COWORKING IN VERMONT
A Starter Guide

How to build vibrant work places for Vermont's growing independent workforce.

VCET VERMONT CENTER FOR EMERGING TECHNOLOGIES

Local 64

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Vermont Center for Emerging Technologies & Local 64

EXECUTIVE SUMMARY

Coworking is a solution to the problem of workplace isolation faced by growing numbers of independent, freelance, and telecommuting workers. By coworking, creatives easily establish a low-cost and flexible business presence, connect with others, and build communities of interest, ideas, and talent.

As a growing share of the U.S. workforce gravitates toward "independent" and off-site work, coworking spaces are becoming important places for freelancers to gather, connect, and get work done. Vermont, with its high rates of entrepreneurship, innovation, and independence — paired with an outstanding quality of life — may be well positioned for a rapid growth of coworking spaces.

The purpose of this guide is to present a sense of the opportunity to create more coworking hubs in Vermont and to offer entrepreneurs some guidance around developing successful coworking ventures in their communities. The guide includes insights from practice as well as tools and resources to help anyone considering the creation of a coworking space to get started.

The basic insight provided in *Coworking in Vermont* is that successful coworking spaces arise from, and are built upon, strong communities. It is far less common to find coworking spaces established and succeed on the "build it and they will come" model. Our coworking guide provides entrepreneurs and local leaders with an easy-to-follow model based on research, community-building, planning, and execution.

"Coworking in Vermont" is composed of four sections:

1. **Context:** Provides an overview of the changing nature of work that makes coworking such a viable opportunity. Introduces coworking as a "movement" that has gained momentum since the late 1990's and discusses why Vermont is ripe for a coworking movement of its own.

2. **Exploration:** Offers insights into ways to get started developing a coworking space including research, why and how to build community around your coworking idea, and considerations for selecting a location.

3. **Execution:** Discusses the importance of having a business plan, the right financing package, considerations around incorporation, development and stewardship of a brand, and ways to think about membership and member management.

4. **Launch:** You're ready to open your doors. A few concluding considerations as you prepare to welcome new members and engage the broader community in your venture.

The intent is to get entrepreneurs and leaders in Vermont's small towns and cities thinking about how coworking spaces fit into the local small business and creative ecology. We've drawn from insights gleaned from our own experience setting up a coworking space in Montpelier, as well as input from other coworking leaders and important reference documents produced by the larger coworking community — in the U.S. and around the world. We conclude the guide with a handy checklist intended to help coworking startups stage and execute key activities.

We hope that we've provided enough insight to generate interest and momentum behind the coworking movement in Vermont, yielding new patterns of work, learning, and social life across the state. Anyone who would like to follow up with questions and support in exploring and starting up a coworking venture can connect with Local 64, Office Squared, and other coworking founders in Vermont at http://local64.com/coworking.

1. WHY COWORKING? THE CONTEXT

After years of working out of our homes, in coffee shops, and in rented, often isolated offices, coworking has emerged as a new workplace model that caters to the habits, culture, and lifestyle of the independent worker and remote employee. Like we say at Local 64 in Montpelier, "One part lounge, another part hive."

The Independent Worker

In 1997 the business journal *Fast Company* ran a piece called "Free Agent Nation" by a young and little known writer named Daniel Pink. Daniel opened the article writing, "There's a new movement in the land. From coast to coast, in communities large and small, citizens are declaring their independence and drafting a new bill of rights. Meet some of the 25 million residents of Free Agent, USA."[1] The article became a best-selling book and, 15 years later, remains a prescient description of a post-hierarchical economy built on creative, entrepreneurial free agents.

Today millions of workers in the United States — 42 million by a recent estimate — find themselves working independently, as contractors, telecommuters, solopreneurs and free agents in a restless global economy[2]. And the corporate appetite to employ outside workers isn't showing signs of abatement: by some accounts more than 50 percent of the workforce will be independent by 2017[3]. A recent study, "State of Independence America," reports 2012 as the year independent work went mainstream[4]. The report identifies around 17 million Americans as "solopreneurs" — 900,000 more than in 2011 — and that another 27 million U.S. adults are considering a shift to this form of work.

With this changing workforce the U.S. remains an entrepreneurial powerhouse. *The Economist* reported in March 2009 that between 1996 and 2004 the nation created an average of 550,000 new businesses each month.[5] While this rate dipped a bit in recent years, startup rates in 2011 surged up 60 percent over 2010, with nearly 12 percent of Americans adults — an estimated 27 million workers — reporting they either ran or started a new business in 2011[6].

While as many as 40 percent of new startups globally expect to create up to five new jobs over the next five years, it may be more realistic that the U.S. is seeing the rise of "jobless entrepreneurship" — in other words an increasing number of new businesses that rely on contractors and freelancers instead of creating new full-time positions. The Kauffman Foundation, which tracks entrepreneurship in the U.S. and abroad, reports that in 1999 the typical new business had 7.7 employees; in 2011 a new business was likely to have 4.7 employees[7].

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[1] http://www.fastcompany.com/33851/free-agent-nation accessed 12/13/12

[2] http://www.theatlantic.com/business/archive/2011/09/a-jobs-plan-for-the-post-cubicle-economy/244549/ accessed 12/13/12

[3] http://bits.blogs.nytimes.com/2012/06/13/the-boom-in-online-freelance-workers/ accessed 12/13/12

[4] http://www.mbopartners.com/state-of-independence/independent-workforce-index.html accessed 12/13/12

[5] http://www.economist.com/node/13216037 accessed 12/13/12

[6] http://www.businessweek.com/small-business/startup-rates-surge-in-the-us-and-abroad-01202012.html accessed 12/13/12

[7] http://mobile.nytimes.com/2012/10/05/business/entrepreneurs-starting-up-with-fewer-employees.xml accessed 12/13/12

The robustness of independent work and entrepreneurial activity in the U.S. augers well for coworking. Shared work spaces enable startups and independent workers to thrive by reducing the cost of a mainstreet presence, provides the "water cooler" effect key to healthy workplace environments, and fosters the kind of networking across adjacent knowledge, skill-sets and talents that enables innovation to thrive.

The Coworking Response

Coworking emerged during the late 1990's on the West Coast as a solution for many Bay Area programmers who were part of the first wave of Internet startups. The earliest coworking spaces were characterized by a combination of live-in and work space shared among techies employed by different companies or startups. The first "work only" coworking space may have been "Citizen Space," founded in 2005 by entrepreneur Brad Neuberg[8].

Today coworking is a robust, grassroots global movement to build alternative work spaces that bring together diverse communities of creatives and entrepreneurs. The term "community" is important here: coworking can be distinguished from traditional "hoteling" companies that provide rent-a-desk solutions for its explicit emphasis on fostering a culture of openness and cooperation across members.

Coworking helps independent workers and entrepreneurs reduce their overhead costs while providing a dynamic work environment that breaks the isolation of working alone, whether from home, coffee shops, libraries and other public spaces. At the same time, depending on the culture of the coworking hub, they can be a great place for networking, skills development, and even recruitment of new talent to projects or ventures.

Coworking spaces now number over 500 in the U.S. alone, more than 1,300 around the world[9]. While most coworking spaces tend to open in larger cities — those with a population of more than a million — the second-fastest rate of coworking growth occurs in small cities with populations of less than 50,000[10]. These spaces are united by a set of shared values — openness, collaboration, and sustainability among them — that foster powerful norms among members, provide an unparalleled peer network, and through cooperative agreements even enable visitation between them for nomadic workers[11]. Successful coworking spaces recognize and support the independence of their members alongside the proposition that we work better together.

Vermont's Opportunity

Vermont is ripe for coworking on several fronts — economic, geographic, and cultural, among them — though the approach has yet to really take off. Which means we're at an inflection point, a great moment of opportunity: a readiness for a proven business model that is known to thrive where certain conditions are met.

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[8] http://en.wikipedia.org/wiki/Coworking accessed 12/13/12

[9] http://www.deskmag.com/en/1320-coworking-spaces-worldwide-208 accessed 12/21/12

[10] http://www.deskmag.com/en/the-birth-of-coworking-spaces-global-survey-176 accessed 1/3/13

[11] http://coworking.com accessed 12/27/12

In fact, several coworking spaces are already up and running: Office Squared (2009) is the longest-standing shared workplace in Burlington[12]. The Bridge (2011) was founded in Brattleboro as a service of Marlboro College's Graduate Center[13]. Bennington's Print Room (2012) opened its doors in January this year[14]. Three West Collective (2012) in Burlington is a tech-centered startup in the city's downtown heart[15]. Local 64 (2012) opened its doors in Montpelier in June this year[16]. 77up may be the next tech-centered space to open, in Barre later this year[17]. We've also heard interest in quarters across the state, from Brattleboro to Newport, White River Junction to Rutland.

Where entrepreneurship and innovation and thrive, the conditions are ripe for promoting creative clustering and density through coworking. Based on several state-wide indicators, Vermont appears to be ripe for a proliferation of coworking hubs throughout our small cities and towns.

Today Vermont ranks as the eigth most entrepreneurial state in the country, with 390 startups per 100,000 adults[18]. What are the attributes that make Vermont such a great place for new ideas and new ventures?

We are geographically compact, with just over 600,000 residents tucked into an area the size of Israel. Vermont has the highest number of universities per capita in the U.S., at about 1 university for every 36,000 residents, providing an essential base for the generation of great ideas and the production of IP. Culturally, our state is among the most tolerant of diversity — a prerequisite for the cultivation of ideas and flourishing of experimentation. And a well-regulated natural resource base fosters a healthy, high quality of life that attracts independent creatives from artists and writers to graphic designers and software developers. In fact, Vermont ranks fourth in the nation for visual artists per capita and first in the nation for writers per capita[19].

Aided by the 13th highest level of venture capital (VC) investment per capita in the country[20], in 2011 Vermont ranked 10th among the fastest growing state economies: at 3.2 percent with a 33 percent overall growth of exports — in the midst of a national recession [21]. And Vermont ranks number one in the country for patents filed per person, led by companies like IBM and research centers like the University of Vermont [22]. Burlington

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[12] http://officesquaredvt.com

[13] https://sites.google.com/a/gradschool.marlboro.edu/technology-integration-lab/home-1/the-bridge

[14] http://www.vtartxchange.org/membership.php

[15] http://threewestcollective.com

[16] http://local64.com

[17] http://77up.co

[18] http://money.cnn.com/galleries/2012/smallbusiness/1206/gallery.best-places-entrepreneurs/8.html accessed 12/13/12

[19] http://www.vermontartscouncil.org/ProgramsInitiatives/ArtSupportsMeFacts/tabid/230/Default.aspx accessed 12/17/12

[20] http://bostinno.com/all-series/a-look-at-tech-entrepreneurship-in-vermont/ accessed 12/13/12

[21] http://money.cnn.com/galleries/2011/news/economy/1106/gallery.states_by_gdp_fastest_growing_state_economies/10.html accessed 12/13/12

[22] http://money.cnn.com/gallery/smallbusiness/2012/10/24/states-patent-invention/index.html accessed 12/17/12

itself ranks twentieth in a recent index of the most "creative" cities in the U.S.[23] and eleventh in a ranking of "high tech" metro areas[24].

In addition, we should consider the information conduits that make independent work possible. According to a recent statement from the Governor's office, "The average speed of connection has increased in Vermont from 5.5 megabits per second (mbps) to 9 mbps, ranking Vermont 4th in the U.S. for average speed of connection."[25] According to Karen Marshall, former head of Connect Vermont, the state's broadband deployment program, Vermont is "one of the most connected places on the planet — by number and speed of connection."

According to state data, the first and third "fastest growing" occupations in Vermont are systems admins and software developers. Both positions can be performed with significant levels of independence, and entrepreneural workers often exit from these positions with the ideas, talent, and personnel networks they need to launch new ventures.

Of course, Vermont is not without its deficits. Relative geographic isolation from manufacturing and shipping centers can produce bottlenecks and make it costly for Vermont companies to develop and maintain supply chains and distribution channels. A low birth rate combined with a persistent exodus of college-educated young people makes it challenging to hire and train new generations of skilled laborers[26]. And, with an overall business-friendly ranking hanging at 45th in the nation, some would say our regulatory and tax environments are averse to business creation and success[27].

> "Coworking has revitalized my one-woman business. I feel more productive and far less isolated. It's given me a work community -- something that, as a freelancer, is not naturally built in to my life."
>
> **Local 64 Member**

It is clear that Vermont's exceptional quality of life — ranked third in the nation[28] — produces trade-offs. We see these tensions debated everywhere — in discussions about employment and education, energy and the environment, land use and agriculture. We hope that by leveraging our existing assets while providing new tools and environments for an independent workforce we can encourage a creative and entrepreneurial culture while expanding social and economic well-being for more Vermonters.

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[23] http://www.theatlanticcities.com/jobs-and-economy/2012/07/americas-leading-creative-class-metros/2233/#slide20 accessed 12/17/12

[24] http://www.theatlanticcities.com/technology/2012/06/americas-leading-high-tech-metros/2244/ accessed 12/17/12

[25] http://governor.vermont.gov/Gov-Shumlin-Karen-Marshall-outline-progress-expanding-broadband-access-in-Vermont accessed 1/2/13

[26] http://www.nytimes.com/2006/03/04/national/04vermont.html accessed 12/13/12

[27] http://truenorthreports.com/vermont-ranks-45th-on-forbes-list-of-business-friendly-states accessed 12/13/12

[28] http://www.cnbc.com/id/48058146/page/11 accessed 1/25/13

2. EXPLORATION

Vermont's entrepreneurial landscape today is exciting, complex and dynamic. Some might say we're at an inflection point where many nascent trends — in infrastructure and employment for example — are ready to mature. If that's the case, it is the right time to invest in new kinds of workspaces that meet the needs and aspirations of a creative and independent workforce. With that, we offer a few ways to start building a coworking hub in your community.

1. Research

Good data is the core of a good business plan. While it is easy to paint an optimistic picture of Vermont's creative, entrepreneurial, and tech future, it is much harder to understand the local dimensions of the opportunity. For anyone inspired by the vision of Vermont as a mecca for an independent creative workforce and the opportunity to start a coworking space, it is essential to validate this rosy picture with even a loose overview of the local entrepreneurial ecology by conducting local surveys, interviews, and environmental scans.

At least six months before you even think about opening a coworking space, you should start to gather as much information as you can about the creative ecology in and around your community. And remember, whether you are a large (>5,000) or small (<5,000) community, it is likely that your catchment area is going to extend well beyond municipal lines, and perhaps even beyond your region.

Some great strategies to get to know what's going on include:

- Float a survey that invites people to share information about their professions and their working needs.
- Convene discussion groups among potential customers to drill deeper into your survey insights and get a sense of your allies, champions, and startup cohort.
- Meet with local officials and businesspeople to get a feel for what's going on. Who are the leaders among tech developers, artists, writers, and related sub-communities? What resources might be available to help you get started?
- Augment your original data set with insight from complementary sources. For example, the Vermont Arts Council may be able to provide stats on grants that have been given to creatives in your catchment area.

When Local 64 was in the planning stages we floated two surveys. The first survey (fielded for about thirty days in January 2012) provided a general scan of the kinds of creative activities people were involved in, and the locations in which they worked[29]. Among some of the insights we gained was a clear sense of location preference (Montpelier over Barre) and an understanding that we'd have to choose between artists or laptop workers as our initial customer base. This information was used to generate a thumbnail sketch of Central Vermont's creative economy, build interest in our efforts, and focus our coworking business proposition. Most important, the insights we gained helped us tell a better public story about our value proposition with greater accuracy and confidence.

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[29] Access our first "Creativity in the Hills" survey here: https://docs.google.com/spreadsheet/viewform?formkey=dE5wUV8yNDlRYTM1LUllUFBpUkpiaUE6MQ#gid=0

We floated our second survey a month later, also for thirty days, and drilled more deeply into the operational specifics of a coworking space. We inquired about work habits, space requirements, the features customers were willing to pay for, and price point[30]. This data was essential to develop a membership structure, inventory and cost sheet, and accurate budget projections that were used to secure startup financing.

Both surveys were carried out online using Google Docs and relied heavily on word of mouth and social media tools to spread the word.

2. Community

Build your community before you build your space. This is one of the axioms frequently expressed by seasoned coworking entrepreneurs, and certainly one that we've followed at Local64[31]. As you begin to get a feel for the opportunities to build a coworking space in your community, find ways to get other people excited about your vision and bring them on board, the earlier the better! Your endeavor is much more likely to thrive if you have a critical mass of people excited about your vision and ready to pay up by the time you open your doors. Start cultivating this interest and community three to six months before you plan to open. Most important, do not rely on the "build it and they will come" model; if you are planning to run your coworking hub as a business and not a side show to your day job, getting early commitments will be essential to ensuring that you're breaking even within 30 days.

A preliminary caution: building community is the first step toward building your membership base. You'll want to begin using language that speaks to and attracts the kind of members central to your value proposition — for example a tech, professional services, or creativity hub. The reason this is important is that when it comes time to sign up members you'll want to say "no" as little as possible — you'll want people coming to the door who are a good fit for the culture, goals, and ultimately the experience of your coworking space. Make your early invitation as broad or as narrow as necessary to ensure that your community building messages synch with your marketing message.

Some great ways to start building your nascent community include:

- Present the findings from your survey; use your insights as a way to both position your effort as diligent and thorough and to excite people about the people and encounters they can expect to have through coworking.
- Give people a taste of the culture you're cultivating, build momentum, foster connections among people, and put your allies to work by hosting public events such as mixers, popup art shows, suppers, and similarly inspired happenings.
- If you're considering a location (or several), it's important to excite people about the potential of the physical space(s). Host walk-throughs of potential space(s) and offer opportunities for input.

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[30] Access our second "Coworking" survey here: https://docs.google.com/spreadsheet/viewform?formkey=dDluT2tJb3REUmRVVG93czFjRzFJWkE6MQ#gid=0

[31] Props to Alex Hillman, co-founder of Indy Hall (http://indyhall.org), a coworking space started in Philadelphia in 2006, for sharing this mantra far and wide.

Another popular idea identified by Jen Mincar at Burlington's Office Squared is to host a coworking "Jelly."[32] Jellies are informal opportunities for independent workers to come together on a regular or semi-regular basis to experience coworking. Hosting a Jelly — in a home or an available office setting — helps you build your coworking community by attracting people to your effort with little to no investment or commitment. According to Jelly organizers, all you need are, "A place with chairs, sofas, and tables where people can relax, work, and discuss openly; wireless internet; and an open mind and a friendly disposition."[33]

Local 64 has benefitted from the early and lasting support of a core group of members. From an idea that germinated in 2008 to coffee shop conversations in early 2012, Local 64 was seeded by input and momentum that culminated in a rapid-fire series of events in the Spring and Summer of 2012 including: a "Vermont Creatives" mixer at a local bar attended by nearly 80 creatives across a range of disciplines (March); a popup information session and supper in an empty office space that we thought would be our first location but wasn't (April); and a "pre-registration sign-up party" where members could check out the final space, meet one another, and pledge their early support with cash on the barrelhead to reserve a spot (May).

3. Location
As with just about any retail business, location is everything. You'll want to identify a location that will work extremely well for your customers. It is important to know that the space you choose will be your single most important marketing asset: it will make an abstract idea seem real, and give people their strongest means to identify with your vision.

Early survey research should provide insight into the importance of considerations such as price point, centrality, accessibility, and the mix of common areas, personal desks, and private offices you will need to create a thriving coworking space. The specific needs of your target customers will also play a role: artists, for example, may place a premium on lighting and plumbing, where software developers may consider openness and access to technology as more important.

You'll also want to develop some early cost models around coworking basics — membership structure and fees, workspace requirements, rental costs, and utilities. The most critical membership model problem you need to solve is the balance of shared and private workspaces. You need a great business location that enables some flexibilty with both shared desks and private offices.

In addition to considering the needs of your users and early drafts of your income-expense estimates, make efforts to tap into the civic goodwill of local property owners — many may be interested in helping you get your effort off the ground. In addition to enlivening an empty property, coworking spaces can bring other benefits to towns including increased spending (food, office supplies) and programming that engages the public. Some owners may be willing to offer discounted leasing rates in exchange for work that improves the property; some may want to give you a break just to help out. The point is, it never hurts to ask!

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[32] http://www.workatjelly.com

[33] http://wiki.workatjelly.com/w/page/12752602/HowtoStartaJelly accessed 1/4/13

A few practical considerations:
- Choose a location accessible to common business services including mailing and shipping, copying and printing, and office supply shops. Make sure it's convenient to downtown mainstays such as restaurants, cafes, and shops.
- Make sure that your space is accessible via multiple modes of transportation including pedestrian, bicycle, public transportation, and automobile travel. If many members will commute by car, ensure the availability of adequate parking.
- Choose a location that is visible and easy to access. You don't want your coworking space to be hidden from view through long, dark hallways or difficult to point out from the street.

When Local 64 began to shop for a Main Street location in downtown Montpelier, we knew several things were essential — a centrally located business presence for our members among them. In addition, we wanted a space that was flexible enough for a mix of daytime activities, and that included comfortable workspaces and space for meetings and presentations. We understood the benefits of an onsite kitchen and bathroom. And given our mission to promote Central Vermont's creative economy and engage the public with the ideas and skills reflected by our members, we also wanted a location that would be comfortable for afterhours activities such as art shows, public presentations, and workshops.

It was important to ensure that wherever Local 64 opened, the day-to-day experience would be one of a clean, vibrant space that people wanted to be in, where our members felt comfortable and considered a better alternative to existing options, from working at home to renting their own offices.

Before finding a space that met these criteria. we considered, and rejected, a number of places that were (in our view) either poorly located, aesthetically disagreeable, or would have required significant expenditure to improve. Since we had a very modest startup budget we had to rule out a good number of properties that were either fairly raw or simply too well-worn. We lucked out by holding out, securing an excellent downtown location with minimum start-up expense (we put in a kitchen) and room to grow in the building. We have also benefited from the support of a property owner who shares our enthusiasm for Vermont's creative economy and our mission to bring a stronger tech and startup presence to downtown Montpelier.

Jen Mincar, the founder of Office Squared in Burlington, points out that when you're shopping for a great space, you are also shopping for a great landlord. In her case, a strong desire to be able to negotiate and collaborate with a property developer and not just a property manager was an important factor. In selecting Office Squared's first location, Jen secured a property development partner who has become one of her strongest allies, and has helped her to conceptualize and deliver opportunities for Office Squared to betetr serve its customers and to grow.

4. Is Coworking the Right Model?
A final consideration as you explore creating a shared work environment in your community turns on what kind of work space you want to create, and whether coworking is the right model for you; this is important for future decisions such as profitability, culture, and impact. Coworking is something special and unique, and as a result requires particular values, assumptions, and structures going in — and no small commitment on the part of the founder to foster the conditions in which coworking can really thrive.

If you're thinking of creating a coworking space, the first thing to do is understand the model well, and make a personal assessment that this is where you want to be pouring your time, energy, and resources for the next several years. This doesn't mean you'll be doing it alone, but it does mean it should be in your DNA. It's a big commitment, and someone is going to have to shoulder the burden, especially during the startup stages. And if you're the founder, the person who shoulders the burden and drives things forward when nobody else is around — or when things slow down and a little tough — will be you. Before you start, you need to make sure you're going to wake up every morning excited about the benefits at the core of coworking.

Here are a few ways to think about several kinds of shared environments, presented as a "typology":

Table 1. Coworking Typology

	Goal	Characteristics
Hackerspaces	Bring together tech savvy tinkerers, inventors, and hackers to share ideas, enable hands-on experimentation, and develop new products.	• Often small to medium (15-30 members) • Open membership • Fee-based, break-even • Unfinished Class C-type space • Highly social
Incubation	Foster the development and successful exit of new business ventures.	• Often small to medium (10 to 20 startups) • Merit-based membership • Subsidy-backed, break even • Unfinished Class A or B real estate • Moderately social
Colocation	Make excess office space available to like-minded, like-skilled workers.	• Typically small (5-10 desks) • Finished Class A and B office • Compatibility-based rental • Operate on a break even basis • Moderately social
Hoteling	Provide business presence and services to professionals for profit.	• Often very large (50 and more offices) • Finished Class A and B space • Professionally oriented lease agreements • Operate for profit • Minimally social
Coworking	Create access to shared and private workspaces; designed to foster connections among worker-members.	• Often small to medium (25 to 50 members) • Class A, B, and C locations • Open, fee-based membership • Operate on a break even basis (first 2-5 years) • Highly social

Hackerspaces. Open, community-run laboratories for peer learning and experimentation, typically with technology, where "hackers" and "makers" can share knowledge and build things, often with an eye toward education and community benefit — and fun. Hackerspaces often become a central hub or repository of tools, machines, and other requirements for fabrication.

Incubation. Around since at least the 1970's, business incubators are typically subsidized spaces — by VC's or Economic Development Corporations, for example — with a specific mission to support the growth of new businesses within a specific geography over some period of time. The typical expectation is that once launched, these new businesses will move into their own long-term location.

Colocation. Many businesses offering colocation may not even consider their space to be a coworking space. Colocation is typically defined as an existing office environment with excess capacity that is available for sharing, most often through rent. For example, a free-lance web developer may find himself with a great office on his hands and want to make it available to other web developers as a way to socialize his work environment and expand his professional network. He may also use the space to provide limited programming such as meet-ups.

Hoteling. This is a tried and true business model that provides a combination of front-office services (reception, mail, PX, etc) and office suites for small to large (and often temporary) businesses. The model — also known as the business center or virtual office — caters to professional services providers who want the convenience and customer experience of a full-time, full-service office without being bound to the costs, administrative burden, and long-term commitment of setting up a permanent shop. For companies with a large geographic footprint, hoteling can be an especially attractive alternative to private offices.

Coworking. This business model derives a return on investment in social as much as financial terms. The value proposition turns on breaking the isolation of independent workers, lowering the costs of a business presence, and building community across its members. Profit margins are low- to non-existent in the first stages of growth and often modest thereafter; most coworking founders rely on a second income stream to keep going.

A sixth kind of space not included here but no less important to the creative economy in many towns and cities are artists' studio spaces. Ranging in size and business organization, artist spaces like Studio Place Arts in Barre play a critical role in bringing artists together, providing exhibition space, and making the perspectives and skills of artists available to the community through workshops, presentations, and discussions[34].

Before choosing a business model, do research on these different types and engage your potential customers in a fairly deep exploration of their needs. You might find that a very different business opportunity exists from the one that first got you started. Either way, make sure that the commitment to the space you choose to build is deep and personally meaningful — it needs to be owned and exciting to you every step of the way.

5. Are you ready to become a coworking founder?

An important question to ask yourself before you sign off on a new coworking adventure is, "Am I right for coworking?" Not in the sense of, "Would I enjoy being part of a coworking space"" but more along the lines of, "Am I ready to commit myself 200 percent to making this work?" There is a lot of risk and hard work that comes with the excitement and fulfillment of meeting a real community need. You might be risking your capital (on average in the United States, the 2013 cost of opening a new coworking facility was $58,000[35] and two

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[34] http://www.studioplacearts.com

[35] https://www.deskwanted.com/about/how-do-i-start-a-coworking-space.html accessed 1/4/13

thirds of all founders use their own capital to start[36]). And you'll certainly put a significant part of your life on hold to get things up and running.

Here are a few "gut check" questions to ask before you decide to dive in:

- **Do you have strong and trusted allies** or partners you can lean on if times get tough or you have competing priorities (work or family obligations, for example)? Know the areas of strength your partners offer, and what their limitations might be so that you can work with, and around, them. If you find yourself going at this alone, you may want to give it serious reconsideration: about two thirds of coworking spaces are founded by two or more people[37]. The larger the vision, the more likely you'll need partners.
- **Do you love people** — and can you relate to their passions as entrepreneurs, creatives, independent workers? Are you comfortable hearing their ideas and dealing with their concerns and needs on a regular basis? Are you a patient, facilitative person who knows how to minimize conflict and keep an atmosphere buoyant, even when it might get you down? In other words, to be successful you have to be a great people person, or have the foresight to bring on a partner who is.
- **Are you flexible and adaptive,** willing to handle a variety of tasks on any given day — from cleaning toilets to troubleshooting wireless connections to negotiating services contracts? Craft your terms of use and coworking guidelines carefully, so that you set clear expectations for yourself and your members — you'll still find yourself picking up a lot of slack. To be successful you'll need to be willing to wear many hats, from custodial to community management.

Coworking Profile: Local 64

Founded:	June, 2012
Number of founders:	1
Business Type:	L3C
Startup Budget:	$21,000
Membership:	33
Gross Sales:	$30,400
Net Profit:	$0
Full-time employees:	0
Full-time volunteers:	1

Local 64 (L64) may be Vermont's newest coworking space. Founded in 2012 by artist and educator Lars Hasselblad Torres, Local 64 serves more than 30 members from a catchment area that extends well beyond the state capital. Local 64 provides a shared work environment that includes private offices and open meeting facilities. L64's membership is pretty evenly divided between freelancers and remote workers; most work in the areas of writing and editing, or Internet services such as search engine optimization, web application development, or website design. In addition to providing a place to work, Local 64 rotates artwork by area artists each month, keeps up a steady program of workshops and presentations, and makes its space available after hours for community activities.

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[36] http://www.deskmag.com/en/the-birth-of-coworking-spaces-global-survey-176 accessed 1/4/13

[37] http://www.deskmag.com/en/the-birth-of-coworking-spaces-global-survey-176 accessed 1/4/13

- **Do you have a clear vision of success?** Having specific and personal criteria is essential for measuring progress, keeping yourself on track, and understanding when you need to alter or even terminate your coworking project. Your vision should extend beyond membership targets to real impact — how coworking improves people's lives and provides community benefit.

If your answer to at least three of these questions isn't a full-throated "Yes," you'll want to figure out why, whether you are headed in the right direction, and if it would be worthwhile to form a partnership.

Coworking Profile: Office Squared

Founded:	November, 2009
Number of founders:	1
Business Type:	LLC
Startup Budget:	$40,000
Membership:	52
Gross Sales:	$100,000
Net Profit:	$8,000
Full-time employees:	0
Full-time volunteers:	2

Office Squared (O2) is Vermont's most successful and longest-running coworking space. Founded in 2009 by veteran IT project manager Jen Mincar, Office Squared serves more than 50 members across two downtown Burlington locations. O2 provides shared work environment, private offices, and meeting facilities with 24/7 access for its members. Seventy five percent of O2's members have been in business 5 years or more; the balance are startups. While Jen has run the place full-time since the doors opened, she did not take salary or founders draw until December 2012, thirty seven month after opening. Jen's volunteer community manager receives free monthly membership.

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3. EXECUTION

Now that you have carried out background research and you're armed with solid data, a growing community of support, and possibly even a location, it's a good time to focus on some business fundamentals. These include your business plan, incorporation, finance, branding, member management, and an outreach and recruitment plan.

There is of course no "right way" to set yourself up. You need to listen to your community and respond the best you can to its needs. Know your own goals and needs and ensure that they are enshrined in your business plan. You should also consider the fact that only 40 percent of coworking spaces are profitable[38]. (The good news is that 72 percent become profitable after two years). Jen Mincar, Office Squared founder, put it bluntly: "If you think you're going to make a living off it, don't do it."

The point is, if you're in it for the money you'll need a plan that looks somewhat different from the material presented below, which makes three important assumptions:

1. Coworking spaces are developed out of a desire to meet a need that is not income-related; for example to have access to a talent pool or reduce the cost of maintaining an office presence.
2. Coworking operators have a second income stream to offset the difficulty of generating enough profit from a coworking space to produce a reliable income.
3. Coworking spaces need to break even fast, within the first thirty days if possible, to eliminate the stress of financial underperformance and the depletion of important cash reserves that can be used for unexpected expenses and future growth.

Here are a few things to consider along the way.

1. Business Plan
Your business plan is your roadmap. It is your single most important planning and outreach tool during the startup phase of your coworking endeavor. While many coworking founders (and entrepreneurs in general) may argue that they've never written a business plan, I've found the exercise to be helpful[39]. Why? A good business plan

- Provides an opportunity to articulate motivations in the form of a value proposition. These motivations can be expressed in terms of profit, customer service, and community impact.
- Sets expectations and helps you to maintain and even exceed them. For example, it's important to keep perspective on profitability, membership services, and community engagement. In the same way a strategic plan can guide a non-profit, a business plan provides a roadmap for a new venture.
- Focuses your thinking on the long-term challenge of sustainability. You need to ensure that the venture will thrive despite your personal fortunes and leadership.
- Fulfills a prerequisite to having a serious conversation with many kinds of financial institutions, from the Small Business Administration to local business development corporations and lenders.

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[38] http://www.deskmag.com/en/how-profitable-are-coworking-spaces-177 accessed 1/2/13

[39] Download a copy of the Local 64 business plan here:

- Serves as a great outreach tool for potential investors and allies. A business plan serves as the document of record as you seek partners in your venture, from property owners to investors.

Among the most valuable aspects of the business plan you will develop are:

- **Your market summary.** Who are your customers? What will they pay? What is the opportunity for growth? Who is your competition?
- **Your business model.** What services will you offer? What will it cost you to provide them? What revenues will you generate from customers?
- **Your budget.** If you develop nothing else, develop a budget. Identify your monthly income and expense projections for at least your first two years.

Two key tables that should be included in the financial section of your budget include a basic first-year income-expense report and a two-year budget projection. Both will help you to have productive conversations with potential investors, lenders, and allies.

Your income and expense projections (Table 2 below) provide a quick overview of your expected income, costs, and profit over some period of time, whether a month, three months as above, or a year. It will require you to do a little sleuthing before you set up shop to track down exact numbers for your expenses and help you anticipate your costs of doing business. As we were exploring the launch of Local 64 we found that most landlords were able to provide us with utility costs for previous tenants. Everything else we needed to cost out — from transaction fees to online services — could be learned through online research.

Table 2. Income-Expense Statement (First Three Months)

Income	
Office Rental	$5,700
Desk Rental	$2,625
Nomad Members	$1,950
Other Earned Income	$300
Gross Profit	$10,575
Expense	
Rent	$7,500
Utilities	$900
Subscriptions	$300
Marketing/Events	$800
Supplies	$150
Loan	$900
Total Expense	$10,550
Net Profit	$25

In the approach above we've presented a very conservative income-expense scenario to reinforce the reality that coworking spaces are not always highly profitable businesses. In the right circumstances they will, at a minimum, cover costs and offer a great value proposition; in the best circumstances coworking spaces provide a steady, modest income stream.

The most important thing about a two-year financial projection is the numeric articulation and expression of assumptions. The process of putting together a two-year projection forces you to look down the road and play various scenarios out in your head and on paper as you consider the realities and challenges to growth. While a typical projection table will break out income and expenses by month, we've taken the quarterly approach in Table 3 below.

Table 3. Two-Year Projection

Year One	Q1	Q2	Q3	Q4	Year
Income					
Membership	$10,250	$11,000	$11,500	$11,500	$44,250
Earned Income	$300	$500	$750	$1,200	$1,200
Donations	$100	$150	$5,000	$150	$5,400
Total Income	*$10,650*	*$11,650*	*$17,250*	*$12,850*	*$52,400*
Expense					
Rent	$7,500	$7,500	$7,500	$7,500	$30,000
Utilities	$1,215	$1,300	$1,350	$1,400	$5,265
Marketing/Events	$900	$900	$900	$1,000	$3,700
Supplies	$150	$200	$300	$300	$950
Subscriptions	$300	$450	$450	$450	$1650
Loan	$1200	$1200	$1200	$1200	$4800
Total Expense	*$11,265*	*$11,550*	*$11,700*	*$11,850*	*$46,365*
Net Profit	*-$615*	*$100*	*$5,550*	*$1,000*	*$6,035*

Year Two					
Income					
Membership	$11,500	$11,000	$12,000	$14,000	$48,500
Earned Income	$1,200	$1,200	$1,500	$2,000	$5,900
Donations	$150	$150	$300	$300	$900
Total Income	*$12,850*	*$12,350*	*$13,800*	*$16,300*	*$55,300*
Expense					
Rent	$8,000	$8,000	$8,000	$11,700	$35,700
Utilities	$1,215	$1,300	$1,350	$1,400	$5,265
Marketing/Events	$900	$900	$900	$1,000	$3,700
Supplies	$150	$200	$300	$300	$950
Subscriptions	$300	$450	$450	$450	$1650
Loan	$1,200	$1,200	$1,200	$1,450	$5,050
Total Expense	*$11,765*	*$12,050*	*$12,200*	*$16,300*	*$52,315*
Net Profit	*$1,085*	*$300*	*$1,600*	*$0*	*$2,985*

A few key assumptions in the two-year projections above include:

- Breaking even after three months of vigorous early membership growth, which will reach a plateau in the fourth quarter.
- A significant jump in contributed income in the third quarter through fundraising activities, for example a Kickstarter campaign built around some specific need or opportunity, for example growth planning for Year Two.
- Earned income, for example through space rental and community programming, will become an increasingly important income stream as membership subscriptions reach capacity.

It is helpful to think beyond your first year, even if its something of a fictitious activity knowing that so much could change. However, thinking into a second year helps you anticipate where growth in income will come from once your memberships have reached capacity. In the exercise above, a few assumptions are important to call out:

- There will be cost increases, in particular the cost of rent, which we've assumed will rise by about 5 percent.
- Growth will be important to meet a rising demand as your business succeeds; in this exercise we've assumed the acquisition of additional space in the third quarter.

- We've also assumed that additional capital will be required to accommodate the growth, which has been reflected in the slightly higher cost of financing a five year commercial loan.

A final budget exercise that will be important for you, especially if you will be seeking to finance at least a part of your start-up costs through a commercial lending institution, will be your start-up inventory and associated startup costs. While these numbers are NOT reflected in the tables above, they should be in yours; you'll want to ensure that your budget is as transparent and accurate as possible, and disclosing early your startup cost projections will be an important way to build confidence in your venture.

In putting together your business plan, have a look at resources such as the Small Business Administrations business plan development tool along with the plans of coworking spaces you admire or aspire to become[40]. From my experience, most coworking founders are highly collaborative and welcome the opportunity to support new ventures by providing information and even coaching; your best places to start are the Coworking Wiki[41] and the Coworking Google Group[42].

2. Incorporation

When you have your business plan sorted out, an important next step will be to determine the entity type and structure that best matches the needs of your venture. Plan to have your company incorporated at least a month (if not two) before you open — incorporation ensures that you have a company name, a tax identification number, and the legal standing you need to open bank accounts, take on insurance, and conduct business activities vital to setting up your coworking space. And do consult a lawyer or public accountant whenever questions arise!

Vermont's Corporations Division of the Office of the Secretary of State offers helpful guidance for new companies including corporations, partnerships, and limited liability companies[43]. A few important considerations as you make this decision include whether you will be sharing ownership through stock, the degree of member input into governance, and the extent to which you plan to produce profits and/or pursue educational or charitable purposes.

One key distinction to make is between owner- and member-managed corporations, typically an LLC or "limited liability company" in Vermont. Owner-managed companies offer significant authority and flexibility to their owners; member-managed companies offer significant opportunities to diffuse ownership and decision-making throughout your members, much like a co-op.

Deskmagazine, a go-to resource for anyone in the coworking business, reports in its most recent annual survey of coworking operators that, "Around 80% of coworking spaces are established and run by a private company; 13% are non-profit organizations, and the remainder are either government institutions or some

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[40] http://www.sba.gov/businessplan

[41] http://wiki.coworking.com/w/page/16583831/FrontPage

[42] https://groups.google.com/forum/?fromgroups#!forum/coworking

[43] http://www.sec.state.vt.us/corps/dobiz/types.htm

other company form."[44] It is highly likely that the smaller spaces operate as some form of a non-profit or low-profit public benefit entity.

Local 64 is incorporated as an owner-managed limited liability corporation. Specifically we make use of Vermont's unique "L3C" designation for a "low-profit" corporation that has three important characteristics: Local 64 is organized for educational and charitable purposes; we do not distribute profits to the owners — any profits are returned to the operation of the organization; and third, we can accept program-related investments from foundations.

In terms of day-to-day management, Local 64 is run by a single owner-manager responsible for the business decisions of the space, although on the ground there is a lot of room for member input and collaboration. So far this has worked well; most members really want a great place to work and seem happy to cede day-to-day details to someone else.

Illustration 1. Membership Profile, Growth and Revenue at Local 64

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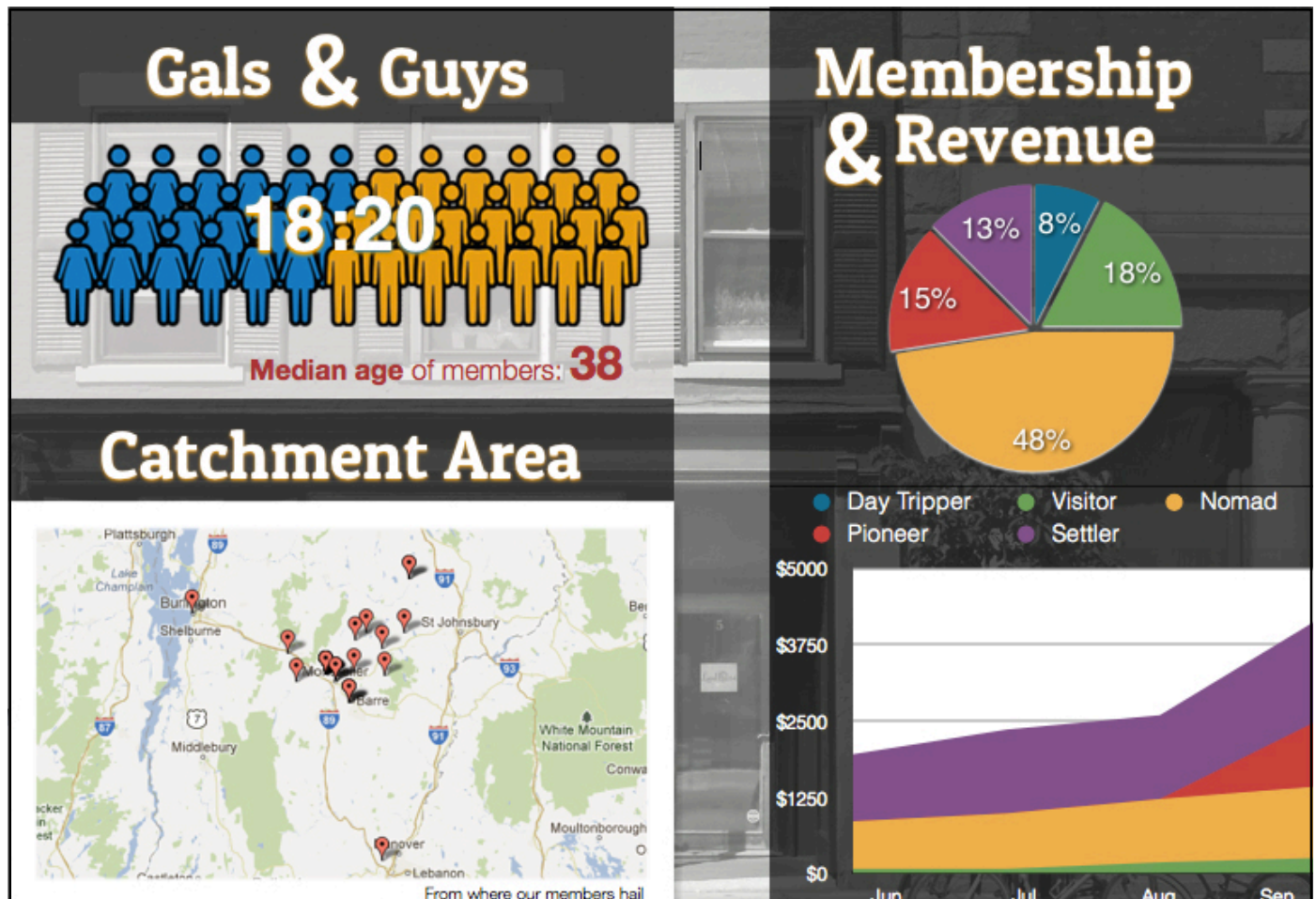
[44] http://www.deskmag.com/en/the-birth-of-coworking-spaces-global-survey-176 accessed 1/4/13

3. Membership
Your membership structure is the heart of your business plan. Spend some time researching various structures before you nail down your own[45]. Turn to your nascent coworking community early to run your ideas by them and make sure that your proposed structure and benefits speak to the needs and aspirations of your future customers. Early market research should have given you some insight into the price points that members will be likely to respond to positively; help them feel like they're getting a great deal while ensuring that you're covering expenses plus.

A few key ideas to keep in mind:

- **Know the competition.** Understand the cost of offices locally and price your offering appropriately. Think about the services you can bundle to make your product too good to pass up.

- **Understand your customers.** As much as possible, tailor your membership structure to maximize the use of your work space and meet your customer needs. Figure out how many hours a week members are looking for, the degree of flexibility they want (night time and weekends for example) and the degree of personal space desired (for example a place to store items, a permanent desk, or a private office). Build your membership levels to respond clearly to your customer needs.

- **Define your income streams.** Understand which membership levels will cover your base operating costs, and which levels will comprise your growth and profit centers. Price your member levels with numerical targets in mind, for example if you have a fixed Q private offices at C cost per office you'll be covering the "rental" item of your expenses for the month when full. Include other forms of earned income such as after-hours rental or workshop fees as well.

- **Factor in the opportunity for members to "level up."** Encourage potential new members to get a feel for the place at low risk, with a clear incentive to deepen their membership level if your offering works for them.

- **Identify the goodies.** Carve out offerings that help make your members feel special and cared for while strengthening your brand. While some service offerings should be paid for (after-hours space rental, for example) others (free snacks) can be rolled into memberships and will make your coworking space just a little bit stickier.

At both Office Squared and at Local 64, private offices comprise the "cash cows" of the operations. In addition to being the "premium" membership level, its what's most people seem to want. As Jen Mincar put it in a recent conversation, "Our members like the privacy of an office, with the comfort of knowing there's an entire community of support just outside the door." As you develop your business plan and survey the local real estate market, figure out what share of your income will come from office rental, what share of your membership is going to be comfortable in shared space, and what impact these two variables will have on your income-expense sheet at the end of the day.

Memberships at Local 64 have evolved significantly during the six months we've been open. When we began Local 64 had six membership levels; today we're down to five: a temporary daily rate for "Day Trippers," an

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[45] DeskTime provides insight into coworking membership structures across the country: https://www.desktimeapp.com

option to bulk-purchase 5 day-passes for our "Visitors," a M-F/9-5 monthly rate we call "Nomads," a personal desk in a shared office for "Pioneers," and private offices for our "Settlers"[46].

When we launched we had a sixth level that catered to a non-existant market: we hoped companies encouraging flex time among their staff would want to purchase a set of transferable day-passes for their employees who might enjoy a change of pace a few times a month. We did no market research on this and it didn't pan out. The good news is that the targets for this stream were very low and failure in this stream was complemented by high success in most of our other income streams.

A second income stream that hasn't panned out for us are our daily rates. While we find robust support for the "bulk buy" of five day passes per month (our "Visitor" level), few customers have an interest in a one-off daily rate. So while Local 64 has not marketed to area businesses where these customers are likely to be (hotels, for example) and we've have a few members begin at "Day Trippers," unlike the corporate package we haven't altogether abandoned this tier.

A final consideration are the goodies. One way we've been able to incentivize "leveling up" among memberships is adding a clear and entirely distinct value to members at the "Nomad" level and higher, which is a "Passport" relationship with Office Squared, a coworking space in Burlington. With the passport, which all members at the "Nomad" level and higher are entitled to after thirty days, any member can use Office Squared amenities at no cost. The same is true for Office Squared members: they can enjoy full, transferable membership to Local 64. While this opportunity has proven to be particularly valuable to a few members that have clients or parent offices in Burlington, it appears that mere awareness of this membership benefit is attractive.

Illustration 2. Membership Fields of Work at Local 64

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[46] Download our membership overview here: http://local64.com/wp-content/uploads/2012/10/blankspace_membership_0912.pdf

4. Finance

Start your venture in a strong cash position. With a business plan, corporate status, and membership under way, you're well along the path toward establishing a living, breathing coworking venture. Securing startup financing is your last significant hurdle. Thankfully, with a budget in hand you have a pretty clear sense of what you'll need to bootstrap your space.

The typical options are: cash from your friends and family; any loan you can afford and secure from a bank or lending institution; earned income such as pre-registration commitments; and grants if you can qualify and get them. A fifth option is to crowdsource startup funds through sites like Kickstarter and Indiegogo.

But remember, the last thing you want to do is put your own money on the line to start this thing; you're a company, think like a company. You may not be taking salary for the first few months, maybe even a year — so keep your own cash secure for a rainy day.

One of your best bets is going to be a local lending institution. Your startup costs shouldn't be more than the cost of a modest automobile; the financing costs for a small loan are not going to cause you any significant pain if you've got a community of support and a solid business plan behind you. With your business plan in hand, make some appointments with big banks, small banks, and community loan funds. Feel them out; see who's excited by your vision, find out who is willing to work with you. Sign with the institution that gives you the best deal and also shows the greatest enthusiasm for your venture. Believe it or not, your bank can be one of your strongest allies. We certainly found this to be true working with Community National Bank in Montpelier[47].

A second important way to raise some of your startup cash is to pre-register new members with special deals, for example offer discounts if new members pay for three, six, or twelve months of membership up front. Think through this option carefully and run the numbers a few times: you won't want to feel the pain later down the line.

And if you have the time — at least thirty days — give crowdfunding a try. While we haven't taken this approach yet at Local 64, there is evidence that Vermonters are eager to support this kind of venture, especially if the appeal lies in a great homegrown story about bootstrapping positive community change. Consider that since 2010 more than 168 Vermont-based Kickstarter projects have raised nearly $1M from online contributions[48]. These projects include everything from food and agriculture related projects (including opening bakeries and restaurants) to site-specific art projects, video games — even a new 3D printing shop in Poultney! Funds raised for these projects have varied, from $5,000 to $35,000; many of them have asked for less and raised more.

Local 64 was opened on a $21,000 budget; funds came from personal sources (friends and family members willing to kick in), a loan from a local bank, and cash raised through pre-registration signups. The burn rate for this initial capital was pretty fast; costs included paying rent and deposits, furnishing our first location, paying utilities, and early marketing efforts. As we near the end of our eighth month it's pretty clear that the investment is paying off; its also certain that if we want to grow we'll need to find new and creative streams of income to offset the costs.

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[47] http://www.communitynationalbank.com

[48] http://local64.tumblr.com/post/37709332779/the-kickstarter-effect-in-vermont accessed 12/17/12

5. Branding

Your brand is your juice. As things begin to fall into place, you should begin developing a well-defined and exciting brand for your coworking space. This is something that can be developed as a rewarding member-engagement exercise, yet it can also be closely held and carefully timed. Either way, it's an important step toward giving your coworking space: a public identity that connotes your ethos and a name that people can carry with them.

In developing a brand identity, you should consider the larger landscape of coworking spaces, the movement you will be a part of. Many coworking spaces opt for a name that communicates some aspect of their value proposition — for example "Independence Hall" in Philadelphia suggests both the idea of a large space and the liberating aspects of the freelance workstyle. Similarly, "New Work City" in Manhattan, "Workbar" Boston, and "Office Squared" in Burlington all suggest their value to potential customers.

A few important points about developing your brand:

- **It should be simple and lively.** Long or complicated names aren't easy to remember; you don't want your name to be confusing. Choose something that is one or two words and doesn't compete with other well-known business names in your community.
- **Your brand should be visual.** Spend some time working on a lively, graphically compelling logo — it's going to be with you for a long time. Make sure it reproduces well in both color and black-and-white.
- **Vertical integration is key.** Make sure that when you choose your name and develop a brand identity that you can secure the URL and social media presence (Twitter handle and Facebook URL, for example) that you need to host and develop a persistent identity online.

At Local 64, we hired a talented local designer to develop our brand. While the name came after some polling among our early supporters, the visual representation of our name came out of a series of back-and-forth conversations and mock-ups created by our designer. We wanted to develop a logo that would be iconic, bright, and in some way representational of what we do. The result, a work lamp within a yellow honeycomb field, captured well the idea of independent work within a "hive" while the selection of font to surround the yellow icon provided a simple and distinct statement of our name. The logo reproduces well electronically and in print, it is distinctive across social media — we've been very happy with it!

6. Member Management

Your members are your community. One of your most important business processes is the management of members, from how you reach and recruit them to their weekly or monthly interactions, including communication and billing. One of the things that we've learned at Local 64 is that there will be different levels of interaction interest among members, and setting up rock-solid administrative processes combined with member-managed "opt-in" social interaction is a learned science.

A few tools that we use to smooth and maintain member management:

- Local64.com is our principal outreach and recruitment tool[49]. Its a simple, responsive, WordPress-powered site through which we field both inquiries and direct registrations through either a simple form or links to Cobot.me, our membership management tool.

- Cobot.me is an easy-to-use, subscription based member management platform that enables the creation of a membership record ("profile") and monthly invoicing[50]. It has a few other helpful features such as messaging, creation of a captive portal (for wifi "check-ins"), and resource management (for example, space booking).

- PayPal and Square Payments enable convenient electronic payments. PayPal enables secure payments via their well-known web-based payment gateway[51]; Square is a handy smartphone attachment that enables you to accept credit card payments in house via your hand-held device (iPhone, iPad, Android)[52]. Each service has its associated fees and enables direct transfer of funds to a bank account.

- To support internal communication — members-only announcements, news, etc — we've installed a simple maillist manager called MailMan[53]. All members are manually added to the list, with the option to unsubscribe; new members receive an orientation email welcoming them to Local 64 and the list.

- Targeted external communication — public announcements, news, etc — is handled using the free service MailChimp[54]. MailChimp enables the creation of multiple lists (handy for audience segmentation), customized email templates, basic analytic tools (open rates, readers, etc), and easily connects to social media tools such as Facebook and Twitter.

- General external communication oriented toward building visibility, excitement, and recruitment focuses solidly on the social sphere. Local 64 relies heavily on Facebook to advertise events and Twitter to maintain a heavy exchange of headlines and links across social media. Our Tumblr blog serves as a resource to consolidate and archive news, events, musing, images, and more.

One of the most important aspects of member management turns on the cultivation of your venture's culture. The really interesting line that we toe as coworking hosts is between the operation of a business and the building of community. The business touch must be light, competent, and exciting. The community-building aspects turn on openness, transparency, and participation. Achieving the right balance between business and community isn't going to happen overnight, but the tools, processes, and activities that you choose — and how you use them — will have a deep impact on people's experience of your venture. It's critical to help your members feel welcome and empowered, not managed.

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[49] Visit us any time at http://local64.com

[50] Check out Cobot.me at http://cobot.me

[51] PayPal is online at: http://paypal.com

[52] Learn more about Square Payments at: http://square.com

[53] Download MailMan here: http://www.gnu.org/software/mailman/index.html

[54] Test drive MailChimp at http://mailchimp.com

4. LAUNCH

Congratulations! If you've made it this far, some of the hard work is over and you're ready to cultivate a vibrant coworking space. You've got incredible assets — the people, your space, and the resources that define your community among them. Over the next 30 days, three months, a year, and beyond you'll encounter growth opportunities, pain points, and adaptations that will continue to shape the culture and viability of your coworking space.

As you prepare for this journey, here are a few concluding thoughts to send you on your way:

- **Listen.** Seek ways to cultivate member input and contributions to what you're doing. Depending on your corporate structure, members may or may not have a direct say in decision-making; create space for influence and a sense of ownership.

- **Connect.** Play an active role in fostering connections and activities among people. This is one of the great privileges of running a coworking space: by personally knowing everyone, you have the 50,000 foot view of your community composition. Help people connect across the community by facilitating introductions.

- **Engage.** Host regular activities like mixers, popup suppers, skills and knowledge-sharing presentations, and hands-on workshops. If you can find people in your coworking community take on this work, even better — the more your space is perceived as a platform for engagement, the more likely it is your business will thrive.

- **Document.** Keep an eye toward your trendlines and data by recording as much as you can, analyzing the results, and writing them up. The insights you gain, for example about member composition and occupation, will help you make a case for the value you provide in your community as well as contribute to the knowledge and insight across the coworking community within and beyond Vermont.

- **Share.** Communicate your story and the stories of your coworking colleagues as much as you can — it will be rewarding for members to see their stories in the press and social media channels, and these stories will inspire and attract others. Think about it this way: in marketing your members, you are marketing your own value proposition. This will create a reciprocol push for members to market you.

- **Grow.** The most important ingredient to your success will be the ability to grow quickly in your first years. Whether this means expanding physical space and member capacity, expanding programming, or growing in influence — make growth a priority for your venture. You can also extend the value of your coworking space by creating member sharing arrangements with other coworking locations.

Here at Local 64 and Office Squared we believe strongly that coworking spaces are going to be an excellent resource for the future of work, networking, and learning in Vermont. We are keen to connect with and support new coworking ventures across the state. As you begin your journey, please reach out through local64.com — we'll assist in any way we can. And as you set out on your work, don't forget about the great resources and insights you'll find at the coworking Google group[55], the coworking wiki[56], and DeskMagazine[57] — three indispensable tools as you explore, execute, and launch your coworking venture. And join us at http://local64.com/coworking to share your experience.

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[55] https://groups.google.com/forum/?fromgroups#!forum/coworking

[56] http://wiki.coworking.com/w/page/16583831/FrontPage

[57] http://deskmag.com

Coworking Startup Checklist

Stage	Activities	
Exploration The Goal of an Exploration stage is to develop an understanding of the local market and a clear sense of whether a coworking venture has good prospects for success.		
	1. Build Community	
	Host a Jelly with early allies to test out the concept, build connection and energy among early adopters.	
	Host a mixer(s) to bring people together and get your idea out into the community.	
	Host Popup events, for example suppers or art shows to generate buzz and an interest in the growing community and potential location(s).	
	Preregister as many members as you can.	
	2. Carry out Background Research	
	Float a background survey(s) to assess community interest, motivation, and key market data.	
	Seek secondary data sources eg local economic development authorities, local arts organizations or the Vermont Arts Council.	
	Host focused discussions to share emerging and evolving plans while generating input and insight.	
	4. Write Your Business Plan	
	Define the market and identify any competitors in your area including other coworking spaces or existing venues that serve a coworking-like function.	
	Develop membership and revenue targets needed to sustain a business, including a tiered membership structure that provides flexibility.	
	Create your budget and budget projections for the next two to five years to help ensure that you have cost models that work.	
	Create a marketing strategy with targets to ensure achievement of business goals.	
Execute The Goal of the Execution stage is to act on what you have learned in a way that sets up your new coworking venture for success.		
	5. Nail your location	
	Secure a place that offers an exceptional location at a reasonable, affordable cost.	

Stage	Activities	
	Outfit your new home with the furniture, tools and toys you need to foster the energy and culture to match your brand and the coworking ethos.	
	Get your utilties and fundamentals like wifi access in place and test everything twice. Make sure your power drops are where you want them, lighting where its needed, etc.	
	6. Develop Marketing Materials	
	Create your name and brand identity and give a face and a story to your space and your growing community.	
	Make it easy to connect with your vision and brand through a website and social media presences.	
	7. Line Up Key Partners	
	Identify and cultivate relationships with potential funding sources, for example banks or local economic development corporations.	
	Develop several location opportunities and identify those who are energized by your vision and might become allies.	
	8. Develop and Deploy Your Systems	
	Map out your registration process, identify a solution, and implement.	
	Identify and implement a member management system that includes monthly billing. This may or may not be the same as your registration system.	
	Develop your access control method, procedure, or system and ensure that it meets member expectations, for example 24-hour access.	
	Set up essential communication tools, both for internal (member) communication as well as external (public) communication.	
	Get the word out through your marketing materials and channels, online and offline.	
Launch Open Your Doors!		
	Celebrate your success by making your opening fun and engaging for the community and your members. Use this momentum to advance your marketing goals.	
	Plan to learn and adapt as you proceed. The groundwork you have laid and the systems you've developed are awesome — and they'll get more awesome as they evolve.	
	Good luck!	

About Local 64

Local 64 is a coworking hub and creativity incubator in downtown Montpelier. Local 64 provides a lively coworking environment and shared offices through monthly membership. After hours and on weekends Local 64 is a platform for art shows, workshops like our popular "Pitch Kitchen" series, and social events and mixers. We're open Monday through Friday, 9am to 5pm. Drop-in visits are welcome. For more information visit us on the web at www.local64.com or reach out:

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About Vermont Center for Emerging Technologies (VCET)

VCET is technology firm incubation program serving all of Vermont to help create next-generation jobs for this generation of Vermonters. Select, high-opportunity firms and entrepreneurs receive substantive business mentoring, flexible office space, shared resources, capital formation assistance, workshops, and access to VCET's proprietary "talent cloud" of mentors, executives, venture capital investors, and economic development partners. Since 2008, VCET has directly assisted over 500 startups and entrepreneurs across Vermont. VCET portfolio companies have raised over $50 million in capital since 2008. The VCET Capital Corporation serves as manager of the Vermont Seed Capital Fund which is a $5M for-profit, permanently revolving, early-stage risk capital fund. VCET is an independent 501(c)3 organization. www.VermontTechnologies.com