



# Caldwell Innovation Hub Feasibility Study

October, 2024

Presented by



**POINTS**  
CONSULTING



# Table of Contents

- Project Background
- Downtown Caldwell Opportunity
- Socioeconomic Factors
- Real Estate Factors
- Incubator Development Options
- Best Practices
- Suggested Organizational Plan
- Pro Forma (Estimated Revenue & Expenses)
- Potential Funding Partnerships
- Appendix A: Detailed Data
- Appendix B: Peer Facilities Examples

# Project Background

In partnership with the City of Caldwell, Points Consulting (PC) conducted a market demand study for proposed Innovation Hub services. We set out to address two primary questions:

1. Is the demand for services high enough to warrant ongoing city costs and effort to pursue the concept?
2. If the city pursues the concept, what are some specific recommendations to increase the likelihood of incubator success?



# Project Timeline



# What is a Business Incubator?

- A business incubator is an economic development tool designed to give entrepreneurial ventures a boost.
- Incubators provide space, networking, and professional development tools ***below market rate prices*** with the hope that these businesses will create a bigger impact on the community down the road
- Through providing a variety resources and services to fledgling companies, they help these firms become ***financially successful and stable***.
- Essential that businesses ***“graduate” and leave the incubator***.
- Outside of tech meccas (San Francisco, Austin, etc.) ***most incubators are subsidized by cities, economic development groups, or universities***

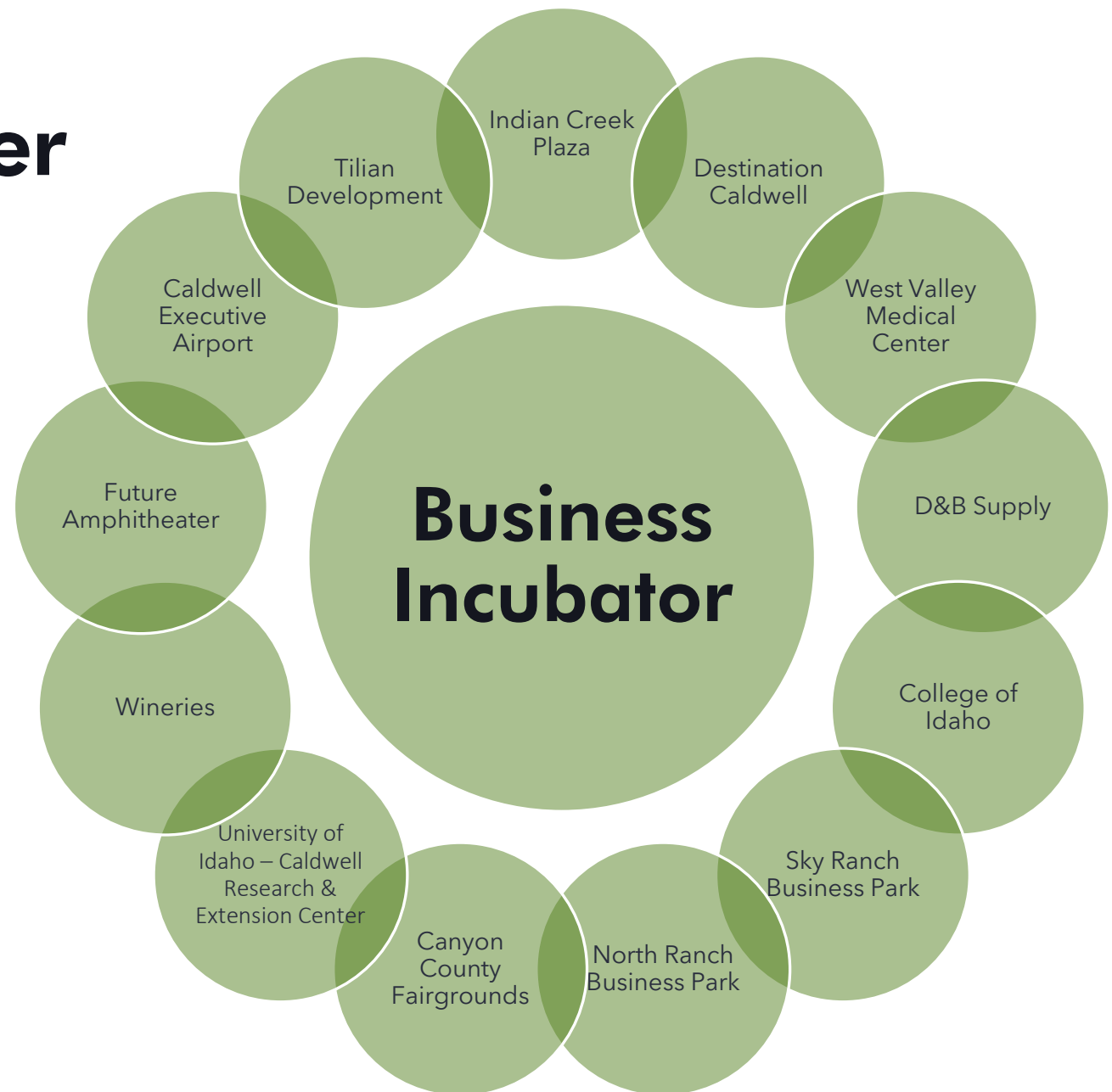
*Incubators usually have focus industries*, which helps participating businesses build on each others' experience, network, and knowledge. Most commonly:

- Manufacturing
- Mixed Use (no primary emphasis)
- Technology
- Service (e.g. graphic designers, financial planners, internet-based companies)



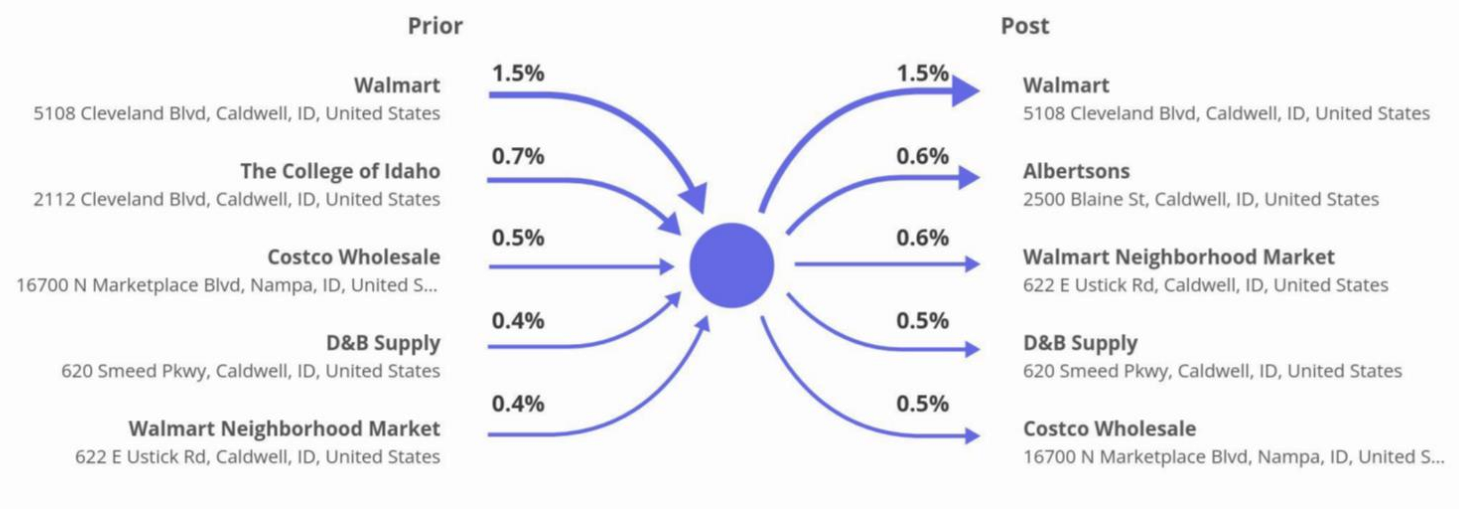
# Caldwell Asset Cluster

- A business incubator is designed to *compliment* existing strengths
- Create *net-new* economic opportunities
- Without conflicting with private sector opportunities.
- An incubator facility should be placed *in proximity* to these assets but not necessarily directly in the highly priced downtown corridor.



# Downtown Caldwell Activity

Figure 1: Downtown Caldwell, Annual Visitors



- Visitation to downtown Caldwell has increased dramatically in past four years
- The "prior" and "post" traffic indicates that *downtown is seen a part of a chain of anchor assets*, that could circulate potential users near a properly placed incubator.

# Potential Partnerships

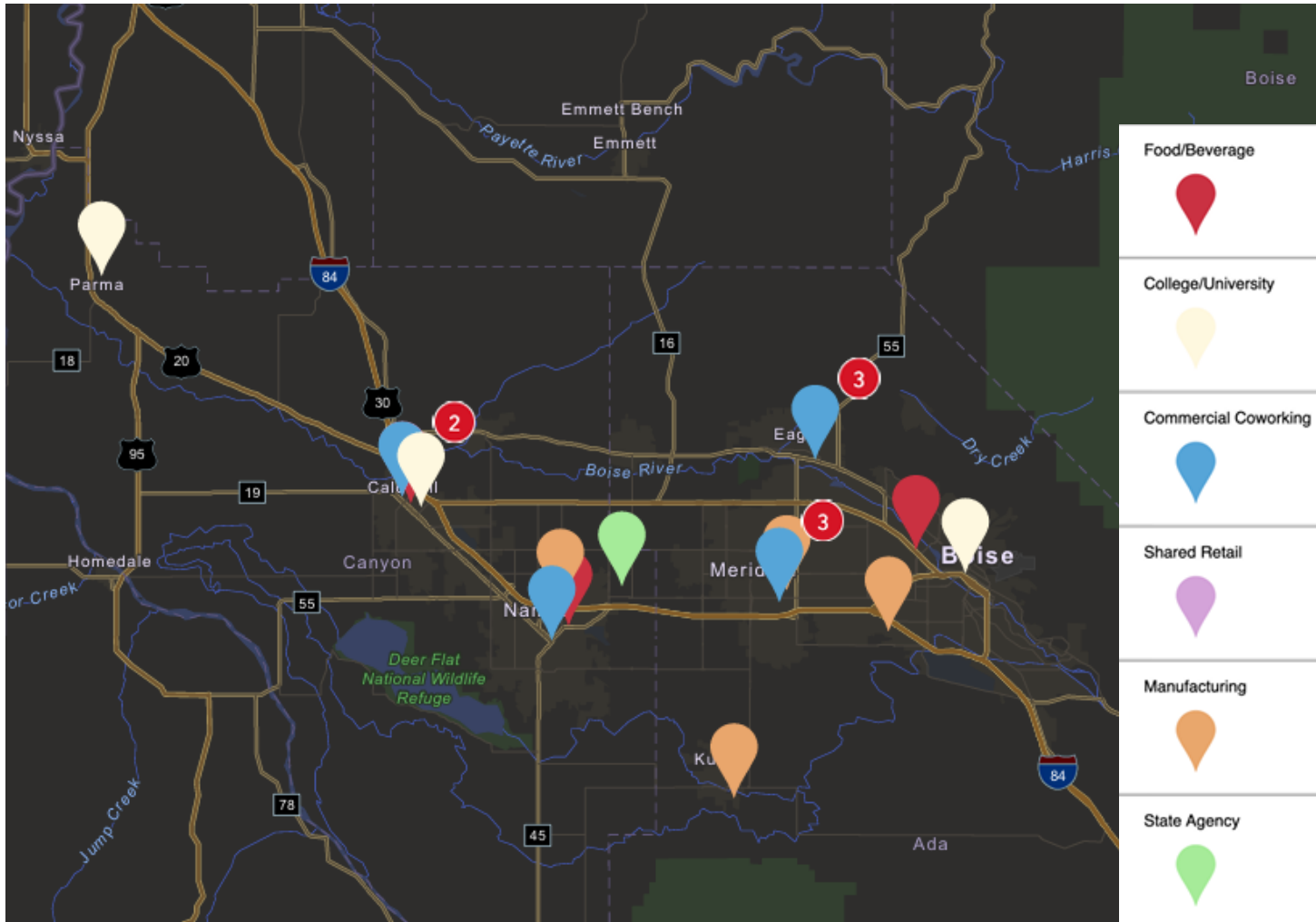
Best practices indicate that high performing incubators have partners, particularly in higher education; some local options for partnership in Caldwell include:

- College of Idaho, Business Department
- University of Idaho (Caldwell Research & Extension Center)
- College of Western Idaho





# Existing Incubator/Accelerator Facilities



- Important to verify that the Incubator would not be oversaturating the market with similar facilities.
- Some presence of small business assistance type facilities but no true “incubators”
- Nampa’s “Business Accelerator” is primarily a SBDC outlet, which are helpful for basic administrative assistance (like setting up an LLC) but it is not a full-fledged incubator
- The lack of facilities in the western Treasure Valley could mean a wider radius for users (including Caldwell, Nampa, Parma, Emmett and western Meridian)

# Pathways for Incubator

## No Go

- If deemed too expensive or unsustainable

## Small Incubator

- If City wants to make an impact but not invest too much
- Consider already owned city land that is being under-utilized

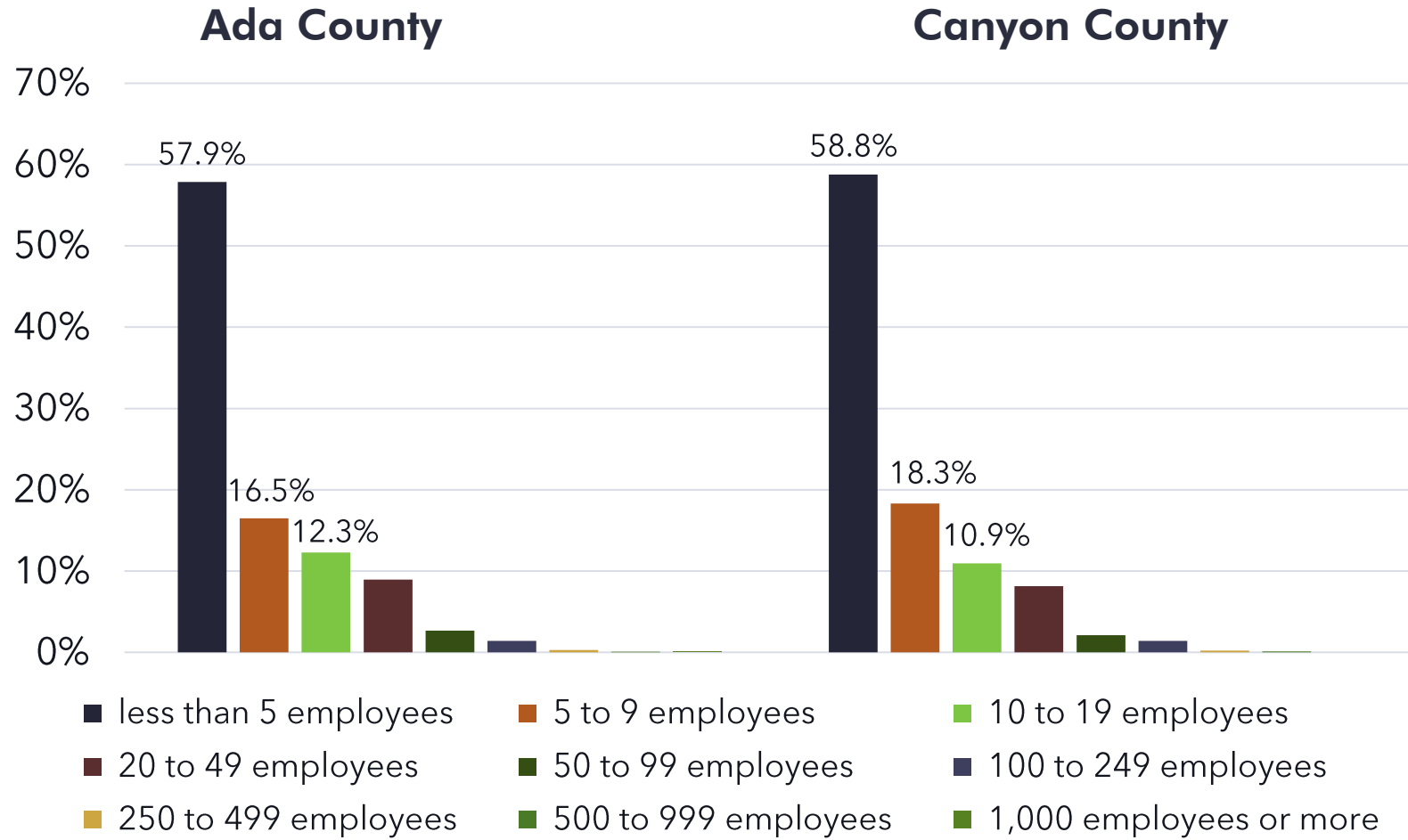
## Big Incubator

- If City wants a big impact
- Will require significant external grant funding
- Big commitments with higher education institutions

# **Socioeconomic Factors**

# Business Size Distributions

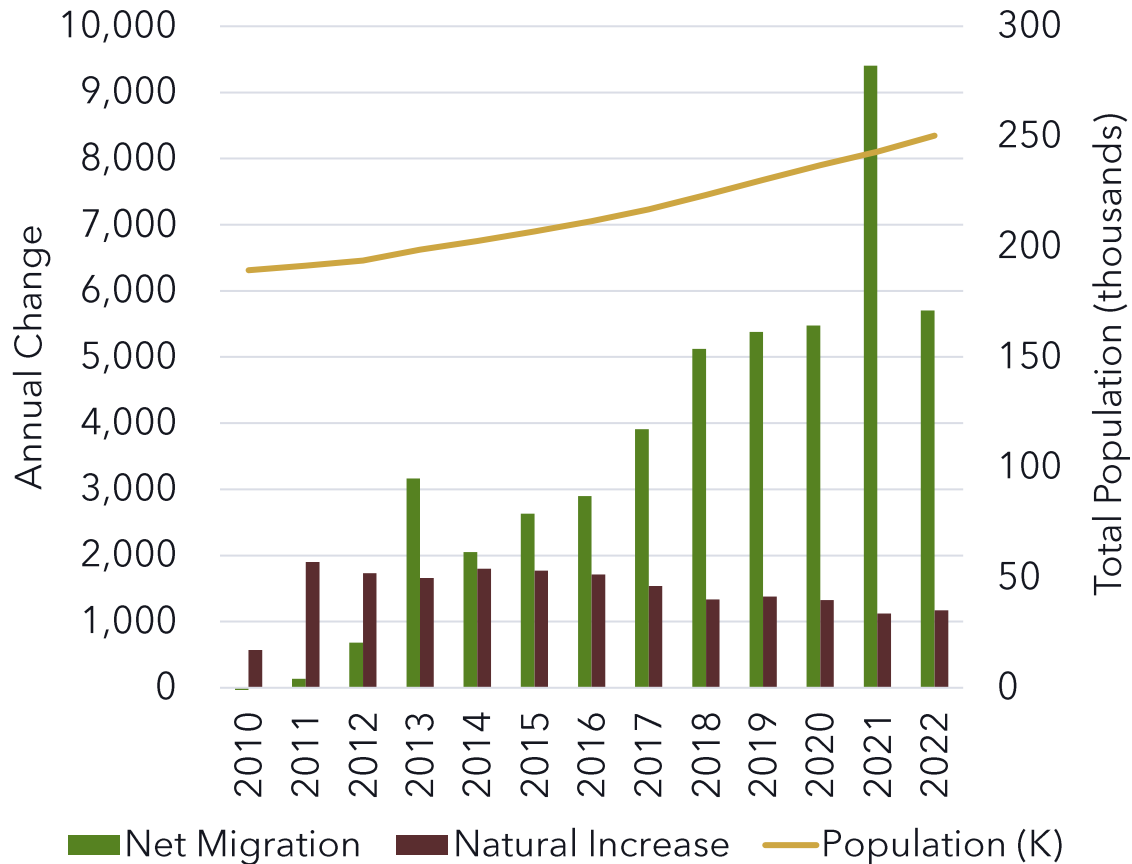
Figure 2: Business Distributions by Establishments



- Traditional economic development focuses on “big” companies, but small businesses are the core focus of business incubators
- The vast majority of local businesses are small to very small:
  - 88% of Canyon County businesses have 20 employees or less (87% in Ada County)
  - Six out of ten have five employees or less (in both Counties)

# Population Trends

**Figure 3: Sources of Growth: Canyon County Idaho**

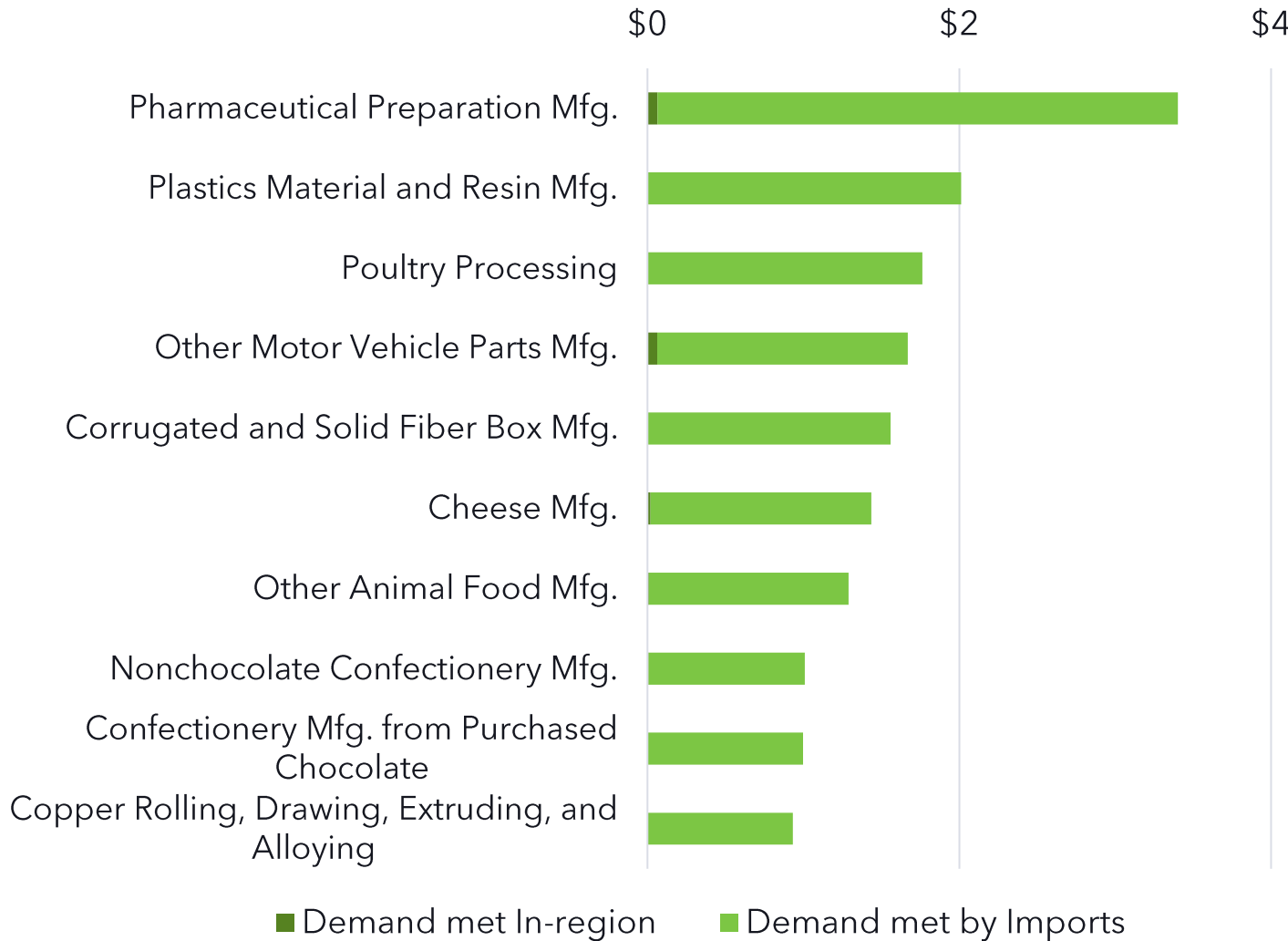


- Canyon County *49<sup>th</sup> fastest growing County in the USA* over past 3 years
- City of Caldwell in *99<sup>th</sup> percentile* of US cities for growth (2020 to 2023)
- Population of Caldwell is *9 years younger than US average* and 8 years younger than Boise
- Those coming in *bring higher income than historic residents*, and way more than those leaving. For 2021\*
  - Remaining households: \$62.8K
  - Incoming households: \$64.8K
  - Incoming from different state: \$73.7k
  - Outgoing households: \$49.9K

\*Source: IRS SOI Tax Stats, Incoming and Outgoing, 2020-2021

# Local Unmet Economic Opportunities: Manufacturing

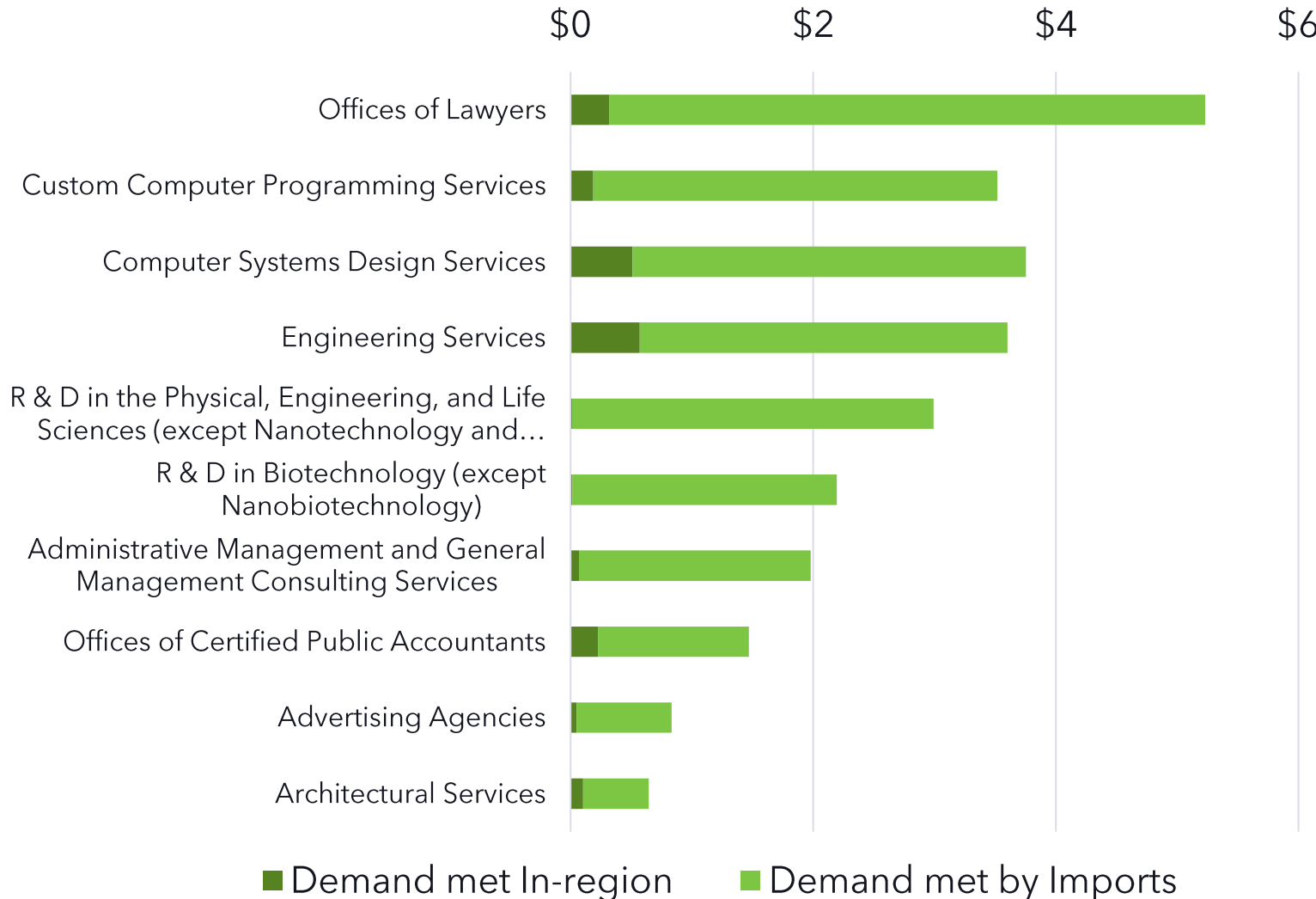
Figure 4: Manufacturing Supply Chain Gaps (X 10M)



- Identifying Supply Chain Leakages helps analyze which industries in Canyon County are being bought in large quantities, but not produced in the region
- For example, Cheese Manufacturing demand in the region is a \$14.1M industry
  - Only \$200K of that demand is produced and sold in Caldwell
- These are industries that an incubator could capitalize on

# Local Unmet Economic Opportunities: Services

**Figure 5: Professional Services Supply Chain Gaps (X 10M)**



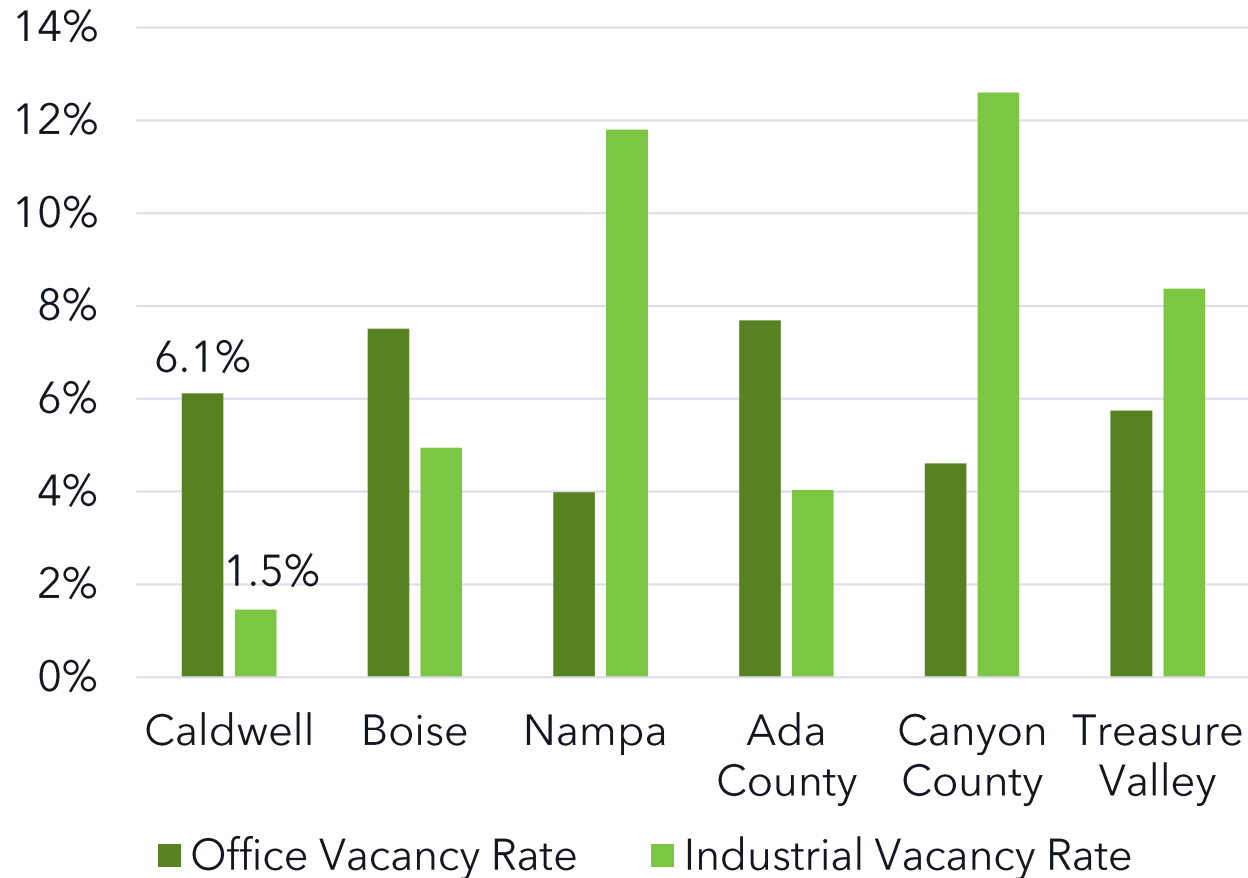
- On the Commercial side, computer services are in high demand, but there is little local competition driving the market
- Research & Development and Engineering are also large markets
  - These could be aided by potential partnerships with local universities
- Offices for lawyers, engineers, and accountants could all be viable uses of the incubator space as well

# **Commercial & Industrial Real Estate Factors**



# Local Vacancy Rates

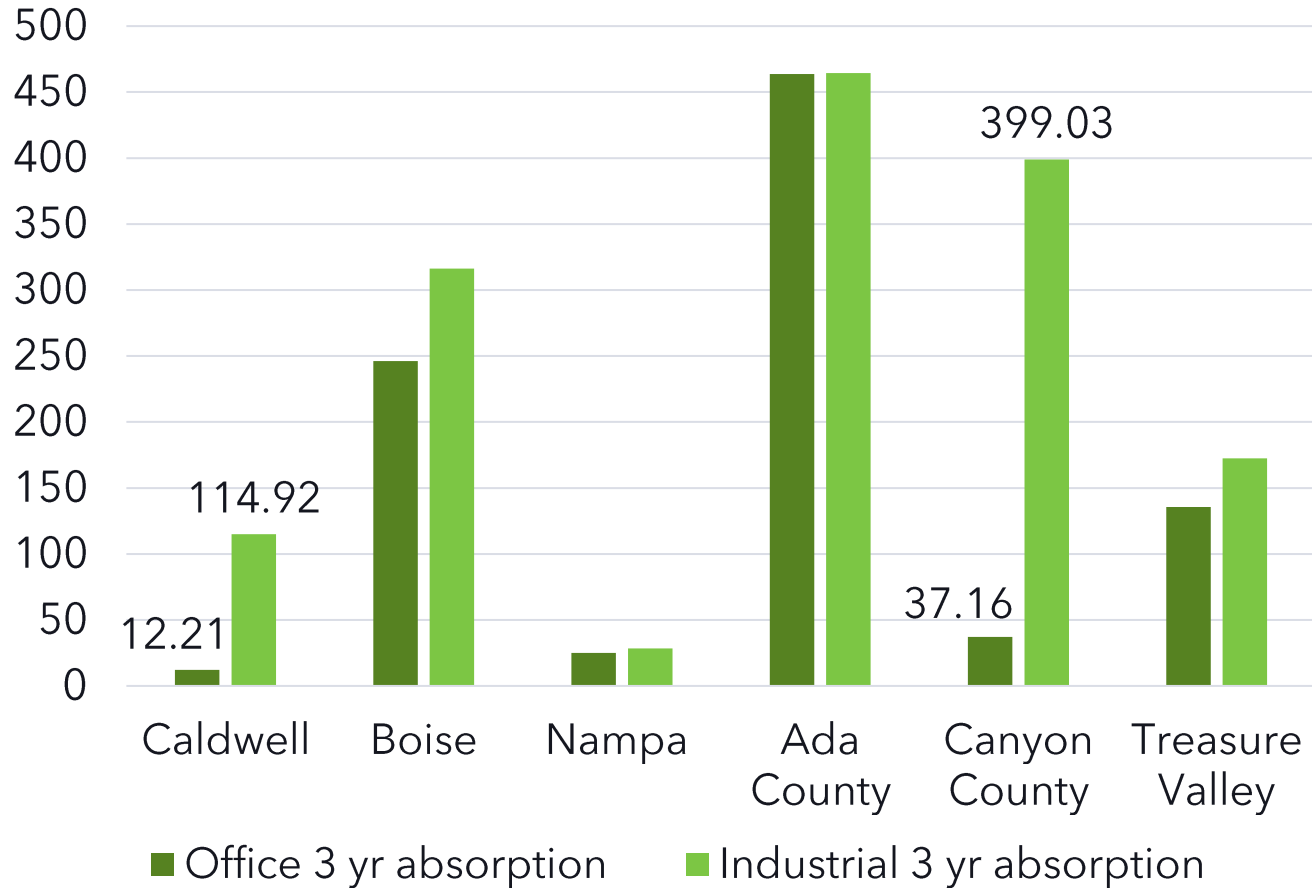
**Figure 6: Vacancy Rates in the Treasure Valley, April 2024**



- Large industrial buildings recently developed in Nampa, likely the cause of Canyon County's industrial vacancy
- Caldwell has little industrial vacancy and moderate commercial vacancy
- TOK indicates that the Caldwell market has virtually no vacancy for spaces less than 1,500 SF and plenty of spaces that are larger
- Many commercial and industrial clients still prefer the "core" of Boise and Meridian
- Similarities between Caldwell and East Boise, which are both considered the "periphery" by the market.

# Local Absorption Rates

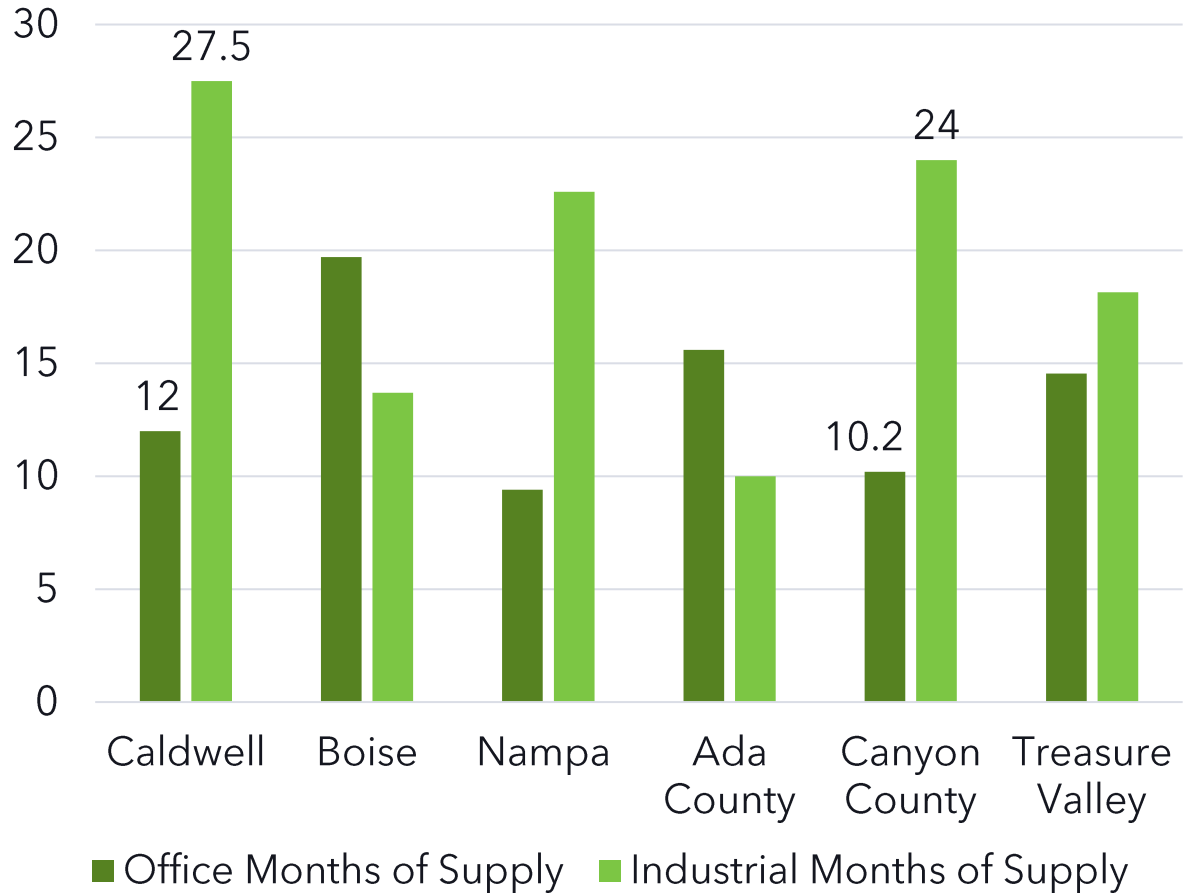
Figure 7: Absorption Rates in the Treasure Valley (X 10,000 SF)



- Rate at which real estate is sold over three years, in terms of square footage
- Ada County has high demand for commercial and industrial spaces
- Canyon County, to this point, has little demand for commercial spaces
  - Again, this is likely skewed by the large vs. small building issue mentioned previously

# Local Months of Supply

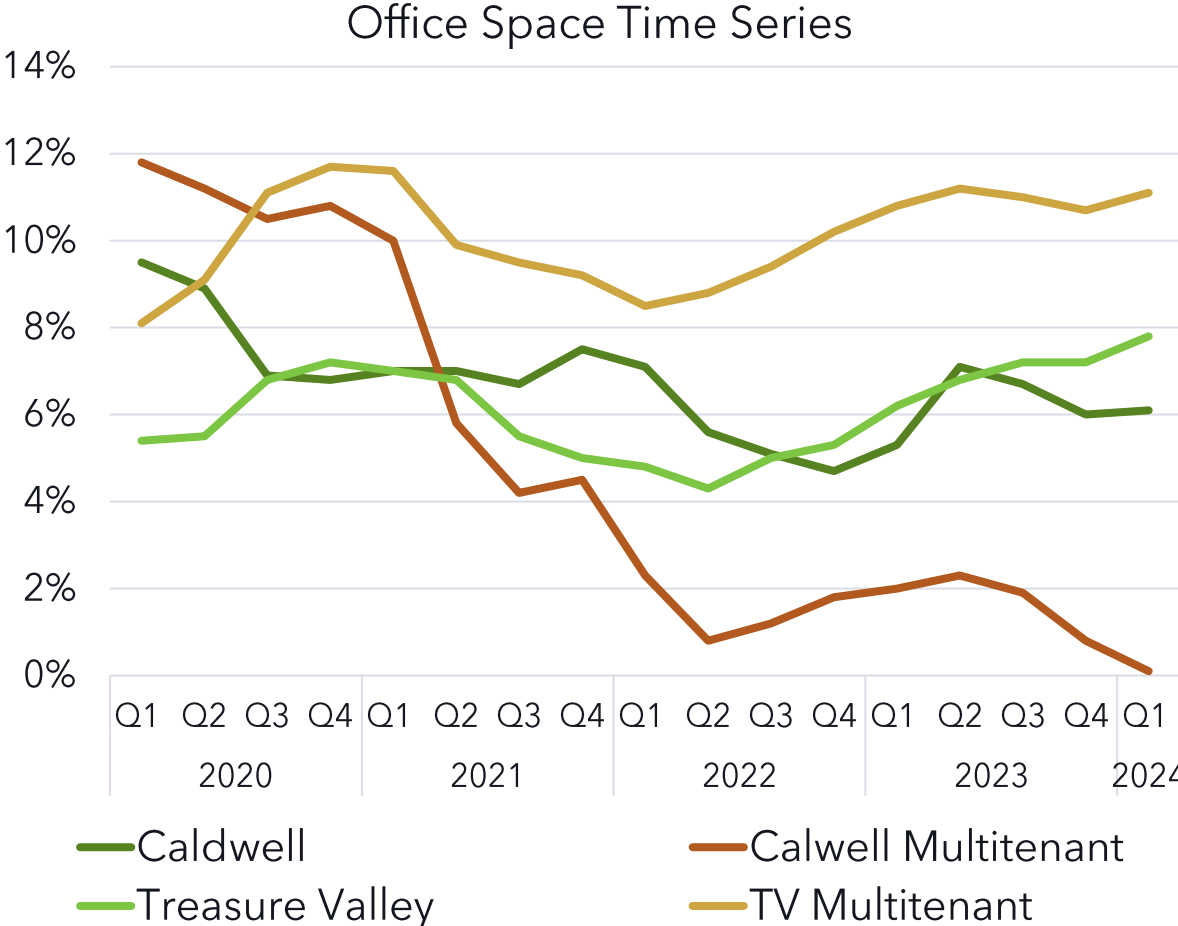
**Figure 8: Months of Supply in the Treasure Valley**



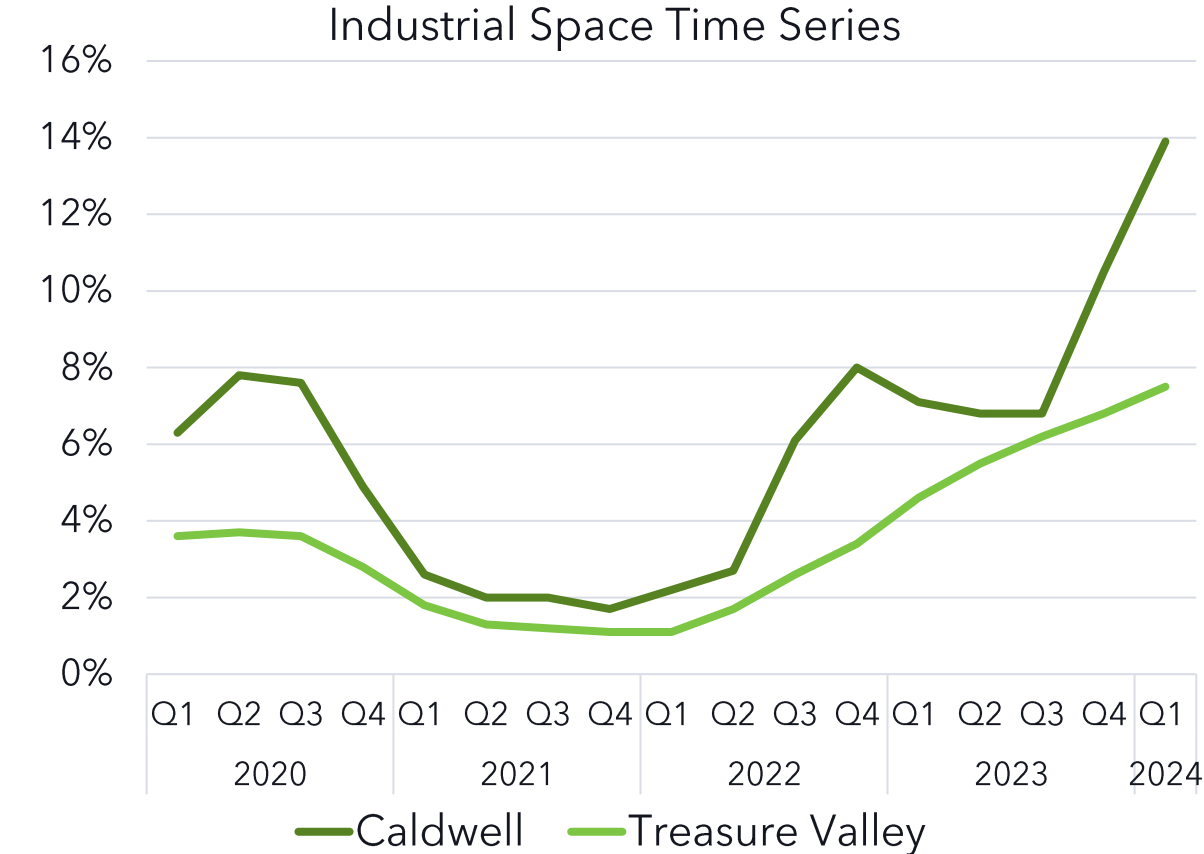
- Months of supply if no new construction took place
- Caldwell currently has below average inventory of commercial and above average inventory of industrial.
- Note that small markets, like Caldwell, can swing rapidly in a short period of time due to an overall small number of properties

# Office & Industrial Vacancy Rate: 2020-2024

**Figure 9: Office Vacancy Over Time in the Treasure Valley**

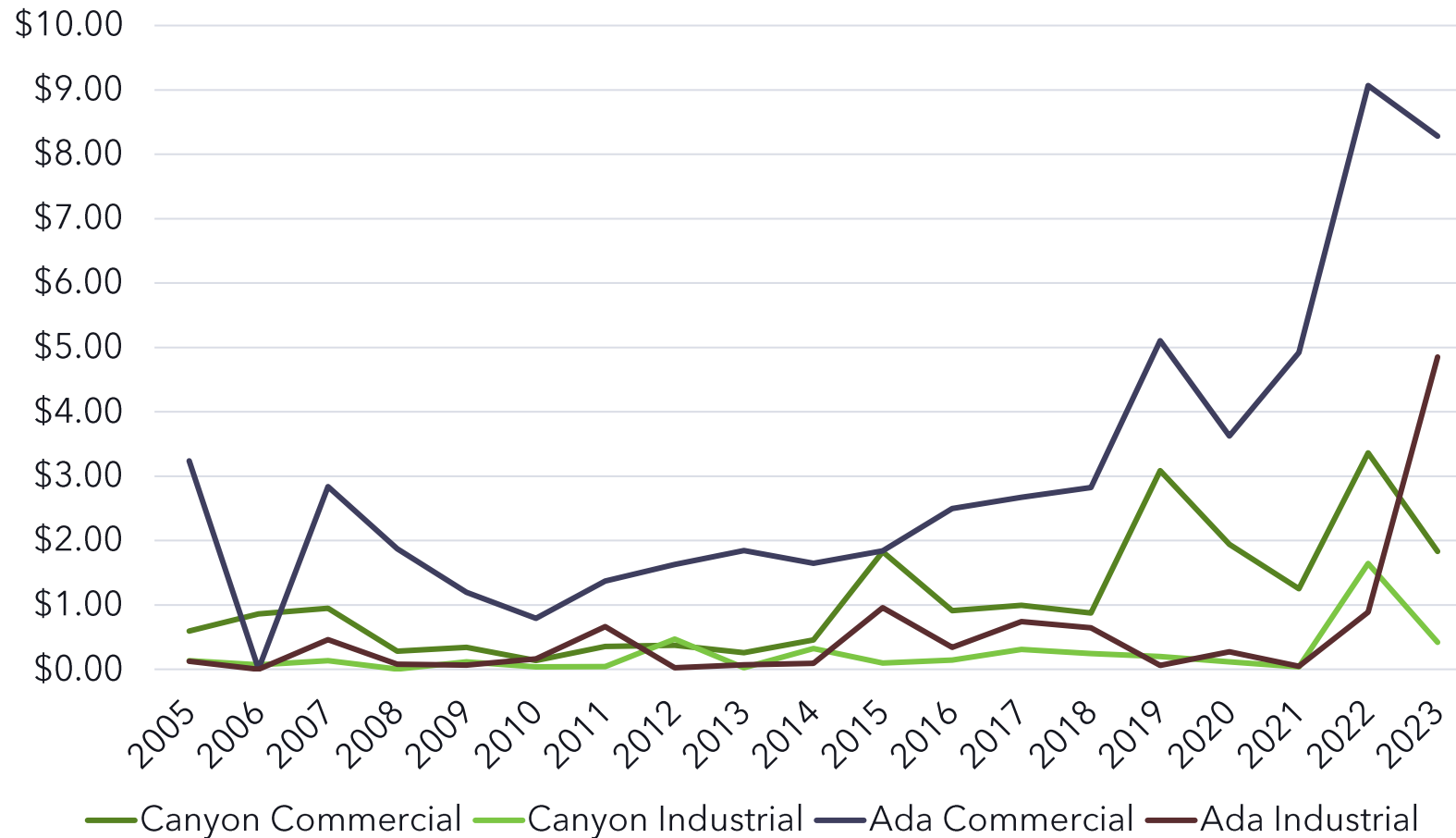


**Figure 10: Industrial Vacancy Over Time in the Treasure Valley**



# Permit Values: 2005-2023

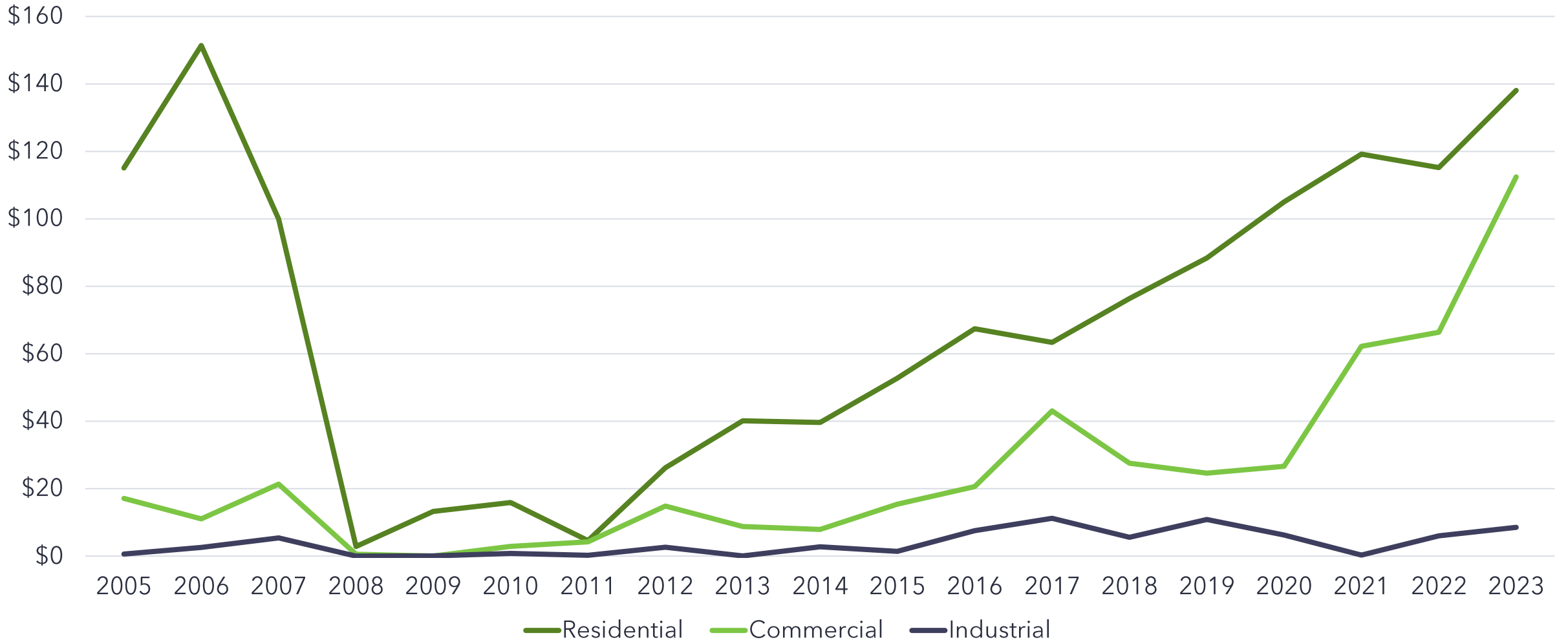
Figure 11: Permit Values in the Treasure Valley, 2022 (X 100M)



- Ada County still dwarfs Canyon County in activity, but Canyon Commercial is slowly closing the gap
- Gap between Commercial and Industrial is smaller in Canyon than in Ada
- Unlike many regions, *Commercial in both Ada and Canyon remained healthy in post COVID era*

# Caldwell Permit Values: 2005-2023

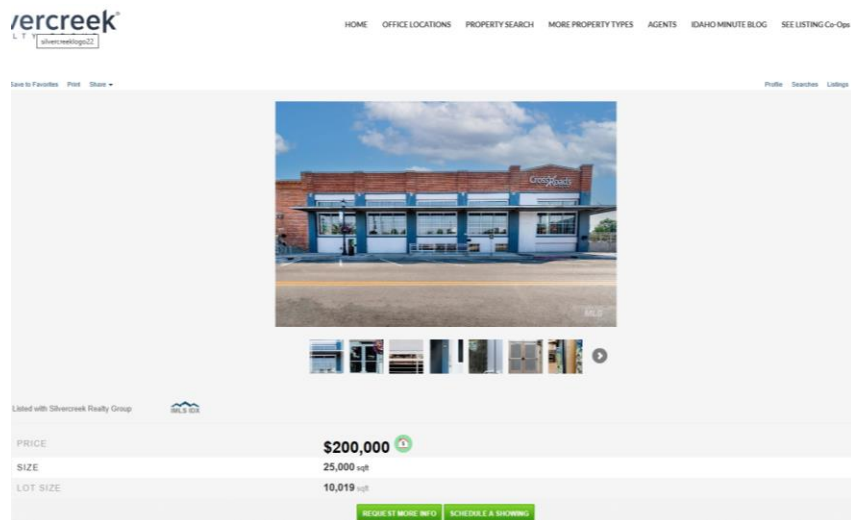
Figure 12: Permit Values in the Caldwell, 2022 (X 1M)



# Incubator Development Options

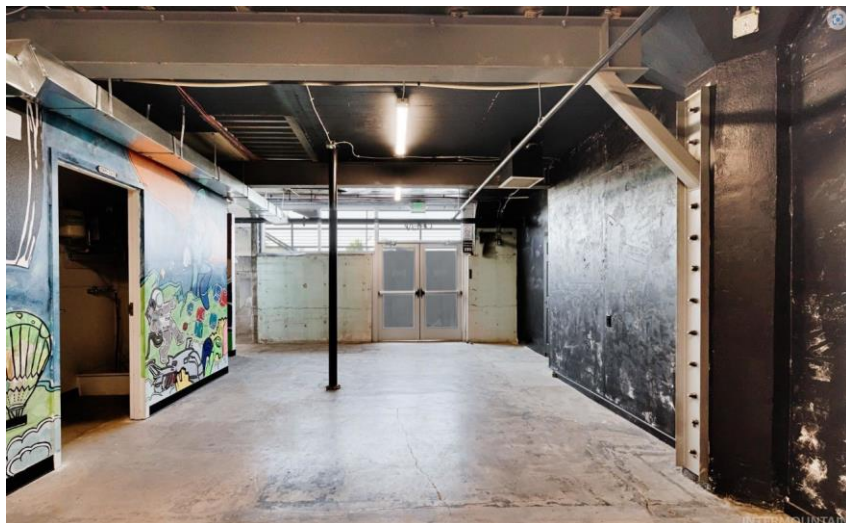
- Market factors and best practices indicate that there are three different development options for the Business Incubator. None of these options are associated with a precise building but comparative examples are provided, for context.
- The performance analysis and pro forma indicate the expected costs and revenues associated with each building option:
  - Large: roughly 20K square feet (SF)
  - Medium: ~12K SF
  - Small: ~5K SF





# “Large” Building Comparative Example: 525 Main St.

- 525 Main Street, Caldwell, ID
- \$200,000 Price
- 0.23 Acres
- 25,000 Sq. Feet
- For lease: \$8.00 Price per Sq. Foot
- In excellent condition in the city center
- Will require some renovation to adapt for a new use (was previously a church)





< back to search

**312 W. Simplot Boulevard**  
Caldwell, ID 83605

**\$13,000**  
/Sq. Ft.

Overview

Documents

Photos

Map



View Lease Information

Property Flyer

View Video

**Kevin Phillips, SDR**  
Brokerage Services, Partner  
208.409.4307  
kphillips@tokcommercial.com

**Sean Edwards**  
Brokerage Services  
208.412.7762 208.579.2304  
sean@tokcommercial.com

**Michael Ballantyne, SDR, CCM**  
Brokerage Services | Managing Par  
208.947.0833  
mballantyne@tokcommercial.com

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# “Medium” Building Comparative Example: 312 Simplot Blvd.

- 312 Simplot Boulevard, Caldwell
- 10-12K Sq. Feet per building, (20,000 Sq. Feet overall)
- For lease: \$7.20 per Sq. Foot
- Light Industrial
- Convenient access to highway 84
- 7 individual buildings (could be leased separately or all together)



< back to search

**901 Main**  
901 Main Street | Caldwell, ID 83605

**\$2,076.00 - 2,924.03 per month (NNN; Full Service)**

Lease Rate

Overview Spaces Documents Photos Map



Property Fyler

**Brianna Miller, CCIM, CLS**  
Brokerage Services  
202.765.8772  
@briannamiller@toxcommercial.com

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Request More Info

NAME

EMAIL ADDRESS\*

PHONE



# “Small” Building Comparative Example: 901 Main Street

- 901 Main Street, Caldwell
- \$115,728 Price
- 4,822 Sq. Feet
- For lease: \$24.00 Price per Sq. Foot
- Excellent condition
- Downtown Caldwell

# Building Acquisition & Development Estimates

## Large

~\$9,685,000

### Building

• \$3,526,250

### Land Costs

• \$1,898,750

### Soft Costs

• \$1,085,000

### Renovation Costs

• \$1,050,000

### Furniture, Fixtures, & Equipment

• \$2,125,000

## Medium

~\$4,648,800

### Building

• \$2,213,400

### Land Costs

• \$390,600

### Soft Costs

• \$520,800

### Renovation Costs

• \$504,000

### Furniture, Fixtures, & Equipment

• \$1,020,000

## Small

~\$2,324,400

### Building

• \$1,106,700

### Land Costs

• \$195,300

### Soft Costs

• \$260,400

### Renovation Costs

• \$252,000

### Furniture, Fixtures, & Equipment

• \$510,000

- All estimates are approximate and based on either closed transactions or properties on the market right now.
- Costs would be considerably lower using a property already owned by the City of Caldwell
- Cost of raw land in Caldwell is rapidly increasing, so PC recommends avoiding competing in the open market for land

# Building Cost Comparison

Figure 13: Anticipated Building Costs by Size

	Approx. Building Square Footage	Estimated "All In" Cost	Est. Monthly Commercial Loan (CRE)
Large Building	25,000	\$9,685,000	\$7,669
Medium Building	12,000	\$4,684,800	\$3,681
Small Building	6,000	\$2,324,400	\$1,840

Large



Medium



Small



# Best Practices: Management

What management practices do top performing incubators emphasize the most?

1. Written mission statement and articulated goals that are understood
2. Careful client selection (cultural fit & potential for success, reviews clients needs at entry)
3. Willingness to showcase clients within the community



# Best Practices: Important Goals

Do top performing incubators tend to prioritize certain goals?



Yes! Top performing incubators in this study tended to prioritize two goals over all others:

1. Job creation
2. Fostering an entrepreneurial climate

Not emphasized as much: Diversifying local economy, building or accelerating new industries, attracting or retaining businesses to the region, encouraging diversity, revitalizing neighborhood

# Best Practices: Offerings

Services that have been shown to positively affect incubator participant performance:

1. Entrepreneurial training
2. Increasing access to capital
3. Strong supportive relations with local higher-ed institutions
4. Production assistance (with manufacturing type businesses)
5. Strong mentor programs



# Best Practices: Other Patterns and Trends

Incubators generally thrive best when:

1. When either urbanization (overall concentration of economic activity) and localization (concentration of same-industry firms) in incubator region is low or when both urbanization and localization are high
2. When both incubator revenues and expenditures are larger.
3. When incubators collect data to track client and graduate firm revenues and employment, graduation & survival rates, and success metrics of specific programs and services.





# Best Practices: Things to Consider

Things that generally *aren't* strong predictors of success:

1. Size of the incubator facility. Studies show programming and management matters far more.
2. Measures of the growth or size of a host region's economy
3. Measures of a region's capacity to support entrepreneurship (though urbanization, workforce skills, availability of locally controlled capital and higher-ed attainment were moderately predictive)



# Organizational Structure

- The incubator could fold under the City of Caldwell's economic development office (incorporated model), or be a separate entity (detached model)
- The incubator will require between 1 and 4 staff to operate (see slide 36)
- Will also require volunteers to teach and mentor (the more the better)
- Chief ongoing expenses would be payroll, utilities, building maintenance, and advertising



# Building Policies & Supervision

- Regardless of building size, some new staff required to supervise the space and maintain use policies
- The larger the building, the more staff will be needed
- Hours: Mon-Fri 8am-6pm, Sat-Sun 9am-8pm
- Security cameras on outside and inside of facility required
- If possible, could provide key card RFID access to paying tenants (but not coworking tenants)
- Will also need to supervise “special events” on certain evenings and weekends
- Could provide basic beverage and refreshment services for paying members (added cost but good for facilitating networking)

# Staffing Plan

## Small Building

1.75 FTEs (full-time equivalents); \$113K in loaded payroll (i.e. including benefits)



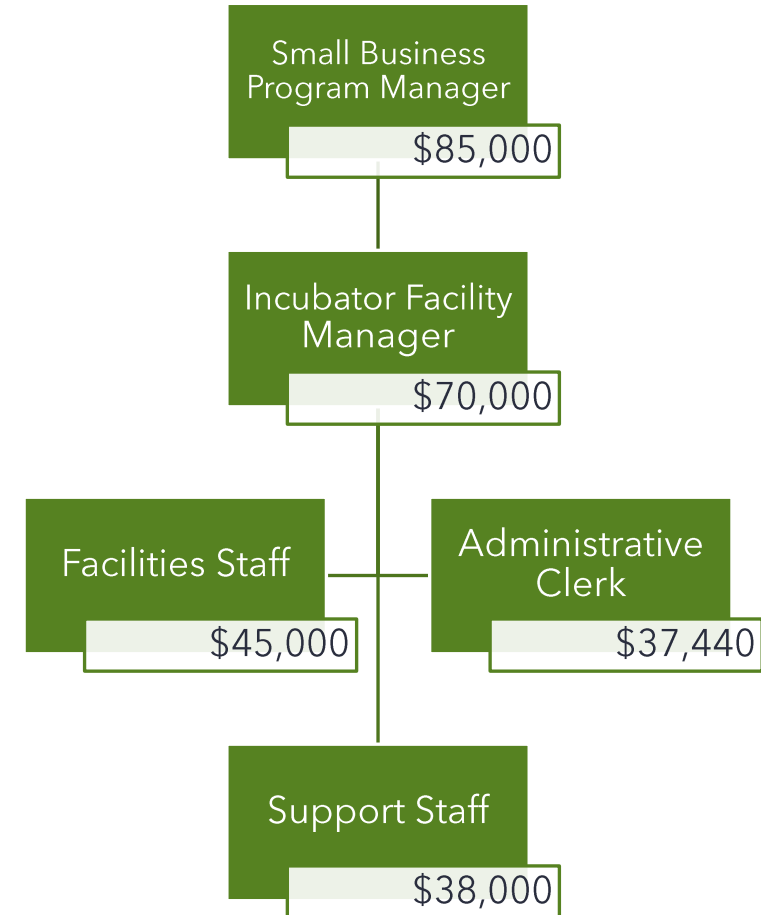
## Medium Building

3 FTEs; \$168K in loaded payroll



## Large Building

4.75 FTEs; \$266K in loaded payroll



# Earned Revenue Assumptions

**Table 1: Revenue Projections**

<b>INCOME</b>	<b>Small Building</b>	<b>Medium Building</b>	<b>Large Building</b>	<b>Notes</b>
Large Commercial Office Rental	\$27,000	\$54,000	\$99,000	Based on \$6/SF pricing; 3 to 11 offices of ~1,500 SF
Single Private Offices	\$1,350	\$2,430	\$4,050	Based on \$270/month, 5 to 15 single spaces of ~60 SF
Coworking and hotdesk rentals	\$551	\$1,653	\$4,133	Based on \$190/month, 2 to 15 open space desks occupying ~30 SF/person
Event/Conference Room Rentals	\$0	\$2,640	\$17,040	Conference room space and availability scaled based on building size; larger facility has 1200 SF rental venue for parties/events
Classes & Programming	\$0	\$0	\$0	None, but currently preserving in case City of Caldwell has interest in exploring this
<b>Earned Income</b>	<b>\$28,901</b>	<b>\$60,723</b>	<b>\$124,223</b>	

# Pro Forma: All Revenue

- Includes previous revenue assumptions with:
  - Corporate Sponsorships of building spaces, events, etc.
  - Federal/State Grant Support from EDA, USDA, Idaho Commerce, etc.
  - City of Caldwell Funding
    - Estimated, would need to be negotiated with City

INCOME	Small Building	Medium Building	Large Building
Large Commercial Office Rental	\$27,000	\$54,000	\$99,000
Single Private Offices	\$1,350	\$2,430	\$4,050
Coworking and hot-desk rentals	\$551	\$1,653	\$4,133
Event/Conference Room Rentals	\$0	\$2,640	\$17,040
Classes & Programming	\$0	\$0	\$0
<i>Earned Income</i>	<b>\$28,901</b>	<b>\$60,723</b>	<b>\$124,223</b>
Corporate or Foundation Sponsorships	\$5,000	\$8,000	\$20,000
Federal/State Grant Support	\$200,000	\$200,000	\$300,000
City of Caldwell Funding	\$10,000	\$15,000	\$30,000
<i>Un-Earned Income</i>	<b>\$215,000</b>	<b>\$223,000</b>	<b>\$350,000</b>
<b>TOTAL INCOME</b>	<b>\$243,901</b>	<b>\$283,723</b>	<b>\$474,223</b>

# Pro Forma: Expenses

- Employee needs are scaled to the need of building size.
- Utilities are based on Idaho utilities costs.
- Administration and operation expenses are based off industry averages.

EXPENSES	Small Building	Medium Building	Large Building
Employees (full and part time)	\$113,080	\$168,000	\$266,080
Fringe Benefits	\$44,831	\$66,604	\$105,488
Payroll Taxes	\$8,700	\$12,900	\$20,400
<i>Total Personnel Expenses</i>	<i>\$166,611</i>	<i>\$247,504</i>	<i>\$391,968</i>
Property Taxes			\$0
<i>Total Property Tax</i>			<i>\$0</i>
Utilities	\$3,600	\$7,200	\$14,400
Facility Care/Maintenance	\$9,600	\$19,200	\$40,000
Event Hosting	\$1,600	\$6,400	\$12,800
Marketing/Advertising/Website	\$7,500	\$7,500	\$7,500
Cable/Internet/Phone/Security	\$5,000	\$6,000	\$7,500
Other Software Subscriptions	\$4,200	\$4,200	\$4,200
Insurance	\$3,600	\$3,600	\$3,600
Supplies/Misc. Equipment/ Office Expense	\$2,500	\$2,500	\$2,500
Travel and Entertainment	\$2,000	\$2,000	\$3,500
<i>Total Admin/Op Expenses</i>	<i>\$39,600</i>	<i>\$58,600</i>	<i>\$96,000</i>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$206,211</b>	<b>\$306,104</b>	<b>\$487,968</b>

# Pro Forma: Profit & Cash Flow

- Earnings Before Interest, Taxes, Depreciations, and Amortization (EBITDA)
- Loan Terms:
  - 25-year, 7%, \$4.3MM, 20% D/E
- Depreciation accounts for the decrease in value of new/existing construction over 40 years
- Cash flow removes depreciation from Net Profit, but adds the principal payments over the course a given year

	Small Building	Medium Building	Large Building
EBITDA	\$37,690	(\$22,381)	(\$13,745)
Interest Expense	\$16,819	\$33,638	\$70,079
Depreciation	\$32,550	\$65,100	\$135,625
<i>Total Adjustments</i>	<i>\$49,369</i>	<i>\$98,738</i>	<i>\$205,704</i>
<b>NET PROFIT</b>	<b>(\$11,679)</b>	<b>(\$121,118)</b>	<b>(\$219,449)</b>
Principal	(\$5,267)	(\$10,533)	(\$21,944)
Depreciation	\$32,550	\$65,100	\$135,625
<b>Cash Flow</b>	<b>\$15,605</b>	<b>(\$66,552)</b>	<b>(\$105,768)</b>





*Harry W. Morrison*  
FOUNDATION

THE  
*Laura Moore*  
*Cunningham*  
FOUNDATION

# Potential Funding Options

- Potential Partner Funding
  - University of Idaho/ College of Idaho/ College of Western Idaho
- Micron Foundation\*
  - If the incubator has STEM aspirations
  - No specifics on grant amounts given
- Laura Moore Cunningham Foundation\*
  - Local Foundation dedicated to improving the Idaho community. Awarded \$6.9 Million in 2023; Grants range from \$25,000 - \$400,000
- Harry W. Morrison Foundation\*
  - Online application; Awarded \$975,200 in 2023
- M.J. Murdock Charitable Trust
  - Primarily focuses in the PNW; Average grant ranges from \$20,000 - \$200,000, up to \$1,000,000
- Idaho Department of Commerce\*
  - Multiple grants; some constrained to population thresholds

\* Idaho Based Organizations



# Potential Funding Options, continued

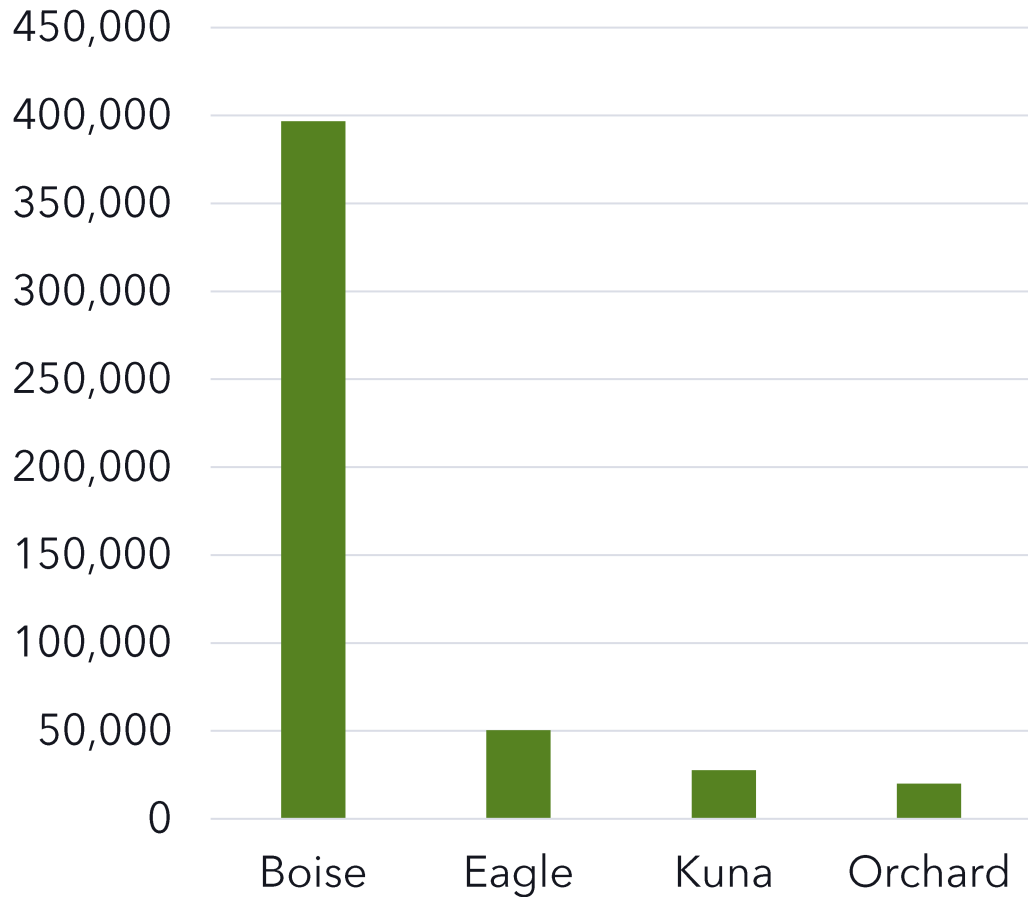
- Robert Wood Johnson Foundation
- Lilly Endowment
  - Supports community development through open initiatives. Open initiative open and close throughout the year
- USDA Rural Development Grants
  - Community and Business Grants available; various economic thresholds that cannot be surpassed to qualify (e.g. population no more than 50,000, Median income requirements, etc.). Not all thresholds apply to the same grants
- Economic Development Administration
  - \$15,165,000 awarded in 2024 to Public Works projects designated to create jobs, expand infrastructure, and expand
- J.R. Simplot Company Foundation Inc.\*
  - Awards \$1-\$10K to local nonprofits
- Idaho Community Foundation\*
  - Perc H. Shelton and Gladys A. Pospisil Shelton Foundation Advised Fund for Southwest Idaho. \$1-\$5K.

\* Idaho Based Organizations

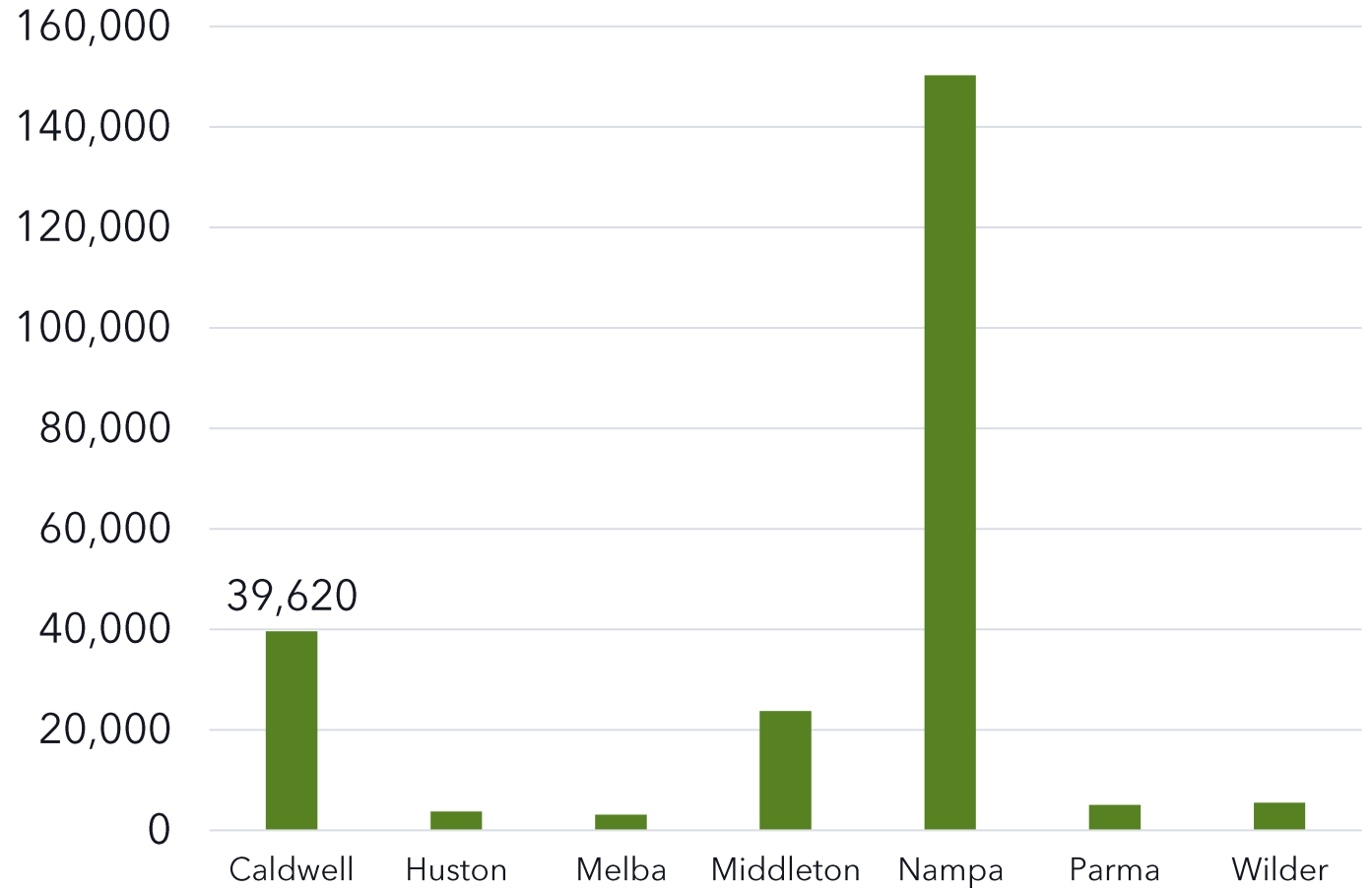
# **Appendix A: Detailed Data**

# Population and Population Growth

**Figure 14: Population in Ada County, 2022**

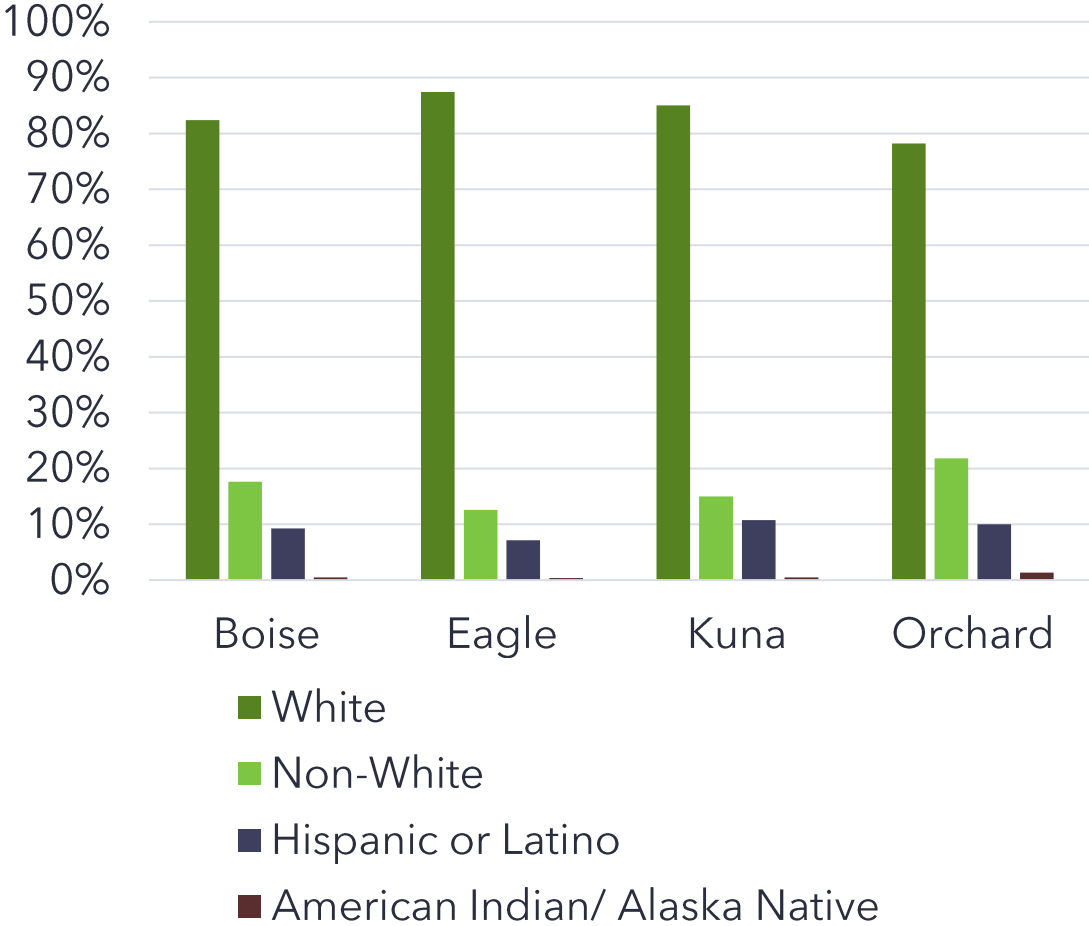


**Figure 15: Population in Canyon County, 2022**

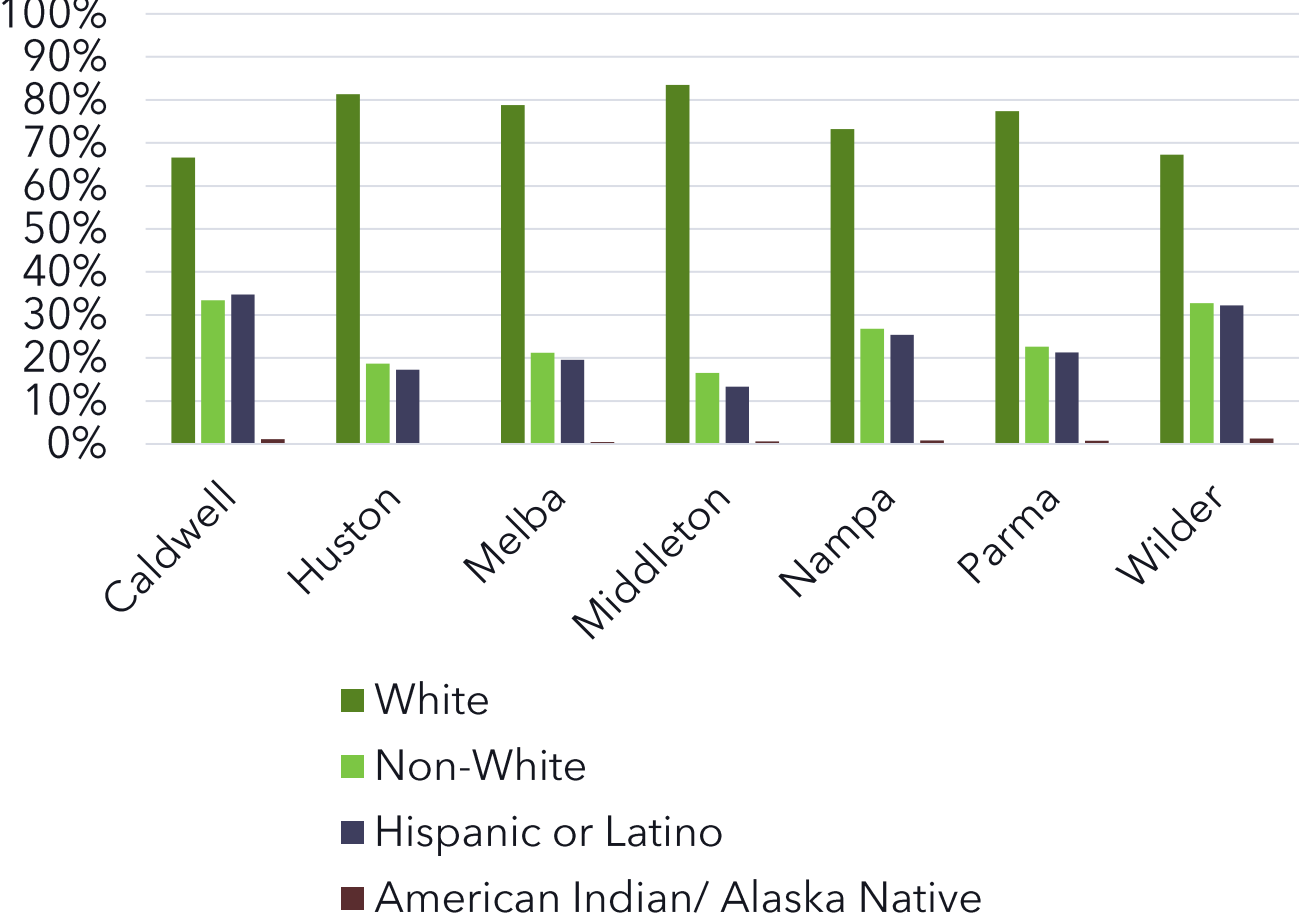


# Demographics

**Figure 16: Demographic Distribution in Ada County, 2020**

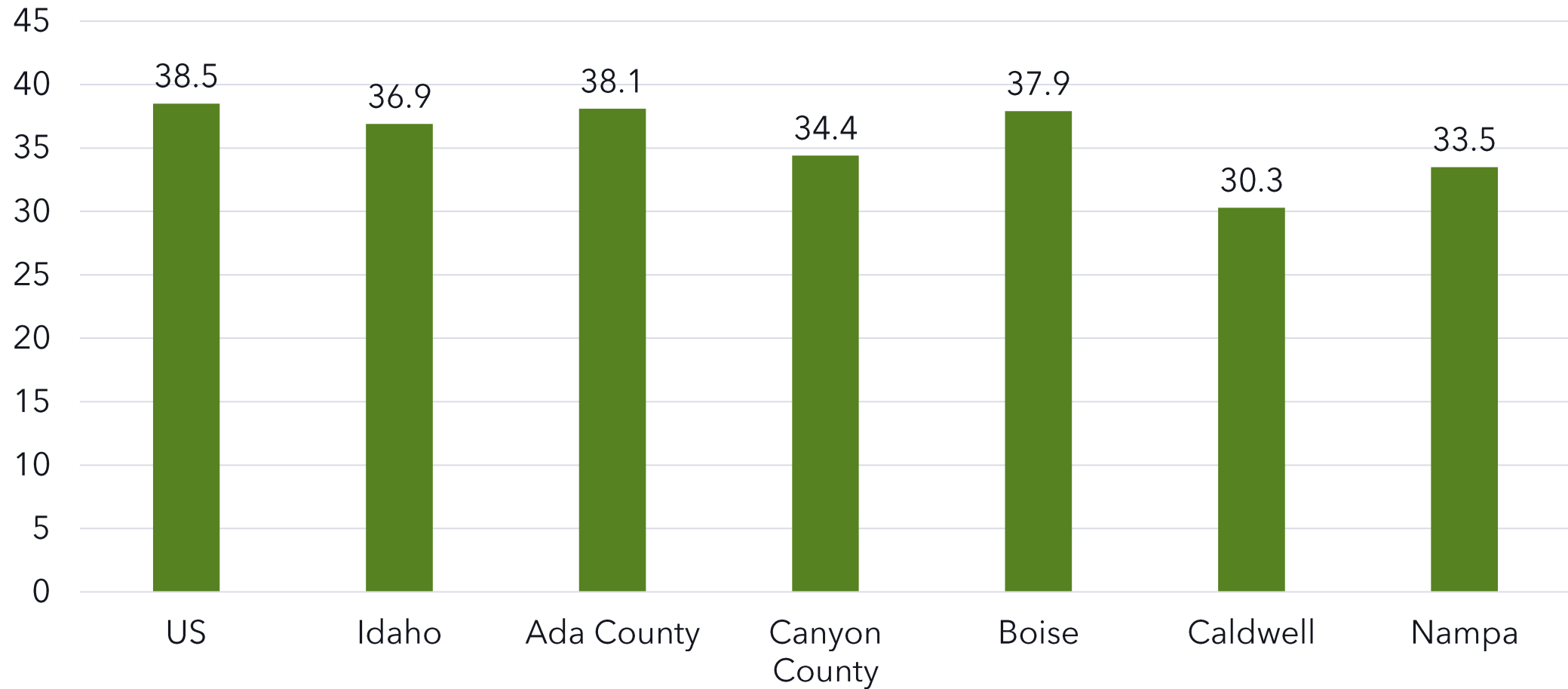


**Figure 17: Demographic Distribution in Canyon County, 2020**



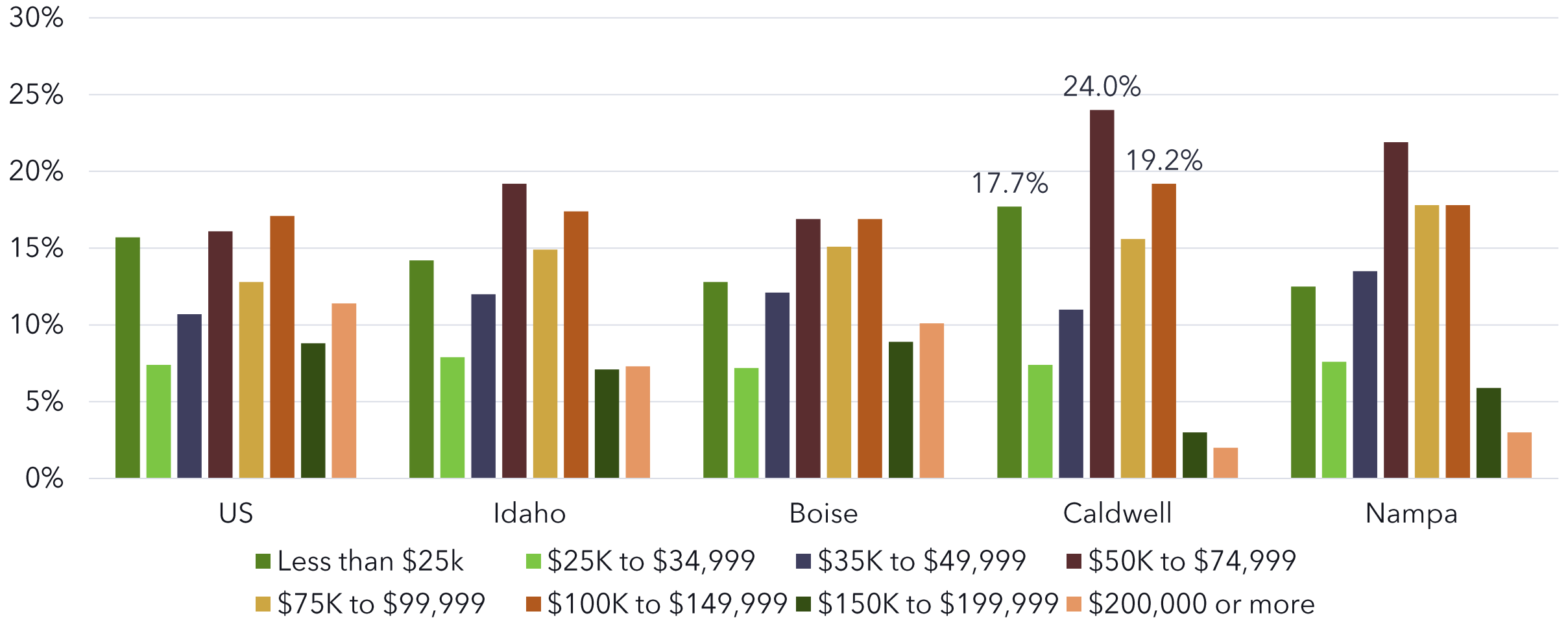
# Median Age

**Figure 18: Median Age in Canyon County and Surrounding Areas, 2022**



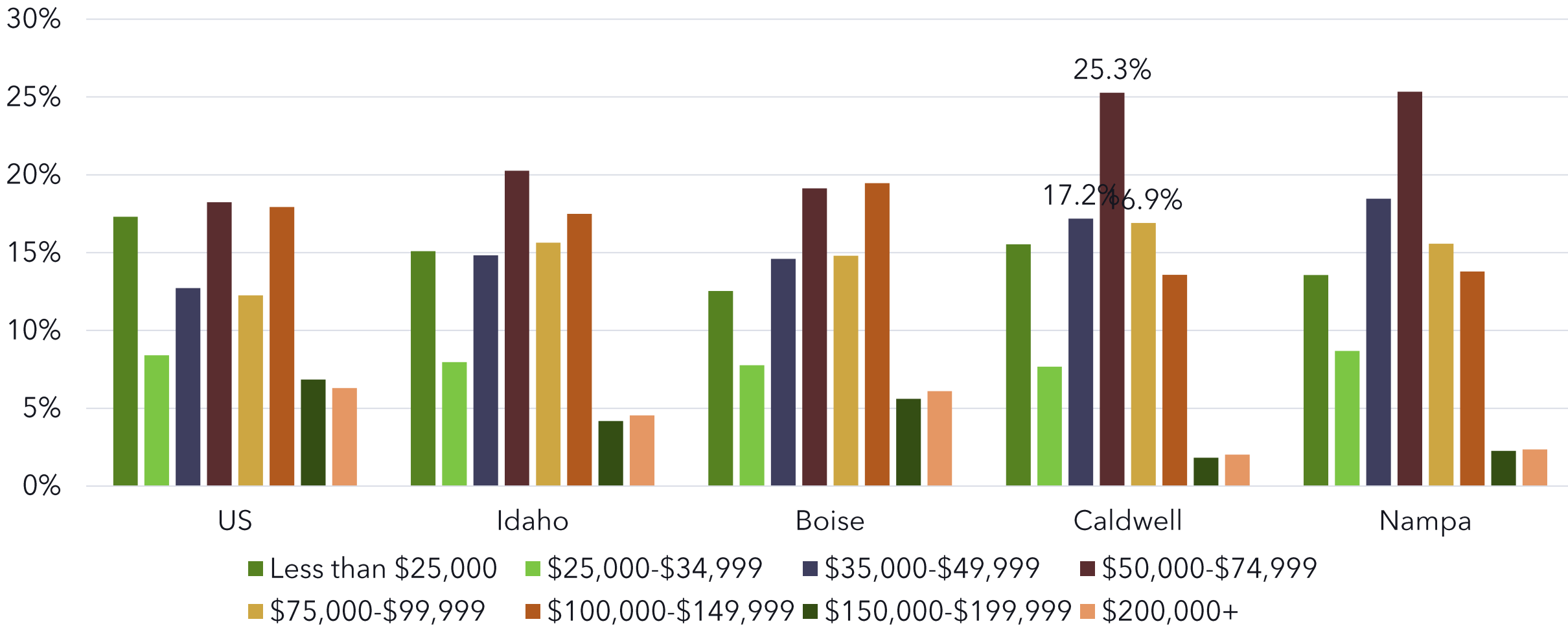
# Household Income

Figure 19: Household Income in the Treasure Valley, 2022



# Disposable Income

Figure 20: Disposable Income in the Treasure Valley, 2022

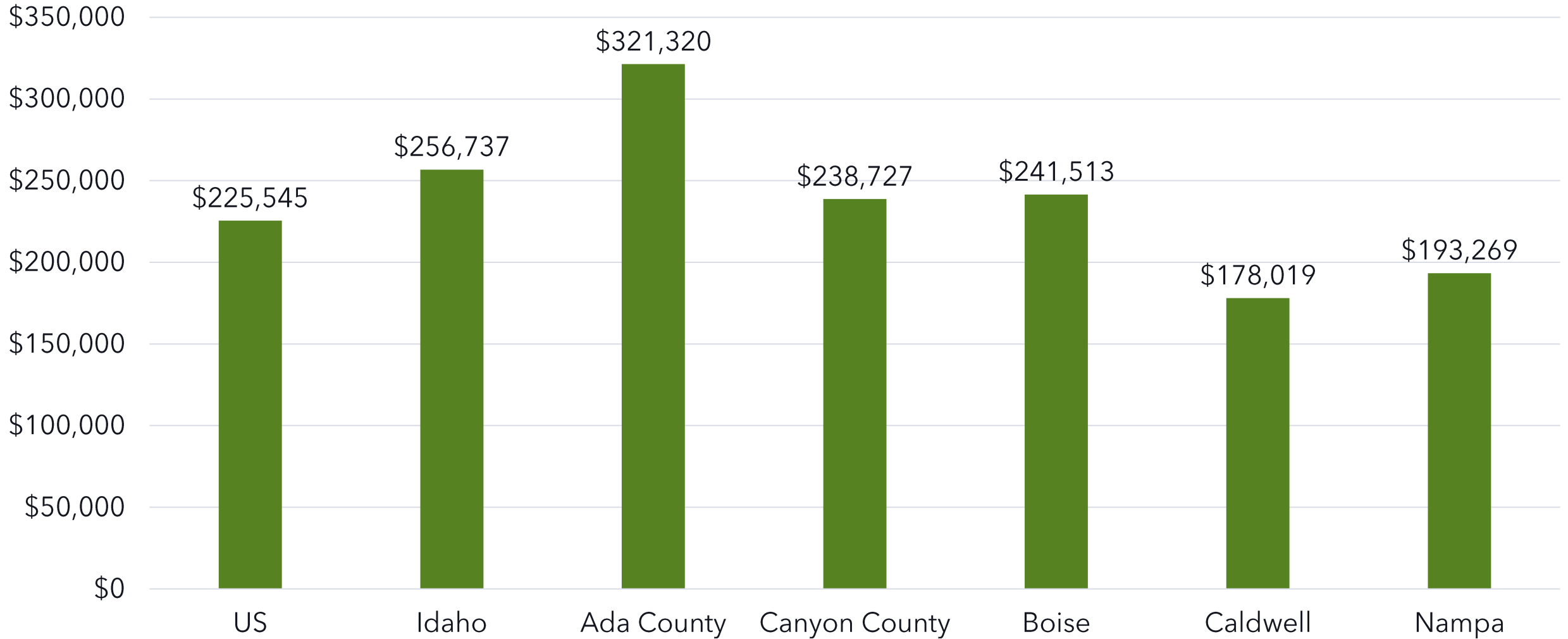


Source: ESRI Business Analyst, 2022



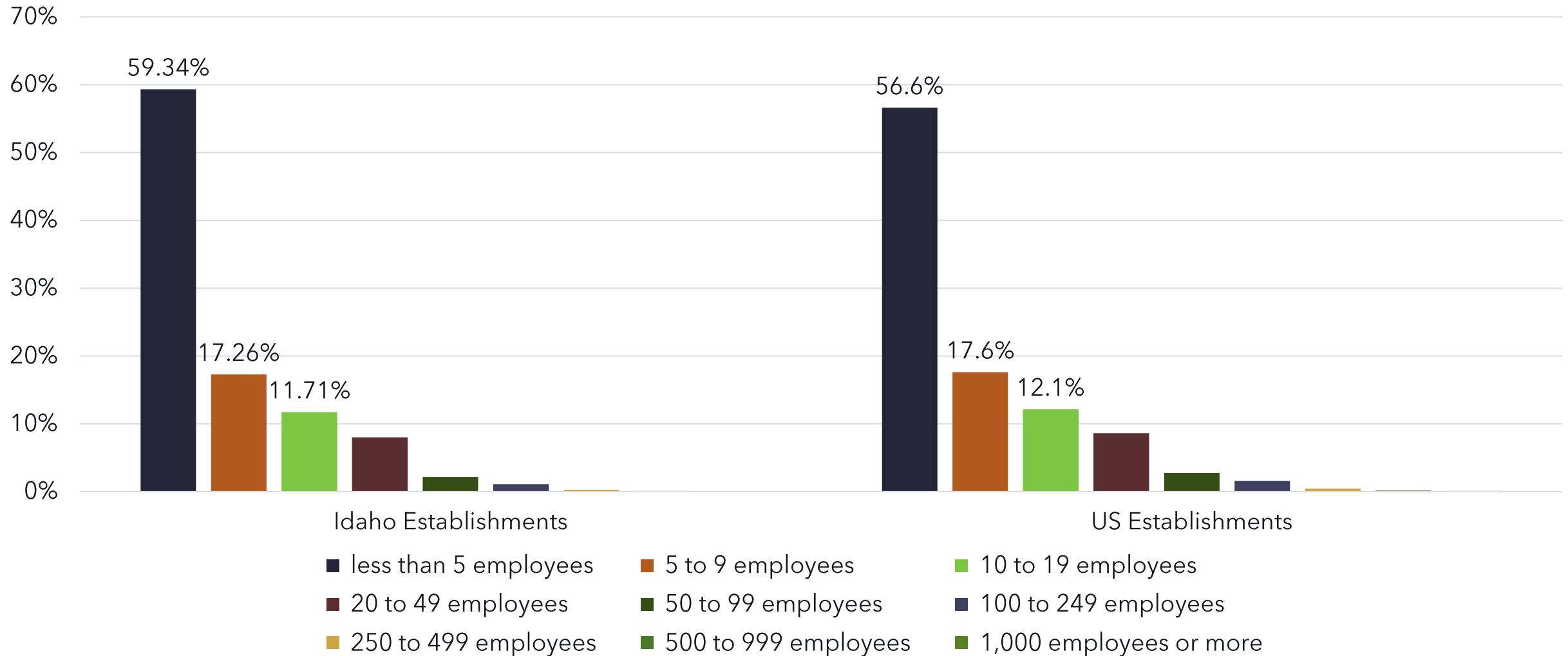
# Median Net Worth

**Figure 21: Median Net Worth**



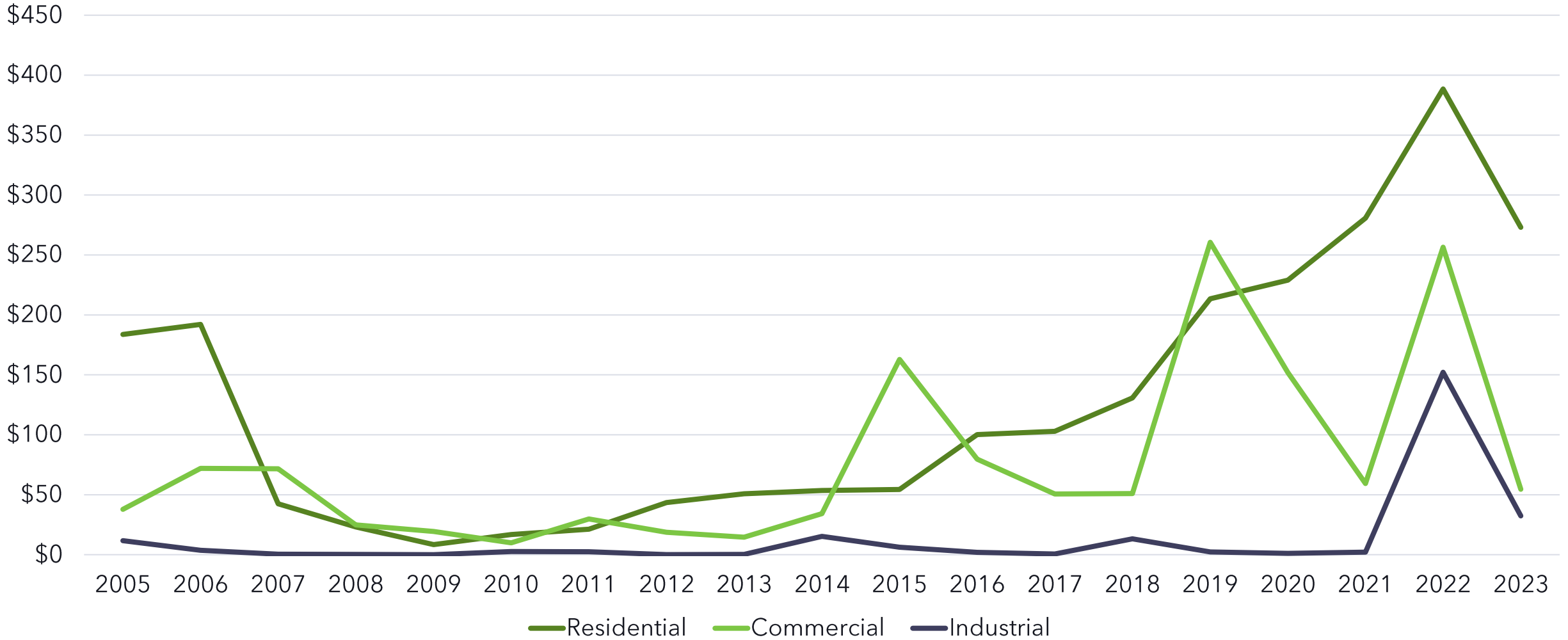
# Business Size Distributions

Figure 22: Business Distributions by Establishments in Idaho and the U.S.



# Nampa Permit Values: 2005-2023

Figure 13: Permit Values in the Nampa, 2022 (X 1M)



# **Appendix B: Peer Facilities**

# Northwest Enterprise Center Network (northwest Wisconsin)



NWECN was developed by the Northwest Regional Planning Commission and consists of ten incubators located in six communities across northern Wisconsin. They serve a wide variety of companies ranging from high-tech to traditional manufacturing.

## Things to note:

- Incubator amenities and detailed features (including electrical service capacity) clearly listed on public site
- Business assistance includes “technology transfer and marketing,” two important services noted in earlier studies cited
- Reconfigurable space/moveable walls

# Brunswick Community College's Business and Industry Incubator (Bolivia, North Carolina)

In North Carolina, BCC's incubator is a 5,000 square foot space split into three units. Eligible startups include "firms engaged in light manufacturing, warehousing, or distribution." The space also includes a small co-working space for independent contractors and virtual workers.

## Things to note:

1. Lease terms increase each year
2. Well-balanced advisory group
3. Clear goals and program requirements: companies are to create up to 20 jobs in the next 2-3 years
4. Mentorship offered



# Walla Walla Airport Wine Incubator (Walla Walla, Washington)

- Initially established in 2006 to provide a chance for winery business success
- Utilizes resources from the Walla Walla Institute for Enology & Viticulture
- Encourages graduation by establishing incremental rent increases
- Incubator buildings are shells. Only wine needs to be supplied by start-up wineries



# David Lust Accelerator (Rapid City, South Dakota)

- Opened in 2021 as an expansion to the successful Black Hills Development Center in Rapid City, South Dakota
- Tech focused startup center
- New businesses are allowed to rent for five years
- Also serves as a business coaching center

