

## Aligning Resources and Conditions to Achieve an Optimal Business Solution for Operating in an Economic Development Zone

By

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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.

**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.**

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 ex-

pand in an Economic Development Zone. From the survey that was conducted for this article, 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 delay in paying custom duties afford in 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 economic development programs and the potential to relocate their business operation in an Economic Development Zone.

**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

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, who works as a consultant to companies, discussed foreign trade opportunities with different individuals. One of these conversations was with the sales 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:

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.

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 community leaders 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, refer to Figure 1. (FHREDI 2018). The report found that it is possible for a business to achieve operations savings of 13% relative to large metropolitan markets. Additionally, the study sur-

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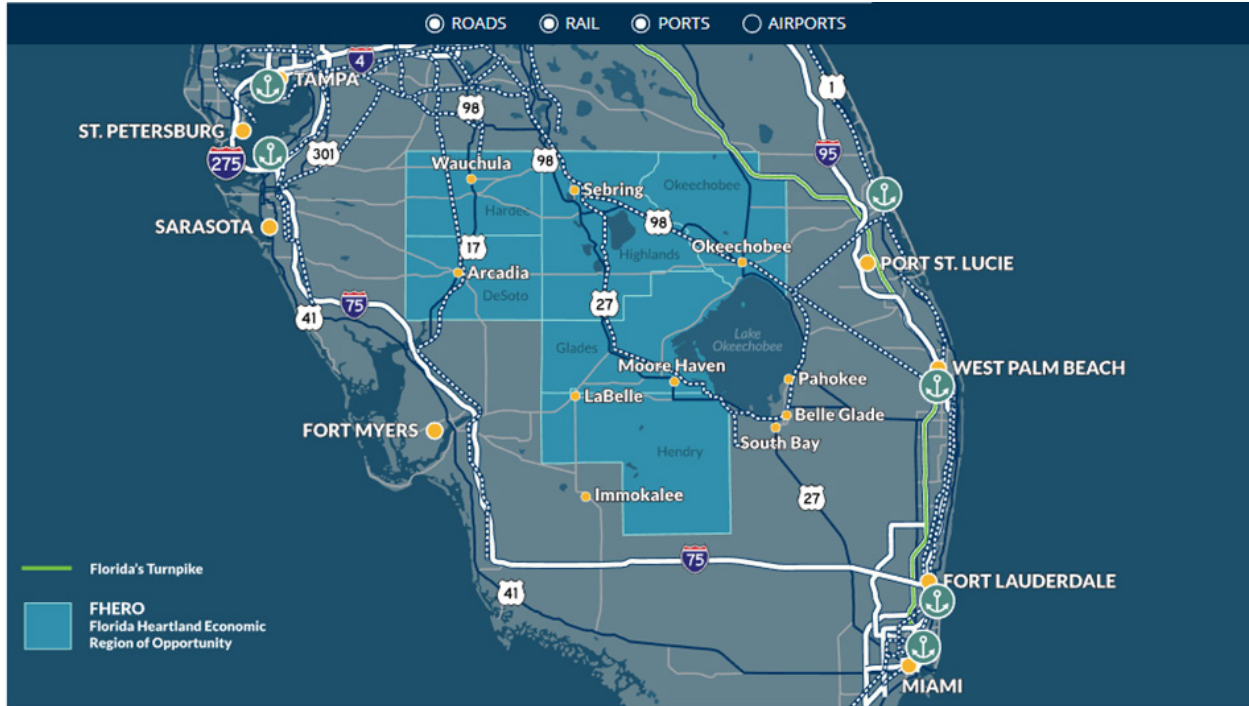


Figure 1: Florida Heartlands

veys 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 2 shows the different United 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

| Program                                | Sponsor | Start Date | End Date |
|--|---------|------------|----------|
| Enterprise Community                   | US      | 1993       | 2009     |
| Empowerment Zone Program               | US      | 1993       | 2014     |
| Enterprise Zone Program                | FL      | 1994       | 2015     |
| Urban/ Rural Renewal Community Program | US      | 2000       | 2009     |
| New Market Development Program         | FL      | 2009       | Present  |
| Promise Zone                           | US      | 2013       | Present  |
| Opportunity Zone                       | US      | 2018       | Present  |

Figure 2: Different Economic Development Programs by years

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 these 5 counties (FHREDI, 2018). Universities have collaborated with development agencies to leverage school resources to help spur development by educating the local workforce (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, Information Technology 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 different types of local gov-

Entrepreneurship is recognized by agencies as an essential component of any economic development effort.

ernment and the geographic and regional 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 seizes 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

## Methodology

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 finding in an Empirical Findings document. After collecting responses to this survey over two week period of time, the data was analyzed to search for patterns that would demonstrate what was of importance to the different business owners. 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

and additional research is advisable to determine if these EDZ programs support entrepreneurs.

## 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 sur-

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..

prising 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

**Table 1: Type of industries that respond to survey**

| Industry Type                                   | Respondent | %      | Received Benefit | Aware | Not Aware |
|---|------------|--------|------------------|-------|-----------|
| Professional, Scientific and Technical Services | 2          | 6.67%  | 1                | 1     | 1         |
| Transportation and Warehousing                  | 3          | 10.00% | 0                | 1     | 2         |
| Retail Trade                                    | 5          | 16.67% | 0                | 2     | 3         |
| Manufacturing                                   | 5          | 16.67% | 1                | 2     | 3         |
| Construction                                    | 3          | 10.00% | 0                | 1     | 2         |
| Aerospace                                       | 5          | 16.67% | 2                | 3     | 2         |
| Accommodation and Food Services                 | 5          | 16.67% | 1                | 1     | 4         |
| Agriculture, Forestry, Fishing and Hunting      | 1          | 3.33%  | 0                | 0     | 1         |
| Non-Profit                                      | 1          | 3.33%  | 0                | 0     | 1         |
| Total   | 30         | 100%   | 5                | 11    | 19        |

economic office and that had received a benefit. Refer to Table 1 for a breakdown of the responses.

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 a consultant answered the survey. 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.

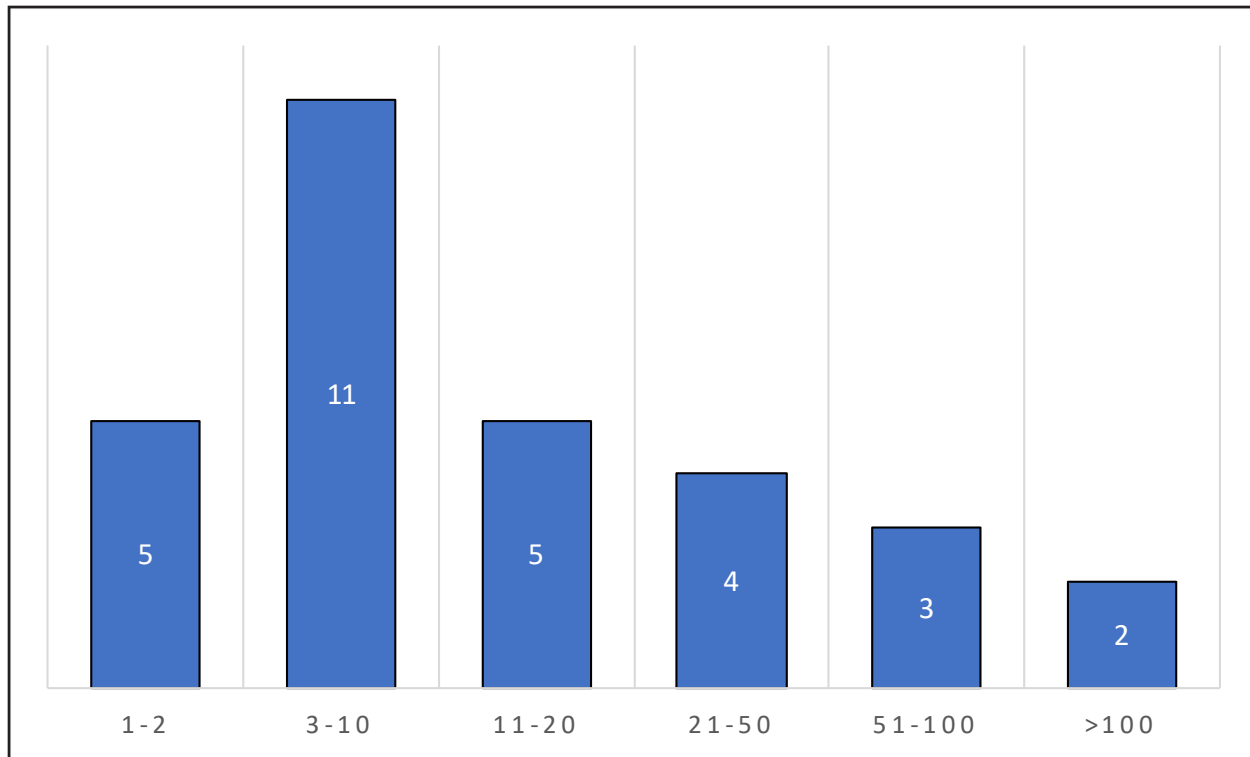
The last demographic question dealt with the size of the business. 28 of the respondents were from small

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 3 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 where the new average is 17.57 employees. These numbers of employees for rural companies seem more realistic.

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



**Figure 3: Number of Employees by 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 table 1 for the businesses that received 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 2 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 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 3. 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
- Offset tax liability
- Multi language area

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. Refer to the Case Study: Businesses Successfully Working in a Rural Economic Development Zone.

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

**Table 2: Example of possible incentives offered by Florida.**

| Incentive                              | Type   | Description   | Benefit  |
|--|--------|---|--|
| Rural Job Tax Credit                   | Credit | A rural job tax credit is an incentive for eligible businesses located within one of 36 designated Qualified Rural Areas to create new jobs.  | Ten qualified new employees or 20% additional employees on date of application get a tax credit of \$1000 per employee.  |
| Quick Response Training                | Grant  | An employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses the necessary training for expansion  | Funding is provided in the form of a performance-based reimbursable grant, for a 12-month maximum term.  |
| Incumbent Worker Training              | Grant  | A program that provides training to currently employed workers to keep Florida's workforce competitive in a global economy and to retain existing businesses.   | Small businesses may be eligible for a reimbursement of up to 75 percent of training costs through Florida's Incumbent Worker Training grant   |
| Capital Investment Tax Credit          | Credit | 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.   | The credit is limited to 5% of the total amount of capital investment at the new or expanded facility, over 20 years.  |
| Qualified Target Industry Tax Refund   | Refund | 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.  | 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. |
| The High Impact Performance Incentive  | Grant  | 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.  | 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. |
| 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                                 |
| Enterprise Zone Electrical Energy      | Refund | Allowed qualified businesses in enterprise zones to receive a tax exemption for electrical energy usage   | During a five-year period, the business could have received an exemption equal to 50 percent of the utility taxes.   |



**Table 3: Importance of Benefits offered.**

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

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 4 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

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 5 for a detailed breakdown of the responses to this series of questions.

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 it had an impact. 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 candi-

**Table 4: Benefits found at business location.**

| Response                   | Lower Cost of Labor | Quality of Life | Lower purchase or rent cost | Ease of Permitting | Cost of Utilities |
|----------------------------|---------------------|-----------------|-----------------------------|--------------------|-------------------|
| Strongly agree             | 10.00%              | 10.00%          | 13.33%                      | 10.00%             | 6.67%             |
| Agree                      | 36.67%              | 10.00%          | 30.00%                      | 23.33%             | 10.00%            |
| Somewhat agree             | 33.33%              | 33.33%          | 33.33%                      | 13.33%             | 23.33%            |
| Neither agree nor disagree | 20.00%              | 40.00%          | 23.33%                      | 50.00%             | 60.00%            |
| Somewhat disagree          | 0.00%               | 0.00%           | 0.00%                       | 3.33%              | 0.00%             |
| Disagree                   | 0.00%               | 6.67%           | 0.00%                       | 0.00%              | 0.00%             |
| Strongly disagree          | 0.00%               | 0.00%           | 0.00%                       | 0.00%              | 0.00%             |

*Figure 5 Awareness by business owner.*

**Table 5: Challenges working at the business location.**

|                            | Transportation Cost | Cost of Goods | Cost of Services | Quality of Job Candidates | Finding Customers | Competition |
|----------------------------|---------------------|---------------|------------------|---------------------------|-------------------|-------------|
| Strongly agree             | 6.67%               | 3.33%         | 3.33%            | 20.00%                    | 3.33%             | 3.33%       |
| Agree                      | 26.67%              | 16.67%        | 6.67%            | 13.33%                    | 3.33%             | 10.00%      |
| Somewhat agree             | 13.33%              | 20.00%        | 26.67%           | 36.67%                    | 36.67%            | 3.33%       |
| Neither agree nor disagree | 36.67%              | 56.67%        | 56.67%           | 20.00%                    | 30.00%            | 63.33%      |
| Somewhat disagree          | 13.33%              | 3.33%         | 6.67%            | 6.67%                     | 13.33%            | 10.00%      |
| Disagree                   | 3.33%               | 0.00%         | 0.00%            | 3.33%                     | 13.33%            | 10.00%      |
| Strongly disagree          | 0.00%               | 0.00%         | 0.00%            | 0.00%                     | 0.00%             | 0.00%       |

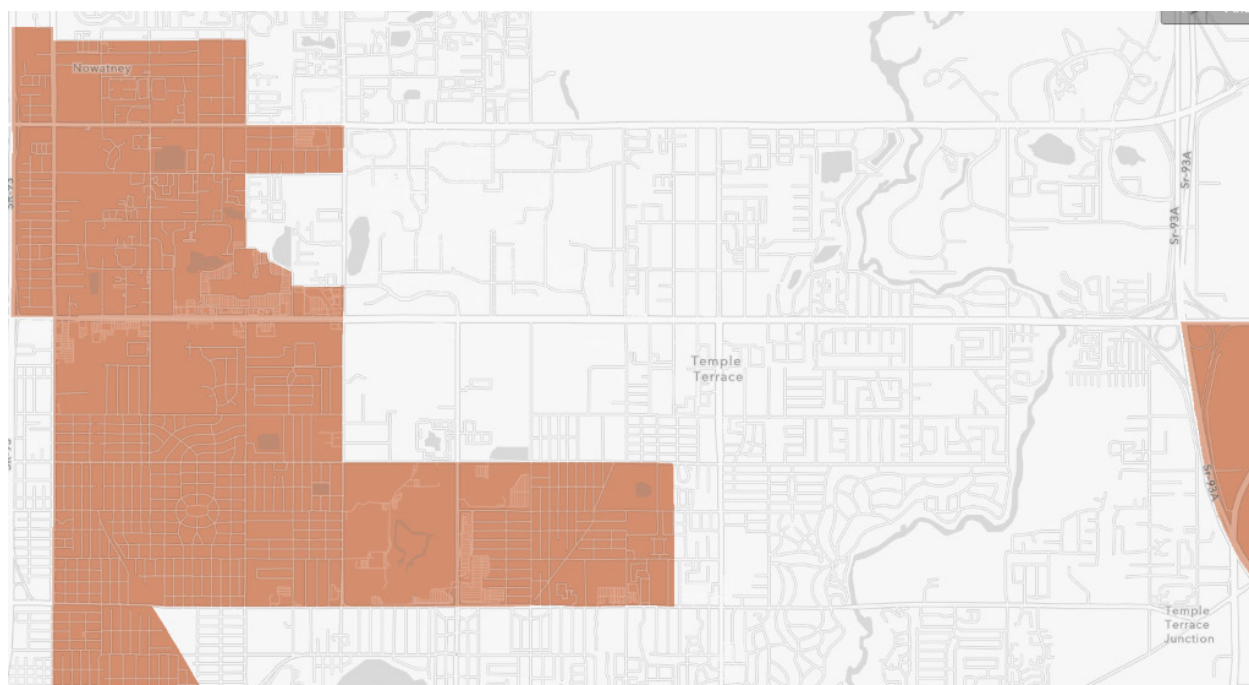
dates for open positions. Each one of these points is discussed in detail.

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 tracts as Opportunity Zones (Bureau, 2010). That is, 11% of the census tracts 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 4 for the location of these Opportunity Zones in relationship to the university.

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



**Figure 4: Economic Zones around University of South Florida.**

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. Refer to figure 5. 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.

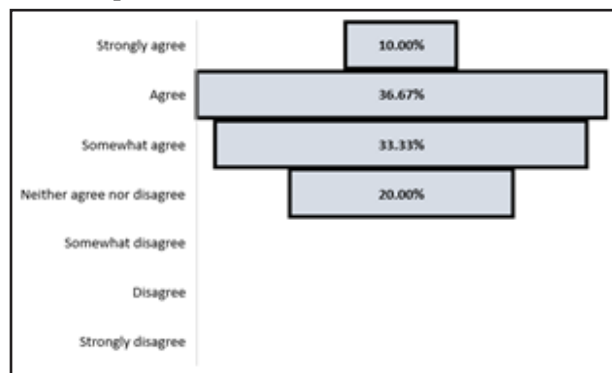


Figure 5: Foreign Trade Zone

### 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 6 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.

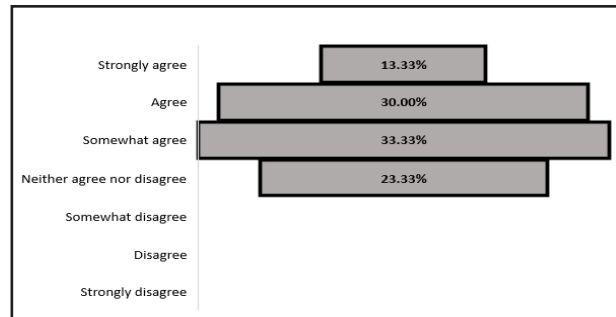


Figure 6: Low Cost of Labor

### 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 7 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.

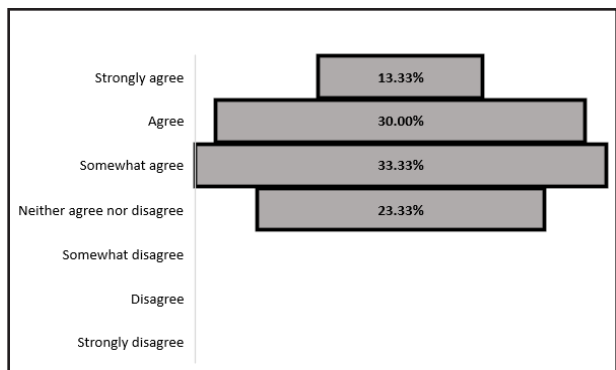


Figure 7: Low Cost of Own or Rent Real Estate

### 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 8 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 a detailed analysis on its potential impact to a business owner.

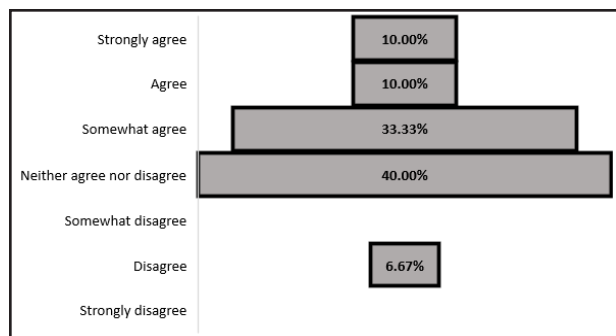


Figure 8: Quality of Life

## 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 9 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).

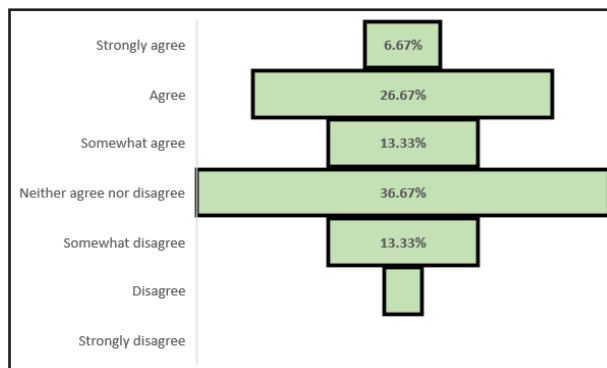


Figure 9: Transportation

## 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 10 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 to 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).

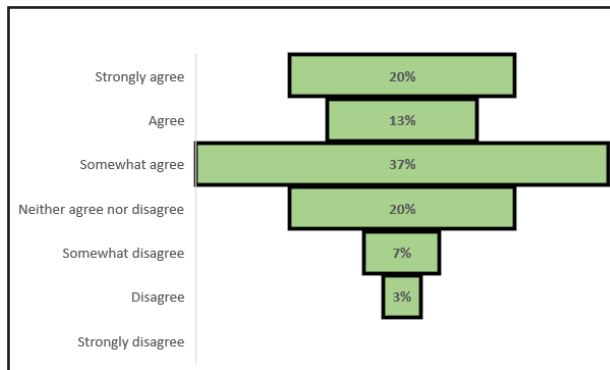


Figure 10: Quality of persons for jobs.

## 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 open 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 re-

search 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.

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## Review

This article was accepted under the **constructive peer review** option. For further details, see the descriptions at:

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