

## Jacksonville OED Performance – Qualified Target Industries

The Office of Economic Development (OED) is the City of Jacksonville local organization charged with administering a series of state industrial programs plus local development programs that have been assigned to it by local ordinance. Similar organizations exist in all Florida counties.

The Qualified Target Industries (QTI) program is the most important of the state industrial programs administered by the OED and other comparable county organizations. The QTI provides incentives, notably tax-relief, rebates or infra-structure, to an agreed-upon list of high value industries that are stable, pay above-average wages and are either willing to expand Florida operations or relocate to Florida.

At the state level the QTI is administered jointly by the Florida Office of Economic Opportunity (OEO) and Enterprise Florida Inc. (EFI), a state sponsored non-profit corporation. Funding for QTI projects is generally 80% state and 20% local. Local funding can be either private or public, but most commonly is public. Public local funding is authorized by local ordinance on a case-by-case basis.

Typically, a QTI project begins with a tentative agreement between a county and a qualifying company. The next step is passing an ordinance that provides for the necessary public local funding. Then the agreement and ordinance are forwarded to the state administrators for final approval.

The QTI is by far the most significant state economic development program administered by the Jacksonville OED and this paper takes a look at how the OED's handling of QTI projects compares with the handling of similar projects state-wide and, secondly, with a peer group comprised of the six largest counties, excluding Palm Beach.

The source for the data used in this analysis is a spreadsheet download identified as FL\_DEI\_INCENTIVE\_PORTAL\_PROJECT.CSV prepared by the Florida OED and the EFI for the fiscal year 2017-18. It covers by county and project the various incentive programs administered by OEO and EFI. Of the nearly 1,600 projects listed, 1,192 (75%) are QTI projects.

**State Comparisons:** The average number of committed new jobs state-wide for all QTI projects was 59 in FY 2017-18. The average for Duval County was 82, 39% higher. On the other hand, the average committed capital investment for state-wide projects was \$1.57M while it is \$.57 M for Duval County, 64% lower.

Each project is rated as active, inactive, terminated or complete. The terms "Active" and "Complete" are self-explanatory; but the others are others less so. As used here, an inactive project is one in which the company involved has received some payment, but has become ineligible for more. A terminated program is one that has been cancelled before any payment has been made.

Overall, 911 (77%) of all QTI projects are no longer in operation. Of these, 782 (86%) are either "Inactive" or "terminated." Given the definitions used for "inactive" and "terminated", this is basically a group of failures. The successes, active or completed, add up to 129 (14%).

Projects

Brownfield Redevelopment Refunds	69
Capital Investment Tax Credit	21
Economic Development Grant	1
High Impact Performance Incentive	10
Inovative Incentive Program	8
Local Government Distressed Area Matching Grant	2
Manufacturing and Spaceport Investment Incentive	25
QTI Brownfield Redevelopment	74
Qualified Defense Contractor and Space Contractor Tax Refund	12
Qualified Target Industry Tax Refund	1,192
Quick Action Closing Fund	133
Exemption	39
Total	1,586

Table 1. Florida Economic Projects 2017-18

There are 47 Duval County QTI projects that are no longer in operation. The number of inactive and terminated projects is 33 (70%). The successfully completed projects are 14 (30%).

Status	State Pct.	Duval Pct.	Difference
Active	23.25%	33.80%	10.55%
Inactive	23.50%	18.30%	-5.20%
Terminated	42.38%	28.20%	-14.18%
Complete	10.87%	19.70%	8.83%

Table 2. Relative Status of State QTI Programs.

The Duval County proportion of successes is more than double the average for all counties. State-wide, the companies involved in QTI projects were committed to creating 70,472 new jobs. The actual number confirmed was 60,600, 86% of the number committed.

The companies in Jacksonville QTI programs committed themselves to creating 5,793 new jobs. The confirmed number of new jobs was 5,248, 91% of the number committed. There would have been 266 fewer new jobs had Duval County performed at the state average level.

Many QTI projects call for companies to make capital investments. The total amount state-wide was \$1,860 M, or \$26,387 per estimated new job. Total capital investment for Jacksonville QTI projects was \$4.1 M or \$7,008 per estimated new job, 73% less.

Results	State	Duval County
Average New Jobs Expected	59	82
Actual Average New Jobs	61	74
Percent Jobs Realized	86%	91%
Average Investment Expected	\$1,566,599	\$571,831
Actual Average Investment	\$584,744	\$282,019
Percent Investment Realized	37%	49%

Table 3. State QTI Expectations vs. Results.

The total estimated state public expenditure on QTI projects was \$622.3M producing 70,742 estimated new jobs at a cost of \$8,831 per job. The corresponding expenditure for Duval County was \$.331M for 5,793 jobs at an average of \$8,540 per job—3% less.

The rate of return on investment (ROI) or “Economic Benefit” as it is referred to in OEO reports is the ultimate standard for measuring financial performance. The average projected ROI for all state QTI projects was 15.6%. For Duval County it was 19.6%, more than a quarter higher.

Overall, it is clear that the QTI projects for Duval County exceed state averages both as to quality and quantity.

**Peer Comparisons:** Duval County is among the largest counties of Florida, so comparisons with its peers should be more meaningful than with those of all Florida counties. Accordingly, further comparisons were made among a peer group comprising six of the largest counties--Broward, Hillsborough, Miami-Dade, Orange, Pinellas and Duval. Rates, where the relative size of a county is important, are expressed in terms of per 1,000 workers or per billion dollars of income.

The number of QTI projects per 1,000 employees in the six counties range from .08 to .25 and average .16. The corresponding rate for Duval County is also .16. The number per \$1 B of income ranges from 1.7 to 5.2 and averages 3.4. The rate per \$1 B is also 3.4 for Duval County.

Seventy-five percent of the all QTI peer group projects are no longer active. Of these, 14% have been completed. The balance, 86%, are either “Inactive” or “terminated.” Given the

definitions of “inactive” and “terminated”, these must be deemed failures. The successes add up to the number completed, namely 14%.

Status	Peer Pct.	Duval Pct.	Difference
Active	25.8%	33.80%	8.05%
Inactive	25.3%	18.30%	-6.95%
Terminated	39.0%	28.20%	-10.76%
Complete	10.0%	19.70%	9.67%

Table 4. Relative Status of Peer Counties QTI Projects.

Two-thirds of the Duval County projects are no longer active. Of these, 30% percent have been completed and 70%, the “inactives” and the “terminated”, are deemed failures. The completed projects are the successes and their rate is more than double that of the peer group.

The relative size of a project depends upon the number of new jobs created and, where applicable, the amount of capital invested.

For the full peer group, the number of new jobs committed per project ranged from forty to eight-two and averaged fifty-eight. Duval county was at the high-end with an average of eighty-two, 31% above the peer group average.

Results	Peer Group	Duval County
Average New Jobs Expected	58	82
Actual Average New Jobs	49	74
Percent Jobs Realized	85%	91%
Average Investment Expected	\$1,567,575	\$571,831
Actual Average Investment	\$577,659	\$282,019
Percent Investment Realized	37%	49%

Table 5. Peer Group QTI Expectations vs. Results.

The number of new jobs confirmed is lower than the new jobs committed, either because the job creation process had not run its course or the company fell short of its commitment. Expressed as a percent of the new jobs committed, the number of new jobs confirmed ranged from 77% to 92% with an average of 85%. Duval County at 91% was significantly above average.

The amount of capital investment committed per project in the peer group averages \$1.57M and ranges from \$.6M to \$4.1M. For Duval county it averages \$.6M. The proportion of these amounts that is actually confirmed is 37% of the total committed. For Duval County it is 49%. It appears that Duval County projects are light on capital investment but high on the realization of investment commitments.

The total estimated state expenditure on peer group county QTI projects was \$331.1M producing 70,742 estimated new jobs at a cost of \$7,541 per job. The corresponding expenditure for Duval County was \$.331M for 5,793 jobs at an average of \$8,540 per job—13% more.

The estimated average “economic benefit” (rate of return) per project averaged 14.7% for the peer group and ranged from 9.7% to 19.4%. Duval County at 19.4% was at the top of the range.

\* \* \* \* \*

No matter how it is measured, the Jacksonville OED has a superior record handling QTI projects compared with overall state performance. However, when compared with the peer group, Duval county pays 13% more per job and requires far less in capital investment. The latter may account for the high estimated ROI. A low capital requirement lowers the potential loss to any applicant in the event that things did not work out as planned. If this is the case, it was a resounding success. The number of jobs added far exceeds what would have been expected based on state or peer averages.

## **Data Tables**

Table 6. Summary Statistics Qualified Targeted Industries.

Table 7. QTI Projects, Peer County Group.

Table 8. Project Status Relative Distribution, By County.

Table 9. QTI Project Metrics per 1,000 Employees, Peer County Group.

Table 10. QTI Project Metrics per Billion \$ Payroll, Peer County Group.

	State	Peer Group	Duval County
Projects per 1,000 Employees	0.12	0.16	0.16
Projects per \$1 Billion Payroll	3.2	3.4	3.4
Percent Projects failed	66%	64%	38%
Average New Jobs Expected	59	58	82
Actual Average New Jobs	61	49	74
Percent Actual New Jobs of Expected Jobs	86%	85%	91%
Average Investment Expected	\$1,563,963	\$1,567,575	\$571,831
Actual Average Investment	\$583,760	\$577,659	\$282,019
Percent Actual Investment of Expected Investment	37%	37%	49%
Average Maximum Potential Public Expenditure	\$526,958	\$526,958	\$526,958
Estimated Actual Average Public Expenditure	\$472,681	\$479,532	\$485,855
Percent Est. Actual of Potential Public Expenditure	90%	91%	92%
Average expected Public Benefit (ROI)	16%	15%	19%

Table 6. Summary Statistics Qualified Targeted Industries.



	Broward	Hillsborough	Miami-Dade	Orange	Pinellas	Duval	Total
<b>Total Projects</b>	94	147	79	120	87	71	598
Active	31	42	16	21	20	24	154
Inactive	17	37	21	45	18	13	151
Terminated	36	56	38	43	40	20	233
Complete	10	12	4	11	9	14	60
<b>Total Confirmed Amount Paid</b>	\$9,200,980	\$15,352,923	\$2,168,977	\$14,217,293	\$5,310,356	\$9,017,788	\$55,268,317
<b>Avg. Projected Economic Benefit (ROI)</b>	14.66%	9.37%	17.44%	11.48%	15.83%	19.40%	14.70%
<b>Maximum Potential State Investment</b>	\$38,275,000	\$69,459,000	\$34,021,800	\$66,262,500	\$34,716,000	\$49,971,000	\$292,705,300
<b>Total New Jobs Committed</b>	6,692	6,592	3,186	8,481	3,980	5,793	34,724
<b>Total Cumulative Net New Jobs Confirmed</b>	5,177	5,466	2,937	7,133	3,538	5,248	29,499
<b>Total Capital Investment Required (If Applicable)</b>	\$53,330,000	\$607,200,000	\$48,900,000	\$101,379,600	\$86,000,000	\$40,600,000	\$937,409,600
<b>Total Capital Investment Confirmed (If Requested)</b>	\$41,178,765	\$167,486,828	\$4,565,426	\$4,546,173	\$107,639,472	\$20,023,366	\$345,440,031

Table 7. QTI Projects, Peer County Group.

	Broward	Hillsborough	Miami-Dade	Orange	Pinellas	Duval	Average
Total Programs	15.7%	24.6%	13.2%	20.1%	14.5%	11.9%	100.0%
Active (% of County Total)	33.0%	28.6%	20.3%	17.5%	23.0%	33.8%	26.0%
Inactive (% of County Total)	18.1%	25.2%	26.6%	37.5%	20.7%	18.3%	24.4%
Terminated (% of County Total)	38.3%	38.1%	48.1%	35.8%	46.0%	28.2%	39.1%
Complete (% of County Total)	10.6%	8.2%	5.1%	9.2%	10.3%	19.7%	10.5%
Total Confirmed Amount Paid	16.6%	27.8%	3.9%	25.7%	9.6%	16.3%	16.7%
Avg. Projected ROI	14.66%	9.37%	17.44%	11.48%	15.83%	19.40%	14.70%
Max. Potential State Investment	13.1%	23.8%	11.6%	22.7%	11.9%	16.9%	16.7%
Total New Jobs Committed	19.3%	19.0%	9.2%	24.4%	11.5%	16.7%	16.7%
Total Cumulative Net New Jobs Confirmed	17.5%	18.5%	10.0%	24.2%	12.0%	17.8%	16.7%
Total Capital Investment Required (If Applicable)	5.7%	64.8%	5.2%	10.8%	9.2%	4.3%	16.7%
Total Capital Investment Confirmed (If Requested)	11.9%	48.5%	1.3%	1.3%	31.2%	5.8%	16.7%

Table 8. Project Status Relative Distribution, By County.

	Broward	Hillsborough	Miami-Dade	Orange	Pinellas	Duval	Total
1,000 Employees (2016)	693	587	973	705	374	434	3,766
Total Projects	0.14	0.25	0.08	0.17	0.23	0.16	0.16
Active	0.04	0.07	0.02	0.03	0.05	0.06	0.04
Inactive	0.02	0.06	0.02	0.06	0.05	0.03	0.04
Terminated	0.05	0.10	0.04	0.06	0.11	0.05	0.06
Complete	0.01	0.02	0.00	0.02	0.02	0.03	0.02
Total Confirmed Amount Paid	\$13,274	\$26,145	\$2,230	\$20,177	\$14,184	\$20,763	\$14,670
Avg. Projected ROI	14.7%	9.4%	17.4%	11.5%	15.8%	19.4%	14.7%
Max. Potential State Investment	\$55,222	\$118,284	\$34,971	\$94,039	\$92,727	\$113,902	\$77,582
Total New Jobs Committed	9.6550	11.2257	3.2754	12.0362	10.6306	13.3378	9.2194
Total Cumulative Net New Jobs Confirmed	7.4692	9.3082	3.0194	10.1231	9.4500	12.0830	7.8321
Total Capital Investment Required (If Applicable)	\$76,9436	\$1,034,018	\$50,272	\$143,877	\$229,707	\$93,477	\$248,887
Total Capital Investment Confirmed (If Requested)	\$59,411	\$285,218	\$4,694	\$6,459	\$287,506	\$46,102	\$91,716

Table 9. QTI Metrics per 1,000 Employees. Peer County Group.

	Broward	Hillsborough	Miami-Dade	Orange	Pinellas	Duval	Total
\$100M Income (2016)	\$32.2	\$29.1	\$46.1	\$31.2	\$16.6	\$21.0	\$176.2
Total Projects	2.9	5.1	1.7	3.8	5.2	3.4	3.4
Active	1.0	1.4	0.3	0.7	1.2	1.1	0.9
Inactive	0.5	1.3	0.5	1.4	1.1	0.6	0.9
Terminated	1.1	1.9	0.8	1.4	2.4	1.0	1.3
Complete	0.3	0.4	0.1	0.4	0.5	0.7	0.3
Total Confirmed Amount Paid	\$285,337	\$528,117	\$47,072	\$455,640	\$320,193	\$428,582	\$313,626
Avg. Projected Economic Benefit (ROI)	14.7%	9.4%	17.4%	11.5%	15.8%	19.4%	14.7%
Maximum Potential State Investment	\$1,186,968	\$2,389,281	\$738,354	\$2,123,600	\$2,093,232	\$2,351,172	\$1,658,149
Total New Jobs Committed	208	227	69	272	240	275	197
Total Cumulative Net New Jobs Confirmed	161	188	64	229	213	249	167
Total Capital Investment Required (If Applicable)	\$1,653,847	\$20,886,731	\$1,061,246	\$3,249,043	\$5,185,446	\$1,929,567	\$5,319,426
Total Capital Investment Confirmed (If Requested)	\$1,277,018	\$5,761,285	\$99,081	\$145,697	\$6,490,217	\$951,636	\$1,960,235

Table 10. QTI Project Metrics per Billion \$ Payroll, Peer County Group.