

El Paso Inc.



Inside the Hub

El Paso's new incubator for startups

By Robert Gray

El Paso's brand new business incubator has selected its first class of baby companies and aims to do nothing less than nurture the budding entrepreneurs and their startups into technology powerhouses.

With hopes of becoming the next big thing, five companies have made it through the application process so far, leaving eight office or cubicle spaces open at the incubator, named the Hub of Human Innovation.

One startup, EcoLink, is preparing to market a house its founder claims can be built in three days by two people with rubber mallets, using technology devised by a professor at the Massachusetts Institute of Technology.

Another holds 19 patents, its founder says. Their would-be products include everything from child seat alert sensors that prevent parents from forgetting children in the car, to a system for reusing gray water at home.

That startup, LeFran World Products, is "about to take off like a rocket," says Cathy Swain, the Hub's new executive director.

In an effort to look the part, the incubator appears to have imported its style from Silicon Valley.

Inside, the walls are painted stark white with special whiteboard paint, and a few colorful doodles have been drawn on the walls with dry-erase markers to advertise the point. Presumably, the walls will be used for brain storming at some point.

Reminiscent of a loft, the Hub is essentially one 3,000-square-foot room spanned by gray, polished concrete floors and brick walls. A row of glass-fronted offices lines one wall, each just large enough for a desk and chair, and a row of cubicles lines another.

Wall Street, Main Street

While the vision for the Hub is expansive, like the companies it has taken under its wing, its start is modest.

City Council recently funded the incubator to the tune of \$1.3 million over four years, its largest source of funding yet. The incubator had been crawling along with support from a \$200,000 state grant since its grand opening in late July.

That's been enough to secure space in the Union Plaza District Downtown, in the Sotoa Gallery building

at 500 W. Overland, and hire executive director Swain, but that's about it.

Swain has done a bit of everything, she says, from working on Wall Street in New York as a vice president for Oppenheimer and Co., to working on Main Street, literally, in St. Johnsbury, Vt., as CFO for Northern Community Investment Corp.

Most recently, she was assistant vice chancellor for commercial development for the University of Texas System. That put her in charge of research commercialization efforts at the system's 15 campuses.

So what brought Swain to El Paso to take the executive director position at the upstart incubator?

"It is a clean sheet of paper. I love that," she says, adding "El Paso is Austin in 1985 – all of the resources are here for it to really take off. But, you know, I am not interested in building an Austin here in El Paso; I am interested in introducing opportunities that will improve the quality of life and that will, essentially, make an asset out of the border."

She turns and points at the only decoration on the wall behind her desk, two large maps.

"The Mexico/Texas border region is the gateway from Nova Scotia to Cape Horn," Swain says.

What's an incubator?

The first wall you see walking through the Hub's front door is bright yellow, with the words "Technology Meets Market" painted in large letters. That is essentially what the Hub is designed to do – serve as a launch pad for startups, helping them turn their ideas into marketable products.

Those startups that make the cut and are accepted into the program can choose from different levels of service.

Some might need office space and others just a cubicle. Or there are those who are called "associates" who are not located at the Hub but take advantage of its other services.

Beyond the office or cubicle space, the incubator advertises on its website that it provides startups with mentorship, contacts to establish management teams and boards, help identifying investment capital, business gap analysis, access to a library of business development tools, and help creating business plans.

"Business incubation focuses on working with people in the community who may already have a business idea, but who need additional assistance in taking that idea to the next level," says Linda Knopp, director of policy analysis and research for the National Business Incubation Association in Athens, Ohio.

The screening process involves a written application, a 20-minute presentation to a screening committee and an interview conducted by administrators and staff.

The Hub advertises that it is particularly looking for startups with high growth potential, who have innovative intellectual property, sufficient seed capital or personal resources to carry the venture for four months, products or services that can be brought to market in no more than three years, and founders who have a "coachable attitude."

The fee structure for the incubator's services is still under review, Swain says, but will probably involve some sort of monthly fee.

While the Hub has several partners – including Innovate El Paso, the City of El Paso, Medical Center of the Americas Foundation, Paso del Norte Group, U.S.-Mexico Foundation for Science (FUMEC), University of Texas at El Paso, and the Bi-national Sustainability Laboratory – it will be its own

organization with a stand-alone board.

The Hub has submitted an application to become a 501c(3) non-profit organization, according to Swain, and is working to fill 18 board positions.

The first class

Long-time El Paso developer David Bingham, founder of EcoLink, says he aims to have 1,000 of his company's mallet-built "microhouses" constructed in the next 18 months.

In the Hub's conference room, he pulls up a presentation on his iPad.

The homes run from 250-square-feet to 750-square-feet and retail for \$20,000 to \$40,000, according to Bingham. They can also be pieced together to make an apartment complex.

The homes are rigged with solar panels, a wind turbine and small generator, and can operate independently from the electrical grid.

Right now, he says the Hub is helping him find a manufacturing facility.

While the homes are not pre-fabricated and are built onsite, Bingham says, the pieces are digitally fabricated from a composite made of plant-based materials on a CNC machine, computer-controlled mills that accurately cut parts and components to make pretty much anything.

Besides EcoLink and LeFran World Products, other companies that have been accepted at the Hub are RoofCARE, a company that has developed a method of restoring and reclaiming roofs instead of replacing them, and TEAM Technologies Inc., an advanced engineering and electronics manufacturing company.

Local startup EvoAir also has a cubicle in the Hub. It has developed products to make general aviation safer by automatizing some of the tasks normally performed by the pilot.

Nationwide trend

Although El Paso is a bit late to the game, the incubator model is still a relatively new one.

While there were only 12 incubators in the country in 1980, there are now about 1,200 in the U.S. and 7,000 around the world, according to the National Business Incubation Association, or NBIA.

And nationwide, the idea of incubators as economic stimulators continues to gain steam, especially since the Great Recession, says Knopp with the NBIA.

More communities are adopting a "grow your own strategy," as unemployment remains high, instead of simply trying to entice companies to the area, which only moves jobs, Knopp says.

The incubator model has proven effective for startups, she says, with 89 percent of companies that graduate from incubators still in business five years later.

El Paso may be playing catch-up when it comes to developing the infrastructure typically associated with turning ideas into successful startups – active angel investors, access to venture capital, business incubation and the like – but Swain says things are changing fast here.

"I see it rapidly evolving," she says. "You've come a long way, baby."

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