created REED Center Runway¹⁹ located in the beautiful downtown Historic District of Martin, Tennessee, provides entrepreneurs, small business owners and remote workers with a shared space to connect with others on a professional level. The Runway provides not only an office setting for businesses, but a space that fosters innovation, productivity, and a sense of community in a comfortable and professional workplace. The Runway aligns with UT Martin’s strategic plan to leverage and connect the university to economic-development initiatives.

Unique to most coworking spaces, a staff of economic development specialists are on-site to assist with confidential small business counseling and training. Free or low-cost seminars are provided by the REED Center on a variety of small business topics. UT Martin faculty, staff,

¹⁹ <https://www.utm.edu/departments/reed/runway.php>

student interns, and subject-matter experts are available for one-on-one small business consultations and support.

Several private meeting rooms are available on the premises. The seminar room seats up to 24 and has installed technology providing virtual classroom and meeting capabilities. The conference room and casual meeting room both seat up to eight, which includes technology installed for virtual meetings. These rooms are free to Runway members and are available to non-member small businesses to rent for business-related meetings.

The REED Center Runway is within walking distance of seven restaurants, three banks, Martin's Farmer's Market, the Brian Brown Memorial Greenway, the Martin Library, a 24-hour gym and a yoga studio.

Amenities with monthly memberships include:

- Business address
- 1 GIG/second Wi-Fi
- Sit/stand desks with executive chairs
- 27" Dell monitor
- ROOM phone booth
- Kitchen with refrigerator, microwave and Keurig with complimentary coffee and tea
- Casual seating areas
- Security cameras
- Scheduled use of seminar, conference and meeting rooms
- Two 65" Viewsonic digital displays for video conferencing and virtual classroom training
- Sharp copier with copy/print and scan capabilities and a Cannon color printer
- Access to on-site economic development specialists
- Connection to UT Martin faculty, staff, and student interns
- Confidential business counseling and on-site business training seminars
- Potential collaborative efforts with other business owners

Seminar Room

- Desk seating for 24
- 65” Viewsonic w/virtual classroom technology
- Whiteboard
- Computer

Conference Room

- Conference table for eight
- 55” Smart TV
- Video Cam
- Whiteboard
- Computer

Meeting Room (Vault)

- Casual seating for eight
- 65” Viewsonic w/camera
- Whiteboard
- Computer

Membership Levels:

- Pilot - \$50/month; available 8 a.m. – 5 p.m., Monday - Friday
Pilot Student - UT Martin student with valid ID - \$25/month
- Aviator - \$100/month; 24/7 access
- Flying Ace - \$150/month; 24/7 access; designated desk with lockable storage tower
- One Day Access: Take Flight -\$20/day; 8 a.m. – 5 p.m., Monday – Friday

The REED Center, in partnership with the Tennessee Small Business Development Center, provides relevant small business training. Each seminar is rated for satisfaction and relevancy.

Many of the training topics are generated from survey responses assessing the business owner’s needs. Below is a list of recently presented and scheduled seminars provided by the REED

Center either virtually on in person:

- | | |
|--------------------------------|--|
| · Wednesday, February 12, 2020 | R.E.S.P.E.C.T.: find out what means to me... How to “manage” discrimination in the workplace |
| · Tuesday, December 8, 2020 | Government Contracting: The Next Level |
| · Thursday, January 14, 2021 | How to Prepare Government Contract Proposals: Tips & Best Practices |
| · Sunday, January 31, 2021 | Creating Distinction: How to Stand Out in Social Media |
| · Sunday, January 31, 2021 | How to Get People Talking Positively About Your Brand in Social Media |
| · Monday, April 26, 2021 | What to expect when you are expecting: An overview of issues facing managers today |
| · Tuesday, May 25, 2021 | 5 Social Media Mistakes You Must Stop Making |
| · Monday, August 30, 2021 | Money-Making Marketing Strategies |
| · Tuesday, September 14, 2021 | How to Level Up Your Social Media with Canva |
| · Tuesday, September 21, 2021 | How to Effectively Market Your Local Business |
| · Monday, September 27, 2021 | Your CPA, a Key to a Better Return |
| · Monday, September 27, 2021 | I’m so CONFUSED about Vaccine Requirements: What to know and what to unlearn |
| · Monday, October 25, 2021 | Quit Hiring Employees and Start Selecting a “Mate” |
| · Monday, November 29, 2021 | Excellence in Customer Service: It Takes Skill to Keep it Real! |
| · Thursday, January 20, 2022 | Planning for Conflict is Preparing for Success |

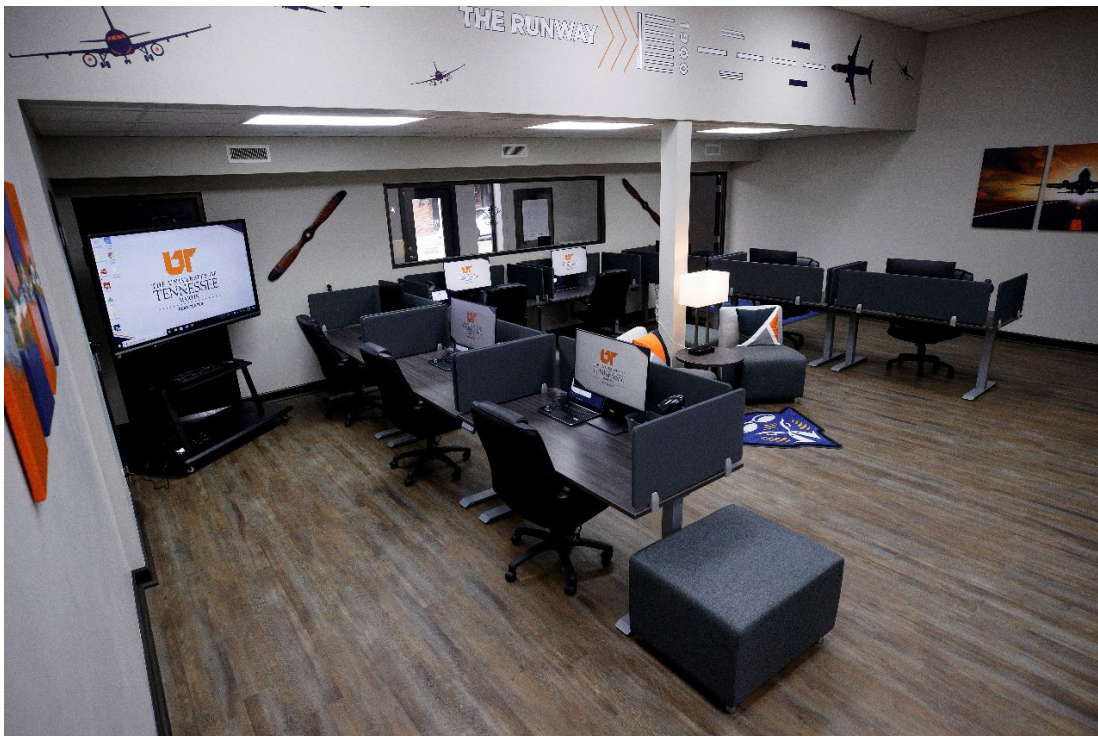
- Monday, January 31, 2022 Organic Social Growth is Not Dead: How to Rethink Your Content to Reach More People
- Monday, February 28, 2022 Trademarks in Business 101: Protecting Your Business and Your Brand
- Monday, March 7, 2022 How to Creatively Use a Facebook Group to Keep People Coming Back
- Monday, March 7, 2022 How to Effectively Use Facebook to Market Your Business
- Thursday, March 24, 2022 Go-DBE Training
- Monday, April 25, 2022 R.E.S.P.E.C.T.: find out what means to me... How to “manage” discrimination in the workplace
- Monday, May 30, 2022 Your Attorney Knows Best
- Monday, August 22, 2022 So, You Want to Start a Business?
- Monday, September 26, 2022 How to Write a Business Plan
- Monday, October 24, 2022 Financing a Small Business
- Monday, November 28, 2022 Leveraging the Power of Facebook for Your Small Business

Maureen (Mo) Collins’ *Grow Your Own* training validated the creation of the REED Center coworking space. By leveraging state resources, the Runway was established to meet the needs of start-ups, microenterprises, home-based businesses, and remote workers fostering innovation, productivity, networking, and business growth. To date, a coworker launched a new business, the space has been utilized by non-profit organizations and businesses, as well as local and out-of-state remote workers. Local businesses are also taking advantage of training spaces provided to the business community. The REED Center is committed to supporting economic growth in rural northwest Tennessee by delivering individual consultant services, group training services, associated technical resources, and by providing space for entrepreneurial growth. The REED Center will continue to assess business trends and interests and procure available resources to address those needs.

Pictures of completed project:



Front Entrance



Pilot and Aviator Membership Desks



Flying Ace Desks (designated)



Casual Seating Area (Vault)



Conference Room



Seminar Room



Corporate Area



Ribbon-Cutting – August 25, 2021 Left to right: Valerie Freeman, REED Center, Dr. Nassar Nassar, CEO of Savant Learning Systems Inc., Dr. Ahmad Tootoonchi, dean, UT Martin College of Business and Global Affairs, Dr. Keith Carver, chancellor, UT Martin, Landy Fuqua, director, UT Martin REED Center, Randy Boyd, president, University of Tennessee, Brooxie Carlton, deputy assistant commissioner, Tennessee Department of Economic and Community Development, Jake Bynum, Weakley County Mayor and Linda Rinker, UT Martin REED Center.