

New Mexico Certified Business Incubators

New Mexico's Certified Business Incubators help create, grow and retain New Mexico start-up businesses, create jobs and increase the tax base. The attached fact sheet indicates the success of the new companies working with New Mexico Business Incubators and the outstanding return on investment Business Incubation provides to the State.

We believe Business Incubation is important to New Mexico and should be strengthened:

- To help New Mexicans create new businesses that will remain in the State
- To expand the tax base and tax revenue to the State and to local governments
- To allow the Business Incubators to leverage other sources of funding
- To ensure that more technologies commercialized from our national labs, universities and colleges are developed in New Mexico and remain here
- To meet increased demand and need for entrepreneurial training, infrastructure and support programs the Business Incubators provide start-up firms
- To meet increasing demand by people whose jobs have been or will be eliminated or downsized
- To ensure that the certified Business Incubators in New Mexico continue to meet high standards and best practices
- To produce a guaranteed return on investment and proven economic impact across the State

New Mexico's economy grows by creating new sources of revenue. And new jobs are created not only by attracting businesses to the state, but by new businesses start-ups. New Mexico Business Incubators have proven, as have others across the country and around the globe, that helping local people grow businesses locally equals new jobs and increased taxes. The majority of companies started in business incubators remain in their communities and achieve long-term success.

The most significant facts, from an independent study of NM Certified Incubators for a 48 month period, are these: **The return on investment to the State of NM for every \$1 of support to the Incubators was \$57. Tax revenue from the certified New Mexico Business Incubator clients was \$52 million dollars for the period, exceeding \$13 million annually by 2011 and growing. Thousands of new jobs are being created.** The tax revenue and job creation will continue to grow as Incubators provide core programs to help new companies form and succeed.

TAX REVENUE, JOBS, and NEW BUSINESSES are at the top of the wish list for every State and region. Business Incubation works and provides an impressive return to the State and citizens of New Mexico with new revenue, well-paying jobs and career opportunities.

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New Mexico's Business Incubator Program

Statistics indicate that if every small business in the U.S. began in a business incubator the survival rate of these businesses would nearly double. According to the U.S. Small Business Administration only 44% of new small businesses survive (at least four years). Incubated businesses have a survival rate of 87%.

Recognizing the importance of small businesses to New Mexico's economic growth, the Legislature created the business incubator program in 2005. The legislation established criteria an organization and facility must meet in order to become a certified business incubator in New Mexico. The certification process and requirements provide "best practice" standards to insure the sustainability of the incubator. There are currently five active certified incubators in New Mexico:

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

During fiscal years 2007-2010 these five incubators received \$548,600 from the State. The return on this investment is significant. A 2011 economic impact study indicated a cost benefit ratio for this funding of **57 to 1, or \$57.49 for each \$1 of State funding**. Estimated tax revenues generated by incubator tenant and graduate businesses over the four-year period:

- To the State of New Mexico \$31,502,863
- To local taxing districts \$20,494,596
- **Total tax revenue** **\$51,997,459**

The economic impact of the tenants and graduates of the five incubators in one year, 2011, are shown in the table below. The study estimates that tax revenues generated by incubator tenants and graduates in 2011 totaled nearly \$13 million.

2011 Economic Impact	Tenants	Graduates	Total
Number of direct businesses operating during 2011 as a result of incubator activities	102	76	178
Total annual revenues generated by these businesses	\$48,906,260	\$95,333,763	\$144,240,022
Total jobs created and supported	1,143	1,514	2,657
Total annual salaries paid to workers	\$46,086,469	\$58,672,950	\$104,759,419
Property added to tax rolls	\$16,017,749	\$24,609,693	\$40,627,442
Annual taxable gross receipts generated on:			
Revenues of direct and indirect businesses	\$36,679,695	\$71,500,322	\$108,180,017
Taxable spending by direct and indirect workers	\$18,434,588	\$23,469,180	\$41,903,768
Taxable spending by businesses	\$4,279,859	\$19,444,600	\$23,724,459
Total gross receipts	\$59,394,141	\$114,414,102	\$173,808,243

WESST Enterprise Center, Albuquerque

The Enterprise Center opened in January 2009. It is a 37,000 square foot facility and can accommodate up to 20 light manufacturing, service, professional and technology businesses. The facility is well-equipped to accommodate a variety of business types, including a new state-of-the-art digital media center. Current tenants include small businesses in the technology, health care, and biotechnology industries. Between 2009 and 2011 Enterprise Center tenants created a combined total of 197 new jobs with a total payroll of \$12.7 million, generated \$23.4 million in revenues, and raised \$9.4 million in equity investments.

Santa Fe Business Incubator (SFBI)

Since opening in 1997 SFBI has tripled in size to a total of 30,000 square feet. The facility includes office, lab and light manufacturing space. To date SFBI has helped launch and grow over 70 companies, generating revenues exceeding \$100 million and more than 700 new direct jobs. Of the total number of companies served since 1997, over 80% of the graduates are still in business or have merged or been sold to existing companies. Current tenants represent industries as diverse as software development, life sciences and nanoelectronics manufacturing.

The Enterprise Center at San Juan College, Farmington

The San Juan College Enterprise Center was opened in December 1999 and has served over 50 companies and created over 200 jobs as a mixed-use full-service business incubator. In 2009 the Center expanded services by adding offices to the production bays in the west wing to further accommodate the needs of our clients. The Enterprise Center is one component of the Quality Center for Business (QCB), which also hosts Four Corners Economic Development, the SBDC, WESST, NMMEP, NWNM Council of Governments, and the SBDC procurement office, making the QCB a one-stop shop for businesses. Clients include software development, light manufacturing, professional services, and oil and gas industry services.

South Valley Economic Development Center (SVEDC)

In the seven years since the SVEDC opened its doors it has served 109 businesses, 32 of which have graduated into the community. More than 300 direct jobs have been created by these companies. In 2010 alone SVEDC clients generated nearly \$4 million in salaries and \$8.9 million in business activity in Bernalillo County. The focal point of the facility is the large commercial kitchen. The South Valley is a historically agricultural area and in 2011 over 200 potential entrepreneurs came to the Center to learn how to create a food-based business.

Arrowhead Technical Incubator (ATI), Las Cruces

Located on the campus of New Mexico State University, ATI offers a unique combination of services to technology-based companies. As an example, ATI has a formal partnership with the Department of Energy's National Nuclear Security Administration to advance creative technology for solutions in homeland security. Through its many partnerships and resources ATI provides technology validation, market intelligence, prototyping and many other services to its clients.

THE NATIONAL BUSINESS INCUBATION ASSOCIATION - FACTS ABOUT BUSINESS INCUBATION

What are business incubators?

Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. These programs provide their client companies with business support services and resources tailored to young firms. The most common goals of incubation is creating jobs, enhancing a community's entrepreneurial climate, retaining businesses in a community, building or accelerating business growth, and diversifying local economies.

How many business incubators are there?

As of October 2012, there were over 1,250 incubators in the United States, up from only 12 in 1980. NBIA estimates that there are about 7,000 business incubators worldwide. The incubation model has been adapted to meet a variety of needs, from fostering commercialization of university technologies to increasing employment in economically distressed communities to serving as an investment vehicle.

What are the different types of business incubators?

Incubation programs come in many shapes and sizes and serve a variety of communities and markets:

- Most North American business incubators (about 93 percent) are nonprofit organizations focused on economic development. About 7 percent of North American incubators are for-profit entities, usually set up to obtain returns on shareholders investments.
- 54 percent are "mixed-use," assisting a range of early-stage companies.
- 37 percent focus on technology businesses.
- About 6 percent focus on service businesses, serve niche markets or assist other types of businesses.
- 3 percent serve manufacturing firms exclusively.
- About 47 percent of business incubators operate in urban areas, 28 percent operate in rural areas and about 25 percent operate in suburban areas. (Source: *2012 State of the Business Incubation Industry*)

What makes a business incubator successful?

To lay the groundwork for a successful incubation program, incubator developers must first invest time and money in a feasibility study. An effective feasibility study will help determine whether the proposed project has a solid market, a sound financial base and strong community support – all critical factors in for success. Once established, model business incubation programs commit to industry best practices such as structuring for sustainability, recruiting and compensating management with company-growing skills, building an effective board of directors, and placing the greatest emphasis on client assistance.

How do incubators help start-ups get funding?

Incubators can help client companies secure capital in a number of ways:

- Connecting companies with angel investors (high-net-worth individual investors)
- Working with companies to perfect venture capital presentations and connecting them to venture capitalists
- Managing in-house and revolving loan and microloan funds
- Assisting companies in applying for loans

How do incubators contribute to local and regional economies?

Incubator graduates create jobs, revitalize neighborhoods and commercialize new technologies, thus strengthening local, regional and even national economies.

- NBIA estimates that in 2011 alone, North American incubators assisted about 49,000 start-up companies that provided full-time employment for nearly 200,000 workers and generated annual revenue of almost \$15 billion. (Source: *2012 State of the Business Incubation Industry*)
- Business incubators reduce the risk of small business failures. Historically, NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business. (Source: *Business Incubation Works*)

Why are business incubators worthy of government subsidies?

Government subsidies for well-managed business incubation programs represent strong investments in local and regional economies. Consider these returns:

- Research has shown that for every \$1 of estimated public operating subsidy provided the incubator, clients and graduates of NBIA member incubators generate approximately \$30 in local tax revenue alone. (Source: Extrapolated from data in *Business Incubation Works*)
- NBIA member incubators have reported that 84 percent of incubator graduates stay in their communities. (Source: *Business Incubation Works*)

Do business incubators that receive local funding and/or tax abatements compete unfairly with local landlords?

No. Business incubators actually contribute to the long-term viability of the local real estate market. Incubation programs graduate strong and self-supporting companies into their communities, where these companies build, purchase or rent space. Because incubated companies are more likely to succeed than non-incubated firms, landlords of incubator graduates face far less risk than they otherwise would. Also, while they're in the start-up phase, incubator client companies can obtain flexible space and leases that are more appropriate to their stage of growth than they could on the commercial market.

How do business incubators differ from research parks?

Research parks (sometimes called *science parks* or *technology parks*) are property-based ventures consisting of research and development facilities for technology- and science-based companies. Research parks often promote community economic development and technology transfer. They tend to be larger-scale projects than business incubators, often spanning many acres or miles. Research parks house everything from corporate, government, and university labs to big and small companies. Unlike business incubators, research parks do not offer comprehensive programs of business assistance. However, an important component of some research parks is a business incubator focused on early-stage companies.

How do business incubators differ from SBDCs?

The U.S. Small Business Administration administers the Small Business Development Center (SBDC) program to provide general business assistance to current and prospective small business owners. SBDCs (and similar programs) differ from business incubators in that they do not specifically target early-stage companies; they often serve small businesses at any stage of development. Some business incubators partner and share management with SBDCs to avoid duplicating business assistance services in a region. Business incubators also provide much needed infrastructure to help reduce a start-ups' expenses and provide flexibility for growth.

How do business incubators differ from co-working spaces?

Co-working spaces offer a gathering point for independent contractors and freelancers who want to eliminate the isolation of working from home or wish to collaborate with other freelancers. Some may also offer networking opportunities and basic technical assistance. While the primary value of co-working is the interaction with other professionals, the primary value of an incubation program is its mix of business assistance services specifically targeted to emerging companies. Those services generally extend well beyond networking and basic technical assistance. Many incubators incorporate co-working spaces and other flexible working space models.

Knopp, Linda. *2012 State of the Business Incubation Industry*. Athens, Ohio: NBIA Publications, 2007.

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