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Forces Affecting the Success of Business Working in Florida's Economic Zones

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Forces Affecting the Success of Business Working in Florida’s Economic Zones

by

Hugh Bettendorf

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor in Business Administration Department of Graduate Studies College of Business University of South Florida

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October 15, 2018

Keywords: Rural Enterprise Zone, Enterprise Zone, Economic Development District, Economic Development Strategy, Housing and Urban Development, Rural Development, Smart Rural Development, Rural Incubator, Empowerment Zone, Enterprise community, Entrepreneur, Opportunity Zone and Promise Zone.

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DEDICATION

I dedicate this work to my wife Allison, to my father Philip, to my brother and sisters and my many friends and allies. Without your support, I could not have achieved this honor.
ACKNOWLEDGMENTS

I need to express my gratitude to the many teachers who led and inspired me to this moment. Special thanks to my Chair, Jennifer Cainas, whose assistance was invaluable. Thanks to my sister Pauline Bettendorf Reale who helped review my work. I also need to thank my classmates who’s support, and encouragement was essential to get through these three grueling years.

Special recognition to the DBA program director T. Grandon Gill for developing this program and creating and amazing experience.
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ABSTRACT

This research provides information about Economic Development Zones (EDZ) to help the reader understand these programs. For a business owner, they are able to make informed decisions about the merits of these programs and decide whether it makes sense for them to relocate their businesses to Florida’s Economic Development Zones. What most readers do not know is that these programs and the operating conditions of an Economic Development Zone can offer benefits to a business owner, allowing them to reduce their operating expenses and the cost of doing business.

Over the past several years, the researcher discussed foreign trade opportunities with different individuals. One of these conversations was with the sale director of a company located at Sebring Airfield and Intermodal Facility in Sebring, Florida. In this discussion, the benefits of locating a business in an Economic Development Zone, within an economically depressed rural area of Florida, was introduced. This conversation led to researching what it takes to relocate or operate a business in Economic Development Zones located in rural areas.

The basic purpose in creating an EDZ through local, state, and federal government agencies is to reduce unemployment in depressed areas of the United States. This goal is accomplished by incentivizing businesses to create jobs and make capital investments in those areas. Different levels of government offer incentives to companies for relocating or expanding their businesses by creating Economic Zones. The incentives for relocating, expanding, or starting a business in an EDZ can be very lucrative.
Businesses look for every opportunity to reduce their operating expenses by reducing the cost of doing business and better manage cash flow. Through incentives and tax breaks, a business could reduce its yearly operating costs making them more competitive. The goal of companies is to reduce their overhead and the government goal is to create jobs which should be mutually supportive, yet it is not the case. This lack of awareness is a major contributing factor for why these programs are not successful.

From prior research conducted during a literature review, there is very little information about these programs beyond government webpages. With the rapid turnover of programs, due to the political election cycle, there is little current information on the most recent EDZ except what is offered at the Federal level.

One of the challenges in starting operations in an EDZ is the identification of the different stakeholders for the federal, state and local programs. The lines of communication and the delineation of responsibilities between the federal government, state, and local development councils can be very confusing. In order to navigate between the different programs a business owner needs to understand how support flows down to the local agencies.

An interest trend from this research, is a clear lack of awareness about these programs. Most business leaders are not aware of their local economic development office and only a few businesses had received any benefits from this organization. There is a need for better awareness about these opportunities.

After reading these articles, a business leader is able to make informed decisions about the merits of these programs and decide whether it makes sense for them to relocate or expand their businesses to Florida’s Economic Development Zones.
CHAPTER ONE

Understanding How a Company Can Operate in an Economic Development Zone

Note to Reader

Portions of this Chapter have been previously published in the Muma Business Review, 2017,1(19):241-248, and have been reproduced with the permission of the Muma Business Review.

Description

The Economic Development Zones were created to reduce unemployment in depressed areas of the country. Different levels of government offer companies incentives to relocate to these areas or expand their business by creating Economic/Empowerment/Enterprise Zones. These incentives for relocating, expanding, or starting a business can be very lucrative for a company. Understanding why there is a disconnect between companies and the government might bring to light problems which would allow for improvement to the program. Understanding the unique challenges of time zero planning can contribute to further understanding which factors are causal to sustainability.
This article will provide information about the Economic Development Zone enabling the reader to better understand this program. Business leaders will be able to make an informed decision about the merits of this program.

The basic purpose in creating an Economic Development Zone through local, state, and federal government agencies is to reduce unemployment in depressed areas of the country. These different levels of government offer incentives to companies to relocate to these areas or expand their businesses by creating Economic/Empowerment/Enterprise Zones. These incentives for relocating, expanding, or starting a business in these Economic Zones have the potential to be very lucrative for a company.

Businesses look for every opportunity to reduce their operating expenses by reducing the cost of doing business and better manage cash flow. The goal of companies is to reduce their overhead, and the goal of the government is to create jobs. Both goals should be mutually supportive, yet this is not the case. It seems companies are not taking full advantage of federal and state economic development programs.

From prior research conducted during a literature review, the researcher found there is limited company literature that talks about the merits of these programs and there is limited company participation in these types of programs. Additionally there is very little information about these programs beyond local city, county and regional webpages, literature review demonstrates the existing gap between the methods advocated for startup planning within academic and practitioner publications, especially when measured over time.
CHAPTER TWO

Businesses Successfully Working in a Rural Economic Development Zone

Note to Reader

Portions of this Chapter have been accepted for publication in the *Muma Business Review*.

Description

This paper will provide information about Economic Development Zones (EDZ) located in Florida to allow business owners to understand these programs. Business leaders would then be able to make informed decisions about the merits of these programs and decide whether it makes sense for them to relocate their businesses to Florida’s Economic Development Zones.

The basic purpose in creating an EDZ through local, state, and federal government agencies is to reduce unemployment in depressed areas of the United States. This goal is accomplished by attracting businesses to create jobs and make capital investments in these areas. Different levels of government offer incentives to companies for relocating or expanding their businesses by creating Economic Development Zones. The zones are also called Empowerment, Promise, Enterprise and Opportunity Zones as well. The incentives for relocating,
expanding, or starting a business in an EDZ can be lucrative since they include tax breaks, grants, and free training programs.

This case study examined three businesses that are located in an EDZ to find out why they have achieved success and what factors contributed to this success. Looking at two similar companies and one dissimilar company, allows for the comparison of factors that are unique to a business and location or can be generalized for all business. The results of this Research Case Study have the potential to help a business owner to better understand the programs and the incentives available within an EDZ, which could help that business succeed.
CHAPTER THREE
Aligning Resources and Conditions to Achieve an Optimal Business Solution for
Operating in an Economic Development Zone

Note to Reader

Portions of this Chapter have been accepted for publication in the Muma Business Review.

Description

A prior literature review, Industry Analysis, and Research Case Study showed that there is little information about Economic Development Zone programs. The names of these different programs change regularly, which is tied to the introduction of new legislation or when the program expires. What most business owners do not know is that these programs and the operating condition of an Economic Development Zone can offer benefits to a business owner, allowing them to reduce their operating expenses by reducing the cost of doing business.

This empirical finding document identified a number of benefits and challenges that can influence a business’s operations in the Economic Development Zones. From this article, the business owner will realize that there is the potential for assistance from local, state and federal government to help a business relocate or expand in an Economic Development Zone. From the survey, only one out of three business owners knew about a local economic development office.
or the benefits available for a business working in an EDZ. This lack of awareness is a major contributing factor for why these programs are not successful. Additionally, the survey identified unique benefits and challenges to a business owner. The benefits include lower labor and real estate costs and Foreign Trade Zones. Challenges to a business operating in these zones include finding qualified employees and transportation issues.

After reading this article, a business leader can make informed decisions about the merits of these programs and the potential to relocate their business operation in an Economic Development Zone.
REFERENCES


Understanding How a Company Can Operate in an Economic Development Zone

By
Hugh Bettendorf, University of South Florida

This article will provide information about the Economic Development Zone enabling the reader to better understand this program. Business leaders will be able to make an informed decision about the merits of this program.

The basic purpose in creating an Economic Development Zone through local, state, and federal government agencies is to reduce unemployment in depressed areas of the country. These different levels of government offer incentives to companies to relocate to these areas or expand their businesses by creating Economic Empowerment/Enterprise Zones. These incentives for relocating, expanding, or starting a business in these Economic Zones have the potential to be very lucrative for a company.

Businesses look for every opportunity to reduce their operating expenses by reducing the cost of doing business. The goal of companies is to reduce their overhead, and the goal of the government is to create jobs. Both goals should be mutually supportive, yet this is not the case. It seems companies are not taking full advantage of federal and state economic development programs.

From prior research conducted during a literature review, the researcher found there is limited company literature that talks about the merits of these programs, and there is limited company participation in these types of programs. Additionally, there is very little information about these programs beyond local, city, county, and regional webpages.

Keywords: Rural Enterprise Zone, Enterprise Zone, Economic Development District, Economic Development Strategy, Housing and Urban Development, Rural Development, Smart Rural Development, Rural Incubator, Empowerment Zone, Enterprise Community, Promise Zone.

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Economic Development Zones

The Industry
There are many financial benefits and challenges for a company working in an Economic Development Zone (EDZ). Since the United States is a very diverse country with 50 states and 4 territories, this article will focus on Economic Development Zones in the State of Florida. A major advantage of working in an EDZ is that labor and facilities’ costs are significantly cheaper, and more than cover any increased cost of utilities and transportation found in those areas. The addition of regulatory cost savings from setting up operations in an EDZ reduces the business’ operation expenses, thus increasing profits. A company can generate goodwill by helping areas of the state that have higher rates of unemployment.

Stakeholders
One of the challenges in trying to understand how to start operations in an EDZ is the identification of the different stakeholders for federal and state programs. The lines of communication and responsibilities between the federal government, state, and local development councils can get very confusing. In order to navigate between the different programs, a company needs to understand how support flows down to the local agencies (see Figure 1).

Starting with the Federal Government’s Promise Zone, the United States Department of Housing and Urban Development Agency (HUD) is responsible for coordinating the federal government’s efforts in the 22 Promise Zones created since 2013. This includes the Southwest Florida Promise Zone located in Glades and Hendry counties of Florida (Secretary, 2016). The Southwest Florida Regional Planning Council (SWFRPC) is responsible for determining support required to meet the goals of the program and requesting support from HUD. HUD in turn coordinates with 12 other federal government agencies to support the Promise Zone (SWRPC, 2016). For a business wanting to operate in this local Promise Zone, they first have to talk to the SWFRPC to gain access to federal resources. The SWFRPC is directed by a thirty-six member Council composed of local elected officials from Sarasota, Lee, Hendry, Glades, Collier, and Charlotte Counties and from appointees made by the governor (SWFRPC, 2017). Florida’s only role in this program is through the appointees that are a part of the council.

The State of Florida’s stakeholders have a completely different line of communication and authority for the program. The Florida economic incentive program is overseen by four different state agencies. Enterprise Florida Incorporated has public private partnerships that market the different programs and helps businesses apply for incentives. The Department of Economic Opportunities is responsible for reviewing and approving applications. The Department of Revenue reviews all tax credit and refund applications that are available under the different programs.

The county as with certain city levels there are economic development agencies that also provide incentives for companies relocating or expanding into that county. Most are public-private organizations that focus on the local level priorities. At this level, the agencies are able to offer incentives only from the local government to attract certain businesses.

An example can be found in Manatee County, Florida where the county development agency targets specific companies, and explains the benefits and advantages of relocating to that county (Hillstrom, 2016). In order for this targeting to work, the company and the development office have to connect.

The last major stakeholder is the political landscape at all levels involved in economic development. The general political tone of a particular region, and the support of the voters have to be considered. The federal government funds its program on a yearly basis and has to appropriate funds for these agencies to support the promise zones. Currently, the federal budget is operating on sequester since 2013, which has seen a $470 million reduction in funding for this program (Press, 2013). Uncertainty with long term spending creates doubts with regards to the longevity of the program. The state and local government can also vacillate on their development programs, which then drives up costs since the development programs are subject to change after each election cycle. For example, the Florida Legislature reduced Enterprise Florida’s funding for the fiscal year starting July 1, 2017 (Bundell, 2017). In some cases, interest groups influence the decisions made by the development agency. An example might be when special interests require the use of green technology or a specific hourly labor rate (Skopie, 2017). Another example is Sarasota County surfaced when a local roofing business petitioned the County Commissioner to vote down a high-profile incentives package to entice the relocation of the headquarters of a national roofing company to the county (Mur-
Methodology

The researcher came across this topic purely by chance in July 2016 from a discussion with a business owner. The researcher was introduced to the financial benefits of locating a business in an enterprise zone within an economically rural area of Florida. From personal experience as a program manager responsible for starting projects and companies with the lowest possible operating cost, the incentives available for working in an EDZ had merit to the researcher. For this reason, the researcher decided to find out more about the incentive programs that ultimately led to this paper.

To move forward with this project, an Industry Analysis (IA) submission paper was the next step in bringing awareness of the program to the business community. The researcher came to this conclusion after an informal survey of the members of the USF-EDRA 2018 cohort and the researcher’s LinkedIn network revealed a lack of awareness about this program, which in turn justified the analysis. As the economy improves, this research article could suggest an efficient way for a company to expand its business, or start a new business while managing their costs.

To complete this design study the researcher conducted a literature review to collect data from different sources in order to answer the research question. The literature review focused at first on a word search using the USF Online Library for the following search terms:

Rural Enterprise Zone, Enterprise Zone, Economic Development District, Economic Development Strategy, Housing and Urban Development, Rural Development, Smart Rural Development, Rural Incubator, Empowerment Zone, Enterprise community, and Promise Zone.

For most of these searches, the researcher received several thousand results from sources worldwide. For example, the key word search for Economic Development District had over 24,657 hits, the key word search for Economic Development Strategy had 68,778 hits, and the term Enterprise Zone had 62,805 hits. To focus the literature review, the researcher made the decision to limit the search parameters to United States (US) specific programs and for literature published after 1990.

To obtain a different perspective on the search, the researcher utilized the Cornell University Online Library search engine with the same year cut off and limited the responses to US only programs. Additional resources were found that did not appear in the earlier search; for example an article about Miami-Dade Community College work urban partnerships was found.

The next research search site utilized was Google Scholar to look for scholarly papers. On this site the papers were not about US topics and did not seem relevant to the research topic. Lastly, the researcher reviewed the government web pages that deal specifically with economic development programs: www.USA.gov, Enterprise Florida at www.enterpriseflorida.com, U.S. Economic Development Administration at www.eda.gov, Small Business Administration HUB Zone at www.sba.gov, and Florida Department of Economic Development at www.floridajobs.org. These websites did a good job of explaining the different programs available with reports on potential services offered.

Finally, the researcher conducted exploratory interviews with subject matter experts about their experiences with these programs. A follow up interview was held with the Dr. Shannon Yeager, North America Sales director of TECNAM Aircraft to learn how that company benefited from having its aircraft assembly operations in a Rural Enterprise Zone (personal communication, September 2, 2016). In addition, the researcher spoke to Dr. Laurey Stryker, former Chief Executive Officer of the University of South Florida Sarasota-Manatee and Deputy Labor Secretary for the State of Florida, about the challenges of these programs from the government official and educator’s perspective (personal communication, 2016).

From the literature review a data collection matrix was created, as found in Table 1, to categorize the issues. As research moves forward, this matrix will be refined to capture additional issues that relate to this Industry Analysis.

Table 1: Data Collection Plan

<table>
<thead>
<tr>
<th>Information Required</th>
<th>Published Sources</th>
<th>Digital Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Interest</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Special Interest</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Regulations</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tax benefits</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Infrastructure available</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Employee available</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Skills Sets available</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Business Owners</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>EDZ Management</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
dock, 2016). Ideally, a stable political balance is required to allow a company to achieve success.

Analysis

Benefits
It is important to understand the benefits of establishing a business in an EDZ that is offered through different agencies. With the federal government most of the help is geared to local government and development agencies. Support to business is possible through grants offered through the 12 different federal agencies involved in the promise zone (SWTRPC, 2017). Federal grants change each year during the budgeting process, therefore benefits to businesses are constantly changing, and should be reviewed any time a business is considering relocation. For the fiscal year that started on October 1, 2016-the Economic Development Agency has approved the following grants to Florida entities, of which none went to business (Treasury, 2017).

- Two Public Universities received $506,000 in grants for studies.
- St. Lucie County received $1,500,000 in grants for airport hangar construction.
- Regional Planning Councils received $231,000 for partnership planning.
- Non-government Planning Councils received $1,605,000 for partnership planning.

Most of the support to business is through credit and deductions on taxes plus investment incentives. As it pertains to the Promise Zone incentive, these benefits are guaranteed for the 10 years of the program with an end date of 2023. Examples of benefits offered by the federal government to companies operating in the EDZ can be found in Table 2.

The State of Florida offers slightly different benefits to companies working in an EDZ. The benefits focus on three major areas: job training, producing additional full-time jobs for employees, and capital improvements. Table 3 describes the benefits that are currently budgeted by the Florida legislature.

When Florida businesses were deciding to relocate, they stated the decision to relocate in an EDZ was primarily due to the economic incentives (Collins-Gomez, 2017).

Cost of Labor
One of the biggest expenses for a company is the cost of labor. As of March 2017, the average worker Employment Cost Index has risen 128.3% since 2005 (Statistics, 2017). This means the cost of labor has increased significantly for companies and these additional costs are a major expense for any company. A comparison of the average wage of a rural Florida county to an urban county shows a significant labor cost savings gap. For example, the average weekly wage in rural Highland County is $634.00 compared to the average weekly wage in urban Hillsborough County of $953.00 (DOL, 2016). That is an hourly rate difference of $15.85 versus $24.83 for a yearly savings of $18,668.00 per employee. Since most rural counties in Florida qualify as Rural Job Tax Credit, the saving on wages could be significant.

Program Names and Requirement Changes
It is important to understand that a major challenge with these programs is that they exist for only a set period, and that the program benefits change regularly. Even the names of these different economic development programs change, which seems to be

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Type</th>
<th>Description</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>E2 Employment Credit</td>
<td>Wage Credit</td>
<td>Annual tax credit of up to $2,000 for employees who live and work in an E2 business are required to verify employee addresses using the E2 Map.</td>
<td>Credit equal to 20% of the first $15,000 in employee salary.</td>
</tr>
<tr>
<td>Work Opportunity Tax Credit (WOTC)</td>
<td>Wage Credit</td>
<td>Tax credit of up to $2,400 for each new employee age 16 to 39 years old hired in the E2 Company. The additional summer youth designation, allows for a tax credit up to $1,200 for each new employee age 16 to 17 who resides in the E2.</td>
<td>Credit equal to 40% of the first $6,000 in wages to a designed Community resident salary. A 40% of the first $3,000 in summer youth salary.</td>
</tr>
<tr>
<td>Increased Section 179 Deductions</td>
<td>Deposition</td>
<td>Section 179 deduction allows business owners to recover all or part of the cost of certain qualified property, up to a limit, by deducting in the year the property is placed into service. For E2 business owners, an increased 179 deduction is available. The maximum section 179 deduction in 2017 can be increased to $550,000 for E2 business owners.</td>
<td>The maximum $550,000 section 179 deduction limit can be increased to $550,000.</td>
</tr>
<tr>
<td>Non-Recognition of Gain or Loss on Rental Property</td>
<td>Investment Incentives</td>
<td>Allows E2 businesses to elect to defer or recognize certain gains from the sale of a qualified E2 asset. If the E2 business purchases certain replacement property and elects the application of IRC section 12378, the E2 business may be able to recharacterize part or all of the recognition of gain. This election is not currently available to E2 businesses.</td>
<td>E2 businesses may be able to postpone part or all of the gain on sale of a qualified E2 asset that the business would otherwise include in income. This election is not currently available to E2 businesses.</td>
</tr>
<tr>
<td>E2 Facility Bonds</td>
<td>Investment Incentives</td>
<td>Low interest E2 facility bonds are issued by a Local Government or a State Government to an applying E2 business to finance qualified zone property.</td>
<td>Not accepted a maximum of $230 Million.</td>
</tr>
<tr>
<td>Qualified Zone Academy Bonds (QZABs)</td>
<td>Investment Incentives</td>
<td>Their QZABs allow State or Local Governments to issue interest to qualified zone academies. Local education agencies must obtain commitments from private entities for qualified contributions of not less than 10% of the bond.</td>
<td>National volume cap for QZABs issued for 2013 is $400 Million. The amount can be split among the states as set forth in Notice 2013-2, provides a state volume cap each year from previous years. (Has not been updated).</td>
</tr>
</tbody>
</table>
Table 3: Florida Benefits adapted from (Collins-Gomez, 2017)

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Type</th>
<th>Description</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Job Tax Credit</td>
<td>Credit</td>
<td>A rural job tax credit is an incentive for eligible businesses located within one of the designated Qualified Rural Areas to create new jobs.</td>
<td>Q.E. qualified new employees or 20% additional employees at date of application get a tax credit of $1,900 per employee.</td>
</tr>
<tr>
<td>Quick Response Training</td>
<td>Grant</td>
<td>An employer-driven training program designed to assist new value-added businesses and provide training to Florida businesses to enhance retention for expansion.</td>
<td>Funding is provided in the form of a performance-based reimbursement grant for up to 50% of the maximum term.</td>
</tr>
<tr>
<td>Incumbent Worker Training</td>
<td>Grant</td>
<td>A program that provides training to currently employed workers to keep Florida in a workforce competitive in a global economy and to retain existing businesses.</td>
<td>Small businesses may be eligible for a reimbursement of up to 75% of training costs through Florida's Incumbent Worker Training grant program.</td>
</tr>
<tr>
<td>Capital Investment Tax Credit</td>
<td>Credit</td>
<td>Qualifying businesses can reduce corporate income taxes or increase profits over a 20-year period through a credit based on the amount of capital investment or costs related to the acquisition or construction of a facility.</td>
<td>The credit is limited to 5% of the total amount of capital investment at the new or expanded facility over 20 years.</td>
</tr>
<tr>
<td>Qualified Target Industry Tax Rebate</td>
<td>Refund</td>
<td>In exchange for meeting job, creation, and/or retention goals, eligible businesses receive refunds for certain state and local taxes, including corporate income taxes, insurance premiums, taxes on sales, use, and other transactions.</td>
<td>Produce an average annual payroll of at least $15 million and 50 full-time equivalent jobs for 10 years.</td>
</tr>
<tr>
<td>The High Impact Performed Incentive</td>
<td>Grant</td>
<td>To be eligible for the grant program, a business must be certified as a high impact industry within Florida's targeted sectors such as clean energy, biotechnology, information technology, aerospace, and transportation equipment manufacturing.</td>
<td>A business will receive a lump sum investment of $2 million to $50 million and 100 full-time equivalent jobs for 10 years.</td>
</tr>
<tr>
<td>Crowdfunding Redevelopment Bonus Program</td>
<td>Refund</td>
<td>Applicants must either be a qualified target industry business or demonstrate a unique opportunity to attract new businesses and add jobs to the Charleston region.</td>
<td>Businesses may receive a tax refund up to 20% of the net cost of new or expanded business facilities.</td>
</tr>
</tbody>
</table>

As tied to the introduction of new legislation, or when the program expires.

As an example, for an earlier literature review using the key word HUD zone, there was very little literature after 2000. Most of the literature on that word search is from the 1990's and dealt with specific locations (i.e., Oklahoma City, Philadelphia, etc.). With respect to the keyword Rural Enterprise Zone, the material dated prior to 2000. The researcher believes this is not included into another program. The Federal Empowerment Zone Program started in 1993 and ended in December 2014, and the Florida Enterprise Zone ended in December 2013 (Fl-REZ, 2016).

The changing names and requirements for these government programs can cause major confusion for businesses trying to understand these programs. Table 4 shows the different development programs at the federal and state level for the past 24 years highlighting the challenges in understanding these programs. To navigate the challenges of the changing programs requires an advocate consultant to educate companies on them, or a local economic development agency marketing its programs to companies.

**Stakeholder Challenges**

The different federal and state stakeholders affect how a company can operate in an IDZ. These stakeholders can work together, work against each other, or operate in parallel without coordinating their efforts.

There is an incentive for local governments to work together by supporting economic development that benefits the collective good of the communities by leveraging the entire region. The Heartland counties of Florida worked together to create a Free Trade Zone that has impacted all the counties (FlHREDI, 2016). Dr. Laura Stryker confirmed that universities have collaborated with development agencies to leverage school resources to help spur development.

Table 4: Name Change of Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Sponsor</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Community</td>
<td>US</td>
<td>1993</td>
<td>2009</td>
</tr>
<tr>
<td>Empowerment Zone Program</td>
<td>US</td>
<td>1993</td>
<td>2014</td>
</tr>
<tr>
<td>Enterprise Zone Program</td>
<td>FL</td>
<td>1994</td>
<td>2015</td>
</tr>
<tr>
<td>New Market Development Program</td>
<td>FL</td>
<td>2000</td>
<td>Present</td>
</tr>
<tr>
<td>Promise Zone</td>
<td>US</td>
<td>2013</td>
<td>Present</td>
</tr>
</tbody>
</table>

*Mauna Business Review*
(personal communication, 2016). On the other hand, there is competition between state agencies to entice companies and industries to their particular zone, and away from a rival economic development zone (McGee, 2015) (Manning, 2016). In addition, rural areas regularly lose out to urban areas for economic development money. Grant money that supports development programs tends to flow to larger urban populations that have greater influence (McIntire, 2016). Companies need to understand the issues between cooperation and competition in order to navigate through the programs and any associated constraints.

At the local level, the organizations running these economic programs have different goals. In some cases, they want to target specific type of businesses (i.e., green technologies, IT jobs, or sustainable industries etc.). In another example, the local organization wanted to only focus resources on local entrepreneurs, and not have companies relocate to these areas (Henderson, 2002). In addition, it is hard to compare development programs due to the differences in local governments and within the diversity of the United States (Hanson & Rohlin, 2011). Also, there are differences in resources available at the local level. For instance, Hillsborough County offered a $180,000 incentive to North American Roofing of Asheville, NC to relocate to their county instead of Sarasota County (Manning, 2016). Analyzing a particular area in order to understand how companies can maximize the benefits to participation is necessary for success.

**Constraints**

It is important for companies to understand the constraints in participating in any economic development program. First companies have to look at the political landscape of the EDZ. In some cases, interest groups have influence over the decision, which can drive up cost. An example might be interests groups that demand the use of green technology or a specific hourly labor rate. In other situations, the state and local government can vacillate on programs, which also drives up cost as the development programs are subject to change after an election cycle. For example, the Florida Legislature is thinking of eliminating Enterprise Florida which focuses on economic development that helps businesses become successful in Florida ( Skepple, 2017). Ideally, a stable political balance is required to allow a company to achieve success.

Another constraint involves the regulatory environment. Too many rules and taxes make operating costs prohibitive for a company, while fewer rules are an ideal situation, but not realistic. For example, to receive benefits under the Qualified Target Industry Tax Refund requires wages at least 115% of the average area annual (Collins-Gomez, 2017). In addition, the Florida Department of Economic Opportunities terminated 134 incentives from 2012 to 2015 because businesses could not meet program objectives (Collins-Gomez, 2017). In order for a business to operate effectively in an EDZ, the regulatory rules need to remain stable with minimal changes.

**Figure 2:** Navigation Constraints of an EDZ
The last constraint deals with the infrastructure of the EDZ. Is there sufficient infrastructure to support operations (i.e., roads, broadband internet, utilities, etc.)? Robust infrastructure reduces cost while limited resources cause significant investment requirements for a company. Figure 2 visualizes these constraints. The trick for a company is to navigate through these constraints in order to achieve the right balance that allows for profitable and sustainable operations. An important focus needs to be on how companies analyze these constraints in order to make the decision to operate in an EDZ.

Program Trends

A trend from an earlier literature review shows that a significant part of the positive reports on this topic was created by government agencies to highlight the programs. The researcher found very little discussion in the available literature on what the reasons for success were, and what associated metrics measured the success of these programs (EDA, 2016) (SBA-HUDZ, 2016) (Proctor, 2016).

Based on that same initial literature review, there was limited company literature talking about the merits of the EDZ program or participation in these programs. Further research should identify specific companies that have located into EDZs through data mining of information, and then researching the companies’ webpages to glean additional information.

The impact of broadband internet services in rural areas has only recently been reviewed. There has been a push by the federal government to increase the infrastructure improvement needed for Internet access. Broadband adoption rates should in time have a positive impact on rural economy (Conley & Whittacre, 2016). For example, a call center that does not require significant technical skills could operate with the local workforce with broadband Internet service. Broadcast internet service would be a significant enabler for businesses to operate in rural areas.

Another enabler for rural economic development is the transportation networks currently available in the United States. This accessibility should have a positive impact on the ability of a company to operate in rural areas. The current robust transportation network and second party package delivery companies are not addressed in detail in current literature. The ability to transport products from small packages to twenty-foot containers cheaply and effectively certainly could allow companies to operate in rural areas.

An interesting point made by a subject matter expert on rural development is the impact of the level of education for potential employees in rural areas. Dr. Laurey Stryker confirmed that the success or failure of any business that attempts to operate in an EDZ is dependent upon the skills of the workforce (personal communication, 2016). The availability of a skilled work force that aligns with skills required by a company is a critical factor of success (Collins-Gomez, 2017). Companies will have to identify the required skills needed from the available workforce, and they may need to allocate additional resources for workforce training that may not be necessary for the company operating in other areas. This issue is well known by the state and is addressed in two separate training assistance programs, which are the Incumbent Worker Training Program and the Quick Response Training Grant Program (Proctor, 2016).

Conclusions

Businesses need to be flexible in the way they organize in order to set up business in an EDZ. It will be important to understand the business’ strengths and weaknesses in order to align it with the political, regulatory, and infrastructure found in a particular EDZ. A company needs to keep in mind that these programs will change over time with different requirements. In the case of Florida, the recent ending of one program and the starting of a new program with a different name and requirements, could lead to confusion by the different stakeholders. A similar problem exists with the ending of the federal Empowerment Zone Program and the starting of the Promise Zone.

With the rapid turnover of programs due to the political election outcome, there is little current information on the most recent EDZs except what is offered at the Federal level. Therefore, the long-term future of these rural business programs will not be completely successful unless there is a uniform policy, or a consultant group dedicated to helping maneuver through federal, state, and local programs. In order for a business to set up operation in an EDZ and to accept incentives, there are several challenges that have to be overcome. The state of Florida’s programs, as well as the federal and local programs, all have similar but different specific program requirements. Businesses will have to understand all three levels in order to navigate this program. A business has to understand the motivation, and frame the work that development stockholders want from the program. A business owner will have to align its interest with the different programs to find the best

The success or failure of any business that attempts to operate in an EDZ, is dependent upon the skills of the workforce.
fit. As most companies have lean organizational resources, they might have to reach out to consultants to guide their participation in these programs to save time searching for the right fit.

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September 21, 2017

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Businesses Successfully Working in a Rural Economic Development Zone

Tagline

Economic Development Zones, created by the government to reduce unemployment in depressed areas, are not well understood by most businesses and, as a result, the benefits they offer are often ignored.

Keywords


Executive Summary

This paper will provide information about Economic Development Zones (EDZ) located in Florida to allow business owners to understand these programs. Business leaders would then be able to make informed decisions about the merits of these programs and decide whether it makes sense for them to relocate their businesses to Florida’s Economic Development Zones.

The basic purpose in creating an EDZ through local, state, and federal government agencies is to reduce unemployment in depressed areas of the United States. This goal is accomplished by
attracting businesses to create jobs and make capital investments in these areas. Different levels of government offer incentives to companies for relocating or expanding their businesses by creating Economic Development Zones. The zones are also called Empowerment, Promise, Enterprise and Opportunity Zones as well. The incentives for relocating, expanding, or starting a business in an EDZ can be lucrative since they include tax breaks, grants, and free training programs (Cooper, 2009).

This case study examined three businesses that are located in an EDZ to find out why they have achieved success and what factors contributed to this success. Looking at two similar companies and one dissimilar company allows for the comparison of factors that are unique to a business and location or can be generalized for all business. The results of this Research Case Study have the potential to help a business owner to better understand the programs and the incentives available within an EDZ, which could help that business succeed.
Businesses Successfully Working in a Rural Economic Development Zone

Introduction

Economic Development Zones, created by the government to reduce unemployment in depressed areas, are not well understood by most businesses and, as a result, businesses often ignore the benefits EDZs offer. This paper examines business leaders who have achieved success working in an EDZ. The reader would then be able to make informed decisions about the merits of these programs and decide whether it makes economic sense for them to relocate their businesses to one of Florida’s Economic Development Zones.

This goal of these programs is accomplished by attracting businesses to create jobs and make capital investments in these areas. Different levels of government offer incentives to companies for relocating or expanding their businesses by creating EDZs. These EDZ are sometimes called Economic, Empowerment, Promise, and Enterprise Zones. The incentives for relocating, expanding, or starting a business in an EDZ can be lucrative since they include tax breaks, grants, and free training programs (Cooper, 2009).

Businesses look for every opportunity to reduce their operating expenses by controlling the cost of goods and services. Through incentives and tax breaks, a business could reduce its yearly operating costs, making business more competitive and able to withstand fluctuations in the economy. A company’s goal is to reduce its overhead, and the government goal is to reduce employment, which should be mutually supportive, yet this is not always the case. In Florida, these development programs have underperformed in job creation, and the state legislature...
decided to terminate the Enterprise Zone program (Collins-Gomez, 2017). It seems companies are not taking full advantage of federal and state economic development programs.

From prior research conducted during a literature review, learned there is very little information about these programs beyond government webpages. With the rapid turnover of programs due to the political election cycle, there is little current information on development programs. Therefore, these business programs will not be completely successful long-term unless there is a uniform policy or a consultant group dedicated to helping companies maneuver through federal, state, and local programs (Clement, 2016).

One of the challenges in starting operations in an EDZ is the identification of the different stakeholders for federal, state, and local programs. The lines of communication and the delineation of responsibilities between the federal, state, and local development councils can be very confusing. For example, the Southwest Florida Regional Planning Council (SWFRPC) is responsible for determining the level of support required to meet the goals of the Federal Government Promise Zone, and then the SWFRPC requests support from Housing and Urban Development. HUD, in turn, coordinates with 12 other federal agencies to support the Promise Zone (SFRPC, 2016). In order to navigate between the different programs, a company needs to understand how support flows down to the local agencies.

In some cases, local governments will work together to support economic development benefits for the collective good of the communities. The Heartland counties of Florida worked together to create a Foreign Trade Zone that has positively impacted all the counties (FHREDI, 2018). On the other hand, there is competition between development agencies to entice companies and industries to a particular zone away from rival economic development zones (Manning, 2016). In addition, rural areas regularly lose out to urban areas for economic development money. Grant money that supports development programs tends to flow to larger urban populations with greater
influence (Mcintire, 2016). Companies need to understand cooperation and competition in order to navigate programs and any associated constraints.

Given the above, it may not be surprising that these rural economic development programs have not achieved meaningful success, since rural areas have not been able to compete with more urban areas for jobs (Mcintire, 2016). The federal government recently created the Southwest Florida Promise Zone to focus on improving the quality of life and opportunities in this part of Florida, which is marked with a high unemployment rate of 15.65 percent (Secretary, 2016). Job creation is the government’s metric for success. Companies need to keep job creation in mind when creating a business plan for operations in an EDZ.

Most of the help from within the federal government is geared to local governments and development agencies. Support for businesses is possible with grants offered through 12 different federal agencies involved in the Promise Zone (SWFRPC, 2017). Federal grants change each year during the budgeting process; therefore, benefits to businesses vary. This makes it difficult for agencies to forecast the amount of grant money available, which in turn limits their ability to plan how to spend those grants.

An important consideration for a business moving to an EDZ is the impact of the educational level of potential employees in rural areas. The availability of a work force with skills aligned with a company’s requirements is a critical factor for success (Collins-Gomez, 2017). Companies will have to identify the required skills needed from the available workforce and allocate additional resources for workforce training that may not be common practice for company operations in other areas. The state is well aware of the issue and addressed it through two separate training assistance programs, which are the Incumbent Worker Training Program and the Quick Response Training Grant Program (Proctor, 2017a), but the effectiveness of these programs is questionable due to limited available research.
This case study examined three business located in an EDZ to find out why they have achieved success and what factors contributed to this success. Two of the companies were in the same industry and one was from a different industry. All three companies were interviewed to identify factors that contributed to their success. Looking at two similar companies and one dissimilar company allowed for the comparison of factors that are unique to a business and location or can be generalized for all business. The results of this research case study have the potential to help a business owner to better understand what programs and incentives from being located within an EDZ could help that business succeed.

Review of Research and Theory

To complete this study, a literature review was conducted to collect data from different sources in order to provide the theoretical and empirical backdrop to guide in answering the research question. The literature review focused at first on a word search using the University of South Florida Online Library and the Cornell University Online Library for the following search terms:


For most of these results, there were several thousand responses from sources worldwide. For example, the keyword search for Economic Development District had over 24,876 hits, the keyword search for Economic Development Strategy had 68,778 hits, and the term Enterprise Zone had 62,805 hits. To focus the literature review, the decision was made to limit the search parameters to United States-specific programs and for literature published after 1990. Lastly, government webpages that dealt specifically with economic development programs was reviews: www.USA.gov, Enterprise Florida at www.enterpriseflorida.com, U.S. Economic Development Administration at www.eda.gov, Small Business Administration HUB Zone at www.sba.gov,
Florida Department of Economic Development at www.floridajobs.org. These websites explained different programs available and reported on potential services offered.

The guidelines for the case study require finding businesses that meet the definition of successful businesses located in an EDZ. Success to a business owner is different from other EDZ stakeholders. Success for a government agency could be measured in the number of jobs created and the expanding of tax revenue (DiGiacomo, 2018b). For the business owner, it is measured by enhanced profits through lower cost, which increases their competitive advantage. Tied to this is the lower risk derived from a lower break-even point. Some examples might include availability of skilled work forces, infrastructure, or business climate. Essentially, this study examined the different variables that affect the success of businesses in an EDZ. From research conducted earlier in the literature review, was able to identify businesses operating at the Sebring Multimodal Logistics Intermodal Center and the Immokalee Promise Zone. These two potential areas for successful business operations are located in a rural part of central Florida.

<table>
<thead>
<tr>
<th>Airfield</th>
<th>Sebring</th>
<th>Immokalee</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA</td>
<td>SEF</td>
<td>IMM</td>
</tr>
<tr>
<td>Established</td>
<td>September 5, 1941</td>
<td>July 5, 1942</td>
</tr>
<tr>
<td>Owner</td>
<td>Sebring Airport Authority</td>
<td>Collier County</td>
</tr>
<tr>
<td>Acres</td>
<td>1,768</td>
<td>1,330</td>
</tr>
<tr>
<td>Runway length</td>
<td>5234 feet</td>
<td>5000 feet</td>
</tr>
<tr>
<td>Average daily flight</td>
<td>282</td>
<td>100</td>
</tr>
<tr>
<td>Elevation</td>
<td>61.6 feet</td>
<td>37.1 feet</td>
</tr>
</tbody>
</table>

*Table 1 General Airport Data (AirNav, 2018)*

The Sebring Multimodal Logistics Intermodal Center is located at Sebring Regional Airport in Highland County and the Immokalee Promise Zone is located at the Immokalee Regional Airport in Collier County. Both facilities are located in an EDZ, and they have free trade zone status.
Immokalee is also located in the Federal Promise Zone. Refer to table 1 for a comparison of these two locations (County, 2016) (Willingham, 2017).

The major difference between the two locations is that Sebring has closer access to CSX rail lines and several ports facilities, while Immokalee has closer access to the interstate via state highway. Refer to figure 1 for the general location of these two airfields (FHREDI, 2018).

The types of businesses located in these two locations are very similar as well, making for a competitive analysis refer to table 2. Refer to figure 2, which is a visualization of specific industries and how they shape the business landscape. Introduction were arranged
through the respective EDZ agencies to find out if the businesses would be interested in participating in this research. For Sebring it was Meghan DiGiacomo, Business Development Manager of the Highland Economic Council, who recommended J.B. Aviation Engine as a company to interview. (DiGiacomo, 2018c). For Immokalee Margaret Wuerstle, the

![Image: Figure 2 Industries found at both airfields](image)

Executive Director of the Southwest Florida Regional Planning Council (Wuerstle, 2018), who in turn introduced Jennifer Pellechio, CEO of the Florida Culinary Accelerator @ Immokalee (Pellechio, 2018).

The process used for the interviews was as follows:

- Explain the purpose of the research and the research question being examined, which was “What factors are necessary for a business to achieve success in an Economic Development Zone?”
- Ask if they wished to participate in the survey and answer questions.
- Conduct interview with the expert.
- Conclude with asking to follow up in the future.

The first step was to analyze two companies in the same industry to determine what factors made their businesses operate successfully in an EDZ. This was accomplished by conducting interviews with the leadership of the selected businesses about their experiences working in an EDZ. The
next step was to find another successful business located in an EDZ that was different from the first and to identify what that business owner thought made his business successful. Once interviews were completed, they were analyzed on how the factors compared and contrasted, and identified which factors were based on geography or were EDZ specific. Looking at two similar companies and one dissimilar company allowed for the comparison of factors that are unique to a business and location or can be generalized for all business. The results of this research case study have the potential to help businesses to better understand what programs and incentives from being located within and EDZ have contributed to their company success.

The Selected Industries

As stated earlier, two companies similar by industry were analyzed for the factors that made them operate successfully in the EDZ. The first industry selected was the aircraft maintenance, repair, and overhaul industry NAICS: 336412 for Aircraft engine and engine parts manufacturing. As mentioned earlier, the first business interview was in this industry. Since aviation represented 55% of the tenants at Sebring and 40% at Immokalee, logically it made sense to find another business a similar industry. The second industry selected was a green coffee bean roaster industry NAICS: 311920 for Coffee and Tea Manufacturing (NAICS, 2017). This business was found through business working with the Florida Culinary Accelerator @ Immokalee.

Aircraft Maintenance and Repair

The aircraft maintenance, repair, and overhaul industry provide support services to aircraft operators. Such services include aircraft inspection and testing, ferrying aircraft between departure gates and taxiways, aircraft maintenance and repair, and aircraft parts overhaul (Longo, 2017). Airplane owners have to be conscious of the number of hours their planes operate. These hours are used to determine when the engine needs to be overhauled, which is Time between
Engine Overhaul (TBO) using the Original Equipment Manufacturer (OEM) guidelines. The Federal Aviation Administration (FAA) will not allow the aircraft to operate beyond the OEM TBO (Bush, 2014). Additionally, companies that engage in repairs of aircraft are highly regulated and require highly trained maintainers. Increased completion time has driven down profits with an estimated profit of only 7.9% in 2017. The industry is regionally focused and made up of small businesses. There is a high overhead for tools and other upfront costs, which limits new players (Longo, 2017).

Coffee

Coffee is manufactured by roasting green coffee beans. The art of roasting is what gives coffee its characteristic color, smell, flavor, and density. Coffee drinkers are increasingly demanding specialized, high-quality coffee products (Stivaros, 2017). Coffee has to be made from green coffee beans within 12 months after being picked to ensure a quality product. After 12 months, the coffee cannot be sold as a premium roast (Fassbender, 2018b). The estimated profit for a U.S. coffee roaster was only 2.6% for 2017. The coffee industry has high barriers to begin production as business compete over quality green coffee beans and customer loyalty. Similar to other agriculture commodities, bean prices are volatile between one season and the next (Stivaros, 2017).

For both of these industries, profit margins are tight, which makes it difficult for new companies to enter the field. Companies that work in the aircraft maintenance, repair, and overhaul industry or coffee manufacturing have to be conscious of their operating overhead to allow for competitive pricing of services. If they cannot control their prices for goods and services, they will lose customers to a competitor.
The Cases

J.B. Aircraft Engine

J.B. Aircraft Engine is a privately-held company, founded by James Brod, Sr. in 1985 (Sunbiz.org). It operates in concert with Carter Aircraft Inc. at the same location. It is a family-owned business located at the Sebring Multimodal Logistics Center on the airfield now run by James Brod Jr. The company has 16 employees that support the company operations (Brod, 2018a). The company has a North American Industry Classification System 336412, which is categorized under Aircraft and Heavy Equipment Repair Services.

This company focuses on the repair and overhaul of two major engine lines: Lycoming Aircraft Engine and Continental TCM Aircraft Engine. Lycoming has been making piston engines for aircraft since 1929 and is popular in general aviation aircraft (Kraft, 2018). Continental TCM also manufactures general aviation aircraft piston engines (Service, 2009).

A customer will fly their aircraft to Sebring and taxi to J.B. Aircraft Engine shop. A limited technical inspection with the owner of the plane is completed to verify its condition. Once accepted, J.B. Aircraft Engine takes custody of the plane and moves it indoors to the hangar. The process for rebuild is straightforward as depicted in Figure 3 (Services, 2018). During the rebuild process, all components used meet Original Equipment Manufacturer (OEM) specifications and the company utilizes only approved testing procedures. The engine is then reassembled and balanced using FAA approved techniques and built to exceed factory new tolerances. After the completion of the engine rebuild it is installed back in
the customer aircraft or on a portable test cell. Rebuilt engines are run through its full RPM cycle. Additional diagnostic tests are completed to ensure that the engine is running flawlessly prior to returning the engine to service (Service, 2009).

According to James Brod Jr., the advantages J.B. Aircraft Engine has in Sebring are (Brod, 2018a):

- Received a $40,000 grant from the Community Redevelopment Agency for equipment and tool upgrade.
- At lease renewal, the Sebring Airport Authority upgraded the hangar at a cost of $800,000.
- The cost of living expenses in the center of the state are much lower than being on the coast.
- There is a better quality of life without all the crowds and traffic.

Turbo Service

Turbo Service Incorporate was founded by Tom Stout in 2002 and headquartered in Margate, Florida as a for-profit company (Sunbiz.org, 2018). It is family-owned with 15 employees (Bartiet, 2011). The company has a test center located at Immokalee Airport that supports company operations for gas turbine engines. After repairing or rebuilding, the engines are taken from Margate to Immokalee, where they are bolted to the floor of the test center. Engines are fired up and tested to verify the repair status. Engine testing time is in accordance with the OEM test procedures (Mitchell, 2018). The building is a 1,500 square foot facility made of control room and testing area (Byrant, 2012). Exhaust is directed toward the nature preserve to the east of the airport and away from population centers (Mitchell, 2018).

The company focuses on the repair and rebuild of Pratt & Whitney (FT4) engines. The company does intermediate and depot-level (FT4) engines. The company does intermediate and depot-

30
-level repair of these engines. The engines are used by power companies for power generation. Major customers include Florida Power & Light and Duke Energy. The engines are used to generate power to supplement nuclear power plants when loads are heavy. The power generated helps to level out power requirements (Mitchell, 2018) (Council, 2012). See Figure 4 for the major services provided by Turbo Service for the FT4 (Stout, 2018).

The FT4 turbine engines were developed from the 1960 aviation engine for industrial power generation. The jet engines drive a turbine, which is then used to generate power. The FT4 can operate in both hot and cold extreme conditions (Lasnaud, 2013). This engine is capable of generating 17,000 pounds of thrust and 30 megawatts of power, which could light up to 7,000 homes (Byrant, 2012). These 5,000 pound engines require specialized equipment to move them around (Mitchell, 2018).

Since these turbine engines are basically jet engines, locations for testing are limited to airfields. Airfields available for Turbo Services were in Immokalee and Boca Raton (Mitchell, 2018). The company chose Immokalee to the lower cost of living and the fast tracking of the permits by Collier County. Additionally, Turbo Services partner with the Airport Authority and the Economic Development Council to help build the facility (Walker, 2011).

Turbo Services saw the following advantage in building the test center at Immokalee (Walker, 2011):

- Fast track permitting by Collier County for the construction of the test facility.
- Direct help from the staff at Airport Authority and Economic Development Corporation.
- Reasonable operating cost as compared to other locations in southern Florida.
- Proximity to highway to move engines for testing.
Guadalupe Roastery

This company was founded in 2015 by Brad Fassbender and is a privately-held company registered in Florida (Sunbiz.org, 2018). The company wanted to have a direct relationship with the farmer. Additionally, they wanted to cut out the intermediary broker that buys the beans locally and resells to the United States based importer. The company wanted to focus on farmers that grow on less than 50 acres. Most coffee brokers ignore these micro-farmers. The company brands itself as “Putting the Farmer first” (Fassbender, 2018a).

Guadalupe Roastery started out by roasting coffee at the owner’s home. They quickly developed a quality product and by 2016 started selling coffee at local Ave Maria, Florida coffee shops. They were able to expand to farmers’ markets in Southwest Florida and finally to selling online. The company recently expanded to New York, where a business owner brews coffee in their coffee houses (Fassbender, 2018a).

Beans are purchased and shipped from Nicaragua to the Port of Everglades, Fort Lauderdale via ocean carrier. The company found that shipping to this port was five cents cheaper per pound than other east coast ports. From Fort Lauderdale, beans are shipped to the company warehouse in Immokalee. At the Immokalee facility, the company has two roasters to process the beans into coffee. The transformation of green beans to coffee bean is a simple process, refer to Figure 5 (Bettendorf, 2018).

Roasting the green beans takes only 15 minutes and the company can get 100 pounds of roasted coffee an hour (Fassbender, 2018b). The company also wants to expand its product line by offering coffee from Uganda and developing a that is an after-dinner treat made from orange peels to settle a person’s stomach that is currently used in Columba (Fassbender, 2018a).
When it was time to expand the business, Brad Fassbender chose Immokalee for the following reasons (Fassbender, 2018a):

- Low cost to rent facilities and lower overhead.
- Availability of worker and resources in and around Immokalee.
- Ease of getting new product approval.
- Utilize the free trade zone to import future product duty free.
- Immokalee Culinary accelerator (Morris, 2018).

Discussion

Labor Cost

For any business owner, the cost of labor is a significant cost for the business. In the aviation maintenance sector, it can represent 29.4% of total cost of a business (Longo, 2017). For the third party logistics providers where labor represents 13.4% of total cost (Soshkin, 2018). For the coffee producer, it is highly dependent upon labor to roast, grind, and package the coffee. In order for companies to lower their cost of goods or services against their competitors, they have to closely manage their labor cost. All three businesses discussed in this article talked about the importance of lowering their labor costs. The Florida Department of Economic Opportunities publishes the hourly wages for over 700 occupations. Both J.B. Aircraft Engine and Turbo Services use aircraft mechanic and services technician. In 2016, the average Florida aircraft
mechanic and services technician was paid $26.03 per hour (Proctor, 2017b). Table 3 shows the breakdown of aircraft mechanic and services technician wages by metropolitan statistical areas covering Sebring and Immokalee as compared to other locations on the east and west coasts of Florida.

Table 3 Hourly wages for Aircraft Mechanic by location

<table>
<thead>
<tr>
<th>Florida Location</th>
<th># Employees</th>
<th>Median Hourly Wage</th>
<th>Annual Wage</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sebring MSA</td>
<td>20</td>
<td>$20.56</td>
<td>$42,765</td>
<td>112%</td>
</tr>
<tr>
<td>Naples-Marco Island MSA</td>
<td>NA</td>
<td>$18.39</td>
<td>$38,251</td>
<td>100%</td>
</tr>
<tr>
<td>Tampa-St. Petersburg MSA</td>
<td>720</td>
<td>$31.76</td>
<td>$66,061</td>
<td>173%</td>
</tr>
<tr>
<td>Palm Bay- Melbourne MSA</td>
<td>470</td>
<td>$27.25</td>
<td>$56,680</td>
<td>148%</td>
</tr>
<tr>
<td>West Palm Beach - Boca Raton MSA</td>
<td>550</td>
<td>$30.02</td>
<td>$62,442</td>
<td>163%</td>
</tr>
</tbody>
</table>

Turbo Services’ choice for where to build their test facilities was limited to two southern Florida airfields that did not have commercial airports. There were available airports in Boca Raton and Immokalee. The difference in employee wages for these locations is significant. The annual salary for Turbo Services’ three employees would be $187,325 at Boca Raton verses $114,754 at Immokalee, a difference of $72,571. For a small business, $72,000 makes a significant impact on the company’s overhead.

J.B. Aircraft Engine’s current annual labor wage is $684,064 per year for their 16 employees. The cost of these 16 employees in the Tampa Bay area would cost the company $1,056,976 or an additional $372,912 per year.

The highly competitive nature of the aircraft maintenance, repair, and overhaul industry forces companies to keep their costs down. The industry has greater competition from foreign companies that can take advantage of lower labor costs. This increased competition has caused industry profit to steadily decline (Longo, 2017). Companies that can keep their cost lower than their competitors have a better chance of getting customers.
Facility Leasing

As stated earlier, an advantage that J.B. Engine has compared to other engine rebuild companies is the cost to lease hangar space. Currently J.B. Engine is leasing an 18,000 square foot hangar, located on the apron of the airport, for $4 a square foot. This lease includes office space, tool rooms, and a work area under the hangar (Brod, 2018b). Recently the landlord, Sebring Airport Authority, renovated the hangar by installing a new roof, gutters, trim, new windows, and doors (Diana, 2013). The $4 square foot cost contrasts with the cost of a similar hangar in another part of the state. For example, at Melbourne International Airport (MLB) along the East Coast, a company would expect to pay at least $10 and up to $14 a square foot on a NET BASE lease with an annual cost of $180,000 per year, or 250% over Sebring. At Ocala International Airport (OCF), in the central part of the state, a company would pay around $8 to $10 per square foot on a NET BASE lease with an annual cost of $144,000 or 200% over Sebring (Anderson, 2018). Refer to Table 4 for the difference in price per square foot. The difference in price per square foot can have a significant impact on a small business overall. Refer to Figure 6 for a visualization of the cost savings of renting a hangar at Sebring (SEF) versus a comparable 18,000 square foot hangar at another location.

Considering that this industry’s profit is only 7.9%, the cost savings on leasing a facility could really help
a small business lower its overhead and allow it to provide goods and services at a price better than its competitors.

**Land Leasing**

Leasing land versus purchasing land for commercial purposes helps a startup business by eliminating the upfront cost of purchasing land. Typically, a down payment from 10% to 25% is required to purchase commercial real estate, depending on the location. When leasing land, the upfront cost is normally significantly less (Shah, 2018). The facility that Turbo Service had to build on airport property required the company to lease land from Collier County Airport authority. The company obtained a 30-year lease on the land at 14 cents per square foot. After 30 years, the building and any improvements to the building become the property of the airport authority. The building, after it becomes the property of the airport authority, could be leased back to the
Turbo Services or another company (Bennett, 2018). A 30-year land lease and terms like these are typical in the U.S. Depending on the building type constructed, the owner can depreciate the improvement cost over the period of the lease (Shah, 2018).

At 14 cents per square foot for non-aviation use, the land lease at Immokalee is extremely cost-effective. An analysis of comparable commercial land leases around and near Immokalee, utilizing LoopNet.com, validates that leasing land in Immokalee was 12.9% lower than the next lowest lease rate available for an acre of land. Refer to Table 5 for specific details (Florence, 2018).

<table>
<thead>
<tr>
<th>Table 5 Comparable Commercial Land Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
</tr>
<tr>
<td>----------------------------</td>
</tr>
<tr>
<td>Oviedo, FL 32765</td>
</tr>
<tr>
<td>Ft Meyers, FL 33919</td>
</tr>
<tr>
<td>Naples, FL 34120</td>
</tr>
<tr>
<td>Avon Park</td>
</tr>
<tr>
<td>Immokalee</td>
</tr>
</tbody>
</table>

**Grants**

When a company establishes a presence in an EDZ or a current company commits to expanding its presence, there is the potential to receive grants from local development agencies. The different levels of government create an EDZ to offer incentives to companies for relocating or expanding their businesses. The incentives for relocating, expanding, or starting a business in an EDZ can include cash grants from either the state or local governments (DiGiacomo, 2018c). Table 6 lists just a few other incentives available from the State of Florida to help a business.
When J.B. Aviation Engine Service committed to renewing their lease at Sebring, they received a $40,000 grant from the Highland County Economic Development office. The company used this grant to purchase additional tools and test equipment to help the company maintain its competitive edge (Brod, 2018a).

Table 6 Possible benefits offered by Florida to business

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Type</th>
<th>Description</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Job Tax Credit</td>
<td>Credit</td>
<td>A rural job tax credit is an incentive for eligible businesses located within one of 36 designated Qualified Rural Areas to create new jobs.</td>
<td>10 qualified new employees or 20% additional employees on date of application get a tax credit of $1000 per employee.</td>
</tr>
<tr>
<td>Quick Response Training</td>
<td>Grant</td>
<td>An employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses the necessary training for expansion</td>
<td>Funding is provided in the form of a performance-based reimbursable grant, for a 12-month maximum term.</td>
</tr>
<tr>
<td>Incumbent Worker Training</td>
<td>Grant</td>
<td>A program that provides training to currently employed workers to keep Florida's workforce competitive in a global economy and to retain existing businesses.</td>
<td>Small businesses may be eligible for a reimbursement of up to 75 percent of training costs through Florida's Incumbent Worker Training grant</td>
</tr>
<tr>
<td>Capital Investment Tax Credit</td>
<td>Credit</td>
<td>Qualifying businesses can reduce corporate income taxes or insurance premiums over a 20-year period through a tax credit based on the amount of capital investment or costs related to the acquisition or construction of a facility.</td>
<td>The credit is limited to 5% of the total amount of capital investment at the new or expanded facility, over 20 years.</td>
</tr>
<tr>
<td>Qualified Target Industry Tax Refund</td>
<td>Refund</td>
<td>In exchange for meeting job creation goals, eligible businesses receive refunds for certain state and local taxes, including corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions.</td>
<td>Produce the number of required jobs and pay at least 115% of the average area annual wage to receive a base tax refund of $3,000 per job or $6,000 per job in an enterprise zone or a rural community.</td>
</tr>
<tr>
<td>The High Impact Performance Incentive</td>
<td>Grant</td>
<td>To be eligible for the grant program, a business must be certified as high impact in industries such as clean energy, biomedical technology, information technology, silicon technology, and transportation equipment manufacturing.</td>
<td>A business with a lower cumulative investment of $50 million and 50 jobs and a research and development category making a cumulative investment of $25 million and 25 jobs is now eligible for grants.</td>
</tr>
</tbody>
</table>
| Brownfield Redevelopment Bonus Program   | Refund     | Applicants must either be a qualified target industry business or demonstrate a fixed capital investment of at least $2 million in mixed-use business activities and provide benefits to its employees. Additionally, the proposed project must create at least 10 new full-time permanent jobs, not including any construction or site rehabilitation jobs. | Businesses may receive a tax refund up to 20% of the average annual wage for each new job created in a designated brownfield area up to a maximum of $2,500 per new job.
Currently 36.7% of aircraft maintenance, repair, and overhaul industry revenues go toward the purchase of equipment and supplies. An aviation company needs to purchase special equipment to repair and maintain aircraft components (Longo, 2017). As new models or versions of engines come into the field, the company must purchase the corresponding tools to service that new engine. Aviation rated tools are expensive. For example, a commercial milling machine can cost well over $100,000 (W. W. Grainger, 2018). An aviation certified 3/4" Drive Fixed-Head Techwrench® Torque Wrench (60–600 ft-lb) from Snap-On has a list price of $1,075 (Pinchuk, 2018).

Purchasing equipment is a high cost for a new company or one that wants to expand. Additionally, technological developments in machinery and equipment have helped improve efficiency and automated processes that are labor intensive (Longo, 2017). This requires regular investment by a business to retool and purchase new equipment. The grant received by J.B. Aviation Engine improved the company’s cash flow. The company kept up with its competitors and expanded service to additional engines through their commitment to the local community.

Security

Another advantage to setting up operations at either Sebring or Immokalee Airfield is the security each airport operator is required to maintain for an active US airport. After the events of 9/11, the Transportation Security Agency mandated numerous security measures for general aviation airports. These measures either include perimeter fencing, access control points and roving security patrols, or close-caption TV (TSA, 2017) (Bennett, 2018)). These stringent security requirements are a benefit for a company that is located on or near a general aviation airport. Costs are lower for companies in these locations because of reduced insurance costs related to these security requirements (Seyoum, 2016). When the owner of J.B. Engine leaves at night or the weekend, he does not worry about the facility due to the dedicated airport security (Brod,
2018a). This can be an important marketing point for any business to their customers that has operations near any airport. There is a higher level of security at aviation sites compared to other rural areas and the possibility of lower insurance cost due to the lower theft risk.

**Foreign trade zone**

The Foreign-Trade Zones (FTZ) Act of 1934 created zones that are secure areas under U.S. Customs and Border Protection (CBP) supervision and are generally considered outside the US for duty purposes (Protection, 2018). Additionally, CBP security requirements provide protection against theft, which is another value-added to a company working in an FTZ.

A company can bring goods into the country and wait until they leave the FTZ before paying duties. This allows a business to delay paying custom duties until the goods are sold (Clark, 2010). Since there is no time limit on storing items in an FTZ, a company can keep inventory in warehouses until sold (Seyoum, 2016). Another benefit of the FTZ is that components brought into the zone that are lost due to the manufacturing process and any waste product or scrap are custom free (Clark, 2010). For example, when German beer yeast is brought into an FTZ to make beer, it is duty free. Once the beer is brewed, any remaining yeast and other by-products become scrap. No duty is paid on scrap or waste as it is not sold. There is another benefit when goods are manufactured in an FTZ. The duty is lower on finished products versus the components that make up the product (Seyoum, 2016). You just pay duty on the finished product and not on the products’ components.

Guadalupe Roastery imports green coffee beans from Nicaragua now and has plans to import from Uganda. Currently, green coffee beans from Latin America can be imported duty free into the US (Commission, 2018). As the company expands into other products, there is a clear advantage to being in the FTZ. Moving the business when the current lease expires, to the FTZ on the airport will improve the company’s cash flow (Fassbender, 2018a). The company void
paying the custom duties up front and is able to warehouse the coffee without paying duties until the inventory is sold. Any product that does not meet the quality requirements will be scrapped and the company will not be required to pay duties on scrapped materials.

**Accelerator**

In order for Guadalupe Roastery to expand its coffee business to meet its ever-growing request for coffee, it need to expand the kitchen (Fassnbender, 2018). Brad Fassbender had to consider the best method for his company to expand. The profit margin for a coffee roaster in 2017 was only 4.7%, which meant expenses had to be carefully controlled (Stivaros, 2017). In most cases, a company will build a kitchen to meet its needs. He heard about the Florida Culinary Accelerator @ Immokalee for some time, so it made sense to relocate Guadalupe Roastery from Ave Maria, Florida, to be near that facility (Fassbender, 2018a).

The cost associated with producing any commercial food challenged Guadalupe Roastery. In Florida, the Department of Agriculture and Consumer Services sets the standards for any kitchen and regulates activities under the Manufactured Foods Program (Putman, 2018). In 2015, kitchen construction cost about $250 per square foot. The major cost of kitchen preparation was the equipment. Preparation also included running the different power, water, and gas utilities, ducting for venting, and meeting all local safety requirements (Hester). A commercial oven to roast the green coffee beans costs over $4000 (Rossini, 2016). The commercial exhaust hoods installed at the Incubator alone cost $100,000 (El, 2018). These are significant costs for a business to absorb in order to meet state regulations.
The Florida Culinary Accelerator @ Immokalee solved this problem for Guadalupe Roastery. The accelerator is a 5,274 square foot state-of-the-art kitchen facility located on Immokalee Airfield. The accelerator gives entrepreneurs in the food service industry a head start by providing a shared commercial kitchen with a dedicated staff to mentor the startup company to be successful (Pellechio, 2018). There are four modern kitchens to support hot and cold cooking and a bakery with cold and dry storage space (Fehr, 2018). A food-based business can reserve a kitchen and time with the culinary staff, and then show up with their product and cooking staff at the appointed time. A business must have proper licenses from the required state regulatory agencies to become a member. The business owner completes an application, provides documentation, signs waivers and release liabilities, shows proof of insurance, and then becomes a member (Pellechio, 2018). The incubator cost ranges from $15 per hour for 80 hours per month to $20 per hour for 20 hours per month (Fehr, 2018). Businesses do not have to spend their money on the equipment expenses and the overhead costs involved in a commercial kitchen. This provides Guadalupe Roastery with access to a commercial kitchen at a fair hourly rate without the upfront expense of creating a kitchen.

Agriculture Product Approval

Guadalupe Roastery, like any company wanting to sell food in Florida, has to get its product approved by the Florida Department of Agriculture and Consumer Services. This agency regulates activities under the Manufactured Foods Program (Putman, 2018). According to Brad Fassbender, getting approval from Tallahassee was not difficult, but did take a lot of effort on his part (Fassbender, 2018a). Administrative time spent on regularity compliance for a small business is a significant burden forces the owner to manage paperwork instead of managing the business (Giles, 2018). As a small business owner, Fassbender’s time spent navigating regulations and bureaucracy is time away from growing his business.
A goals of Florida Culinary Accelerator @ Immokalee was to eliminate roadblocks for entrepreneurs to market their products (Pellechio, 2018). To help startups get their products inspected and approved, the accelerator has an in-house food laboratory. The University of Florida Institute of Food and Agricultural Sciences (IF/IFAS) office is on-call and staffed by the local Southwest Florida Research and Education Center. This allows a product to be inspected, tested, and approved on site (Gallgos, 2018). It is a simple matter of the accelerator staff scheduling an appointment for the client. The inspector takes the product from the client, conducts the required testing, and provides the certification paperwork required by the state. Any issues are easily resolved at the local office (El, 2018).

In the future, as Guadalupe Roastery expands its commercial food product line, having the ability to get its product inspected and approved at Immokalee will clearly save administrative time for Brad Fassbender. He can focus his time on making coffee, marketing his coffee, and increasing his coffee sales.

Quality of Life

The owner of J.B. Aircraft Engine mentioned the quality of life earlier in the article as being a benefit for those living and working in the Sebring Area. He knows how long it will take to get to and from work each day as the traffic is never heavy (Brod 2018a). The Highland County Business Development Manager believes that the quality of life is their hidden secret (DiGiacomo, 2018c). Quality of life is a broad multidimensional concept that usually includes subjective evaluations of both positive and negative aspects of life (T. W. Group, 1998). In other words, it means something different to everyone.
One measure of quality uses the metrics of amount of air pollution per cubic meter, the amount of social support (family) for the population, and the amount of violent crime per population. Sebring and Immokalee are well below Tampa Bay and Florida for air population and the amount of violent crime per 10,000 of population. Sebring also has a higher percentage of social support, well above the Florida average. Refer to Table 7 for a detailed break out of these metrics (Dijk, 2018).

Table 7 One measure of quality of life

<table>
<thead>
<tr>
<th>Location</th>
<th>Air pollution - per cubic meter</th>
<th>Social Support per 10K Pop</th>
<th>Violent Crime per 10K pop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sebring</td>
<td>6.5</td>
<td>11.7</td>
<td>329</td>
</tr>
<tr>
<td>Immokalee</td>
<td>6.8</td>
<td>7.6</td>
<td>247</td>
</tr>
<tr>
<td>Tampa</td>
<td>7</td>
<td>7.4</td>
<td>339</td>
</tr>
<tr>
<td>Florida</td>
<td>7.4</td>
<td>7.1</td>
<td>500</td>
</tr>
</tbody>
</table>

Another measure of quality uses the metrics of house cost as a percentage of income, average monthly housing cost, transportation cost as a percentage of income, annual miles driven, annual transportation cost, and residential density per acre. Sebring and Immokalee residents spend less each month on housing cost and have a lower residential density as compared to Tampa Bay residents. Sebring has a low annual transportation cost. Refer to Table 8 for a detailed breakdown of these metrics (Bernstein, 2017).

Table 8 A different quality of life indicators

<table>
<thead>
<tr>
<th>Location</th>
<th>Housing cost % of Income</th>
<th>Avg. Monthly Housing Cost</th>
<th>Transportation Cost % Income</th>
<th>Annual Miles Driven</th>
<th>Avg. Monthly Transportation Cost</th>
<th>Residential Density per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sebring</td>
<td>27%</td>
<td>$800.00</td>
<td>30%</td>
<td>18763</td>
<td>$875.25</td>
<td>2.75</td>
</tr>
<tr>
<td>Immokalee</td>
<td>16%</td>
<td>$745.00</td>
<td>21%</td>
<td>20672</td>
<td>1,012.08</td>
<td>1.89</td>
</tr>
<tr>
<td>Tampa</td>
<td>33%</td>
<td>$1,289.00</td>
<td>23%</td>
<td>17610</td>
<td>$910.75</td>
<td>5.99</td>
</tr>
</tbody>
</table>

Another measure of quality of life is time commuting to work (Barrientos, 2017).
• Highland County 21.9 minutes on average.
• Collier 23.6 minutes on average.
• Hillsborough 25.7 minutes on average.
• Pasco 30 minutes on average.

The perspective on quality of life depends on one’s point of view. James Brod likes the idea of living and working in Highland county as there is little traffic and he never has to worry about needing a reservation to go out and eat (Brod, 2018a). When marketing Highland county, the Economic Development Office mentions its area is known for its recreation activities, is in the center of the state, and has charming cities (DiGiacomo, 2018b).

Agency Assistance

One past criticism of the Enterprise Florida program was the difficulty businesses had in meeting the reporting requirements to receive assistance (Skepple, 2017). The current economic development stakeholders are conscious of this fact and now work diligently to act as facilitators (Wuerstle, 2018). The Florida Heartland REDI, which includes both Sebring and Immokalee, has established a reputation as a strong economic development support system for the community (S. S. Group, 2014).

Companies wishing to establish a business in an Economic Development zone will need assistance from local development agencies. Having an advocate to help navigate the myriad local and state regulations is a great benefit to a company. Navigating regulations is a big administrative burden for a small business owner (Giles, 2018). As stated earlier by Turbo Services, one of the benefits they found with building their test center at Immokalee was the fast permitting offered by Collier County (Walker, 2011). The Collier County Fast Track Program is an expedited review program to encourage and support economic development by streamlining the development process. Projects receive a priority review, which provides process certainty and
reduces approval times. The county provides a central point of contact and fast track approval (Agency, 2006).

The Highland County Economic Development Office offers similar assistance to businesses. When a business owner reaches out to the development office, the staff will find the right location for a company relocating to the area and will coordinate with all local agencies to support the move. Additionally they help prospective business owners match up their labor requirements with the skill sets available in the county (DiGiacomo, 2018b). Getting effective assistance from agencies motivated to help a business is invaluable.

Conclusions

We have looked at three different companies and discussed factors that contributed to their success in a rural Economic Development Zone. As stated earlier, wanted to analyze two companies that were similar by industry to determine what factors made them a success while working in a Florida EDZ. The next step was to find another successful business located in a Florida EDZ that was different from the first comparisons to identify, compare, and contrast its factors for success. The factors identified in this study were:

Lower Labor Cost; Lower Land Leasing Cost, Agency Help, Lower Facility Leasing Cost, Free Trade Zone, Security, Grants, Quality of Life, Location, Culinary Accelerator and lastly Product Approval.

This research paper sought to determine the factors that were common to all three companies and the factors that were unique to the either Sebring or Immokalee. Refer to Figure 7 for where these factors fall in this study.
Common Factors

The following factors were found to be available to all three businesses at both locations.

Low Cost of Labor

All three companies spoke of the benefit of lower wages to their bottom line. The hourly rate is much lower than on the coast (Brod, 2018a). When you take into consideration the increased labor cost of 2.7 percent for the 12-month period ending in March 2018, businesses have to closely monitor their cost across the board (Statistics, 2018). As stated earlier, the cost of labor is a significant business, no matter the industry or location of a business. To remain competitive, a company has to keep its cost down. J.B. Aviation Engine, with its lower cost of labor, can offer a better price to its customers (Brod, 2018a). For Guadalupe Roastery, the coffee roasting process is labor intensive, which in turns increases the percent of wages as a share of revenue. Labor can account for almost 6.4% of a roaster’s revenues, leaving only a 4.7% for profit (Stivaros,
With the reality that Guadalupe Roastery’s profit margin is so small, the company needs to set up operations in a location where labor cost is lower.

Low Cost of Land/Building Leasing

In the aircraft maintenance, repair, and overhaul industry, facilities leasing cost is 4.9% of a typical business’ revenues (Longo, 2017). As mentioned earlier this industry is very competitive and have requirements for expensive tooling. Obtaining competitive lease terms can drastically reduce a company’s operating cost. J.B. Aviation Engine received very competitive leasing terms for hangar space at half the price of a comparable facility. Turbo Service’s land lease is also very competitive.

Grants

Providing grants to businesses is common to most counties and cities in Florida. Coastal and urban counties are more focused on larger companies with the potential to hire large number of employees or that are a sought-after industry; i.e. green technology. Additionally, these urban and coastal counties can get into bidding wars to lure a company to their location. For example, North American Roofing benefited from a generous relocation package after a bidding war between Hillsboro County and Sarasota County, when it decided to relocate its corporate headquarters from North Carolina (Manning, 2016). Rural counties tend to focus on smaller businesses that want to commit to the community (DiGiacomo, 2018b). A small business owner has a better chance of receiving a grant by collaborating with a rural economic development office, as these rural counties tend to focus on small business.

Unique Factors for Success

The following factors were unique and only available to the business located at that location.
Culinary Accelerator

Facilities like the Culinary Accelerator @ Immokalee are found in other locations in Florida. The difference is unlike Culinary Accelerator @ Immokalee, which is a non-profit, most of the others are for-profit institution. As a non-profit, the accelerator focuses on the small business owner with the goal of making the client successful (Pellechio, 2018).

Quality of Life

Quality of life is difficult to quantify, as it is a matter of a person’s individual perspectives and preferences. While it may mean different things to different people, each person interviewed found sufficient quality of life to be comfortable in how they organized their work and personal life. This makes the impact of quality of life difficult to measure without additional data, since it is a matter of perspective, making it hard to demonstrate it as a tangible benefit.

Location

For Turbo Services location for its test cell was restricted to an airfield that did not have commercial passenger flights. Additionally, it had to be near its maintenance facility located in Southern Florida. The company chose Immokalee due to its location near the company maintenance facility, with the only other option being the Boca Raton airport. That makes the Immokalee choice a unique factor of success for the company.

Value Added Factors Not Unique

The following factors are available to these three businesses but are not unique to Sebring and Immokalee.
Security

The additional security provided by establishing a business on an airport can provide cost savings both for security and insurance. This factor is not unique to either Sebring or Immokalee. Every business located on a commercial airport gains the same advantage. For the businesses analyzed, marketing to potential customers about the level of security at the airfield makes for a good selling point.

Foreign Trade Zones

Foreign Trade Zones (FTZ) are not unique to Sebring and Immokalee as there are over 20 FTZ in Florida (Protection, 2018). The benefits offered by an FTZ were that goods can be held duty free until sold, can help to lower the upfront cost to a company and allow for better cash flow.

Agency Assistance/Mentoring

Agency Assistance and mentoring is available in almost every county and major communities throughout Florida. What is unique to assistance provided in rural areas is the level of support offered to small businesses (DiGiacomo, 2018a). As mentioned earlier, there is competition between development agencies to entice companies and industries to a particular zone away from rival economic development zones.

Final Thoughts

For the business owner, there are definite advantages to setting up operations in a Florida Economic Development Zone. The three businesses discussed in this paper were able to reduce their operating overhead by taking advantage of the opportunities present at Sebring and Immokalee. The business were able to lower their labor cost and achieve very favorable lease terms, both of which had a significant impact on the operating cost. In addition, the potential for
grants, agency assistance, and the other mentioned factor in this paper can help a business owner improve their ability to succeed working in a Florida Economic Zone. For the business owner, this does mean enhanced profits, through lower cost, that will in turn increase their competitive advantage.

As only three companies were interviewed for this paper, they represent but a sampling of the businesses currently operating in an EDZ. Additional research is required to better understand other potential benefits and challenges to a company.

About the Author

Hugh Bettendorf has a DBA (2018) from the University of South Florida. He has an MBA from USF and a BA in History from the Virginia Military Institute. He is a retired Marine Corps Officer. Since retirement, he has worked as a Program Manager for US Government contracts in Sierra Leone and Afghanistan, and he understands the challenges working in economically depressed areas. He currently works as a consultant helping companies bid on US Government contracts.

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Empirical Findings Article Cover Page

Empirical Findings: *Aligning resources and conditions to achieve an optimal business solution for operating in an Economic Development Zone*

Tagline

Operating a business in an Economic Development Zone can offer benefits allowing a business owner to reduce its operating expenses and increasing the competitive advantage.

Keywords

Rural Enterprise Zone, Enterprise Zone, Economic Development District, Economic Development Strategy, Housing and Urban Development, Rural Development, Smart Rural Development, Rural Incubator, Empowerment Zone, Enterprise community, Entrepreneur, Opportunity Zone and Promise Zone

Executive Summary

A prior literature review, Industry Analysis, and Research Case Study showed that there is little information about Economic Development Zone programs. The names of these different programs change regularly, which is tied to the introduction of new legislation or when the program expires. What most business owners do not know is that these programs and the operating
condition of an Economic Development Zone can offer benefits to a business owner, allowing them to reduce their operating expenses by reducing the cost of doing business.

This empirical finding document identified a number of benefits and challenges that can influence a business’s operations in the Economic Development Zones. From this article, the business owner will realize that there is the potential for assistance from local, state and federal government to help a business relocate or expand in an Economic Development Zone. From the survey, only one out of three business owners knew about a local economic development office or the benefits available for a business working in an EDZ. This lack of awareness is a major contributing factor for why these programs are not successful. Additionally, the survey identified unique benefits and challenges to a business owner. The benefits include lower labor and real estate costs and Foreign Trade Zones. Challenges to a business operating in these zones include finding qualified employees and transportation issues.

After reading this article, a business leader can make informed decisions about the merits of these programs and the potential to relocate their business operation in an Economic Development Zone.
Empirical Findings: *Aligning resources and conditions to achieve an optimal business solution for operating in an Economic Development Zone*

Introduction

This article will provide information about Economic Development Zones (EDZ) to help business leaders’ understanding of this program. This program and the business operating condition of an EDZ can offer benefits to a business owner, allowing them to reduce their operating expenses by reducing the cost of doing business.

Over the past several years, the researcher discussed foreign trade opportunities with different individuals. One of these conversations was with the sale director of a company located at Sebring Airfield and Intermodal Facility in Sebring, Florida. In this discussion, the benefits of locating a business in an Economic Development Zone, within an economically depressed rural area of Florida, was introduced. This conversation led to researching what it takes to relocate or operate a business in Economic Development Zones located in rural areas.

Prior research identified benefits available that are in an EDZ. Additionally, challenges to businesses operating in an EDZ were also identified from this research. A survey of business owners located in and around Sebring and Immokalee in rural parts of Florida identified what benefits were important or not important to those same owners. The survey also highlighted what challenges influenced their businesses.
As the reader reviews this article, they will note some interesting trends identified from this survey. These trends show that business leaders were not aware of their local economic development office and only a few businesses had received any benefits from this organization. There is a need for better awareness about these opportunities.

After reading this article, business leaders would then be able to make informed decisions about the merits of these programs and decide whether it makes sense for them to relocate or expand their businesses to Florida’s Economic Development Zones. This paper should enable the reader to build a business plan that considers the potential benefits and challenges when establishing their business in the EDZ.

Review of Research

To complete this empirical finding, a literature review was conducted to collect data from different sources in order to answer the research question. The literature review first focused on a word search using the USF Online Library for the following search terms:


The names of these different economic development programs change regularly, which seems to be tied to introduction of new legislation or when the program expires. As an example, for the key word HUD zone, there was very little literature after 2000. Most of the literature on that word search is from the 1990s and deals with specific locations; i.e. Oklahoma City, Philadelphia, etc. With respect to the keyword Rural Enterprise Zone, the material was dated prior to 2000. The Federal Empowerment Zone program started in 1993 and ended in December 2014, and the
Florida Enterprise Zone program ended in December 2015 (FL-REZ, 2018). Since the Economic Development Agency’s effectiveness was called into question by the current administration, it will be eliminated in Fiscal Year 2019 (Brown, 2018).

The Tax Cuts and Jobs Act of December 22, 2017, created a great opportunity for business owners and investors. This act created Opportunity Zones where new investments in economically challenged areas are eligible for preferential tax treatment (Services, 2018). This opportunity is so new that there is very little literature on the topic.

Two recent studies focused on the economy of South-Central Florida. The Regional Economic Research Institute at Florida Gulf Coast University published a study in 2018 that focused on the entire economic outlook of Immokalee, Florida. This study conducted a detailed review of population data of the area and the impact of the changing agriculture sector. Part of the study carried out a survey of both public and business leaders about the state of the local economy. This survey provided some insight on the future improvement of the local economy and the potential for expansion. The economy of Immokalee is improving and while located in Collier County, being located near Lee County has had a positive impact on business climate (Westly, 2018).

The Florida Heartland Regional Economic Development Initiative commissioned a study from the Site Selection Group in 2014 to evaluate the regions’ competitive assessment. The heartland of Florida is made up of the rural counties of the south-central part of Florida. The report found that it is possible for a business to achieve operations savings of 13% relative to large metropolitan markets. Additionally, the study surveys the different counties about the incentives offered, but the data was inconclusive as the responses were not detailed (Group, 2014).
Additional details of this literature review can be found in a prior paper. Refer to the Case Study: Businesses Successfully Working in an Rural Economic Development Zone for the specifics of this literature review (Bettendorf, 2018).

**Conclusions to Date**

The literature review provided some key insights into the topic. The program name changes required the development of a timeline matrix to track programs by date and then to tie them back to articles. Figure 1 shows the different Unites States government and State of Florida economic development programs for the past twenty-five years. During this period, there have been five different federal programs with similar goals but different eligibility requirements (Watkins, 1995). For the State of Florida, there have been two different rural development initiative programs during the same period (Proctor, 2017). Most recently, the federal government created a new program called the Opportunity Zone, which is similar to the Empowerment Zone Program that ended in 2014 (Simon & Rubin, 2018). The first Opportunity Zone came into effect during April 2018 (Services, 2018).

The changing names and requirements for these government programs can cause confusion for businesses trying to utilize these programs. The Opportunity Zone program is so new the IRS only published guidance in July 2018 (Services, 2018). To navigate the challenges of the changing programs requires a person or agency to educate companies and for local economic development agencies to market the current programs to companies. Manatee County
development agency tries to target specific companies and explains the benefits and advantages for relocating to the county (Hillstrom, 2016). Highland County looks for businesses that fits with other established businesses (DiGiacomo, 2018b). Northampton Economic Forum in Virginia focused on creating collaboration between stakeholders on development projects versus confrontation as successful programs in the neighboring counties would still be a benefit to Northampton County. (Bernard & Young, 1997). Additional research is required to analyze these different marketing strategies.

Another problem is with the different terms used in reference to Economic Development Zones. Until recently, Florida used the term Enterprise Zone to designate economic development programs. This program ended in 2015, which in turn has led business and community stakeholders to believe there is no current development program in Florida (Forester, 2018). Additionally, it is difficult for a business owner to know if they are located in an EDZ because the federal, state, county, and city governments define EDZ in different ways (DiGiacomo, 2018a). This lack of knowledge might explain the separation between companies and economic development agencies. Understanding how local communities market these programs and educating business owners about the benefits offered requires additional research.

Very little discussion was found in the available literature on the reasons for success or the associated metrics that measure the success of these programs (EDA, 2017) (SBA-HUDZ, 2016) (Proctor, 2017). Each local and regional economic development agency has its own metrics for success, depending upon the guidance the Economic Development Agencies received from local input (DiGiacomo, 2018a). Essentially, these programs are difficult to research, because most information is provided by government websites but does not provide metrics for success that can be verified.
Local governments that work together to support economic development would be beneficial to the communities. The Heartland counties of Florida worked together to create a Free Trade Zone that has had an impact on all the counties (FHREDI, 2018). Universities have collaborated with development agencies to leverage school resources to help spur development (Stryker, 2016). On the other hand, there is competition between state agencies to entice companies and industries to a particular zone away from a rival economic development zones (McGee, 2015) (Manning, 2016). In addition, rural areas regularly lose out to urban areas for economic development money. Grant money tends to flow to larger urban populations that have greater influence (Mcintire, 2016). Understanding the balance between cooperation and competition in communities will also require additional research.

At the local level, the organizations running these economic programs have different goals. In some cases, they want to target specific types of businesses e.g. Green technologies, IT job, or sustainable industries. In another example, the local organization wanted to only focus resources on local entrepreneurs and not have companies relocate to these areas (Henderson, 2002). Also, it is difficult to compare development programs due to the differences in local government and the diversity of the United States (Hanson & Rohlin, 2011). Tied to this is the difference in resources available at the local level. One county can offer cash grants to a business while another can offer tax credits only (DiGiacomo, 2018b). This disparity between communities will require analyzing a particular area in order to understand the benefits a company would receive from that location.

The importance of entrepreneurship in the rural economy, and the need for communities to foster an entrepreneur climate, is an interesting issue to address. Entrepreneurship is recognized by
agencies as an essential component of any economic development effort. Rural entrepreneurship creates or seized business opportunities and pursues them utilizing the resources available in the community (Dickes & Robinson, 2014). Communities need to support the entrepreneur by linking resources and leadership for community development (Flora & Flora, 1993). Additionally, when a government agency intervenes to help the entrepreneur, it needs to ensure this help sets the business up for success (Dvoulety, 2018). Entrepreneurship is important to the rural economy and additional research is advisable to determine if these EDZ programs support entrepreneurs.

The Protocol

This empirical finding document will inform businesses owners considering establishing or expanding operations in an EDZ. This document should address the research question: Can resources and conditions be aligned to achieve an optimal business solution for operating in an Economic Development Zone?

A survey was designed to answer this research question and then provide findings in an Empirical Findings document. After collecting responses to this survey over an extended period of time, the data was analyzed to search for patterns that would demonstrate what was of importance to the different stakeholders. An analysis of these responses should add further depth to the research questions.

As required by the University of South Florida Institutional Review Board, the survey responders had the ability to choose whether to participate in the survey and the responses were to remain anonymous. The survey consisted of six separate parts.

- Consent
- Question concerning awareness of economic development programs
• Questions dealing with the importance of benefits businesses received from Florida incentive program
• Questions rating the importance to business of the benefits offered at an EDZ
• Questions rating the impact to business of the challenges found at an EDZ
• Demographic information

Additionally, the respondents were allowed to offer additional information through open-ended questions in order to learn salient factors not identified in the earlier research. Prior to sending the survey, the Business Development Manager for Highland County reviewed the questions for clarity. Certain questions modified based upon the feedback received.

Understanding the difficulty in getting small business owners to fill out any survey, the survey goal was to get at least 30 responses from Florida business owners located in rural areas (EDZs) of Central Florida. This is in line with a similar survey conducted by researchers at Florida Gulf Coast University (Westly, 2018). The survey was sent via email from a list composed of all the contacts in the Sebring and Immokalee areas from the preceding 24 months while working on this project.

With an empirical findings article, knowledge is gained by observing information collected and finding patterns and trends. Since the questions lend themselves to categorical data, standard deviation and average were not an effective tool to analyze this data. Instead, the data from the series of questions was placed into a column chart with the question choice on the y-axis and the number of responses on the x-axis. This method visualized trends that benefit the reader’s understanding of the reader. A funnel diagram was used on those responses that indicated a trend, and this showed the cumulative percent for response and the relative strength of each part of the question response. The survey results were placed into a table and analyzed for any trends or patterns.
Findings

The findings from the survey are summarized below, starting with the demographic information and then moving onto the specific questions.

Demographic Information

In the survey, a series of questions asked demographic information to allow for additional analysis and to better understand the industries that responded to this survey. The respondent had 16 different industries to categorize their business type. Figure 2 is a visualization of the different industries reflected in the survey with the size of the box reflecting the number of responses. Four industries represented 66% or 20 of the responses. These four industries are Retail Trade, Manufacturing, Aerospace, and Accommodation and Food Services. It might be surprising to most readers that the Aerospace industry had five respondents, but when you consider the importance of the airfields to Sebring and Immokalee’s economy, it makes sense. The other surprising fact is there was only one respondent representing agriculture, which is the primary industry of rural Florida.

From the type of industry that responded to the survey, some trends are apparent. In the Aerospace field, three of the five companies were aware of their local economic development office and two of the five companies had taken advantage of either the state or local economic development program. For both the manufacturing and retail trade fields, two of the five companies were aware of their local economic office, but only one manufacturing company had received a benefit. For the Professional, Scientific and Technical services field, one of the two companies were aware of their local economic office and received a benefit. Lastly, Accommodation and Food Services, which had five companies’ respond, had only one company
that was aware of the local economic office and that had received a benefit. Refer to Figure 3 for a breakdown of the response.

![Figure 2 Visualization of the different industries that respond to the survey.](image1)

![Figure 3 Awareness and benefit by industry.](image2)
From prior research during the literature review, at the local level the organizations running these economic programs have different goals for the type of business they want to encourage. In some cases, they want to target specific types of businesses (e.g. Green technologies, IT jobs, or sustainable industries etc.) (Henderson, 2002). That might explain why awareness of the economic program was more prevalent in the Aerospace and the Professional, Scientific and Technical fields than in the others, as the local economic office focused on those companies. Another possibility could deal with the clustering of Aerospace and Professional, Scientific and Technical fields near the two survey locations. Clustering is the concentration of businesses that are similar or can support each other (Giacomin, 2017). Unless they are in direct competition with each other, it is reasonable for business owners to communicate about issues, which is why in these two fields, had over 50% awareness of these programs.

In order to determine if the information submitted was from a business owner or manager, the next question asked the respondent their position with the business. Of the responses to this question, 84%, or 25 out of 30 participants, were business owners or managers, 13% were employees, and one was consultant answered the survey, as shown in Figure 4. This shows that the majority of the responses came from persons in a position of authority and therefore, the data can be considered representative of the business owner. The expectation that an owner/manager of a business would have the potential to understand economic development programs that could help their business is validated when 40% of owner/managers that responded to this survey were aware of their local economic development office; refer to Figure 5.

Figure 4 Company Position.
The last demographic question dealt with the size of the business. 28 of the respondents were from small companies with 1-80 employees. There were four responses from very small businesses composed of either one employee or three employees. These two companies represented 26.66% of all respondents. There were two outliers of with 5000 employees and another with 8000 employees. The average company has 450 employees. Refer to Figure 6 for a detailed breakdown of all 30 responses.

In order to more accurately analyze the data, the two large outliers were eliminated and recalculated the data. Refer to Figure 7 below where the new average is 17.57 employees, with two companies with 80 employees each. These numbers of employees for rural companies seem more realistic.

Figure 5 Owners Awareness.

Figure 6 Number of employees all responses.
Another interesting trend from the survey is the business size that received a benefit from the state or local economic development office. The two largest companies in this survey and three of the smaller companies received a benefit. The company made up of 8000 employees listed their field as Manufacturing, and the company made up of 5000 listed as the Professional, Scientific and Technical services both received benefits. It makes sense that these two large companies were aware of agency support due to their importance with the community. The three other companies that received benefits were an Accommodation and Food Service company with one employee and two Aerospace companies with three employees. Aerospace companies, even though small, are sources of potential quality jobs for a community.

Survey Data

Of the 31 people who opened the survey link, 30 agreed to take the survey. The first set of questions was crafted to understand the level of awareness in the business community about a
local economic development office and to determine if the business had received any local benefits. After agreeing to take the survey, the respondents were asked: Are you aware of the local Economic Development Organization in your Community? Of the 30 responses received, 11, or 35%, were aware that there was an Economic Development Organization at their location. From prior research, the expectation was this percentage would be lower, so it was a surprise that one in three respondents knew about their local economic development organization.

With the next question in this series, the respondents were asked: Has your business taken advantage of any state or local economic development programs or benefits? Of the 30 responses received, only 17% had received support or a benefit from their local economic development organization. Refer to Figure 8 for a visualization of those businesses receiving assistance. This 17% represents only five businesses that had taken advantage of the assistance from the Economic Development organization.

The second series of questions dealt with the importance of the potential benefits a business could receive from Florida’s economic incentive program. Refer to Table 1 for a list of possible incentives offered by the State of Florida (Proctor, 2017). These Florida state incentives are in addition to incentives offered by local agencies, including property tax abatement and discretionary waivers on permitting fees.

From the responses received, the majority of business owners felt the benefits listed in the survey were not important at all. Only the Foreign Trade Zone came close to showing some importance, with 48% of respondents feeling that it was important. The most irrelevant incentive was the
## Table 1: Example of possible incentives offered by Florida.

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Type</th>
<th>Description</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Job Tax Credit</td>
<td>Credit</td>
<td>A rural job tax credit is an incentive for eligible businesses located within one of 36 designated Qualified Rural Areas to create new jobs.</td>
<td>Ten qualified new employees or 20% additional employees on date of application get a tax credit of $1000 per employee.</td>
</tr>
<tr>
<td>Quick Response Training</td>
<td>Grant</td>
<td>An employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses the necessary training for expansion</td>
<td>Funding is provided in the form of a performance-based reimbursable grant, for a 12-month maximum term.</td>
</tr>
<tr>
<td>Incumbent Worker Training</td>
<td>Grant</td>
<td>A program that provides training to currently employed workers to keep Florida’s workforce competitive in a global economy and to retain existing businesses.</td>
<td>Small businesses may be eligible for a reimbursement of up to 75 percent of training costs through Florida’s Incumbent Worker Training grant</td>
</tr>
<tr>
<td>Capital Investment Tax Credit</td>
<td>Credit</td>
<td>Qualifying businesses can reduce corporate income taxes or insurance premiums over a 20-year period through a tax credit based on the amount of capital investment or costs related to the acquisition or construction of a facility.</td>
<td>The credit is limited to 5% of the total amount of capital investment at the new or expanded facility, over 20 years.</td>
</tr>
<tr>
<td>Qualified Target Industry Tax Refund</td>
<td>Refund</td>
<td>In exchange for meeting job creation goals, eligible businesses receive refunds for state and local taxes, including corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions.</td>
<td>Produce the number of required jobs and pay at least 115% of the average area annual wage to receive a base tax refund of $3,000 per job or $6,000 per job in an enterprise zone or a rural community.</td>
</tr>
<tr>
<td>The High Impact Performance Incentive</td>
<td>Grant</td>
<td>To be eligible for the grant program, a business must be certified as high impact in industries such as clean energy, biomedical technology, information technology, silicon technology, and transportation equipment manufacturing.</td>
<td>A business with a lower cumulative investment of $50 million and 50 jobs and a research and development category making a cumulative investment of $25 million and 25 jobs is now eligible for grants.</td>
</tr>
<tr>
<td>Brownfield Redevelopment Bonus Program</td>
<td>Refund</td>
<td>Applicants must either be a qualified target industry business or demonstrate a fixed capital investment of at least $2 million in mixed-use business activities and provide benefits to its employees. Additionally, the proposed project must create at least 10 new full-time permanent jobs, not including any construction or site rehabilitation jobs.</td>
<td>Businesses may receive a tax refund up to 20% of the average annual wage for each new job created in a designated brownfield area up to a maximum of $2,500 per new job.</td>
</tr>
<tr>
<td>Enterprise Zone Electrical Energy</td>
<td>Refund</td>
<td>Allowed qualified businesses in enterprise zones to receive a tax exemption for electrical energy usage</td>
<td>During a five-year period, the business could have received an exemption equal to 50 percent of the utility taxes.</td>
</tr>
</tbody>
</table>
employee training benefit that only 11% of business owners considered important. For a
detailed description of the responses to this series of questions, refer to Table 2 below.

Table 2 Importance of Benefits offered.

<table>
<thead>
<tr>
<th>Response</th>
<th>Tax Breaks</th>
<th>Grants</th>
<th>Relocation Assistance</th>
<th>Training Incentives</th>
<th>Foreign Trade Zone</th>
<th>Utilities Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely important</td>
<td>3.45%</td>
<td>10.71%</td>
<td>3.45%</td>
<td>0.00%</td>
<td>3.45%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Very important</td>
<td>0.00%</td>
<td>3.57%</td>
<td>3.45%</td>
<td>3.57%</td>
<td>6.90%</td>
<td>3.45%</td>
</tr>
<tr>
<td>Moderately important</td>
<td>10.34%</td>
<td>3.57%</td>
<td>3.45%</td>
<td>0.00%</td>
<td>6.90%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Slightly important</td>
<td>6.90%</td>
<td>3.57%</td>
<td>3.45%</td>
<td>7.14%</td>
<td>31.03%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>79.31%</td>
<td>78.57%</td>
<td>86.21%</td>
<td>89.29%</td>
<td>51.72%</td>
<td>75.86%</td>
</tr>
</tbody>
</table>

For a visualization of this information, refer to Figure 9

![Visualization of the responses.](image)

Figure 9 Visualization of the responses.

At the end of the survey, the respondents were given the opportunity to write in what they
considered to be an important benefit from operating in an EDZ. Three items were written down:

- Mainly, I like the incubator because they provide a network to help get my business word out
The third series of questions asked the respondents what they thought about five different benefits that potentially existed in EDZs. These benefits derived from interviews with business owners during a prior research paper.

The ease of gaining permits from the local government and the lower cost of utilities for the business had neither agree nor disagree at 50% and 60% respectively. The ease of permitting had one respondent who slightly disagreed because at their location it is not easy to get permits. Most of the respondents, 80%, indicated that a lower cost of labor was a clear advantage that they had at their location. Lower purchase prices of real estate and lower rent costs had 76.67% of respondents indicating that was an advantage as well. 53.33% of respondents indicated that quality of life was important at their business location. However, two respondents indicated that was not the case since other locations had a better quality of life. Refer to Table 3 for a detailed breakdown of the responses to this series of questions.

Again, at the end of this series of question, the respondents were given the opportunity to write in what they considered an important benefit. There was one item written down, which was

- Product approval by FI
Table 3 Benefits found at business location.

<table>
<thead>
<tr>
<th>Response</th>
<th>Lower Cost of Labor</th>
<th>Quality of Life</th>
<th>Lower purchase or rent cost</th>
<th>Ease of Permitting</th>
<th>Cost of Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>10.00%</td>
<td>10.00%</td>
<td>13.33%</td>
<td>10.00%</td>
<td>6.67%</td>
</tr>
<tr>
<td>Agree</td>
<td>36.67%</td>
<td>10.00%</td>
<td>30.00%</td>
<td>23.33%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>33.33%</td>
<td>33.33%</td>
<td>33.33%</td>
<td>13.33%</td>
<td>23.33%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>20.00%</td>
<td>40.00%</td>
<td>23.33%</td>
<td>50.00%</td>
<td>60.00%</td>
</tr>
<tr>
<td>Somewhat disagree</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>3.33%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Disagree</td>
<td>0.00%</td>
<td>6.67%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Refer to Figure 10 Visualization of the benefits found at a location.

Figure 10 Visualization of the Benefits at these locations.
The last series of questions asked the respondents to rate the impact of the following challenges found by working at business location. The list of potential challenges was developed from information received in prior interviews. The majority of respondents were neutral in regard to cost of goods for the business, cost of services, and competition. The impact of transportation cost is interesting since 47% thought it was a challenge to their business versus the 17% who disagreed with that question and 36.67% neither agree nor disagreed. The response to finding enough quality job candidates should not be a surprise to the reader. 73% indicated that they agree with the question of which 20% or 6 respondents strongly agreed that this was a challenge to their business. Refer to Table 4 for a detailed breakdown of the responses. Refer to Figure 11 for a visualization of these challenges.

### Table 4 Challenges working at the business location.

<table>
<thead>
<tr>
<th></th>
<th>Transportation Cost</th>
<th>Cost of Goods</th>
<th>Cost of Services</th>
<th>Quality of Job Candidates</th>
<th>Finding Customers</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>6.67%</td>
<td>3.33%</td>
<td>3.33%</td>
<td>20.00%</td>
<td>3.33%</td>
<td>3.33%</td>
</tr>
<tr>
<td>Agree</td>
<td>26.67%</td>
<td>16.67%</td>
<td>6.67%</td>
<td>13.33%</td>
<td>3.33%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Somewhat agree</td>
<td>13.33%</td>
<td>20.00%</td>
<td>26.67%</td>
<td>36.67%</td>
<td>36.67%</td>
<td>3.33%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>36.67%</td>
<td>56.67%</td>
<td>56.67%</td>
<td>20.00%</td>
<td>30.00%</td>
<td>63.33%</td>
</tr>
<tr>
<td>Somewhat disagree</td>
<td>13.33%</td>
<td>3.33%</td>
<td>6.67%</td>
<td>13.33%</td>
<td>10.00%</td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>3.33%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>3.33%</td>
<td>13.33%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

As before, the person taking the survey was given the opportunity to include additional challenges. Other challenges were:

- Finding person to work
- Finding employees

Both responses are clearly indicative of the frustration business owners have with finding enough employees and hard workers.
Discussion

From the information gathered with this survey, several key factors appeared. First, there is a clear lack of awareness about economic development offices and the EDZ programs in general for most business owners. Secondly, in dealing with the benefits offered to support economic development, only the Foreign (Free) Trade Zone had 48% of respondents thought important. Thirdly, from the business owner’s perspective, the major advantages of their location were the lower cost of labor, the quality of life for their employees, and the cost of real estate. The fourth factor was the concern over transportation issues and the quality and quantity of job candidates for open positions. Each one of these points is discussed in detail.

An interesting result from the survey is clearly the lack of awareness about whether a business is located in an Economic Development Zone. That, in turns, means a business is missing out on a potential benefit or benefits. Survey results showed 66% of the respondents were not aware of any local Economic
Development Offices. These results validate a point made by the Highland County Development Director that most businesses do not know that they are located in an EDZ (DiGiacomo, 2018b). The federal government has designated 473 Florida areas out of 4,245 census tracks as Opportunity Zones (Bureau, 2010). That is, 11% of the census tracks for Florida, which are made of up to 4000 persons, are in areas considered economically challenged. For example, to the east and west of the University of South Florida are two areas considered depressed (Dodge, 2018). Refer to Figure 12 for the location of these Opportunity Zones in relationship to the university.

![Figure 12 Economic Zones around University of South Florida.](image)

Additionally, each county and community in Florida can declare certain parts of their jurisdiction as depressed, this declaration can change regularly depending upon economic conditions.

The marketing of economic development programs is done at the local level (DiGiacomo, 2018b). In some cases, the marketing for economic development is done externally from their location. Highland County regularly attends trade shows out of Florida in an attempt to demonstrate the intangible benefits offered by their county to companies attending these larger
trade shows (DiGiacomo, 2018a). Other counties just publish what assistance is available in their jurisdiction. For example, Collier County lists the incentives available to business owners on the county webpage (Kenter, 2016).

For a business owner to know what incentives are available, they must actively seek out this information or network with someone who knows about these incentives. A chance meeting in 2015 with a business owner who operated in an EDZ led to awareness of these programs and the start of this research project. This third paper in the series of articles published in the MUMA Business Review can help bring awareness of this opportunity to business owners.

**Foreign (Free) Trade Zone**

The issue of Foreign (Free) Trade Zones (FTZ) 48% of respondents listed the issue of FTZs as an important business condition since a company can bring goods into the country and wait until they leave the FTZ before paying duties. This allows a business to delay paying custom duties until the goods are sold (Clark, 2010). A prior paper addressed FTZ in greater detail. Refer to the Case Study: *Businesses Successfully Working in a Rural Economic Development Zone* for detailed analysis on its importance to a business owner.

**Low cost of Labor**

The strongest confirmation of working in a rural location as a benefit was the low cost of labor, since 80% of the respondents thought that was a major benefit, they had over other businesses. Refer to Figure 13 for a detailed breakdown of responses. A prior paper addressed the impact of the lower cost of
labor. Refer to the Case Study: *Businesses Successfully Working in a Rural Economic Development Zone* for detailed analysis on its impact to a business owner.

**Low Cost to Own or Rent Real Estate**

The lower cost to own or rent real estate was another benefit a rural business owner had over its competitors, with 76.67% of the respondents agreeing they have an advantage. Refer to Figure 14 for a detailed breakdown of the responses received from the survey. A prior paper addressed the impact of the lower cost to own or rent real estate. Refer to the Case Study: *Businesses Successfully Working in a Rural Economic Development Zone* for a detailed analysis on its impact to a business owner.

**Quality of life**

The quality of life question had 53% or 16 responses agreeing that this was important to the employees. Two persons did not agree that the quality of life was better in a rural area. Refer to Figure 15 for a detailed breakdown of the responses received from the survey. The perspective on quality of life is dependent upon one’s point of view and it is hard to measure since it is subjective. A prior paper addressed the impact of quality of life. Refer to the Case Study: *Businesses Successfully Working in a Rural Economic Development Zone* for detailed analysis on its impact to a business owner.
Economic Development Zone for a detailed analysis on its potential impact to a business owner.

Transportation Issues

Transportation can be either an advantage or a challenge for a business, depending on how it is utilized and the location of the service. Refer to Figure 16 for a visualization of the data collected on this question. From the perspective of public transportation utilization, there is limited interconnecting bus services between the different counties that make up the Southwest Florida Regional Planning Council. This lack of accessibility leaves workers without a reliable means of transportation to adjacent counties for work opportunities. For example, a veteran in Charlotte County can take a bus to the Veteran Affairs outpatient clinic in Fort Meyers, but the return bus trip is not until the next day (Wuerstle, 2018). This one example clearly shows the challenges a worker would have in getting to or from work in another county. This issue is tied with a business finding the right employees for open positions. In order to find the right worker, a business has to increase the search area (Pellechio, 2018a). Without any type of interconnecting bus service, it is a challenge to find enough qualifying persons.

The lack of multi-lane roadways has been a detrimental factor for companies who want to relocate in the Immokalee area. Currently there are only two-lane roads going in and out from the airfield. It takes a passenger car at least 45 minutes to drive to the interstate by heading south or west to I-75 (Bennett, 2018). Immokalee lack of close access to a rail system, other locations have better access to those infrastructures necessary for manufacturing industries.

On the other hand, transportation might not have an impact on the ability of a company to operate in rural areas. The ability to cheaply and effectively transport products ranging from the size of a
small package to the equivalent of a twenty-foot container cheaply and effectively certainly allows companies to operate in rural areas. Rural communities have been able to take advantage of online shopping to order things not available locally (Stevens, 2016). J.B. Aviation Engine, located at Sebring airfield in the middle of Florida, can get next day service for repair parts through overnight shipping companies (Brod, 2018). Turbo Services regularly transports large jet engines from its maintenance facility near Fort Lauderdale to its test center in Immokalee without any difficulties (Mitchell, 2018).

Qualified Employees

Finding the right person to fill a company’s labor requirement can be difficult in rural areas of Florida. As indicated in this survey, most business owners were concerned about finding enough qualified employees. Refer to Figure 17 for a visualization of the data collected on this question. A 2018 survey conducted by Florida Gulfcoast University noted similar results to this survey. From their survey, the following question was asked, “If you filled or attempted to fill any job opening in the past three months, how many qualified applicants were there for the position?” The following are the results from this survey (Westly, 2018)

- Many qualified applicants 6.7%
- Few qualified applicants 56.7%
- No qualified applicants 10.0%
- Did not have any openings 26.75%

On the other hand, small businesses have been able to find needed workers by training the potential candidate in-house to fill open positions. In the aviation maintenance business, it is
sometimes better to look for a potential candidate who is mechanically inclined and has a
good work ethic. Like in military training methods, the candidate is trained on the job with a
mentor passing on the skills needed through progression
of knowledge with time and experiences. The work is not
physically demanding; aviation repair is a very detail-
oriented business requiring employees that are focused
and can follow maintenance procedure as specified by
the equipment manufacturer and the Federal Aviation
Administration (James Brod, 2018).

As mentioned earlier, a business will have to recruit potential candidates from surrounding
areas in order find enough workers (Pellechio, 2018b). The Omni Homestead Hotel in Hot
Springs, Virginia, ran into problems staffing the hotel due to the declining population in Bath
County. This required the hotel to recruit staff from surrounding counties (Associates, 2016).
Related to this challenge of finding enough qualified persons is just finding employees. The
current average unemployment rate for most of Florida is 3.9%, which makes the competition
for workers even harder for most businesses (Statistics, 2018).

Conclusions

As the last in a series of three papers, the intention of this Empirical Findings Article was to provide
a blueprint for a company to understand the potential benefits and navigate the challenges while
working in a Florida Economic Development Zone. The business owner has to realize the
following two conditions:

- There is the potential for assistance from local, state, and federal government to help a business
  relocate or expand in an Economic Development Zone.
There are unique benefits and challenges for a business owner when relocating or expanding operation in an Economic Development Zone.

As mentioned earlier in the survey questions’ breakdown, only one out of three business owners knew about a local economic development office or the benefits available for a business working in an EDZ. This lack of awareness is a major contributing factor for why these programs are not successful. Some economic development offices look outside of their communities to find businesses to relocate to their areas. The local business owners are not made aware of the incentives available to expand their businesses. In order for a business owner to expand or relocate to an EDZ they must be proactive and reach out to the local economic development office. The business’ chance of receiving a grant or other incentive is through collaboration with a rural economic development office. Rural counties should be able to help small businesses as these counties can focus on smaller companies.

These surveys identified two clear tangible benefits and one intangible benefit. The tangible benefits were lower labor cost and lower purchase cost or rental of real estate. The intangible benefit identified was quality of life for employees. When building their business plan in an EDZ, the owner can anticipate having lower operating costs due to lower labor cost and lower facilities cost. Between 1995 and 2015, the average business profit in the US was only 8.1% (Cooper, 2018) For example, a third-party logistics company will typically spend about 13.4% of its operating cost on labor and 5.2% on rent while making a 6.9% profit (Soshkin). These two operating expenses represent 18.6% of the operating cost for this third-party logistics company. Realistically, any savings on the cost of labor and rent could improve the 6.9% profit margin.

The problem with any intangible benefit like the quality of life is that it is based more on perception, and that quality is difficult to quantify on a business balance sheet. Based on this research article, a business owner who wants to relocate a business to any Economic Development Zone needs
to research the surrounding communities in order to evaluate the potential move for their business.

The major challenges identified by the survey dealt with transportation issues and finding qualified employees. When building their business plan, the owner has to take into consideration the infrastructure of the community. There are parts of rural Florida that have railroads and multi-lane highways for transporting goods and supplies. For example, Sebring or Okeechobee have access to both a railroad and a multi-lane highway, but Immokalee only has access to a single-lane highway. The business owner has to look at the long-term potential for growth and pick the area that best meets their needs.

Finding qualified employees to fill pen job positions is now a challenge for any business in Florida because the unemployment rate is low. Rural counties, with their history of agriculture, are not necessarily void of skilled workers. Companies that build aircraft and repair engines are able to find enough workers in their communities, but they have to invest time and money into job-specific training. A business owner relocating or expanding their business in this area must look for basic skills that can be improved.

Finally, while this Empirical Findings Article has made progress on understanding the benefits and challenges of operating in an EDZ, additional research is needed. This survey was a good first step toward this understanding, but it needs to be expanded to allow for the tracking of responses by county. Tracking of a response by specific county will allow for an even better understanding of the trends identified by this paper. Could one county in central Florida do a better job marketing these programs versus another county. Another study might compare rural counties to coastal or metro counties to compare results to see if this lack of awareness is specific to rural counties or if it is the same across the board.
About the Author

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