

The Economic Impact During FY 2015 of New Mexico's Business Incubators

March 11, 2016

Prepared for:
New Mexico Economic Development Department
1100 St. Francis Drive - Joseph Montoya Building
Santa Fe, NM 87505

Prepared by:
Impact DataSource, LLC
4709 Cap Rock Drive
Austin, Texas 78735
(512) 892-0205
Fax (512) 892-2569
www.impactdatasource.com

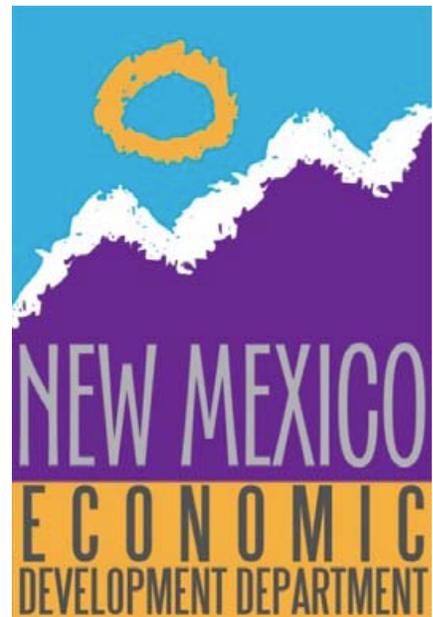


TABLE OF CONTENTS

Executive Summary.....	3
The Full Report:	
Introduction.....	6
Description of the Incubators.....	6
Funding Received by the Incubators for their Operations.....	9
Tenants Funding and Annual Operations.....	10
Graduates' Operations.....	12
Types of Economic Impacts that the Incubators and their Graduates Provide and Multipliers Used in this Analysis.....	15
Economic Impact during 2015 of Tenants and Graduates of Incubators.....	17
Revenues Generated during 2015 for the State and Local Taxing Districts by Tenants and Graduates of Incubators.....	18
Conduct of this Analysis.....	19

EXECUTIVE SUMMARY

The purpose of the analysis was to estimate the annual economic impact during FY 2015* of New Mexico's certified business incubators. The study also estimates the impacts of graduates of the incubators over the past four years beginning in FY 2012 through FY 2015.

The economic impact of (1) the operations of the incubators was projected, along with (2) the impact of the firms assisted by the incubators, once they graduated from the incubators and became self-supporting companies.

About New Mexico's Incubators

New Mexico currently has the following five certified business incubators:

- South Valley Economic Development Center,
- WESST Enterprise Center,
- Santa Fe Business Incubator,
- Enterprise Center at San Juan College, and
- Arrowhead Technology Incubator.

The economic impact of these five centers are estimated in this analysis.

The state provided a total of \$130,000 to these five certified incubators in FY 2015, each receiving \$26,000. Over the past four years (FY 2012 - FY 2015), these incubators reported \$4 million in funding for their operations from varying sources.

Tenants

Seventy-six (76) tenants were assisted by these incubators in the state in FY 2015. In addition, during the year tenants in these incubators reported funding of \$48 million, including equity injections, revenues, grants and contracts, research and development contracts, debt financing and other funding.

Graduates Over the Past Four Years

Eighty (80) firms graduated from the incubators over the past four years. An estimated 87.6% of these companies are still operating.

Types of Economic Impacts Generated by Tenants and Graduates

Incubator tenants and companies graduating from the incubators generate economic impacts, including jobs, salaries and business revenues.

Further, there are three types of economic impacts of tenants and graduates -- direct, indirect and induced -- and state economic multipliers were used to determine indirect and induced impacts.

* Please note that the report is based on fiscal years

Economic Impact During FY 2015 of Tenants and Graduates of Incubators

Some of the estimated economic impacts that incubators generated for New Mexico during 2015 are shown below.

Economic Impact During 2015 of Tenants and Graduates of Incubators			
	Tenants	Graduates	Total
Number of direct businesses operating during the year as a result of incubator activities	76	70	146
Annual revenues generated by businesses (increase in gross state product):			
Direct	\$36,536,744	\$23,460,938	\$59,997,682
Indirect and induced	\$19,550,812	\$12,553,948	\$32,104,759
Total	\$56,087,556	\$36,014,885	\$92,102,441
Jobs created and supported by businesses:			
Direct	360	630	990
Indirect and induced	237	416	653
Total	597	1,046	1,643
Annual salaries paid to workers:			
Direct	\$15,678,392	\$27,609,593	\$43,287,985
Indirect and induced	\$7,643,216	\$13,459,676	\$21,102,892
Total	\$23,321,608	\$41,069,269	\$64,390,877
Property added to tax rolls	\$3,620,000	\$17,500,000	\$21,120,000
Annual taxable gross receipts generated on:			
Revenues of direct, indirect and induced businesses	\$42,065,667	\$27,011,164	\$69,076,831
Taxable spending by direct, indirect and induced workers	\$9,328,643	\$16,427,708	\$25,756,351
Taxable spending by businesses	\$4,935,347	\$6,089,230	\$11,024,577
Total gross receipts	\$56,329,657	\$49,528,101	\$105,857,758

Revenues Generated During 2015 for the State and Local Taxing Districts by Tenants and Graduates of Incubators

Economic impacts generated by incubator tenants and graduates translate into revenues for the State and local taxing districts. These estimated revenues for 2015 are shown on the following page.

Estimated Revenues Generated during 2015 for the State and Local Taxing Districts
by Incubator Tenants and Graduates

	State	Local Taxing Districts	Total
Gross receipts taxes	\$4,068,908	\$1,687,108	\$5,756,016
Property taxes	\$9,493	\$308,670	\$318,162
State income taxes:			
Corporate	\$353,673		\$353,673
Personal	\$2,318,072		\$2,318,072
Total	\$6,750,145	\$1,995,778	\$8,745,923

Details of this economic impact analysis are on the following pages.

The Economic Impact During 2015 of New Mexico's Business Incubators

INTRODUCTION

This report presents the results of an analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. The purpose of the analysis was to estimate the economic impact during 2015 of New Mexico's certified business incubators.

The economic impact of (1) the operations of the incubators was projected, along with (2) the impact of the firms assisted by the incubators, once they graduated from the facilities and became self-supporting companies.

This report includes the following components:

- Description of the incubators,
- Funding received by the incubators for their operations,
- Tenants funding and annual operations,
- Graduates' operations,
- Types of economic impacts that the incubators and their graduates provide and multipliers used in this analysis,
- Economic impact during 2015 of tenants and graduates of incubators,
- Revenues generated during 2015 for the state and local taxing districts by tenants and graduates of incubators,
- Rate of return on the state's investment in the incubator program, and
- Conduct of this analysis.

DESCRIPTION OF NEW MEXICO'S BUSINESS INCUBATORS

New Mexico currently has the following six certified business incubators:

- South Valley Economic Development Center,
- WESST Enterprise Center,
- Santa Fe Business Incubator,
- Enterprise Center at San Juan College, and
- Arrowhead Technology Incubator.

The economic impact of the five centers are projected in this analysis.

Some information on each center is presented next.

South Valley Economic Development Center

The South Valley Economic Development Center, built in 2004, is a 15,000 square foot center in Albuquerque. The Center is operated by the Rio Grande Community Development Corporation and offers leases on office space, a commercial kitchen, and comprehensive business support for small businesses.

The Center supports local growers and businesses by providing a site for manufacturing and establishing networks among businesses, growers, distributors and retailers. It also provides technical assistance in the development of small business and educational and media campaigns.

The Center includes the Mixing Bowl Community Kitchen's food-based incubation program. Based in Albuquerque's South Valley, the Center is focused on reaching low-income, minority, and other nontraditional entrepreneurs and helping them build their family businesses.

In 2015 the Center had 25 tenants and had 24 graduates over the past four years (FY 2012 - FY 2015).

WESST Enterprise Center

The WESST Enterprise Center in Albuquerque opened in January 2009. The Center is a mixed-use, 37,000 square foot business incubation facility. The facility offers space for emerging businesses, operational support and resources for start-up businesses. The facility is equipped to house businesses in many industries including digital media production with business assistance programs for up to 20 light manufacturing, service, professional and technology businesses.

In 2015 the Center had 10 tenants and had five graduates over the past four years (FY 2012 - FY 2015).

Santa Fe Business Incubator

The Santa Fe Business Incubator, founded in December 1997, is a nonprofit corporation that helps entrepreneurs grow and succeed in their business. The 30,000 square foot facility offers office and production spaces for technical firms, service companies and manufacturing businesses.

The Incubator provides a wide range of business services including on-site technical assistance, training workshops, shared equipment, community resources and access to capital.

In 2015 the facility had 17 tenants and over the past four years has had 23 graduates.

Enterprise Center at San Juan College

The San Juan College Enterprise Center, a mixed-use, full-service business incubator located in Farmington, opened in December 1999 and has served over 50 companies since its founding.

In 2015 the Center had 11 tenants. Over the past four fiscal years, six companies have graduated from the facility.

Arrowhead Technology Incubator

Arrowhead Technology Incubator, on the New Mexico State University campus in Las Cruces, was founded in 2007.

The facility assists in creating and enhancing technology-based companies. The companies are supported by entrepreneurs, technology experts, investors, and consumers and provides professional business services, below market rate facilities, and assistance in seeking government and investment capital.

The Center's services include business workshops, networking events, mentoring, assistance with capital sourcing and customer acquisition, and work-ready space.

In 2015 the Center had 13 tenants and over the past four fiscal years had 22 graduates.

Funding that the incubators received for their operations and construction is discussed next.

FUNDING RECEIVED BY INCUBATORS FOR THEIR OPERATIONS AND CONSTRUCTION

The incubators received the following funding over the past four years from FY 2012 - FY 2015:

Funding Received by Incubators for Construction and Operations over the Past Four Years				
	Funding Received			Types of Funding
	Total	For Operations	For Construction	
South Valley Economic Development Center	\$1,050,025	\$1,050,025		Primary revenues are rents received from client companies, McCune Charitable, and local business sponsors
WESST Enterprise Center				Funding for the center is generated through member fees, fees for services, donors sponsor grants and government funding
Santa Fe Business Incubator	\$2,326,170	\$1,076,285	\$1,249,885	Funding generated internally from incubator clients and other community members/ businesses, along with City of Santa Fe recurring contract and non-recurring with the state, Santa Fe County, local regional development corporate and donations from private entities and individuals
Enterprise Center at San Juan College	\$26,000	\$26,000		Funding received from NMEDD, rents, leases, and support service fees and sponsorship for special events
Arrowhead Technology Incubator	\$692,836	\$692,836		Funding provided by federal, state, and university sources along with gifts, private contracts and rental income
Total	\$4,095,031	\$2,845,146	\$1,249,885	

Funding received by tenants during 2015 and some information on their operations are discussed next.

TENANTS' FUNDING AND ANNUAL OPERATIONS

Funding Received by Tenants during 2015

Tenants at the incubators received the following funding during 2015:

Funding Received by Tenants During 2015						
	South Valley Economic Development Center	WESST Enterprise Center	Santa Fe Business Incubator	Enterprise Center at San Juan College	Arrowhead Technology Incubator	Total
Equity capital	NA	\$11,989,649	\$2,140,378	\$628,000	\$1,500,000	\$16,258,027
Sales revenues	\$1,740,986	NA	\$8,480,176	\$1,261,630	\$256,361	\$11,739,153
Grants and contracts	\$402,000	\$0	\$316,400	\$0	\$0	\$718,400
Research and development grants and contracts		\$0	\$50,000	\$180,000	\$17,000	\$247,000
Debt financing		\$0	\$10,000			\$10,000
Total	\$2,142,986	\$11,989,649	\$10,996,954	\$2,069,630	\$1,773,361	\$28,972,580

Characteristics of Tenants' Operations

Average tenants at the incubators in 2015 had the following characteristics:

Characteristics of an Incubator Tenant in 2015					
	South Valley Economic Development Center	WESST Enterprise Center	Santa Fe Business Incubator	Enterprise Center at San Juan College	Arrowhead Technology Incubator
Annual revenues	\$62,178	\$2,221,733	\$500,000	\$300,000	\$74,228
Property added to local tax rolls:					
Real property improvements	NA	\$0	\$25,000	\$0	NA
Business personal property	NA	\$0	\$175,000	\$20,000	NA
Number of employees	2	14.0	5	3	4
Average annual salaries	\$13,698	\$47,974	\$55,000	\$50,000	\$37,541
Estimated annual local purchases of supplies, materials and services	NA	\$0	\$150,000	\$25,000	\$30,000

Total Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases

Total Revenues for Tenants

Total revenues, property added to tax rolls, jobs, salaries and local purchases for tenants at incubators in 2015 are shown below.

Tenants' Total Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases in 2015					
	South Valley Economic Development Center	WESST Enterprise Center	Santa Fe Business Incubator	Enterprise Center at San Juan College	Arrowhead Technology Incubator
Number of tenants	25	10	17	11	13
Annual revenues	\$1,554,450	\$22,217,330	\$8,500,000	\$3,300,000	\$964,964
Property added to local tax rolls:					
Real property improvements		\$0	\$425,000	\$0	
Business personal property		\$0	\$2,975,000	\$220,000	
Number of employees	50	140	85	33	52
Total annual salaries	\$684,900	\$6,716,360	\$4,675,000	\$1,650,000	\$1,952,132
Estimated annual local purchases of supplies, materials and services		\$0	\$2,550,000	\$275,000	\$390,000

Summary of Totals for Tenants

Averages and estimated total annual revenues, property added to tax rolls, jobs and salaries for all tenants are shown below.

Tenants' Average Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Annual Purchases in 2015		
	Average	Total for All Incubators
Number of tenants in incubators	15	76
Number of incubators		5
Annual revenues	\$480,747	\$36,536,744
Property added to local tax rolls:		
Real property improvements	\$5,592	\$425,000
Business personal property	\$42,039	\$3,195,000
Number of employees	5	360
Annual salaries	\$43,551	\$15,678,392
Estimated annual local purchases of supplies, materials and services	\$42,303	\$3,215,000

Some information on graduates of the incubators is presented next.

GRADUATES' OPERATIONS

Number of Graduates over the Past Four Years

The following number of firms graduated from New Mexico's incubators over the past four years from FY 2012 to FY 2015:

Number of Graduating Firms between FY 2012 and FY 2015						
	South Valley Economic Development Center	WESST Enterprise Center	Santa Fe Business Incubator	Enterprise Center at San Juan College	Arrowhead Technology Incubator	Total
Agriculture						0
Construction			1	1		2
Manufacturing	15		1	4		20
Utilities and/or Energy						0
Retail Trade	5					5
Information			2			2
Information Technology		1	3		6	10
Financial Activities						0
Prof. & Business Service	3	2	7		5	17
Health Care & Social Assistance	1			1		2
Leisure						0
Technology		2	6		11	19
R&D			2			2
Non-Profits						0
Non-Profits Services Providers						0
Other			1			1
Total	24	5	23	6	22	80

Number of Graduates over the Past Four Years Still Operating in 2015

An estimated 87.6% of companies graduating from the incubators were still in business during 2015

If this is the case, the following estimated number of graduate companies (over the past four years) were still operating in 2015:

Estimated Number of Graduating Firms Over the Past Four Years Still Operating in 2015	
Agriculture	0
Construction	2
Manufacturing	18
Utilities and/or Energy	0
Retail Trade	4
Information	2
Information Technology	9
Financial Activities	0
Prof. & Business Service	15
Health Care & Social Assistance	2
Leisure	0
Technology	15
R&D	2
Non-Profits	0
Non-Profits Services Providers	0
Other	1
Total	70

Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases

Annual Averages for Graduates

Average revenues, property added to tax rolls, jobs, salaries and local purchases in 2015 for graduates of incubators are shown below.

Graduates' Average Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Annual Purchases					
	South Valley Economic Development Center	WESST Enterprise Center	Santa Fe Business Incubator	Enterprise Center at San Juan College	Arrowhead Technology Incubator
Number of graduates	24	5	23	6	22
Average annual revenues	\$170,625	NA	\$550,000	\$600,000	\$20,000
Property added to local tax rolls:					
Real property improvements	NA	NA	\$250,000	\$100,000	
Business personal property	NA	NA	\$175,000	\$50,000	\$0
Number of employees	24	NA	5	4	3
Average annual salaries	\$32,758	NA	\$55,000	\$50,000	\$37,541
Estimated annual local purchases of supplies, materials and services	NA	NA	\$150,000	\$20,000	\$0

Annual Totals for Graduates Still Operating

Averages and estimated total annual revenues, property added to tax rolls, jobs and salaries for all graduates still operating are shown below.

Graduates' Average Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Annual Purchases		
	Average	Total for All Incubators
Number of operating graduates		70
Annual revenues	\$335,156	\$23,460,938
Property added to local tax rolls:		
Real property improvements	\$175,000	\$12,250,000
Business personal property	\$75,000	\$5,250,000
Number of employees	9	630
Annual salaries	\$43,825	\$27,609,593
Estimated annual local purchases of supplies, materials and services	\$56,667	\$3,966,667

The types of economic impacts generated by tenants and graduates of incubators are discussed next, along with regional economic multipliers used in this analysis.

TYPES OF ECONOMIC IMPACTS THAT THE INCUBATORS AND THEIR GRADUATES PROVIDE AND MULTIPLIERS USED IN THIS ANALYSIS

Types of Economic Impacts

Incubator tenants and companies graduating from the incubators generate economic impacts, including jobs, salaries and business revenues.

Further, there are three types of economic impacts: direct, indirect and induced.

First, direct economic impacts are those that are generated directly by tenants in the incubators and by firms after they graduate.

Second, indirect revenues, jobs and salaries are created in new or existing firms in the state, such as maintenance companies, distributors, and service firms, that may supply goods and services to the tenants and graduate firms.

Third, induced revenues, jobs and salaries are created in new or existing businesses in the state, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to employees of the tenants and graduate firms and their families.

New revenues of direct, indirect and induced firms increase New Mexico's gross state product -- a measure of the economic output of the state in a year. It is the sum of all values added by industries within the state and serves as a state-equivalent to the national gross domestic product or GDP.

Regional Economic Multipliers

To estimate the indirect and induced economic impact of business incubators on the state, regional economic multipliers were used. Regional economic multipliers for New Mexico are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis: an output multiplier, an employment multiplier and an earnings multiplier.

An output multiplier was used to estimate the indirect and induced output or revenues created and supported in the state. An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the state. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs.

The multipliers show the estimated indirect and induced revenues of other companies in the state for

every dollar of revenues generated by tenants and graduates. An employment multiplier shows the number of indirect and induced jobs created for every direct job at the tenants and graduates and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facilities. The indirect and induced multipliers shown below were used in this analysis:

Regional Economic Multipliers Used in this Analysis		
	Total	Indirect and Induced
Output multiplier	1.5351	0.5351
Employment multiplier	1.6597	0.6597
Earnings multiplier	1.4875	0.4875

The above multipliers are averages for several industry groups in which tenants and graduates operate.

Some of the estimated economic impacts that incubators generated for New Mexico during 2015 are presented next.

ECONOMIC IMPACT DURING 2015 OF TENANTS AND GRADUATES OF INCUBATORS

Some of the estimated economic impacts that incubators generated for New Mexico during 2015 are shown below.

Economic Impact During 2015 of Tenants and Graduates of Incubators			
	Tenants	Graduates	Total
Number of direct businesses operating during the year as a result of incubator activities	76	70	146
Annual revenues generated by businesses (increase in gross state product):			
Direct	\$36,536,744	\$23,460,938	\$59,997,682
Indirect and induced	\$19,550,812	\$12,553,948	\$32,104,759
Total	\$56,087,556	\$36,014,885	\$92,102,441
Jobs created and supported by businesses:			
Direct	360	630	990
Indirect and induced	237	416	653
Total	597	1,046	1,643
Annual salaries to workers:			
Direct	\$15,678,392	\$27,609,593	\$43,287,985
Indirect and induced	\$7,643,216	\$13,459,676	\$21,102,892
Total	\$23,321,608	\$41,069,269	\$64,390,877
Property added to tax rolls	\$3,620,000	\$17,500,000	\$21,120,000
Annual taxable gross receipts generated on:			
Revenues of direct, indirect and induced businesses	\$42,065,667	\$27,011,164	\$69,076,831
Taxable spending direct, indirect and induced workers	\$9,328,643	\$16,427,708	\$25,756,351
Taxable spending by businesses	\$4,935,347	\$6,089,230	\$11,024,577
Total gross receipts	\$56,329,657	\$49,528,101	\$105,857,758

Estimates of revenues generated during 2015 by incubator tenants and graduates for the state and local taxing districts are presented next.

REVENUES GENERATED DURING 2015 FOR THE STATE AND LOCAL TAXING DISTRICTS BY TENANTS AND GRADUATES OF INCUBATORS

Some Tax and Other Rates Used in this Analysis

Some tax and other rates used in this analysis are shown below:

Some Tax and Other Rates Used in this Analysis	
Gross receipts tax rates:	
State	5.125%
Estimated average local rate	2.125%
Property tax rates:	
State debt service	1.362
Average combined local rate	44.288
Estimated effective state income tax rate for these companies:	
Corporate	4.8%
Personal as a percent of total salary assuming filing jointly	4.80%
Estimated percent of the gross salaries a typical worker spent on taxable goods and services	40%
Estimated percent of business revenues subject to gross receipts tax	75%
Estimated percent of business revenues subject to state corporate income taxes	8%
Workers' estimated adjusted gross or taxable income as a percent of salaries	75%
Taxable value of property as a percent of assessed value	33%

Revenues during 2015 for the State of New Mexico and Local Taxing Districts

Economic impacts generated by incubator tenants and graduates translate into revenues for the State and local taxing districts. These estimated revenues for 2015 are shown below.

Estimated Revenues Generated during 2015 for State and Local Taxing Districts by Incubator Tenants and Graduates			
	State	Local Taxing Districts	Total
Gross receipts taxes	\$4,068,908	\$1,687,108	\$5,756,016
Property taxes	\$9,493	\$308,670	\$318,162
State income taxes:			
Corporate	\$353,673		\$353,673
Personal	\$2,318,072		\$2,318,072
Total	\$6,750,145	\$1,995,778	\$8,745,923

A discussion of the conduct of this analysis is next.

CONDUCT OF THIS ANALYSIS

This analysis was conducted by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm.

Incubators provided information on data sheets provided by Impact DataSource on the operations of their facilities and on current tenants and graduates of the incubators over the past four years.

Using this data, as well as some estimates, assumptions and regional economic multipliers, Impact DataSource estimated the economic impact during 2015 of tenants and graduates.

From these estimated 2015 economic impacts, Impact DataSource estimated revenues that the tenants and graduates generated for the State of New Mexico and local taxing districts in 2015.

Impact DataSource is a 22-year old firm specializing in economic and fiscal impact analysis. The firm has conducted over 3,500 economic impact analyses of projects in 39 states, included New Mexico.

The firm's Principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.