

Economic Impact Analysis

Clubsource

Santa Rosa, CA

**Economic Development and
Innovation Accelerator**



School of Business and Economics

Clubsource Economic Impacts on Santa Rosa, CA

Clubsource is a private community club developer that provides fitness, sports and wellness services housed in large commercial spaces. There is a proposal to build such a space at the old railroad building at West 3rd and West Streets in Santa Rosa, CA. The following is a summary of the economic impacts of the construction and operation of that facility, assuming the following:

- A construction project of \$25 million;
- 5,000 members (households) served within two years time; and
- Each member/household spends an average of \$150/month = \$9 million revenue annually.

The construction phase creates over 194 new jobs in Santa Rosa in an industry that is hurting for new job creation (construction), \$1.694 million in local and state taxes and \$34.8 million in new business revenue. For ongoing operations, over 232 new jobs are created in Santa Rosa, with annual increases in business revenues and new state and local taxes of \$13.7 million and \$917K respectively.

Construction Impacts

In the current economic environment, a \$25 million commercial project is a great boost for otherwise sagging industries. The following are the business revenue, employment and local and state tax effects of that construction project. In the case of business revenues and employment, the top ten industries affected are shown.

Employment: New Jobs (Construction), Full-Time Equivalent

Description	Direct	Indirect	Induced	Total
Construction	129.1	0.0	0.0	129.1
Architectural services	0.0	13.4	0.1	13.5
Restaurants and Bars	0.0	1.3	3.8	5.1
Wholesale trade businesses	0.0	3.6	1.4	5.0
Real estate establishments	0.0	1.5	1.8	3.2
Legal services	0.0	1.5	0.7	2.1
Grocery Stores	0.0	0.2	1.4	1.6
Medical Offices	0.0	0.0	1.6	1.6
Services to buildings and dwellings	0.0	0.9	0.5	1.4
Investment Banking	0.0	0.6	0.8	1.4
All Others	0.0	9.9	20.3	30.2
Total	129.1	32.9	32.2	194.2

New Business Revenues: Construction

Description	Direct	Indirect	Induced	Total
Construction	\$25,000,000	\$-	\$-	\$25,000,000
Architectural services	0	\$1,653,571	\$14,368	\$1,667,938
Wholesale trade businesses	\$-	\$841,094	\$317,756	\$1,158,850
Rental income for property owners	\$-	\$-	\$992,448	\$992,448
Real estate establishments	\$-	\$230,592	\$278,887	\$509,480
Restaurants and Bars	\$-	\$90,557	\$253,279	\$343,835
Legal services	\$-	\$202,718	\$91,538	\$294,257
Banks and Lenders	\$-	\$179,235	\$105,202	\$284,437
Investment Banks	\$-	\$103,285	\$144,395	\$247,681
Medical Offices	\$-	\$0	\$221,897	\$221,897
All Others	\$-	\$1,741,373	\$2,406,046	\$4,147,419
Total	\$25,000,000	\$5,042,425	\$4,825,817	\$34,868,242

Tax Impacts: Construction

Federal Taxes	Amount	State and Local Taxes	Amount
Employment Taxes	\$1,411,346	Employment Taxes	\$44,461
Corporate Income	77,339	Sales taxes	328,518
Personal Income	2,097,294	Property Tax: Commercial	261,721
Other Taxes and Fees	75,904	Property Tax: Residential	6,912
Total Federal Tax	\$3,661,883	Corporate Income	27,756
		Personal Income	689,432
		Other Taxes and Fees	335,438
		Total State and Local taxes	\$1,694,238

Operations Impacts

These impacts represent the jobs and income flows as a result of Clubsource's location in Santa Rosa operating at 5,000 members.

New Business Revenues: Annual Increase (Operations)

Description	Direct	Indirect	Induced	Total
Fitness and recreational sports centers	\$9,000,000	\$ 2,378	\$ 4,901	\$ 9,007,279
Real estate establishments	-	658,442	127,903	786,345
Rental Income for Property Owners	-	-	432,723	432,723
Wholesale trade businesses	-	76,765	145,256	222,022
Cable TV	-	156,870	15,366	172,236
Management Consulting	-	153,398	15,376	168,774
Restaurants and Bars	-	38,974	112,761	151,736
Accounting services	-	102,450	11,700	114,150
Legal services	-	65,991	40,927	106,919
Medical Offices	-	0	99,390	99,390
All Others	-	1,353,266	1,132,352	2,485,619
Total	\$9,000,000	\$2,608,535	\$2,138,656	\$13,747,192

Employment Impacts: New Jobs overall (Operations), Full-Time Equivalents

Description	Direct	Indirect	Induced	Total
Fitness and recreational sports centers	202.1	0.1	0.1	202.3
Real estate establishments	-	4.2	0.8	5.0
Restaurants and Bars	-	0.6	1.7	2.3
Services to buildings and dwellings	-	1.3	0.2	1.5
Dry-cleaning and laundry services	-	1.2	0.1	1.3
Wholesale trade businesses	-	0.3	0.6	1.0
Accounting services	-	0.8	0.1	0.9
Legal services	-	0.5	0.3	0.8
Medical Offices	-	0.0	0.7	0.7
Grocery Stores	-	0.0	0.6	0.6
All Others	-	6.6	9.0	15.7
Total	202.1	15.6	14.3	232.0

New Tax Receipts: Operations (Annual)

Federal Taxes	Amount	State and Local Taxes	Amount
Employment Taxes	\$723,416	Employment Taxes	\$24,814
Corporate Income	32,977	Sales taxes	226,609
Personal Income	911,261	Property Tax: Commercial	180,533
Other Taxes and Fees	52,358	Property Tax: Residential	3,004
Total Federal Tax	\$1,720,013	Corporate Income	11,836
		Personal Income	299,554
		Other Taxes and Fees	171,474
		Total State and Local taxes	\$917,822

Summary

In summary, the construction phase creates over 194 new jobs in Santa Rosa in industries seeking new job creation (construction), \$1.694 million in local and state taxes and \$34.8 million in new business revenue. For ongoing operations, over 232 new jobs are created in Santa Rosa, with annual increases in business revenues and new state and local taxes of \$13.7 million and \$917K respectively.



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The North Bay Economic Development and Innovation Accelerator (EDIA)

The School of Business and Economics at Sonoma State University has as its mission to act as the educational nucleus for economic vitality in the North Bay. In August 2010, we are launching an Economic Development and Innovation Accelerator (The Accelerator) to be located at the Sonoma Mountain Business Cluster. EDIA increases the velocity of a variety of economic development initiatives focused on job creation and business growth. It will be part of the iHub initiative coming to the North Bay.

Vision

The EDIA will be the North Bay's "action tank" for launching new business, growing existing businesses, and creating jobs.

Mission

Accelerate innovation and economic development for California's North Bay region.

The Concept

An economic accelerator boosts existing and successful economic development efforts through collaboration, alignment of efforts, new activity creation to complete the value chain for regional economic development. The iHub, the center of innovation for the North Bay region, acts as the umbrella organization for multiple tasks concerning business and job growth from technology. EDIA provides clients and services for the iHub, as well as support and educational services.

EDIA Core Activities Summary

- **Ideation and innovation:** facilitating new businesses in the North Bay toward commercialization
- **Access to financial resources:** linking equity and debt financing with new and growing firms
- **Education and Mentoring:** providing business planning support to new and growing firms
- **Regional Economic and Business Data:** become a one-stop shop through a website for economic and business information and networking for the North Bay counties.