

Recommendations for Improving the Pinellas County, Florida Economy

prepared for the

**Pinellas County
Board of County Commissioners**

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POLICOM Corporation

POLICOM Corporation is an independent economic research firm specializing in analyzing local and state economies. Through its research, it determines if an area is growing or declining, identifies what is causing this to happen, and offers ideas and solutions to improve the situation.

William H. Fruth, its president and researcher for this study, has analyzed the data for more than 800 local economies, created more than 200 community economic studies, and has provided economic presentations and workshops in 39 states.

2740 SW Martin Downs Blvd. #279
Palm City, FL 34990

Phone (772) 781-5559
www.policom.com

Executive Summary

A local economy is a geographic area where a vast majority of the people lives and works, earns and spends. A local economy will grow in size based upon the amount of money being imported to the area. Wealth enters a local economy principally by way of the business activity of the “primary industries.” A primary industry or business sells its goods or services outside the area, thus importing money to the area.

During the 1990’s, the Pinellas County economy grew rapidly in size and quality. The economic growth was comparable to the ten strongest metropolitan area economies in the United States.

However, over the last ten years, the size and quality of the economy have declined.

The growth rate for employment and worker earnings over the last ten years ranks among the lower 10% of the metropolitan areas in the nation. The average wage for the area has gradually declined relative to the national average wage.

The principal reason the county’s economy grew rapidly in the 1990s was the formation of more than 20,000 new, high-wage primary jobs. While the national recession has negatively influenced most economies in the United States recently, the main reason the Pinellas County economy has declined is the loss of more than 12,000 primary jobs since 2001.

Presently the economic development program for the county is addressing virtually all of the issues needed to cause economic growth. For the most part, Pinellas County excels in most of the community selection issues which influence many of the primary employers. It is a very competitive area for primary employers which can locate in the state of Florida.

Economic development is ultimately a real estate transaction. In order for an existing primary company to expand, a new employer to move to the area, or a start-up business to grow, each needs a place to do it. They need a building. If an area does not have a supply of greenfield industrial land, the economy will eventually decline.

There are two driving principals relative to economic growth and real estate:

- Economic growth will follow the path of least resistance.
- Economic growth typically ignores political boundaries unless a boundary creates a barrier to economic growth.

New economy greenfield counties like Wake and Mecklenburg in North Carolina are enjoying quality economic growth.

Old economies like Denver, CO and Milwaukee County, WI reached physical build out many years ago.

Even though it is built-out, Denver County had an increase in population as a result of vertical construction and the availability of more than 6,000 acres of land for redevelopment. As a result of a growing economy in the greenfield counties, there is a market demand for new residential units.

Milwaukee County has made an effort toward redevelopment but has not been as aggressive as Denver. While there has been economic growth in the greenfield counties bordering Milwaukee, it has not been nearly as strong as the Denver MSA. As a result, there has not been as great of market demand for vertical residential in Milwaukee County as in Denver County.

The negative impact of not growing economically in Pinellas County is already being felt as entitlements for “poverty” are increasing. In 2002, the per capita Medicaid (medical assistance for the poor) in Pinellas was \$250, ranking 250th among the 381 metropolitan areas. Over the next ten years, it grew at the annual rate of 6% (AAI), the 84th fastest among the metropolitan areas. By 2012, per capita Medicaid had grown to \$1,225, the 184th highest in the nation.

Per capita Food Stamps grew even faster. Ranking 292nd in 2002, it increased at the 25th fastest rate (22.7% per year). By 2012, per capita Food Stamps in Pinellas ranked 139th.

In 2005 - *Pinellas by Design - An Economic Development and Redevelopment Plan for the Pinellas Community* (EDRP) was created. The EDRP painstakingly identified the need for redevelopment and provided a step by step process to cause it to happen.

The issue of future economic growth was addressed along with the desperate need to create more industrial property for the future. The EDRP identified more than 4,000 acres in several employment districts which could be available for redevelopment for industrial use by primary employers.

Recommendation - Regional Economy.

The Pinellas community needs to accept the fact Pinellas is part of a regional economy. Pinellas is part of a defined metropolitan area. The definition is based upon the flow of money and people among the four counties. People live and work, earn and spend throughout.

Since there will be limitations on the amount of economic growth which can physically occur within the boundaries of Pinellas, economic growth must occur adjacent to Pinellas.

One of the principal reasons for the aggressive redevelopment of Denver County is the market demand for the product being developed, residential and retail. The demand exists as a result of the explosive economic growth in the surrounding counties. Without the surrounding economy, Denver County never would have had the “buyers” for what is being redeveloped.

Eventually, vast sections of Pinellas County will have to be redeveloped else they will fall into complete disrepair and become abandoned, blighted areas. If there is not a market demand (financial capability to pay for the finished product), redevelopment will not occur.

As a result, Hillsborough, Pasco, and eventually Hernando must be encouraged to grow economically.

Recommendation - Community must invest in land for Primary employers.

To meet the real estate needs to build the economy, the community needs to acquire, own, and redevelop at least 500 acres of industrial property in strategic locations over the next ten years which is reserved for primary employers. Essentially, the governments in Pinellas County need to invest directly in the economic future of their residents.

The following are some of the issues relating to this recommendation:

- If one does not presently exist, a legal entity should be created which has the authority to borrow and expend money for the purpose of acquiring, redeveloping, and selling real estate.
- The land acquired will be exclusively held for the sole use by primary employers and not be available for any other purpose.
- The county and the municipalities (non-beachfront) should pool financial resources to fund this entity.
- The entity will acquire title to the property, cause it to be developed, and offer it to primary employers at a price determined by the economic impact of the company. The construction of speculative buildings can be part of this program.
- The cost over the next ten years for this project is estimated to be between \$200 and \$300 million dollars, perhaps more. Some of these funds will be recaptured upon the sale of the properties.
- An initial investment of approximately \$50 million will likely be necessary. Each year thereafter local government should anticipate investing \$20 to \$30 million dollars.

The economic impact upon the Pinellas economy of the current primary employers justifies the investment.

Primary Employers Economic Impact Based Upon 2014 Event Year, 2013 employment levels.	Sector Primary Jobs*	Economic Impact		
		Total Jobs in County	All Payrolls	Total Output - Transactions
Manufacturing	29,231	78,890	4,609,228,775	19,718,089,471
Corporate Headquarters	10,954	27,870	2,122,641,129	4,580,569,773
Professional & Technical	8,652	16,520	892,283,806	1,879,959,288
Wholesale	6,360	13,594	875,243,888	2,249,609,746
Finance & Insurance	4,734	10,808	539,770,970	1,673,119,607
Non Store Retailers	2,740	4,155	172,623,138	476,084,004
Transportation	1,290	1,688	24,956,782	99,686,439
Telecommunications	889	2,766	155,108,065	744,446,544
Total Primary Employers	64,850	156,291	9,391,856,553	31,421,564,871

* Not all jobs in these industrial sectors are "primary." Shown is the estimate of the jobs in each sector for which the employing company derives its payroll from the sale of goods or services outside Pinellas County.

The Goal Study provided for three growth scenarios. The following chart shows the impact of achieving any of them. The impact is based upon achieving the net gain in primary jobs and is reflected in 2014 dollars, not inflated 2030 dollars.

Impact of Reaching the Goal		Jobs	2014 Economic Impact			
			Payrolls	Taxable Retail Sales		
2014 Primary Jobs	64,850	156,291	9,391,856,553	7,287,140,329		
	Primary Job Gain 2015-2030	% Increase	Additional Impact - 2014 dollars			
			Jobs	Payrolls	Taxable Retail Sales	
	Minimum Effort	16,540	26%	39,862	2,395,394,100	1,858,585,984
	Good Effort	24,506	38%	59,060	3,549,064,560	2,753,718,749
	Strong Effort	32,675	50%	78,748	4,732,134,354	3,671,662,455

Thirteen years ago (2001), the negative economic impact of reaching physical build out was brought to the attention of community leaders in POLICOM’s study *What is the economic impact of reaching physical build out upon the Pinellas County economy?*

Twelve years ago (2002) it was explained in POLICOM’s *Economic Goal Study* that the economy could not grow and expand if there was not sufficient industrial real estate available to accommodate new primary employers. Between 2003 and 2012, the county lost more than 8,000 primary jobs.

Ten years ago (2005), the most important recommendation of *Pinellas by Design* was beginning the process of redeveloping approximately 4,000 acres of land to provide locations for current and future primary industries.

Today, if a company needs 40 acres upon which to construct an 800,000 square foot campus where 2,600 individuals will work and be paid on average \$85,000 per year, it cannot locate in Pinellas County, since there is not place for it to go.

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Introduction

In 2001, POLICOM created the study titled *What is the economic impact of reaching physical build out upon the Pinellas County economy?* The study demonstrated that after an area exhausts its supply of greenfield industrial land, primary employers will eventually have to leave the area and new employers would not be able to move to the area. As a result, the economy will eventually decline. The study predicted the Pinellas economy would begin to decline after it reached physical build out.

In 2002, POLICOM created an Economic Development Goal Study for Pinellas. This study, which was updated in 2004, established annual milestones for the creation of new primary industry jobs through year 2023. If the milestones were achieved, the county's economy would grow significantly in both size and quality.

As a result of these studies and other issues relative to redevelopment facing the county, in 2005 *Pinellas by Design - An Economic Development and Redevelopment Plan for the Pinellas Community* was created.

POLICOM was a member of the team which created *Pinellas by Design* which addressed several redevelopment issues and provided a framework the redevelopment of housing, commercial areas, and industrial property.

Presently, Pinellas County has asked POLICOM to create a series of studies which include:

1. *Historical - Comparative Economic Analysis of Pinellas County* which evaluates the current condition of the Pinellas County economy and compares its growth to other areas.
2. *Economic Performance Evaluation* which determines if the county reached the annual milestones established in the 2002 Goal Study.
3. *Economic Development Goal Study* which creates a new economic goal for the county creating new milestones for the future.

This study focuses on providing recommendations on the major issues which will enable the county to reach the goal of improving the quality and increasing the size of the Pinellas County economy.

It is recommended the reader review studies 1 - 3 above to fully appreciate the conclusions of this study.

How a local economy works

A local economy is a geographic area where a vast majority of the people lives and works, earns and spends. The geographic boundary of a local economy is mainly determined by the commuting patterns of the people in the area. The location and number of “jobs” within an area determines how big geographically the economy will be.

A local economy will grow in size based upon the amount of money being imported to the area. After money enters a local economy, it is mixed and churned, being circulated among the businesses and the people. Money or wealth eventually leaves a local economy as it is “consumed.”

Wealth enters a local economy principally by way of the business activity of the “primary industries.” A primary industry or business sells its goods or services outside the area, thus importing money to the area.

The quality of an economy refers to the amount of money individuals in an area earn each year. The greater the personal earnings, the greater the disposable income and the economic “quality of life” for the individual.

In order to increase the size and improve the quality of a local economy, a community needs to create more primary industry jobs which pay a wage higher than the area average wage.

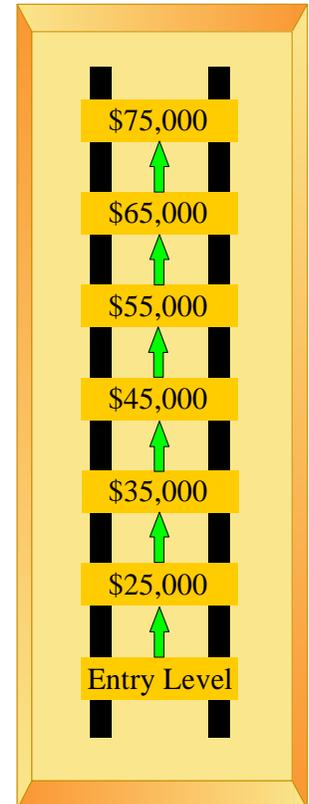
By doing this, more money will flow into the economy and the quality of the economy will improve over time. Not only will the wages for the workers enter the local area, so will all the spending and taxes paid by the companies themselves.

As a result, all businesses will grow, more taxes will flow to local government enabling more and better services, schools will improve, and socio-economic problems will begin to fade.

When a community increases the number of high-wage primary industry jobs, a “force” pulls up the bottom rung of the economic ladder, lifting individuals through a series of wage and skill steps, improving the standard of living for most people.

This “force” causes part-time low paying retail and service jobs to fold into full-time jobs at higher wage levels and with fringe benefits.

The quality of the economy will continue to rise if the new primary jobs created in the area pay a wage higher than the local average.



Summary of the economy

During the 1990's, the Pinellas County economy grew rapidly in size and quality. The economic growth was comparable to the ten strongest metropolitan area economies in the United States.

However, over the last ten years, the size and quality of the economy have declined.

The growth rate for employment and worker earnings over the last ten years ranks among the lower 10% of the metropolitan areas in the nation. The average wage for the area has gradually declined relative to the national average wage.

Manufacturing is the most important primary industry in the county followed closely by the retirement industry. Corporate headquarters, finance - insurance, and professional services are also significant economic contributors.

The principal reason the county's economy grew rapidly in the 1990s was the formation of more than 20,000 new, high-wage primary jobs. While the national recession has negatively influenced most economies in the United States recently, the main reason the Pinellas County economy has declined is the loss of more than 12,000 primary jobs since 2001.

Economic projections show the county will gradually lose jobs over the next fifteen years. By 2030, there will likely be about 35,000 fewer people working in the county than in 2014. The growth rate in total worker earnings will be extremely slow as will wage growth.

The projections are based upon the assumption the community will take little action to change or influence its economic future.¹

Pinellas County can alter its anticipated economic decline through an aggressive economic development program.

Economic Development Issues

There are several issues all communities should address to improve their local economy.

First, the community must assess a myriad of geographic-economic issues which influence the costs to primary employers of being located in the area. From this review, the community should improve on the negative issues and reinforce the positives.

There are likely more than 100 local issues which can affect the costs to a primary employer. Some of these include property taxes, utility rates, labor reliability, labor costs, commuting time, costs of housing, executive housing availability, building codes, telecommunications

¹ For a comprehensive discussion regarding the Pinellas County economy, please review the Economic Development Goal Study.

capability, air quality, health care availability, quality of schools, higher education, and on and on.

These costs influence the decision by a primary employer to remain in or locate to a community.

For the most part, Pinellas County excels in most of the community selection issues which influence many of the primary employers. It is a very competitive area for primary employers which can locate in the state of Florida.

Second, the community should fund and implement a comprehensive economic development program.

A comprehensive program typically includes three activities which include:

1. An existing industry program which retains and causes the expansion of existing primary employer in the area.
2. A marketing, recruitment program which attracts new primary employers to the community.
3. A startup program which assists inventors and entrepreneurs to start and grow new enterprises which are primary in nature.

At the present time, it appears between the county, the various chamber of commerce, and the municipalities, all of these programs are being implemented.

The third issue is the availability of trained or trainable labor. This is actually the second most important issue relative to economic growth. If employers cannot attract a sufficient number of workers which can perform necessary tasks, the company cannot grow and might have to leave an area.

Additionally, if a community cannot prove proper labor can be provided, new companies will not locate to an area.

At the present time it appears the community has implemented worker training programs which are addressing this issue. Also, recruiting skilled workers to Pinellas County is a much easier task than many locations in Florida or the United States.

Most Important Issue

This brings us to the single most important issue which determines if a community can or will grow economically. It is the availability of improved, approved industrial property.

Economic development is ultimately a real estate transaction. In order for an existing primary company to expand, a new employer to move to the area, or a start-up business to grow, each needs a place to do it. They need a building.

If an existing facility is not available and land to construct a new building cannot be located, then a company can neither expand in or move to the community. Period.

All of the other geographic issues, such as transportation access, utilities, labor availability, or taxes are not considered if a place to operate the business cannot be provided.

In 2001, POLICOM created the study titled "What economic impact of reaching physical build out upon the Pinellas County economy?"

The study demonstrated that after an area does not have a supply of greenfield industrial land, primary employers will eventually have to leave the area and new employers would not be able to move to the area.

As a result, the economy will eventually decline. The study predicted the Pinellas economy would begin to decline after it reached physical build out.

In 2002, POLICOM creating an *Economic Development Goal Study for Pinellas*. This study, which was updated in 2004, established annual milestones for the creation of new primary industry jobs through year 2023. If the milestones were achieved, the county's economy would grow significantly in both size and quality.

The 2002 Goal Study provided that the county create 28,808 new primary industry jobs from 2003 to 2013. The researcher stressed that in order to achieve this goal, sufficient lands needed to be available to accommodate the employing companies.

The *Economic Development Performance Evaluation* which was recently completed determined that instead of creating 28,808 primary jobs, the county had a decline of 8,011 primary jobs.

In 2005 *Pinellas by Design - An Economic Development and Redevelopment Plan for the Pinellas Community* was created. One of the most important recommendations was to cause the redevelopment of a sufficient number of acres of land to accommodate primary industry employers.

As of today, there appears to be fewer acres of industrial property available than in 2002. This is a major problem for the county.

The balance of this study will address the economic implications of not having available industrial property for primary employers. The first step will be to review how real estate effects economic growth.

Comparison Areas

To fully understand the potential future of the Pinellas County economy, it is appropriate to review the historical growth patterns of other areas.

In creating the *Historical - Comparative Economic Analysis of Pinellas County*, county officials requested the researcher to compare Pinellas County statistically to the following counties:²

- Hillsborough, FL - Tampa
- Palm Beach, FL - West Palm Beach
- Denver, CO - Denver City
- Mecklenburg, NC - Charlotte
- Wake, NC - Raleigh

Since Palm Beach County is geographically larger than the state of Rhode Island, it will not be discussed as the availability of “land” is not an issue in that county.

For this discussion, Milwaukee County, WI will be included. This county is geographically about the same size as Pinellas and has a comparable population.

Each of the counties discussed are central component counties of a defined metropolitan statistical area (MSA).

MSA’s are defined by the Office of Management and Budget. They must be at least one county and have a central city with a population of at least 50,000. Most MSA’s are multiple counties.

MSA’s are defined in order to identify the geography of the local economies in the United States. A local economy is an area where a preponderance of the people lives and works, earns and spends forming a contained economy.

County	Square Miles	2012 Population
Pinellas, FL	273	921,319
Wake, NC	835	952,151
Mecklenburg, NC	523	969,031
Milwaukee, WI	241	955,205
Denver, CO	153	634,265

² Counties are used for economic comparison as they present a definite political boundary and quality economic data is available at the county level. While municipalities within a county also create political boundaries, little comparative data is available at the municipal level and municipal boundaries are easily crossed or avoided by economic activity.

As a result, the most important criteria used by the Federal government to determine a metropolitan area are commuting patterns. If between 70% and 75% of the people who live in an area work in an area, then the area is defined as a local economy. The area could be one county or multiple counties.

The four counties which will be reviewed include two which are “new economies” and two which are “old economies.”

New economies are those which have evolved since World War II. Most of the economic growth has occurred in these areas since the construction of the interstate highway system. The national highway system enabled the expeditious travel of products and people to regions of our nation not formally accessible. Significant economy growth occurred in the southern states as a result.

Most new economies have “room to grow.” Since they have only been evolving for only 30 or 40 years, vacant lands are still available to accommodate expansion. The two new economies reviewed are Wake and Mecklenburg in North Carolina.

An old economy is one which was established early in the history of our country. For many, rapid economic growth began when our nation became more industrialized in the early 1900’s. For the most part, an old economy is restrained geographically as it has been evolving, consuming land, for more than 100 years.

Denver and Milwaukee counties are old economies.

The purpose of this comparison is to review the natural evolution of local economies based upon the availability of real estate in a growing economy.

There are two driving principals relative to economic growth and real estate:

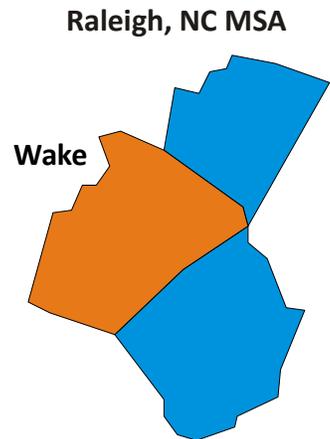
- Economic growth will follow the path of least resistance.
- Economic growth typically ignores political boundaries unless a boundary creates a barrier to economic growth.

Wake County, NC

Wake County is one of three component counties of the Raleigh, NC MSA. In 2014, the MSA was ranked 37th among the 381 MSA's by POLICOM for economic strength.³

The county has enjoyed quality economic growth for the last 30 years.

The rate of growth began to accelerate in the late 1970's and early 1980's. This was the direct result of a concentrated effort by the state of North Carolina and the Raleigh - Durham community to cause the formation and recruitment of new technology companies.



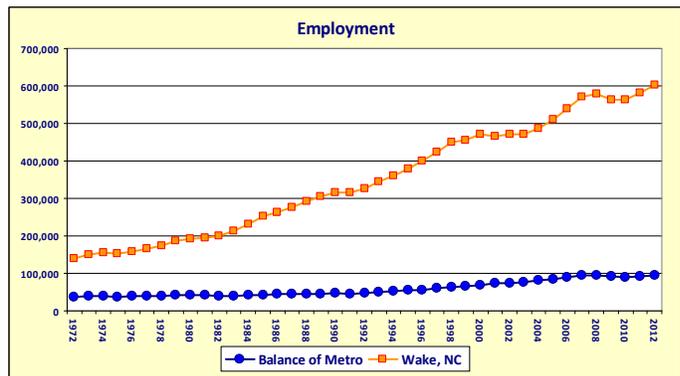
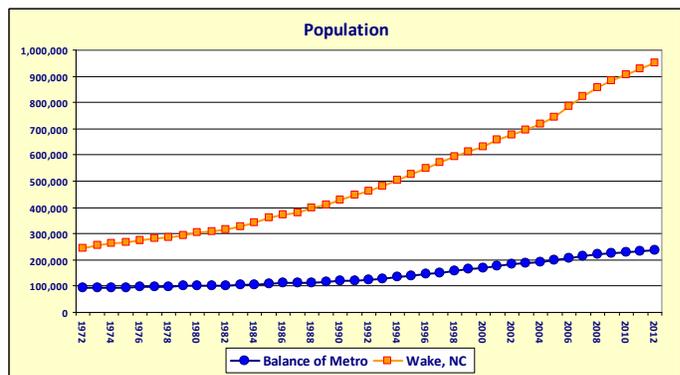
Development of the 7,500 acre Research Triangle Industrial Park was completed and hundreds of primary industry companies moved to, were created, and expanded in the county.

As a new economy, ample real estate was available in Wake County for the growth of both jobs and people.

Within the metropolitan area, virtually all of the employment growth occurred within Wake County.

The two other counties became part of the metropolitan area as a result of their residents commuting to Wake County for employment.

In this example, the central county (Wake) was in the past and still is today the dominant economic driver for the area. The component counties have grown to be economically dependent upon Wake County.

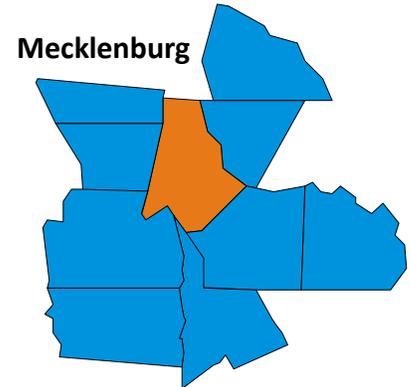


³ POLICOM annually ranks all Metropolitan and Micropolitan areas for “economic strength” which is the long-term tendency for an area to consistently grow in both size and quality. For a complete list of the rankings and the methodology, please go to www.policom.com.

Mecklenburg County, NC

Mecklenburg County is one of ten component counties of the Charlotte - Concord - Gastonia, NC-SC MSA. In 2014, the MSA was ranked 32nd among the 381 MSA's by POLICOM for economic strength. Note the geography of this MSA includes counties in two states.

Charlotte-Concord-Gastonia, NC-SC MSA



The economic growth pattern for this area differs a bit from Raleigh.

Mecklenburg County is the principal county for the region.

Note on the graphs that a majority of the population growth in the MSA has occurred outside Mecklenburg County.

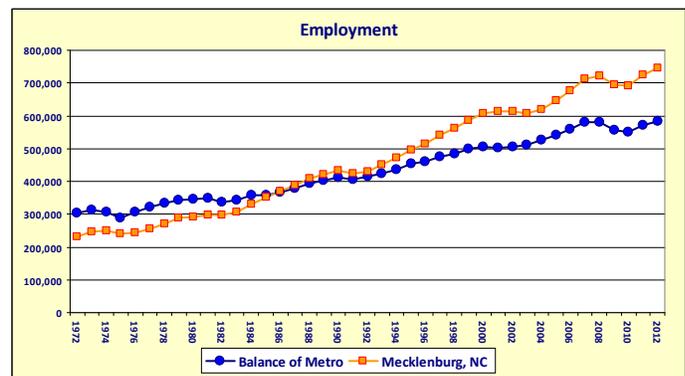
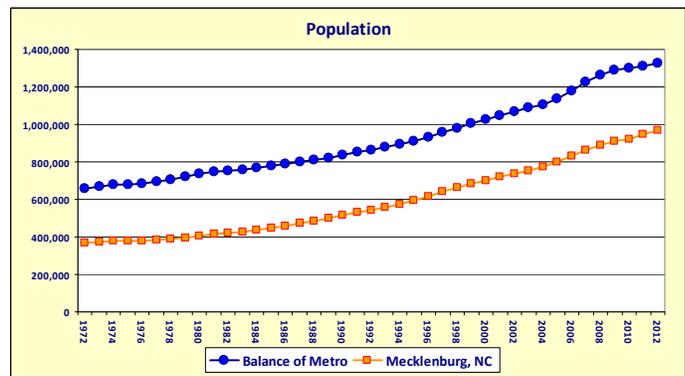
Beginning in 1992 and thereafter, a majority of the jobs were created within the county.

The job growth has benefited the residents of Mecklenburg County as more than 90% of them work within the county and do not have to commute to another area.

As the job magnet for the region, about 32% of the people who work in the county do not live in the county.

This has caused the county to become one of the most prosperous in the nation.

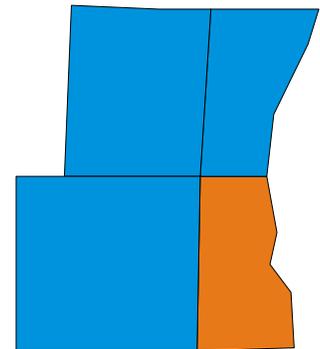
Since it is a new economy, land was available within Mecklenburg County to accommodate the primary employers which located to or expanded within the county.



Milwaukee County, WI

Milwaukee-Waukesha-West Allie, WI MSA

Milwaukee County is one of four component counties of the Milwaukee - Waukesha - West Allie, WI MSA. In 2014, the MSA was ranked 53rd among the 381 MSA's by POLICOM for economic strength.

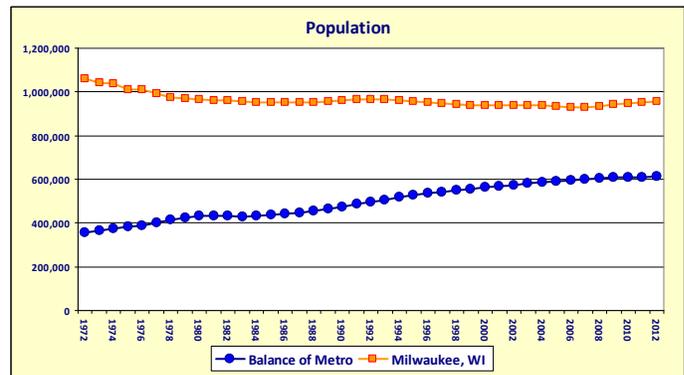


Milwaukee

This area is an old economy. Its founding dates back to the late 1700's and its industrial growth to the late 1800's.

Geographically, it is about the same size and has a similar population to Pinellas County. It is even bordered on one side by water (Lake Michigan).

The economic growth pattern is typical of an old economy which is still growing (many are not).



For practical purposes, the county ran out of greenfield land at least 40 years ago. However, the area continued to grow economically into the greenfield counties which border Milwaukee County.



From 1972 through 2012, the population of Milwaukee County declined by 97,000. However, the greenfield counties grew by almost 250,000 people.

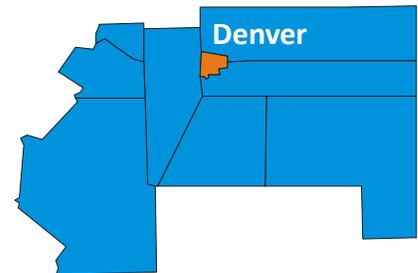
Additionally, while there was virtually no new job growth in Milwaukee County during this time, more than 270,000 new jobs were created in the three component counties. Today almost 75,000 people who live in Milwaukee County commute to another county for work each day.

The “pressure to grow” was released into the greenfield counties around Milwaukee as land was available to enable it.

Denver County, CO

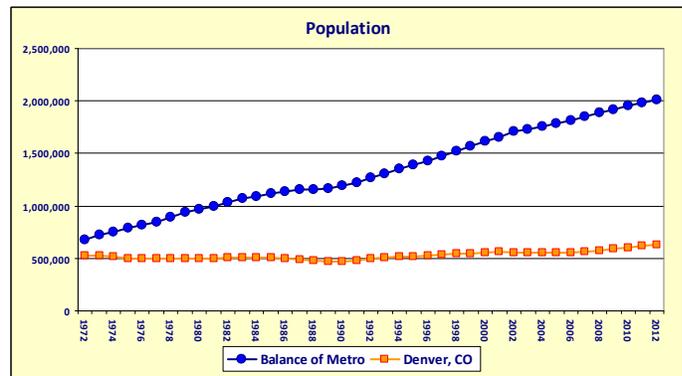
Denver County is one of nine component counties of the Denver - Aurora - Lakewood, CO MSA. In 2014, the MSA was ranked 23rd among the 381 MSA's by POLICOM for economic strength. It is an old economy, established as a mining town in the mid 1800's.

Denver-Aurora-Lakewood, CO MSA

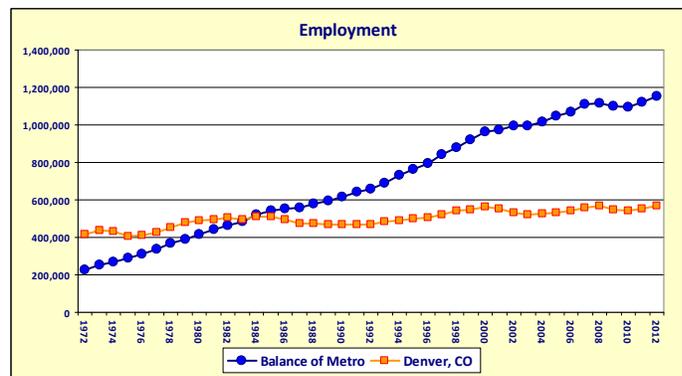


Geographically, it is about half the size of Pinellas County. However, it provides an excellent "laboratory" to study economic growth based upon land availability.

In contrast to the previous three counties discussed, virtually all of the economic growth in the Denver MSA occurred outside of the central county, Denver County. Beginning in 1982, more people worked outside Denver County in the adjoining areas than within Denver County.



The county reached effective build out many years ago. With virtually no place to construct new residences, the county's population declined by almost 58,000 people from 1972 to 1990.



Population growth in the other MSA counties was brisk increasing by more than 500,000 during this time.

Instead of continuing to decline in population, from 1991 to 2012 the population of Denver County increased more than 150,000 and the balance of the MSA grew by 820,000 people.

Unlike Milwaukee County, which lost employment since 1972, Denver County increased the number of jobs in the county by 156,000 with most of the growth occurring since 1992. The balance of the MSA grew 926,000 jobs.

The economy is extremely fluid relative to crossing county boundaries. Of the residents of Denver County, only 62% of them work in Denver County with the balance commuting to adjoining areas. Additionally, of the people who work in Denver County, 60% of them do not live in the county but travel from other counties each day.

Both employment and population grew in Denver County even though the area had little greenfield, undeveloped land available.

This occurred for several reasons.

The first opportunity came when the Lowry Air Force Base closed in 1994. The air force base comprised 1,866 acres. While the land had several environment issues, over a period of years much of it was redeveloped for housing and commerce uses. About 3,700 housing units have been built with a population of about 8,000.

While having 1,800 acres becoming available in a county like Wake or Mecklenburg is not a big deal, for Denver County it was significant.

Also at this time, there was a significant effort to construct “vertical” residential housing within the county. Keep in mind the demand for residential housing is “market driven.” Additionally, the cost of new vertical residential replacing a non performing use is typically more expensive than constructing new housing in greenfield counties.

Since the economy was growing so well in the outlying counties, there was a sufficient market demand for vertical housing created by redevelopment. Keep in mind, 40% of the people who live in Denver County work in another county. If job growth had not occurred in the adjoining areas, there would not have been a market demand for the vertical housing units in Denver.

Another significant opportunity for economic growth occurred when the 4,700 acre Denver Stapleton Airport closed in 1995. It has become one of the largest redevelopment projects in the United States.

The redevelopment master plan provides for the construction of about 12,000 housing units with 30,000 residents and 13 million square feet of retail, commercial, and industrial space occupied by 35,000 workers.

As of 2013, about 4,800 residences (12,000 residents) have been constructed. Additionally, 2.1 million square feet of retail space and 1.2 million square feet of “industrial - R&D flex space has is under roof. Sites as large as 75 acres are available for corporate campuses for primary employers.

As a result of having the land available for redevelopment at Stapleton, Denver County has the opportunity to continue creating new jobs within the county.

One issue should not be forgotten regarding the success of the redevelopment of Stapleton Airport. The market demand for the housing units and the retail establishments which have been constructed would not present if the overall economy had not grown in the greenfield counties around Denver.

Summary

The new economies which have ample greenfield land upon which to grow an economy have flourished for many years. Given the geographic size of the economies, limitations on economic growth as a result of the availability will not be an issue for many years.

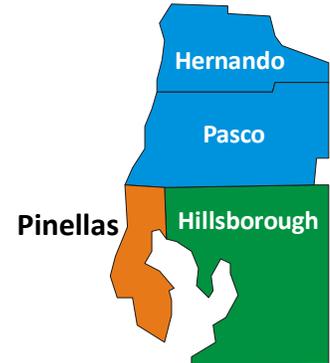
In the old economies, the central county reached physical build out many years ago. Economic growth stalled in each of these counties as a result. However, economic growth followed the path of least resistance and flowed into the undeveloped adjoining counties where greenfield real estate was available.

When land became available and/or when it made economic sense to redevelop and construct vertically, modest economic growth can occur in the built-out counties.

Pinellas County, FL

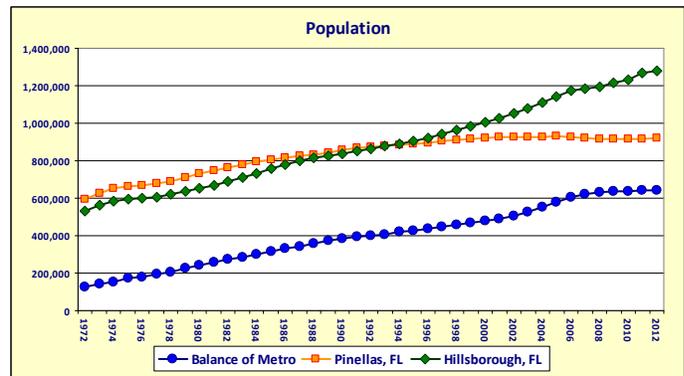
Pinellas County is one of four component counties of the Tampa - St. Petersburg - Clearwater, FL MSA. In 2014, the MSA was ranked 116th among the 381 MSA's by POLICOM for economic strength. Comparatively, it is a relatively new economy with most of its growth occurring after World War II.

Tampa-St. Petersburg-Clearwater, FL MSA



In 1972, more people lived in Pinellas County than Hillsborough. All four counties grew in population until about 1986 when population growth in Pinellas began to slow.

By 1995, the population of Hillsborough County exceeded Pinellas. Since that year, the MSA population increased in all of the counties except for Pinellas.

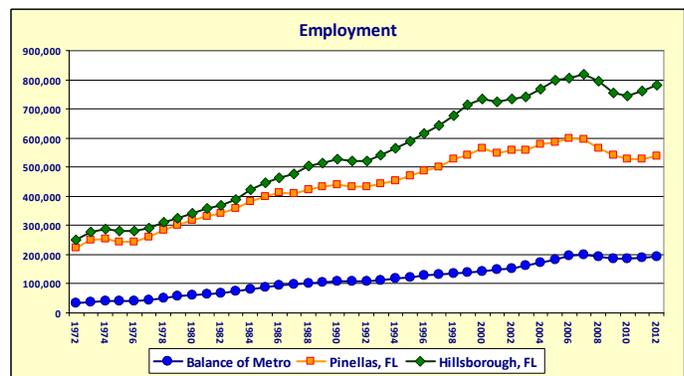


According to the Bureau of Census estimates, the population in Pinellas peaked in 2005 at 929,426. The 2013 estimate is 929,048. For practical purposes, there has not been a significant increase in the population of the county this century.

Population growth is typically not the cause of economic growth, but the result of it.

A growing economy creates a marketplace for new residential construction, thus population growth. However, a growing economy is not dependent upon population growth if a workforce can be acquired from the existing population or from adjoining areas if the commuting time is reasonable.

Employment growth between Pinellas and Hillsborough was similar from 1972 to 2000. At that point job growth in Pinellas stalled.



It appears, for practical purposes, Pinellas County reached physical build out around 2002 for residential purposes and 2005 for employment purposes.

While there are still scattered building sites for each, economic growth has been following the path of least resistance for at least ten years.

The chart compares the net gain or loss of people and jobs from 2002 to 2012. Virtually all of the population and employment growth has occurred outside of Pinellas County.

2002-2012	Gain - Loss	
	Employment	Population
Pinellas	-19,913	-3,783
Hillsborough	47,265	222,886
Balance of Metro	41,161	136,330

The stall in the growth of the Pinellas economy as a result of build out is similar to that of Denver and Milwaukee Counties.

The charts compare the growth rate for all of the comparison areas for the last ten years. The growth rate has been ranked among the 381 metropolitan areas in the United States.

2003-2012	Population Growth	
	Annual Percentage Increase	381 Areas Rank
Pinellas, FL	0.0%	346
Milwaukee, WI	0.2%	323
Denver, CO	1.3%	114
Mecklenburg, NC	2.8%	10
Wake, NC	3.5%	3
Hillsborough, FL	1.9%	49

Source: Bureau of Economic Analysis

Even though it is built-out, Denver County had an increase in population as a result of vertical construction and the availability of more than 6,000 acres of land for redevelopment. As a result of a growing economy in the greenfield counties, there is a market demand for new residential units.

Milwaukee County has made an effort toward redevelopment but has not been as aggressive as Denver. While there has been economic growth in the greenfield counties bordering Milwaukee, it has not been nearly as strong as the Denver MSA. As a result, there has not been as great of market demand for vertical residential in Milwaukee County as in Denver County.

2003-2012	All Workers - Jobs	
	Annual Percentage Increase	381 Areas Rank
Pinellas, FL	-0.3%	355
Milwaukee, WI	-0.3%	355
Denver, CO	0.7%	206
Mecklenburg, NC	2.0%	32
Wake, NC	2.5%	11
Hillsborough, FL	0.7%	211

Source: Bureau of Economic Analysis

While job growth in Denver County was well below the new economy areas and below the national average of .9%, there was growth as opposed to decline. Once again, this was the result of the redevelopment of land creating employment centers.

The following chart provides the growth per square mile of land from 2003 to 2012.

	Square Miles	People Per Square Mile		Jobs Per Square Mile	
		2012	2002	2012	2002
Pinellas, FL	273	3,375	3,389	1,973	2,046
Milwaukee, WI	241	3,964	3,900	2,414	2,498
Denver, CO	153	4,146	3,639	3,723	3,490
Wake, NC	835	1,140	810	721	563
Mecklenburg, NC	523	1,853	1,408	1,428	1,174

Note how Pinellas and Milwaukee counties over this ten year period had a small but noticeable decline in the number of jobs per square mile. However, Denver County increased not only in jobs (adding more than 200 per square mile) but also in population.

As of 2012, Denver County had about 1,800 more jobs per square mile than Pinellas County.

The negative impact of not growing economically in Pinellas County is already being felt as entitlements for “poverty” are increasing.

In 2002, the per capita Medicaid (medical assistance for the poor) in Pinellas was \$250, ranking 250th among the 381 metropolitan areas. Over the next ten years, it grew at the annual rate of 6% (AAI), the 84th fastest among the metropolitan areas. By 2012, per capita Medicaid had grown to \$1,225, the 184th highest in the nation.

Per capita Food Stamps grew even faster. Ranking 292nd in 2002, it increased at the 25th fastest rate (22.7% per year). By 2012, per capita Food Stamps in Pinellas ranked 139th.

Per Capita - Medicaid				
2003-2012	AAI	Rank	<u>(381 areas)</u>	
Pinellas, FL	6.0%	84		
Actual Amount	2012	Rank	2002	Rank
Pinellas, FL	1,225	184	689	250
Per Capita - Food Stamps				
2003-2012	AAI	Rank	<u>(381 areas)</u>	
Pinellas, FL	22.7%	25		
Actual Amount	2012	Rank	2002	Rank
Pinellas, FL	265	139	42	292

Let us discuss the economic goal. POLICOM created three potential growth scenarios based upon the number of new Primary jobs.

Annual milestones were created from 2015 to 2030. The chart shows the cumulative net gain for each scenario.

Economic Goal Net Gain 2030	New Primary Jobs
Minimum Effort	16,540
Good Effort	24,506
Strong Effort	32,675

The chart compares the growth rate for each scenario on employment, worker earnings, and wages to the projections and the county's history.

Note how the average wage in the county is significantly higher in 2030 under Strong Effort than any other scenario.

This is the result of creating a large number of high-wage primary jobs. This pulls up the wages in all other industrial sectors.

Economic Goal Scenarios			
Growth Rate	Employment	Earnings (000)	Wages
History - 1990-1999	2.5%	7.1%	4.5%
History - 2000-2014	0.1%	2.7%	2.6%
Projections - 2015-2030	-0.4%	1.1%	1.5%
Minimum Effort	0.1%	2.0%	1.9%
Good Effort	0.5%	2.6%	2.0%
Strong Effort	0.8%	3.1%	2.3%
Amount	Employment	Earnings (000)	Wages
1990	439,620	9,789,505	22,268
2000	564,761	19,626,955	34,753
2014	546,755	26,275,059	48,056
2030			
Projections	511,361	31,281,578	61,173
Minimum Effort	574,792	36,553,733	63,595
Good Effort	605,342	39,250,227	64,840
Strong Effort	636,669	42,338,566	66,500

The following graph shows the impact of employment for each scenario.



If the Projections come true, by 2030 the number of jobs per square mile will drop to 1,873, down about 100 from 2012.

However, if the Strong Effort scenario is achieved, there will be about 2,332 jobs per square mile, an increase of 359 over the 2012 level.

Note 2,332 jobs per square mile is not “dense.” It is still fewer than Milwaukee County and a full 1,400 jobs per square mile fewer than Denver County.

The Projections will occur if the county does nothing to prevent the natural flow of economic growth to occur in the greenfield counties.

Over a period of time, high-wage primary employers will reduce employment which be replaced by low-wage employers, causing the reduction of all jobs.

Individuals desiring quality housing will move to the greenfield counties. Their residence will be occupied by lower wage workers. The lowest value housing stock will deteriorate and abandonment will begin. Overtime, the county’s economy will degenerate and become a shell of what it once was.

Jobs Per Square Mile	2030
Projections	1,873
Minimum Effort	2,105
Good Effort	2,217
Strong Effort	2,332
Milwaukee - 2012	2,414
Denver - 2012	3,723

Recommendations

It has been noted Pinellas County has in place a comprehensive economic development program. The community is presently doing virtually all of the necessary activities which lead to economic growth.

As a result, the focus will be on two issues.

Regional Economy.

The Pinellas community needs to accept the fact Pinellas is part of a regional economy. Pinellas is part of a defined metropolitan area. The definition is based upon the flow of money and people among the four counties. People live and work, earn and spend throughout.

Since there will be limitations on the amount of economic growth which can physically occur within the boundaries of Pinellas, economic growth must occur adjacent to Pinellas.

One of the principal reasons for the aggressive redevelopment of Denver County is the market demand for the product being developed, residential and retail. The demand exists as a result of the explosive economic growth in the surrounding counties. Without the surrounding economy, Denver County never would have had the “buyers” for what is being redeveloped.

Eventually, vast sections of Pinellas County will have to be redeveloped else they will fall into complete disrepair and become abandoned, blighted areas. If there is not a market demand (financial capability to pay for the finished product), redevelopment will not occur.

As a result, Hillsborough, Pasco, and eventually Hernando must be encouraged to grow economically.

Ironically, while Hillsborough is a large county, it is beginning to feel some of the symptoms of build out. Vast portions of the county cannot be developed.

Pasco County is in the enviable position of being the “catcher’s mitt” for local companies needing to expand and for new companies coming to the area. A large portion of the “Penny for Pasco” funds are dedicated to enhance economic growth including assisting in the development of greenfield industrial areas.

Redevelopment of Industrial Property.

Let get to it.

Economic growth for Pinellas County over the next fifteen years and thereafter will be in direct proportion to the amount of industrial property available.

If the current supply of industrial property is not increased, the projections for decline will occur.

The Goal Study provides the community needs to create about 32,000 primary jobs by 2030 to reach the Strong Effort. This is fewer per year than what were created during the 1990's in Pinellas County. If a location for these employers cannot be created, the jobs cannot be created, the economy cannot grow.

Beginning in 2004, the community began the process of creating *Pinellas by Design - An Economic Development and Redevelopment Plan for the Pinellas Community* (EDRP). With more than 1,000 citizens participating in the process, the EDRP was completed in November of 2005.

The EDRP painstakingly identified the need for redevelopment and provided a step by step process to cause it to happen.

The issue of future economic growth was addressed along with the desperate need to create more industrial property for the future. The EDRP identified more than 4,000 acres in several employment districts which could be available for redevelopment for industrial use by primary employers.

At this point, let us define "industrial" for the purpose of this study. Industrial is a land use which will accommodate primary employers, as primary employers are involved in industry. The typical zoning classifications are office, light industrial, and industrial.

The type of facility constructed on the industrial property comes in three basic "shapes."

A vertical facility is a multistory office building, typically ten stories or more, which are typically occupied by Corporate Headquarters, Finance, and Insurance. The vertical facility can house the greatest number of primary workers per acre. However, the marketplace for this type of facility is limited.

Mid-rise facilities are typically four to eight stories high. These are normally constructed in a "campus" environment and are occupied by all of the primary employers except those which need a horizontal facility.

Horizontal facilities are typically single story and are usually occupied by manufacturers and wholesale distributors. This use typically employs the fewest number of people per acre.

As a result of the anticipated long-term shortage of property for primary employers, the community should begin a thirty-year transition to a vertical economy while maintaining the current horizontal economy.

To meet the real estate needs to build the economy, the community needs to acquire, own, and redevelopment at least 500 acres of industrial property in strategic locations over the next ten years which is reserved for primary employers. Essentially, the governments in Pinellas County need to invest directly in the economic future of their residents.

The property needs to be improved and approved.

A local economy will indeed decline if land is not available. Existing primary employers, when they need to expand, will have to leave the area causing a loss of money flowing into the economy.

Additionally, new, high-wage companies cannot come to the community as there is not a place to build a modern facility. Spin-off businesses coming out of the incubator will have to grow in another town.

The property needs to be “improved and approved.” What does this mean?

“Improved” real estate has the entire horizontal infrastructure in place. The roadways leading to the property, electric service, sewer and water lines are “to the site.” Essentially, the property is “building-ready” and there will not be any delays starting construction.

Just as important, the land needs to be “approved” by the local government. All planning and zoning issues need to have been resolved in advance.

When a company is looking to locate in a community, it typically does not have the time to wait for a community to construct the infrastructure to the real estate or pass local legislation regarding land use and zoning. This process could consume one to two years (even longer in some states and counties).

As a result, site seekers will summarily dismiss communities which do not have a building-ready site upon which it can construct a facility, regardless of all the other geographic economic assets in the area. This is a major problem for many communities.

Private industrial developers will invest in private industrial or office parks. They will oftentimes construct speculative buildings, both office and industrial. However, the principal clients or users for this property are “consumptive” businesses.

Every community needs space for doctors and lawyers, engineers and accountants. Industrial areas are used by auto body shops, plumbing and electrical wholesalers, or dry cleaning plants. The growth of these businesses can be predicted.

However, no one knows when a new primary employer will come to town. As a result, the private developer will not wait. Land and buildings are sold or leased to the first business who wants to pay. The land for future primary employers is absorbed.

The practice of local government or the “community” developing and owning industrial areas is not new to the United States. In fact, virtually every county in the states of Mississippi, Alabama, Georgia, South Carolina, Tennessee, and North Carolina have community owned industrial parks which are reserved for “primary” employers. These states learned many years ago that in order to grow their local economies, primary employers needed a place to construct a facility.

The property is typically reserved for primary employers and is not available for consumptive businesses. The land is looked upon by the community as a long-term investment in their economic future. It might take ten to twenty years for the land to be fully absorbed. Of course, once it is absorbed, the community is right back in the position of not having any land available.

This is why community leaders should look far out on the time horizon. For their long-term planning, they should identify today a 40-year supply of potential real estate to provide for long-term economic growth.

Additionally, since most communities understand a primary employer is like a “cash register” for the local economy, it is not unusual for a community to significantly discount the cost of the land or even offer it to a company for no money.

However, community owned industrial parks is a relatively new concept for Florida counties. The state grew its economy on the backs of retirement and tourism which relied on private developers to satisfy the marketplace for these products.

As a result, for the most part, private developers invested in industrial areas solely to service the consumptive industrial sectors.

As in the past, today private developers will not invest in industrial areas which are reserved or held for primary employers as it is not know when such a company will locate to the area. They simply cannot afford to pay the expense of holding the property nor can they discount the price of the property for a primary employer.

Since redevelopment is more costly than greenfield development, it is highly unlikely a private developer will expend large amounts of capital to pay for the costs of providing locations reserved for primary employers in Pinellas County.

As a result, the community must make this investment - to keep the existing and to attract more “cash registers” to the county.

The following are some of the issues relating to this recommendation:

- If one does not presently exist, a legal entity should be created which has the authority to borrow and expend money for the purpose of acquiring, redeveloping, and selling real estate.
- The land acquired will be exclusively held for the sole use by primary employers and not be available for any other purpose.
- The county and the municipalities (non-beachfront) should pool financial resources to fund this entity.
- The entity will acquire title to the property, cause it to be developed, and offer it to primary employers at a price determined by the economic impact of the company. The construction of speculative buildings can be part of this program.
- The cost over the next ten years for this project is estimated to be between \$200 and \$300 million dollars, perhaps more. Some of these funds will be recaptured upon the sale of the properties.
- An initial investment of approximately \$50 million will likely be necessary. Each year thereafter local government should anticipate investing \$20 to \$30 million dollars.

The amount of \$200 to \$300 million over ten years likely sounds like a lot of money. However, given the “economic impact” the primary employers have upon the local economy, it is relatively inexpensive.

POLICOM has calculated the economic impact the private sector primary employers have upon the Pinellas County economy.

What Is “Economic Impact?”

For the most part, economic impact is the influence an event, government action, or business activity has upon the local economy. The impact can be positive or negative, occur for a short period of time, or be long lasting.

Economic impact is calculated by measuring the flow of money within an economy through various steps of spending among different industrial sectors.

Once money enters a local economy, it is mixed and churned, going from place to place, business to business, person to person. The mixing and churning, or multiplying, can be measured.

The amount of impact an enterprise has upon a local economy varies among industries and is based upon the amount of transactions and spending caused by the business.

A sector which has one the greatest impacts is “automobile assembly.” Not only are individuals employed at the assembly plant, but the suppliers of parts and services to the assembly plant add significantly to the overall economic activity. Money is exchanged, multiplied numerous times.

A gasoline station has one of the lowest economic impacts. The profit margin for gasoline is very low and most of the spending by the consumer immediately leaves the community and is returned to the gasoline distributor. There is very little secondary spending.

“IMPLAN” algorithms and multipliers are used for this study.⁴ These multipliers are the most popular by researchers throughout the United States.

The IMPLAN formulas create a reasonable measurement of the flow of money among the various industrial sectors in the study area. The various effects are based upon the industrial composition of the study area, in this case Pinellas County, FL.

Since the impact multipliers are different for each industrial sub-sector, POLICOM applied the data individually for 30 sub-sectors in Manufacturing and 12 sub-sectors in the other industrial sectors.

Based upon Pinellas County’s industry flow, after the initial input for each industrial sub sector IMPLAN calculates (multiplier effect) the number of total jobs created, total payrolls in the county, and the “impact” based upon the amount of transactions which occur.

⁴ IMPLAN economic impact modeling formulas are recognized internationally by universities, governments, and professional researchers. IMPLAN Group LLC, 16740 Birkdale Commons Parkway, Huntersville, NC 28078.

Additionally, the amount of taxable retail sales, sales taxes generate, property taxes collected are estimated as a result of the impact of the industrial sub-sector.

Only the impact of the primary jobs in each industrial sector was measured.⁵ Data inputs, the number of workers in each industry, are based upon 2013 employment levels. The event year, which is the year the estimate these jobs have on the economy, is 2014.

In 2013, there were approximately 64,850 individuals employed by private sector companies which are primary in nature.

As a result of the wages paid to these workers and the local purchases made by these companies, a total of 156,291 jobs have been created, \$9.3 billion in local payrolls, and \$31 billion in total impact, total transactions.

The chart summarizes the impact by industrial sector for 2014.

Primary Employers Economic Impact Based Upon 2014 Event Year, 2013 employment levels.	Sector Primary Jobs*	Economic Impact		
		Total Jobs in County	All Payrolls	Total Output - Transactions
Manufacturing	29,231	78,890	4,609,228,775	19,718,089,471
Corporate Headquarters	10,954	27,870	2,122,641,129	4,580,569,773
Professional & Technical	8,652	16,520	892,283,806	1,879,959,288
Wholesale	6,360	13,594	875,243,888	2,249,609,746
Finance & Insurance	4,734	10,808	539,770,970	1,673,119,607
Non Store Retailers	2,740	4,155	172,623,138	476,084,004
Transportation	1,290	1,688	24,956,782	99,686,439
Telecommunications	889	2,766	155,108,065	744,446,544
Total Primary Employers	64,850	156,291	9,391,856,553	31,421,564,871

* Not all jobs in these industrial sectors are "primary." Shown is the estimate of the jobs in each sector for which the employing company derives its payroll from the sale of goods or services outside Pinellas County.

The first column is the estimate of the number of primary jobs in each sector. The following columns are the result of the first column, the total number of jobs, the amount of payrolls, and the value of the transactions.

As you can see, Manufacturing (horizontal facilities) accounts for at least half of all of the impact of the private sector primary employers in Pinellas County. Few residents of the county

⁵ For the methodology POLICOM uses to determine primary job employment, please review the Economic Development Performance Evaluation and the Goal Study.

realize this. Corporate Headquarter (vertical facilities) is the second largest contributor, but it is less than half that of Manufacturing.

The \$31 billion in transactions generated by the private sector primary employers is about 44% of the estimated \$70 billion of transactions in Pinellas County. The balance of the transactions in the county are mainly generated by the retirement community (\$6 billion in Social Security and Medicare alone), federal, state and local government, government entitlements, healthcare industry, and tourism.

In addition to the impact on jobs and payrolls, the primary employers created approximately \$7.2 billion in taxable retail sales, \$510 million in Sales Tax collections, \$402 million in Property Taxes and about \$167 million in other local and state taxes.

Primary Employers		Fiscal - Tax Impact		
Economic Impact Based Upon 2014 Event Year.	Taxable Retail Sales	Sales Tax	Property Taxes	Other Taxes
Manufacturing	2,917,294,043	204,210,583	161,551,873	85,660,535
Corporate Headquarters	959,115,529	67,138,087	53,386,720	25,662,869
Professional & Technical	392,850,114	27,499,508	21,880,949	9,691,379
Wholesale	1,854,355,943	129,804,916	101,763,450	25,684,113
Finance & Insurance	447,175,343	31,302,274	24,690,105	9,427,795
Non Store Retailers	309,502,786	21,665,195	16,997,100	4,804,192
Transportation	33,924,829	2,374,738	1,865,805	552,256
Telecommunications	372,921,743	26,104,522	20,455,632	6,010,148
Total Primary Employers	7,287,140,329	510,099,823	402,591,634	167,493,287

The Goal Study provided for three growth scenarios. The following chart shows the impact of achieving any of them. The impact is based upon achieving the net gain in primary jobs and is reflected in 2014 dollars, not inflated 2030 dollars.

Impact of Reaching the Goal	2014 Economic Impact				
	Jobs	Payrolls	Taxable Retail Sales		
2014 Primary Jobs	64,850	156,291	9,391,856,553	7,287,140,329	
	Primary Job Gain 2015-2030	% Increase	Additional Impact - 2014 dollars		
			Jobs	Payrolls	Taxable Retail Sales
Minimum Effort	16,540	26%	39,862	2,395,394,100	1,858,585,984
Good Effort	24,506	38%	59,060	3,549,064,560	2,753,718,749
Strong Effort	32,675	50%	78,748	4,732,134,354	3,671,662,455

If the county is able to achieve the Strong Effort, and it can, then the new primary jobs would generate an additional \$3.5 billion in annual taxable retail sales by 2030 (With a 2% annual inflator, it would be \$5 billion by 2030.)

And so, given the enormous economic impact the existing private sector primary employers have on the economy and the potential for growth, investing \$20 - \$30 million per year by local government is a reasonable.

Keep in mind, should the community not make this investment, the economy will decline. For every loss of 1,000 primary jobs, there will be a loss of 2,400 jobs in the county and a decline of \$144 million in payrolls and \$122 million in taxable retail sales.

Currently investing in the economy.

Investing in the economy is not uncommon. In fact, Pinellas County is presently investing about \$30 million per year in a primary industry - tourism.

When an individual travels to Pinellas from outside the economic region for recreational purposes and spends money, by definition this is a primary activity. The money flows into the economy. As a result, tourism is inherently “primary.”

In the Goal Study it was determined tourism accounts for about 5% - 6% of the Pinellas economy. Some individuals in the county might believe it is higher, others lower. Let us quickly look at the industry.

A bulk of the spending by a tourist occurs in the hotel and eating and drinking places. The following chart shows the percentage each of these industries is as a proportion of the county’s economy based upon the payrolls, worker earnings.

Typical Tourism Sectors	Eating & Drinking Places		Hotels
	% of Worker Earnings		
Pinellas	3.1%	1.0%	
Orange (Industry & Tourism)	3.5%	3.7%	
Osceola (Tourism)	5.5%	5.0%	
Charlotte (Retirement)	4.7%	0.7%	
Florida	3.4%	1.3%	
USA	2.4%	0.7%	

Source: Bureau of Economic Analysis

Osceola County is likely dominated by tourism more than any other county in Florida.

Charlotte County’s economy is overwhelmingly dominated by the retirement industry and has little tourism.

The percentage of worker earnings for Eating and Drinking Places and for Hotels in Pinellas County is marginally higher than the national average and below the Florida average. It is significantly less than Osceola and Orange.

By this measure it can be determined it is not a “dominant” industry in Pinellas.

Using IMPLAN multipliers, POLICOM estimated the economic impact upon the county’s economy to compare it with the other primary industries.

Since there is no “line-item” for tourism in industry data, the following assumptions were made:

- On an annual basis, 65% of all hotel stays are by tourists.

This is a relatively high percentage. In most Florida counties, 50% to 60% of hotel occupants are commercial travelers. This is one of the reasons a vast majority of all the hotels constructed in the last ten years are geared for the commercial traveler. Additionally, about 10% of hotel occupants are in the community “for other reasons” such as seeking health care or visiting family or friends.

During the peak tourist months, February, March, and April, tourist occupancy could likely reach 80%. However, in the off months, such as September and October, tourist occupancy could be as low as 10%. It is possible only 50% of hotel occupancy is the result of a tourist.

The Researcher, however, wants to error on the side of Tourism. As a result, the impact of 65% of the jobs in the Hotel sector will be credited to Tourism.

- On an annual basis, 15% of revenues for Eating and Drinking Places are attributed to Tourism.

There are approximately 34,000 people employed in the Eating and Drinking Places in Pinellas County. There are also about 920,000 people living in the county. More than 22% of the residents are over the age of 65. As previously mentioned, the Retirement Industry is the 2nd largest economic contributor to the county.

Note that 4.7% of the worker earnings in Charlotte County, retirement economy, are attributed to Eating and Drinking Places. The retirement community, especially if they are seasonal, “eats out” more of than most households.

Yet only 3.1% of the Pinellas worker earnings are attributed to Eating and Drinking Places. This is a low percentage if there is a large tourism industry.

The Researcher elected to be extremely generous by determining that 15% of purchases at restaurants made during the entire year are by Tourists. This means that on average when you walk into a restaurant and there are 100 people there, 365 days a year, 15 of the will be a tourist, an “out of town person” who has traveled to the county for recreational reasons. This estimate may be a bit high.

The percentage of sales in Eating and Drinking Places attributed to tourism could very well be lower than 10%. But for the purpose of this exercise, we will use the higher number.

Tourists also spend money on activities while in the county. Charter boats, museum tickets, gasoline, or a new T-shirt are some of these.

To estimate the amount of impact, POLICOM simply added 50% to the total of the impact of Hotel and Eating & Drinking Places.

The chart shows the impact of Tourism on the Pinellas economy based upon these assumptions. The full impact of Hotel and Eating and Drinking Places is calculated. This is followed by the proportionate impact of Tourism.

Tourism		Economic Impact		
		Total Jobs in County	All Payrolls	Total Output - Transactions
Economic Impact Based Upon 2014 Event Year.				
Restaurants - All	34,216	44,104	1,245,260,628	3,302,817,136
Hotel All	7,705	12,003	440,735,878	1,410,120,514
All Restaurants and Hotel	41,921	56,107	1,685,996,507	4,712,937,649
		Tourism Portion		
Restaurants -Tourism 15%	5,132	6,616	186,789,094	495,422,570
Hotel - Tourism - 65%	5,008	7,802	286,464,050	916,532,674
Total Tourism Hotel and Restaurants	10,140	14,417	473,253,144	1,411,955,245
Add 50% more for other spending	5,070	22,219	759,717,194	2,328,487,919
Total Tourism	15,211	22,219	759,717,194	2,328,487,919
Manufacturing	29,231	78,890	4,609,228,775	19,718,089,471
Corporate Headquarters	10,954	27,870	2,122,641,129	4,580,569,773

The line “Total Tourism” is the measure of the impact. The 15,211 jobs which are identified as the direct result of Tourism generate a total of 22,219 jobs in the economy, about \$760 million in total payrolls, and \$2.3 billion in transactions.

The follow chart shows the Fiscal Impact of Tourism.

Tourism	Fiscal - Tax Impact			
	Economic Impact Based Upon 2014 Event Year.	Taxable Retail Sales	Sales Tax	Property Taxes
Restaurants - All	1,430,863,014	100,160,411	78,779,624	24,308,543
Hotel All	807,086,086	56,496,026	44,317,740	12,792,454
All Restaurants and Hotel	2,237,949,100	156,656,437	123,097,364	37,100,997
Restaurants - 15% Tourism	214,629,452	15,024,062	11,816,944	3,646,281
Hotel - Tourism - 65%	524,579,814	36,720,587	28,805,096	8,314,680
Total Tourism Hotel and Restaurants	739,209,266	51,744,649	40,622,040	11,960,961
Add 50% for other spending	369,604,633	25,872,324	20,311,020	5,980,481
Total Tourism	1,108,813,900	77,616,973	60,933,059	17,941,442
Manufacturing	2,917,294,043	204,210,583	161,551,873	85,660,535
Corporate Headquarters	959,115,529	67,138,087	53,386,720	25,662,869

In 2014, the tourism industry generated about \$1.1 billion in taxable retail sales.

As previously mentioned, the community spends between \$25 and \$30 million per year to either maintain tourism or to cause it to grow in Pinellas County.

This money is generated from a 5% tax on all hotel room sales. It is known as a tourist tax. The funds cannot be used for any purpose other than promoting tourism and making capital improvements to facilities which generate tourism.

In 2014 about \$33 million was generated from the tax. Of this money about \$21 million will be used for promotion of tourism and the balance for the repayment of bonds for previous capital expenditures.

So, over the next ten years, approximately \$330 million will be spent on the tourism industry.

When comparing the economic impact between the private sector primary employers and the tourism industry, investing \$300 million in the redevelopment of real estate to retain the existing primary employers and to attract new companies to the community seems immensely logical. The return on this investment is overwhelmingly much greater.

Conclusion

Thirteen years ago (2001), the negative economic impact of reaching physical build out was brought to the attention of community leaders in POLICOM's study *What is the economic impact of reaching physical build out upon the Pinellas County economy?*

Twelve years ago (2002) it was explained in POLICOM's *Economic Goal Study* that the economy could not grow and expand if there was not sufficient industrial real estate available to accommodate new primary employers. Between 2003 and 2012, the county lost more than 8,000 primary jobs.

Ten years ago (2005), the most important recommendation of *Pinellas by Design - An Economic Development and Redevelopment Plan for the Pinellas Community* was beginning the process of redeveloping approximately 4,000 acres of land to provide locations for current and future primary industries.

Today, if a company needs 40 acres upon which to construct an 800,000 square foot campus where 2,600 individuals will work and be paid on average \$85,000 per year, it cannot locate in Pinellas County, since there is not place for it to go.

The community cannot put off this issue any longer.