

**AN EXAMINATION AND ANALYSIS
OF THE ECONOMIC BENEFITS REALIZED FROM
THE FLORIDA NEW MARKETS TAX CREDITS PROGRAM**

Submitted to:
The Florida Coalition for Capital

January 12, 2012

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Florida New Markets Development Program

Summary Economic Impacts

- The key characteristics of the Florida New Markets Development Program:
- Passed by the Legislature in 2009 and implemented in 2010/2011, Florida New Markets created a pool of \$250 million in private capital for investment in qualified businesses in low-income communities by offering a delayed credit over a seven-year period. Florida New Markets was modeled on the successful Federal New Markets program. This preliminary study after the second year of implementation of the seven year program is based on analysis of investments representing 76% of the capital raised.
- Florida New Markets met strong demand for capital as it was completely subscribed shortly after the start of the program, and the Legislature is now considering a reauthorization.
 - After receiving qualified investments, the businesses have created or retained **1,802 jobs** with an average annual salary of \$48,300. Those employment numbers represent the creation of 420 new jobs, and the retention of 1,382 positions that existed at the time of financing.
 - The recipients of qualified investments cover a broad and diversified spectrum of industry sectors: 8 companies were engaged in manufacturing activities; 6 were wholesale distributors or international logistics services; 3 were in the health care sector; and the remaining 8 represent various business and consumer services industries.
 - To date, businesses in Florida New Markets have received \$102.4 million in qualified state new markets tax investments and collectively they were able to attract \$180 million in additional investment.
 - The total investment generated to date in the state as part of the Florida New Markets is estimated at \$282.3 million, with only \$6.5 million in Florida tax credits being claimed this year (first year of the tax credits). Our estimates of state fiscal revenues from construction expenditures and operations directly associated with New Markets suggests **a return of approximately \$4 for each \$1 of Florida tax credits being claimed this year.**

- Summary of the economic and fiscal impacts from operations in 2011:
 - 1,802 *direct* jobs created or retained providing \$85 million in labor compensation to Florida working families in 2011, supporting consumer spending and revenue to other businesses in the state.
 - The recurring operations of the participants in the Florida NMDP *directly* and *indirectly* supported a total of:
 - § 4,042 employment positions,
 - § \$192 million of wages and benefits to Florida workers,
 - § \$312 million in Florida GDP,
 - § \$709 million in gross operating revenues (“output”) to Florida businesses, and
 - § \$17.8 million in state revenues.
 - The economic impacts from this program will continue as these new market investments support the growth of businesses receiving qualified investments under the Florida program and also generate additional fiscal revenues over time as these firms grow.

- A significant amount of construction activity also resulted from the Florida NMDP program, supporting employment positions in the construction and construction-related activities as well as from the general effects of additional spending of Labor Income. New Markets projects resulted in approximately \$217 million investment in construction activity.¹
 - The economic impacts of the Florida New Markets from **construction** activity associated with qualified investments *directly* and *indirectly* supported:
 - § 2,885 employment positions,
 - § \$140 million in wages and benefits,
 - § \$196 million in Florida GDP,
 - § \$437 million in gross operating revenues to Florida businesses, and \$9 million in state revenues.

¹This analysis does not include a \$56 million Everglades restoration project in Martin County, a \$10.5 million debt restructuring investment in Tampa, an urban revitalization development project in Leon County, a \$65 million investment in small/medium size enterprise loan fund established in partnership with the State of New Hampshire, and a \$56 million minor league baseball park and waterfront redevelopment project in Escambia County.

- To date, twenty-three (23) qualified businesses have received New Markets investments since the beginning of the State program, while an additional two businesses have pending investments that are scheduled to be completed in the next few months. Additional investments were made for which data was not available. Data gathered represented approximately seventy-six (76) percent of the New Markets capital.
- In the current economic environment, retention of employees is nearly as important as creating new employment opportunities. For many companies that recognize opportunities for future expansion, the first priority is preserving the current level of business and strengthening their financial position.

Florida New Markets Development Program
Economic Impact from Ongoing Operations of Qualified Businesses: Summary Table

Impact Type	Employment	Labor Income	Compensation per Worker	FL GDP	Output
Direct Effect	1,802	\$87,101,056	\$48,336	\$129,559,400	\$374,120,128
Indirect Effect	1,081	\$57,409,456	\$53,093	\$94,730,500	\$183,782,448
Induced Effect	<u>1,159</u>	<u>\$47,616,748</u>	<u>\$41,091</u>	<u>\$87,920,360</u>	<u>\$151,049,824</u>
Total Effect	4,042	\$192,127,264	\$47,533	\$312,210,200	\$708,952,384

Source: The Washington Economics Group, Inc.
 Note: Economic impacts were calculated using State of Florida IMPLAN model.

Florida New Markets Development Program
Economic Impact from Construction Spending by Qualified Businesses

Impact Type	Employment	Labor Income	FL GDP	Output
Direct Effect	1,354	\$68,252,792	\$77,644,300	\$217,549,424
Indirect Effect	687	\$36,900,824	\$54,573,880	\$109,792,512
Induced Effect	<u>844</u>	<u>\$34,642,264</u>	<u>\$63,980,060</u>	<u>\$109,914,968</u>
Total Effect	2,885	\$139,795,872	\$196,198,300	\$437,256,896

Source: The Washington Economics Group, Inc.
 Note: Economic impacts were calculated using State of Florida IMPLAN model.