Imagine Tallahassee Steering Committee Meeting
Summary Minutes
October 21, 2013

Absent Members: Mr. Charles Frazier, Mr. Brian Cook, Ms. Christic Henry, Ms. Karen Moore, & Mr. Jim McShane.

Delegated Representatives: Mr. Scott Balog (TCC), Ms. Cassandra Jackson (City), Mr. Dave Ramsey (Innovation Park), & Mr. Darryl Jones (Tallahassee Ministerial Association).

Meeting Began at 5:42 PM

Agenda Item #1: Distribution of Baseline Economic Assessment Draft

Mr. Dale Brill, consultant with Thinkspot, distributed a draft of the Baseline Economic Assessment, also known as the Community Report Card (Attachment #1). The Baseline Economic Assessment is a report that analyzes conditions that affect Leon County's economy, such as demographics, education, workforce, industry, etc.

Agenda Item #2: Review of Revised Master Key

Mr. Dale Brill led the Committee in reviewing project proposals that had been submitted since the previous meeting on October 14th. The Master Key was updated to reflect some of the project information that had been turned in, including estimated level of sales tax funding needed to implement the project (Attachment #2).

Agenda Item #3: Workshop: Reserve Response Fund(ing) Incentives Platform

The Committee discussed allocating some of the sales tax revenue to a fund for sustainable economic development. The fund might be used for micro-loans, recruitment incentives, expansion support, etc. The Committee agreed that setting aside a percentage of the sales tax revenue for such a fund would be a good use of the sales tax revenue to spur further economic development.

Dr. Larry Robinson noted the need to set criteria and a philosophy for how the fund would be utilized. Ms. Henree Martin noted that the Committee didn't have the expertise to make some of these technical decisions. Ms. Kim Rivers also agreed that not everyone on the Committee had the expertise to coordinate incentives, credits, matching grants, etc. Ms. Martin supported forming a technical coordinating committee to oversee the fund, similar to how Blueprint 2000 has a technical coordinating committee to advise it. Mr. Darryl Jones expressed his concern about the diversity on such a committee, noting that members of the Committee were there for a reason.

Dr. Eric Barron expressed his concern that allocating money into a pot for several uses might be spreading the money too thin. He noted that the community would get more notice from investors and entrepreneurs if the Committee created a fund that would provide a million dollars a year for start-up companies, and discussed ways to capitalize on that program, such as having a national conference to recruit new entrepreneurs.

Ms. Michelle Dennard, a consultant with Thinkspot, reviewed with the Committee incentive programs offered in Florida, which had been attached to the memo distributed to the Committee on October 18th (Attachment #3).

Mr. Sean Pittman argued that part of the fund should provide money for minority businesses and distributed his project proposal

Agenda Item #4: Determination of Prioritization Process

The Committee discussed how they would prioritize projects to present to the public during the open houses on November 4th and 5th. Mr. Steve Evans, Chairman of the Sales Tax Committee, reviewed with the Steering Committee the process that the Sales Tax Committee has used to prioritize projects, which is as follows:

- Review all projects on the list. Projects move to the next round if a Committee member motions for it to move on and receive a second. This should drop projects with no support early on.
- The Committee ranks each project in priority of 1 to 3, 1 being the most important to the Committee. When the project comes up, a Committee member will move that the project be ranked 1, 2, or 3. The motion requires a second. If there is no objection, the project receives that ranking and the Committee moves on. If there is an objection, the Committee discusses the project further and then votes on what level it should be. This provides a preliminary ranking.
- Review Level 1 project list. If no Committee member objects then the project will be assumed to have unanimous support from the Committee and stay in the Level 1 project category. If there is an objection the Committee will discuss the project further in a follow-up discussion.

Mr. Ted Thomas moved to adopt the Sales Tax Committee's project prioritization procedure. Mr. Kim Williams seconded the motion. Dr. Robinson asked how the Committee would determine criteria to measure/evaluate project prioritization. Ms. Rivers suggested that the Master Key already provides this through its themes, goals, and strategies. Ms. Sue Dick asked how the Return on Investment (ROI) measurement would fit in. The consultant team noted that an ROI would not be ready for the projects by October 28th when the Committee would prioritize projects. This prioritization process is just to provide an initial cut before receiving feedback from the public. The Committee passed the motion to adopt the Sales Tax Committee's project prioritization procedure without opposition.

Agenda Item #5: Determination of Sales Tax Committee Presentation Format

The Committee discussed how to present their recommendations to the Sales Tax Committee. It was suggested that Imagine Tallahassee could present to recommendations as a whole and let the Committee vote it up or down. Representatives of the Sales Tax Committee noted that the Committee would want to consider each recommendation separately. They also suggested that Imagine Tallahassee show the framework and rationalization of the project process when presenting to the Sales Tax Committee. On December 5th, Imagine Tallahassee will be able to present on its process and take questions/receive feedback. On December 12th, Imagine Tallahassee will present the actual project recommendations to the Sales Tax Committee.

Other Committee Information

A copy of the meeting's materials presented to the Committee can be found under the 'Agenda & Minutes' tab at http://cms.leoncountyfl.gov/ImagineTallahassee, for October 21, 2013.

Meeting adjourned at 7:32 p.m.

Attachments

1. Baseline Economic Assessment
2. Master Key
3. October 18, 2013 Memo to Steering Committee

IMAGINE TALLAHASSEE

Baseline Economic Assessment

Representations of economic data relevant to Tallahassee and Leon County contributed to the discussions of the participating public and the Imagine Tallahassee Steering Committee beginning with the first open house in May 2013. During the visioning phase of the Imagine Tallahassee process, citizens and community stakeholders examined measures of the past to facilitate deliberations as to what an intentional future might look like for Florida's Capital City. The result was the Imagine Tallahassee Vision Statement and five corresponding strategic directions (see Appendix A) to be used as guides for the ultimate goal of bringing forth recommendations and a business case for using Blueprint 2020 sales tax revenues to address economic development priorities.

This initial release of Imagine Tallahassee's Baseline Analysis takes on a broader objective than simply archiving economic data points. Data increases in value as trends emerge and insights reveal themselves. Whether citizen or Sales Tax Committee member, contemplating the degree of support to extend to Imagine Tallahassee's ultimate recommendations is deemed impossible without wrestling with the underlying assumptions driving them. After first making the distinction between economic growth and economic progress, the analysis that follows presents four interrelated challenges to Tallahassee's success in achieving its Community Vision within the parameters of the proposed Blueprint 2020 economic development funding:

1. Competing in a knowledge-based, global economy
2. Understanding job polarization and the erosion of the middle class
3. Addressing strength as weakness
4. Reconnecting innovation and production (flexible specialization)

An overview of the knowledge-based, global economy reveals the context in which Tallahassee must compete for the committed talent necessary to sustain the vibrant community we envision. Next we'll address the erosion of the middle class and the resulting impact of what economists call the "polarization" of job creation. We'll next demonstrate how the retirement of the Baby Boomer generation represents a boon to our economy while simultaneously threatening to put a knowledge-based economy all but out of reach. Finally, we'll conclude our preamble to Tallahassee's economic baseline analysis by making the case for establishing an innovation system broad and courageous enough in scope to embrace institutions and networks as necessary to reconnect innovation with production.

Vision Statement

Imagine Tallahassee, inspired by our unique heritage and beauty, empowers and rewards entrepreneurship and innovation to create and sustain a vibrant community where businesses, individuals and families thrive.

Our success will be achieved through targeted initiatives and investments on three fronts, setting in motion progress to ensure that:

Tallahassee WORKS—with a vibrant, diversified economy and quality employment;

Tallahassee INSPIRES—with a unique character, natural beauty, vibrantly diverse culture and energy, warm hospitality; and

Tallahassee CONNECTS—with a balanced and sustainable pattern of development and supporting infrastructure, a range of mobility choices and effective and efficient governance.

Deep gratitude and admiration is extended to the Leon County staff, specifically Ken Morris, Joshua Pascua, Ryan Aamodt and their colleagues. There can be no harder working or dedicated team of public administrators in the country. Their selfless giving of time, energy and creativity fueled Imagine Tallahassee from the start. Finally, we acknowledge the limitations in this baseline analysis which are tied principally to the short time span of the Imagine Tallahassee initiative and the project leadership's appropriate decisions to place emphasis on community engagement over quantitative analysis. It is believed, however, that the discussions sparked by the points contained in this document encourage both careful deliberation and a sense of urgency as the Tallahassee community contemplates the use of public funds as a catalyst for economic progress.

Economic Progress and Innovation

Economic data analysis typically focuses on common measures of productivity, such as income per capita and growth in gross domestic product (GDP). In fact, growth is invoked as the ultimate sign of an economy's health. We introduce here the distinction, inspired by Florida State University Professor Randall Holcombe, that growth is a component of a much larger societal outcome: economic progress. Economic progress, simply put, speaks to the changes in the characteristics of that output—quality of life.

Here's a bit of history along with a mind experiment using air conditioning. At a Florida hospital where he worked, Dr. John Gorrie built a machine to blow air over buckets of ice made using compression. Although he patented the idea in 1851 (#8080), the lack of financial backing prevented "air conditioning" from making its way to everyday life until the post-War era. Between 1950 and 1953, estimates suggest that room air conditioner sales grew from 100,000 to more than 1 million units per year. Assume for the sake of argument that the air conditioning units in 1953 sold for $100. The economic output (or growth) directly tied to air conditioning could be calculated as ($100 million—or 1 million x $100). What is the value of air conditioning in terms of economic progress?

A blogger for A.J. Perri Inc. celebrated National Air Conditioning Appreciation Month in 2012 with this assessment of the innovation's contribution to economic progress:

> "If not for AC, we wouldn't have the following due to their reliance on cooled air during production and storage: computers; pharmaceuticals; modern food production, delivery and storage; chemicals. Air-conditioned hospitals are credited with decreased infant mortality, advances in surgery, defeat of malaria, and modern standards of sterile conditions. Places such as Texas, Florida, Arizona, and especially Las Vegas would not have had the population explosions they've experienced in the past 50 years if not for AC."

This tribute to the impact of air conditioning illustrates the multiplier effect of innovation, as well as the unquenchable thirst for continued improvement in goods and services. Individuals and companies that innovate seek to meet demand and create mutual benefit. Of course, the benefit realized by the innovator is profit. Here, too, we uncover a chain reaction as individuals and companies create new processes and different combinations of materials to meet demand or drive down their costs in hopes of increasing value to customers and sustain or improve profits necessary for future investment in innovation activities. This series of events creates a virtuous cycle of innovation and has become both the currency of success in the market place and the source of economic progress for society.

No attempt is made in this brief treatment of innovation to suggest it is a linear and smooth process without casualties along the way. The automobile replaced horse carriages. The light bulb relegated candles to charming home accessories. Joseph Schumpeter, the economist who introduced the term "economic development," also gave us "creative destruction" to describe the messy process of innovation in which continuous improvement wreaks havoc on the status quo.

Indeed, there is no preserving the status quo in economic terms. Communities hoping against hope to keep things just as they are lose their position in the world as the engines of innovation turn around them. This leads us to a brief acknowledgement of the realities of an economy driven by innovation. The premium is on knowledge brought to markets freed from the restrictions of time and place.

Knowledge-Based Economy and Globalization

Economic development organizations at the state and local levels often define “targeted industries” as those being desirable for their creation of high-wage jobs. Six industries tend to be found commonly shared among most communities around the globe:

Biotechnology and biomedical
Defense and aerospace
Information technology
Energy and chemicals
High technology machinery and instruments
High technology research

These six sectors have in common the creation of products with considerable impact on improving quality of life, but this alone doesn’t explain why the jobs they create pay above-average wages. Success in these fields (and even those not considered “high tech”) requires investment (risk) and the ability to manipulate knowledge and skills to create the new combinations required to meet market demands described earlier.

As transportation costs plummeted during the 20th Century, access to global markets for innovative products and services increased exponentially. Coupled with the ease of global communication made possible by satellites and the internet, even the sole proprietor in Tallahassee now buys and sells in ways once only the domain of large corporations. Markets are not local, but global. Regions no longer compete with other regions, but innovators scattered in other nations and sub-regions. The problem for decision makers on all levels is to identify those innovation-supporting programs that improve the competitiveness of a region and on the labor market.

We need only to look at the tectonic shifts in manufacturing and the corresponding job losses in America for examples of the creative destruction wrought by the emergence of global markets. Pain has been experienced as the lingering impact of improvements in manufacturing processes has contributed to the erosion of the American middle class. Although international trade has emerged as a boon to those firms and their host regions able to adapt, among the discomforting consequences is a widening gap in wages and wealth between the lower and upper classes. Lower-skilled, less educated workers find fewer opportunities to climb the socio-economic ladder in the absence of the prevalent manufacturing-based jobs of the Industrial Age. There is something much more fundamental at play in the knowledge-based economy, which must inform any strategic attempts to bring about the rebirth of American manufacturing.

Job Polarization and the Erosion of the Middle Class

In a presentation at the Florida Regional Economic Symposium at Florida Southern College in April of 2012, University of Florida Professor David Denslow stunned the audience with evidence of Florida’s “pronounced emptying of the middle of its job skill distribution in which increasing demand for workers in low-skill, manual non-routine jobs is apparently outpacing increasing demand for high-skill analytical workers.” In other words, he explained why Florida has a disproportionate share of relatively low-wage jobs by underscoring the role of job polarization and the impact of the Sunshine State’s dependence on retirees and tourism, which we take up in the next section.

Understanding polarization requires a change in how we think about worker skill sets. Instead of two categories—unskilled and skilled—think in terms of non-routine manual, routine and analytical. Non-routine manual jobs require dexterity and rapid adaptation to changing or unpredictable environments. Jobs falling in the non-routine manual category are truck driving, cooking and waiting tables. Routine jobs are repetitive in nature and as a result subject to automation, such as bank tellers (ATMs) or car washing (Super Suds). Finally, analytical skills require workers to think abstractly and make connections of seemingly fuzzy concepts. Reading this report is an easy example. These skills are prevalent in occupations such as lawyers, physicians and engineers.

With the advent of increasingly powerful computer hardware and software, the job market looks like a cookie with a bite taken out of its middle. As the share of manual non-routine and analytical jobs has increased, the middle-skill routine jobs have decreased. At the same time as demand for middle-skill jobs has eroded, wages have risen for high-value analytical skills and non-routine, manual skills.

Strength as Weakness

Again, we turn to Professor Denslow's work for a brief encounter with the tendency for mid-skill (routine) jobs to be replaced by low-skill jobs rather than high-skill jobs in Florida compared to the rest of the nation. At risk of oversimplification, Florida's historical dependence on tourism and development (retirees)—its long-time economic strength—has created a lag in the development of high-tech industries. By comparison, with relatively less growth at the high-skill level, workers desiring to stay in their home state (and displaced by polarization described above) can move down in skill more easily than they can move to analytical jobs. The availability of more educated workers for lower skill jobs pushes less educated workers out of the labor force altogether.

As Florida celebrates the return of the in-migration of retirees, the resulting increase in demand for low-skill (manual, non-routine) workers to provide the services they demand will exacerbate the problem. This threat hits home with a reminder of the 2012 research study by the Washington Economics Group in Miami which named Tallahassee as "the number one retirement destination city….because it offers the best available match among the five priority characteritcis that relocating Boomers say they want, and require in a retirement destination." Our strength is our weakness.

Reconnecting Innovation and Production

A popular response to the erosion of the middle class in America is the call for a renaissance of manufacturing. The Obama Administration's creation of the Advanced Manufacturing Partnership (the AMP), which is housed in the White House Office of Science and Technology Policy (OSTP) lead to the proposed creation of the National Network for Manufacturing Innovation (NNMI). With that many acronyms, it's clear that the federal government must be taking this seriously.

In truth, there are many factors substantiating the hope for economic vitality, particularly as a means of reviving the middle class, but the case for advanced manufacturing will not be covered here. More importantly, as the Tallahassee community contemplates how to position itself to participate in the boon of a new era in American manufacturing, it should do so with eyes wide open to a nagging issue.

Among the hidden challenges brought about by modern manufacturing is the separation of the design and build functions. For example, the popular iPhones and iPads proudly boast: "Designed in California. Assembled in China." Florida State University's mega-revenue producing cancer-fighting discovery, Taxol, was the product of academic research in the heart of campus but produced in factories in Ireland and Germany. We need only trace the agreements from any university's Office of Technology Licensing to see the geographical separation of actual production from the laboratories and incubators that gave birth to countless innovations.

The lesson to be learned? Research (universities) are neither necessary nor sufficient for the development of high-tech regions. In fact, there is strong evidence that the over-emphasis on the research portion of the R&D combination during the past few decades resulted in abject neglect of the development side. We have been obsessed with research investment to fuel invention and forgotten how to manage the innovation process. This means that policies that stimulate innovation in one place may, in fact, be subsidizing production (jobs) elsewhere.

The economic facet of its Vision Statement calls for a Tallahassee that "WORKS—with a vibrant, diversified economy and quality employment." Achieving this future means competing in a knowledge-based, global economy. Community leaders must wrestle with the causes and consequences of job polarization. And policy makers must be aware of the dangers of playing to a region's strengths at risk of weakening the city's prospects for reconnecting innovation and production.

Tallahassee U.S. and Global Index Rankings

Several think tanks and media sources publish proprietary rankings and indices created to derive insight from the vast store of available economic data. Among the more familiar and popular is the U.S. News and World Report's annual ranking of colleges and universities. Forbes and Inc. magazines publish rankings from assessments of the city's quality of life measures and fastest growing companies, respectively. George Mason University's Mercatus Center publishes its ranking of economic freedom among the 50 United States. Florida's own Washington Economics Group, a Miami-based think tank, released its ranking of most desirable retirement locations in 2012.

Although questions almost always surround the release of indices and rankings, such as methodological issues or suspicions of bias, the media attention to their findings is sufficient to deem them relevant to any community seeking to understand its own economic performance particularly when time and budget prevent an independent and comprehensive analysis. No attempt is made here to provide a full review of all the published rankings. One in particular, however, is introduced in this baseline analysis as instructive to understanding Tallahassee's comparative economic performance as benchmarked against other U.S. cities. Miliken Institute's "2012 Best Performing Cities" has been published annually since 2003 and its methodology is clearly articulated (see "bestcities.milikeninstitute.org" for more details).

The Miliken Institute's Best-Performing Cities Index is calculated from a compilation of nine individual components (see opposite chart) deemed economic "outcome based." The index does not incorporate input measures, such as business costs, cost-of-living components and quality-of-life conditions. This, of course, limits the ranking's usefulness to economic outcomes, which is only a portion of the broader scope of the Imagine Tallahassee visioning process. However, the index and corresponding rankings are nonetheless instructive as to how Tallahassee compares to other cities in the critical areas of job growth and wages considered clear contributors to any community's quality of life.

Components of the Best-Performing Cities Index

Component	Weight
Job growth (I=2006)	0.143
Job growth (I=2010)	0.143
Wage and salary growth (I=2005)	0.143
Wage and salary growth (I=2009)	0.143
Short-term job growth (May11-May12)	0.143
Relative high-tech GDP growth (I=2006)	0.071
Relative high-tech GDP growth (I=2010)	0.071
High-tech GDP location quotient	0.071
Number of high-tech industries with GDP LQ>1	0.071

Note: I refers to the beginning year of index.

Source: Milken Institute.

The chart on page 7 illustrates the Miliken Institute's assessment of 17 Florida cities among the top 200 included in its "large cities" category. Note that Florida fails to put forward a metropolitan area performing at a level to warrant inclusion in the Top 100. Tallahassee's fall from 126 to 192 represents a significant change in the city's economic trajectory.

While the Miliken Institute's Best-Performing Cities Index sheds light on Tallahassee's economic performance, its descriptive nature stops well short of prescribing a path to improved ranking over time. A second index consulted for the Imagine Tallahassee project, 2thinknow's Innovation Cities™ Analysis Report, is built on a model which enables stakeholders to measure cities' performance against global competition and suggests the route to improving their innovation potential across 31 segments (listed below) and 162 indicators.

Architecture & Planning
Arts
Basics (Utilities, Food Supply, Water)
Business
Commerce & Finance
Cultural Exchange, Travel & Tourism
Diplomacy & Trade
Economics (General)
Education & Universities
Fashion
Food
Government & Politics
Health & Medicine
Industry & Manufacturing
Labor, Employment & Workforce
Law & Governance
Logistics, Freight & Ports
Mobility, Autos, Cycling & Transport
Music & Performance
People & Population
Public Safety
Retail & Shopping
Spirituality, Religion & Charities
Sports & Fitness
Start-ups & Entrepreneurs
Technology & Communications
Environment & Nature
History
Geography

Digital or photocopying of the final Innovation Cities™ Analysis Report is restricted by the license agreement, however, a hard copy of the report will be made available for public and Steering Committee viewing at the Leon County Public Library.

The proprietary analysis utilizes a six-point scale:

5: Out Performance [World Exemplar]
4: Above Benchmark
3: Competitive
2: Below Benchmark
1: Poor
0: Fail

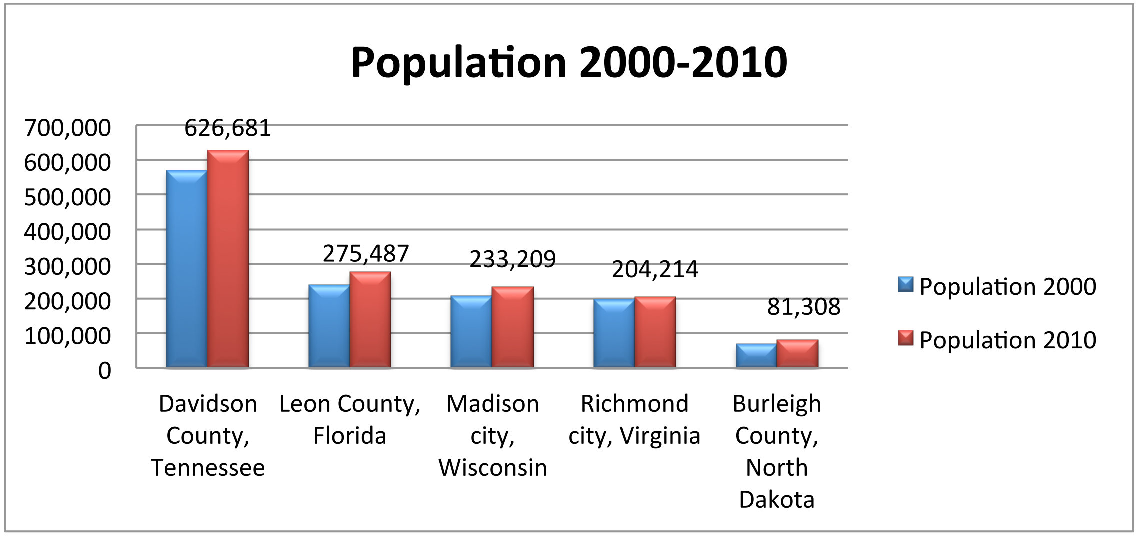
As a summary to the Tallahassee-specific ratings resulting from the Innovative Cities™ global evaluation, the 32 indicators against which Tallahassee failed to reach at least a "Competitive" rating are provided below:

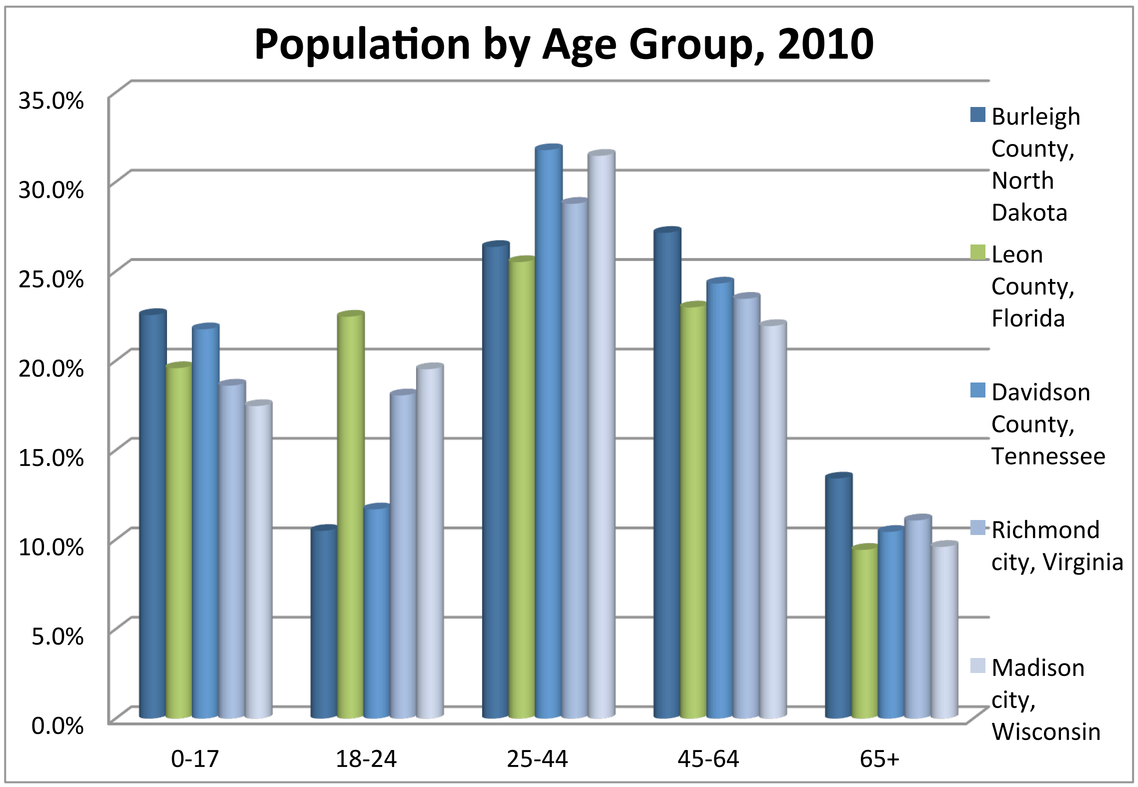
Decorative Features (architecture)
Cultural Festivals
Private Art Galleries
Satire & Comedy
Designers
Green Business
International Conferences
Wealth Distribution
Emissions
Fashion Designers
Textile Industry (fashion/design supply chain)
Fine Restaurants
History
Bookstores
Alternative Population
Multi-National Headquarters
Business Education
Publishing Industry (Media)
Wine, Spirits & Brewing
Air Routes
Transport Infrastructure
International Airport
Transport Coverage
Crime
Violent Crime
Small Retail Clusters
Company Start-Up Ease
Embassies & Trade
Population (Market Size)
Freight Dependencies
Trade Diversity
Railway

2012 Rank	2011 Rank		Metropolitan Area	City Code	State	5-yr job growth *1 2006-2011		1-yr job growth *2 2010-2011		5-yr wages/salaries *3 growth 2005-2010	
					FL	Value	Rank	Value	Rank	Value	Rank
113	193		Naples-Marco Island, FL MSA	MNAP	FL	88.78	197	101.65	9	82.36	196
121	134		Jacksonville, FL MSA	MJAC	FL	97.84	141	100.07	68	96.96	131
124	96		Orlando-Kissimmee-Sanford, FL MSA	MORL	FL	98.53	133	99.93	86	94.87	158
131	141		Miami-Miami Beach-Kendall, FL MD	DMMIA	FL	99.47	111	101.24	18	95.29	153
138	153		Tampa-St. Petersburg-Clearwater, FL MSA	MTAM	FL	94.92	171	100.63	40	93.52	165
163	73		Pensacola-Ferry Pass-Brent, FL MSA	MPEN	FL	96.27	156	99.64	107	97.87	124
166	131		Palm Bay-Melbourne-Titusville, FL MSA	MPAL	FL	92.78	186	98.21	189	93.02	168
167	100		Gainesville, FL MSA	MGAI	FL	98.65	130	98.21	188	101.52	76
179	172		Fort Lauderdale-Pompano Beach-Deerfield Beach,	DMFOT	FL	94.14	175	99.78	95	91.68	180
184	180		Deltona-Daytona Beach-Ormond Beach, FL MSA	MDEL	FL	93.18	183	100.04	73	92.04	176
187	190		North Port-Bradenton-Sarasota, FL MSA	MBRA	FL	88.35	199	99.55	124	82.10	197
188	179		West Palm Beach-Boca Raton-Boynton Beach, FL	DMWES	FL	92.49	187	99.54	125	89.85	185
192	126		Tallahassee, FL MSA	MTAL	FL	98.98	124	98.22	187	97.43	125
193	200		Cape Coral-Fort Myers, FL MSA	MCCF	FL	90.43	195	101.40	14	84.43	194
194	183		Ocala, FL MSA	MOCA	FL	88.45	198	98.59	180	90.46	182
195	140		Port St. Lucie, FL MSA	MPSL	FL	93.23	182	98.99	164	91.94	177
200	186		Lakeland-Winter Haven, FL MSA	MLAE	FL	93.64	179	97.90	192	92.88	171

SPOT ANALYSIS: POPULATION

Demographics, Growth, Trends, Migration





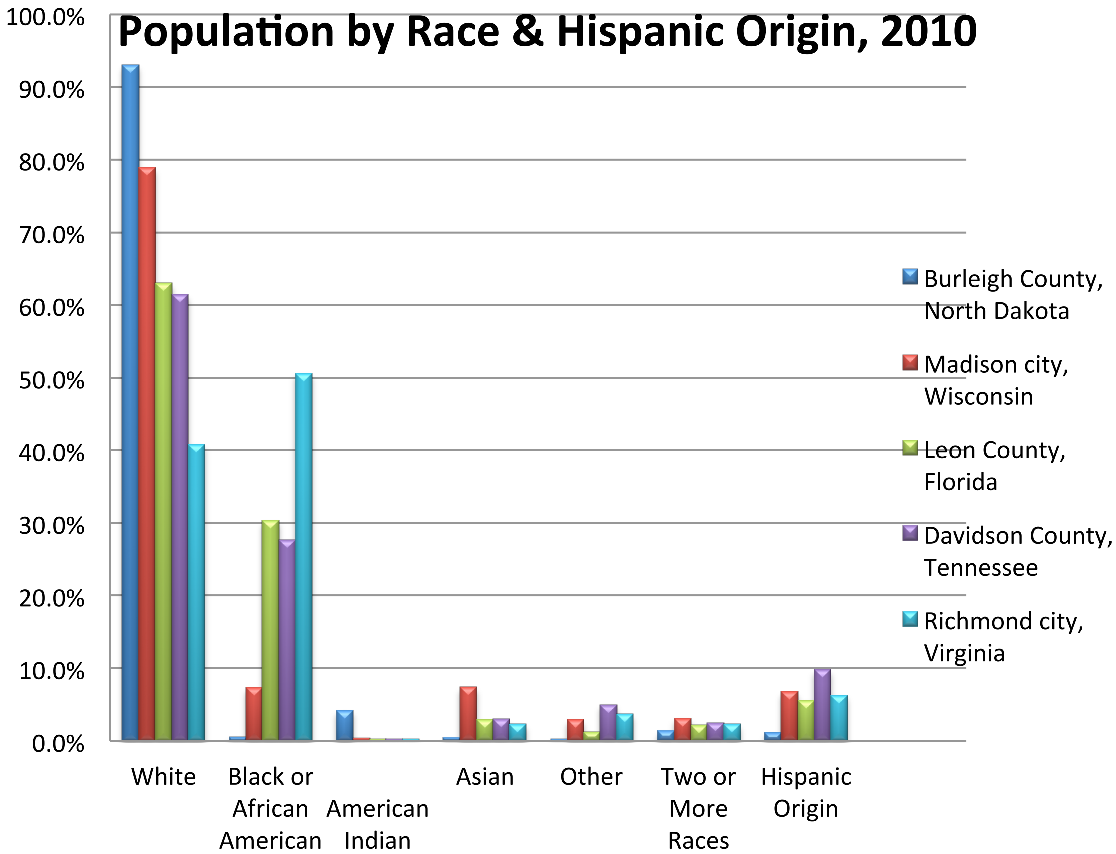
Tallahassee Spot Analysis

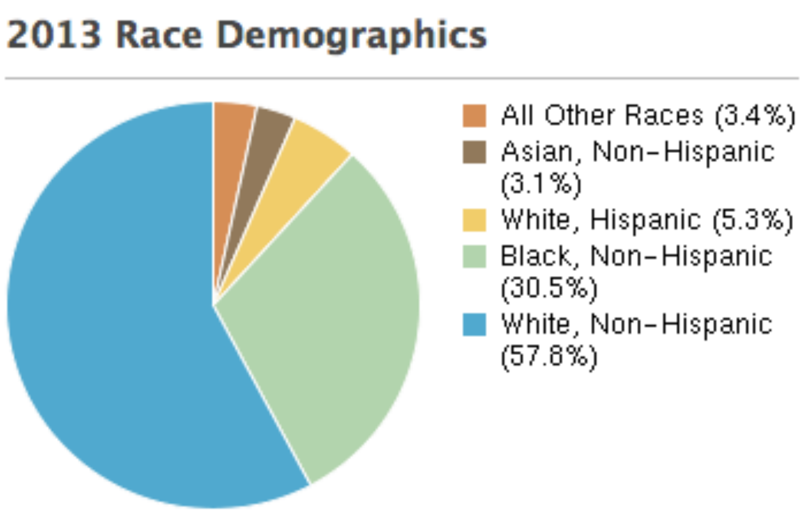
The balance of this report presents findings revealed during a brief analysis of available data deemed illustrative of Tallahassee's current economic context. As noted earlier, what follows is hardly exhaustive but still contributed to the energetic gathering of community input.

Comparative data shows Tallahassee growing between US Census survey periods 2000 and 2010 by roughly 15%, a rate somewhat slower than Nashville but more rapidly than the comparative MSAs. In the period 2007 to 2012, the rate of population growth was only 4.5%, slightly below the state average of 5.1%.

A look at the population mix comparisons shows Tallahassee with a larger share of 18 to 24 year olds. Closer examination of Leon County using available QCEW data reveals greater insight into the demographic shift in the last ten years. Between 2003 and 2013, Leon County's population grew by 32,658 or 13% in a pattern representing bookends. The largest gains were seen in three particular age groups. One side of the bookends is comprised of post-secondary education and early career residents. Persons between the ages of 20 to 24 increased by 14%; those between the ages of 25 to 29 increased by 39%; and those between the ages of 30 to 34 increased by 6%. This pattern suggests an increasing number of 20 to 24 year olds chose Tallahassee as their host for experiences such as education, training and early career launches.

The other side of the bookends is created by the significant influx of persons entering the zenith of their careers and retirement age. The number of persons ages 55 to 59 increased by 30%; 60 to 64 year olds and 65 to 69 year olds increased by 87%, respectively. The percentage of 70 to 74





year olds increased by 42%. These changes represent gains in the older population segment at rates substantially higher than the national average.

The middle of the metaphorical bookshelf reflects an alarming drop in the population of persons ranging in age from 35 to 39 (-4%), 40 to 44 (-3%) and 45 to 49 (-9%). These drops indicate a loss of talented workforce during the time in which families are growing and careers are entering a period associated with increased earnings.

Leon County's estimated population in 2013 of 283,300 contributes 1.5% of the state's overall population. According to the 2010 Census comparative data shown in the opposite chart, 63.0% of Leon County residents identified themselves as White. With 30.3% of the population identifying themselves as Black or African American, Leon County is second only in density of Black/African-American population to Richmond. Although Leon County's population includes 5.6% of Hispanic origin, we fall to third place in ethnic diversity behind Tennessee's capital region when including persons of Hispanic, Asian and other non-White classifications.

Looking forward to 2020, Leon County's Black, non-Hispanic population is expected to increase by 6% (5,393 persons); and persons identified as either White Hispanic or Black Hispanic should increase by 17% (2,586) and 23% (469), respectively.

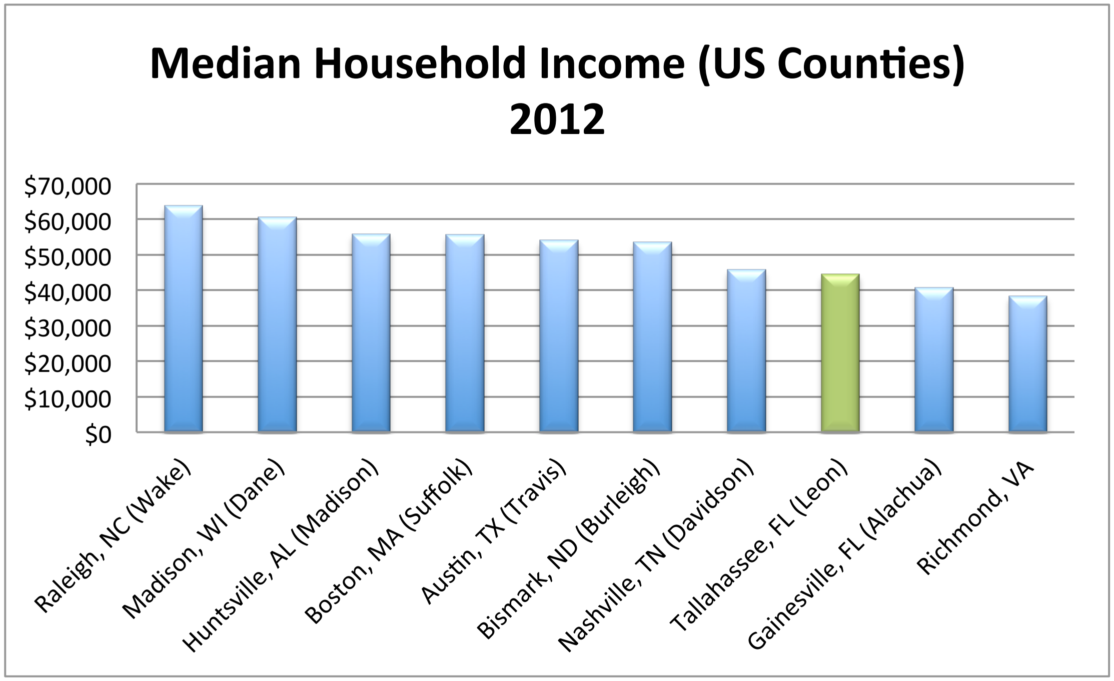
Gross Regional Product (Economic Output)

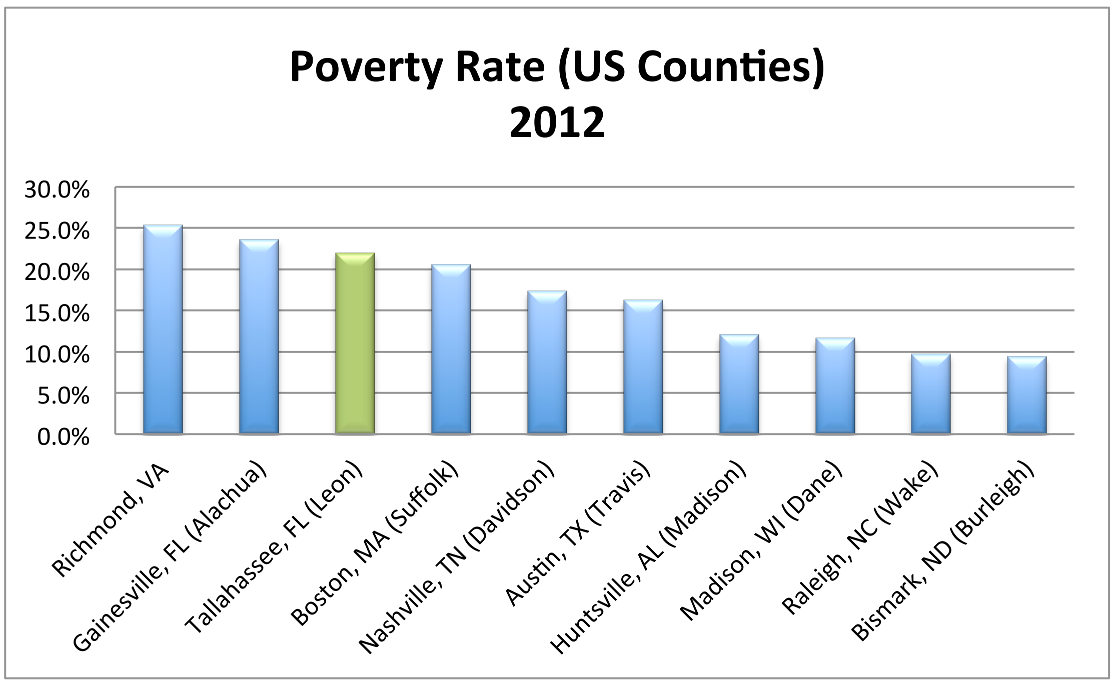
NAICS	Industry	GRP (2012)	% of Total
11	Agriculture, Forestry, Fishing and Hunting	$31,105,110	0%
21	Mining, Quarrying, and Oil and Gas Extraction	$5,816,852	0%
22	Utilities	$33,954,546	0%
23	Construction	$274,501,743	2%
31	Manufacturing	$154,723,520	1%
42	Wholesale Trade	$303,324,048	3%
44	Retail Trade	$779,214,933	7%
48	Transportation and Warehousing	$85,178,114	1%
51	Information	$463,560,033	4%
52	Finance and Insurance	$884,612,931	8%
53	Real Estate and Rental and Leasing	$826,418,380	7%
54	Professional, Scientific, and Technical Services	$1,253,689,174	11%
55	Management of Companies and Enterprises	$51,774,100	0%
56	Administrative and Support and Waste Management and Remediation Services	$286,299,447	2%
61	Educational Services (Private)	$73,415,129	1%
62	Health Care and Social Assistance	$1,127,950,037	10%
71	Arts, Entertainment, and Recreation	$67,802,480	1%
72	Accommodation and Food Services	$383,842,157	3%
81	Other Services (except Public Administration)	$427,678,664	4%
90	Government	$3,475,118,159	30%
	Other non-industries	$776,386,435	7%

A measure of Leon County's economic output, or gross regional product (GRP), reveals the contributions of specific industries to the area's overall economic activity. Total GRP in 2012 exceeded $11.7 billion and generated nearly $8 billion in earnings. Taxes on production resulting from this economic activity reached $793.2 million.

As this chart illustrates, government contributed nearly one third of the region's economic activity with professional, scientific and technical services producing 11% of the economies output. Health care and social assistance followed closely, pumping more than $1.1 billion into the economy (or 10%).

Leon County imported $17 billion in goods and services to meet 62% of its total demand in 2012. The balance $10.4 billion of its consumption was locally produced and consumed.





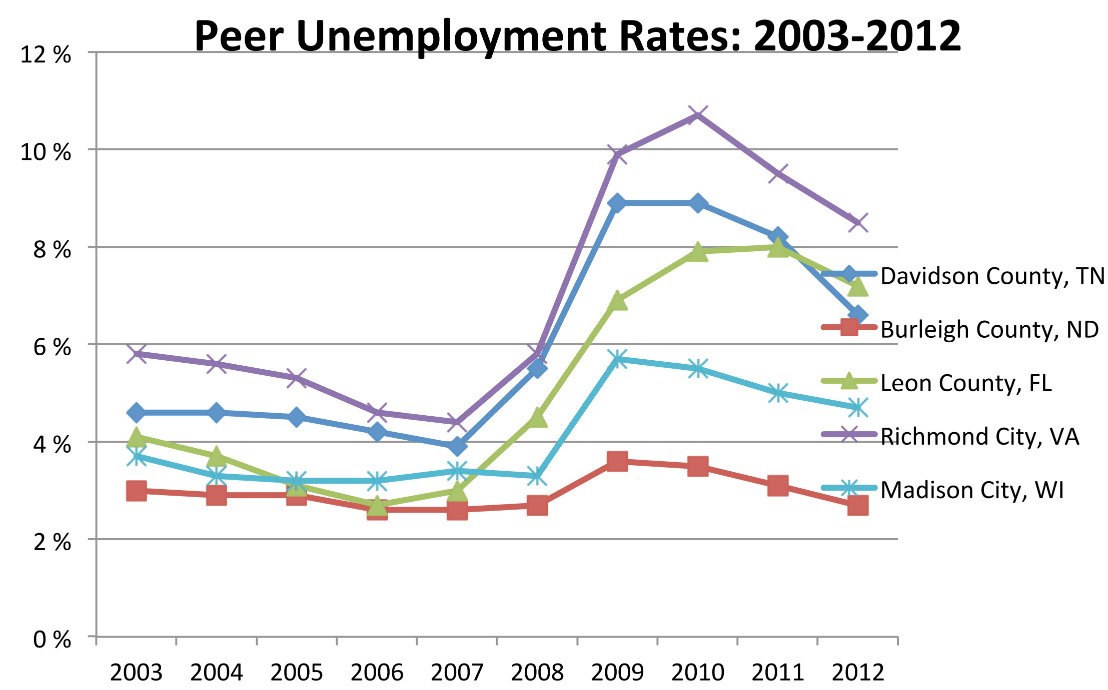
In the comparative data from 2012 at left, Tallahassee leads only Gainesville and Richmond in median household income. Mean (average) earnings of $49,800 projected for 2013 represents 82% of the national benchmark. Seven occupations (NAICS 2-digit level) boast average earnings for Tallahassee residents in 2013:

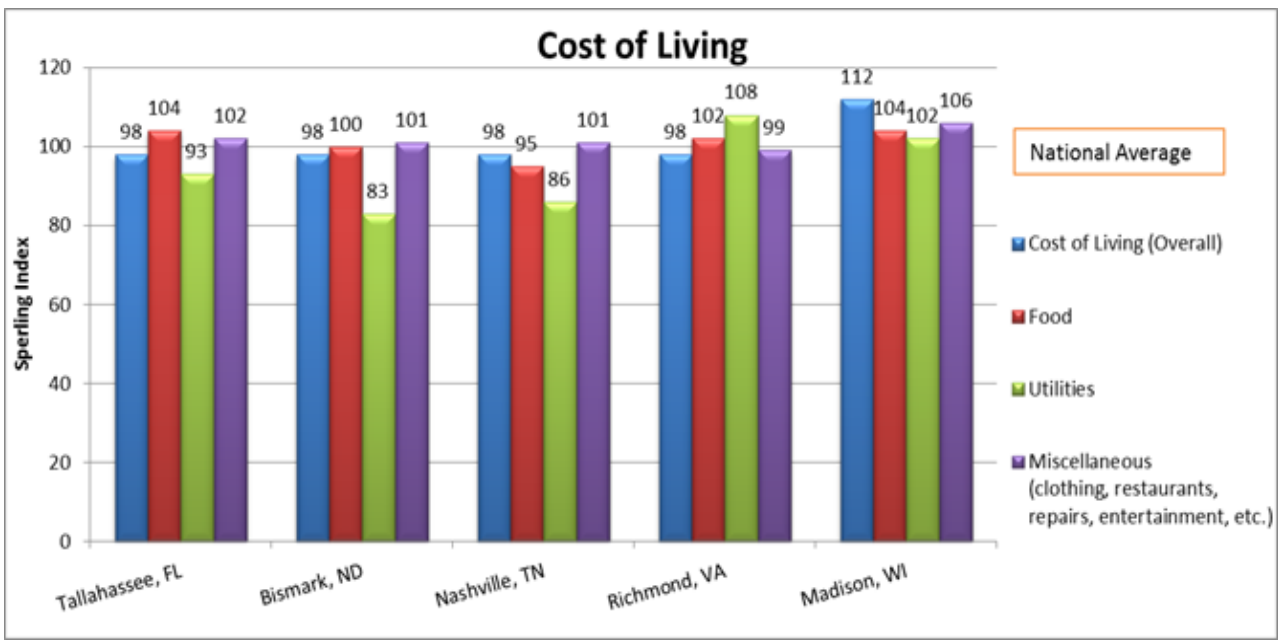
Mining, Quarrying, Oil & Gas Extraction	$158,424
Utilities	$ 83,871
Finance and Insurance	$ 82,784
Professional, Scientific, and Technical Services	$ 78,670
Management of Companies and Enterprises	$ 71,137
Manufacturing	$ 64,116
Government	$ 60,216

The poverty rate is set each year by the U.S. federal government varies by the number of persons in a household. Comparative data for 2012 shows Tallahassee with the third greatest percentage of its population living below poverty. Often student populations are blamed for such high levels, however, note that the populations of the benchmark cities also include significant student populations. Additionally, U.S. Census policies exclude persons living in dorms from being interviewed. The fact that all external income (e.g., money from family and grants) is included in income levels for census respondents further weakens the argument that student populations are the entire story.

Over the past 10 years, the unemployment rate in Leon County ranged from a low in 2006 of 2.7% to a high in 2011 at 8.0%. Overall, the peer communities experienced similar unemployment trends since 2003 which demonstrates the national economic influence in these local communities.

It is worth noting that the unique character of Leon County's unemployment rate shifts. Unemployment rate began to rise in 2006, a year before its peers (with exception to Madison) and continued to increase from 2010 to 2011 as the rest of the peer communities were starting to recover from the recession. In short, Leon's unemployment rate spiked first and recovered last.





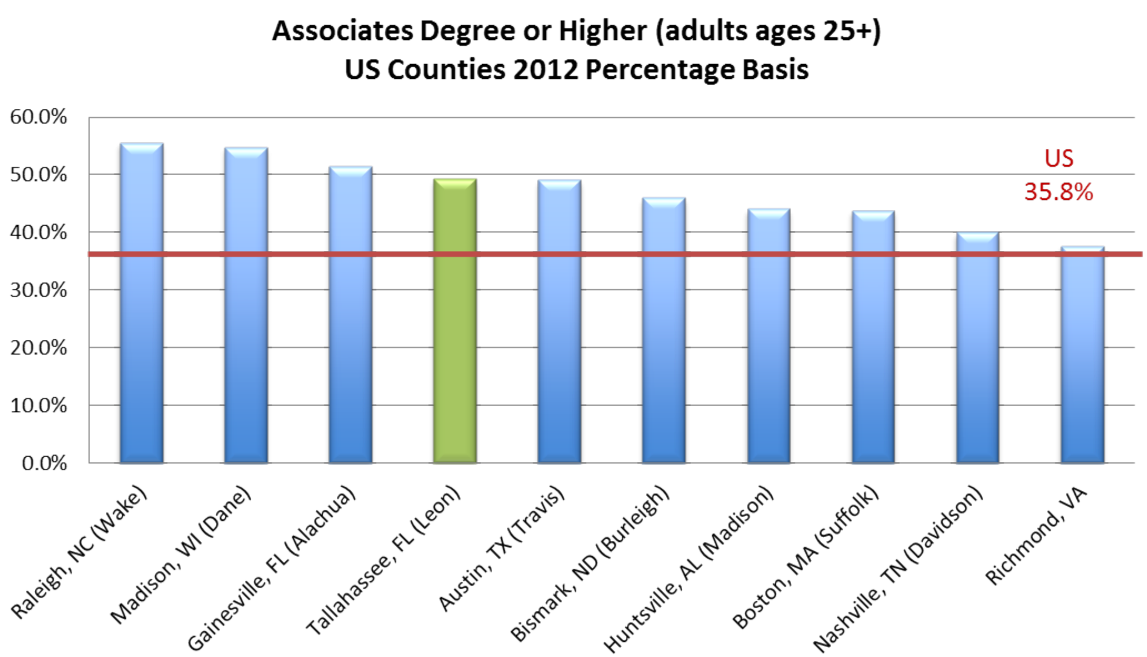
According to data provided by Sperling's Best Places, Tallahassee's cost of living is at parity with other capital cities with the exception of Madison, which indexes 12 points above the national average (100) at 112. The utility rates index of 93 is an attractive position (below the national average).

SPOT ANALYSIS: TALENT SUPPLY & EDUCATION

Workforce, Educational Attainment, Test Scores

Educational Attainment Breakdown

Educational Attainment	2013 Population	2020 Population	Change	% Change
Graduate Degree and Higher	28,214	30,325	2,111	7%
Bachelor's Degree	38,820	41,774	2,954	8%
Associate's Degree	13,505	14,680	1,175	9%
Some College	32,246	34,901	2,655	8%
9th Grade to 12th Grade	13,628	15,727	2,099	15%
High School Diploma	33,078	34,886	1,808	5%
Less Than 9th Grade	2,450	1,943	-507	-21%
Total	161,941	174,238	12,297	8%

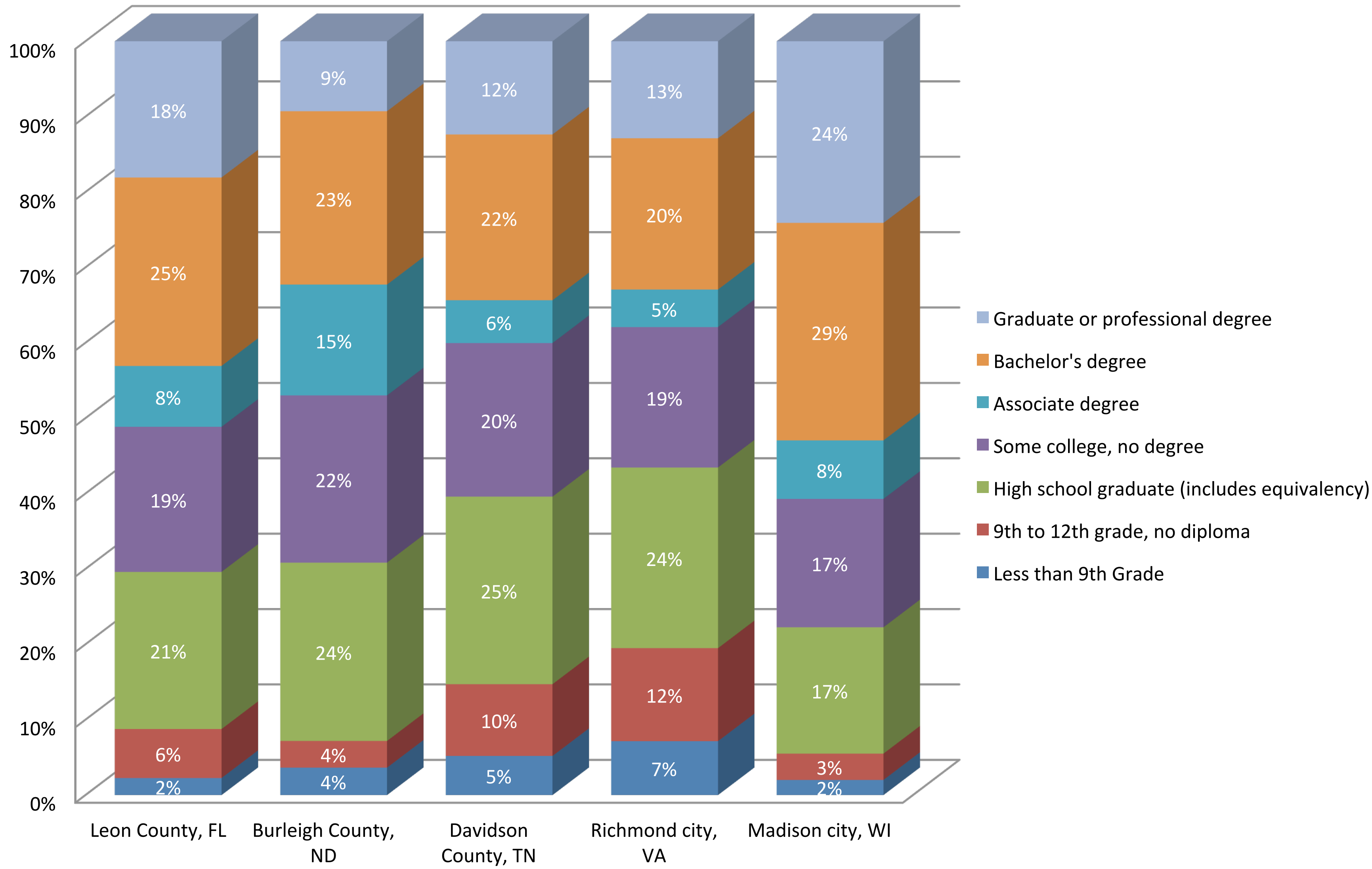


Leon County boasts an educated work force. As a whole, residents are 12% more likely to hold associate's degrees; 37% more likely to hold bachelor's; and 69% more likely to have earned graduate degrees than the national average. Projections into 2020 indicate continued progress, but an ethnic breakdown of academic achievement suggests interesting strengths and opportunities.

While White (non-Hispanic) residents have achieved higher academic achievement than their peers nationally, their relative strength is dwarfed by the density of academically prepared Blacks (non-Hispanic). For example, employers are three times more likely to find Black (non-Hispanic) residents with a bachelor's or graduate degree than in other counties across the country, while White (non-Hispanic) residents are only 50% more likely to offer the same education levels. The educational achievement within the Hispanic population reflects a similar split. Residents identifying themselves as Black Hispanic boast greater likelihoods to hold bachelor's and graduate degrees than their White Hispanic counterparts when looking at benchmarks to the national average.

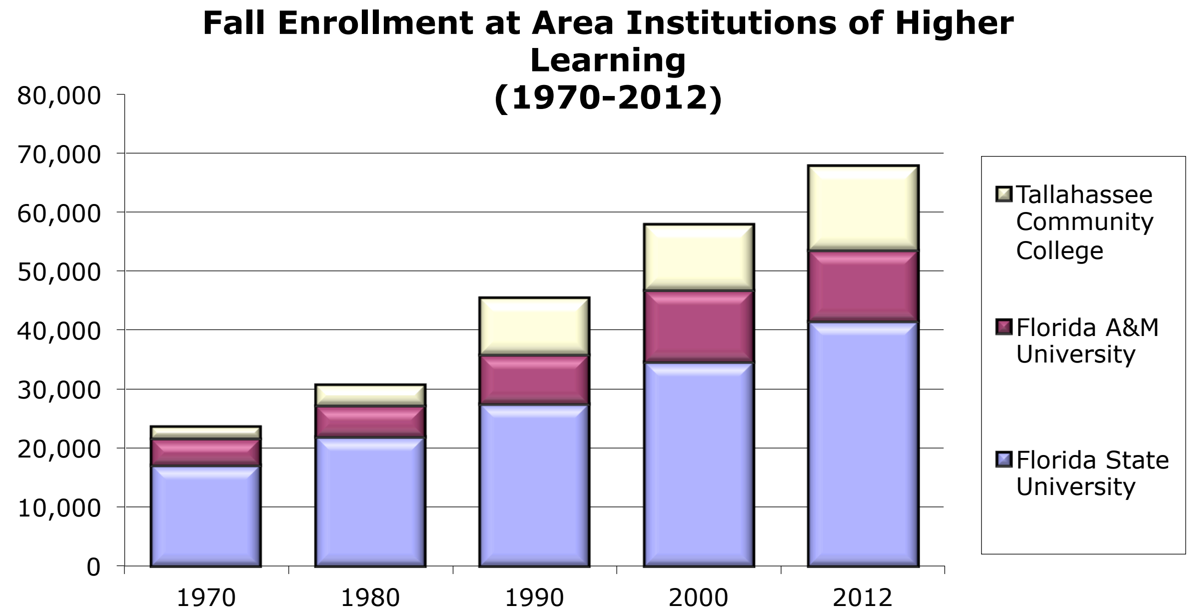
When looking at peer cities, Tallahassee (43%) is second only to Madison (53%) in the portion of population that has attained a Bachelor's Degree or higher. From 2000 to 2011, the proportion of Madison residents with graduate or professional degrees increased by 3.1% representing nearly a quarter (24%) of its population. The chart on the following page illustrates comparisons among peer cities in relation to degree achievement in 2011.

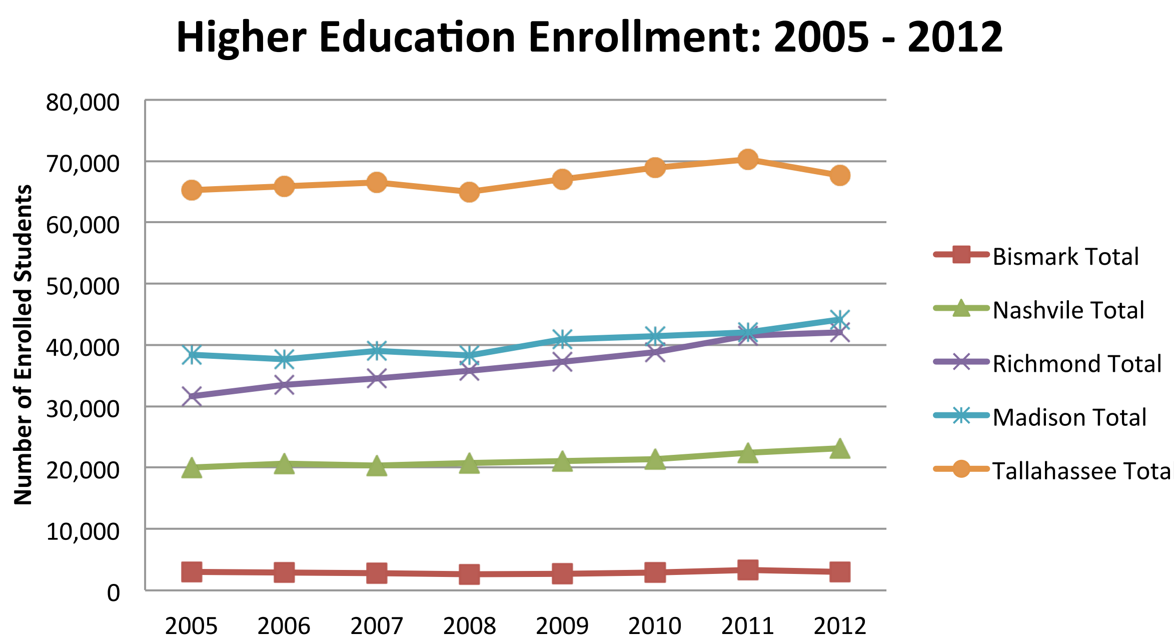
Comparisons in Educational Attainment, 2011

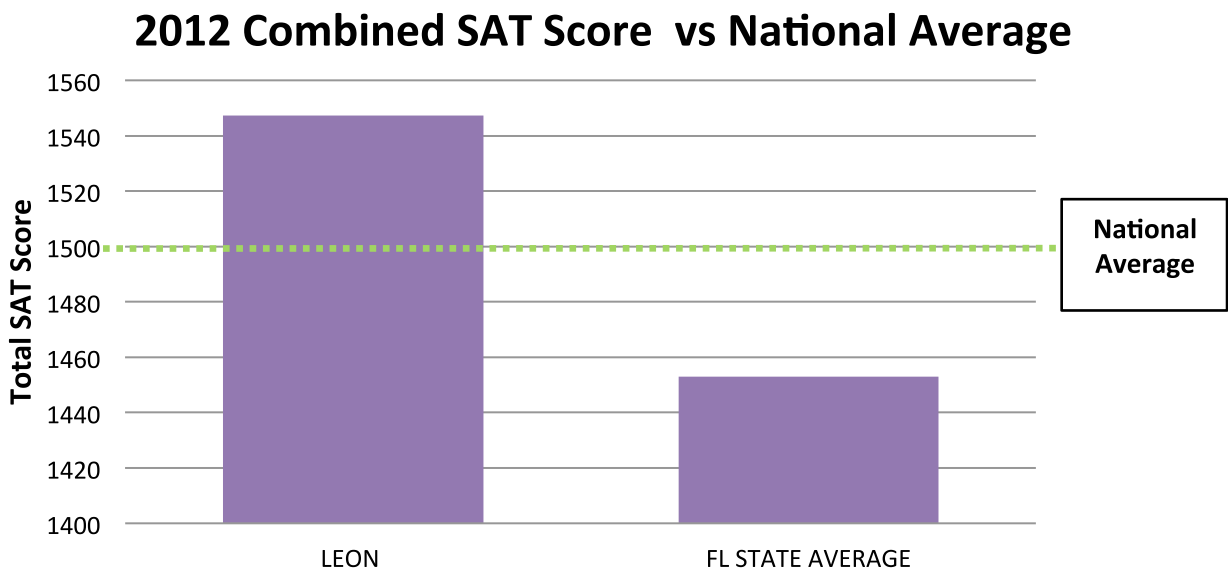


The fall enrollment data for local institutions of higher learning illustrates a consistent growth pattern over the long term, particularly the significant growth of Tallahassee Community College which surpassed the enrollment at Florida A&M University in 1985.

More recent data illustrated in the chart at bottom right depicts a slower pattern in student enrollment compared to peer communities. Growth patterns aside, Tallahassee has a population of nearly 70,000 students which is approximately 25,000 more students than the closest peer communities of Madison and Richmond.

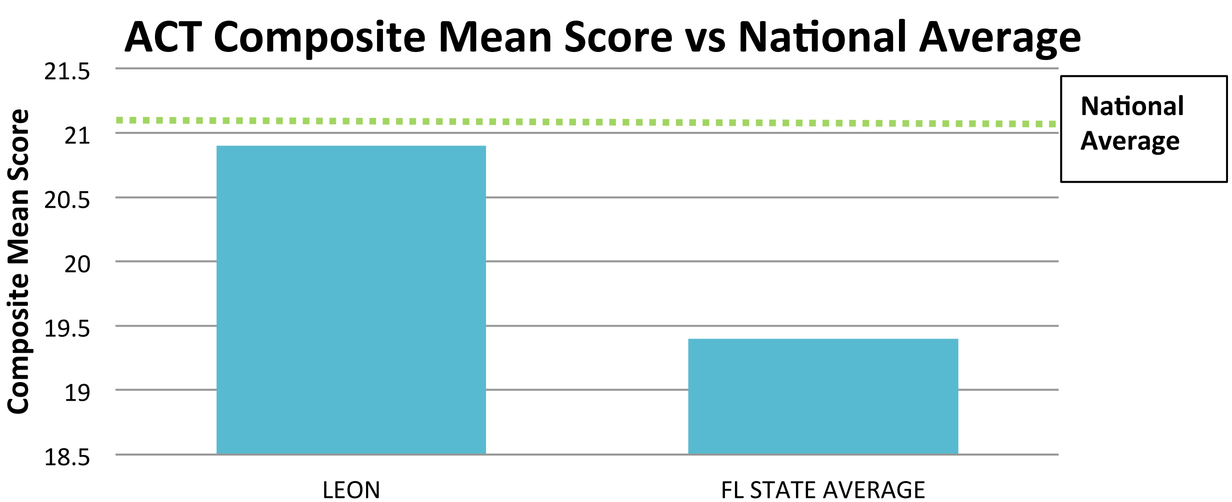






Among the 67 school districts in the State of Florida, Leon County high school students rank 10th overall in SAT scores with a total composite score of 1,547. Leon County high school students rank 7th in ACT scores with a total composite score of 20.9.

Leon County's combined average SAT score of 1547 is 94 points above the state average and 49 points above the national average scores. The averaged combined ACT score of 20.9 for Leon County students is 1.5 points above the state average and 0.2 points below the national average.



Of the 152,929 people who are employed in Leon County, 85,091 live and work in the county. There are 67,838 workers who commute across county lines to their jobs here. Nearly 21,000 workers who live in Leon County report a commute outside the area for their jobs. The net job inflow is 46,936.

State and local governments (public administration) combined with the area institutions of higher education represent 78% of the total employment for the 30 largest local employers.

Excluding public administration and education employers from the top 30 largest employers leaves health care and social assistance as the largest employment industry group at 43%. Retail is second at 27%.

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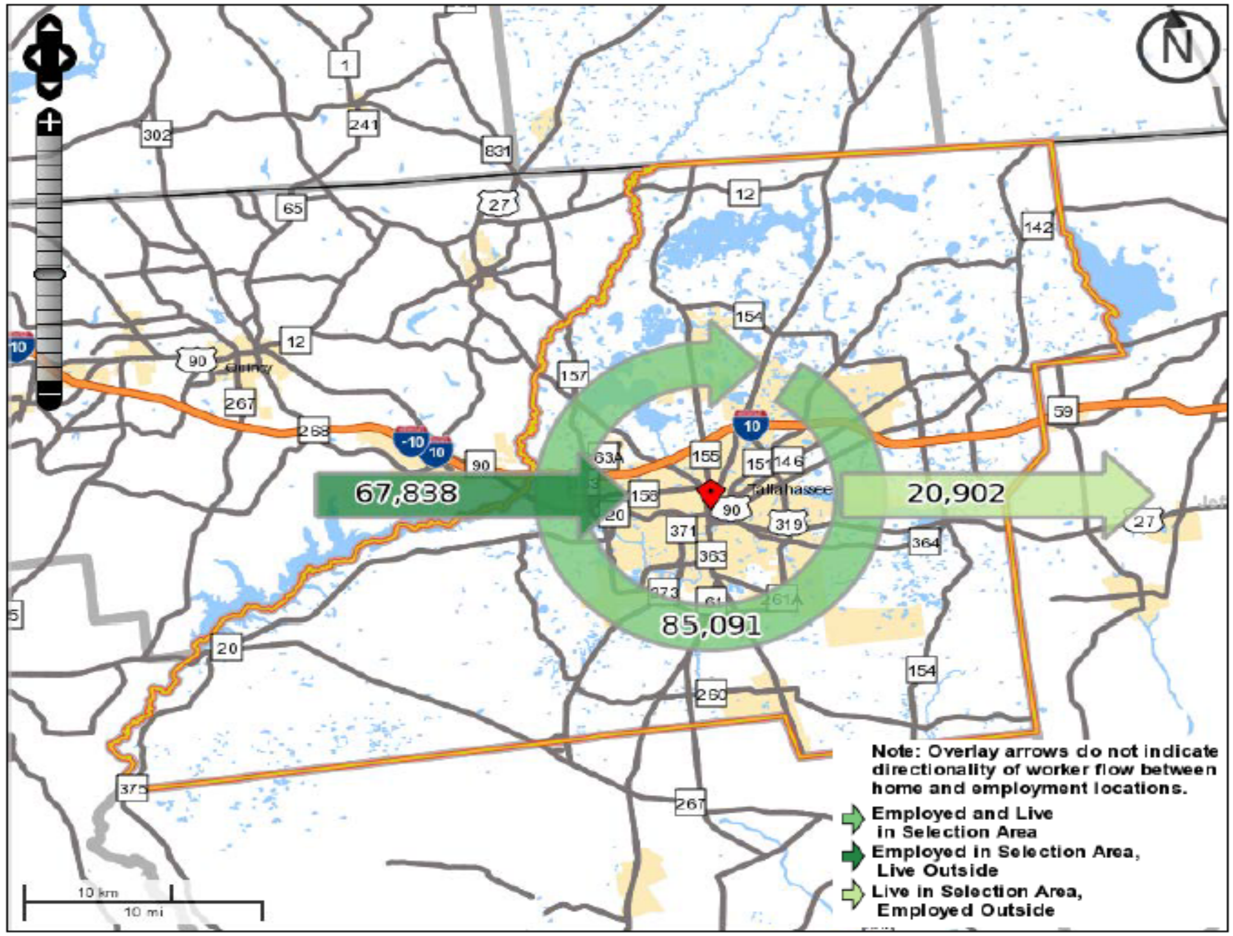
Workforce Plus

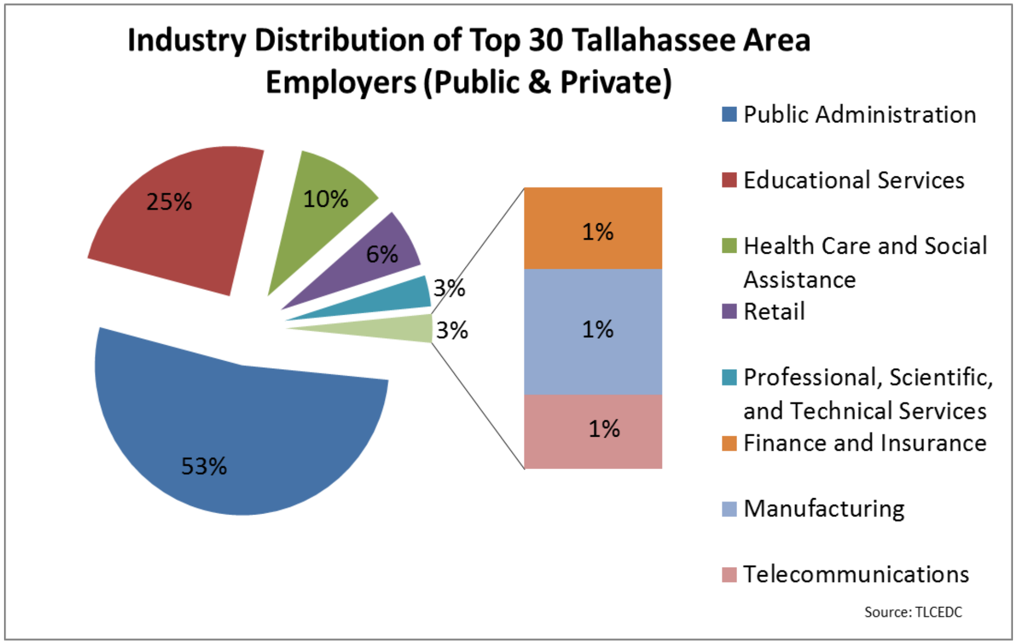
Labor Inflow/Outflow Map—Leon County



Source: U.S. Census Bureau, Local Employment Dynamics program

SPOT ANALYSIS:
JOB CREATION
& REVENUE DRIVERS

Growth, Retention and Relocation



State and local governments (public administration) combined with the area institutions of higher education represent 78% of the total employment for the 30 largest local employers.

Excluding public administration and education employers from the top 30 largest employers leaves the health care and social assistance industry as the largest employment industry at 43%. Retail is second at 25%.

Leon County Region's Major Employers (2012)*

Rank	Organization	# of Employees
1	State of Florida	24,599
2	Florida State University	6,119
3	Leon County Schools	4,550
4	Tallahassee Memorial HealthCare Inc.	3,190
5	City of Tallahassee	2,736
6	Publix Supermarket	2,102
7	Florida A&M University	1,923
8	Leon County	1,919
9	Wal-Mart Stores Inc.	1,300
10	Tallahassee Community College	1,144
11	Capital Regional Medical Center	867
12	ACS, A Xerox Company	800
13	Capital City Bank group	502
14	Capital Health Plan	425
15	St. Marks Powder	400
16	Westminster Oaks	365
17	Florida Bar	328
18	Century Link	278
19	General Dynamics Land Systems	250

139.0K Total Jobs (2013)	46.4% Male (National: 50.2%)	53.6% Female (National: 49.8%)

NAICS	Industry	2013 Jobs
11	Agriculture, Forestry, Fishing and Hunting	214
21	Mining, Quarrying, and Oil and Gas Extraction	9
22	Utilities	84
23	Construction	4,356
31	Manufacturing	1,750
42	Wholesale Trade	1,983
44	Retail Trade	15,784
48	Transportation and Warehousing	978
51	Information	2,964
52	Finance and Insurance	4,139
53	Real Estate and Rental and Leasing	2,227
54	Professional, Scientific, and Technical Services	9,608
55	Management of Companies and Enterprises	549
56	Administrative and Support and Waste Management and Remediation Services	5,478
61	Educational Services (Private)	1,467
62	Health Care and Social Assistance	17,163
71	Arts, Entertainment, and Recreation	1,091
72	Accommodation and Food Services	15,237
81	Other Services (except Public Administration)	6,166
90	Government	47,707
99	Unclassified Industry	7

A breakdown of Tallahassee's 139,000 jobs in the chart at left reflects the heavy dependency on government, health care, retail along with accommodations and food services. This mix is consistent with metropolitan areas attracting both high student and retiree populations.

Your Economy (YE), a project of the Edward Lowe Foundation, publishes data (YourEconomy.org) useful to understanding the source of job creation. For the three-year period 2009 – 2012, Leon County realized an annual rate of 4.7% (or 33,631) in job growth. This performance places Leon County at 20th in comparison to other Florida counties. Surprisingly, rural Florida leads the emergence from the Great Recession with Highlands, DeSoto, Sumter and Lafayette Counties taking the top four posts.

"Resident companies," those standalone companies in the county or those reporting to another company in Florida, experienced slightly less annual job growth (3.3% or 13,498) than non-Resident companies (4.7% or 3,306).

Jobs from entrepreneurial activity is reflected in the performance of new startups, or companies with no prior affiliation with any existing business, which increased by 17.4%; as well as expansion startup jobs which increased by 56.9%. Leon County benefited considerably in the past three years by relocation jobs, which grew by an average annual rate of 96.2% (or 1,143), which counters a 10-year trend of low performance. The total number of jobs moving out increased by 214 or an average annual rate of 14.0%.

Growing/Declining Occupations

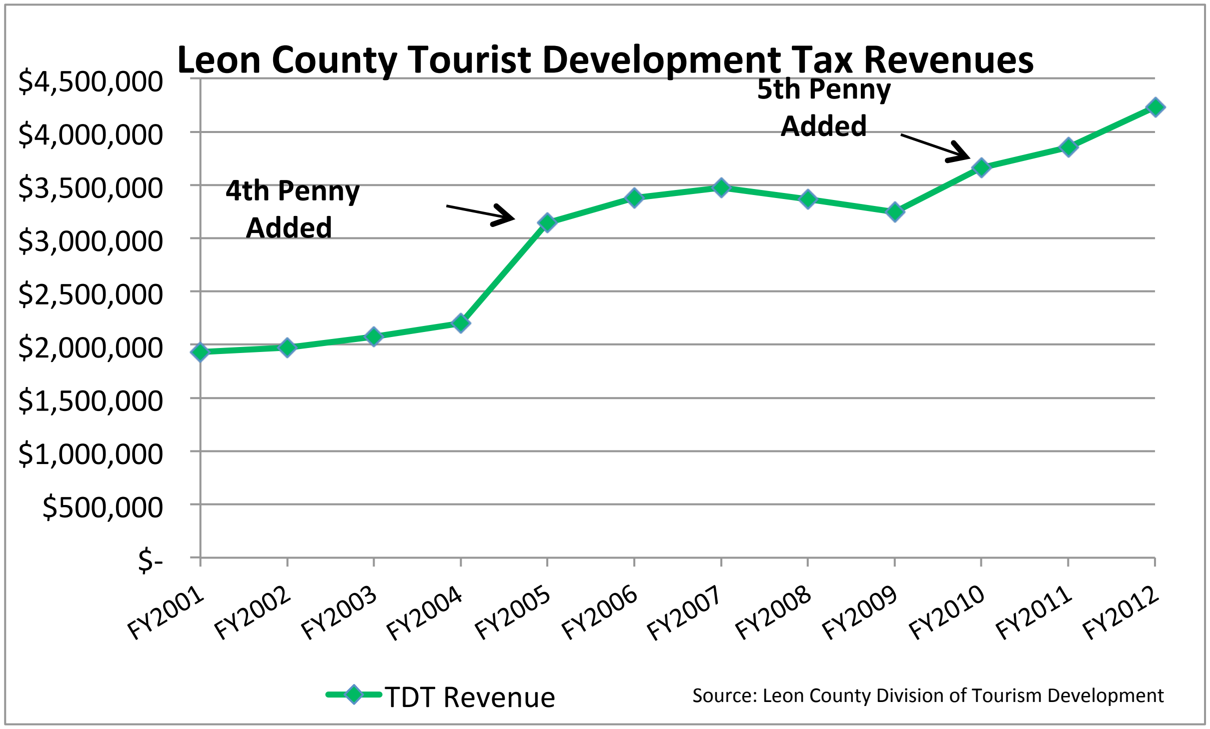
Occupation	Change in Jobs (2013-2020)
Combined Food Preparation and Serving Workers, Including Fast Food (35-3021)	719
Janitors and Cleaners, Except Maids and Housekeeping Cleaners (37-2011)	379
Registered Nurses (29-1141)	258
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive (43-6014)	-41
File Clerks (43-4071)	-43
Automotive Service Technicians and Mechanics (49-3023)	-63

Growing/Declining Industries

Industry	Change in Jobs (2013-2020)
Limited-Service Restaurants (722211)	890
Offices of Physicians (except Mental Health Specialists) (621111)	752
General Medical and Surgical Hospitals (Private) (622110)	474
Residential Mental Retardation Facilities (623210)	-150
Department Stores (except Discount Department Stores) (452111)	-278
State Government, Excluding Education and Hospitals (902999)	-348

Looking forward, job and industry growth projections at left are consistent with the previously acknowledged reliance on tourism and retiree services, including food service, housekeeping and health care. Declining occupations also confirm the erosion of jobs created by decreased demand for job tasks which can be automated.

This baseline analysis stops short of the natural next step in investigating Tallahassee's preparedness for both meeting the projected needs (see chart at right) and the workforce adjustments necessary to support an innovation-driven region. Such an examination should be part of subsequent efforts to align educational preparation, workforce training and the corresponding flexible specialization associated with such dynamic economies.



Revenues realized from the tourist development tax reflect steady increases with an expected pause during the Great Recession (2009 – 2009). In the absence of adding the 4th and 5th pennies, the loss of revenues would have been much more significant. The chart at bottom left reflects the function of directly increasing revenues between 2005 and 2007 and stemming the receding revenue tides between 2008 and 2010. Tourist Development Tax revenues are currently at an all-time high for gross receipts.

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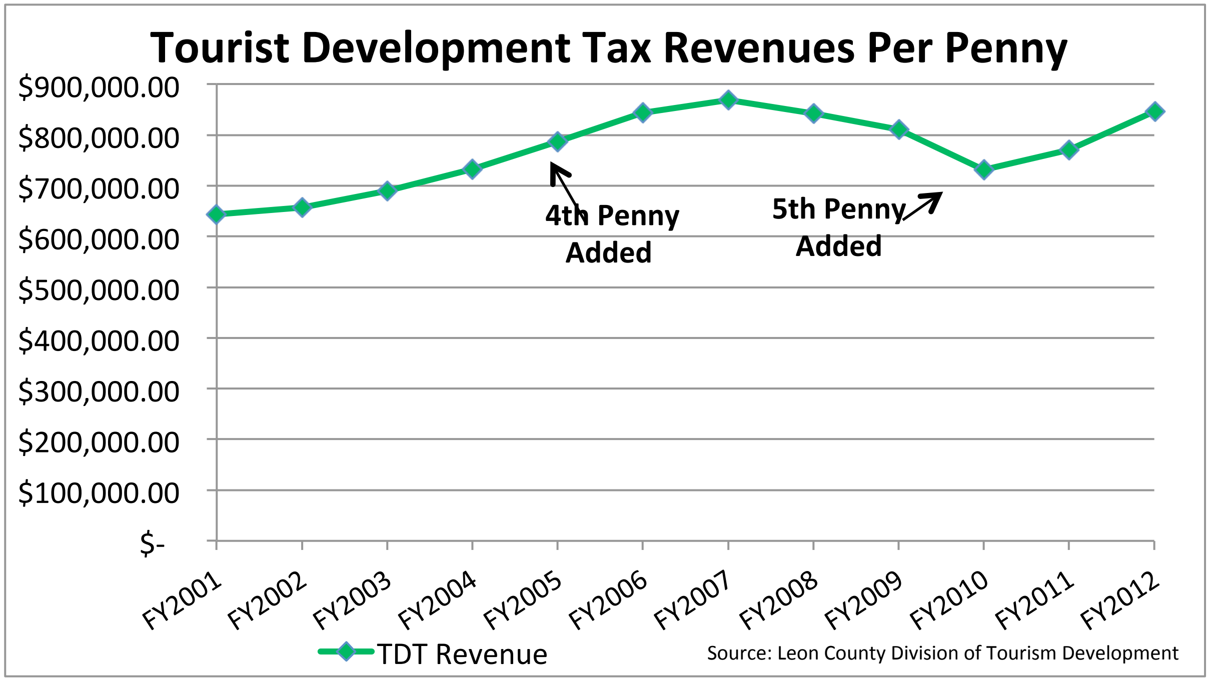
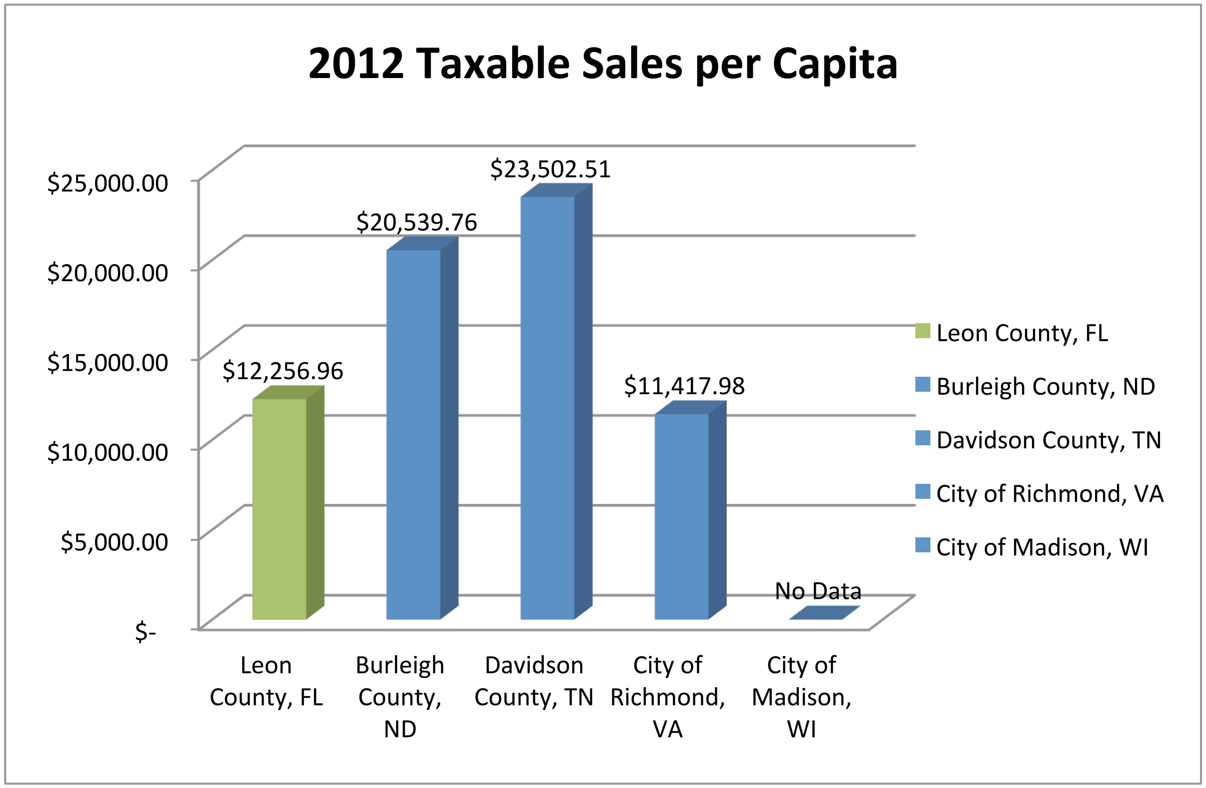


Comparative data with select peer cities illustrates the lower revenue potential in Leon County realized from consumer spending. Here we see the impact of occupational mix (wages and salaries) and spending opportunities within the local area. For example, qualitative evidence gleaned during the Imagine Tallahassee community open houses revealed resident demand for increased retail options, particularly higher-end offerings. Varying tax structures also impact these comparisons.



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County or City	Taxable Sales	Population	Taxable Sales per Capita
Tallahassee MSA, FL	$ 3,941,000,000	375,371	$ 10,498.95
Leon County, FL	$ 3,478,144,839	283,769	$ 12,256.96
Burleigh County, ND	$ 1,761,777,191	85,774	$ 20,539.76
Davidson County, TN	$ 15,236,560,150	648,295	$ 23,502.51
City of Richmond, VA	$ 2,401,304,200	210,309	$ 11,417.98
City of Madison, WI	N/A	240,323	N/A

Appendix A:
Vision Statement

Master Key 2.0 for Project Impact Assessments

A. Creating and Sustaining an Entrepreneurial Ecosystem

Goals:

1. Increased number of private businesses.
2. Increased dollar volume of equity financing.
3. Increased share of population that are business owners who use entrepreneurial skills in their workplace.
4. Increase the number of minority and women-owned businesses (Idea Source: C. Richardson)

Strategies:

1. **Coordinate resource allocation and promote partnerships for sustainable entrepreneurial development.**

RELATED PROJECTS/PROGRAMS:

$$$$$
- Create an entrepreneurial development coordinating committee to catalog resources; vet proposals; design educational curriculum; coordinate partnerships or regional R&D assets; and market emerging technologies to investors. (Idea Source: "Entrepreneurial group", K. Rivers)

2. **Increase access to available risk capital.**

RELATED PROJECTS/PROGRAMS:

$$$$
- Provide an "innovation fund" that offers flexible financing for new and growing businesses (Idea Source: K. Rivers)

$
- Develop a micro-lending program to provide capital to very small, existing businesses (Idea Source: K. Bowers)

$$
- Create a minority business investment fund to encourage business investment in the Southside (Idea Source: S. Pittman)

3. **Expand entrepreneurial support services and entrepreneurial training.**

RELATED PROJECTS/PROGRAMS:

Duplicate
- Provide "Gearbox" of technical services such as intellectual property and legal counsel, marketing, business planning, and financial assistance to researchers and start-up entrepreneurs. (Idea Source: K. Rivers, K. Moore)

$$
- Provide a targeted business assistance programs to address the unique challenges faced by minority and women-owned firms in accessing markets and capital (Idea Source: C. Richardson)

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4. Aid in bringing ideas to market that accelerate business and job growth.

RELATED PROJECTS/PROGRAMS:

$$$$$ ○ Develop incubators for new start-up businesses (Idea Source: K. Rivers)

$$$ ○ Develop specialized wet lab facilities for R&D to provide ready access to space, equipment, controlled environments, sensitive material handling capabilities, and related infrastructure for researchers (Idea Source: J. Murdaugh)

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B. Becoming and Competing as an Economic Hub

Goals:

1. Increased number of new permanent residents.
2. Improved air travel and freight transportation connections**
3. Increased number of jobs in private sector "traded" industries (i.e., manufacturing, advanced business services, tourism).
4. Increased number of private sector jobs that pay above average wages.
5. Faster growth in the regional GDP and total employment.
6. Recognition of Greater Tallahassee as a metropolitan area "on the rise."

Strategies:

1. **Market Greater Tallahassee's emerging entrepreneurial ecosystem proactively and aggressively to businesses in high-growth industries, investors, and entrepreneurs**

RELATED PROJECTS/PROGRAMS:

$$$ ○ Develop a brand that resonates with businesses seeking to locate to Tallahassee as well as boosting pride in the Tallahassee. (Idea Source: S. Dick, H. Martin, T. Thomas)

$$$ ○ Invest in preparing commercial buildings and sites at the TLH regional airport as a location for a regional transportation and logistics hub. (Idea Source: S. Dick)

2. **Expand and retain existing key businesses.**

RELATED PROJECTS/PROGRAMS:

$$ ○ Target economic development recruitment and retention efforts to companies offering jobs requiring an industry certification or a higher level of education (Idea Source: Adapted from C. Richardson)

$$$$$ ○ Provide incentives to attract high-skill, high-wage businesses to Tallahassee (Idea Source: A. Favors Thompson, C. Jackson)

$$$$$ ○ Create a "Quick Action Closing Fund" to provide resources to respond flexibly to the needs identified by high impact prospects (Idea Source: K. Rivers)

Connection Points to Blueprint2020:

*** Improved air travel and freight transportation connections.*

C. Growing our Destination Product for Travel and Tourism

Goals:

1. Increased visitors and tourist spending.
2. Media recognition as a cultural destination for in-state and out of state travelers.

Strategies:

1. **Improve visitor attraction "products" and services that help to expand the visitor experience**

RELATED PROJECTS/PROGRAMS:

- $$$$$ — Provide grants to area cultural and heritage venues. (Idea Source: L. Daniel, M. Pate, K. Dozier)
- $$$$$ — Develop a competitive sport venue (a multi-use community facility) to attract regional sports tourism by hosting tournaments and sports training. (Idea Source: L. Daniel; K. Rivers)
- $ — Negotiate to use a larger venue (e.g., FSU stadium, America's Backyard, Civic Center) for major musical events. (Idea Source: L. Daniel)
- $ — Create a new high visibility event highlighting Tallahassee. (Idea Source: L. Daniel)
- $$ — Expand current signage, information booths and flyers, public transportation, social media/apps, etc. to allow visitors and new residents to move around town with ease, and find areas of interest. (Idea Source: L. Daniel)

2. **Connect College Town to activities at the Civic Center to create a one-mile stretch of walkable activity.**

RELATED PROJECTS/PROGRAMS:

- $$$$$ — Provide the infrastructure to support the development of a convention hotel, entertainment and retail district in the downtown (Idea Source: E. Barron)

D. Supporting a Creative Culture and Urban Lifestyle

Goals:

1. Improved perception of Tallahassee as a place to live among young professionals.
2. Increased employment in "creative industries."

Strategies:

1. **Enhance and connect existing community assets in the downtown and surrounding urban core.**

RELATED PROJECTS/PROGRAMS:

$$$$ ○ Fund the implementation of the South Monroe/Adams Corridor sector plan (Idea Source: C. Richardson)

2. **Ensure a level of "coolness" within downtown and surrounding urban areas.**

RELATED PROJECTS/PROGRAMS:

$ ○ Invest in opportunities to create and display public art downtown and in selected nearby gateway centers (Idea Source: K. Dozier)

$$$ ○ Establish a "Festival Fund" to support inter-organizational efforts that coordinate existing university programs, entertainment venues, and neighborhood groups that organize successful arts, cultural, and entertainment events. (Idea Source: K. Dozier, M. Pate, L. Daniel, Warren)

$$ ○ Provide events in public spaces and increase pedestrian/bike access in ways that create activity built on the city's culture (Idea Source: K. Dozier, M. Pate, L. Daniel)

$$$ ○ Invest in arts/culture initiatives designed to create "Quantum Leaps" for Tallahassee's arts/culture community (Idea Source: K. Dozier)

$$$$ ○ Increase funding for the city's Community Redevelopment Areas and emphasize economic development investments in those areas (Idea Source: C. Richardson)

3. **Promote healthier living as an approach to economic development** (Idea Source: K. Williams)

RELATED PROJECTS/PROGRAMS:

$ ○ Increase access to locally grown foods by promoting and marketing co-ops, farmers markets, and establishments that support local farms. (Idea Source: Dr. Larry Robinson)

$ ○ Increase opportunities for urban farming with grants to renovate existing vacant infrastructure into greenhouses, and equip difficult to employ residents with skills to be successful entrepreneurs. (Idea Source: Dr. Larry Robinson)

Connection Point to Blueprint 2020:

***Provide events in public spaces and increase pedestrian/bike access in ways that create activity built on the city's culture*

E. Investing in Our Human Capital Assets

Goals:

1. Increased job opportunities for college students and new graduates.
2. Increased share of population with post-secondary education or training (including degrees and certifications).
3. Number of individuals aged 25-34 with a college degree or higher.
4. Growth in the number of jobs filled that require either a college degree or industry certification (Idea Source: C. Richardson).

Strategies:

1. **Increase work readiness resources.**

RELATED PROJECTS/PROGRAMS:

$ ○ Conduct a community-wide assessment of jobseekers to provide information about the available talent pool and about education and training gaps that must be filled to meet industry needs. (Idea Source: M. Baldwin, J. McShane)

2. **Provide more career-relevant educational curriculum and programming to help students and jobseekers explore and find appropriate careers**

RELATED PROJECTS/PROGRAMS:

? ○ Establish the Southeast Regional Center of Excellence (Idea Source: J. Murdaugh)

? ○ Provide grants to school programs (such as field trips to companies, entrepreneurial activities, or teen summer math and science camps) to help students better learn about careers and the technical skills those careers require. (Idea Source: C. Henry)

3. **Create a lifelong learning environment.**

RELATED PROJECTS/PROGRAMS:

$$$ ○ Driving economic development through a healthy community (Idea Source: K. Williams)

$$$$$ ○ Early childhood three-point strategy (Idea Source: K. Dozier)

4. **Target outreach efforts to local businesses to encourage the recruitment and hiring of area university and college students or new graduates.** (Idea Source: M. Baldwin, J. McShane)

$$$ ○ Target outreach efforts to local businesses to encourage the recruitment and hiring of area university or college students or new graduates.

MEMO

TO: Steering Committee
DATE: October 18, 2013
RE: Preparation for October 21 Meeting

Please be reminded that we will gather again on Monday, October 21 to continue our work toward refining the economic development programs and projects. We will soon be concluding the time period in which programs/projects can be added to our growing list. Monday's meeting will be our last to dedicate to adding programs/projects as we must soon turn to the process of detailed evaluation and prioritization.

As you prepare for Monday's meeting, we ask that you review the attached document. We ask that you e-mail any lingering versions of "Initial Project Assessment" forms no later than Monday at 10 am to ensure they make the revised Master Project Key to be used Monday night.

A preliminary agenda appears below. The majority of the meeting will be spent in work groups assigned to address various opportunities within "Workforce Alignment" or "Response Reserve Funding." You will recall that these were two categories of strategic interest identified last week to which the Steering Committee agreed to focus additional attention.

Preliminary Agenda

I. Review of Revised Program/Project Master Key (edits and additions) (15 minutes)
II. Workgroup Breakout Session (75 minutes)
III. Report Out of Program/Project Additions (15 minutes)
IV. Determination of Prioritization Process (15 minutes)

To assist the work to be done within "Response Reserve Funding," please find attached a summary of Florida incentive programs. The objectives and corresponding parameters should prove useful as you consider the development of local incentives or assistance programs.

Finally, you are asked to make room in your busy calendars for a meeting from 5:30 pm to 7:30 pm on Monday, October 28. This meeting will be dedicated to prioritizing the programs/projects to be put forward to the public during the November 4 and 5 Open Houses.

Qustions? E-mail or call a member of the Thinkspot team: Dr. Dale Brill: 850-766-0143 or dale@thinkspot.co; Stephanie Gibbons: 850-212-5488 or stephanie@thinkspot.co; or Michelle Dennard: 850-322-8566 or michelle@thinkspot.co

Florida Incentive Navigation

Prepared for:
Imagine Tallahassee
October 2013

Thinkspot

Thinkspot

Table of Contents

This document reviews the basic information regarding a portion of Florida's business incentives. Specific information about a business's plans are necessary to determine what programs may fit that business. The approving authority makes the final decision whether a business may receive an incentive or tax exemption. If would like information on an incentive not included in this document, please contact Michelle Dennard at michelle@thinkspot.co.

Cash Incentive Programs

Quick Action Closing Fund (QACF)

Statutory Reference: s. 288.1088, F.S.

Program Description: The Quick Action Closing Fund was created by the 1999 Legislature as a discretionary "deal closing" tool in highly competitive negotiations where Florida's traditional incentives are not enough to win the deal. This tool is critical to the state's ability to attract projects where Florida is at a significant competitive disadvantage. All Closing Fund projects include a performance-based contract with the State of Florida, which outlines specific milestones that must be achieved for grant payment, sanctions and penalties for non-performance, as well as annual compliance requirements. Closing Fund awards are generally paid out after the business has made a substantial capital investment toward tangible personal property tied to the project.

The QACF is inducement based. There must be an active decision to relocate or expand in another state.

Review/approval process: DEO oversees the Application, Review, Certification, and contracting process.

EFI works with a qualifying business to help determine if the program fits the business needs. DEO may provide preliminary terms governing the conditions of the award. DEO reviews the application and recommends the project to the Governor. Legislative approvals may be necessary depending on the size of the award.

After an application is approved by the Governor an applicant receives a letter of certification and notice of approval for the award. Then a contract is executed between DEO and the recipient, specifying the required performance in terms of wage levels, capital investment, and job creation and retention schedules, as well as, a payment schedule of the maximum potential incentive to which the company will be entitled if it meets its commitments.

Governor is the final approval authority, and DEO handles payment claims and other required policy and program decisions. DEO is the final approval authority for payment claims and other required program decisions.

High Impact Performance Incentive (HIPI)

Statutory Reference: Section 288.108, Florida Statutes

Description: The High Impact Performance Incentive began in 1997 to promote Florida as a business destination for major facilities operating in key industry sectors. High impact sectors include clean energy, biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, or a corporate headquarters facility. Each of these sectors is known to provide high quality employment and enhanced entrepreneurial climate in the State.

This negotiated incentive is reserved for businesses that make significant capital investment and have job creation that positively impacts the growth of these sectors in Florida and the State's economy.

- An eligible high-impact business must make a cumulative investment in the state of at least $50 million and create at least 50 new full-time equivalent jobs

- An eligible research and development facility must make a cumulative investment of at least $25 million and creating at least 25 new full-time equivalent jobs.

The High Impact grant assists businesses by offsetting costs at critical times during ramp-up. It accomplishes this by providing the grant in two equal installments, one upon commencement of operations and the other upon commencement of full operations. Performance conditions must be met prior to payment.

Responsibilities: Upon receipt by DEO, it reviews applications submitted by a business in consultation with EFI. After approval by DEO (certification), DEO enters into a contract with the certified business that states the conditions under which the award will be distributed to the business.

Review/Approval Process: An eligible business must submit an application to EFI prior making a decision to locate or expand in Florida. EFI reviews the submitted application for completeness and works with the business to ensure that all statutory and policy guidelines have been met. DEO reviews the application and certifies the eligible project.

Qualified Target Industry Tax Refund Incentive Program (QTI)

Statutory Reference: Section 288.106, *Florida Statutes* (Tax refund program for qualified target industry businesses).

Program Description: In order to help Florida counties and communities compete with other areas of the nation, and even other countries, for the location and expansion of companies which will create new jobs and provide improved incomes for Floridians, the Legislature authorized economic development incentives which may be offered to prospective businesses under prescribed circumstances. This is one of the largest and most frequently used of Florida's incentive programs.

The QTI Tax Refund incentive is available for companies which create high wage jobs in targeted, high value–added industries. New or expanding businesses in selected target industries or corporate headquarters are eligible. This incentive allows for refunds on corporate income, sales and use, ad valorem, intangible personal property, insurance premium, and certain other taxes paid by the recipient. The project must result in the creation of at least 10 jobs and, if an expansion of an existing business, must result in a net increase in employment of at least 10 percent at the project location.

Approved applicants creating new jobs in Florida which pay at least 115% of the average annual area wage may receive tax refunds of $3,000 for each net new full–time equivalent job created. This amount increases to $6,000 for businesses locating projects in an Enterprise Zone or a Rural Area (as defined in statute). For businesses paying at least 150% of the area's average annual wage, an additional $1,000 per job may be awarded, and for businesses paying 200% of the average annual wage, an additional $2,000 per job is allowed. Projects locating in a Designated Brownfield Area are eligible for an additional Brownfield Bonus of $2,500 per job on top of the base award. New provisions were adopted by the Legislature in 2010, allowing businesses within designated high impact sectors or which increase its exports of goods through a seaport or airport in Florida by at least 10% in value or tonnage in each year of receiving a QTI refund to receive an added $2,000 per job.

The local community where the company locates is required by statute to contribute 20% of the total tax refund, with exceptions allowed for projects which locate in a Rural Area or in a Designated Brownfield Area. While a cash match is preferred, the local match may include tax abatement or the appraised market value of land provided by the local governmental entity free or at a discount to the applicant. In these cases, however, the cash payment to the QTI award recipient will be only the State's 80% share, as the company is receiving the local match directly. The total tax refund paid may not exceed 5 times the local financial support provided. If the local financial support is less than 20 percent of the approved tax refund, the tax refund shall be reduced.

Responsibilities: DEO is the final authority for the application, review and certification process, contract process and the claims payment process.

Review/Approval Process: EFI works with a qualifying business and helps it to package its incentive application. EFI reviews the application and works with DEO for review and approval. DEO oversees the Application, Review, and Certification process. An applicant is first certified to receive the award and then a contract is executed between DEO and the recipient, specifying the required performance in terms of wage levels and job creation and retention schedules, as well as, a payment schedule of the maximum potential incentive to which the company will be entitled if it meets its commitments.

Innovation Incentive Program

The Innovation Incentive Program was created in 2006 "to ensure that sufficient resources are available to allow the state to respond expeditiously to extraordinary economic opportunities and to compete effectively for high value research and development, innovative business, and alternative energy projects."

Statutory Requirements
Overall project requirements depend on the type of project being presented. However, jobs created must pay the average wage of the relevant industry or 130% of the average private sector wage, whichever is greater.

A research and development project must:
1. Serve as a catalyst for an emerging or evolving technology cluster;
2. Collaborate with higher education;
3. Provide the State with a break-even return on investment within 20 years; and
4. Be provided with a one-to-one match from the local community.

An innovation business project must:
1. Create at least 1,000 new, direct jobs (500 if located in a rural area, brownfield area, or enterprise zone);
2. Be within a targeted industry or a designated sector;
3. Have a cumulative investment of $500 million within five years (or $250 million within 10 years if located in a rural area, brownfield area, or enterprise zone); and
4. Be provided with a one-to-one match from the local community.

Alternative and renewable energy projects must:
1. Collaborate with higher education;
2. Include matching funds provided by the applicant or other available sources;
3. Provide the State with a break-even return on investment within 20 years; and
4. Create at least 35 new, direct jobs.

Review/approval process: Enterprise Florida provides an evaluation and recommendation on each project. DEO solicits comments and recommendations from the Department of Agriculture and Consumer Services. Additional evaluative criteria will be examined by the department depending on the nature of the project.

The DEO Director then makes a recommendation to the Governor. The Governor must consult with the Speaker of the House and the Senate President before giving final approval. Funds must be released by the Legislative Budget Commission.

Program Recipients: Funds are disbursed to awardees based on the Disbursement Schedule contained in the Funding Agreement, between the awardee and DEO. The release of funds is contingent upon meeting requirements delineated in the Funding Agreement, which include the submission of Quarterly, Annual, Operations, and Science Reports, in addition to meeting job creation and other project-specific targets. Undisbursed award funds are held and invested by the State Board of Administration.

Additionally, awardees are subject to a reinvestment requirement. This provides that awardees remit to the state up to 15% of net royalty revenues, including revenues from spin-off companies and the revenues from the sale of stock it receives from the licensing or transfer of inventions, methods, processes, and other patentable discoveries conceived in Florida. Recipients are also required to reinvest up to 15% of revenues from naming opportunities associated with facilities built in the state.

Tax Credit Programs

Capital Investment Tax Credit (CITC)

Statutory Reference: s. 220.191, F.S.

Program Description: The CITC is used to attract and grow capital-intensive industries in Florida. It is an annual credit, provided for up to twenty years, against the corporate income tax. The amount of the annual credit is based on the eligible capital costs associated with a qualifying project. Eligible capital costs include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations.

In order to participate in the program, a company must apply to Enterprise Florida and be certified by the Governor's DEO (DEO) prior to the commencement of operations. In order to qualify for consideration under the program, an applicant must operate within designated high impact portions of the following sectors: Clean Energy, Corporate Headquarters, Financial Services, Information Technology, Life Sciences, Semiconductors, Silicon Technology, and Transportation Equipment Manufacturing.

The amount of the annual credit is up to five percent of the eligible capital costs generated by a qualifying project, for up to 20 years. The annual credit may not exceed a specified percentage of the annual corporate income tax liability generated by the project. Those percentages are:

- One hundred percent, for a project with a cumulative capital investment of at least $100 million;
- Seventy-five percent, for a project with a cumulative capital investment of at least $50 million but less than $100 million; and
- Fifty percent, for a project with a cumulative capital investment of at least $25 million but less than $50 million.

Qualifying Requirements:

CURRENT CAPITAL INVESTMENT TAX CREDIT QUALIFYING PROJECT TYPES					
	High-Impact Tier 1	**High-Impact Tier 2**	**High-Impact Tier 3**	**Target Industry**	**Headquarters**
Investment Required	$25 Million	$50 Million	$100 Million	$100 Million	$250 Million
Taxes that the Credit can be Applied Against	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax
Jobs Requirement	100 New Jobs	100 New Jobs	100 New Jobs	100 New, 900 New or Retained	1,500 New
Annual Credit Amount	5% of Eligible Costs	5% of Eligible Costs	5% of Eligible Costs	50% of increased tax liability arising out of the project	Lesser of $15 million or 5% of Eligible Costs
Annual Credit Limit	50% of tax arising out of project	75% of tax arising out of project	100% of tax arising out of project	50% of increased tax liability arising out of project	$15 million per year
Credit Period	20 years	20 Years	20 Years	5 years	20 years
Credit Carryover	None	None	Amounts not used within the 20-yr period can be taken between years 21 and 30	None	Annual unused amounts can be carried forward within the 20-yr period
Disproportionately Affected County Waiver	Between 7/1/11 and 6/30/14, the high impact sector requirement is waived for any business that relocates all or a portion of its out-of-state business to Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Gulf, Walton or Wakulla County.			N/A	N/A

Taxpayer Permitted to Transfer Credit?	Generally no. However, if a project establishes a new solar panel manufacturing facility and generates at least 400 jobs within 6 months of commencing operations and pays those jobs at least $50,000 average annual salary, it may transfer its permissible credit to another business.

Responsibilities: DEO is responsible for the Application, Review, Certification, and Audit process.

Review/approval process: DEO oversees the Application, Review, and Certification process.

EFI works with a qualifying business and helps it to package its CITC application. DEO reviews the application with ultimate approval by the DEO Executive Director.

After an application is approved by the Director an applicant receives a letter of certification and notice of approval for the award. The applicant is then responsible for contacting FDOR to enter into an Agreement for use of the Tax Credits. After the credit is awarded, DEO reviews businesses annually to ensure continuing requirements are satisfied.

The applicant submits an annual claim and supporting documents that are audited to ensure they have met the program performance criteria. If approved, then applicant is provided with a letter of certification to utilize with their tax filings with FDOR. DOR oversees credit use through its normal auditing procedures.

New Markets Tax Credit

Statutory Reference: Sections 288.9916, F.S.

Program Description: This program is modeled after the Federal program designed to encourage capital investment in low income communities. Investors can receive Corporate Income Tax credits or Insurance Premium Tax credits equal to 39 percent of qualified investments in Community Development Entities (CDEs). The CDEs use qualified investments to fund projects in low-income communities.

Qualifying Requirements:

- The investor must make a qualifying investment in a CDE.
- The CDE must be certified under the federal New Markets Tax Program.
- CDEs must use these funds to invest in qualifying businesses in low-income communities. These investments are typically made in the form of loans that are low or no interest loans or provide longer amortizing debt.

Review/Approval Process:

- DEO reviews projects and approves credit allocations.
- DOR reviews credit use through its normal auditing procedures.
- The 39 percent credit must be taken in portions spread over 5 taxable years.
- A qualifying business may not receive more than $10 million in qualifying investments under the entire program.
- The New Markets Development Program expires December 31, 2022.

Urban High-Crime Area Job Tax Credit

Statutory Reference: Sections 212.097 and 220.1895, F.S.

Program Description: This program provides a credit of $500 to $2,000 per qualified job against either Sales Tax or Corporate Income Tax for creating new jobs within designated urban areas nominated by local governments and qualified by the Department of Economic Opportunity as high-crime areas.

Qualifying Requirements:

- "Qualified high-crime areas" were nominated by local governments and ranked by DEO based on:
  - Arrest rates for violent crimes and other crimes such as drug sales, drug possession, prostitution, vandalism, and civil disturbances
  - Reported crime volume and rate of specific property crimes o Percentage of reported index crimes that are violent in nature o Overall index crime volume for the area, and o Overall index crime rate for the geographic area
- Rankings are based on comparisons to other nominated areas, not to the community as a whole.
- Qualified high-crime areas are designated in 3 tiers, with tier one containing the highest crime areas. Available credits per job created are higher in higher-crime tiers.
- An area that has been designated as a federal Empowerment Zone is also considered a qualified high-crime area.
- Eligible businesses include sole proprietorships, firms, partnerships, and corporations predominantly engaged in:
  - Agriculture, forestry and fishing
  - Manufacturing and retail
  - Public warehousing and storage
  - Hotels and other lodging places
  - Research and development
  - Motion picture production and allied services
  - Public golf courses
  - Amusement parks
  - Targeted industries eligible for the targeted industry business tax refund
  - Call centers or similar customer service operations that service a multistate or international market
- A qualified employee must work for an eligible business at least 36 hours per week for at least 3 months.

- A new business with at least 10 employees in a tier one area is eligible for tax credits; tiers two and three require 20 and 30 new employees, respectively.
- An existing business within a tier one area must add at least 5 employees; existing businesses in tiers two and three must add 10 and 15 more employees, respectively.
- To be eligible for this credit, an existing business's number of eligible employees as of one year before the application date must be at least as great as the number of qualified employees on January 1, 2009, or on the application date on which a credit was based for any previous application.
- A new or existing business will receive an additional $500 credit for any qualified employee who is a welfare transition program participant.

Approval/Review Processes

- The Department of Economic Opportunity must approve all applications for this credit.
- The maximum credit amount that may be approved during any calendar year is $5 million, and $1 million is reserved for tier-one areas.
- Up to 15 high-crime areas are authorized by Florida Statutes but only 13 applications were submitted by local governments. These areas have not changed since the program's original application period in 1998.
- A municipality, or a county and one or more municipalities together, may not nominate more than one high-crime area. This limitation does not apply to Miami-Dade County.
- The size of a designated area is limited to 20 square miles in a community having more than 150,000 persons, and in smaller communities the allowable size is smaller. The designated area may consist of up to 3 noncontiguous parcels.

Additional Information:

- In 2001 qualified target industry businesses and motion picture production and allied services were added to the list of eligible businesses.
- In 2012, dates for the reference period number of employees for existing businesses applying for the credit for a second time or more were changed so that when a business is applying for the second time or more, the number of qualified employees the business has at the time must be no lower than the number of qualified employees that the employer had on January 1, 2009, or on the date of its previous application for this credit. The change also allowed a business to reapply for credits that had been disallowed under the law as it existed at the time of application, but would have been allowed under the law as amended.
- Under this program the credit is based on the creation of new jobs; there is no ongoing obligation for the state to provide credits in the future. Job creation is measured over a 12-month period, and any change to the program could be crafted to allow any eligible business to receive credits for jobs created during its current 12-month measurement period.

Industrial Machinery & Equip. for New & Expanding Businesses/Spaceports

Statutory Reference: Section 212.08(5)(b), F.S.

Program Description: Industrial machinery and equipment purchased for exclusive use by a ***new*** business in spaceport activities or for use in a new business that manufactures, processes, compounds, or produces for sales items of tangible personal property at a fixed location in this state are exempt from sales and use tax.

Industrial machinery and equipment purchased for exclusive use by an ***expanding*** facility engaged in spaceport activity or used in an expanding manufacturing facility that manufactures, processes, compounds, or produces for sales items of tangible personal property at a fixed location in this state are exempt from sales and use tax if the items are used to increase the productive output of a facility by at least 5%.

Qualifying Requirements:

- To qualify, the business must be new or increase production at the facility by at least 5% over the previous 12-month period.
- "Industrial machinery and equipment" is defined as tangible personal property or other property that has a depreciable life of 3 years or more and that is used as an integral part in the **manufacturing**, **processing**, **compounding**, or **production** of tangible personal property for sale or is exclusively used in spaceport activities.
- This exemption does not apply to machinery and equipment purchased by electric utilities, communications companies, oil or gas exploration or production, publishing firms that do not export at least 50% of their finished product out of state, or hotels and restaurants.
- "Spaceport activities" means activities directed or sponsored by Space Florida on spaceport territory.

Approval/Review Processes

- To receive these exemptions, a qualifying business must apply to the Department of Revenue for a temporary tax exemption permit.

Other Information

- When the exemption was enacted in 1978, it applied to sales tax in excess of $100,000. This threshold was reduced to $50,000 in 1996. In 1999, the exemption was extended to included machinery and equipment used for phosphate and other solid mineral severance. In 2006, the $50,000 tax threshold for expanding manufacturing businesses was eliminated. In 2012, the productive output requirement for expanding businesses was lowered from 10% to 5%.

For more information:
Michelle Dennard
Navigational Thinker + General Counsel
Thinkspot, Inc.
850.322.8566
michelle@thinkspot.co