

**Estimating the Economic Impact of a  
New T-Mobile Customer Experience  
Center in Greater Rochester, New York**

April 2019



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# Estimating the Economic Impact of a New T-Mobile Customer Experience Center in Greater Rochester, New York

April 2019

**Prepared for:**

T-Mobile USA, Inc.



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## **ABOUT CGR**

Founded in 1915, CGR is an independent nonprofit management consulting organization delivering expertise in government and education, economic impact and public finance, health and human services, and nonprofits and communities. We improve the quality of communities through impactful research, analysis, consultation and data management for the public, nonprofit and philanthropic organizations that serve them. To learn more, visit [www.cgr.org](http://www.cgr.org).

All economic analysis, including development of the impact model, was led by Michael Silva, Senior Data Analyst. The report was authored by David Riley, M.U.P., Senior Associate, and Joseph Stefko, Ph.D., President and Chief Executive Officer.

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# Executive Summary

In February 2019, T-Mobile US and Sprint Corporation announced plans to locate the second of five New T-Mobile Customer Experience Centers in the Greater Rochester, New York area. The project is expected to be a significant jobs hub, creating approximately 1,300 positions, ranking New T-Mobile among the region's 20 largest employers.

T-Mobile engaged CGR in March 2019 to assess the potential economic and fiscal impacts of this project across the region (i.e. the Rochester Metropolitan Statistical Area comprised of Livingston, Monroe, Ontario, Orleans, Wayne and Yates Counties). Key findings include:

- Construction phase impacts during the Center's 2019-2020 buildout will amount to more than 200 direct and spillover positions, payroll of \$13 million, and combined income and sales tax generation of \$0.9 million;
- New positions at the Center will generate approximately \$71 to \$83 million annually in total compensation, income taxes of \$2.6 to \$3.2 million, and sales taxes of \$1.7 to \$2.0 million;
- Spillover effects of the projected investment are capable of generating 500 to 600 additional positions within the region, with payroll impacts of \$22 to \$26 million, and combined income / sales tax generation of \$1.5 to \$1.8 million;
- T-Mobile will be providing regionally-competitive health benefits at rates and employer health contribution levels that CGR finds to be, both in percentage and real dollar terms, comparable to – or more generous than – the regional average across plan types;
- The Center will draw largely from a labor shed populated by nearly 200,000 workers within a 20-minute drive, and more than 400,000 workers within a 40-minute drive;
- Absent incentives, which T-Mobile has not requested as a condition of locating its facility in the area, the Center will contribute municipal and county property taxes of approximately \$90,000, and school taxes of approximately \$130,000 per year; and
- The Center will give the region access to various T-Mobile corporate citizenship programs, including T-Mobile Foundation matches of employee charitable contributions and volunteer hours directed toward nonprofits and community causes.

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# Table of Contents

<b>Executive Summary</b> .....	ii
<b>Introduction</b> .....	4
<b>Economic and Fiscal Impact</b> .....	5
Data Sources.....	5
Industry Definition .....	6
Geographic Definition .....	6
Time Period Definition.....	6
Construction Phase Impact.....	6
Operational Impact.....	7
Fringe Benefits.....	8
Health Coverage .....	8
Tuition Assistance .....	9
<b>Labor Shed</b> .....	9
<b>Property Tax Impact</b> .....	10
<b>Corporate Citizenship</b> .....	11
<b>Conclusion</b> .....	11

# Introduction

In February 2019, T-Mobile US and Sprint Corporation announced plans to locate the second of five New T-Mobile Customer Experience Centers in the Greater Rochester, New York area. The facility would result from the merger of T-Mobile US and Sprint Corporation, in which Sprint would become an indirect wholly owned subsidiary of T-Mobile.

The Greater Rochester project is expected to be a significant jobs hub, creating approximately 1,300 positions, making New T-Mobile one of the region's 20 largest employers, and offsetting by more than two-fold the positions lost when a rival carrier closed its call center in the region in 2017.

The facility, along with a new Center in Overland Park, Kansas, would be part of an integrated network of five Centers serving customers nationwide. Cumulatively, efforts to enhance New T-Mobile's approach to customer care are projected to create up to 5,600 jobs nationwide by 2021, according to the company.

The Experience Centers, including the one in Rochester, provide customers direct access to a dedicated team of support specialists. Including the Customer Experience Centers, the company estimates that by 2024, its Team of Experts (TEX) customer care model will employ 7,500 more professionals than the stand-alone companies would have employed.

T-Mobile engaged CGR in March 2019 to assess the potential economic and fiscal impacts of this project. This report presents the results of that assessment across a series of dimensions:

- **Economic impact:** We estimate the direct, indirect and induced (i.e. spillover) impacts created by the project, both during the construction and operational phases;
- **Fiscal impact:** We estimate the sales tax and income tax activity attributable to the jobs created by the project;
- **Fringe benefits:** We document the non-salary compensation components (e.g. health insurance, tuition assistance) that will be associated with the jobs created by the project;



Photo: T-Mobile Customer Experience Center in North Charleston, SC (Frampton Construction)

- **Labor shed:** We estimate the size of the labor force living within designated commuting distances of the proposed Center, in order to document the size of the labor shed from which the 1,000-plus jobs will most likely draw;
- **Property tax impact:** We estimate the recurring municipal- and county-level property taxes that will be paid by the new Center; and
- **Corporate citizenship:** Drawing from the experience of existing T-Mobile Centers, we discuss the new facility's "corporate citizenship" impact on the surrounding community and region.

## Economic and Fiscal Impact

CGR's economic impact analyses principally estimate the wages and jobs that a project or institution stimulates as a result of its economic activity. Our technical approach to analyzing economic impact is consistent with the standard practice of economic impact analysis, and seeks to answer the question, "How is the economy larger because of this institution's activity in the community?"

This question is answered by observing two types of effects.

- **Direct effects:** In this case, direct economic effects come from the actual expenditures of New T-Mobile in the Greater Rochester region. Examples include payroll expenditures for staff, purchases of goods and services from a variety of suppliers, and payment to a construction firm for a capital improvement project.
- **Spillover effects:** Spillover effects result from the subsequent spending of the recipients of the direct expenditures. This is generally subdivided for analysis into "indirect" and "induced" impacts. For example, a vendor company that supplies a product or service to the New T-Mobile Center uses the proceeds of that sale to make expenditures of its own (an "indirect" impact). Similarly, employees of the Center itself spend their wages, which become income for other businesses in the region (an "induced" impact).

## Data Sources

Our analysis draws on data provided by T-Mobile and uses IMPLAN, a regional input-output modeling system, to estimate economic impacts. The IMPLAN database, created by MIG, Inc., is a widely accepted model of economic activity. It consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectoral activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Data are updated annually. IMPLAN estimates the direct, indirect and induced impacts of economic change

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through the use of multipliers, and estimates the impact of an increase in demand in a particular sector on 536 different industries / sectors in the economy.

## Industry Definition

For the purposes of this analysis, we rely on NAICS<sup>1</sup> Code 56142, Telephone Call Centers.

## Geographic Definition

This analysis uses the federally-defined Rochester Metropolitan Statistical Area as the scope of the economic region for the Center's activities. Multipliers for the impact analysis are built using the following counties: Livingston, Monroe, Ontario, Orleans, Wayne and Yates.

## Time Period Definition

The Rochester Center's lease would begin in July 2019, with customer care taking occupancy in Q3 of 2020 following buildout. T-Mobile estimates the Center being fully staffed in approximately Q4 of 2021, with 2022 being the first full year of operations. For the purposes of this analysis, we estimate the impacts at full operation.

## Construction Phase Impact

T-Mobile estimates construction required to prepare the new Center for operation will span 2019 and 2020. For analytical purposes, we estimate here the entire anticipated capital expenditure (CapEx) cost. Using a CapEx estimate of \$190 per square foot, T-Mobile projects the Center will receive a total construction investment of \$25.4 million over the buildout period. Our construction phase impact assessment assumes T-Mobile intends to retrofit existing office space rather than build to suit new offices. Retrofitting an existing location is typically cheaper and faster than constructing from the ground up and, therefore, our estimate of construction phase expenditures would be conservative in the event of a new build.

**CGR's analysis estimates that the economic impacts during this construction phase investment of existing office space will include 200 direct (and 30 spillover) jobs, total combined payroll of \$13.0 million, and combined income and sales tax generation of \$0.9 million.**

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<sup>1</sup> North American Industry Classification System



## Economic Impact of Construction Phase

(\$ in millions)

	Direct	Spillover	Total
Employment	200	30	<b>230</b>
Payroll	\$11.3	\$1.7	<b>\$13.0</b>
Income Tax	\$0.5	\$0.1	<b>\$0.6</b>
Sales Tax	\$0.3	\$0.0	<b>\$0.3</b>

## Operational Impact

According to estimates provided by T-Mobile, the Center is projected to have 1,317 positions at full operation. This would rank as the 19<sup>th</sup> largest employer in the region based on 2018 data, between Eastman Kodak Co. (1,505 local employees) and Hillside Family of Agencies (1,256).

In headcount terms, the majority of positions are expected to be frontline representatives (75 percent), followed by varied professional roles (14 percent), first level managers (7 percent) and mid-level managers (4 percent). The Center's staffing would also include a small number (less than 1 percent) of director-level positions.

T-Mobile estimates employees at the Center will earn approximately \$71 to \$83 million annually in combined base compensation, variable compensation, overtime and annual stock grants.

Additionally, the Center is expected to purchase a variety of goods and services annually to support its operations. T-Mobile estimates total other expenses of \$2.5 to \$3.0 million annually on items such as utilities, repair / maintenance, general office supplies, janitorial and shipping. While it is difficult to measure the share of those expenditures that will be local or regional, we assume at least a portion would occur within the Rochester metro. For the purposes of this analysis, we include the full operational expenditure in determining impact.

**CGR's analysis estimates that the direct economic impacts flowing from 1,317 positions and \$71.0 to \$83.7 million in compensation, along with related operations spending, will include \$2.6 to \$3.2 million in income tax and \$1.7 to \$2.0 million in combined state and local sales tax. Beyond direct impacts, we**

**estimate the spillover effects of the investment will generate 500 to 600 additional positions within the region, with payroll impacts of \$22.1 to \$26.0 million and combined income / sales tax generation of \$1.5 to \$1.8 million.**

**While the Center’s non-personnel operating costs do contribute some additional indirect impact to the region, spillover effects will be primarily induced in nature. The catalytic impact of Center employees spending their earnings is estimated to account for more than 98 percent of the spillover positions.**

### **Economic Footprint of New T-Mobile Customer Experience Center**

(\$ in millions)

	Direct		Spillover		Total	
	Low	High	Low	High	Low	High
Employment	1,317	1,317	500	600	<b>1,817</b>	<b>1,917</b>
Payroll	\$71.0	\$83.7	\$22.1	\$26.0	<b>\$93.1</b>	<b>\$109.7</b>
Income Tax	\$2.6	\$3.2	\$1.0	\$1.2	<b>\$3.6</b>	<b>\$4.4</b>
Sales Tax	\$1.7	\$2.0	\$0.5	\$0.6	<b>\$2.2</b>	<b>\$2.6</b>

## Fringe Benefits

### Health Coverage

[**Note:** The following section compares T-Mobile’s health benefit offerings to regional averages. Any *economic* impact related to spending on benefits is assumed to be included in the impact numbers cited above.]

In addition to the direct compensation described above, T-Mobile plans to offer benefits packages, including health coverage. Combined, estimated benefits for the average employee in each position at the new Customer Experience Center total \$16.1 million. Most of this spending, or \$12.0 million, would go toward benefits for frontline representatives, who represent the vast majority of employees anticipated at the new facility. Total estimated employee benefits represent 24 percent of total compensation (including base pay, variable pay, stock grants and estimated overtime).

T-Mobile’s benefits contribution rates appear to be competitive in the Rochester area. Deductibles for all three of T-Mobile’s current health plans are lower for both

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individuals and families than average in the Rochester area, according to a 2018 survey of local employers. T-Mobile's contributions toward employee health plan premiums are typically comparable to (or more generous than) the regional average across plan types.<sup>2</sup>

In 2019, T-Mobile employees are offered three types of health plans, two options for dental coverage, and a vision plan. Depending on which health plan employees choose and their level of coverage (family vs. individual), T-Mobile contributes between 80 percent and 90 percent of the premium costs in 2019 – again, rates more generous than the regional average across plan types.<sup>3</sup>

Beyond health benefits, T-Mobile offers 401(k) savings plans, and matches 100 percent of the first 3 percent of employees' contributions, and 50 percent of the next 2 percent. Other financial benefits include up to seven weeks paid maternity leave, and child care assistance for employees whose adjusted household income is less than \$99,000.

## Tuition Assistance

After 90 days of employment with the company, T-Mobile offers tuition assistance for employees to attend courses related to their position or another role with the company. Up to \$5,250 in tuition-reimbursement benefits are available annually to full-time employees, or \$2,500 for part-time employees. In 2018, 14 percent of eligible customer care employees took advantage of the program at an average cost of \$2,100, per T-Mobile. If Rochester-area employees were to participate at the same rate, CGR estimates this would represent more than 180 workers accessing more than \$385,000 in tuition assistance benefits.

## Labor Shed

As noted, the creation of approximately 1,300 positions at the Center will rank the New T-Mobile among the region's largest employers. And since much of what employees earn typically gets spent in the area they reside, it is worth assessing the geographic reach of the regional labor shed.

Using U.S. Census Bureau Longitudinal Employer-Household Dynamics data, CGR modeled the distribution of the labor pool from which the Center will likely draw. Approximately 198,000 workers live within a 20-minute drive from the proposed Center. It is likely that a large share of employees will be drawn from this area. However, experience from T-Mobile's Center in North Charleston, South Carolina suggests the labor shed reach could extend further. For the Rochester Center, a 40-

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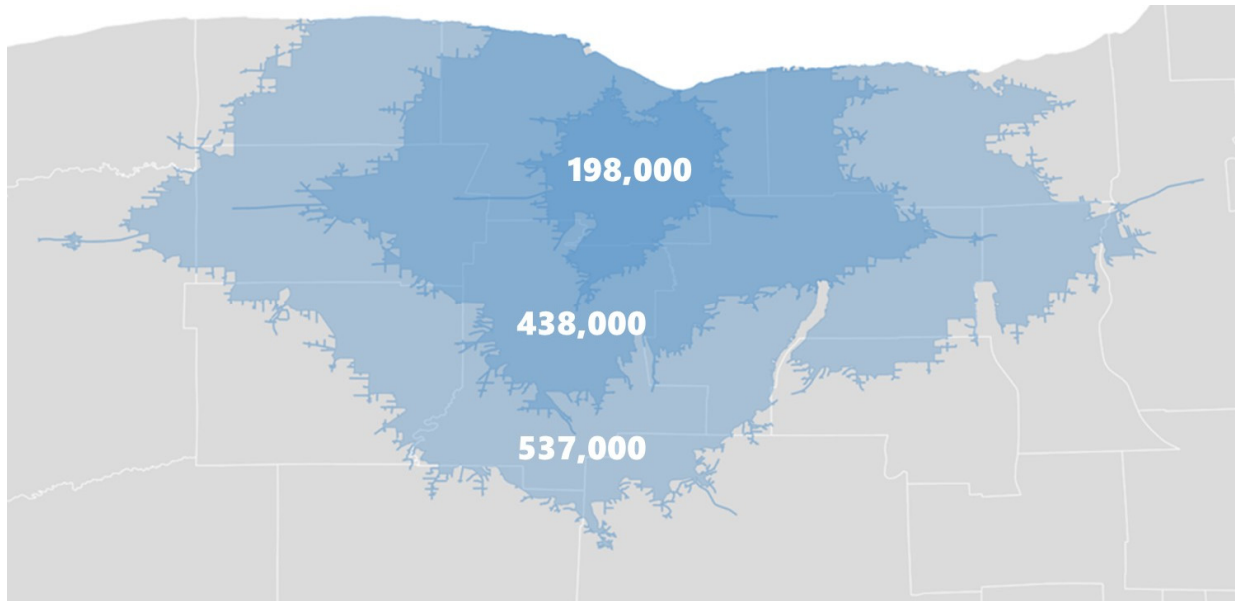
<sup>2</sup> 2018 Rochester Chamber Health Benefits Survey, Greater Rochester Chamber of Commerce

<sup>3</sup> *Ibid*, p 10

minute commute captures 438,000 workers across eight counties (i.e. Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne and Wyoming); a 60-minute commute captures 537,000 workers across fourteen counties (i.e. previous list, plus Allegany, Cayuga, Erie, Niagara, Steuben and Yates).

### **Labor Market Area for Proposed Customer Experience Center in Greater Rochester**

(20/40/60-minute commute reach)



## **Property Tax Impact**

The Center is expected to occupy approximately 130,000 square feet. As a final site decision is pending, CGR modeled the potential property tax impacts of the Center by identifying a comparably sized property in a suburban Rochester commercial hub. That property, built in 2004, spans 15.9 acres of land and 133,493 square feet of commercial space, and includes 250,000 square feet of associated parking. Zoned as large retail, the property's total assessed valuation is \$6,600,000 (land assessed value is \$1,416,000). This valuation is also roughly the midpoint for building assessments of commercial properties of this size (\$4.3m to \$9.1m) within this particular suburban Rochester commercial hub.

The combined town / county property tax for this property in 2019 was \$90,000. School taxes constituted an additional \$132,000.

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We note that this estimate is subject to change, based on site / facility improvements that may be made to accommodate the new Center, any potential tax incentives or abatements, and / or other factors.

## Corporate Citizenship

T-Mobile encourages employees to contribute to their communities through programs focusing on volunteer work and charitable donations. This type of work offers a fuller picture of the role a Customer Experience Center might play in the Greater Rochester community. T-Mobile reported that nationwide in 2018, its corporation, foundation and employees donated more than \$15.4 million and 59,000 volunteer hours to nonprofits supporting youth development, education, veterans, disaster relief and environmental work, among other causes. Nationally, call center employees alone contributed nearly \$500,000 and more than 8,000 volunteer hours in 2018, per T-Mobile.

Key T-Mobile charitable initiatives include the Huddle Up Volunteer Program, which connects employees with service projects supporting after-school programs in their communities. The program also offers grants of \$5,000 to employees to support volunteer work with youth-focused nonprofits. In addition, the T-Mobile Foundation matches employees' contributions to many charities, up to \$2,000 per year.

T-Mobile's Birmingham, Alabama Customer Experience Center serves as one potential example of T-Mobile's volunteer and charitable work in a single community. The Birmingham Center has a longstanding relationship with a local YMCA and has worked to refurbish its facility for after-school programs. The Center also has partnered with a local community college to facilitate workshops on job application and interview skills, and its employees volunteer annually with fundraisers for various nonprofits, including the Glenwood Center for Autism and Girls Inc.

## Conclusion

T-Mobile US and Sprint Corporation have announced plans to locate the second of five New T-Mobile Customer Experience Centers in the Greater Rochester, New York area. The facility, which would result from the merger of T-Mobile US and Sprint Corporation, is expected to create approximately 1,300 positions.

During buildout of the facility in 2019 and 2020, T-Mobile's investment is capable of creating more than 200 direct and spillover jobs with associated payroll of \$13 million. At full operations (which T-Mobile anticipates reaching by the start of 2022), the facility would employ more than 1,300 direct positions with payroll of \$71-83 million and associated income / sales tax generation of approximately \$4-5 million. Beyond direct impacts, spillover effects are capable of generating 500-600 additional positions

within the region, with payroll of \$22-26 million and associated income / sales tax of approximately \$1-2 million.

A review of T-Mobile's health benefit rates finds them to be regionally-competitive, with employer contribution levels that are comparable to (or more generous than) regional averages.

The company's fully built out Center will pay an estimated \$220,000 in county, municipal and school property taxes per year.