

Economic Impact of the Proposed Palafox Commerce Park Superfund Redevelopment Initiative

Prepared for:

Pensacola Area Chamber of Commerce
Escambia County Community Redevelopment Agency
City of Pensacola

June 6, 2003

Prepared by:

*Haas Center for Business Research and Economic Development
The University of West Florida*



Economic Impact of the Proposed Palafox Commerce Park Superfund Redevelopment Initiative

Final Report

Commissioned by: Pensacola Area Chamber of Commerce
Escambia County Community Redevelopment Agency
City of Pensacola

Conducted by: Guy Livingston for:
The Haas Center for Business Research and Economic
Development at the University of West Florida
Pensacola, Florida

Contact: Phyllis Pooley
850-474-3388
pkpooley@uwf.edu

Submitted: Final Report submitted March 26, 2003

Table of Contents

EXECUTIVE SUMMARY	6
INTRODUCTION.....	12
<i>PURPOSE, DEFINITIONS AND SCOPE.....</i>	<i>12</i>
<i>UNDERSTANDING ECONOMIC MULTIPLIERS</i>	<i>14</i>
OVERVIEW OF PENSACOLA AREA ECONOMY	17
<i>HISTORICAL EMPLOYMENT TRENDS.....</i>	<i>19</i>
<i>DOES PENSACOLA NEED A COMMERCE PARK?</i>	<i>25</i>
<i>EFFECT OF INDUSTRY SELECTION.....</i>	<i>27</i>
ESTIMATED ECONOMIC IMPACT OF THE PROPOSED PALAFOX COMMERCE PARK.....	29
<i>ECONOMIC IMPACT AFTER THREE YEARS.....</i>	<i>29</i>
<i>ECONOMIC IMPACT AFTER SEVEN YEARS</i>	<i>31</i>
<i>ECONOMIC IMPACT AFTER TEN YEARS.....</i>	<i>32</i>
METHODOLOGY AND ASSUMPTIONS.....	36
SURVEY OF PENSACOLA’S TARGETED INDUSTRIES	42
<i>DOING BUSINESS IN PENSACOLA.....</i>	<i>42</i>
<i>GROWTH EXPECTATIONS</i>	<i>42</i>
<i>CUSTOMERS.....</i>	<i>43</i>
<i>SUPPLIERS</i>	<i>43</i>
<i>FACTORS INFLUENCING BUSINESS LOCATION DECISION.....</i>	<i>45</i>
<i>COMPETITIVE ADVANTAGES OF DOING BUSINESS IN PENSACOLA</i>	<i>46</i>
APPENDIX.....	48
<i>GLOSSARY OF TERMS.....</i>	<i>48</i>
<i>TAX REVENUE ESTIMATES.....</i>	<i>52</i>

List of Figures

FIGURE 1 - EMPLOYMENT BY INDUSTRY SECTOR FOR THE U.S., FLORIDA, AND PENSACOLA.....	18
FIGURE 2 - PENSACOLA EMPLOYMENT PROJECTIONS THROUGH 2025 BY INDUSTRY	19
FIGURE 3 - EMPLOYMENT TRENDS IN THE GOODS PRODUCING SECTOR, 1970-2005.....	20
FIGURE 4 - EMPLOYMENT TRENDS IN SERVICE INDUSTRIES, 1970-2005	21
FIGURE 5 - EMPLOYMENT TRENDS IN GOVERNMENT SECTORS, 1970-2005	22
FIGURE 6 - CHANGES IN PERCENT OF EMPLOYMENT BY INDUSTRY SECTOR, 1970-2000	23
FIGURE 7 - CHANGES IN NUMBER OF PERSONS EMPLOYED BY INDUSTRY BETWEEN 1970-2000.....	24
FIGURE 8 - INDUSTRY EFFECT ON EMPLOYEE COMPENSATION	27
FIGURE 9 - INDUSTRY EFFECT ON BUSINESS TAXES GENERATED.....	28
FIGURE 10 - INDUSTRY EFFECT ON TOTAL SPENDING GENERATED	28
FIGURE 11 - DISTRIBUTION OF THE ECONOMIC IMPACT OF THE PALAFOX COMMERCE PARK	33

List of Tables

TABLE 1 - SUMMARY OF ESTIMATED ECONOMIC IMPACT OF FULLY DEVELOPED COMMERCE PARK.....	9
TABLE 2 - PERCENT OF OUR TARGETED INDUSTRIES SUPPLY CHAIN AVAILABLE LOCALLY	25
TABLE 3 - SUMMARY OF ESTIMATED ECONOMIC IMPACTS AFTER THREE YEARS.....	30
TABLE 4 - SUMMARY OF ESTIMATED IMPACTS AFTER SEVEN YEARS	31
TABLE 5 - SUMMARY OF ESTIMATED ECONOMIC IMPACTS AFTER TEN YEARS	32
TABLE 6 - DISTRIBUTION OF ECONOMIC IMPACTS OF THE FULLY DEVELOPED COMMERCE PARK	34
TABLE 7 - INDUSTRY PROSPECT INFORMATION PROVIDED BY THE PENSACOLA AREA CHAMBER OF COMMERCE.....	40
TABLE 8 - SUPPLIERS USED BY LOCAL BUSINESSES.....	44
TABLE 9 - SUPPLIERS THAT LOCAL FIRMS WOULD LIKE TO SEE LOCATE IN PENSACOLA	44
TABLE 10 - FACTORS INFLUENCING BUSINESS LOCATION DECISION	45
TABLE 11 - ADVANTAGES PENSACOLA OFFERS TO BUSINESSES	46
TABLE 12 - ESTIMATED TAX REVENUES GENERATED BY COMMERCE PARK CONSTRUCTION AND BUSINESS SPENDING	52

Executive Summary

The University of West Florida's Haas Center for Business Research and Economic Development (Haas Center) is pleased to submit the following report, in fulfillment of the terms of the contract entitled "Economic Impact of the Proposed Palafox Commerce Park Superfund Redevelopment Initiative." Virtually every community concerned with business retention and attraction is also concerned with providing sites that are available for commercial and industrial use. Businesses demand sites that are buildable, free of contamination, appropriately zoned, accessible to transportation, and possessing modern infrastructure, utilities, and telecommunication linkages. In today's fast-moving economy, where concepts like *time to market* and *just-in-time* delivery are emphasized, more and more companies are looking for sites that are immediately available for their growth and expansion. Commerce parks offer this availability. A commerce park is an economic development tool that offers a location for immediate industrial occupancy, features nearby road and rail service, industrial grade utilities, and full municipal services. A commerce park's main goal is to attract business investment, create jobs, revitalize neighborhoods, and strengthen local and regional economies.

Community support is needed for economic development efforts such as building a commerce park, as it is an activity that affects the entire community. The economic benefits and costs of these efforts affect virtually everyone in the region in one way or another. To start, many argue that economic development efforts are necessary to sustain the competitiveness of our regional economy and our overall standard of living. Second, economic development efforts are expected to result in a high level of employment and quality jobs for area residents. Third, it is expected to create middle-class job opportunities for the jobless and working poor. And fourth, success in the first three goals is expected

to provide the earnings and tax revenues needed to make further investments in education, government services, amenities, infrastructure, and improved quality of life.

In addition to the many direct benefits generated by bringing a new company into the community, economic development also results in significant *indirect* benefits. These indirect benefits are often realized as the existing local businesses enter into profitable supplier relationships with the new company and its employees. The result is more revenue for the existing local business owners. This increased revenue coming into local businesses enables them to hire more employees. So in addition to the number of direct jobs created by the new business, a quantifiable number of indirect jobs will also be created locally once the new company moves in. While these jobs may be at varying pay scales and require a wide range of skill levels, they may all be directly attributed to the increased local economic activity that takes place as a result of that new company moving in.

Economic impact analyses provide tangible estimates of these economic interdependencies and a better understanding of the role and importance of a specific economic stimulus in a region's economy. The purpose of this report is to present calculations that estimate the magnitude of changes in economic activity that would occur as a result of the development of the Palafox Commerce Park. The analysis describes the magnitude of the economic impact that will be attributable to the Commerce Park, and clarifies the impact that Commerce Park activities will have on the other industry sectors in the region. This report does not attempt to quantify quality of life issues, whether positive or negative, which may result from the development of a Commerce Park or the businesses it attracts. This report estimates only the gross impact of financial (spending) flows, ignoring the ancillary non-financial benefits (improved public services, increased business retention), and costs (e.g. traffic congestion, crime, other public service costs) and that may be associated with Commerce Park development.

The estimates provided in this report capture the local economic impact generated by two basic types of spending flows: spending generated by the new

Commerce Park business tenants, and, spending on the construction of the required business infrastructure. The business spending flows were added to construction spending flows and entered into a computer economic model. Standard multiplier techniques were then applied to these data to estimate the overall magnitude of the economic impact that the Commerce Park will exert on the various sectors of the local economy, and to trace the relative impact on each industry sector. Estimates of total spending, employment, and wages are calculated. These estimates are for the two-county region that includes Escambia and Santa Rosa Counties, and all measures of impacts pertain to businesses and households located in this region. The various measures of economic impact for Commerce Park business tenants reflect annual impacts, while the construction impacts will occur only during the period of construction activities.

Among the most important findings of this investigation are that:

- ▶ At 100% development, the Commerce Park will support 1,714 employees working for Commerce Park business tenants in light manufacturing, wholesale trade, and in business service industries.
- ▶ The operating and capital expenditures of the Commerce Park tenants will inject an estimated \$274 million in direct spending each year that stays in the local economy.
- ▶ When the total impact of the Commerce Park is considered (i.e., when taking the “multiplier effect” into account), approximately \$418 million in local retail and business-to-business sales will be generated each year, supporting either directly or indirectly about 3,244 jobs, and generating incomes of approximately \$132 million.
- ▶ A fully developed Commerce Park will generate approximately \$32 million in federal tax revenues, \$10 million in state tax revenues, and \$4.4 million in local tax revenues annually.

▶ The construction of the 650,000 square feet of business facilities¹ will have stimulated additional economic activity during the period of construction. A total of approximately \$47 million in local retail and business-to-business sales will be generated by this construction. About 455 jobs will have been either directly or indirectly supported by this new construction activity in the local economy along with incomes of approximately \$17.5 million. Approximately \$4.7 million in additional federal, state, and local tax revenues will also be generated by the construction of the 650,000 square feet of facilities.

▶ When the Commerce Park is fully developed, the economic stimulus that it generates will support a total of 1,530 new local jobs in 105 different industries outside of the Commerce Park, including an additional 53 accountants and bookkeepers, 44 more doctors and dentists, 37 more data processing employees, and 18 more auto repair and service workers.

▶ While it has no direct effect on the local real estate market, the new jobs that it creates will indirectly stimulate an additional \$5,889,025 in spending in that sector.

A summary of the estimated economic impact of a fully developed Palafox Commerce Park, delineating the direct, indirect, and induced impact generated is presented in Table 1 below (See Glossary of Terms for definitions of these categories).

Table 1 - Summary of Estimated Economic Impact of Fully Developed Commerce Park

Estimated Annual Economic Impact of a Fully Developed Commerce Park				
Estimated Annual Park Business Tenants Spending Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$274,766,139	\$82,876,323	\$60,394,376	\$418,036,833
Incomes Generated	\$75,521,869	\$33,449,212	\$23,216,338	\$132,187,420
Jobs Supported	1,714	773	757	3,244
Annual Federal Tax Revenues Generated	\$32,484,335			
Annual State Tax Revenues Generated	\$10,316,347			
Annual Local Tax Revenues Generated	\$4,421,292			

¹ The *Palafox Commerce Park Master Plan*, prepared by Landers-Atkins Planners, Inc, provides estimated building space, construction costs, and usage of the Commerce Park. Estimated construction costs for the 650,000 square feet of Commerce Park facilities were also supported by the Pensacola Area Chamber of Commerce Sites and Buildings Committee members.

Annual School District Tax Revenue	\$263,572			
Estimated Construction Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$29,250,000	\$10,154,961	\$8,154,579	\$47,559,540
Incomes Generated	\$9,989,535	\$4,443,327	\$3,134,695	\$17,567,557
Jobs Supported	242	111	102	455
Federal Tax Revenues Generated	\$3,755,048			
State Tax Revenues Generated	\$729,212			
Local Tax Revenues Generated	\$312,519			

Source: IMPLAN Professional Social Accounting & Impact Analysis Software

This study also examines the role that the Commerce Park could play as an economic engine relative to the rest of the Pensacola area economy. Pensacola has seen strong growth in personal, business and professional services and in retail trade over the past two decades, while at the same time experiencing declining employment in the manufacturing sector. Future growth in each of these sectors would be positively influenced by the development of the Palafox Commerce Park.

Because the measured economic impacts are limited to quantifiable impacts, this report underestimates the actual expected impact. In addition to the quantifiable economic impacts associated with the development of the proposed Commerce Park, numerous intangible benefits should also be realized. These benefits include the contribution that the presence of an environmentally clean Commerce Park will make in the improved quality of life, and increased property values of residents living nearby. Benefit flows also include the attraction of additional skilled workforce to the area. The new Commerce Park could provide a stimulus to further investment in economically distressed inner-city neighborhoods that surround it, that may not occur in the area without its cleanup and development. Local economic development efforts may also benefit from the change in perceptions that the community would experience due to the successful development of this Commerce Park. Banks and insurance companies may become more willing to work with nearby businesses, once the

superfund site has been cleaned up. Each of these contributions has a significant but difficult to measure economic impact on the regional economy, which is not included in this analysis.

Introduction

Purpose, Definitions and Scope

The purpose of this report is to present calculations that estimate the magnitude of changes in economic activity that would occur as a result of the development of the Palafox Commerce Park. This report provides an excellent opportunity to examine the economic role that the Commerce Park could play in the region and to enhance understanding of that role. The analysis describes the magnitude of the economic impact in Pensacola that will be attributable to a Commerce Park, and clarifies the impact that Commerce Park activities will have on the other industry sectors in the region.

Several measures of Commerce Park related economic activity are estimated, including total spending, income, and employment. The attraction of new businesses and the construction of business facilities on the Commerce Park will result in numerous retail and business-to-business sales (e.g., a lumber yard sells sheetrock to a construction firm). The sum of retail sales plus business-to-business sales is reported as *total spending*. The *income* figures that are reported are the sum of proprietor's income and wages and salaries accruing to workers in these businesses. *Employment* figures represent the number of jobs supported by sales of goods and services to consumers and by the increased level of inter-industry transactions. The job estimates given include full time, part time and seasonal jobs.

For these economic impact calculations the region of interest is the Pensacola Metropolitan Statistical Area (MSA), which includes two counties: Escambia and Santa Rosa. The selection of a particular geographic region influences both the amount of spending by local businesses that is captured and the size of the multiplier effects. In these calculations, only spending that takes place within the Pensacola MSA is included as stimulating the changes in economic activity, and all measures of impacts pertain to businesses and

households located in the two-county region.

Each of the measures of economic impact reflects the value generated by industry for one annual calendar year of production. In actuality, most of the local economic impact associated with local spending changes will have occurred within this one-year time frame.

This report does not attempt to quantify quality of life issues, whether positive or negative, which are undoubtedly related to the real estate development, growing populations, or increased traffic that may result from the development of a Commerce Park. This report estimates only the gross impact of financial (spending) flows, ignoring ancillary non-financial costs (e.g. traffic congestion, crime, noise or pollution) and benefits (improved public services, increased business retention) that may be associated with a Commerce Park.

Economic impact analysis describes the effects of an economic stimulus using economic measures such as spending, employment, labor income and tax revenue. Economic activities generate spending in our local area, and cause jobs to be created that pay income to area residents and generate tax revenue that flows to government. However, quantifying these effects can be difficult, and the calculated economic impact should be considered an estimate based the best information available at the time.

A computer multiplier model was used to estimate the overall magnitude of the economic impact that the Commerce Park will exert on the various sectors of the local economy. Use of a multiplier model also lets us trace the relative impact of construction and new business spending on each industry sector. Use of these standard multiplier techniques permit the generation of estimates of total local economic impact, including total inter-industry spending, employment, tax revenues, and incomes associated with spending driven by Commerce Park activities.

Understanding Economic Multipliers

There are several key concepts that must be used to get a correct estimate of the total economic impact arising from Commerce Park spending. One of these is the regional purchase coefficient. The RPC indicates what share of total spending is done within the study area, for each of the spending categories. For example, an RPC of 0.25 for a given commodity means that for each \$1 of local demand, 25% will be purchased from local producers. RPC's are based on the characteristics of the region and describe the actual trade flows for the region mathematically. The greater the RPC, the greater the level of local economic activity that is occurring, and the larger the economic multiplier will be. The RPC's used in this study reflect the actual percentage of spending that occurs within the Pensacola MSA for a given industry sector. Spending that occurs outside the Pensacola MSA is not included in the reported economic impacts.

Another key concept of impact analysis is the price margin that separates wholesale from retail prices. Since this analysis involves retail prices in some spending categories and wholesale prices in others, the total spending (final demand) values needed to be subdivided into either retail or wholesale prices. Wholesale prices are those paid in business-to-business transactions, retail prices are those paid at the consumer level. Margins represent the difference between producer and purchaser prices. Margining assigns direct expenditures to the correct industry sector multipliers by splitting a purchaser price into the appropriate producer values. In this study the dollar value of impacts resulting from purchase by retail consumers are split appropriately so as to capture the portion going to the retailer, to the wholesaler, to transportation providers, and to the manufacturer.

Conceptually, the total economic impact of an event can be separated into three different types of effects. First is the direct effect of spending; which is the impact of new spending on first tier suppliers. Thus, ten dollars spent by a new Commerce Park business owner at a local restaurant counts as a direct effect of

ten dollars. This direct spending has the advantage that it can be counted relatively easily, but it does not capture the “multiplier effect” of the additional economic activity set in motion by the purchase of the meal.

To the direct effect must be added the indirect effect of spending. In order to produce the ten-dollar meal, the restaurant must purchase certain inputs from other businesses. To the extent that these inputs are local, these purchases represent additional local spending. For example, the restaurant may purchase two dollars worth of food inputs from the local produce market for every ten-dollar meal sold. The produce market may have paid a local farmer one dollar for the goods that are then sold to the restaurant, and the farmer may have paid 10 cents for local inputs into the farm. The indirect effect measures the cumulative local purchases from other businesses that are generated from the ten dollars spent on the meal. Because much of this spending goes either immediately or eventually to businesses outside of Pensacola, the indirect effect tends to be smaller than the direct effect. A reasonable estimate of the indirect effect of a ten-dollar meal might be five dollars.

To the direct and indirect effects must be added the induced effect, which measures the additional spending that occurs across the economy because of the income paid by all of the businesses involved, directly or indirectly, in producing the meal. There is a flow of wages received by the waiters, cooks, produce store clerks, and others who play a part in putting that meal in front of the customer. These people receive most of those wages as take-home pay, and they spend most of that take-home pay and save some. To the extent that their spending generates jobs in the local economy, there is additional economic impact attributable to the meal. However, much of that pay may go to a mortgage or car payment that leaves the local economy. In fact, most of the grocery store spending will leave the local economy to pay for food produced elsewhere in the country. But the part that pays the local banker administering the car loan, or the clerk at the local store, or other local employees, represents a local economic impact of that ten-dollar meal. A reasonable value for the induced effect might be three dollars.

Thus, the total local economic impact of the ten dollar meal would be eighteen dollars, representing the initial purchase (the direct effect), plus the local purchases made from other businesses in producing the meal (the indirect effect), plus the local purchases resulting from the spending by households who received wage income while producing the meal (the induced effect). Here, “the multiplier” is said to be 1.8, meaning that every dollar spent on that category (restaurant meals) has a total impact of \$1.80 on the local economy, once the direct, indirect and induced effects are accounted for.

The multiplier effect can also be seen in the number of jobs created by Commerce Park related spending. The number of jobs created includes those employees working directly in businesses that work at the Commerce Park, people working for companies that support operations of these businesses, and those who become employed as a result of the overall increased wage base associated with the Commerce Park locally.

In order to say that the multiplier is 1.8 (versus some other number like 1.2 or 3.7), the U.S. Department of Commerce, Bureau of Economic Analysis, uses actual historical data, specific to each county in the country, to describe how goods and services are produced in each county. These tables show the amount of inputs from other industries used to produce a dollar’s worth of output in a particular industry. A number of commercial firms have elaborated on these basic input-output tables and used them to produce software that models these economic relationships. These are called economic impact models, or Input-Output models. The Haas Center owns several of these models and uses *IMPLAN Professional Social Accounting & Impact Analysis Software* (IMPLAN), which is the most widely used model, in most economic impact studies.

Overview of Pensacola Area Economy

The Pensacola Metropolitan Statistical Area (MSA) consists of two counties, Escambia and Santa Rosa. Pensacola MSA has an estimated 2002 population of 424,010, with approximately 157,070 households and a mean household income of \$61,493. Average annual employment for the area is 220,990 persons, who receive \$9,522,196,000 in total earnings. Total industry output for the MSA is approximately \$19,870,053,000². The largest industry sector is the services sector, which employs an annual average of 73,340 persons, followed by retail trade (41,850), military/DoD Civilians (23,446),³ state and local government (21,710), and construction (16,110).

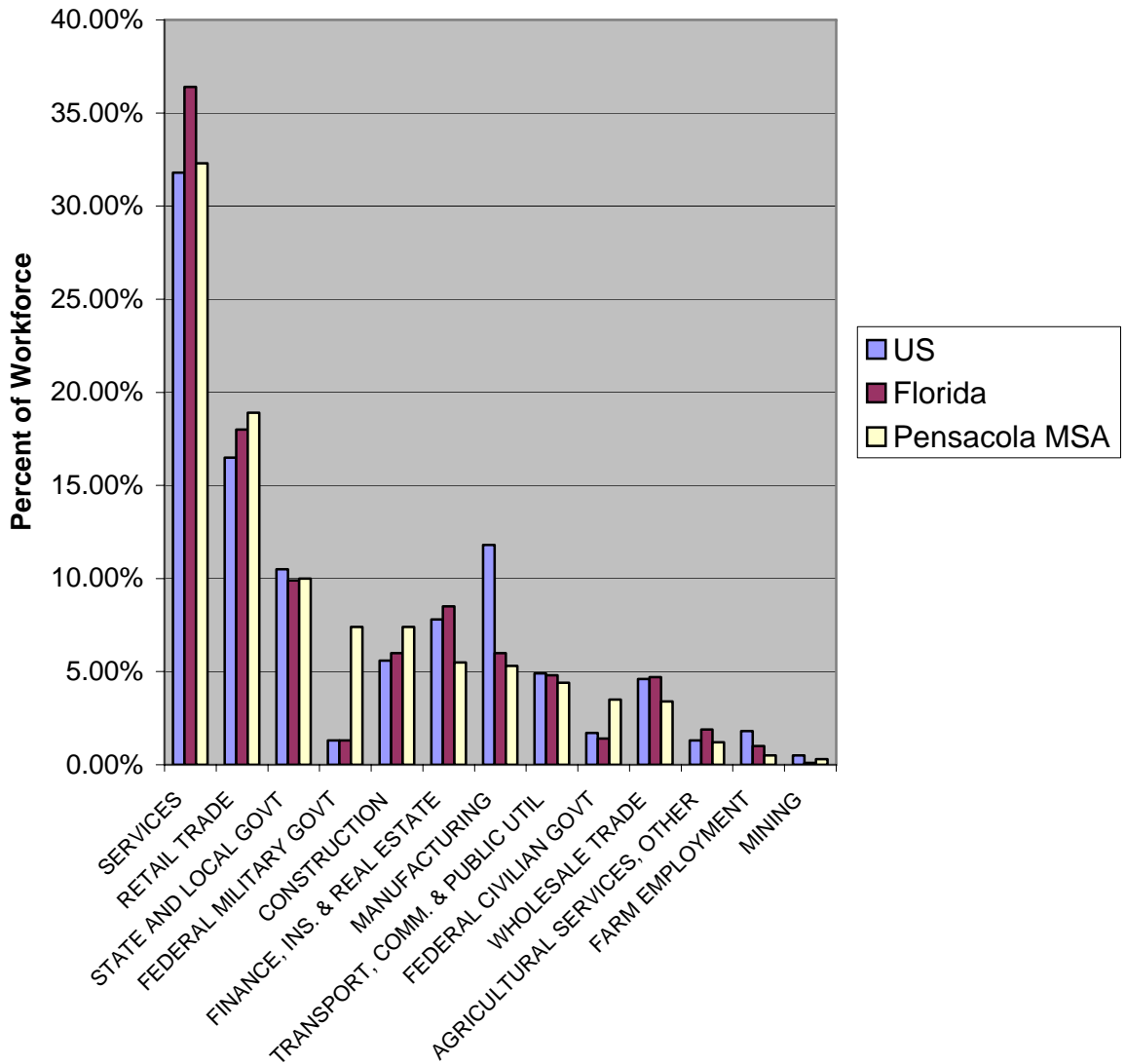
A review of employment data is a good way to identify and understand Pensacola's key industries. Employment data provides the number of people whose incomes depend directly on each particular industry. Employment data is also shown to provide an indication of which industries are growing and which are declining, as well as to reveal the relative importance of each industry to the local economy. Figure 1 compares relative employment by industry sector for the United States, Florida, and the Pensacola MSA. It shows the service industry employs the largest share of the MSA's workforce, and that the retail trade, government, and construction industries are also significant employers. The retail trade, military, and federal civilian sectors employ a larger percentage of the local workforce than is true for the State or Nation as a whole.

² IMPLAN Professional Social Accounting & Impact analysis Software

³ Claritas, Inc. Custom Summary Report of Escambia and Santa Rosa; Woods and Poole Economics; C.O. NAS Pensacola letter dated November 14, 2001.

Note: Highly dynamic military population with 36,000 student throughput annually.

Figure 1 - Employment by Industry Sector for the U.S., Florida, and Pensacola

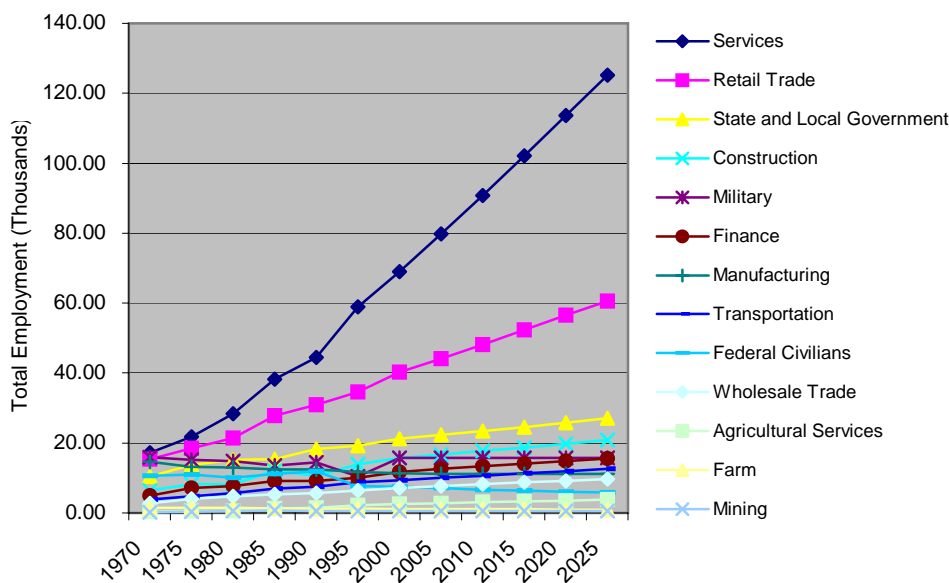


Source: Woods and Poole Economics 2000

Historical Employment Trends

Figure 2 below show trends in employment from 1970 to present, and projections to 2025, broken out by major industry sector. While sectors such as manufacturing, federal civilians, and transportation, communication and public utilities are projected to stay relatively stable over this period; other sectors are forecast to grow substantially, both on sheer numbers and as a share of Pensacola employment. Most notable in Figure 2 is the expansion of employment over the past few decades in services, construction, and retail trade. Growth trends in these industries are projected to continue into the next decade.

Figure 2 - Pensacola Employment Projections Through 2025 by Industry



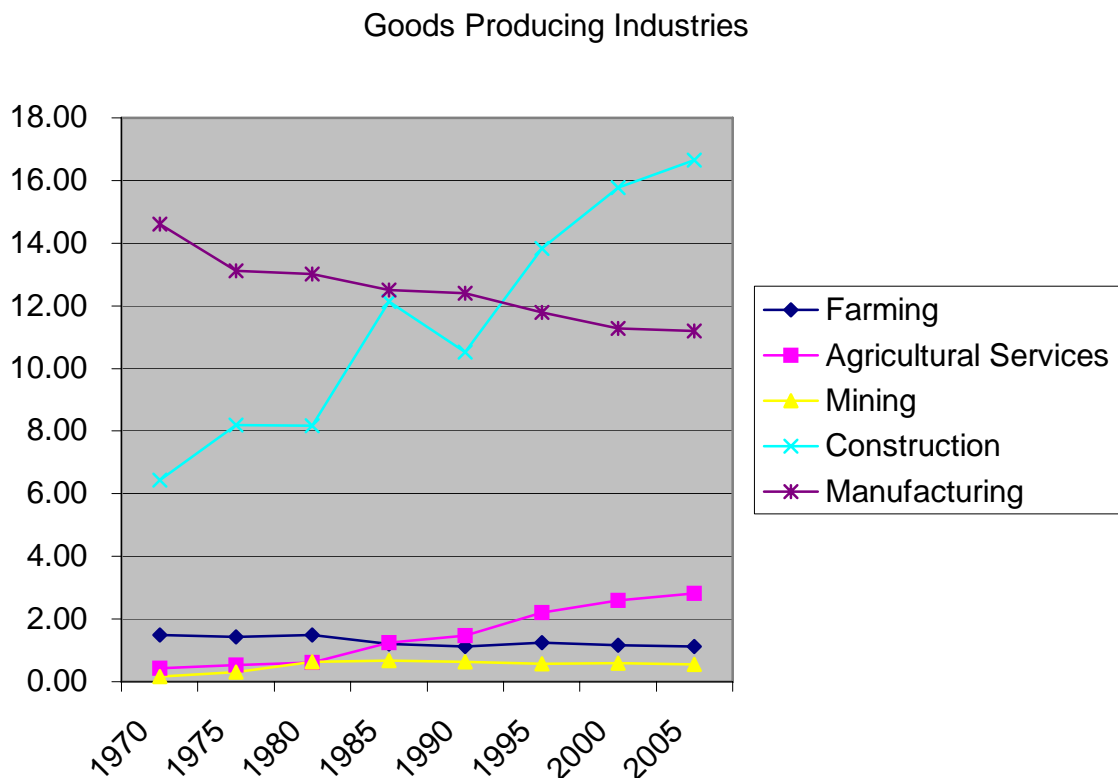
Source: Woods and Poole Economics 2000

To facilitate an understanding of trends in the Pensacola economy, industry sectors were divided into three broad employment categories: private goods producers, private service producers, and government. Employment (in thousands of jobs) is presented in Figures 3, 4, and 5 respectively. The goods producing industries (Figure 3) include agriculture, manufacturing, mining and construction. Nationally, the goods producing share of total employment has

declined steadily over the last three decades, from 32.1% of employment in 1970 to 21.0% in 2000. The employment shrinkage has been driven by improvements in technology and the resulting increase in output per worker. Overall output, measured in terms of both farm produce, extracted minerals and manufactured goods, has increased dramatically. However, automated production methods mean that more output can be produced with fewer workers.

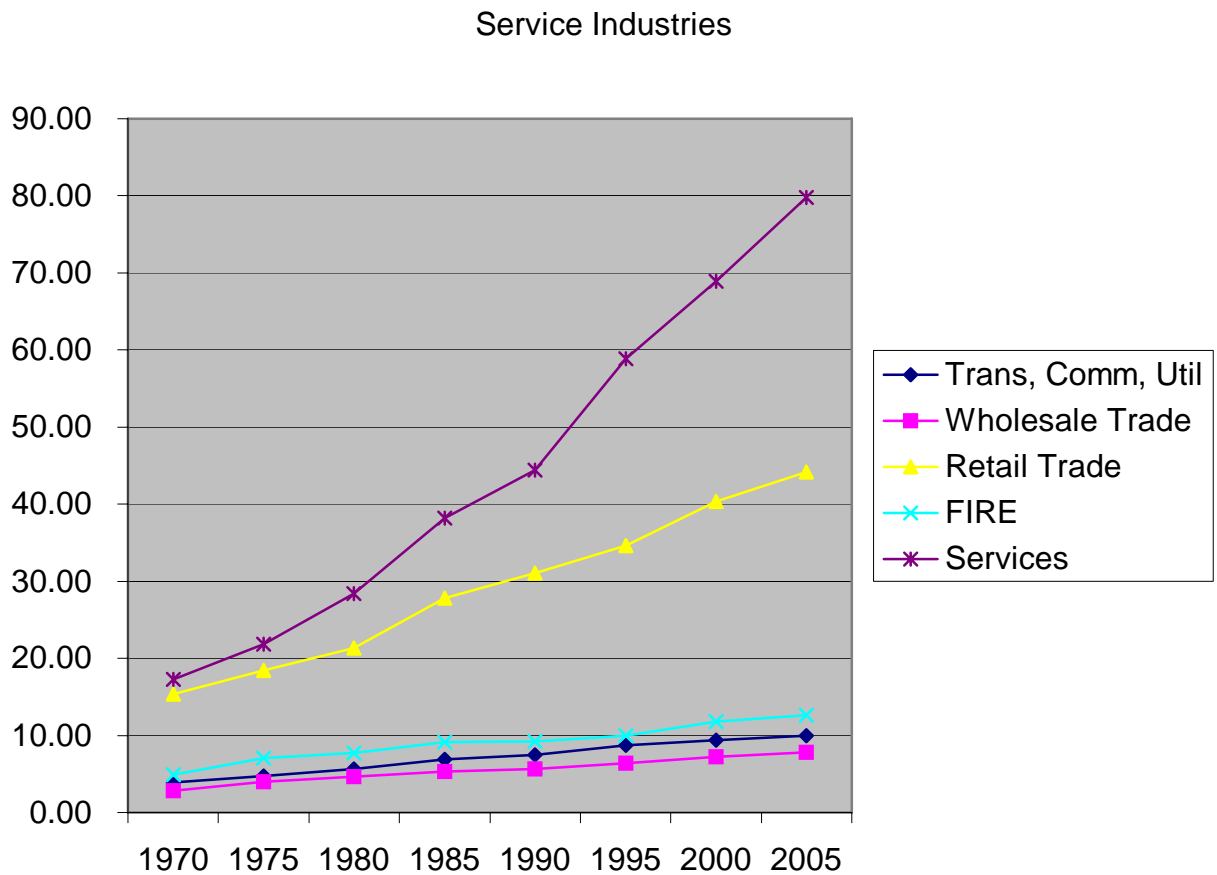
The Pensacola MSA has seen declining manufacturing employment during the 1990's, mirroring national trends. Pensacola's construction and agricultural services industries represent a larger share of the goods producing sector since 1970, while farm employment has declined during the same time period.

Figure 3 - Employment Trends in the Goods Producing Sector, 1970-2005



The service producing sector (Figure 4) of the economy has five major components: Personal, Business, and Professional services; Retail Trade; Finance, Insurance, and Real Estate; Wholesale Trade; and Transportation & Public Utilities. Nationally, this sector of total employment has climbed steadily since the Second World War. In recent years, Services have grown from approximately 49% of total U.S. employment in 1980 to 65.6% in 2000. Overall, this sector of the national economy has added workers in most years of the last decade. Pensacola has seen strong growth in both personal, business and professional services and retail trade over the past three decades.

Figure 4 - Employment Trends in Service Industries, 1970-2005



The government sector employment for the Pensacola MSA is shown in Figure 5 below. State and local government accounts for approximately 48% of government employment in the Pensacola MSA, and both state and local and

federal government have experienced increasing employment between 1970-2000. Federal civilian employees in Pensacola have borne most of the burden of Department of Defense (DoD) employment cutbacks in the past few decades. The large military and DoD employment in Pensacola presents important defense contracting opportunities locally.

Figure 5 - Employment Trends in Government Sectors, 1970-2005

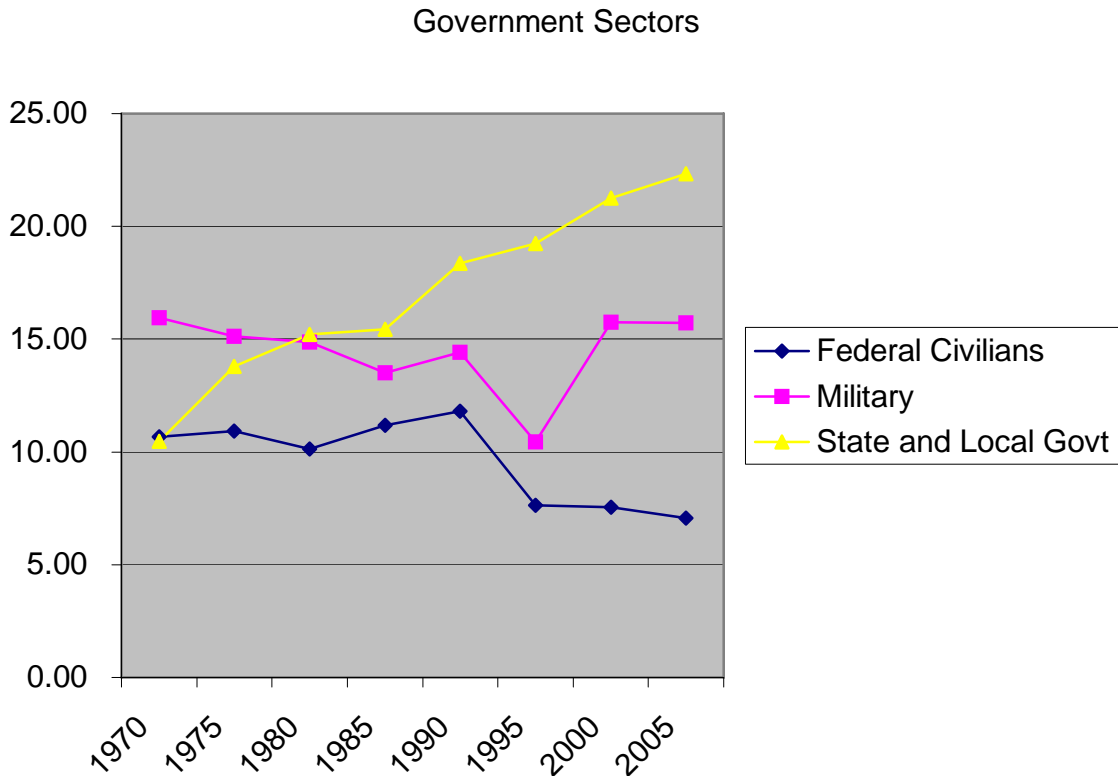
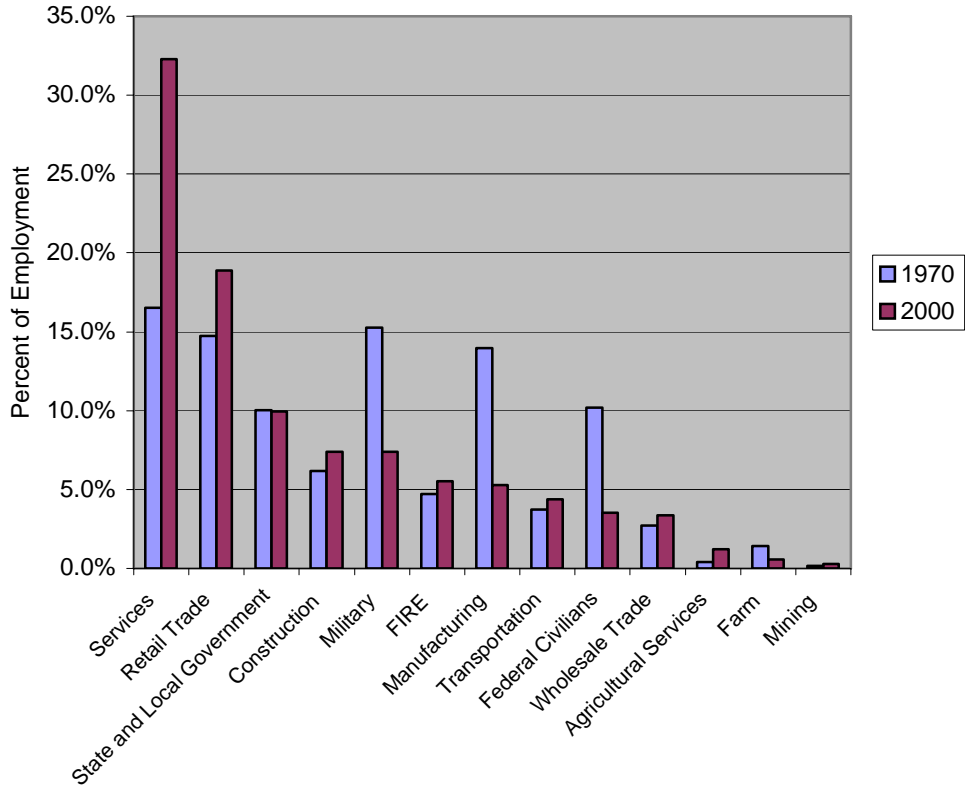


Figure 6 below shows what this differential job growth has meant for the share of MSA employment for different sectors. Here, the 1970-2000 period is shown. Over the past three decades, manufacturing employment has dropped from 14.0% of total employment to only 5.3% of employment. Meanwhile, employment in retail trade has increased over time (eating and drinking places are included under retail trade), and the share of retail in total employment has grown from 14% to 18%. The share of service employment, which includes lodging places, as well as a wide variety of business services, grew by more than half, from 16.5% to 32.3% of total MSA employment over the period. In addition,

construction and finance, insurance and real estate sectors grew slightly as a share of total employment, while military and federal civilian share of total employment dropped sharply.

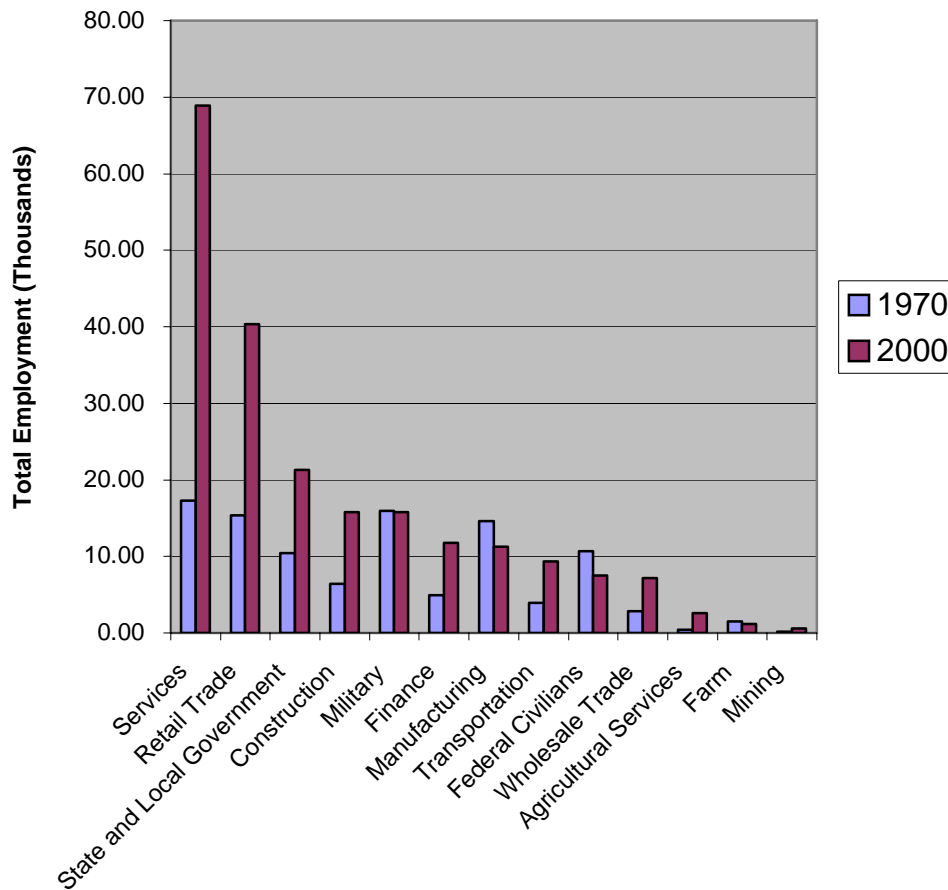
Figure 6 - Changes in Percent of Employment by Industry Sector, 1970-2000



Source: Woods and Poole Economics 2000

Figure 7 shows changes in the actual number of persons employed during the same 1970 through 2000 time-period for each major industry sector in the Pensacola area.

Figure 7 – Changes in Number of Persons Employed by Industry Between 1970-2000



Does Pensacola Need a Commerce Park?

Communities often seek to obtain synergistic affects by integrating a commerce parks tenants and activities into the fabric of the community and its broader economic development goals and strategies. Recruiting efforts for the commerce park are often focused on attracting and developing businesses that will contribute resources to the development of those specific targeted industries that have already established a foothold in the region. This strategy of building on existing competitive strengths helps the regions existing companies compete and grow, and hopefully increases the commerce park's chances for success. Efforts to attract businesses that complement existing industries makes sense. These companies are already in the community, are often owned locally, and their profits are invested back into the community. And, they can be powerful allies in recruiting new companies into the region that complement their business by serving as suppliers or customers.

Table 2 - Percent of our Targeted Industries Supply Chain Available Locally

Industry	Percent of Supply Chain Available Locally
Industrial Services	13.7%
Silicon Technology	11.2%
Transportation Technology	22.2%
Health and Medical Technology	85.5%
Information Technology	38.9%

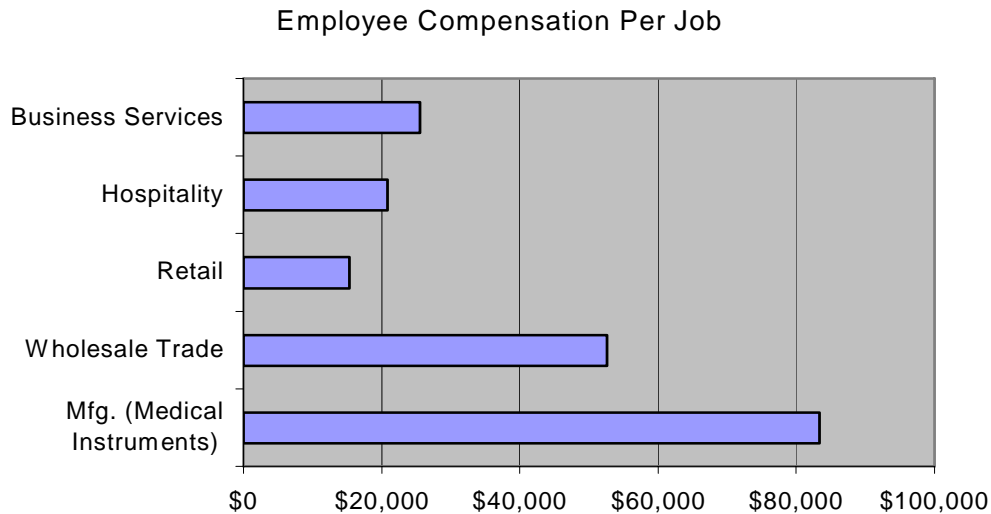
The Pensacola Area Chamber of Commerce has identified our region's targeted industry clusters as: Information Technology, Industrial Services, Health & Medical Technology, Silicon Technology, and Transportation Equipment. Table 2 above shows the percent of goods and services in each of these targeted industry's supply chain that are available locally. It illustrates the absence of many industries essential to a fully developed industry cluster. Because such a low percentage of their suppliers are available locally, area companies must go outside the region to obtain many of the products, services, and technologies that they need. If these missing elements could be attracted to our area, the addition of these critical suppliers will strengthen the existing local clusters and facilitate the goal of retaining core businesses. Meanwhile, the

newly attracted industries will benefit from ready-made markets for their products, and their proximity to local businesses will allow the tailoring of products to meet the specific needs of Pensacola's existing core industries. By addressing gaps and limitations in the economic foundations of our existing industry clusters, a successful commerce park could improve the region's ability to retain and grow industry and its ability to compete in global markets.

Effect of Industry Selection

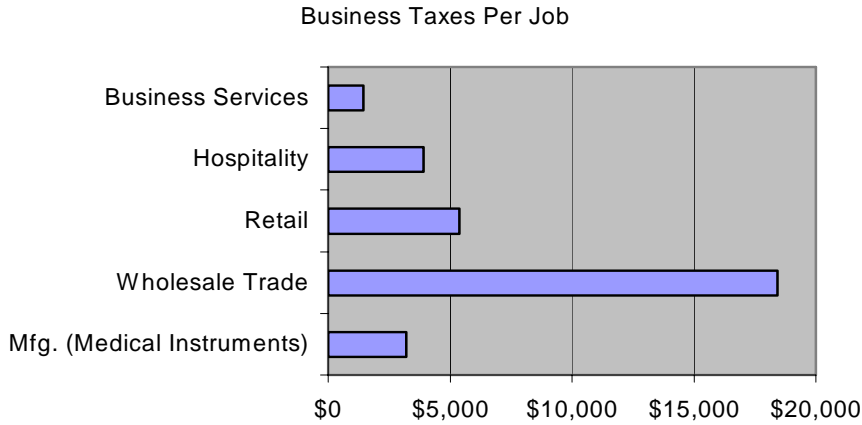
The type of businesses that are attracted to the Commerce Park will also determine the magnitude and direction of the economic impact on the local economy. Businesses that are labor intensive will have a different impact than those that are capital intensive. Manufacturing industries that are able to purchase the supplies they need from local suppliers will impact the economy differently than those who must go outside the local area for supplies. A software developer using primarily intellectual assets to produce their final product will have a different impact than a business that must purchase many goods and services to produce its product. Figures 8-10 below illustrate the economic impact per job that some of Pensacola's existing industries have on the local economy.

Figure 8 - Industry Effect on Employee Compensation



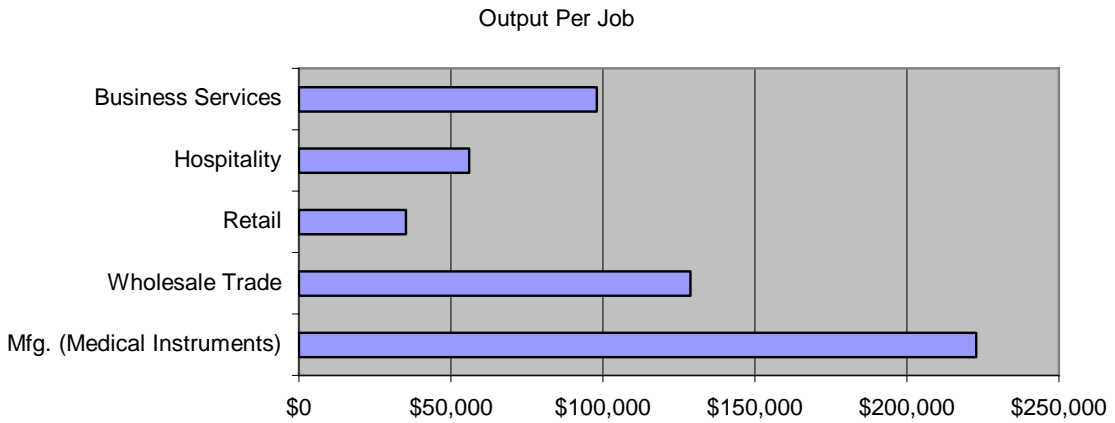
Source: IMPLAN Professional Social Accounting & Impact Analysis Software

Figure 9 - Industry Effect on Business Taxes Generated



Source: IMPLAN Professional Social Accounting & Impact Analysis Software

Figure 10 - Industry Effect on Total Spending Generated



Source: IMPLAN Professional Social Accounting & Impact Analysis Software

Estimated Economic Impact of the Proposed Palafox Commerce Park

The Palafox Commerce Park Master Plan envisions that when completely developed, the Commerce Park will contain approximately 650,000 square feet of facilities housing office, light manufacturing, and warehouse distribution businesses⁴. The economic impact estimates in this analysis are based upon the following assumptions:

- ▶ Sixty percent of the square footage will be occupied by light manufacturing businesses, twenty percent by wholesale trade, and twenty percent by professional business service companies;
- ▶ The light manufacturing businesses average 2.0 employees per 1000 square feet, wholesale trade and professional business service companies average 3.59 employees per 1000 square feet⁵;
- ▶ The Commerce Park is 20% developed at year three, 80% developed at year 7, and 100% developed after 10 years.
- ▶ Construction costs for the 650,000 square feet of facilities average \$45 per square foot.

Economic Impact After Three Years

Given the assumptions above, the Commerce Park will support 391 employees after three years and at 20% of full development. The operating and capital expenditures of the Commerce Park tenants after three years will inject an estimated \$55 million in direct spending each year that stays in the local economy. When the total impact of the Commerce Park is considered (i.e., when taking the “multiplier effect” into account), approximately \$83 million in local retail and business-to-business sales will be generated each year. About 649 jobs will be either directly or indirectly supported by this new business activity in the local economy along with incomes of approximately \$26 million (see Table 3). The Commerce Park will generate almost \$884,000 in local tax revenues annually

⁴ Palafox Commerce Park Master Plan, A Partnership Between Escambia County and the City of Pensacola, Florida, Landers-Atkins Planners, Inc.

⁵ Based on employee density calculations of the Institute of Transportation Engineers, Trip Generation Handbook.

after three years and 20% of full development. The construction of the facilities required to support a Commerce Park that is 20% fully developed will stimulate additional economic activity only during the period of construction. Approximately \$5.8 million in local retail and business-to-business sales will be generated while this construction occurs. About 91 jobs will be either directly or indirectly supported by this new construction activity in the local economy along with incomes of approximately \$3.5 million. Construction spending will generate approximately \$959,000 in federal, state, and local tax revenues.

Table 3 - Summary of Estimated Economic Impacts After Three Years

Commerce Park Estimated Economic Impact After Three Years				
Estimated Park Business Tenants Spending Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$54,953,228	\$16,575,265	\$12,078,875	\$83,607,367
Incomes Generated	\$15,104,374	\$6,689,842	\$4,643,268	\$26,437,484
Jobs Supported	342.8	154.5	151.46	649
Estimated Construction Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$5,850,000	\$2,030,992	\$1,630,916	\$9,511,908
Incomes Generated	\$1,997,907	\$888,665	\$626,939	\$3,513,511
Jobs Supported	48.3	22.18	20.46	91
Annual Federal Tax Revenues Generated	\$6,496,867			
Annual State Tax Revenues Generated	\$2,063,269			
Annual Local Tax Revenues Generated	\$884,258			

Source: IMPLAN Professional Social Accounting & Impact analysis Software

Economic Impact After Seven Years

After seven years, we assume that the Commerce Park will be 80% developed. At 80% development, the Commerce Park will support 1,371 employees. The operating and capital expenditures of the Commerce Park tenants will inject an estimated \$219 million in direct spending each year that stays in the local economy. When the total impact of the Commerce Park is considered (i.e., when taking the “multiplier effect” into account), approximately \$334 million in local retail and business-to-business sales will be generated each year. About 2,595 jobs will be either directly or indirectly supported by this new business activity in the local economy along with incomes of approximately \$105 million (see Table 4). The Commerce Park will generate almost \$3.5 million in local tax revenues annually after seven years and 80% of full development. The construction of the business facilities required to support a Commerce Park that is 80% developed will stimulate additional economic activity only during the period of construction. Approximately \$38 million in local retail and business-to-business sales will be generated while this construction occurs. About 364 jobs will be either directly or indirectly supported by this new construction activity in the local economy along with incomes of approximately \$14 million. Approximately \$3.8 million in additional federal, state, and local tax revenues will have been generated by the construction of 80% of the 650,000 square feet of facilities.

Table 4 - Summary of Estimated Impacts After Seven Years

Commerce Park Estimated Annual Economic Impact After Seven Years				
Estimated Park Business Tenants Spending Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$219,812,911	\$66,301,058	\$48,315,501	\$334,429,466
Incomes Generated	\$60,417,495	\$26,759,370	\$18,573,070	\$105,749,936
Jobs Supported	1,371	618	606	2,595
Estimated Construction Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$23,400,000	\$8,123,969	\$6,523,663	\$38,047,632
Incomes Generated	\$7,991,628	\$3,554,662	\$2,507,756	\$14,054,046
Jobs Supported	193	89	82	364
Annual Federal Tax Revenues Generated	\$25,987,468			
Annual State Tax Revenues Generated	\$8,253,078			
Annual Local Tax Revenues Generated	\$3,537,033			

Economic Impact After Ten Years

After ten years, we assume that the Commerce Park will be 100% developed. At 100% development, the Commerce Park will support 1,714 employees. Sixty percent of Commerce Park tenants are assumed to be employed in light manufacturing, twenty percent in wholesale trade, and twenty percent in business service industries. The operating and capital expenditures of the Commerce Park tenants will inject an estimated \$274 million in direct spending each year that stays in the local economy. When the total impact of the Commerce Park is considered (i.e., when taking the “multiplier effect” into account), approximately \$418 million in local retail and business-to-business sales will be generated each year. About 3,244 jobs will be either directly or indirectly supported by this new business activity in the local economy along with incomes of approximately \$132 million (see Table 5). The Commerce Park will generate approximately \$4.4 million in local tax revenues annually after ten years when fully developed. The construction of the 650,000 square feet of business facilities will have stimulated additional economic activity during the period of construction. A total of approximately \$47 million in local retail and business-to-business sales will be generated by this construction. About 455 jobs will have been either directly or indirectly supported by this new construction activity in the local economy along with incomes of approximately \$17.5 million. Approximately \$4.7 million in additional federal, state, and local tax revenues will have been generated by the construction of 100% of the 650,000 square feet of facilities.

Table 5 - Summary of Estimated Economic Impacts After Ten Years

Commerce Park Estimated Annual Economic Impact After Ten Years				
Estimated Park Business Tenants Spending Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$274,766,139	\$82,876,323	\$60,394,376	\$418,036,833
Incomes Generated	\$75,521,869	\$33,449,212	\$23,216,338	\$132,187,420
Jobs Supported	1,714	773	757	3,244
Estimated Construction Impact	Direct	Indirect	Induced	Total
Total Spending (Output)	\$29,250,000	\$10,154,961	\$8,154,579	\$47,559,540
Incomes Generated	\$9,989,535	\$4,443,327	\$3,134,695	\$17,567,557
Jobs Supported	242	111	102	455
Federal Tax Revenues Generated	\$32,484,335			
State Tax Revenues Generated	\$10,316,347			
Annual Local Tax Revenues Generated	\$4,421,292			

Figure 12 below, and Table 6 on the next page, shows the industry sectors that will receive the largest economic stimulus from Commerce Park business and construction activities given the assumptions of this analysis.

Figure 11 - Distribution of the Economic Impact of the Palafox Commerce Park

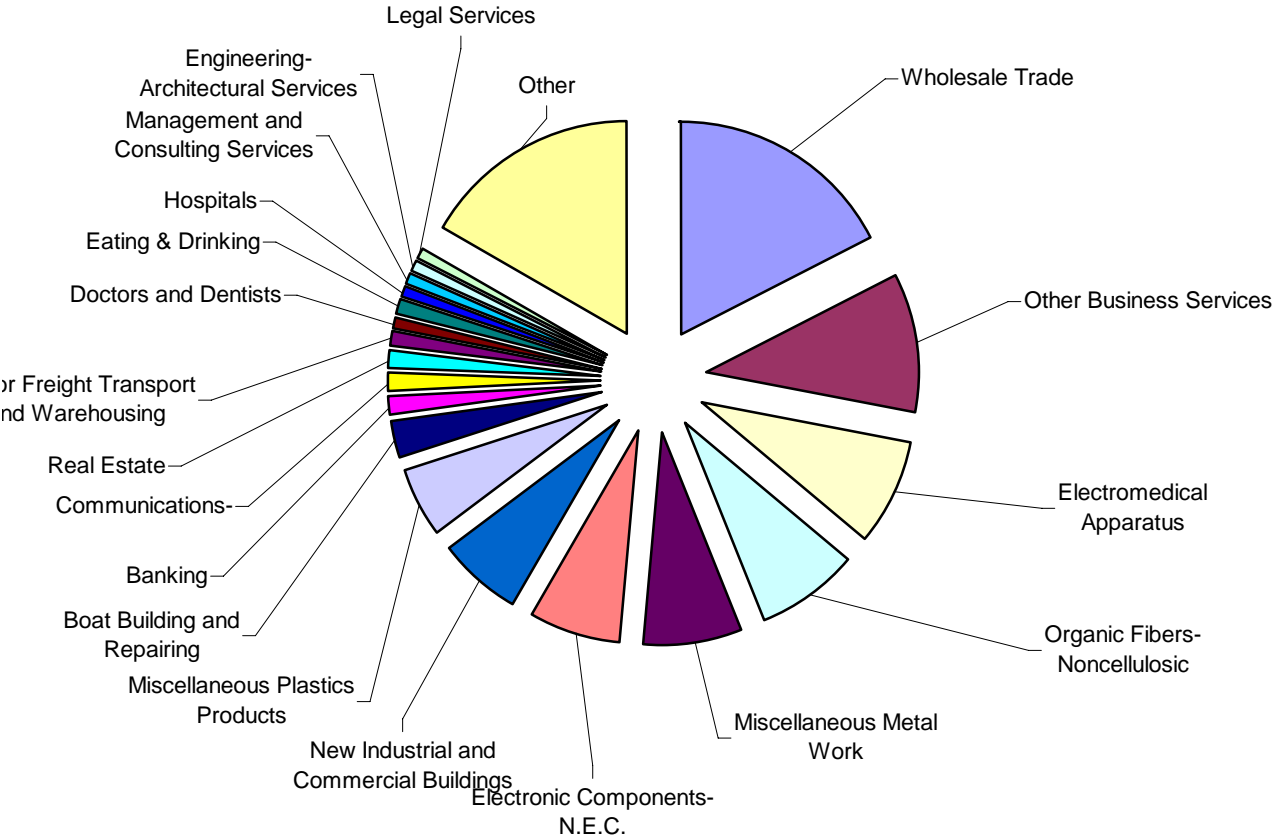


Table 6 below describes the estimated impact that Commerce Park economic activities will have on the other industry sectors in the region in terms

of spending generated, incomes supported, and jobs created. For example, Table 6 shows that when the Commerce Park is fully developed, the economic stimulus that it generates will support an additional 53.9 accountants and bookkeepers in the local economy. It will generate an additional \$1,392,136 in incomes for the banking industry. Furthermore, while it has no direct effect on the local real estate market, the new jobs that it creates will indirectly stimulate an additional \$5,889,025 in spending in that sector.

Table 6 - Distribution of Economic Impacts of the Fully Developed Commerce Park

Industry	Direct	Indirect	Induced	Total Spending	Incomes Generated	Jobs Generated
Wholesale Trade	\$60,141,280	\$16,817,624	\$4,086,217	\$81,045,120	\$34,048,864	629.3
Other Business Services	\$45,771,604	\$3,632,040	\$822,992	\$50,226,636	\$13,950,793	512.5
Electro medical Apparatus	\$36,316,052	\$475,524	\$23,609	\$36,815,184	\$11,544,309	131.8
Organic Fibers-Noncellulosic	\$29,011,336	\$6,805,472	\$49,534	\$35,866,344	\$11,355,032	160.7
Miscellaneous Metal Work	\$35,328,188	\$1,248	\$5	\$35,329,440	\$4,357,513	130.0
Electronic Components-N.E.C.	\$31,082,414	\$1,855,810	\$7,398	\$32,945,622	\$4,272,149	137.8
New Industrial and Commercial Buildings	\$29,250,000	\$0	\$0	\$29,250,000	\$9,989,535	241.5
Miscellaneous Plastics Products	\$24,461,340	\$41,022	\$1,412	\$24,503,774	\$5,761,544	130.2
Boat Building and Repairing	\$12,653,925	\$5,679	\$1,011	\$12,660,615	\$2,831,249	130.1
Banking	\$0	\$3,826,873	\$3,384,056	\$7,210,929	\$1,392,136	28.8
Communications- Except Radio and TV	\$0	\$4,764,390	\$1,749,984	\$6,514,374	\$1,585,064	23.9
Real Estate	\$0	\$2,859,630	\$3,029,395	\$5,889,025	\$798,115	30.6
Motor Freight Transport and Warehousing	\$0	\$4,110,087	\$834,143	\$4,944,230	\$1,638,820	43.3
Doctors and Dentists	\$0	\$0	\$4,555,622	\$4,555,622	\$2,719,760	44.0
Eating & Drinking	\$0	\$651,638	\$3,719,304	\$4,370,942	\$1,668,176	117.1
Hospitals	\$0	\$16,444	\$4,239,688	\$4,256,133	\$2,521,494	63.0
Management and Consulting Services	\$0	\$3,442,724	\$560,479	\$4,003,203	\$1,831,049	48.0
Engineering- Architectural Services	\$0	\$3,473,809	\$168,159	\$3,641,968	\$1,662,520	35.6
Legal Services	\$0	\$2,169,458	\$1,411,880	\$3,581,338	\$2,672,334	31.3
Maintenance and Repair Other Facilities	\$0	\$2,664,945	\$733,940	\$3,398,885	\$2,164,427	52.9
Computer and Data Processing Services	\$0	\$2,819,316	\$484,027	\$3,303,343	\$2,462,979	37.5
Accounting- Auditing and Bookkeeping	\$0	\$2,831,547	\$459,378	\$3,290,925	\$2,449,488	53.9
Personnel Supply Services	\$0	\$2,804,791	\$429,375	\$3,234,165	\$3,036,579	109.5
Automotive Dealers &	\$0	\$724,936	\$2,193,067	\$2,918,003	\$1,302,148	32.8

Industry	Direct	Indirect	Induced	Total Spending	Incomes Generated	Jobs Generated
Service Stations						
Insurance Carriers	\$0	\$304,292	\$2,237,243	\$2,541,535	\$578,327	44.1
Other State and Local Govt Enterprises	\$0	\$1,097,010	\$1,074,624	\$2,171,634	\$453,788	11.2
Hotels and Lodging Places	\$0	\$1,338,596	\$767,631	\$2,106,228	\$829,301	37.6
Food Stores	\$0	\$87,830	\$1,739,970	\$1,827,799	\$1,086,834	44.1
Credit Agencies	\$0	\$925,388	\$809,765	\$1,735,153	\$1,163,729	26.7
Plastics Materials and Resins	\$0	\$1,686,504	\$4,381	\$1,690,885	\$133,509	2.9
Automobile Repair and Services	\$0	\$783,376	\$856,896	\$1,640,272	\$570,319	18.3
Miscellaneous Retail	\$0	\$155,228	\$1,345,460	\$1,500,688	\$719,014	42.6
General Merchandise Stores	\$0	\$79,672	\$1,389,972	\$1,469,643	\$696,431	40.0
Security and Commodity Brokers	\$0	\$873,572	\$548,617	\$1,422,189	\$687,121	7.5
U.S. Postal Service	\$0	\$1,015,944	\$318,673	\$1,334,617	\$1,088,976	17.1
Radio and TV Broadcasting	\$0	\$989,356	\$214,594	\$1,203,950	\$458,154	5.8
Electric Services	\$0	\$568,438	\$593,827	\$1,162,265	\$242,835	3.6
Air Transportation	\$0	\$744,986	\$412,588	\$1,157,574	\$472,728	11.6
Advertising	\$0	\$952,673	\$184,653	\$1,137,326	\$559,265	9.2
Other Medical and Health Services	\$0	\$546	\$1,125,066	\$1,125,612	\$523,863	21.0
Equipment Rental and Leasing	\$0	\$932,940	\$138,133	\$1,071,073	\$363,764	7.1
Automobile Rental and Leasing	\$0	\$674,455	\$227,853	\$902,308	\$275,128	10.7
Blast Furnaces and Steel Mills	\$0	\$820,718	\$1,318	\$822,036	\$204,415	2.1
Cyclic Crude- Interm. & Indus. Organic Chem.	\$0	\$787,261	\$14,947	\$802,208	\$224,683	0.5
Services To Buildings	\$0	\$548,390	\$246,180	\$794,570	\$327,928	17.1
Building Materials & Gardening	\$0	\$126,650	\$648,189	\$774,839	\$429,127	14.4
Newspapers	\$0	\$619,443	\$142,942	\$762,385	\$311,083	8.0
Commercial Printing	\$0	\$655,512	\$106,573	\$762,085	\$241,365	6.3
Miscellaneous Repair Shops	\$0	\$639,380	\$108,676	\$748,056	\$259,941	12.3
Furniture & Home Furnishings Stores	\$0	\$98,043	\$649,928	\$747,971	\$371,425	15.5
Apparel & Accessory Stores	\$0	\$61,635	\$683,876	\$745,511	\$296,597	16.5
Nursing and Protective Care	\$0	\$0	\$703,660	\$703,660	\$498,109	20.0
Other	\$0	\$8,668,444	\$18,308,048	\$26,976,493	\$7,671,145	\$268
Total	\$304,016,139	\$93,031,288	\$68,548,955	\$465,596,381	\$149,754,976	3,698.4

Methodology and Assumptions

Impact analysis describes the magnitude of change in overall economic activity that an economic stimulus (in this case the development of the Palafox Commerce Park) has on all the other industry sectors in the region. The analysis looks at the direct stimulus and calculates the “multiplier effect” of the additional economic activity set in motion by this original economic stimulus. In order to calculate the multiplier, the model uses actual historical data, specific to the local area, from the U.S. Department of Commerce, Bureau of Economic Analysis, to describe how goods and services are produced. These tables show the amount of inputs from other industries used to produce a dollar’s worth of output in a particular industry. These data are assembled in computer models called economic impact models, or Input-Output models. Data sources used in input-output models include:

- ▶ Bureau of Economic Analysis (BEA) Covered Employment and Wages
- ▶ BEA Regional Economic Information System (REIS) Data
- ▶ BEA Output Data
- ▶ National Income and Product Accounts
- ▶ BEA Current Benchmark IO Study

Industry output numbers are derived from several sources including Bureau of Census economic census, BEA output estimates, and the BLS employment projections. Employment is derived from ES202 data supplemented by county business patterns and REIS data.

Several measures of economic activity are estimated, including total output, income, tax revenues, and employment.

- ▶ Economic *output* is the total value of purchases by intermediate (business-to-business sales) and final consumers.
- ▶ The *income* figures that are reported are the sum of proprietor’s income and wages, salaries, and benefits accruing to workers in these businesses.
- ▶ *Employment* figures represent the number of jobs supported by sales of

goods and services to consumers and by the increased level of inter-industry transactions.

The effects of stimuli on economic activity are broken down into three components: direct, indirect, and induced. *Direct* effects are the changes in the industries to which a final demand change (the stimulus being measured in the study) was made. *Indirect* effects are the changes in inter-industry purchases as they respond to the new demands of the directly affected industries. These indirect purchases continue until leakage from the region stops the cycle. *Induced* effects reflect changes in spending from households as income increases or decreases due to the changes in production.

The measured economic impacts are limited to quantifiable impacts. In addition to the quantifiable economic impacts associated with the development of the proposed Commerce Park, there are also numerous intangible benefits. These benefits include the contribution that the presence of an environmentally clean Commerce Park will make in the improved quality of life, and increased property values of residents living nearby. Benefit flows also include the attraction of additional skilled workforce to the area. The new Commerce Park could provide a stimulus to further investment in economically distressed inner-city neighborhoods that surround it, that may not occur in the area without its cleanup and development. Local economic development efforts may also benefit from the change in perceptions that the community would experience due to the successful development of this Commerce Park. Banks and insurance companies may become more willing to work with nearby businesses, once the superfund site has been cleaned up. Each of these contributions has a significant but difficult to measure economic impact on the regional economy, which is not included in this analysis.

Also not included in the analysis are intangible costs that would undoubtedly be associated with developing and operating a Commerce Park, including increased traffic congestion, or other possible additional burdens on public infrastructure. Another risk is that the Commerce Park may fail, leaving the county with an under-used facility in an otherwise valuable location.

The following questions were addressed when preparing to conduct this economic impact study:

What is the geographic location of the economic activity and what is the economic area of interest?

▶ The selection of the region influences both the amount of spending captured and the multiplier effects. Only spending that takes place within the region of interest is included as stimulating the changes in economic activity, and all measures of impacts are for businesses and households within this local region. Considering initial impact site, residential location of the labor force and travel corridors (for the induced impact), location of supporting industries and services, and the location of consumers, this study uses the two county Pensacola MSA.

What are the local expenditures?

▶ This is expressed in terms of spending (capital and operating budget) generated by buy various industries as determined by the number of workers they employ. Industry employment in the proposed Commerce Park is estimated using “employees per square foot” of business facilities as provided by the Institute of Transportation Engineers, *Trip Generation Handbook*. This is a standard source of employee per square foot information used in transportation studies, and in economic impact studies of this type. The *Palafox Commerce Park Master Plan*, prepared by Landers-Atkins Planners, Inc, provided estimated usage of the Commerce Park. Estimated construction costs for the 650,000 square feet of Commerce Park facilities were provided by the Pensacola Area Chamber of Commerce Sites and Buildings Committee members.

▶ This study assumes that sixty percent of the square footage will be occupied by light manufacturing businesses, twenty percent by wholesale trade, and twenty percent by professional business service companies. This

industry mix is suggested by the Palafox Commerce Park Master Plan, and received support at a meeting attended by representatives of the Pensacola Chamber of Commerce, Escambia County, and the City of Pensacola.

- ▶ The light manufacturing businesses are assumed to average 2.0 employees per 1000 square feet, wholesale trade and professional business service companies average 3.59 employees per 1000 square feet⁶;
- ▶ The Commerce Park is assumed to be 20% developed at year three, 80% developed at year 7, and 100% developed after 10 years.
- ▶ Construction costs for the 650,000 square feet of facilities average \$45 per square foot.
- ▶ The impacts measured are gross (not net) impacts. The study assumes no impact from incentive programs.
- ▶ Spending counted should be new spending, not a substitute for other similar activities. To the extent that spending merely replaces other spending that would have otherwise occurred in the study area, the impact is reduced.
- ▶ Wages and salaries are assumed to be paid to individuals who live in the study area.
- ▶ The study assumes that construction contracts are awarded to a local contractor.

What is the activity time frame?

- ▶ Some impacts are one-time (such as building construction), some are reoccurring (such as the operations of the Commerce Park business tenants). Each of the measures of reoccurring economic impact in the model's reports reflects the value generated by industry for an annual calendar year of production.

⁶ Based on employee density calculations of the Institute of Transportation Engineers, Trip Generation Handbook.

In what industry or institution does the spending occur?

► The institutions looked at in this analysis are households. The development of a Commerce Park will result in increased employment and household income. In this study, we do not look at the effects on government.

► The Pensacola Area Chamber of Commerce, based on actual prospect inquiries that they have worked with over the past year, provided the particular industries that this study assumes will eventually occupy the industrial park. Table 6 below is the prospect information provided for this study by the Chamber of Commerce.

Table 7 - Industry Prospect Information Provided by the Pensacola Area Chamber of Commerce

Acreage/Square Feet Requested	Proposed Capital Investment	Proposed No. Of Employees	Type Of Work/Description
50,000	\$6,000,000	100	Lumber Distribution
50,000	\$10,000,000	125	Medical Device
50,000	\$2,500,000	500	Customer Service Center
41,000	\$38,700,000	39	Polymers Industry
100,000	\$55,000,000	1000	Distribution Center
60,000	\$10,000,000	150	Boat Manufacturer
65,000	\$3,000,000	350	Customer Service Center
85,000	\$5,000,000	125	Plastic Container Manufacturer
43,000	\$30,000,000	80	Light Metal Component Manufacturer For Automotive Parts
3,000	\$100,000	5	Manufacturer & Distributor For Diagnostics Systems For Infectious Diseases
2,000	\$100,000	5	Manufacturer Of Signs Employing Led Technologies
1,000	\$100,000	3	Retail
1,500	\$1,000,000	5	Information Technology Firm Providing Networks
80,000	\$2,000,000	20	Manufacturer & Distributor

▶ Commodity or Industry driven impact. In an *industry* final demand change, only the industry impacted receives the direct impact. With *commodity*, all industries producing the commodity receive part of the change. This study looks at industry driven impacts. If an industry is not present in the region, that portion of the impact is lost.

▶ Margins represent the difference between producer and purchaser prices. Margining assigns impact to the correct sector: manufacturer, transportation, wholesale markup, and retail markup. If the purchaser price were applied to the industry (e.g. Retail sector) the model would calculate an average production of all items provided by retail (plastics for toys, oil for refined gasoline, lumber for furniture, etc.) instead of calculating the production of the specific item (t-shirts) and its associated linkages. Only retail stores that buy goods from manufacturers use margins, service-oriented stores (entertainment, amusement) produce the service at the time of purchase and do not have margins. Margins are also not applied to eating and drinking establishments. Households, Industry, Investment, Federal Government, and State and Local Government all have different margins based on purchasing power.

Survey of Pensacola's Targeted Industries

In September 2000, the Haas Center mailed a survey to firms in Pensacola's targeted industry clusters to learn their views concerning the best potential uses of the Commerce Park. The survey results are included in this report to provide an indication of the views of the local business community. Pensacola's targeted industry clusters include the following industry sectors: Information Technology, Industrial Services, Health & Medical Technology, Silicon Technology, and Transportation Equipment. Using the State Business Directory by InfoUSA database, every firm in the Pensacola Metropolitan Statistical Area who's SIC matched the targeted business and industry sector list provided by the PACC was mailed a survey (those SIC's, businesses, and the survey instrument are included in the appendix). Over 200 firms from these industry sectors are currently doing business in Escambia and Santa Rosa Counties. The response rate was approximately 10 percent, so the following responses should be considered as informational rather than definitive.

Doing Business in Pensacola

Most of the businesses (83%) that responded to the survey were locally owned companies. When they were asked, "Overall, how would you rate the Pensacola region as a place to do business," 83% responded either "This is an excellent place to do business" (41.7%) or "this is an adequate place to do business" (41.7%). Only 16.7% stated, "This is not a good place to do business."

Growth Expectations

Growth expectations for these businesses appeared favorable. When asked, "What is the likelihood of your company expanding or adding product lines or divisions

over the next two to five years,” 75% answered either Very likely (66.7%) or likely (8.3%). When asked, “What are the barriers to expanding your business, the most common responses were capital and workforce availability. Other barriers to expansion cited were: Lack of Liability Insurance Carriers, Limited core business opportunities, Site Availability, State Regulations, Trial Attorneys, and Site Location. When asked, “What type of assistance would help your business to become more profitable,” the most common responses were workforce development and training programs. Other assistance requested were: Capital for improvement and upgrading; Northwest Florida market is weak, we need to attract more business to this area; Nursing Home Regulation Modification; Other companies need to be ISO 9000 certified if we partner/use as a supplier; Quality/ISO 9000 Programs; and Technology Transfer.

Customers

The majority of the customers for these businesses are local. When asked, “What is the percentage of your Customers that are from the Pensacola region (Escambia and Santa Rosa Counties),” the Mean response was 60%. When asked, “What percent of your Customers are located outside the Pensacola Region,” the Mean response was 40%.

Suppliers

Concerning business linkages with suppliers, the survey responses supported the Input-Output model findings that supplier goods and services are often imported. When asked, “What percent of your Suppliers are from the Pensacola region (Escambia and Santa Rosa County),” the Mean response was 20.8%, with a Mean of almost 80% of suppliers being located outside the Pensacola region. Businesses were asked to list the industry sectors that they use as suppliers. The type of business that survey respondents listed as their primary suppliers are provided in Table 7 below.

Table 8 - Suppliers Used by Local Businesses

Suppliers Used By Area Businesses
Alum. Steel
Computer Equipment
Computers and Software
Custodial supplies
Depot level repair on aircraft and parts
Electronic Parts
FAA repair stations
Food Service
Food Wholesalers
Gulf South Medical Supplies
Insurance Companies
Manufacturers
Medical Supplies
Office supplies
Oil/lube/special tools
Property and Casualty Insurance Companies
Steering and suspension parts
Telecommunication
W/D's

Firms were asked, “Why do you use suppliers that are located outside the Pensacola region.” The reasons most frequently given were that suppliers were not available locally, and pricing. Other reasons cited by survey respondents included: Directed by government contract, Lack of customer service and poor selection, National contract.

Firms were asked “What types of suppliers would you like to see locate in the Pensacola area.” Suppliers that local firms who responded to the survey mentioned that they would like to see locate in Pensacola are listed in Table 8 below.

Table 9 - Suppliers That Local Firms Would Like to see Locate in Pensacola

Suppliers Wanted
A good office supply store that doesn't warehouse what you need.
Business that are FAA certified
Certified FAA repair stations or similar facilities
Computer equipment is limited, and prices are too expensive
Computers and Software companies
HVAC Equipment

Suppliers Wanted
Local Insurer for Independent Agents
Manufacture of Aviation Parts
Manufacture of Electronic Parts
Medical Supplies
Metals
Property and Casualty Insurance companies
Steering and suspension parts
Telecommunications

Factors Influencing Business Location Decision

To provide an indication of the determinants of business location decisions, businesses were asked, “What factors were most important in your decision to locate your business in Pensacola.” The factors cited as most important were Availability of skilled workforce, followed by Quality of Life, Labor Cost, and Location next to other companies. Table 9 below provides their responses in descending order of stated importance.

Table 10 - Factors Influencing Business Location Decision

What factors were most important in your decision to locate your business in Pensacola?	
1= Very Important; 2=Important; 3=Somewhat Important; 4=Not Important	
Factor	Mean Response
Availability of skilled workforce	1.44
Quality of life	1.60
Labor cost	1.66
Location next to other companies	2.22
Taxes	2.22
Education opportunities	2.22
Public utilities and services	2.33
Government programs (assistance, incentives)	2.33
Market access	2.33
Land (zoning, cost, availability)	2.44
Permit processes	2.55
Supply access (raw materials, components)	2.55
Business services (financial, legal, research)	2.77
Capital	2.88

What factors were most important in your decision to locate your business in Pensacola?

1= Very Important; 2=Important; 3=Somewhat Important; 4=Not Important

Air Transportation	3.11
Road, Rail Transportation	3.11

Competitive Advantages Of Doing Business In Pensacola

To provide an indication of what local firms considered to be the competitive advantages of doing business in Pensacola as opposed to another region, firms were asked: “Please rate the following factors, indicating whether you consider them to be an advantage or disadvantage of doing business in the Pensacola region as opposed to another location.” Quality of life and labor costs were rated the biggest advantages offered by the Pensacola region. Access to suppliers, education and training opportunities, and air transportation were cited most often as disadvantages of locating a business in Pensacola. Survey responses are provided in Table 10 below. The lower the Mean response, the more of an advantage this region offered for the factor.

Table 11 - Advantages Pensacola Offers to Businesses

We would like to know what you feel are the competitive advantages or disadvantages of doing business in the Pensacola region as opposed to another location. Please rate the following factors, indicating whether you consider them to be an advantage or disadvantage.
1=Major Advantage, 2=Advantage, 3=No Effect, 4=Disadvantage, 5=Major Disadvantage

Factor	Mean Response
Quality of life	1.50
Labor costs	2.09
Infrastructure	2.63
Energy costs	2.63
Business attitude of local government	2.63
Access to customers	2.72
Local taxes and regulations	2.72
Zoning and land use	2.81
Road, Rail Transportation	2.90
Capital availability	3.09
Availability of skilled workforce	3.18
Access to research facilities	3.18
Air Transportation	3.18
Education and training opportunities	3.27

We would like to know what you feel are the competitive advantages or disadvantages of doing business in the Pensacola region as opposed to another location. Please rate the following factors, indicating whether you consider them to be an advantage or disadvantage.

1=Major Advantage, 2=Advantage, 3=No Effect, 4=Disadvantage, 5=Major Disadvantage

Factor	Mean Response
Access to suppliers	3.36

Appendix

Glossary Of Terms

Term	Definition
Analysis Of Economic Impact	An economic impact analysis identifies the economic contribution of a single event (e.g. injection of tourist dollars for a particular tourist attraction within a specified region) to the remaining industry sectors within the same region.
Business Climate	Indicates how state, regional and local policies, relationships and local communities support business development.
Business Recruitment	The process undertaken to market your community to prospective businesses (may include visiting with companies at trade shows, hosting familiarization tours, responding to inquiries, sending printed collateral, etc.)
Business Retention	Programs geared toward insuring the success of existing industry. Usually targeted to “at risk” industries.
Clusters	Geographic concentrations of interdependent, complementary and/or competing businesses in related industries that trade with each other.
Direct Effects	The effects of stimuli on economic activity are broken down into three components: direct, indirect, and induced. Direct effects are the changes in the industries to which a final demand change (the stimulus being measured in the study) was made. Industries producing goods and services for consumption purchase goods and services from other producers for final use (final demand).
EDC/EDO/EDA	Economic Development Corporation, Economic Development Organization, Economic Development Alliance. These acronyms are used to refer to the non-profit entity that your community has tasked with implementing an economic development strategy.
Employment	Employment includes total wage and salary employees as well as self employed jobs in a region. It includes both full-time and part-time workers and is measured in annual average jobs. Data used to determine employment are ES202, Regional Economic Information System (REIS), and County Business Patterns.
Enterprise Zone	A Federal or State designation that allows companies locating in the zones to receive special tax credits.
Final Demand	Final demands consist of purchases of goods and services for final consumption as opposed to an intermediate purchase where the good will be further remanufactured.
Incentives	Grants, loans, tax breaks or other arrangements (typically monetary in nature) used to attract and retain businesses that are moving or expanding. Such inducements are leveraged at the state and local levels.
Indirect Business Taxes	Indirect business taxes consist of excise taxes, property taxes, fees, licenses, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses but do not include taxes on profit or income. Indirect business tax numbers are derived from U.S. Bureau of Economic Analysis Gross State Product data.
Indirect Effects	The effects of stimuli on economic activity are broken down into three components: direct, indirect, and induced. Indirect effects are the changes in inter-industry purchases as they respond to the new demands of the directly affected industries. These indirect purchases continue until leakage from the region stop the cycle.

Term	Definition
Induced Effects	The effects of stimuli on economic activity are broken down into three components: direct, indirect, and induced. Induced effects typically reflect changes in spending from households as income increases or decreases due to the changes in production.
Industrial Park	A tract of land designated and zoned for industrial development. Most industrial parks seek to bring together multiple companies in a “neighborhood” style setting.
Infrastructure	A community’s existing transportation, communication and utility network.
Input-Output Model	A regional economic analysis begins by identifying the relationships among different sectors in a region and then applying the appropriate multipliers in order to determine the amount of impact a change in input to one industry sector will cause in the output of that sector and subsequent sectors. This multiplying affect demonstrates how one dollar is spent and re-spent within the same region. More specifically, regional multipliers can be used to approximate the changes in output, income and employment in all industry sectors resulting from a change in spending in one sector.
Institutions	A type of final demand sector. Includes personal consumption expenditures or purchases made by households; federal, state, and local government purchases; investment purchases; and trade.
Labor Income	The terms Labor Income and wages are used interchangeably in this study. Labor Income includes changes in employee compensation and proprietor income resulting from the change in final demand measured by the study. Employee compensation is wage and salary payments as well as benefits including health and life insurance, retirement payments, and any other non-cash compensation. It includes all income to workers paid by employers. Proprietary income consists of payments received by self-employed individuals as income. This is income recorded on Federal Tax Form 1040C. Proprietary income includes income received by private business owners, doctors, lawyers, and so forth. Any income a person receives for payment of self-employed work is counted. Income estimates are derived using ES202, County Business Patterns and Regional Economic Information System (REIS) data.
Margins	Represents the difference between producer and purchaser prices. Producer prices are the prices of the goods at the site of production for commodity industries. Purchaser prices are prices paid by the end user of the good or service at a retail store.

Term	Definition
Metropolitan Statistical Area (MSA)	<p>What is a Metropolitan Statistical Area?</p> <p>The general concept of a metropolitan area (MA) is one of a large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus.</p> <p>Each MA must contain either a place with a minimum population of 50,000 or a Census Bureau-defined urbanized area and a total MA population of at least 100,000. A MA comprises one or more counties. A MA may also include one or more outlying counties that have close economic and social relationships with the central county. An outlying county must have a specified level of commuting to the central counties and also must meet certain standards regarding metropolitan character, such as population density, urban population, and population growth.</p> <p>Primary Metropolitan Statistical Area (PMSA)</p> <p>If an area that qualifies as an MA has more than one million persons, primary metropolitan statistical areas (PMSA) may be defined within it. PMSAs consist of a large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. When PMSAs are established, the larger area of which they are component parts is designated a consolidated metropolitan statistical area (CMSA).</p> <p>Metropolitan Statistical Area (MSA)</p> <p>Metropolitan statistical areas (MSAs) are relatively freestanding MAs and are not closely associated with other MAs. These areas typically are surrounded by nonmetropolitan counties.</p>
Multipliers	Industries respond to meet final demands directly or indirectly by supplying goods and services to industries responding directly. Each industry that produces goods and services generates demands for other goods and services. These demands ripple through the economy, multiplying the original economic impact.
Output Impact	Total Industry Output is the value of production by industry for an annual calendar year production. Output is measured either by the total value of purchases by intermediate and final consumers, or by intermediate outlays plus value added. Output can also be thought of as value of sales plus or minus inventory. Most output data is from the Bureau of Economic Analysis output series and the Annual Survey of Manufacturers. Construction output is derived from the current Annual Survey of Construction Put-In-Place. State estimates are from the Census and Survey of Construction Activity.
Prospect	Term used to refer to a company that is considering your community for expansion/relocation.
Regional Purchase Coefficients (Rpc)	Ratios representing the portion of regional demands purchased from local producers. RPC's are used to estimate the trade flows of the model before multipliers are generated. The portion of the specific impact that is imported will not have an indirect or induced effect.
Site	A tract of land with varying levels of infrastructure that has been targeted for economic development.
Site Selection	The process by which firms find new locations for business facilities or expansions of their operations.

Term	Definition
Site Selection Consultant	A third-party specialist hired by firms to assist them in identifying the best communities and sites for their project.
Smart Growth	Describes the efforts of communities across the United States to manage and direct growth in a way that minimizes damage to the environment, reduces sprawl, and builds livable towns and cities.
State And Local Government Taxes	<p>State and local government income and expenditures by specific category come from the Annual Survey of State and Local Government Expenditures and include the following:</p> <ul style="list-style-type: none"> Property Tax Total Sales Tax Alcoholic Beverage Tax Amusement License Corporate License Hunting Motor Vehicle Tax Motor Vehicle Operators PU License Occupational Business License Other License Individual Income Tax Corporate Income Tax Death and Gift Tax Document Stock Tax Severance Tax Taxes NEC Interest Earnings Fines Forfeits Rents Royalties State Education Transfers Local Education Transfers State Local Social Security Federal Grants in Aid State and Local Borrowing Corporate Interest Personal Interest Federal Education Transfers Total Education Operations State and Local Sales State and Local Non-education Purchases Federal Transfers Data
Target Industry	An industry (or industries) that, based on the long-range vision for your community and your community's existing strengths, the economic development organization is working to grow in your area.
Tax Impacts Report	This report describes taxes related to the chosen impact analysis. Income information is combined with tax information to estimate taxes generated by a change in final demand. These estimates are based on the average for all industries within the model; the average taxes associated with each household income class; the average taxes and transfers associated with each of the government institutions defined by the model. See "State and Local Government Taxes"

Term	Definition
Total Economic Output	The effects of stimuli on economic activity are broken down into three components: direct, indirect, and induced. The total effect is the sum of direct, indirect, and induced effects, and is a measure of total inter-industry sales and purchases.
Transportation	Moving people and goods from one place to another. With economic development, transportation infrastructure is important in that companies must be able to get their product to market in a timely and cost-effective manner.
Underemployment	Occurs when you have a portion of your labor force working in jobs below their earning potential.
Value Added	Payments made by industry to workers, interest, profits and indirect business taxes.
Workforce Development	Refers to community efforts to train individuals for specific jobs or industries.

Tax Revenue Estimates

Table 12 - Estimated Tax Revenues Generated by Commerce Park Construction and Business Spending

Level of Government	Transfers	Employee Compensation	Proprietary Income	Household Expenditures	Corporations Taxes	Indirect Business Taxes	Total
Federal Government Non-Defense	Corporate Profits Tax				\$4,005,911		\$4,005,911
	Indirect Bus Tax: Custom Duty					\$3,832,716	\$3,832,716
	Indirect Bus Tax: Excise Taxes					\$1,222,473	\$1,222,473
	Indirect Bus Tax: Fed Non-Taxes					\$376,006	\$376,006
	Personal Tax: Estate and Gift Tax						\$0
	Personal Tax: Income Tax			\$14,747,589			\$14,747,589
	Personal Tax: Non-Taxes (Fines- Fees			\$145,731			\$145,731
	Social Ins Tax- Employee Contribution	\$5,593,103	\$527,861				\$6,120,964
	Social Ins Tax- Employer Contribution	\$5,787,991					\$5,787,991
Federal Government Total		\$13,419,957	\$11,381,094	\$527,861	\$14,893,321	\$4,005,911	\$5,431,196
State/Local Government	Corporate Profits Tax				\$408,654		\$408,654
	Dividends				\$6,286		\$6,286
	Indirect Bus Tax: Motor Vehicle License					\$117,280	\$117,280
	Indirect Bus Tax: Other Taxes					\$776,361	\$776,361
	Indirect Bus Tax: Property Tax					\$4,895,992	\$4,895,992
	Indirect Bus Tax: S/L Non-Taxes					\$988,339	\$988,339
	Indirect Bus Tax: Sales Tax					\$7,665,172	\$7,665,172
	Indirect Bus Tax: Severance Tax					\$30,038	\$30,038
	Personal Tax: Estate and Gift Tax						\$0
	Personal Tax: Income Tax						\$0
	Personal Tax: Motor Vehicle License			\$197,417			\$197,417
	Personal Tax: Non-Taxes (Fines- Fees			\$416,210			\$416,210
	Personal Tax: Other Tax (Fish/Hunt)			\$10,859			\$10,859
	Personal Tax: Property Taxes			\$75,327			\$75,327
	Social Ins Tax- Employee Contribution	\$39,531					\$39,531
	Social Ins Tax- Employer Contribution	\$151,884					\$151,884
State/Local Government Total		\$3,805,793	\$191,415	\$0	\$699,813	\$414,940	\$14,473,182
Total		\$11,573,211	\$527,861	\$15,593,134	\$4,420,852	\$19,904,377	\$52,019,435