

# Growth Factory in Roseville



## Overview

The City of Roseville engaged the Greater Sacramento Economic Council (GSEC) to conduct an economic impact analysis of the Growth Factory's operations in Roseville. The document provides an overview of the partnership and the anticipated economic and revenue impacts of the operations of Growth Factory company graduates and incubated main street businesses.

## The Growth Factory Partnership in Roseville

The City of Roseville is partnering with the Growth Factory to establish an entrepreneurship center in 2,416 square feet located at 316 Vernon Street downtown. The partnership will involve six initiatives including:

1. Space activation in downtown resulting in patronage to downtown businesses
2. A "Dreamer's" program similar to the Sacramento BID program
3. Partner engagement special events
4. Community engagement special events
5. Inclusive workforce development, training, and education resources
6. An innovation challenge partnering startups with civic and institutional leaders to pilot programs and technologies

Additionally, the Growth Factory will hold a minimum of 25% of their existing events at Roseville locations.

As a result of the five-year agreement and associated efforts and activities, the City anticipates more than 250 program participants will be engaged in year one, three tech-related businesses will scale within the community by year five, the city will provide \$150,000 in business grants within three years, and six main street businesses in downtown will be incubated over five years.

## Example Economic Impacts of Accelerated and Incubated Businesses

Economic impacts measure the direct impacts - those created by the accelerated and incubated companies - as well as the multiplier effect of their operations on the City of Roseville economy. Multiplier effects are generated by the supply- and innovation-chain companies that serve the direct operations as well as the impacts from consumer spending by the employees of both the direction and supply/innovation-chain companies.

### **Example Economic Impacts of an Accelerated Technology Company**

The technology company analysis assumes an employment level equal to the average employment for professional, scientific, and technical firms (North American Industry Classification System code 541 firms) per firm for the region – 11 employees. The average wage of employees this firm type is \$89,302 per year. Accelerated firms are expected to have revenue growth of 14% over non-revenue firms (Aspen Institute, 2014). This analysis assumes the revenue growth translates into 14% job growth per year, taxable capital expenditures of \$3,000 per employee, 250 square feet of office space per person, and telecommunications costs of \$250 per employee.

The economic impact of an example accelerated technology company would degenerate 11 direct jobs in year one and grow to 19 direct jobs by year five. Direct income would grow from \$982,000 to nearly \$1.7 million by year five. Output would grow from \$2.3 million in year one to just over \$4.0 million by year five.

The direct operations will generate an indirect impact. In year one, six indirect jobs will be created or sustained and will grow to 10 jobs by year five. An additional \$426,000 in income and \$1.3 million in output will be generated in year five because of the indirect jobs. The spending of the direct and indirect jobs will support retail and other consumer businesses. In year one, seven induced jobs will be created or sustain and will grow to 13 jobs by year five. An additional \$563,000 in income and \$1.8 million in output will be generated in year five because of the induced jobs.

The total impact direct, indirect, and induced impact from the main street businesses will be 42 jobs, \$2.7 million in income, and \$7.1 million in output by year five.

#### **Example Economic Impact of an Accelerated Technology Company to City of Roseville**

	1	2	3	4	5
Direct Jobs	11	13	15	17	19
Average Wage	\$89,302	\$89,302	\$89,302	\$89,302	\$89,302
Direct Income	\$982,322	\$1,160,926	\$1,339,530	\$1,518,134	\$1,696,738
Direct Output	\$2,336,196	\$2,760,958	\$3,185,721	\$3,610,484	\$4,035,247
Indirect Jobs	6	7	8	9	10
Indirect Income	\$246,464	\$291,276	\$336,088	\$380,899	\$425,711
Indirect Output	\$776,273	\$917,414	\$1,058,554	\$1,199,695	\$1,340,835
Induced Jobs	7	9	10	11	13
Induced Income	\$326,052	\$385,335	\$444,617	\$503,899	\$563,182
Induced Output	\$1,017,835	\$1,202,895	\$1,387,956	\$1,573,017	\$1,758,078
Total Jobs	24	29	33	37	42
Total Income	\$1,554,838	\$1,837,537	\$2,120,235	\$2,402,932	\$2,685,631
Total Output	\$4,130,304	\$4,881,267	\$5,632,231	\$6,383,196	\$7,134,160

Source: Greater Sacramento Economic Council, Regional Project Assessment System, 2022.

### **An Example Economic Impact of an Incubated Main Street Businesses**

Six main street businesses will be incubated however, to provide a conservative estimate, the economic impact of one incubated main street business is analyzed. The main street companies are expected to be retailers and to have a per business employment level approximately of 12 at average wages of \$32,000. Jobs are expected to grow at the national growth rate for retailers of 2.0%. Each retailer is assumed to have 10,000 square feet of retail space and \$250,000 in equipment.

An example main street business will create or sustain 11 direct jobs in year one growing to 12 direct jobs by year five. The direct jobs will generate \$352,000 in direct income in year one growing to \$384,000 in direct income by year five. Direct output will grow from \$1.0 million in year one to \$1.1 million by year five.

The indirect and induced impacts will generate another five jobs each year. The indirect and induced jobs will generate nearly \$200,000 in income in year one growing to \$216,000 by year five. Indirect and induced output will grow from \$636,000 in year one to nearly \$700,000 by year five.

The total impact direct, indirect, and induced impact from the main street businesses will be 17 jobs, \$600,000 in income, and \$1.8 million in output by year five.

#### **Example Economic Impact of an Incubated Main Street Business to City of Roseville**

	1	2	3	4	5
Direct Jobs	11	11	11	12	12
Average Wage	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
Direct Income	\$352,000	\$352,000	\$352,000	\$384,000	\$384,000
Direct Output	\$1,001,953	\$1,001,953	\$1,001,953	\$1,093,040	\$1,093,040
Indirect Jobs	2	2	2	2	2
Indirect Income	\$86,926	\$86,926	\$86,926	\$94,828	\$94,828
Indirect Output	\$289,586	\$289,586	\$289,586	\$315,912	\$315,912
Induced Jobs	3	3	3	3	3
Induced Income	\$110,898	\$110,898	\$110,898	\$120,980	\$120,980
Induced Output	\$345,922	\$345,922	\$345,922	\$377,369	\$377,369
Total Jobs	16	16	16	17	17
Total Income	\$549,824	\$549,824	\$549,824	\$599,808	\$599,808
Total Output	\$1,637,461	\$1,637,461	\$1,637,461	\$1,786,321	\$1,786,321

Source: Greater Sacramento Economic Council, Regional Project Assessment System, 2022.

## Example Revenue Impacts

GSEC conservatively estimates that an accelerated technology company and an incubated main street business would generate approximately \$47,000 in taxes to the City of Roseville by year five. The tax impacts assume the bare minimum of investment by both types of firms. It is likely the tax impact will be higher. Utility user taxes and other fees are not estimated.

Sales tax depends on local equipment purchases by the businesses and supported population. Sales tax is \$10,149 in year one due to large retail business equipment purchases in year one. Other sales tax impacts are due to ongoing equipment purchases by the tech firm and the supported population. Property tax depends on equipment purchases.

	1	2	3	4	5	Total
Total City Property Tax	\$3,662	\$4,005	\$4,320	\$4,739	\$5,065	\$21,791
Total City Sales Tax	\$10,149	\$3,052	\$3,454	\$3,897	\$4,300	\$24,852
Total Tax	\$13,811	\$7,057	\$7,774	\$8,636	\$9,365	\$46,643

Source: Greater Sacramento Economic Council, Regional Project Assessment System, 2022.