

Varick Street Incubator Hatches City Start-Ups

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When Andres Blank and Inaki Berenguer started their social-media company last year, they spent the first few months working in the living room of Mr. Blank's one-bedroom apartment along with three other friends. It led to awkward situations.

"Sometimes people would arrive super early and I was still in my pajamas," Mr. Blank said.

Later, Mr. Blank and Mr. Berenguer, graduates of the Massachusetts Institute of Technology, moved their company, Pixable, to a city-sponsored "incubator" at 160 Varick St. There they found a more entrepreneurial environment—not to mention cheap rent in a prime SoHo location.

Opened last July, the 17,000-square-foot incubator houses 28 start-up companies in areas as diverse as financial services, green technology and film.

Incubators and co-working spaces have been around for decades, backed by private-sector investors.

But the Varick Street incubator, run by the Polytechnic Institute of New York University with help from the New York City Economic Development Corp., is one of five that the city has founded with hopes of nurturing a robust start-up culture.

Pixable, which lets users make photo books out of their Facebook and Flickr pictures, is among the first companies that plan to graduate from the Varick Street space, expecting to move to a leased office of their own in several months. The free legal and financial advice, along with feedback from other start-ups in the office, helped the company expand beyond the incubator.

"If everything happens as planned, we are only going to stay six to seven months here...the original plan was to be here a year," Mr. Blank said.

The company now has 10 employees and plans to hire about five more. Mr. Blank is looking to rent office space nearby for \$3,000 to \$4,000 a month. (Offices at Varick Street rent for \$1,250 a month, or \$250 for a cubicle in the open-plan area.)

The focus on entrepreneurs is a recent shift for the Bloomberg administration, which historically focused on real-estate deals and retaining large companies, said Jonathan Bowles, director of Center for an Urban Future, a nonpartisan research group.

At Varick Street, Trinity Real Estate provides the office space at cost, and NYU-Poly leases and manages the incubator. The school covers operation costs like Internet connections and office furniture.

That relieves a big expense for cash-strapped start-ups, said Neil Mody, co-founder of nrelate, which makes recommendation software for media companies.

Unlike Silicon Valley, where space is plentiful and everyone can recite the tale of Apple's origins in Steve Wozniak's garage, "there are no garages in New York...you start out of your living rooms or bedrooms," Mr. Mody said.

Some incubators have come under fire for providing cheap rent but no guidance or goals for young businesses. Bruce Niswander, director of NYU's Office of Innovation Development, which runs the Varick Street incubator, says he wasn't initially a fan.

All companies seeking space must submit 24-month cash flow objectives along with a strategic plan. Leases run for six months and the companies must meet monthly business objectives, Mr. Niswander said. The goal is for companies to graduate after 18 months or so.

Ecological LLC is another start-up preparing to leave the incubator soon. The designer of energy-efficient buildings will move to a 4,000-square-foot space ideally in SoHo that can accommodate about 25 people. Ecological had been planning to move from midtown to New Jersey in 2009 when it first heard about the Varick Street incubator. Now it has the most employees in the incubator, with 14.

Renting space there has "allowed us to hire a few more people a little faster and allowed us to keep the jobs here in New York," said Anthony Sblendorio, the company's chief executive and co-founder.

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