

Economic Development Goal Setting Study

Hernando County, Florida

prepared for

**Hernando Business Alliance
Hernando County Board of Commissioners
City of Brooksville**

May - 2022

Executive Summary

The purpose of this study is to create a reasonable, achievable economic goal for Hernando County, FL which will 1) improve the standard of living for the people who live and work in the county, 2) stabilize the economy making it less susceptible to economic downturns by diversifying its industrial base, 3) provide more revenue to local government and the school system, and 4) make the county less dependent on population growth for its economic growth.

While the study is centered on the entire county as almost all quality data is collected on a county basis, the City of Brooksville is an important partner in the effort.

Since Brooksville is the seat of government and is in essence the cultural center of the county, it will not only help in the effort to build the economy but also be one of the largest beneficiaries of success.

The study is statistically based, upon the well-founded economic principle that local economies grow or decline in direct proportion to the money flowing into the economy which is generated by its Primary Industries.

The quality of an economy refers to the amount of money individuals in an area earn each year. The greater the personal earnings, the greater the disposable income and the economic “quality of life” for the individual.

In order to increase the size and improve the quality of a local economy, a community needs to create more primary industry jobs which pay a wage higher than the area average wage.

By doing this, more money will flow into the economy and the quality of the economy will improve over time. Not only will the wages for the workers enter the local area, so will all the spending and taxes paid by the companies themselves.

In order to create the goal for the county, the existing economic condition and structure needs to be thoroughly examined.

Economic Strength: Hernando County, along with Hillsborough, Pasco, and Pinellas Counties, comprise the Tampa - St. Petersburg, Clearwater, FL Metropolitan Statistical Area (MSA). In 2022 the Metropolitan Area was ranked 63rd among the 384 Metropolitan Areas in the United State for “economic strength.”

When ranked singularly, Hillsborough County ranks 41st while Hernando County ranks 274th.

Economic Strength - 2022 Four Component Counties 384 Metropolitan Areas

	<u>Rank</u>
MSA	63
Hernando	274
Pasco	160
Pinellas	144
Hillsborough	41

Economic Growth

Economies grow in size and in quality.

One measure of growing in size is employment growth. The graph compares Hernando’s percentage increase for jobs to the average of the ten strongest and ten weakest Metropolitan Area economies.

Note the volatile swings in employment growth.

Quality growth refers to what people earn as what people earn determines their “economic quality of life.”

One means to measure the growth in quality is to compare the Annual Earnings per Worker (Wages) as a percentage of the national average wage. By this measure, Hernando’s quality growth is similar to the ten weakest areas.

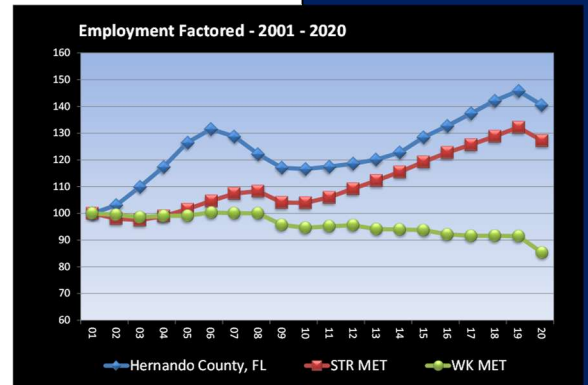
Growth data for several issues for Hernando County was calculated and ranked against the 384 Metropolitan Areas for three time periods.

Growth in Population, Employment, Total Worker Earnings, and Non-Farm Proprietors over all time periods has been very brisk.

However, the growth in Annual Earnings per Worker (Wages) has been extremely slow.

Growth Comparisons

To provide perspective and understanding regarding several economic issues for Hernando County, it is compared to the component counties of the Tampa MSA and St. Lucie County, FL. St. Lucie County was chosen for comparison as POLICOM determined the demographics and economic structure resembles Hernando County.



Hernando County, FL Growth Ranking 384 Metropolitan Areas	Last 5 Years 2015-2020	Last 10 Years 2011-2020	Previous 10 Years 2001-2010
Population	15	52	15
Employment	9	34	16
Earnings	34	71	80
Annual Wages	276	295	315
Number of NF Proprietors	3	27	85
Per Capita Personal Income	187	321	291
Per Capita Government Transfers	383	384	376

The chart below compares Hernando for the actual amount in 2020 to the comparison areas.

Actual Amount <u>384 Metropolitan Areas</u>	Hernando		Pasco		Pinellas		Hillsborough		St. Lucie	
	2020	Rank	2020	Rank	2020	Rank	2020	Rank	2020	Rank
Population	198,792	227	570,412	100	976,802	56	1,497,957	41	337,186	153
Annual Wages	41,929	383	44,022	379	57,648	211	65,052	89	44,661	377
Per Capita Personal Income	41,385	360	45,461	294	59,178	73	51,848	164	43,970	327
Per Capita Government Transfers	15,953	35	13,288	164	14,592	82	11,069	313	13,697	136
Per Capita Medicare	4,591	6	3,525	25	3,883	14	2,333	229	3,524	25
Per Capita Retire Trans	5,389	13	4,226	82	4,433	59	2,742	341	4,410	60
Per Capita Welfare - Actual	887	173	787	240	712	281	963	129	872	185
Per Capita Medicaid	1,103	336	999	352	1,301	292	1,059	343	1,168	325

Hernando County has a population greater than 107 Metropolitan Areas. It also has the 6th highest per capita Medicare and the 13th highest Retirement Transfers (Social Security).

Unfortunately, the Annual Earnings per Worker of \$41,929 is the second lowest among the Metropolitan Areas.

Wage/Skill Ladder

When a community increases the number of high-wage primary industry jobs, a “force” pulls up the bottom rung of the economic ladder, lifting individuals through a series of wage and skill steps, improving the standard of living for most people.

Each step higher on the Wage/Skill Ladder requires the worker to have greater skills to justify the higher wage.

The chart shows the percentage of the workforce of each of the comparison counties. In Hernando County there is an extremely large concentration of workers (90%) earning less than \$60,000 with only about 10% earning more. There is a wage ceiling in Hernando County being the \$60,000’s level.

% of Jobs on Wage/Skill Ladder	Hernando	Pasco	Pinellas	Hillsborough	St. Lucie
100,000's	0%	0.6%	7.5%	6.4%	1%
90,000's	1%	0.5%	1.6%	13.9%	0%
80,000's	0%	0.5%	5.9%	9.8%	0%
70,000's	0%	3.0%	20.8%	9.8%	7%
60,000's	9%	23.1%	18.8%	17.2%	6%
50,000's	20%	9.1%	1.2%	0%	13%
40,000's	21%	20.5%	2.2%	21.7%	15%
30,000's	31%	17.7%	25.2%	10.0%	37%
20,000's	9%	16.7%	10.6%	11.1%	17%
<20,000	9%	8.2%	6.3%	0%	0%

Pasco has significantly more people employed at the \$60,000’s step and several at the steps above. It has more opportunities for individuals to improve their standard of living. It appears the wage ceiling in Pasco is in the \$80,000’s.

There is no ceiling in either Pinellas or Hillsborough as each has populated all of the steps on the ladder. The upward pull has basically eliminated the bottom step of the ladder in Hillsborough.

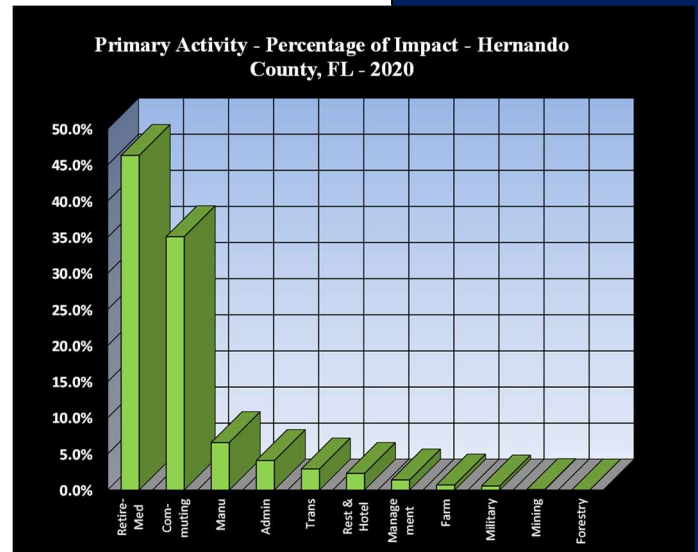
St. Lucie County is a good example of the upward pull. The county created a large number of jobs in the \$30,000's and \$40,000's. This pulled up people from the \$20,000's and emptied the < \$20,000 step on the ladder.

Primary Activities

POLICOM has developed formulas which identify the percentage of impact by primary industries or activities, those which cause an in-flow of money to the county.

The graph shows the estimate of the sources of money flowing into the county in 2020.

About 81% of all the imported money can be attributed to retired individuals and out-bound commuters.



Retirement Industry

The largest importer of money to the county is the “retirement industry.” This is the result of a large number of retirement age individuals who are living in Hernando County.

POLICOM estimates more than \$950 million of Social Security and Medicare transfers are imported to the county in excess of what is being extracted via taxation by those who work in the county.

The retirement industry has several characteristics.

- Retirement surpluses provide a consistent flow of money into an area. Social Security checks, Medicare payments, and private retirement accounts regularly come into the economy. Recessions rarely interrupt this flow. As a result, the local economy is somewhat protected from national downturns.
- There is very little economic growth caused by the retirement industry. If you are familiar with the term “fixed income retirement,” spending by retirees does not automatically increase each year. In fact, spending by the typical retirement household begins to decline as assets are consumed. Retirement causes economic growth when more retirees move to the area.
- While there is a consistent flow of money into the county as a result of retirement, the industry typically causes the formation of low-wage jobs.

% Over 65*	2020
USA	16.5%
Florida	20.9%
Hernando	27.5%
Pasco	22.6%
Pinellas	25.4%
Hillsborough	14.5%
St. Lucie	24.7%

*Bureau of the Census

Commuting – Worker Flow

The second largest source of money flowing into Hernando County are residents who commute outside the county for employment.

Approximately 39% of working Hernando County residents (more than 34,000 people) commute to another county for employment. The outbound commuters cause an inflow of money.

Approximately 18% of those who work in Hernando do not live in the county. These inbound commuters cause an outflow of money.

There is approximately \$1.3 billion of net inflow to the county by those who live in the county but work in another.

However, all of this money is not brought into Hernando County. POLICOM estimates approximately \$400,000,000 in taxable retail sales is spent by commuters outside Hernando County during the commuting travel time.

Construction – Housing

The new home construction industry is currently very active in Hernando. However, it is not primary in nature, as it depends on either existing money in the economy or imported money (people moving to the area) for its business.

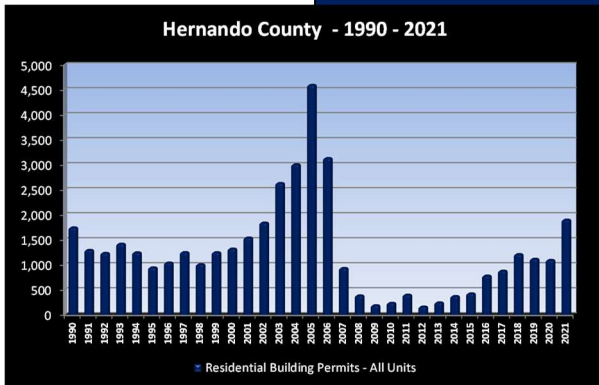
During the first part of this century (2003-2007), there was a residential construction boom driven by “funny money mortgages.”

The entire industry collapsed nationwide when hundreds of thousands of individuals could not make their mortgage payments.

The current real estate boom has been driven by low-interest mortgages enabled by the Federal Reserve Bank which has been subsidizing the real estate industry for the last two years by dumping \$50 billion a month of low interest money into the mortgage marketplace.

In April of 2022 the Federal Reserve discontinued the subsidy. Home mortgage interest climbed from an average of 2.9% in March to 5.1% in May. By March of 2023, the home mortgage interest rate will likely be 7%. This will cause a downturn in new home construction and likely a reduction in property values in Hernando County.

Outbound	Earnings	AEPW	County AEPW	% AEPW
34,084	1,745,201,000	51,203	41,929	122%
Inbound	Earnings	AEPW	County AEPW	% AEPW
11,508	411,323,000	35,743	41,929	85%
Net \$ Inflow	1,333,878,000			



Both Pasco County and St. Lucie County learned a very valuable lesson after the real estate crash ... not to be dependent on population growth and construction for its economic growth.

Since the real estate crash in 2008, both counties have spent millions of dollars to create an economic development infrastructure including acquiring and developing thousands of acres of industrial real estate.

Residential Building Permits	Peak Year Permits	Bottom Permits	% of Decline	Year	
				Normal Absorption Returned	Years for Normal to Return
Hernando	4,600	168	-2738%	2018	10
Pasco	8,108	960	-845%	2017	9
Pinellas	4,405	355	-1241%	2013	5
Hillsborough	15,827	3,745	-423%	2014	6
St. Lucie	9,037	264	-3423%	2017	9

This study is being created to provide guidelines or a path for Hernando County to follow to increase the size and improve the quality of the economy.

First Baseline Projections are created to serve as the foundation upon which the future economy will be built. The projections determine the condition of the economy if little or no effort is made to add new, high-wage primary jobs to the economy.

Next, POLICOM created three goal scenarios based upon the formation of new primary jobs. The scenarios are a Minimum Effort, a Good Effort, and a Strong Effort. For each scenario, employment and wage milestones are created.

Minimum Effort: The addition of primary jobs at a rate similar to the last five years however increasing the wage level of the new jobs. The county presently has a modest economic development program. With some enhancements the Minimum Effort can be achieved.

Good Effort: The addition of primary jobs at a rate which will improve the overall economy of Hernando County. The economic development program needs to be expanded.

Strong Effort: The addition of primary jobs at the annual rate which will significantly improve the quality of the economy, create a more diverse economy, and prevent

economic downturns. This will require a significant expansion of the economic development program.

The “efforts” are based upon how aggressive the community is in constructing an economic development infrastructure.

For each year from 2022 through 2036, POLICOM added new primary jobs from a mixture of the follow sectors:

- Manufacturing
- Wholesale Trade
- Information Technology
- Finance and Insurance
- Professional and Technical Services
- Management of Companies
- Administrative Services

After adding the primary jobs to the economy, a proportionate number of “spin-off” jobs are created.

Spin-off jobs form in almost every consumptive industrial sector such as retailing, other services, construction, and finance. The spin-off jobs are the result of what is known as the “ripple or multiplier effect.”

Each scenario has a different influence on the economy.

The chart compares the average annual growth rate for all scenarios to the History and the Projections.

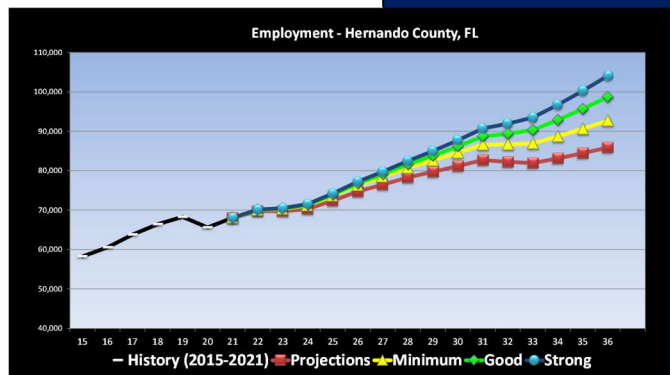
If the Strong Effort is achieved, there will be about 18,000 more jobs and \$1.7 billion of worker earnings in the county in 2036 than in 2021. The area average wage will increase by 65%.

If the milestones are achieved for any of the scenarios, the overall economy will improve.

The graph provides visually the impact of the three goal scenarios on employment.

	Minimum		Good		Strong	
	Jobs	Wage	Jobs	Wage	Jobs	Wage
2022	125	53,918	135	53,837	140	54,377
2023	137	54,935	147	54,892	152	55,687
2024	149	55,936	165	56,855	176	57,722
2025	161	56,928	195	58,107	212	59,565
2021	173	57,916	225	59,854	248	62,541
2027	185	58,903	261	61,615	290	64,968
2028	197	59,893	297	62,751	338	66,794
2029	209	60,886	339	64,497	404	68,671
2030	221	61,885	387	66,260	476	71,872
2031	233	62,891	435	68,025	548	73,773
2032	245	63,906	486	69,166	620	75,682
2033	257	64,930	537	70,302	698	76,911
2034	269	65,965	588	71,439	758	78,841
2035	281	67,011	639	72,582	824	80,081
2036	293	68,069	690	73,732	890	81,331
Total	3,135		5,526		6,774	
Avg	209	60,931	368	64,261	452	68,588

EMPLOYMENT	2021	2026	2031	2036
Projections	68,061	74,712	82,695	85,880
Minimum	68,061	76,334	86,592	92,706
Good	68,061	76,725	88,700	98,712
Strong	68,061	77,204	90,708	104,072
EARNINGS (000)	2021	2026	2031	2036
Projections	2,827,915	3,432,820	4,299,063	4,922,772
Minimum	2,827,915	3,596,106	4,636,659	5,519,223
Good	2,827,915	3,655,144	4,827,077	6,027,728
Strong	2,827,915	3,722,795	5,067,498	6,671,698
WAGES	2021	2026	2031	2036
Projections	41,550	45,947	51,987	57,321
Minimum	41,550	47,110	53,546	59,535
Good	41,550	47,640	54,420	61,064
Strong	41,550	48,220	55,866	64,107



Possible Major Barriers

The purpose of this study is to provide annual statistical economic development goals for the community to achieve to improve the quality and increase the size of the Hernando County economy.

This study is not an Economic Development Strategic Plan, which examines the economic development infrastructure of an area, identifies barriers which can prevent economic growth, and creates tasks for the community to develop an economic development infrastructure.

POLICOM has identified two possible barriers to economic growth which the community needs to address as soon as possible. If it does not, it is likely even the Minimum Scenario will not be achieved.

Workforce Training

The second most important issue relative to quality economic growth is the availability of a trained or trainable workforce. A company cannot expand in or locate to an area if there is not a supply of “skilled people to do the work.”

Communities which provide customized training for these individuals are able to provide the necessary workforce to the employers, thus improving the economy and improving the standard of living for the residents.

All areas need to have a program to meet the current and future workforce needs especially for the high-wage, primary employers. Otherwise, they will seek a location which does.

It appears Hernando County has taken a large step forward toward this goal.

Presently under construction at the Brooksville Tampa Bay Regional Airport is a Technical Education Center or Citizens Success Center.

Industrial Real Estate

The community might not have today or is planning in the future sufficient improved, approved industrial real estate to have a successful economic development program.

Economic development is ultimately a real estate transaction. In order for an existing company to expand, a new employer to move to the area, or a start-up business to grow, each needs a place to do it.

Many communities in the United States fully understand this issue. This is why hundreds of counties and cities have invested in providing sites for primary employers.



Virtually every county in Alabama, Mississippi, Georgia, South Carolina, North Carolina, and Tennessee have developed “community owned” industrial parks. The property is reserved for primary employers and is not available for consumptive businesses.

The land is looked upon by the community as a long-term investment in their economic future. It might take ten to twenty years for the land to be fully absorbed. However, many communities are on their 2nd, 3rd, or even their fourth industrial park as parks fill.

While not doing a complete industrial land evaluation, POLICOM has determined that the current supply of improved existing industrial land along with what is contemplated in the county’s 2040 Future Land Use Map might not be sufficient to cause all the economic growth hoped for.

The chart shows the land which will likely be needed for each growth scenario. Separate calculations are made for “tech” users and “industrial” users.

More than 2,000 gross acres will be absorbed if the Strong Effort is achieved. However, the county will have to also plan for the land needed by the consumptive industrial users (remember, the economy is expanding) and for the future, after 2036.

Land Use Absorption			
2021-2036	Net Usable Acres		
	Total	Tech	Industrial
Minimum	756	152	604
Good	1,119	263	855
Strong	1,473	315	1,158
Gross Acres			
2021-2036	Total	Tech	Industrial
Minimum	1,128	226	902
Good	1,670	393	1,277
Strong	2,199	470	1,729

Economic Development Goal Setting Study Hernando County, Florida

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Introduction

Hernando County, Florida has experienced rapid employment growth over the last several years as a result of population growth.

It is a “greenfield” component county of the Tampa - St. Petersburg, Clearwater, FL Metropolitan Statistical Area which also includes Pasco, Pinellas, and Hillsborough Counties. It serves as a less expensive housing alternative for people who work in all three counties causing a large number of individuals to move to the county for that reason.

Additionally, it has been a destination for retirement age individuals, which is commonplace for most Florida counties.

This scenario is normal for counties which are in close proximity to economically growing core counties, in this case Hillsborough and Pinellas. The county has been economically dependent on population growth for at least the last 20-30 years.

The problem is bedroom communities dependent on population growth cannot survive economically over the long-term. After the initial gush of money caused by people moving to an area, the benefit quickly dissipates as the long-term costs of “servicing people” becomes unaffordable.

A county must begin to add other industries to the area to diversify its economic structure to lessen its dependence on population growth.

This Economic Development Goal Setting Study examines the structure of the Hernando County economy and identifies its weaknesses.

While the study is centered on the entire county as almost all quality data is collected on a county basis, the City of Brooksville is an important partner in the effort.

Local economies do not respect political boundaries, such as city or county lines. As you will see when we discuss commuting, the flow of money and people stretch from Citrus to Pinellas Counties.

However, since Brooksville is the seat of government and is in essence the cultural center of the county, it will not only help in the effort to build the economy but also be one of the largest beneficiaries of success.

To determine the goal, economic projections for the county are created through 2036 and are based upon the county doing nothing to influence what will happen in the future.

POLICOM then creates three economic “scenarios” for the community to consider, all of which will help the county become more diversified. If the Strong Effort is achieved, by 2036 Hernando County will become a dynamic growing economy in which the standard of living for the residents will be significantly improved.

How a local economy works

A local economy is a geographic area where a vast majority of the people lives and works, earns and spends. The geographic boundary of a local economy is mainly determined by the commuting patterns of the people in the area. The location and number of “jobs” within an area determines how big geographically the economy will be.

A local economy will grow in size based upon the amount of money being imported to the area. After money enters a local economy, it is mixed and churned, being circulated among the businesses and the people. Money or wealth eventually leaves a local economy as it is “consumed.”

Wealth enters a local economy principally by way of the business activity of the “primary industries.” A primary industry or business sells its goods or services outside the area, thus importing money to the area.

However, there may be several other sources of money entering an economy such as Social Security, Medicare, and welfare benefits, and the money earned by outbound commuting workers.

The quality of an economy refers to the amount of money individuals in an area earn each year. The greater the personal earnings, the greater the disposable income and the economic “quality of life” for the individual.

In order to increase the size and improve the quality of a local economy, a community needs to create more primary industry jobs which pay a wage higher than the area average wage.

By doing this, more money will flow into the economy and the quality of the economy will improve over time. Not only will the wages for the workers enter the local area, so will all the spending and taxes paid by the companies themselves.

As a result, all businesses will grow, more taxes will flow to local government enabling more and better services, schools will improve, and socio-economic problems will begin to fade.

When a community increases the number of high-wage primary industry jobs, a “force” pulls up the bottom rung of the economic ladder, lifting individuals through a series of wage and skill steps, improving the standard of living for most people.

This “force” causes part-time low paying retail and service jobs to fold into full-time jobs at higher wage levels and with fringe benefits.

The quality of the economy will continue to rise if the new primary jobs created in the area pay a wage higher than the local average.



However, the quality will regress, decline, or dilute if new primary jobs created pay less than the area average.¹

The opposite will also occur if the area loses or declines in the number of primary jobs in the area. Less money will flow into the economy, causing a decline in its size, thus fewer jobs and less economic activity.

The issue of creating high-wage jobs is very important, especially as it relates to the Hernando County economy.

An individual is typically compensated in direct proportion to “value of service.” Positions which require a high level of skills provide a higher wage, as they are more valuable. Low-skilled jobs thus pay less.

The graphic shows a “Wage/Skill Ladder.” The higher the wage, the greater the skills necessary for the worker.

Suppose a primary employer moves to the area and plans to employ 200 individuals with an average annual wage of \$60,000.

The employer will first hire individuals from the \$50,000 step on the ladder. Why? The wage paid by the employer will be a “raise in pay” for the workers (inducement) and, more importantly, workers at the \$50,000 level have demonstrated they have the skills for a \$50,000 position and, with training, will be able to function at the new company.

Upon 200 individuals moving up the ladder from \$50,000 to \$60,000, a void or vacuum is created at the \$50,000 level.

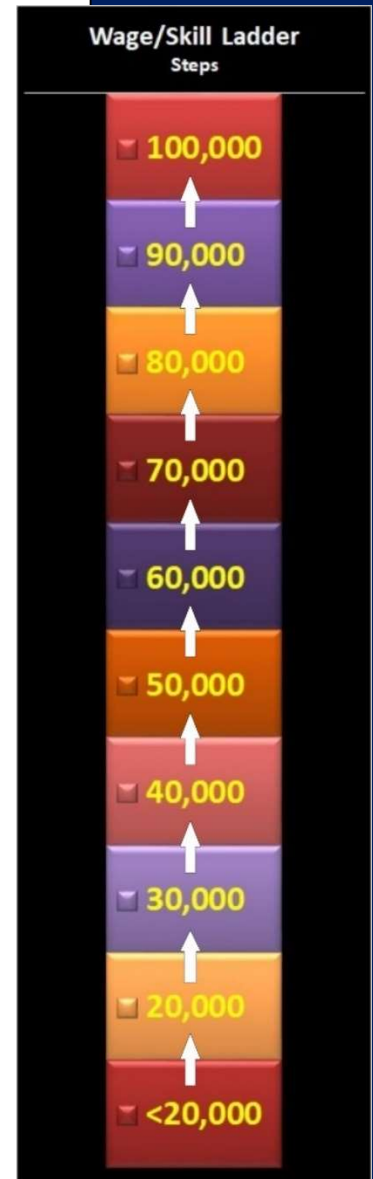
The employers at the \$50,000 step need to fill 200 positions, from which they will draw from the \$40,000 step, as workers at the \$40,000 level demonstrated they have the skills for a \$40,000 position and, with training, will be able to function at the \$50,000 level.

Another vacuum forms at the \$40,000 step, causing employers at this level to draw 200 people from the \$30,000 wage step as, with training, will be able to function at the \$40,000 level.

The process of pulling individuals up the wage/skill ladder continues until the bottom step pulls 200 people into the workforce.

One high-wage company employing 200 workers, over time, caused 1,200 people to improve their standard of living by moving up the wage/skill ladder.

Now, in real life, the preceding example does not occur as smoothly as described. The new employer might bring some of its workforce from another location, out of area



¹ For a more detailed explanation on how a local economy works, please review “The Flow of Money” which is a 28-page booklet published by POLICOM. It is available in PDF format at www.policom.com.

people (commuters) might take some of the jobs, and under-employed individuals in the lower steps could make a multi-step jump upward. So, the actual number of people benefiting will likely be fewer.

But the economic principle of upward motion is as certain as gravity. By creating high skilled, high-wage jobs the overall economic quality of life for a large number of people will improve.

Hernando County Economy

In order to create a reasonable, achievable economic goal for the county, which will improve the economic quality of life and standard of living for the people who live and work in the area, the existing economic condition needs to be thoroughly examined.

The following issues are examined:

- Economic Strength
- Growth Comparisons
- Wage/Skill Workforce Composition
- Primary Industries
- Retirement, Commuting Workers, and Construction

Economic Strength

Hernando County, along with Hillsborough, Pasco, and Pinellas Counties, comprise the Tampa - St. Petersburg, Clearwater, FL Metropolitan Statistical Area (MSA). The Office of Management and Budget (OMB) defines the MSA’s in the United States principally based upon commuting patterns. There are 384 MSA’s in the United States.

Annually, POLICOM ranks the MSA’s for economic strength. Twenty-four economic issues are examined over a twenty-year period to create the economic strength rankings.

The chart shows the ten strongest and ten weakest Metropolitan Areas for 2022. In 2022 the Tampa - St. Petersburg - Clearwater MSA was ranked 63rd. ²

As a result of the residential construction “bust” which began in 2008, the MSA fell in the rankings as the residential construction industry was decimated. The MSA has gradually recovered.

The formulas used to create the economic strength rankings depend on measuring a “contained” economy, one in which a preponderance of the residents live and work, earn and spend.

384 Metropolitan Areas	
2022	Ten Strongest Metropolitan Areas
1	Seattle-Tacoma-Bellevue, WA
2	Austin-Round Rock-Georgetown, TX
3	Salt Lake City, UT
4	Nashville, TN
5	San Jose-Sunnyvale-Santa Clara, CA
6	Portland-Vancouver-Hillsboro, OR-WA
7	Huntsville, AL
8	Sioux Falls, SD
9	Dallas-Fort Worth-Arlington, TX
10	Madison, WI
2022	Ten Weakest Metropolitan Areas
375	Williamsport, PA
376	Gadsden, AL
377	Farmington, NM
378	Weirton-Steubenville, WV-OH
379	Wichita Falls, TX
380	Johnstown, PA
381	Pine Bluff, AR
382	Danville, IL
383	Rocky Mount, NC
384	Beckley, WV

Economic Strength Rankings Tampa-St. Petersburg- Clearwater, FL (MSA) 384 Metropolitan Areas	
2022	63
2021	54
2020	90
2019	90
2018	93
2017	112
2016	115
2015	132
2014	116
2013	127
2012	95
2011	57
2010	85
2009	50
2008	29
2007	43
2006	47
2005	44
2004	32

² REIS data from 2001 – 2020 used for 2022 rankings. For the methodology for determining economic strength and the rankings for all metropolitan areas go to www.policom.com.

The OMB has determined that the worker-resident flow among the four counties creates a contained economy.

While not statistically valid (not contained economies), POLICOM ranked each of the four component counties of the MSA for economic strength.

Collectively, the four counties are the 63rd strongest area among the 384 MSAs. Separately, Hernando is the weakest county among the four.

MSA	Rank
MSA	63
Hernando	274
Pasco	160
Pinellas	144
Hillsborough	41

Growth Comparisons

To provide perspective and understanding regarding several economic issues for Hernando County, it is compared to several areas.

First, its data is compared to the 384 Metropolitan Statistical Areas (MSA) in the United States. The county is not an MSA, but it has a population greater than 157 MSA's. Most of the comparisons are appropriate.

Additionally, comparisons are made to the three other component counties of the Tampa MSA and St. Lucie County, FL. St. Lucie County was chosen for comparison as POLICOM determined the demographics and economic structure resembles Hernando County.

To provide a direct comparison for the economic growth of Hernando County and to identify trends, the average annual percentage increase for several categories for Hernando County was ranked against the 384 metropolitan areas.

The chart provides the rankings for three time periods.

Hernando County, FL Growth Ranking 384 Metropolitan Areas	Last 5 Years 2015-2020	Last 10 Years 2011-2020	Previous 10 Years 2001-2010
Population	15	52	15
Employment	9	34	16
Earnings	34	71	80
Annual Wages	276	295	315
Number of NF Proprietors	3	27	85
Per Capita Personal Income	187	321	291
Per Capita Government Transfers	383	384	376

Compared to the 384 metropolitan areas, Hernando County has had brisk growth in Population, Employment, Earnings, and Non-Farm Proprietors³ for the last ten years. However, Annual Wage growth has been extremely slow.

The following chart ranks the “actual amount” for Hernando County against the metropolitan areas.

The county has a population greater than 157 metropolitan areas.

Hernando County, FL Actual Amount 384 Metropolitan Areas	2020	Rank	2010	Rank
Population	198,792	227	172,978	234
Annual Wages	41,929	383	33,458	380
Per Capita Personal Income	41,385	360	30,755	335
Per Capita Government Transfers	15,953	35	10,729	6
Per Capita Medicare	4,591	6	3,327	5
Per Capita Retire Trans	5,389	13	4,201	5
Per Capita Welfare - Actual	887	173	737	236
Per Capita Medicaid	1,103	336	763	336

³ In Hernando County, a large percentage of non-farm proprietors are those who work in the construction trades and real estate agents.

Unfortunately, the county Annual Wage is one of the lowest in the nation and has been for a very long time. Additionally, Per Capita Retirement Transfers (Social Security) and Medicare are some of the highest in the nation.

Actual Amount 384 Metropolitan Areas	Hernando		Pasco		Pinellas		Hillsborough		St. Lucie	
	2020	Rank	2020	Rank	2020	Rank	2020	Rank	2020	Rank
Population	198,792	227	570,412	100	976,802	56	1,497,957	41	337,186	153
Annual Wages	41,929	383	44,022	379	57,648	211	65,052	89	44,661	377
Per Capita Personal Income	41,385	360	45,461	294	59,178	73	51,848	164	43,970	327
Per Capita Government Transfers	15,953	35	13,288	164	14,592	82	11,069	313	13,697	136
Per Capita Medicare	4,591	6	3,525	25	3,883	14	2,333	229	3,524	25
Per Capita Retire Trans	5,389	13	4,226	82	4,433	59	2,742	341	4,410	60
Per Capita Welfare - Actual	887	173	787	240	712	281	963	129	872	185
Per Capita Medicaid	1,103	336	999	352	1,301	292	1,059	343	1,168	325

The chart above provides the 2020 actual amount for the comparison counties. Note that Hillsborough County has a very low per capita Medicare and Retirement Transfers and its Annual Wages are relatively high.

Growth in Size and Quality

Local economies grow in both size and quality.

The size of an economy is based on the volume of money circulating within the area and how it influences the residents.

The quality of the economy is based upon what people earn as personal earnings determine the economic quality of life for an individual.

The graphs visually compare the growth of Hernando County to the average of the ten strongest and ten weakest metropolitan areas in the United States.

The data has been factored to enable direct visual comparison on the graph. Earnings and wages have been adjusted for inflation to the value of the 2020 dollar. ⁴

⁴ To visually compare the growth of the economy, much of the data is “factored.” This simply means the data for all the areas is statistically brought to a common denominator for direct visual comparison. All areas can be compared visually, apples to apples, on the same graph.

Size of the Economy

Two means to measure the growth in size are Total Worker Earnings and Employment.

The first graph visually shows Hernando County's the growth percentage in worker earnings each year from 2001 through 2020 and compares it to the average of the ten strongest and ten weakest Metropolitan Area economies.

Leading up to and during the construction boom of the 2000's, the growth of total worker earnings exceeded that of the ten strongest economies by a wide margin.

However, it rapidly declined during the construction "bust." Not until 2014 did worker earnings begin to grow again, this time at the same rate as the ten strongest areas.

As with worker earnings, during the residential construction boom, Hernando County had robust employment growth, far exceeding that of the ten strongest areas.

Upon the bust in residential construction, the county lost a large number of jobs which was followed by modest growth until 2014, when it recovered.

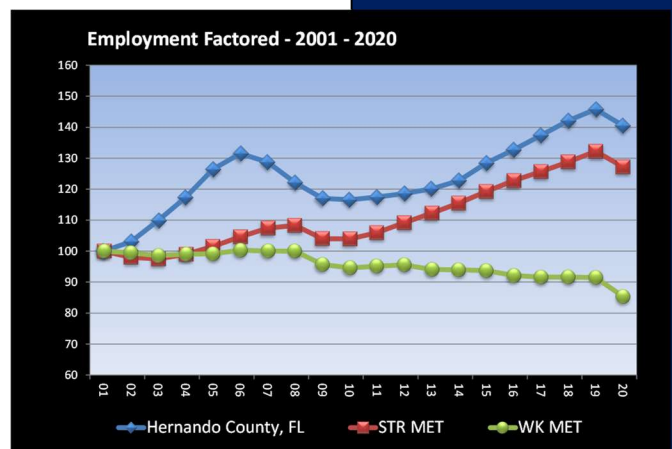
After "surplus" housing was absorbed by the marketplace and the national economy recovered, job growth in Hernando County accelerated at a rate faster than the ten strongest areas.⁵

By these two measures, the size of the Hernando County economy has increased significantly since the basis year of 2001.

Note the ten strongest areas only had one or two years of earnings or employment decline, as these areas did not construct an excessive number of new homes during the boom or had other industries in the area to prevent a significant economic downturn.

The ten weakest areas have had earnings and employment decline for a very long time. By this measure, the ten weakest areas have declined in size since 2001.

The decline in 2020 employment is the result of the Covid lockdown in which most areas lost jobs. POLICOM estimates that in 2021 Hernando County recaptured about 85% of the jobs lost as a result of Covid.



⁵ The employment decline in 2020 was caused by Covid shutdowns, most of the jobs have since been recovered.

Quality of the Economy

While the county grew rapidly in size, it did not do so well in growing in quality.

One way to measure the growth in the quality of the economy is to examine the relative improvement in Annual Earnings per Worker (Wages). The Bureau of Economic Analysis (BEA) simply divides Total Worker Earnings by Total Number of Jobs to determine the amount.

The graph identifies the percentage growth rate of Inflation Adjusted Wages since 2001.

The strongest areas improved even during the real estate bust and subsequent national recession.

Hernando County, improved, then declined significantly, then began to improve again.⁶

However, the weakest areas improved the quality of their economies better than Hernando County by this measure. Additionally, since 2001, Wages are only 15% higher in 2020.

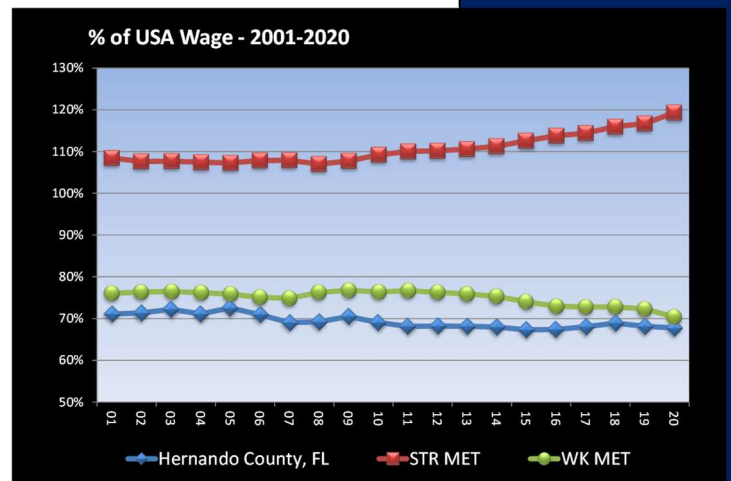
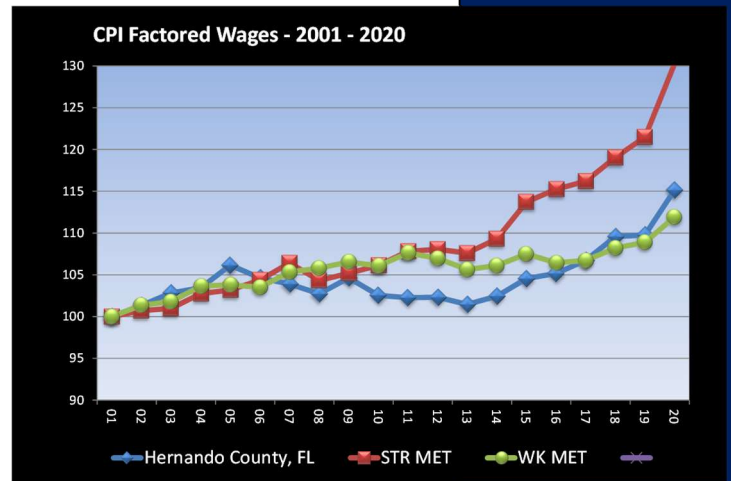
Another means to measure the growth in quality is to compare the percentage Wages are of the national average wage.

As an example, if the national average is \$57,897 and the area is \$49,528, then the area is 86% of the national average.

Because of cost of living varies throughout the nation, it is not necessary for an area to have an average wage at or above the national average.

However, if it is consistently much lower than the nation or if it is declining as a percentage, there is a weakening in the quality of the economy.

By this measure, Hernando's "quality" is comparable to the Ten Weakest areas in the nation. While job growth has been brisk, what people earn relative to the nation has been declining.



⁶ The upward spike in CPI Factored Wages in 2020 was caused by a mathematical anomaly created by Covid year data. It should be ignored, as there will be a downward spike in 2021.

Population/Employment

As previously noted, Hernando County grew in population and employment at a rapid rate.

This raises the question: Do areas increase in population because of job growth or do they create jobs to service population growth?

Which came first, chicken or egg?

History has taught us strong areas have job growth, which drives population growth. As a result of an expanding economy, individuals move to an area for employment and the existing population remains in the area and multiplies (children).

However, areas also grow in population for other reasons.

The most frequent reason is the area is a desirable place to live.

A desirable place draws individuals who typically do not rely on employment and desire what a community has to offer, which might be lower costs, favorable weather, political climate, and/or recreation.

Retirement age people have been moving to Florida for these reasons for the last fifty years.

Immigration is another reason some communities have grown in population at a rapid rate, but most of these are located close to the Mexican border.

An “area” can be a multi-county” metropolitan area (Hernando) or a single, self-contained county.

There two groups moving to the Hernando County: commuters and retirement age individuals. To understand the impact of population growth, we need to study the Primary Industries for Hernando County.

Wage/Skill Workforce Composition

Climbing up the Wage/Skill Ladder by workers is the benefit of creating high-wage employment opportunities. In order to do so, there needs to be a ladder to climb.

In many low-wage economies which have not made an effort to create higher skilled jobs, the ceiling, or highest step can be relatively low.

The chart shows the percentage of employment clustered in each step of the Wage/Skill Ladder for Hernando County and the comparison counties. It provides a clear picture of the economic dynamics occurring in each county.

The estimate is based upon the annual earning per worker (AEPW) paid in twenty-four industrial sectors, including government.

As an example, in Hernando County AEPW in Retail Trade is \$33,229 and comprises 14% of the workforce.

This does not mean everyone in Retail Trade earns about \$33,000, as some will earn much more, some much less. But a preponderance earns in the \$30,000's.

And so, the workers in Retail Trade are placed on \$30,000's step on the ladder. This process is repeated for each sector.⁷

In Hernando County there is an extremely large concentration of workers (90%) earning less than \$60,000 with only about 10% earning more. There is a wage ceiling in Hernando County being the \$60,000's level.

This poses a problem for companies looking for high-wage, high-skill employees who need to have the skills to work at the \$80,000 step. The "cupboard is bare" on the steps just below this level.

Pasco has significantly more people employed at the \$60,000's step and several at the steps above. It has more opportunities for individuals to improve their standard of living. It appears the wage ceiling in Pasco is in the \$80,000's.

There is no ceiling in either Pinellas or Hillsborough as each has populated all of the steps on the ladder. The upward pull has basically eliminated the bottom step of the ladder in Hillsborough.

Even though Pinellas has a large number of high-wage jobs, there are still 6% of the workforce working for less than \$20,000. This is because Pinellas has a high percentage of the population over the age of 65 (discussed later) and has more tourism jobs than Hillsborough. The retirement industry forms low-wage jobs and jobs created in the tourism industry are the lowest paying of any sector.

St. Lucie County is a good example of the upward pull. The county created a large number of jobs in the \$30,000's and \$40,000's. This pulled up people from the \$20,000's and emptied the < \$20,000 step on the ladder.

Hernando needs to focus on creating jobs in the \$60,000's and \$70,000's steps to raise its Wage/Skill ceiling.

% of Jobs on Wage/Skill Ladder	Hernando	Pasco	Pinellas	Hillsborough	St. Lucie
100,000's	0%	0.6%	7.5%	6.4%	1%
90,000's	1%	0.5%	1.6%	13.9%	0%
80,000's	0%	0.5%	5.9%	9.8%	0%
70,000's	0%	3.0%	20.8%	9.8%	7%
60,000's	9%	23.1%	18.8%	17.2%	6%
50,000's	20%	9.1%	1.2%	0%	13%
40,000's	21%	20.5%	2.2%	21.7%	15%
30,000's	31%	17.7%	25.2%	10.0%	37%
20,000's	9%	16.7%	10.6%	11.1%	17%
<20,000	9%	8.2%	6.3%	0%	0%

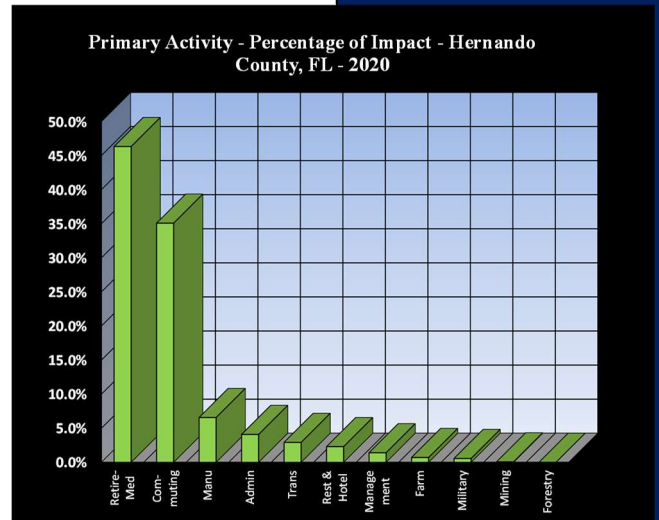
⁷ The steps are in \$000's. As an example, the \$30,000's step includes workers earning between \$30,000 and \$39,999.

Primary Activities

POLICOM has developed formulas which identify the percentage of impact by primary industries or activities, those which cause an inflow of money to the county.

The graph shows the estimate of the sources of money flowing into the county in 2020. About 81% of all the imported money can be attributed to retired individuals and out-bound commuters.

Manufacturing is the strongest traditional primary industry accounting for about 7% of the inflow of money to the county.



Retirement Industry

The largest importer of money to the county is the “retirement industry.” This is the result of a large number of retirement age individuals moving to Hernando County. In their eyes, it is a desirable place to live.

Retirement is more an “activity” as opposed to an “industry,” which involves labor. The county has a large net gain in government transfers for retirement benefits. The gain is the difference between the money sent to the Federal government by employers for the payroll tax for Social Security and Medicare versus the amount of money sent to the area in benefits.

The area has a net gain because the percentage of retirement age individuals living in Hernando County is much higher than the national or state of Florida average.

The Bureau of Census estimates in 2020 that 27.5% of the population is over the age of 65. Nationally it is 16.5% and the Florida average is 20.9%.

As a result, government transfers for retirement age individuals in Hernando County are much higher than normal.

Hernando County has the 6th highest per capita Medicare and 16th highest per capita Retirement Transfers (Social Security) among the 384 Metropolitan Areas.

POLICOM estimates more than \$950 million of Social Security and Medicare transfers are imported to the county in excess of what is being extracted via taxation by those who work in the county.

The retirement industry has several characteristics.

- Retirement surpluses provide a consistent flow of money into an area. Social Security checks, Medicare payments, and private retirement accounts regularly

% Over 65*	2020
USA	16.5%
Florida	20.9%
Hernando	27.5%
Pasco	22.6%
Pinellas	25.4%
Hillsborough	14.5%
St. Lucie	24.7%

*Bureau of the Census

come into the economy. Recessions rarely interrupt this flow. As a result, the local economy is somewhat protected from national downturns.

- There is very little economic growth caused by the retirement industry. If you are familiar with the term “fixed income retirement,” spending by retirees does not automatically increase each year. In fact, spending by the typical retirement household begins to decline as assets are consumed. Retirement causes economic growth when more retirees move to the area.
- While there is a consistent flow of money into the county as a result of retirement, the industry typically causes the formation of low-wage jobs.

Retirement spending usually occurs in four sectors, Food Services (restaurants – retirees eat out more often than other age groups), Retail Trade, Healthcare, and Other Services. Only the Health Care sector pays a wage higher than the area average.

It is a characteristic of retirement-based economies to be “low-wage” economies as the jobs created are in the lowest paying sectors. However, if the area also has a large number of high-wage primary industries, the impact of retirement jobs is diluted.

Note that Pinellas County also has a very high percentage of retirement age individuals, yet its annual earnings per worker (AEPW) is relatively high. In Pinellas, the retirement population co-exists with high-wage manufacturing, finance, insurance, and corporate headquarters.

Overall, the presence of a large number of retired individuals is beneficial to Hernando County as there is a constant stream of money entering the economy.

Commuting – Worker Flow

The second largest source of money flowing into Hernando County are residents who commute outside the county for employment. This is a result of a large number of individuals moving to Hernando County as it is a desirable place to live, mainly because of lower housing costs. Other commuters are existing residents, including high-school graduates, who have secured employment outside the county, as compensation is higher in other areas.

Many times, individuals who work in one county might move to another county as housing and other costs are less, then commute back to the county in which they work. This occurs in most multi-county metropolitan areas and the process is normal.

“Greenfield” counties which border economically growing core counties typically become a source of a lower-cost-of- living.

Cost of Housing*	Median	Hernando % Less	Mean	Hernando % Less
2021 Annual				
Hernando	255,000		278,320	
Pasco	308,000	-17%	338,170	-18%
Pinellas	360,000	-29%	478,848	-42%
Hillsborough	345,000	-26%	424,348	-34%
* Florida Board of Realtors				
Median - Half above, have below				
Mean - Average				

The lower cost basis is caused by less expensive, undeveloped real estate resulting in lower housing costs.

The cost of housing is typically the most important issue driving relocation within a region.

A young couple working in Tampa and living in a two-bedroom apartment, expecting their second child, decides it is time to buy a house.

They have saved a down payment and as they survey what they can afford in the Tampa area, discover they can purchase a much bigger home for the same money in Pasco or Hernando. They choose to endure the long commute in trade for a better home.

This scenario has repeated itself thousands of times and has been one of the principal sources of population growth for both Pasco and Hernando Counties.

However, the cost of housing is the only significant cost savings of moving from one

April - 2020	GE Profile 23.1 CF Refrigerator - Home Depot	Boar's Head Roasted Turkey Breast - Publix	Gallon of Gas	Residential Electric - per KWH	Automobile MSRP	Life Insurance	Medicare
Spring Hill	2,968	12.99	4.10	12.55	Same	Same	Same
Port Richey	2,968	12.99	4.09	12.55	Same	Same	Same
St. Petersburg	2,968	12.99	4.10	13.48	Same	Same	Same
Tampa	2,968	12.99	4.14	11.63	Same	Same	Same

county to another. Most other “costs of living” are about the same in all four counties.

Most consumer items and professional services cost about the same as the other counties in the metro area.

Commuting workers play a very important role in the economy of Hernando County.

After relocating, the new commuter resident to Hernando County begins to spend in Hernando, thus causing the formation of service and retail jobs in the county.

The Bureau of the Census measures county-to-county worker flow, commuting among counties. Known as “journey-to-work” data, the base data is gleaned from the biennial census and updated every five years via survey.

Journey-to-work data determined by the 2020 census has yet to be published.

The Bureau of Economic Analysis calculates, fairly accurately, the Earnings by Place of Work (those who work in a county) and the Earnings by Place of Residence (those who live in the county and work somewhere).

The difference between what is earned locally by county residents and what is earned by commuting can be calculated using Census Bureau percentages.

This data is created by examining employer payroll reports and personal income tax filings and is included in the REIS data set for 2020. The specific county where an outbound person works cannot be determined by this data set.

There are two questions asked when examining commuting:

1. Of those who work in Hernando County, where do they live?

It is typical for 75% - 85% of the individuals who work in an area to also live in the area. If less than 75%, then the area is somewhat dependent upon other areas to provide its local workforce. If less than 60%, then the area is significantly dependent upon other areas for its workforce.

Approximately 82% of the people who work in Hernando County live in the county, which is fairly normal.

About 13% of the workforce comes from Pasco and Citrus Counties, both bordering Hernando. These individuals are known as “inbound” commuters.

2. Of those who live in Hernando County, where do they work?

In strong economies, about 80% of the people who live there work there.

In greenfield counties like Hernando and Pasco, a very large percentage of local residents work in another county.

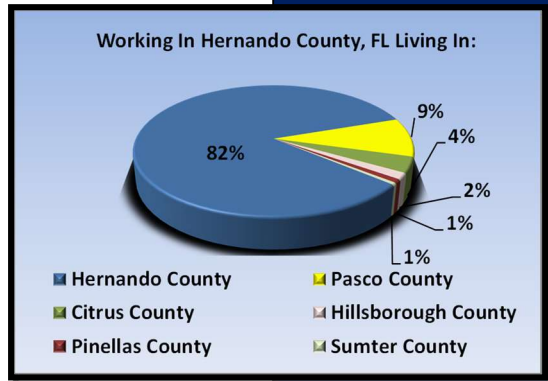
About 39% of the people (39,084) who live in Hernando commute to another county for employment.

Virtually all of the commuting is to the three counties to the south.

Working In Hernando County, FL Living In:

	%	Jobs
Hernando County	82%	54,109
Pasco County	9%	6,190
Citrus County	4%	2,487
Hillsborough County	2%	1,000
Pinellas County	1%	548
Sumter County	1%	331

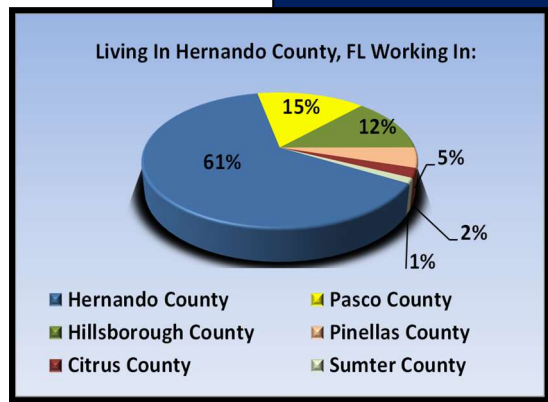
Census Bureau, Bureau of Economic Analysis



Living In Hernando County, FL Working In:

	%	Jobs
Hernando County	61%	54,109
Pasco County	15%	12,922
Hillsborough County	12%	10,995
Pinellas County	5%	4,112
Citrus County	2%	1,935
Sumter County	1%	1,082

Census Bureau, Bureau of Economic Analysis



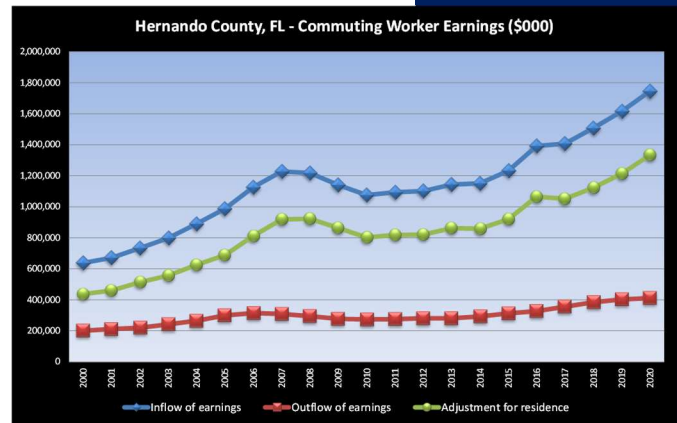
Flow of Money – Commuting Workers

Commuting workers create a dynamic flow of money among counties.

Outbound commuters create an “inflow” of money (their earnings) to their resident county.

Inbound commuters who work in Hernando create an outflow of money.

The graph shows the estimated amount of inflow and outflow from 2000 through 2020.⁸



The BEA estimates that in 2020 approximately \$1,745,201,000 (inflow) was earned by Hernando residents who commuted outside the county for work.

The BEA estimates about \$411,323,000 (outflow) was earned by workers in Hernando County who commute from another area.

Therefore, in 2020 there was a net inflow of earnings of about \$1,333,878,000.

POLICOM estimates the Annual Earnings per Worker (AEPW) for outbound commuters to be \$51,203 or 122% of the area.

Typically, individuals tolerate commuting if they can earn more money in another area than in their home county. This is the case for Hernando commuters. However, what Hernando commuters is not much more than the county average.

Pasco County has more than 130,000 outbound commuters traveling mostly to Hillsborough and Pinellas Counties.

They earn an average of \$66,527 ... 151% of the Pasco AEPW.

Most outbound commuters in Pinellas and Hillsborough simply travel across the county line. The relative AEPW is not significant as the distance for the commute, compared to Pasco and Hernando commuters, is not significant.

Outbound	Earnings	AEPW	County AEPW	% AEPW
34,084	1,745,201,000	51,203	41,929	122%
Inbound	Earnings	AEPW	County AEPW	% AEPW
11,508	411,323,000	35,743	41,929	85%
Net \$ Inflow	1,333,878,000			

Outbound Commuters*	% of Residents Commuting	Commuter AEPW	Resident County AEPW	% of Resident County AEPW
Hernando	38.6%	51,203	41,929	122%
Pasco	47.5%	66,527	44,022	151%
Pinellas	14.2%	67,072	57,648	116%
Hillsborough	12.1%	59,216	65,052	91%
St. Lucie	34.2%	61,158	44,661	137%

*Bureau of the Census Estimate

⁸ Bureau of Economic Analysis.

Spending Leakage by Commuters

Some believe that a commuter’s job is just as valuable as a local job, as “they bring their money home.” It is true, they bring their money home, at least some of it. ⁹

As stated, the data shows there is an inflow of about \$1.3 billion by outbound commuters which is based on the estimates of worker earnings. However, the amount of money entering the Hernando economy is much less after deductions for taxes, mortgage payments, and commuting costs.

One of the most important reasons commuter earnings do not enter the local economy is the leakage of retail spending which occurs during the time of travel.

When traveling to and from work, a commuter passes multiple opportunities for retail spending. In fact, many retailers locate in the path of commuters. It is almost like they install a giant magnet to pull automobiles off the highway into their stores.

As a result, typically on the way home, many commuters will interrupt their drive to purchase items they want, as there is a great variety of stores present for them with easy access.

This is called retail leakage from the resident county. The longer the commute by a worker, the greater the out-of-county spending.

Retail leakage is a common occurrence suffered by greenfield counties populated by a large number of commuters.

2021	2021	2021 Taxable Retail Sales*	Per Capita Taxable Retail			Gross Grocery Sales ***	Per Capita Grocery	% AEPW	Per Capita Taxable Less	
	Population Estimate**		2020 AEPW	% AEPW	2020 AEPW				% AEPW	Grocery
Hernando	200,638	2,518,587,955	12,553	41,929	30%	670,541,974	3,342	8.0%	9,211	22%
Pasco	584,067	8,716,278,540	14,923	44,022	34%	1,831,341,238	3,135	7.1%	11,788	27%
Pinellas	956,615	20,407,539,147	21,333	57,648	37%	3,624,145,430	3,789	6.6%	17,545	30%
Hillsborough	1,478,194	34,700,552,015	23,475	65,052	36%	4,847,897,815	3,280	5.0%	20,195	31%
St. Lucie	343,579	5,008,493,146	14,577	44,661	33%	1,206,753,259	3,512	7.9%	11,065	25%

* Florida Department of Revenue ** Bureau of the Census, US Department of Commerce *** Includes Taxable and Non-taxable Sales

Let us walk through the data in the chart above to understand “retail” leakage in Hernando County.

First, Per Capita Taxable Retail Sales is calculated. It is expected that a high-wage individual will spend more than a low-wage individual. To provide comparison, the percentage the Per Capita Taxable Retail sales of the Annual Earnings Per Worker is calculated. ¹⁰

⁹ Since the facility to which a commuter is traveling to work is outside Hernando County, it is not paying Hernando County property taxes nor purchasing local goods and services for its operation which is another disadvantage of relying on commuters for the economy.

¹⁰ Taxable retail sales are used as Gross Retail Sales include the sales of manufactured goods, warehouse distribution, and a host of other non-consumer items.

Note Hernando County has an extremely low of per capita and % of AEPW.

For many, food purchases are a major annual expenditure. Most grocery store purchases (food) are not taxable. The Per Capita Grocery Store sales is calculated by using gross grocery store sales which includes taxable and not taxable purchases.

Note how each county's Per Capita Grocery store sales is about the same. Commuters typically purchase food locally, which is confirmed as all counties are about the same regardless of income.

After deducting food, the Per Capita Taxable Retail Sales in Hernando drops to \$9,200, 22% of the AEPW.

The area norm is 27% of an area's AEPW for non-grocery taxable spending. It appears that Hernando County commuters are spending more than \$400 million during commuting time.

Construction – Housing

The new home construction industry is currently very active in Hernando. However, it is not primary in nature, as it depends on either existing money in the economy or imported money (people moving to the area) for its business.

The industry can be fickle as it principally relies upon the desire to move to the county, mainly for the two reasons already mentioned, worker relocation and retirement.

Florida has always had boom and bust cycles in construction. The booms typically occur when the national economy is strong and interest rates are low, or when the county or surrounding counties create a large number of new jobs.

Residential Building Permits

It is important to visit what occurred in the housing industry during the first ten years of this century, as several issues created during this time should be of concern to Hernando County.

From 2003 to about 2007, the nation experienced an anomalous boom in residential construction.

This was driven by the availability of home purchase financing which was offered to millions of individuals who normally would not have qualified for a residential loan.

Demand for new home construction skyrocketed and property values increased to unrealistic levels. The nation was lured into a false sense of economic prosperity.

Nationally, during this period, approximately 500,000 residential permits were issued per year over and above normal market absorption.

The whole industry collapsed nationally when many who borrowed the money began to default on their loans. In September of 2008, Congress passed the Troubled Assets Relief Act (TARP) appropriating almost \$1 trillion to reimburse lenders for non-performing mortgages.

Most Florida counties suffered more than the rest of the nation as there was more speculative construction in Florida.

After the collapse, property values declined as much as 50% and construction employment fell 60% in some counties. Nationally, the nation was thrust into a recession and residential construction fell dramatically.

The peak years of the collapse were 2007 and 2008.

The recovery of residential construction from that year forward by communities varies greatly and depended upon three issues:

1. Supply of unsold overbuilt product.
2. Frequency of foreclosures.
3. How dependent the area was on construction for its economy?

Reviewing how Hernando County recovered from the collapse of new home construction provides great insight into the structure of its economy.

For the purposes of this discussion, “normal market absorption” are the years from 1998 through 2002.

Three counties, Hernando, Pasco, and St. Lucie, suffered the most as each had significantly “overbuilt” and lacked economic diversification.

A large number of homes were constructed on speculation.

Many were sold to individuals who secured “funny money mortgages,” which later fell into foreclosure, or to buyers who purchased speculating they would be able to sell the home for a profit in the near future, as home sale prices were escalating rapidly.

The chart shows the number of permits issued by each county for the Peak Year during the boom and the Bottom Year during the bust.

The number of years to return to normal new home absorption is very important.

From the bust year of 2008, it took Hernando County ten years to issue the same number of permits as it did prior to the boom. Both Pasco and St. Lucie took nine years.

Residential Building Permits	Peak Year Permits	Bottom Permits	% of Decline	Year Normal Years for	
				Absorption Returned	Normal to Return
Hernando	4,600	168	-2738%	2018	10
Pasco	8,108	960	-845%	2017	9
Pinellas	4,405	355	-1241%	2013	5
Hillsborough	15,827	3,745	-423%	2014	6
St. Lucie	9,037	264	-3423%	2017	9

Economic Development Goal Setting Study - Hernando County – POLICOM Corporation

Each of these counties was heavily dependent on population growth for its economic growth. Each county fell into an economic “morass” from 2008 until fully recovering.

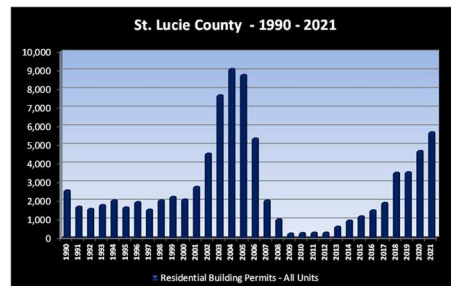
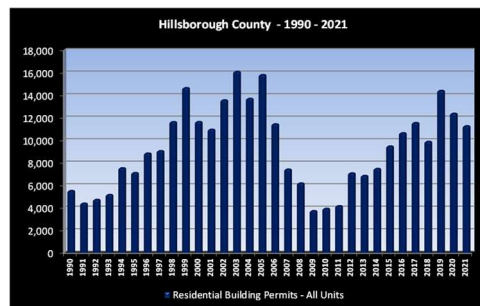
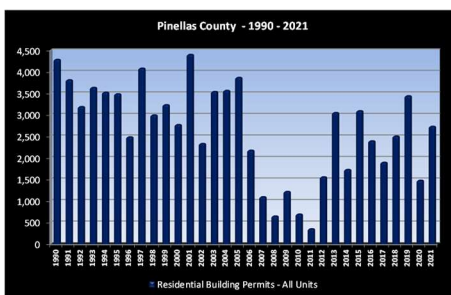
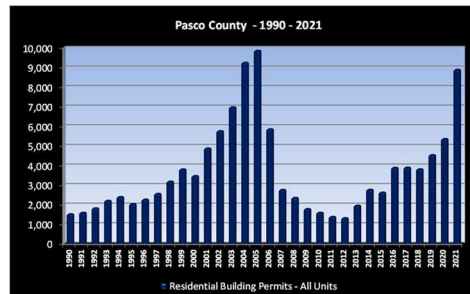
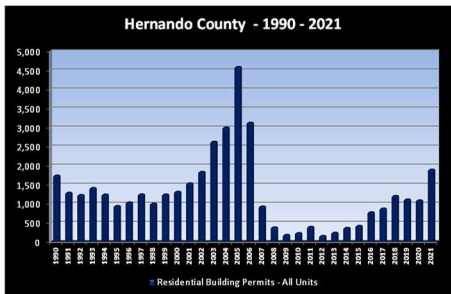
Hillsborough and Pinellas were influenced by the decline in construction and the subsequent national recession, but did not overbuild to the degree of the others.

Due to the lack of greenfield real estate in Pinellas County, most of new housing units are multi-story condominiums or apartments. There was a surplus of condominiums in 2008 and 2009, but they were quickly absorbed with the county returning to normal in just five years.

Since the county has a diversified economy with a large number of different primary industries, the Pinellas economy did not directly suffer significantly from the housing bust, but it was negatively impacted by the national recession which followed the bust.

Hillsborough is also a very diverse economy and it took only six years to return to normalcy. Additionally, while more than Pinellas, it also does not have an abundant supply of greenfield residential land. About 40% of new resident housing is multi-story.

The following five graphs show the number of residential building permits issued in each county from 1990 through 2021.¹¹



¹¹ Bureau of the Census - Includes cities and the county, single and multi-family.

Why is reviewing what happened fifteen years ago so important? There are two reasons.

First, it could happen again.

Take a look at the number of permits issued in each county for 2020 and 2021. There is nothing particularly unusual in Pinellas and Hillsborough, but there are spikes in Hernando, Pasco, and St. Lucie.

Over the last 24 months, nationally, there is another residential real estate boom occurring.

New homes are being constructed at a rapid rate and existing homes are rapidly selling between 20% and 35% over the previous year price. It is a Realtor's dream come true.

But it is not a normal marketplace and what is not normal will not last, as the true marketplace will correct itself.

What is driving this real estate frenzy?

The first, but less important, is the rapid four-year rise in the stock market. Retired individuals, with 401 K's and investment accounts having almost doubled, have a sense of wealth. Many have cashed in, sold their home up north, and are moving to Florida, paying cash for their new home.

In Hernando County, in 2021 about 30% of home purchases were by cash payment, marginally higher than what is normal. Typically, between 27% and 28% of sales are cash.¹²

The single most important issue driving the current real estate boom is low-interest loans.

The average home loan interest rate from June of 2020 until March of 2022 was less than 3%, the lowest rate in more than fifty years.

The low-interest loans are the direct result of the Federal Reserve Bank funding the mortgage industry by electronically printing \$50 billion per month of low interest money during this period to drive home loan interest rates down. This was part of the Covid economic rescue program.

More than \$1 trillion has been dumped into the lending marketplace over the last 24 months, driving demand for home purchases.

However, beginning in April of 2022, the Federal Reserve Bank discontinued the subsidy and has raised interest rates.

As a result, the average home loan interest rate jumped from 2.91% in March of 2022 to 5.7% in May. The Federal Reserve intends to raise interest rates again on several

¹² Florida Association of Realtors Market Report – Hernando County

occasions in 2022 to fight inflation. It is anticipated home loan interest rates will be at least 7% by March of 2023.

The high interest rates will place a chill on new purchases, drive property values down to adjust the cost to the buyer, and significantly reduce new home construction.

This will have a negative impact on the Hernando County economy as it depends on population growth for economic growth.

However, the decline will not be as significant as in 2007-2008 as there no surpluses on the market at this time. It will be more likened to a "downturn" as opposed to a crash. However, high interest rates could last for several years.

The second reason we studied the real estate crash is that some areas "learned their lesson."

The next and future downturns in new home construction will be less severe in Pasco and St. Lucie Counties than in Hernando, as each launched an aggressive economic development program after the 2007-2008 crash.

Pasco County

In 2005 during the housing boom, POLICOM created an Economic Development Goal Study for the Pasco County Commission. In that study POLICOM warned the county of an impending downturn in the housing market, that the county was overly dependent on population growth, and should move quickly to diversify its economy.

POLICOM recommended the county quickly increase funding for the economic development program and begin the process of identifying, acquiring, and developing at least a thousand acres of industrial property which was in short supply at that time.

The suggestions were discarded and ignored by the county government and the community as they were blinded by the rapid pace of new home construction and a 100% increase in property values.

One person in the audience at a community forum on the study stated "this housing market is not going to end for at least 20 years. We don't need economic development." A couple years later, it all crashed.

Wallowing in a lackluster economy, in 2012 the voters approved a renewal of the 1% optional sales tax known as "Penny for Pasco."

A portion of the 1% was dedicated to economic development which will generate more than \$60 million for industrial land acquisition and development, incentives for corporations, and the implementation of the economic development program.

From this funding source, the county has expanded the economic development program by increasing staffing from three individuals to fourteen professional and support staff.

The organization now fully implements the three major economic development programs: 1) retention, 2) start-up, and 3) recruitment.

Aware of the area's shortage of industrial property, the county has committed tens of millions of dollars for

- 1) Assistance in the development of the 1,000+ acre Enterprise South Super Park located near Dade City.
- 2) Development partnership with Moffit Cancer Center for a 750-acre medical campus providing sites for future clinical research, manufacturing, and treatment facilities.
- 3) Assisting private sector industrial land owners in the development approval process and the marketing of the properties.

St. Lucie County & City of Port St. Lucie

Having created previous studies for St. Lucie County and the City of Port St. Lucie (about 50% of the land mass of the county), in 2005, POLICOM keynoted the bi-annual planning retreat for the St. Lucie County government.

The presentation was similar to that of Pasco County. The county was too dependent on population growth and the current housing boom would collapse. The county and city were urged to expand its economic development program and secure several thousand acres of industrial property.

At that time both the county and city coffers were gushing with money from the building boom. POLICOM's projections on housing were mocked as being foolish and the recommendations ignored. Then the crash.

Property values declined in the county by 60%. The county led the nation in per capita foreclosures and new, never occupied houses were selling for 40 cents on the dollar.

Community and government leaders pledged that we can never let this happen again.

While not having a source of revenue like the Penny for Pasco, both the county and city significantly increased funding for the private, not-for-profit economic development organization and expanded staffing for their internal economic development offices. Additionally, both created aggressive business incentives programs.

Each also embarked on creating industrial areas to provide improved, approved parcels for future primary employers.

Beginning around 2015, St. Lucie County, with land it had in its possession or land it acquired, began developing more than 2,000 acres of industrial property in several locations in the county. Several companies have already purchased property and constructed facilities including four boat manufacturers.

In 2018, the City of Port St. Lucie took title to an undeveloped 1,200-acre industrial park which was subject to foreclosure and subsequently spent millions of dollars on development.

While anticipating a 20-year buildout, by March of 2022, the city had sold about 1,000 acres to various companies. The Port St. Lucie City Manager advised POLICOM in 2022 it is now looking for more industrial land to purchase and develop.

Since 2017 as more improved property became available and the economic development program was expanded, primary employers have or are in the process of constructing more than 3,500,000 square feet of industrial and high-tech space and are or will employ more than 3,200 workers earning between 125% and 200% of the area wage.

Between 2017 and 2020, St. Lucie County had the fastest growth rate of manufacturing employment among the 384 metropolitan areas in the United States.

Economic Baseline Projections

This study is being created to provide guidelines or a path for Hernando County to follow to increase the size and improve the quality of the economy.

The first step in this process is to project the condition of the economy. Baseline Projections have been created from 2022 through 2036.

The Baseline Projections serve as the foundation upon which the future economy will be built.

The projections are created to determine the condition of the economy if little or no effort is made to add new, high-wage primary jobs to the economy.

In essence, the future of the county's economy is left to chance, that there is no direction from the community to influence the outcome.

The Baseline Projections include employment, worker earnings, and wages for each industrial sector for each year.

The Baseline Projections are based upon the following:

- The structure of the Hernando economy will remain principally the same, mainly based upon population growth for its economic growth.
- The national economy will have modest economic growth over the next three years as a result of high inflation and high energy costs.

EMPLOYMENT	2022-2026	2027-2031	2032-2036
History (2006-2015)	2.4%		
Projections	1.9%	2.1%	0.8%
EARNINGS (000)	2022-2026	2027-2031	2032-2036
History (2006-2015)	4.6%		
Projections	4.0%	4.6%	2.8%
WAGES	2022-2026	2027-2031	2032-2036
History (2006-2015)	2.2%		
Projections	2.0%	2.5%	2.0%

- The housing - real estate sector will be negatively impacted as a result of rising interest rates and inflation for the near term, with a slowdown again in 2032.

The chart shows the growth rate for employment, worker earnings, and wages from 2022 to 2036 based upon the Baseline Projections.

The average annual growth rate for three 5-year periods is provided.

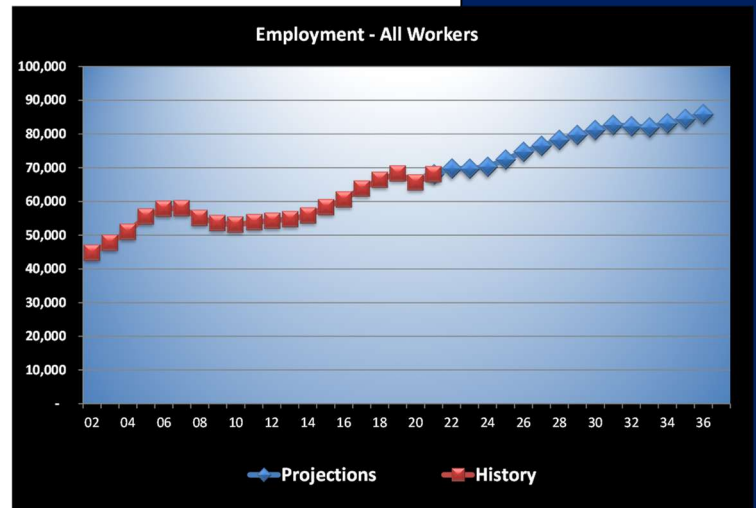
The graphs provide the annual change in employment, worker earnings, and wages for the History (2002) and the Projections (2022-2036)

The projections show the economy will continue to grow if the population grows.

Population will increase if the three counties to the south continue to create employment opportunities for future commuters and if the economy is favorable for retirement age individuals to move to the county.

The projections do not provide for any alternative major sources for economic growth.

Growing in population fosters the creation of low-wage jobs, the economy will continue to decline in relative quality and be subject to boom and bust cycles.



Economic Goal – Growth Scenarios

The projections serve as the baseline for the goal. The projections will likely occur if the community takes no action to prevent them from happening.

However, communities have the ability to direct their economic future through an aggressive economic development program. Economic development programs typically focus on the creation and retention of primary industry jobs which pay a wage higher than the area average.

To enhance the projections, the community needs to add new high-wage, high skill primary jobs in several industrial sectors to the economy.

This will pour more money into the economy, cause quality economic growth, reduce the dependence on commuters, diversify the economic structure making it less susceptible to national economic downturns, significantly increase the tax base increasing revenue to local government and the school system, and improve the standard of living for all residents in the county.

POLICOM has created three goal scenarios based upon the formation of new primary jobs.¹³ For each year from 2022 through 2036, POLICOM added new primary jobs from a mixture of the following sectors:

- Manufacturing
- Wholesale Trade
- Transportation and Warehousing
- Information Technology
- Finance and Insurance
- Professional and Technical Services
- Management of Companies
- Administrative Services

After adding the primary jobs to the economy, a proportionate number of “spin-off jobs are created.

Spin-off jobs form in almost every consumptive industrial sector such as retailing, other services, construction, and finance. The spin-off jobs are the result of what is known as the “ripple or multiplier effect.”

The ripple effect varies among industries as some have greater impact than others. As an example, a pharmaceutical manufacturing company which purchases locally made materials and pays \$80,000 per worker could easily cause another 3 jobs to be created for each manufacturing job.

However, a corporate headquarters job paying the same wage might only cause 1.5 additional jobs to be created. Some low-wage primary employers only have a ripple effect of .9 jobs.

¹³ Remember, a primary employer is one which sells its goods outside the area, importing wealth to the community.

Three primary job scenarios were created based upon the “effort” made by the community to create them.

From its experience, POLICOM has determined the Job – Wage Milestones are reasonable and achievable pending creating the necessary programs.

POLICOM has developed mathematical formulas which extract and identify primary employers and jobs from detailed employment data. The formulas were applied to Hernando’s data for each year beginning 2017 through 2021 to determine the number of net new primary jobs and the associated wages created for the year.

Hernando	Net New Primary Jobs	New Primary Job Wage
2017	410	43,071
2018	95	40,704
2019	131	59,454
2020	24	65,526
2021	127	50,823

As you can see, annual totals and wages vary each year.

Minimum Effort: The addition of primary jobs at a rate similar to the last five years however increasing the wage level of the new jobs. The county presently has a modest economic development program. With some enhancements the Minimum Effort can be achieved.

Good Effort: The addition of primary jobs at a rate which will improve the overall economy of Hernando County. The economic development program needs to be expanded.

Strong Effort: The addition of primary jobs at a brisk rate at higher wages will significantly improve the quality of the economy, create a more diverse economy, and prevent economic downturns. This will require a significant expansion of the economic development program.

	Minimum		Good		Strong	
	Jobs	Wage	Jobs	Wage	Jobs	Wage
2022	125	53,918	135	53,837	140	54,377
2023	137	54,935	147	54,892	152	55,687
2024	149	55,936	165	56,855	176	57,722
2025	161	56,928	195	58,107	212	59,565
2021	173	57,916	225	59,854	248	62,541
2027	185	58,903	261	61,615	290	64,968
2028	197	59,893	297	62,751	338	66,794
2029	209	60,886	339	64,497	404	68,671
2030	221	61,885	387	66,260	476	71,872
2031	233	62,891	435	68,025	548	73,773
2032	245	63,906	486	69,166	620	75,682
2033	257	64,930	537	70,302	698	76,911
2034	269	65,965	588	71,439	758	78,841
2035	281	67,011	639	72,582	824	80,081
2036	293	68,069	690	73,732	890	81,331
Total	3,135		5,526		6,774	
Avg	209	60,931	368	64,261	452	68,588

All of the new jobs and associated worker earnings were added to the Baseline Projections to cause three different growth scenarios.

The chart provides the annual primary job milestones for each scenario along with the estimated wage for the new primary jobs.

The annual totals are “net, new jobs.” If a company moves to the county and hires 400 people but an existing primary company reduces its workforce by 250 workers, there is a net gain of only 150 primary jobs.

It is not anticipated the annual milestones will be achieved exactly as presented. In one year, the community might

EMPLOYMENT	2021	2026	2031	2036
Projections	68,061	74,712	82,695	85,880
Minimum	68,061	76,334	86,592	92,706
Good	68,061	76,725	88,700	98,712
Strong	68,061	77,204	90,708	104,072
EARNINGS (000)	2021	2026	2031	2036
Projections	2,827,915	3,432,820	4,299,063	4,922,772
Minimum	2,827,915	3,596,106	4,636,659	5,519,223
Good	2,827,915	3,655,144	4,827,077	6,027,728
Strong	2,827,915	3,722,795	5,067,498	6,671,698
WAGES	2021	2026	2031	2036
Projections	41,550	45,947	51,987	57,321
Minimum	41,550	47,110	53,546	59,535
Good	41,550	47,640	54,420	61,064
Strong	41,550	48,220	55,866	64,107

create more. In another, fewer or even have a net loss. What is important is that over a period of years, say five, the cumulative total is at or about the total of the milestones.

To visually see the impact of the three goal scenarios on the economy, each appear on the graphs.

As important as creating the new jobs is the wage paid. The average wage for the new primary jobs each year is very important as these jobs will begin to lift the overall quality of the Hernando County economy – the standard of living for the people who live and work in the county.

Remember the lesson on workers climbing the Wage-Skill Ladder previously taught. A high wage employer will hire its workforce from a lower step on the Wage-Skill Ladder, pulling up workers from several wage levels.

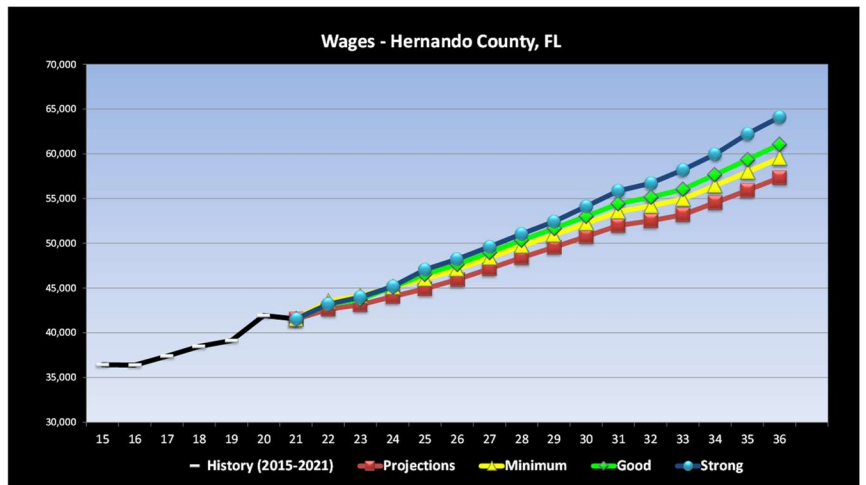
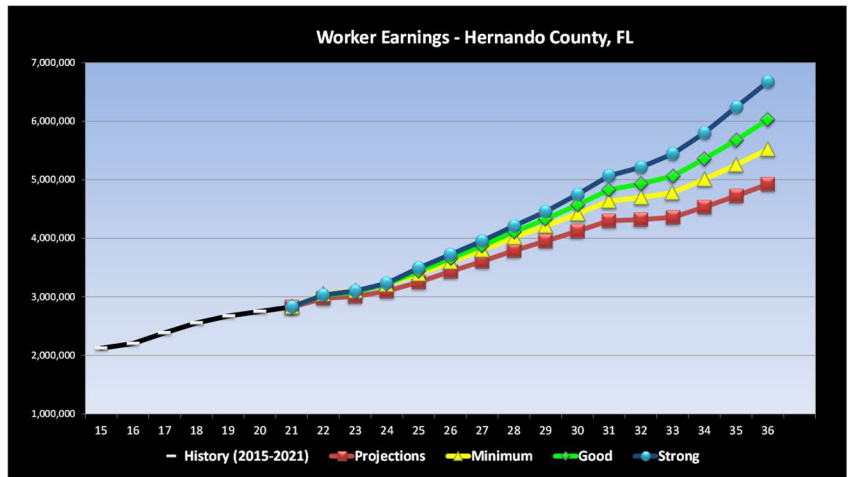
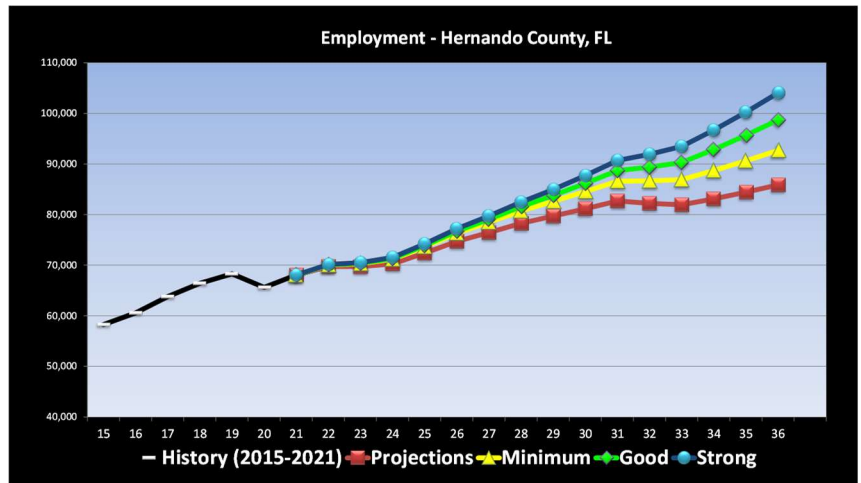
The average primary job wage for the Strong Effort in 2022 is \$54,377.

In 2014, POLICOM created a Goal Study for Pinellas County creating Job/Wage milestones through 2030. The wage milestone in 2022 for the Strong Effort is \$81,196, considerably higher than Hernando’s milestone but achievable in Pinellas.

For the first three years, there is little difference among the three scenarios. It will take time for the community to build a more aggressive program and have actual employment occur.

If the Strong Effort is achieved, there will be about 18,000 more jobs and \$1.7 billion of worker earnings in the county in 2036 than in 2021. The area average wage will increase by 65%.

If the milestones are achieved for any of the scenarios, the overall economy will improve.



In 2020, POLICOM did extensive research to determine what industrial sub-sectors will:

1. Grow over the next 10-15 years.
2. Be primary in nature.
3. Pay a wage which will improve a local economy.

Called the “Twenty for the Twenties,” companies in these sub-sectors should be the “targets” for community economic development organizations. Twelve of the twenty are manufacturing.

The main reason these sectors will grow is they have embraced new technology in the delivery of their service or products.

The chart identifies the sub-sectors, the 2019 employment in Florida, the % increase in employment from 2011-2019, and the average wage in 2019.

Note that Florida had a growth rate faster than the nation for sixteen of the twenty sectors.

POLICOM projects that between 2020 and 2030, nationally there will be 3.7 million high-wage jobs will be created, 2,500 factories constructed, and 150 million square feet of high-tech space occupied just from the Twenty for the Twenties.

Communities which have the economic development infrastructure in place will be the location for this marketplace.

If Hernando County improves its economic development infrastructure, it can be competitive in several of the sub-sectors.

Florida		2019	2011-2019	2019
NAICS	Industry	Jobs	% increase	Wages
10	Total, all industries Private	7,804,662	2.9%	51,188
5112	Software publishers	18,863	10.0%	122,402
4541	Electronic shopping and mail-order houses	22,788	6.4%	56,857
5415	Computer systems design	103,947	5.6%	100,391
5416	Management and technical consulting	120,475	5.9%	77,718
5182	Data processing, hosting and related serv.	19,575	1.9%	118,179
5511	Management of companies	115,192	4.4%	114,785
6215	Medical and diagnostic laboratories	24,216	2.9%	60,321
5417	Scientific research and development	19,734	4.4%	104,577
3364	Aerospace product and parts mfg.	25,455	3.4%	101,093
3254	Pharmaceutical and medicine mfg.	8,553	6.3%	90,450
3361	Motor vehicle mfg.	1,669	9.6%	52,020
3363	Motor vehicle parts mfg.	3,583	2.6%	50,614
3339	Other general purpose machinery mfg.	8,184	4.5%	64,075
3332	Industrial machinery mfg.	2,187	5.3%	67,962
3345	Electronic instrument mfg.	17,800	1.6%	89,410
3331	Ag., construction, and mining machinery mfg.	1,648	5.7%	58,883
3391	Medical equipment and supplies mfg.	21,666	1.4%	71,201
3329	Other fabricated metal product mfg.	6,773	0.9%	55,196
3353	Electrical equipment mfg.	4,247	1.8%	64,547
3359	Other electrical equipment and component mfg.	4,041	1.9%	62,967
	Growth rate faster than USA			

What's Next? Possible Barriers

The purpose of this study is to provide annual statistical economic development goals for the community to achieve to improve the quality and increase the size of the Hernando County economy.

This study is not an Economic Development Strategic Plan, which analyzes the economic development infrastructure of an area and identifies barriers which can prevent or hinder economic growth.

A strategic plan typically addresses improvements needed regarding real estate, workforce training, transportation systems, utilities, communications, taxes, government regulations, primary industry marketplace, funding, structure of the economic development program, business incentives, and a host of other issues which are directly related to what a community needs to do to build an economic development infrastructure.

However, POLICOM has identified two possible barriers to economic growth which the community needs to address as soon as possible. If it does not, it is likely even the Minimum Scenario will not be achieved.

First Possible Barrier - Workforce

The second most important issue relative to quality economic growth is the availability of a trained or trainable workforce. A company cannot expand in or locate to an area if there is not a supply of "skilled people to do the work."

Nationally, in Florida, and likely in Hernando County, employers complain they simply cannot find skilled workers for their companies.

Let us return to the discussion regarding the Wage/Skill Ladder. As an individual climbs the ladder, a different, more valuable skill set is required to justify the increase in compensation. This occurs on every step of the ladder.

Communities which provide customized training for these individuals are able to provide the necessary workforce to the employers, thus improving the economy and improving the standard of living for the residents.

All counties need to have a program to meet the current and future workforce needs especially for the high-wage, primary employers. Otherwise, they will seek a location which does.

It appears Hernando County has taken a large step forward toward this goal.

Presently under construction at the Brooksville Tampa Bay Regional Airport is a Technical Education Center or Citizens Success Center.



A joint project between Pasco-Hernando State College, the Hernando School District, and Hernando County, the center's goal is to provide streamlined workforce training to prepare residents for direct entry into positions available in Hernando County.

Second Possible Barrier – Industrial Real Estate

The community might not have today or has planned in the future, sufficient improved, approved industrial real estate to have a successful economic development program.

Economic development is ultimately a real estate transaction. In order for an existing company to expand, a new employer to move to the area, or a start-up business to grow, each needs a place to do it. They need a building.

If a vacant, modern facility is not standing ready to be occupied (usually there are no suitable buildings available), a structure needs to be constructed. This means land must be ready.

All of the other geographic issues, such as transportation access, utilities, labor availability, or taxes are not considered if a place to operate the business cannot be provided.

A local economy will indeed decline if land is not available. Existing primary employers, when they need to expand, will have to leave the area causing a loss of money flowing into the economy.

Additionally, new, high-wage companies cannot come to the community, as there is not a place to construct a modern facility. Spin -off businesses coming out of the incubator will have to grow in another town.

What does “improved, approved” mean?

“Improved” real estate has the entire horizontal infrastructure in place. The roadways leading to the property, electric service, sewer and water lines are “to the site.” Essentially, the property is “building-ready” and there will not be any delays starting construction.

Just as important, the land needs to be “approved” by the local government. All planning and zoning issues need to have been resolved in advance.

When a company is looking to locate in a community, it typically does not have the time to wait for a community to construct the infrastructure to the real estate or pass local legislation regarding land use and zoning. This process could consume one to two years (even longer in some states and counties).

As a result, site seekers will summarily dismiss communities, which do not have a building-ready site upon which it can construct a facility, regardless of all the other geographic economic assets in the area.



The “rule of thumb” in the economic development world today is that a building permit needs to be available to a company within 90 days of proper application.

This is a major problem for some communities.

Many communities in the United States fully understand this issue. This is why hundreds of counties and cities have invested in community owned industrial parks or employment centers reserved for primary employers.

The use of the community property is restricted to primary enterprises. Because land sale prices are usually higher for non-industrial purposes, land owners sell their property for the most money, causing a shortage of industrial property in the area.

This causes a “paradox” as industrial use causes the most economic benefit to the community while the highest price property the least economic impact.

The land is looked upon by the community as a long-term investment in their economic future. It might take ten to twenty years for the land to be fully absorbed. Of course, once it is absorbed, the community is right back in the position of not having any land available.

Virtually every county in Alabama, Mississippi, Georgia, South Carolina, North Carolina, and Tennessee have developed “community owned” industrial parks reserved for primary employers and is not available for consumptive businesses.

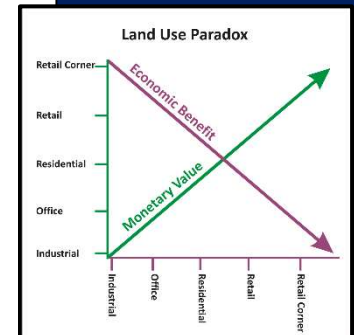
Most people do not realize that within a community, at least one-half of all industrial property is occupied and used by consumptive enterprises, which serve the local economy. Some of these include auto repair shops, construction companies, building supply distributors, bakeries, and a host of others.

POLICOM did not do a detailed study of the number of existing and proposed acres of building-ready industrial sites in the county. That is left to a Strategic Plan. However, the Hernando Office of Economic Development provides a list of sites in the county for prospective projects on its website.

Most of the industrial property listed (more than 1,000 acres) is under phased development and is located at the airport. Airport property is usually controlled by the FAA and restricted to aviation businesses. It appears at the Hernando airport other uses are allowed. This is an advantage over other communities.

From the website, about 350 acres appears to be fully developed, perhaps more. While other uses are allowed, the property is not available for sale, but only for lease. In the case of the Hernando airport, the lease terms seem to be more favorable than most airports.

A very large number of counties in Florida have a general aviation airport with hundreds of acres of industrial zoned property surrounding them. Almost all of this land lays fallow because of FAA restrictions.



The restrictions make these sites at the airport “unavailable” to a vast majority of potential primary employers identified in the “Twenty for the Twenties” list.

Of the current approved industrial acreage on the website other than the airport property, POLICOM discovered a 150-acre parcel along with several small sites. It is not known from the information provided if the properties are “building ready,” having all infrastructure to the site. There are also several large, undeveloped parcels near the existing Walmart distribution center.

From reviewing the county’s 2040 Future Land Use Map, a very, very small percentage of the undeveloped land is designated for industry use. More is likely planned for industrial but coded “Planned Development” which includes the Walmart facility.

Typically, between 5% and 7% of current and future property is designated for industrial use by land planners. Hernando might be below those percentages.

POLICOM raises the issue of available land as it is the most important issue relative to economic growth.

The issue of improved, approved industrial real estate, current and in the future, needs to be studied to be sure sites will be available.

POLICOM did a simple analysis of the land which will be necessary to reach the three growth scenarios.

The analysis is based upon modern day worker/acre ratios.

As an example, the modern warehouse distribution facility employs between 4 and 6 workers per acre. The modern, robotized advanced manufacturing facility employs between 8 and 12 workers per acre.

Technology companies, such as laboratories, research facilities, software design range from 10 to 20 workers per acre.

The worker/acre ratios will actually decline in the future as the trend is for companies to build larger facilities on land but employ fewer people per acre.

POLICOM applied a mix of ratios to the array of industrial types POLICOM expects to expand in or locate to Hernando under the three growth scenarios.

The ratios were applied to the net gain of jobs in each sector from 2021 to 2036. Those which were obvious “industrial” users were separated from “technology” users.

The chart provides two estimates.

The first is “Net Usable Acres.” These are the developed, platted parcels upon which a company can expeditiously build a facility.

The second is “Gross Acres.” A large percentage of undeveloped acreage cannot be sold to a user as it has been consumed by providing services to the property and regulatory restrictions.

Property is used for roadways, utilities, and water retention. Additionally, government regulations might set aside land for wetlands preservation, recreational amenities (even for industrial areas), landscape minimums, preservation of unique species, and many more issues.

Typically, the best case regarding the amount of sellable land after land set-aside is 75%. The most common is 65%. A 500-acre industrial park in Palm Beach County, after all of the development regulations and county requirements were applied, only had 47% of sellable land.

To create the absorption chart, POLICOM used 67% as the net sellable acres percentage of gross acreage.

The acreage in the chart is what will be used over a fifteen-year period if milestones are met. A community must always have more land in the pipeline. As a result, it appears Hernando must identify at least an average of 100 acres per year for future development, over and above what is identified in the chart.

If it is discovered there will be a shortage of industrial and tech land available for the growth scenarios, the community needs to address the issue as soon as possible.

If the community said today “Let’s move forward now!” it would likely take three years before land could be available for companies as the purchase, approval, and development process is extremely time consuming.

The issue of property should be studied as soon as possible by the Hernando community or it might not achieve quality economic growth.

Conclusion

The Hernando County economy will continue to grow in size as long as individuals move the county, but the quality of the economy will be substandard and local government will be pressured fiscally, as the tax base will likely not grow in proportion to the population.

Beginning as a greenfield county for Pinellas and Hillsborough, it now has to evolve economically to be more self-sufficient and provide more quality employment opportunities for its existing residents.

Land Use Absorption			
2021-2036	Net Usable Acres		
	Total	Tech	Industrial
Minimum	756	152	604
Good	1,119	263	855
Strong	1,473	315	1,158

2021-2036	Gross Acres		
	Total	Tech	Industrial
Minimum	1,128	226	902
Good	1,670	393	1,277
Strong	2,199	470	1,729

Databases

Several economic databases have been used to create this study. They include:

1) Regional Economic Information System (REIS) maintained by the Bureau of Economic Analysis, U.S. Department of Commerce. It is composed of “source data” which has been taken from the administrative records of numerous government agencies as opposed to monthly surveys and polls. It is the most accurate data published by the Federal government. The most recent year for which data is available is 2020 which was released in November of 2021.

2) “Quarterly Census of Employment and Wages” (QCEW), or known as “Covered Workers Data” or known as “ES-202” data, published by the Bureau of Labor Statistics (BLS), U.S. Department of Labor. The source of this data is the quarterly “UCT” filings by our nation’s employers and includes data for wage and salaried workers, but not proprietors and most farm enterprises. This set provides data to the six-digit NAICS code level, pending suppression. Annualized data is released by the BLS in June of the following year.

The most recent year for which annualized data was available when this study was prepared 2020. However, 2021 annual data has been estimated by POLICOM utilizing the first nine months of data which was released at the time this study was prepared and is used for Projections.

Other data sources are denoted when used.

Terms

Unless otherwise noted the following shall mean:

Earnings: The total amount of wages and salaries paid to all full and part-time workers, the profits of non-proprietors, and “other labor income,” which includes the employer’s contributions to private retirement programs, bonuses, and other fringe benefits.

Employment: The total number of full and part-time wage and salaried workers and the number of non-farm proprietors.

Wages: The annual earnings per worker (AEPW), which is derived by dividing the total earnings by total employment. Unless otherwise noted, wages include “other labor income” which includes the employer’s contributions to private retirement programs, bonuses, and other fringe benefits.

About POLICOM

POLICOM Corporation analyzes local and state economies, determines if they are growing or declining, identifies what is causing this to happen, and offers ideas and solutions to communities to improve the situation.

It has provided economic analysis and/or provided recommendations to counties, metropolitan area organizations, and state governments in forty states.

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Employment

	Projections		Minimum	Good	Strong	Projections		Minimum	Good	Strong	Projections	Minimum	Good	Strong
	2021	2026	2026	2026	2026	2031	2031	2031	2031	2031	2036	2036	2036	2036
EMPLOYMENT	68,061	74,712	76,334	76,725	77,204	82,695	86,592	88,700	90,708	85,880	92,706	98,712	104,072	
Farm	764	764	764	764	764	764	765	765	765	764	765	766	767	
Forestry, Fishing, Agricultural Services	253	259	260	260	260	272	274	275	275	286	289	292	293	
Mining	62	62	65	65	65	60	67	70	71	59	70	79	83	
Utilities	120	139	145	156	158	195	209	247	255	274	298	384	409	
Construction	5,005	4,920	4,935	4,964	4,967	6,219	6,254	6,348	6,368	3,672	3,735	3,948	4,011	
Manufacturing	2,626	2,801	3,082	3,100	3,134	2,944	3,571	3,725	3,853	3,094	4,131	4,621	4,952	
Wholesale Trade	904	953	1,060	1,087	1,208	1,001	1,281	1,462	1,902	1,052	1,569	2,117	3,201	
Retail Trade	9,508	10,505	10,565	10,583	10,603	11,041	11,184	11,274	11,354	10,925	11,176	11,422	11,636	
Transportation and Warehousing	3,749	4,138	4,438	4,509	4,520	4,305	4,977	5,252	5,339	4,569	5,685	6,385	6,672	
Information	557	702	801	845	826	855	1,113	1,342	1,333	1,040	1,520	2,160	2,229	
Finance and Insurance	2,897	2,998	3,050	3,059	3,081	3,026	3,152	3,207	3,295	3,148	3,367	3,535	3,757	
Real Estate, Rental and Leasing	3,240	3,540	3,552	3,554	3,555	4,818	4,846	4,859	4,865	5,195	5,244	5,281	5,301	
Professional and Technical Services	3,283	3,761	3,891	3,930	3,942	3,577	3,910	4,141	4,239	3,299	3,910	4,586	4,906	
Management of Companies	437	473	557	576	585	523	756	914	992	577	1,026	1,524	1,785	
Administrative and Waste Services	5,123	5,823	5,905	5,918	5,935	6,751	6,946	7,033	7,109	7,525	7,867	8,127	8,338	
Educational Services	728	844	885	892	896	978	1,078	1,123	1,145	1,134	1,309	1,443	1,513	
Health Care and Social Assistance	10,582	11,763	11,800	11,815	12,041	13,179	13,269	13,335	14,075	14,766	14,923	15,098	16,799	
Arts, Entertainment, and Recreation	1,197	1,271	1,290	1,293	1,294	1,369	1,414	1,433	1,443	1,445	1,524	1,584	1,615	
Accommodation and Food Services	5,848	6,836	6,971	6,993	7,004	7,772	8,094	8,238	8,309	9,045	9,609	10,040	10,264	
Other Services	4,935	5,652	5,794	5,835	5,829	6,271	6,612	6,815	6,838	6,958	7,554	8,119	8,245	
Federal, civilian	407	437	447	449	455	459	484	495	519	482	526	560	618	
Military	343	360	360	360	360	379	379	379	379	398	398	398	398	
State Government	710	757	761	761	764	796	805	809	817	836	852	864	884	
Local Government	4,782	4,951	4,956	4,958	4,960	5,140	5,152	5,160	5,167	5,335	5,357	5,380	5,396	

Total Worker Earnings

	Projections		Minimum	Good	Strong	Projections		Minimum	Good	Strong	Projections		Minimum	Good	Strong
	2021	2026	2026	2026	2026	2031	2031	2031	2031	2031	2036	2036	2036	2036	2036
EARNINGS (000)	2,827,915	3,432,820	3,596,106	3,655,144	3,722,795	4,299,063	4,636,659	4,827,077	5,067,498		4,922,772	5,519,223	6,027,728	6,671,698	
Farm	6,938	7,113	7,259	7,330	7,402	7,293	7,446	7,523	7,671		7,477	7,640	7,726	8,031	
Forestry, Fishing, Agricultural Services	5,998	7,234	7,400	7,476	7,551	8,810	9,045	9,160	9,350		10,461	10,786	10,981	11,449	
Mining	1,476	1,661	1,767	1,797	1,820	1,833	2,067	2,176	2,260		2,003	2,430	2,752	2,996	
Utilities	11,676	15,278	16,223	17,679	17,989	23,915	26,108	31,098	32,644		37,544	41,657	54,134	59,314	
Construction	211,395	208,125	212,925	216,240	218,472	326,224	334,645	342,929	350,597		170,500	176,851	188,701	198,633	
Manufacturing	157,243	191,858	218,562	222,512	227,747	233,761	293,082	311,158	329,289		292,624	402,998	459,720	509,540	
Wholesale Trade	57,579	70,358	81,001	84,341	94,642	87,401	115,862	135,853	179,488		109,409	168,888	234,418	359,847	
Retail Trade	307,407	383,222	393,082	397,622	402,212	452,573	467,553	475,881	488,430		502,670	524,378	541,091	571,564	
Transportation and Warehousing	168,546	205,461	227,178	233,919	236,991	253,142	301,398	323,401	335,872		318,736	407,860	466,432	504,160	
Information	26,057	37,076	43,982	47,174	46,800	52,293	70,851	87,758	89,988		73,756	111,875	163,468	175,142	
Finance and Insurance	104,126	118,812	123,276	124,830	126,974	141,757	150,520	154,659	161,802		154,732	168,722	178,769	196,431	
Real Estate, Rental and Leasing	48,040	52,997	54,234	54,795	55,341	87,640	89,909	91,023	92,900		93,757	96,529	98,167	102,297	
Professional and Technical Services	130,705	168,728	178,872	182,800	185,335	180,650	202,764	218,622	229,008		166,391	203,030	243,917	270,722	
Management of Companies	31,043	38,957	47,701	50,290	51,852	51,879	78,209	97,884	109,473		67,692	125,119	192,309	231,956	
Administrative and Waste Services	217,829	284,834	294,542	298,094	301,838	387,266	406,316	415,377	427,787		489,650	521,900	544,316	578,405	
Educational Services	14,333	18,760	20,070	20,421	20,698	24,247	27,236	28,628	29,717		31,034	36,498	40,586	43,878	
Health Care and Social Assistance	577,764	697,345	713,522	721,411	742,238	855,047	878,013	890,966	957,620		1,038,157	1,070,051	1,093,079	1,257,989	
Arts, Entertainment, and Recreation	20,152	21,660	22,414	22,686	22,933	25,379	26,725	27,363	28,073		29,301	31,491	33,036	34,887	
Accommodation and Food Services	134,643	180,696	187,890	190,325	192,472	232,873	247,281	254,085	261,093		302,754	327,886	345,796	365,984	
Other Services	163,138	208,822	218,280	221,948	223,884	258,821	278,174	289,446	295,863		321,737	355,989	386,120	405,556	
Federal, civilian	38,697	48,441	50,579	51,268	52,500	59,886	64,387	66,502	70,902		74,035	82,319	88,368	100,636	
Military	12,895	16096	16,418	16,579	16,740	20092	20,494	20,695	21,097		25081	25,582	25,833	26,836	
State Government	39,786	46391	47,550	48,054	48,657	53097	54,762	55,570	57,188		60952	63,325	64,835	68,778	
Local Government	340,450	402,893	411,380	415,556	419,709	473,182	483,811	489,321	499,388		542,319	555,418	563,172	586,664	

Wages

	Projections 2021	Minimum 2026	Good 2026	Strong 2026	Projections 2031	Minimum 2031	Good 2031	Strong 2031	Projections 2036	Minimum 2036	Good 2036	Strong 2036	
WAGES	41,550	45,947	47,110	47,640	48,220	51,987	53,546	54,420	55,866	57,321	59,535	61,064	64,107
Farm	9,081	9,310	9,497	9,590	9,683	9,546	9,736	9,832	10,023	9,787	9,982	10,080	10,470
Forestry, Fishing, Agricultural Services	23,751	27,909	28,466	28,745	29,024	32,354	32,999	33,321	33,965	36,568	37,296	37,658	39,094
Mining	23,720	26,837	27,362	27,629	27,897	30,363	30,941	31,234	31,790	34,019	34,645	34,954	36,002
Utilities	97,535	109,814	111,967	112,987	114,078	122,557	124,926	125,976	128,110	137,179	139,811	140,900	144,965
Construction	42,233	42,300	43,145	43,565	43,988	52,459	53,505	54,022	55,057	46,432	47,353	47,792	49,525
Manufacturing	59,879	68,493	70,909	71,773	72,666	79,402	82,076	83,522	85,468	94,572	97,549	99,491	102,901
Wholesale Trade	63,713	73,856	76,424	77,615	78,367	87,293	90,465	92,898	94,351	103,971	107,637	110,712	112,430
Retail Trade	32,332	36,479	37,207	37,571	37,935	40,990	41,804	42,211	43,017	46,010	46,920	47,371	49,119
Transportation and Warehousing	44,955	49,650	51,187	51,876	52,436	58,796	60,553	61,575	62,904	69,761	71,741	73,052	75,558
Information	46,745	52,783	54,905	55,819	56,652	61,189	63,635	65,411	67,494	70,935	73,591	75,677	78,572
Finance and Insurance	35,937	39,631	40,417	40,812	41,206	46,840	47,758	48,219	49,106	49,157	50,108	50,577	52,278
Real Estate, Rental and Leasing	14,826	14,971	15,270	15,419	15,569	18,189	18,552	18,733	19,095	18,049	18,408	18,587	19,298
Professional and Technical Services	39,808	44,861	45,974	46,516	47,017	50,507	51,858	52,790	54,022	50,430	51,923	53,193	55,184
Management of Companies	70,983	82,287	85,593	87,359	88,659	99,251	103,436	107,135	110,309	117,296	121,984	126,190	129,977
Administrative and Waste Services	42,522	48,913	49,884	50,372	50,860	57,366	58,497	59,064	60,176	65,069	66,342	66,973	69,370
Educational Services	19,690	22,231	22,665	22,886	23,107	24,786	25,258	25,497	25,953	27,365	27,876	28,128	29,007
Health Care and Social Assistance	54,599	59,283	60,467	61,059	61,640	64,877	66,171	66,816	68,039	70,305	71,704	72,399	74,887
Arts, Entertainment, and Recreation	16,829	17,042	17,381	17,551	17,721	18,541	18,906	19,089	19,449	20,270	20,665	20,861	21,604
Accommodation and Food Services	23,023	26,431	26,955	27,218	27,482	29,962	30,550	30,844	31,422	33,471	34,121	34,442	35,655
Other Services	33,058	36,943	37,673	38,040	38,410	41,270	42,074	42,475	43,265	46,239	47,127	47,560	49,187
Federal, civilian	95,052	110,940	113,133	114,239	115,333	130,494	133,036	134,314	136,719	153,494	156,436	157,887	162,893
Military	37,627	44,690	45,583	46,030	46,477	53,077	54,139	54,670	55,731	63,039	64,300	64,930	67,452
State Government	56,043	61,271	62,494	63,106	63,717	66,725	68,052	68,716	70,027	72,878	74,322	75,041	77,823
Local Government	71,201	81,373	82,999	83,813	84,626	92,064	93,903	94,822	96,658	101,646	103,675	104,687	108,716