

Board Members,

When the Northeast Florida Regional Council asked the Regional Community Institute to find policies and actions that will help small businesses thrive in Northeast Florida, RCI naturally passed that mandate to its recently reenergized Economic Development Committee.

The Committee accepted more than a responsibility, however—it also embraced RCI's core values.

The world's bookshelves contain more than enough neglected 20-year plans, many of which offered valuable strategies but ultimately never contributed much to the cause of planning. RCI believes in developing "doable" plans with more immediate horizons. The Committee embraced that philosophy.

Much of what this report proposes would enhance penetration of resources already available to small businesses in Northeast Florida, but which are not utilized to their full potential. Recommendations include communication strategies that can be rolled out without developing significant infrastructure or funding. The report also recommends tracking immediately available sources of data to begin expanded measurement of the small business environment.

Individuals from the business community, government, and non-profit organizations across the region brought wide-ranging perspectives to the job of understanding small business opportunities in Northeast Florida. The Committee is proud to share the resulting report with the RCI Board, and to recommend it for transmission to the Northeast Florida Regional Council.

Sincerely,



Art Graham

Chair, Economic Development Committee
Regional Community Institute of Northeast Florida, Inc.

SUMMARY

The Regional Community Institute of Northeast Florida, Inc. (RCI) is a non-profit organization created by the Northeast Florida Regional Council (NEFRC) to consider policy issues. In August 2013, the Board of Directors of the NEFRC, after considerable discussion of the policy issues facing Northeast Florida, adopted the following motion:

“Make recommendations to NEFRC on policies and actions that will help small businesses thrive in all seven counties of Northeast Florida. Determine the baseline for small business, review best practices, and lessons learned in and outside the region, identify the desired outcomes that would make Northeast Florida the region in Florida the most conducive to small business startup, expanded employment, and long-term success. Identify the policies and actions needed to achieve the desired outcomes, making full use of opportunities such as those presented by the region’s Economic Development District designation. Partner with innovators that care about this topic, including SBA, SBDC at UNF, SBDC at UCF, OneSpark, Chambers of Commerce, JaxUSA, the Microenterprise Working Group, etc., so that policies and actions are shared and have a greater chance of success. Recommend metrics to be tracked by NEFRC as part of its annual State of the Region report. Report results to NEFRC in October 2014.”

Crucial to RCI’s ability to take on difficult issues is their philosophy. Two directives from the RCI Board have shaped their policy work profoundly. First, they are asked to make doable policy recommendations. While nothing precludes them from also taking a larger or longer view, the RCI Board wants to see an actionable plan. Second, they are directed to focus on gaps. If a regional partner “owns” an issue and could better succeed if there was a policy change, this is a recommendation RCI can make with a willing partner. RCI does not step into other people’s breaches; rather it identifies gaps to be filled for which no one is currently responsible.

The Committee kicked off with an interactive session in December 2013 where brainstorming was encouraged. Out of this discussion came several questions, which were used to spark discussion at the first three committee meetings, each targeted at a different constituency. These were the questions:



Over-arching questions and themes emerged throughout the discussions. What do we mean by “thriving”? The committee agreed that it did not mean the traditional economic development definition of success = high-paying jobs. How do we address agriculture? It is an important part of the regional economy but is also outside the traditional economic development definition. How do we define small business? There are plenty of different definitions already. What data do we use? There are plenty of available data points but no consistent understanding of which metrics are important and what they mean. Finally, is the issue so often raised, that of small business access to capital, really the most important factor?

What do we mean by “thriving”?

How do we address agriculture?

How do we define small business?

The committee spent four months discussing these issues, and decided early on that time would be wasted on unnecessary definitions. Therefore, the size or structure of small business was not defined, and policies related to agribusiness were included even if such businesses do not qualify as small. It was determined that the committee would identify the data to track to measure success in Northeast Florida, and would define how each metric provides a part of the picture. As far as the sentiment that all small business issues could be addressed by access to capital, the committee rejected this and

noted that some small businesses are not funded because it would be unwise to fund them, and this is simply part of a healthy economic weeding-out process.

The committee paid special attention to agribusiness, as a sector that seemed to lend itself to regional approaches and because of its necessity. Agribusiness presents great opportunities and is plagued by great risks. Worldwide agriculture will need to double in production in 30 years to feed anticipated population growth, so making the farms we have sustainable and profitable is vitally important. Currently, potato farmers are being paid less for their potatoes than it costs to grow them. Farm statistics show many farms in the region, but define farms to include hobby farms and greenbelt property, so these metrics are misleading. Generally, the trend for some time has been that the number of working family farms and the acreage for these farms has been in decline. The region does have farming opportunities; it is the only one in the world that has blueberries in April. The region can grow healthy fruits and vegetables throughout the year. It has enjoyed an increasing trend in growing and selling Asian vegetables. Areas of focus for the sustainable agriculture in the region include supporting farmers as they diversify crops and increasing their access to markets, processing and distribution facilities. The concentration of farms in the “Tri-County” agricultural area in Putnam, St. Johns and Flagler Counties present opportunities to locate new infrastructure in areas that can benefit multiple farmers and buyers.

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After months of learning and discussion by RCI’s dedicated volunteers, the following doable policy recommendations are made for the region, so that it can reach the goal set for the committee, to make Northeast Florida the region in Florida most conducive to small business startup, expanded employment, and long-term success.

Gotta Eat! Gotta Grow!

FARM STROLL
April 27, 2014
12pm - 5pm

www.firstcoastfresh.com

Free Admission • Rain or Shine
Complimentary Food Tasting
Tours • Items for Purchase
Family Friendly Events

ST. JOHNS COUNTY
Blue Sky Farms, KYV Farms, Ruffled Feathers Farm, County Line Produce, UF-IFAS, Hastings, Wells Bros Farms

PUTNAM COUNTY
Blueberry Hill Farm, Log Cabin Winery, St. Johns Oaks Vineyard & Farms, Produce Barn & Grove

FLAGLER COUNTY
WP Rawlis, Florida Agricultural Museum*

*Dedicated admission where noted

ACTION PLAN

Measuring Success

The committee recognized that defining success is required before we can measure it. Every time an unemployed person starts a business, that is a job created. Every time a poorly paid person starts a business that can mean additional wealth. Small businesses that are thriving but not growing are as important to the region as those that are growing. We look for progress in a variety of sectors and expansion in the following data points from year to year:

1. **Regional Self Employment** (www.youreconomy.org, Edward Lowe Foundation)
 - a. 2012 baseline: 45,515
2. **Startups** (net new micro firms/fewer than 10 employees, US County Business Patterns, establishments by business size)
 - a. 2012 baseline: 780
3. **Business Stage Data** (www.youreconomy.org, Edward Lowe Foundation)
 - a. 2012 baseline:
 - i. 2-9 employees: 110,401 businesses, \$25,168,227,692 total sales
 - ii. 10-99 employees: 11,807 businesses, \$27,137,206,908 total sales
 - iii. 100-499 employees: 1,119 businesses, \$22,279,690,725 total sales
 - iv. 500+ employees: 101 businesses, \$10,813,115,705 total sales

The committee also noted the role perceptions play in determining if the region is open to small businesses, both starting up and expanding. Examination of recent surveys, polls, studies and articles recognizing Florida and specifically Jacksonville as the best place to start a business, revealed similar data points are used to indicate ranking on the “best and worst” lists for businesses. Generally, the metrics split between inputs measures (business costs such as average annual wages by job and quality of the workforce) and output measures (number of small business per total establishments, number of small businesses within target industries and value of exports by industry).

4. **Small Business Climate Indicators**
 - a. **Input measures**
 - i. Average Annual Wage by Job (U.S. Bureau of Economic Analysis):
2012 baseline \$45,699
 - ii. Quality of Workforce (US Census Fact finder, ACS 3 Yr survey):

2012 baseline 20.6% (Average percentage of population aged 25 to 34 with bachelor's degree)

b. Output measures

- i. Small Business Activity as % of Total establishments:
2012 baseline 99% (www.youreconomy.org, Edward Lowe Foundation)
- ii. Business Establishment Age: www.bls.gov, US Bureau of Labor Statistics, State Level
2013 baseline: 480,982 private sector establishments in Florida
2013 baseline: 53,122 private sector establishments less than one year
2013 baseline: 144,660 private business establishments 1-5 years
- iii. Cluster industries as # of small businesses by industry (U.S. County Business Patterns)
2011 Baseline (establishments by size 1-99 employees by sector)
- iv. Trade Exports as total \$ by industry (REMI Policy Insight)
2012 baseline: \$6.75 billion as the amount of local product exported out of the region to the world

**SEE TABLES BELOW FOR CLUSTER INDUSTRY AND
TRADE EXPORT BASELINES**

**Table I – Northeast Florida Region Small Business Cluster Industries
(establishments by size)**

	Baker	Clay	Duval	Flagler	Nassau	Putnam	St. Johns	Region	%
Total for All Sectors	363	3,433	22,508	1,715	1,570	1,261	4,902	35,752	100.00%
Retail Trade	70	545	3,153	222	242	243	756	5,231	14.60%
Professional, Scientific, and Technical Services	19	402	2,975	186	164	103	751	4,600	12.90%
Healthcare and Social Assistance	38	400	2,357	177	154	167	478	3,771	10.50%
Construction	53	437	2,060	212	178	145	473	3,558	10.00%
Other Services (except public administration)	52	356	2,230	175	178	142	415	3,548	9.90%
Accommodation and Food Services	32	282	1,879	142	148	104	433	3,020	8.40%
Finance and Insurance	17	177	1,556	100	74	67	329	2,320	6.50%
Administrative & Support and Waste Management	15	204	1,440	144	100	61	326	2,290	6.40%
Real Estate and Rental & Leasing	9	170	1,131	137	79	52	294	1,872	5.20%
Wholesale Trade	13	122	1,161	60	49	23	204	1,632	4.60%
Transportation and Warehousing	26	77	841	47	67	34	87	1,179	3.30%
Manufacturing	4	75	519	41	30	35	84	788	2.20%
Information	5	44	411	22	21	24	60	587	1.60%
Educational Services	1	55	310	16	19	12	75	488	1.40%
Arts, Entertainment, and Recreation	2	37	261	26	35	16	85	462	1.30%
Management of Companies and Enterprises	1	19	154	3	5	1	28	211	0.60%
Agriculture, Forestry, Fishing and Hunting	5	19	18	2	22	19	10	95	0.30%
Industries Not Classified		5	28	1	1	3	8	46	0.10%
Utilities	1	5	17	1	3	6	5	38	0.10%
Mining, Quarrying, and Oil & Gas Extraction		2	7	1	1	4	1	16	0.00%

**Table 2 – Northeast Florida Region Trade Exports
(Billions of Dollars, 2005)**

Category	2012	% of total
Manufacturing	\$2,250,844,001.77	33.3%
Transportation and Warehousing	\$1,208,227,634.43	17.9%
Finance and Insurance	\$1,075,559,735.30	15.9%
Wholesale Trade	\$785,637,915.13	11.6%
Real Estate and Rental and Leasing	\$461,164,325.48	6.8%
Information	\$403,912,872.08	6.0%
Management of Companies and Enterprises	\$267,950,385.81	4.0%
Professional, Scientific, and Technical Services	\$194,803,044.20	2.9%
Administrative and Waste Management Services	\$42,588,707.06	0.6%
Retail Trade	\$26,801,183.82	0.4%
Forestry, Fishing, and Related Activities	\$9,430,925.36	0.1%
Arts, Entertainment, and Recreation	\$9,390,594.44	0.1%
Mining	\$5,750,678.48	0.1%
Accommodation and Food Services	\$4,126,515.24	0.1%
Educational Services	\$3,767,200.51	0.1%
Health Care and Social Assistance	\$2,049,308.74	0.0%
Other Services, except Public Administration	\$1,924,862.04	0.0%
Utilities	\$1,344,213.61	0.0%
Construction	\$441,281.27	0.0%
TOTAL	\$6,755,715,384.76	100%

The aim for the business climate indicators is different by metric. For costs, the lower the average annual wage and higher percentage of population with bachelor's degree indicates a warm climate for small businesses because this indicates a low labor costs for an educated workforce. The small business activity percentage works both ways in that a high number points to a spot for business and can also indicate saturation. Cluster data or the number of small business by industry can help better interpret the activity number. It also is the link to understanding business sustainability and can be used to align the trade exports by industry. For example, if the number of establishments with less than 100 employees is a given industry, and the value of trade exports in the same industry is high; one connection could be the cluster of small businesses contributes to the value of trade exports.

ACTION

NEFRC and JAXUSA Partnership will update these measures annually, as new data becomes available. These data points will be added to NEFRC's annual State of the Region report of regional indicators.

ACTION

NEFRC will delve deep into the 5-year agricultural census and formulate indicators that are more reflective of the health of the agricultural sector than the high-level county numbers included in the census. Once these are proposed and vetted by agricultural and economic experts, these data points will be added to NEFRC's annual State of the Region report of regional indicators. Below is an excerpt from the census. After additional analysis, more meaningful data points will be tracked, better reflecting the true state of agriculture in Northeast Florida. Once these indicators are available, SBDC at UNF and UCF will add them as measures of regional small business success to North Florida Small Business Help.

Table 3 – Northeast Florida Region: Agriculture Profile 2012 Baseline

	Baker	Clay	Duval	Flagler	Nassau	Putnam	St. Johns	Region
# of farms	381	403	352	118	444	430	188	2316
Land in farms (acres)	32,919	51,581	28,275	43,598	39,335	70,352	33,632	299,692
Average size (acres)	86	128	80	369	89	164	179	1095
Market value of all products sold	\$15,808,000	\$9,257,000	\$16,158,000	\$16,945,000	\$6,544,000	\$44,187,000	\$69,659,000	\$178,558,000
Average per farm	\$41,490	\$22,971	\$45,904	\$143,604	\$14,739	\$102,760	\$370,528	\$741,996.00

Source: USDA, www.agcensus.usda.gov

Sharing Information

ACTION

NEFRC will provide all its local governments with the link to North Florida Small Business Help, and will encourage them to post the link on their websites.

ACTION

SBDC at UNF and UCF will encourage all nonprofit and government providers of access to small or micro business capital to list their resources on North Florida Small Business Help and the Small Business Resource Network. For-profit providers will be encouraged to join the SBRN.

ACTION

NEFRC will create a website as a clearinghouse for information for those who want to support local agriculture. This will be informed by current efforts to market the products of the First Coast Fresh Family Farms Group through the R2 Challenge.

ACTION

NEFRC will work with its local governments to produce a matrix of small business preference programs with links to details to be posted at Northeast Florida Small Business Help. The NEFRC will work with its local governments to place the infographic at key entry points for small businesses, such as at payment for local business tax and/or permitting.

ACTION

NEFRC will work with agricultural representatives to produce a matrix of a summary of regulatory requirements that may impact plans for agri-tourism. The NEFRC will work with its local governments to place the infographic at key entry points for agriculture.

ACTION

NEFRC will work with its local governments to produce a matrix infographic of a summary of regulatory requirements and links to details to be posted at Northeast Florida Small Business Help. The NEFRC will work with its local governments to place the infographic at key entry points for small businesses, such as at payment for local business tax and/or permitting.

ACTION

NEFRC will convene representatives of small town and rural areas quarterly to allow for the sharing of ideas on marketing, small business programs, “Main Street” initiatives, and anything the representatives would like to discuss. The NEFRC will work with its regional partners to create the “Visit Downtown” campaign in each county, creating a comprehensive approach to regional vitality.

ACTION

NEFRC will convene representatives of the agricultural sector with rural representatives to allow for sharing of ideas on agri-tourism and related marketing, and for consideration of partnerships that would strengthen the attraction of the region for tourism.

Business Development**ACTION**

NEFRC has a goal of submitting at least one grant application to the Economic Development Administration each year.

The selection of grant topic(s) will be informed by three factors:

1. Current conditions
2. The Comprehensive Economic Development Strategy
3. The recommendations of a small business group to be convened by NEFRC quarterly

The small business group shall be comprised of all who have participated in committee meetings, and their guests. This group will be notified of meetings. Their recommendations will be considered by the NEFRC Chief Executive Officer.

The Committee recommends the following project as a candidate for the earliest possible funding:

- Making North Florida Small Business Help a more robust site that is continuously updated. It should include a calendar of events for all seven counties, and include resources available in all seven counties. Its Road Map feature should be enhanced to provide the user with more assistance, regardless of the development stage of their business. It should have a dedicated source of

funding so that SBDC at UNF can maintain the enhanced site and can coordinate with Flagler County and the SBDC at UCF on events and resources. It should be governed by a partnership of organizations from the seven counties that can continuously improve its usefulness.

Some of the projects that the committee has discussed, or that are identified as “areas of need” in Innovate Northeast Florida, are:

- Creating and administering a small business preference program for consideration by all local governments that would allow a small business to register once and be registered in multiple jurisdictions, such as creating a registration portal, consolidating the certification application procedures through one site. The on line portal will provide a single point of entry for small business to become certified for procurement while maintaining the individual requirements of each local government.
- A multi-jurisdictional tourism strategy marketing agriculture, small towns and rural areas.
- A “Main Street” strategy for the region, focusing on all downtowns that present opportunities for small business. (Committee) Facilitate the renovation of vacant buildings into startup space. (Innovate Northeast Florida)

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Name		Representing/Affiliation	RCI Member?
Altmansberger	Chris	FSBDC at UCF, Palm Coast Business Assistance Center	
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Balog	Richard	Balog and Tamburri, CPA's	
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Blanchard	Pat	Jax Women's Small Business Center	
Brown	Debbie	Small Business Administration	
Brown	Mike	Putnam County	
Conkey	Doug	Clay County Chamber	Chair, RCI Board of Directors
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Doueck	Bruce	New Solutions for Businesses LLC	
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For more information on the Regional Community Institute, a 501c(3) organization, visit the RCI website at www.RCINEF.org.