

Comprehensive Plan

City of New Smyrna Beach, Florida

XV. ECONOMIC DEVELOPMENT ELEMENT

I. INTRODUCTION

The City of New Smyrna Beach Economic Development Plan is the result of an intense research and planning process, which included the involvement of many stakeholders, and an extensive economic overview and analysis of the state, county and city.

In November of 2009, a private effort was initiated to facilitate the economic development strategic planning effort. To begin the study, an in-depth review of economic programs, resources, prior and current studies that exist have been reviewed. Meetings were held with city and county officials, key economic development and businesses leaders, and other community stakeholders.

The team conducted research including examination of strength's, weaknesses, opportunities, threats and trends (SWOTT Analysis), an economic assessment, cluster analysis, a review of economic development organizations and programs, and benchmarking to similar cities.

A few key existing and developing plans provided guidance to certain sections of this plan. These are mentioned in the report, and include Strategic Economic Development for the City of Deltona, 2007-2012 Strategic Plan for Economic Development "Roadmap to Florida's Future", Sustainable Governance, Volusia County Economic Development Plan, Florida & Metro Forecast 2009-2013, Hunter Interest's Inc report for Bert Fish and references to the upcoming Community Redevelopment Agency Master Plan Update. These processes, studies, and plans offer an important foundation off of which to build effective and comprehensive economic development strategies.

STRATEGIC VISION

A sustainable strategic vision represents the basic values of an organization. The intent of this Economic Development Element is to identify specific actions and programs to enable the City to achieve their vision. In December 2009, the City Commission adopted the following vision:

"We will build an attractive City that offers exceptional opportunities for her citizens and lifestyles that embrace an enhanced quality of life.

Our walking friendly City with her beautiful waterways will engender diverse recreational and economic opportunities for people of all ages.

Job opportunities will abound throughout our industrial centers and downtown areas. Beautifully landscaped corridors with attractive signage will refine our City with a well-maintained road system and a transportation network, including train and air transportation.

Our City will boast of sustainable business corridors and office parks. We will possess a hospital district and be a hub for educational enhancement through our schools and colleges.

Through our diligence our City will grow and be a place in which people want to live. Our partnerships with educational institutions, governmental entities, community and cultural groups will further be a testament to being responsive to citizens' needs and pro-active in making our vision a reality".

To reach the vision for the city, the Economic Development Element would build upon the City's economic assets, take advantage of the opportunities, while working to strengthen the weaknesses and minimize threats, while constantly scanning the environment for trends. Ideally, the City should increase employment and educational opportunities, facilitate the growth and expansion of light industry, business, commercial corridor, hospital district, improve the quality of life

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of all residents, expand the tax base, further promote and develop the business districts, develop its Intercoastal waterway, and position the city as a great place to live, work, and prosper.

The Economic Development Element is organized by key economic development goals. Each goal is supported with objectives and policies. The plan sets forth 10 economic development goals with supporting objectives and policies for the City. An Economic Development Advisory Board must be established to effectively oversee immediate implementation of this Element. The yet to be established Economic Development Department is referred to in this plan as a key implementing and coordinating agency.

II. CURRENT ECONOMIC CONDITIONS

FLORIDA'S ECONOMY

The following information about Florida's economy is based in part on the report that was adopted by the Legislative Budget Commission on September 15, 2009 and the Florida & Metro Forecast published by the Institute for Economic Competitiveness, University of Central Florida.

Florida has been one of the fastest growing states since the industrial revolution. However, the decline in new home construction and the real estate market correction has caused the state to endure a decline in 2009 with a negative outlook for 2010. Florida is not the only state to experience a deceleration in economic growth, yet it was one of the hardest hit.

Florida's Gross Domestic Product (GDP) is a sum of all the goods and services produced or exchanged within the state. This is one of the key economic measures for the comparison of states. In 2005, Florida ranked 2nd in the nation and in 2006, Florida kept pace to the national growth level. After adjusting for inflation, Florida's growth in GDP ranked 48th in the nation in 2008. Losses in the construction sector account for a significant portion of the decline.

Personal income growth, as it relates to changes in salaries and wages over the past year, has been declining. This is a key factor in determining the health of a state. Other key measures are job growth and the unemployment rate. While Florida led the nation in 2005 in these key areas, the state is now worse than the national averages, with serious problems. Over the last year, the only sector to gain jobs among Florida's major industries was Health Services.

The drastic changes in employment measures are related to the housing market and the tightening of the credit market. The increase of unsold houses has all but halted residential construction activity, indicated by the decrease in building permits. Existing single-family home sales ended the fiscal year nearly 50% below 2005, while the home prices continue a steep decline.

The housing market correction has brought increased unemployment in the construction, mortgage and real-estate fields, as well as related businesses and industries such as: appliances, carpeting, and other durable goods used to equip houses. Mortgage delinquencies and foreclosures are now as common as high unemployment rates, exceeding that of national levels. Employment figures have changed expectations to the downside, and economic weakness will likely persist for a longer period of time. According to the latest nationwide data, Florida is losing jobs at a greater pace than the nation. The state's job losses began with the construction downturn, however all sectors have been affected. Unemployment is projected to increase into 2010 and then stabilize in 2011-12. Job restoration in the construction, manufacturing, information and government sectors will lag behind the other areas.

Florida's unemployment rate is expected to reach almost 12% and remain above 10% through 2012. The high unemployment rate impacts the retail market as consumers have less disposable income to spend. Unemployment is expected to recover in 2013, at which time real disposable

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income "may" begin to grow. The word may is used, because of the uncertainty about future taxes on the federal and state level, and the amount of income that would be needed to cover these costs.

Home prices increased faster than gains in income creating a market of "innovative" financing arrangements. This made Florida extremely vulnerable to the housing market bust and interest rate risks. In 2006, almost half of all mortgages in the state were considered "innovative" (interest only and pay option ARM). Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes that previously would have been denied. The surging demand for housing created an opportunity for builders and developers to embark on construction projects, which are now left unfinished and incomplete. While the national inventory of homes is close to 10 months, Florida's excess supply of homes is approximately 400,000, (an inventory of 50,000 is good). Subtracting the "normal" inventory and using the most recent sales experience, the state will need significant time to work off the current excess – at least until mid 2011 and likely longer.

Foreclosures have compounded Florida's unsold inventory of homes. Originally related to mortgage resets and changes in financing terms that placed owners in default, recent increases have been boosted by the continually growing number of unemployed.

The Florida economy is unlikely to turn around until new construction rebounds, which won't happen until the inventory is reduced, not expected in 2010 or 2011.

A construction rebound is unlikely until the latter half of 2011, perhaps never returning to the boom of 2005-06. As the availability of financing for commercial real estate tightens and loan losses mount, growth in private commercial construction is projected to fall another again this year. Public construction activity dropped 16% in 2009 and will continue to decline as tax revenues decline. Growth will return slowly over the next three years.

Population growth has been the state's primary engine of economic growth. However, as previously mentioned, population growth has significantly slowed. The most recent data from April 1, 2008 to April 1, 2009 indicates that the state's population has actually declined by approximately 58,000 residents. While some may have expected this decline, it should represent a change in economic strategy for political leaders. Growth in population was how local economies prospered with little planning or effort. As the demand for new construction increased, so did the need for goods and services. This economic activity generated sales tax, property tax and various types of revenue associated with construction, such as permitting fees, impact fees and assessments.

The current recession has caused more people to leave the state in search of employment and/or more affordable living conditions. In 2010, growth is expected to reflect only the state's natural increase, not migration from other states. Population growth will rebound by 2012, but the economic generator for Florida must evolve to include an investment in education and innovation.

According to Tim Center, Vice President of sustainability initiatives for the Tallahassee based Collins Center for Public Policy, along with expert opinion, Florida's population is expected to double by 2060.

VOLUSIA COUNTY'S ECONOMY

Volusia County represents 16 cities including World Famous Daytona Beach with a population of approximately 520,000 residents. Changes in population follow similar trends affecting the state and continue to be influenced by the net-migration of residents. In 2007 the county became home to approximately 30,000 new residents, while in 2009, population decreased by approximately 5000 residents.

Volusia County has relied heavily on population growth, housing starts, tourism and some agriculture as the main economic drivers. The economic downturn has had a negative impact on Volusia County's economic health, indicated by the housing bust, population decline and a

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reduction in tourism, resulting in an unemployment rate of 12.5%, significantly more than the state and national average. Additionally, Volusia County has one of the lowest average annual wage rates in the state.

The median price of a resold home in Volusia County plummeted from \$219,000 in 2006 to \$131,163 in 2009, with increases in home foreclosures, ranking Volusia County among the highest in the state. These key economic indicators are further supported with a decline in residential and commercial building permits.

NEW SMYRNA BEACH'S ECONOMY

New Smyrna Beach is a unique city located on the shores of the Atlantic Ocean in central Florida. With a sub-tropical climate, abundant natural environmental assets and a rich history, it has become a quiet haven for tourists, small business and families. Ocean, inlet, river, lagoon, marshes, mangroves, Intracoastal Waterway and productive agriculture lands/wetlands surrounding the town all contribute to its lush beauty.

Similar to the state and county economies, New Smyrna Beach has relied on population growth, and the traditional business clusters as the engine for economic growth, including tourism, marine and construction. The beach is lined with condos, and businesses relying upon the winter residents and seasonal tourists for economic vitality. This has led to a hospitality community that is service orientated and reliant on a strong economy, which is proving to be unsustainable.

The City of New Smyrna Beach has approximately 24,000 residents. However, the population size changes based on seasonal trends. Located both on the mainland and a 13 mile-long island, the city is bisected by the Indian River/Intracoastal waterway. The Canal Street Historic/Business District on the mainland riverfront is lined with art galleries, antique stores, restaurants and shops. This area has many historic homes and buildings of architectural interest. The downtown riverfront is home to the City Marina, the Brannon Community Center and Riverfront Park.

Known for its commitment to the arts (named as one of the "America's Top Small Cities for the Arts), the city is home to the Atlantic Center for the Arts, Arts on Douglas, The Harris House, The Artists Workshop and The Little Theater. Cultural arts, special events and festivals play a significant role in tourism and the quality of life for our residents.

Two causeways provide access to the island known as "beachside" and beach. The North Causeway leads to Flagler Avenue, a popular visitor destination of restaurants, boutique shops and nightlife with history as a tourist destination extending back into the 1800's. The South Causeway, which is the main thoroughfare connecting the mainland and beachside, brings residents and visitors to many dining, entertainment and shopping opportunities as it crosses the waterway & estuary and turns south into Atlantic Avenue.

DEMOGRAPHICS

As stated, the population of New Smyrna Beach residents is approximately 24,000 with 39% over the age of 60. Of the year-around residents, approximately 92% are White, 6.3% are African American, and the remaining are Hispanic and other ethnicities (Source: 2000 Census). The average household income is higher in New Smyrna Beach than the County as a whole, with \$47,307 per annum compared to \$43,875.

EDUCATION

New Smyrna Beach enjoys access to many high-performing educational institutions. Local public schools serving the K-12 population (approximately 63,400 county-wide in school year 2009-10) have all received a grade of "A" from the State of Florida based on FCAT (Florida Comprehensive Academic Test) scores and other measurements. These schools are Chisholm Elementary, Read-

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Pattillo Elementary, Coronado Elementary, New Smyrna Beach Middle School and New Smyrna Beach High School. Some students in the northwest portion of the city are zoned to Creekside Middle School and Spruce Creek High School. These are also rated "A", and Spruce Creek High School is known for its outstanding International Baccalaureate Program. High-performing private and charter schools are part of our local educational system.

The opportunity for individuals to attend public and private higher education institutions within our community abound with the following choices: Daytona State College, University of Central Florida, Bethune-Cookman University, Embry-Riddle Aeronautical University, Stetson University, Keiser College, University of Phoenix and Nova Southeastern University. In addition to these accredited colleges, Volusia County has technical schools as well, serving a broad range of student's educational interests, such as aviation, security, hospitality, and cosmetology.

ECONOMIC BASE

Tourism is the area's single largest industry because of our beaches, river and access to the inlet. The attraction to the beach will be a continual draw for guests from around the world. New Smyrna Beach is a vacation destination for residents of west Volusia and metro Orlando. Over the years, these vacationers eventually become residents and constitute a large percentage of ownership of island condominiums and homes. Not only does New Smyrna Beach cater to visitors from the around the state and nation, it is a popular tourist destination for a large number international visitors.

New Smyrna Beach and the vicinity of Southeast Volusia is famous for water sports. The 13 miles of beaches boast a habitat for surfing, swimming, sunbathing, boating and fishing, the barrier island is separated from Daytona Beach by Ponce Inlet, which permits boaters and fishermen access to the Atlantic Ocean from the Indian River/Intracoastal Waterway. The southern part of our barrier island is home to the pristine Mosquito Lagoon and 57,000 acre Canaveral National Seashores Park, said to be the Nation's longest stretch of remaining undeveloped seashore. Smyrna Dunes Park, at the northern tip of the island, features a 1.5 mile boardwalk loop around the inlet through pristine nature and coastal dunes.

A substantial number of popular attractions and theme parks are within driving distance and include: Walt Disney World, Universal Studios, SeaWorld, Daytona International Speedway, St. Augustine, Kennedy Space Center as well as state and Federal parks and preserves.

The hospitality industry plays a vital role in the local economy, and while tourism remains the largest segment of our local economy, there are other sectors expanding that hold promise for higher paying jobs and continued growth. Bert Fish Memorial Hospital is the area's largest private sector employer in the area and represents a growing medical sector that will require a skilled workforce at all levels, including but not limited to, global care centers, assisted living facilities, dialysis centers, cardio-vascular disciplines, etc. Of critical importance will be maintaining our hospital in the face of other outside pressures.

Other segments of our economy that have traditionally received little attention but offer promise for a sustainable future for growth are aviation, marine manufacturing, alternative environmental technologies and commercial opportunities (other than retail). While not directly related to tourism, companies that relocate or expand typically do so because they have been exposed to our seaside community.

It is important to note that greater than 50% of local employment is in the public sector. This over reliance on government provided and tax-payer funded employment (education, law enforcement, city/county/federal employees etc) underscores the need for private sector support and expansion.

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III. STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS AND TRENDS RELEVANT TO ECONOMIC DEVELOPMENT

"The overall evaluation of a business's strengths, weaknesses, opportunities and threats is considered a SWOT analysis. The SWOT analysis consists of an analysis of the external and internal environment" (Kotler, 2002). More contemporary analysis of the external environment includes trends in the marketplace that potentially have an impact on the organization (SWOTT Analysis). The internal analysis looks at the strengths and weaknesses of which the organization has control over. The external environment looks at opportunities, threats and trends created by the "environment" to which the organization has little control.

The external factors that an organization must monitor are macro-environmental forces (demographic-economic, technological, political-legal and social-cultural) and significant micro-environmental forces (customers-residents, competitors-other municipalities, suppliers), which affect the organization's ability to be successful (Kotler, Bowens & Mackens, 2008).

STRENGTHS

Just as in an organization, a city's strengths are the resources and capabilities that can be used as a "competitive advantage," and are internal. These are what give our city superior value and benefits to residents, businesses and visitors.

- Natural resources, beach, Intercoastal waterway, natural preserves and climate.
- Historic, charming, business district.
- Municipal airport.
- Proximity to other tourist destinations.
- Recreational/Outdoor Activities: boating, fishing, surfing, swimming, sunbathing, kayaking, golf, cycling and running.
- Small town charm. People helping one another.
- Cultural Character: Atlantic Center for the Arts, Artists' Workshop, Little Theatre, Arts on Douglas, Harris House.
- Separate entertainment district.
- Proximity to I-95 and I-4.
- Updated public Sports Complex.
- Safe, relaxed environment relatively free of crime and unseemly elements.
- Accessible public and private education system, both K-12 and higher ed.
- Availability of land for future development (private and public).
- Highly rated tourist destination.
- Shift in municipality's outlook towards new development with new management and new commission.
- Recognition of the necessity of having a climate that supports existing businesses and rewards their growth and success year around.
- Qualified City staff.
- Large pool of qualified citizens willing to volunteer.
- Community pride.
- Favorable demographics.
- Large inventory of housing.
- Growing community hospital.
- Churches.
- Community Redevelopment Agency's plan from Glattig Jackson to identify redevelopment goals.

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- Availability of overlay zones to promote and attract desirable business growth and expansion.

WEAKNESSES

The absence of certain strengths are considered weaknesses. A city's weaknesses are the resources and capabilities that are considered a "competitive disadvantage," and are internal. These are what detract from our city's value and benefits to residents, businesses and visitors. These are internal to an organization, and thus must be addressed.

- Reputation for "non-growth" mindset of City Leaders and some residents.
- High business start-up costs and taxes for would be entrepreneurs.
- No planned economic development efforts.
- Concerns about the operations of the Utilities Commission.
- Comprehensive Plan and Land Development Regulations not in sync with each other.
- Lack of agreement on a business philosophy between residents and city officials.
- Not enough hotel space near historic & tourist areas.
- Lack of restaurants, bars & upscale retail on Canal Street.
- Inadequate signage, including that for way-finding.
- Imbalance of seasonal vs. year round residents.
- Need for a business driven focus that will bring NSB a closer relationship with its neighbors but not change the good "assets."
- Lack of communication between existing Municipal and other government entities: City, CRA, UC, City Commission, County.
- Outdated and unenforceable ordinances and restrictions.
- No official historic Main Street or historic district designation that will allow eligibility for grants or other monies.
- No vision or plan and lack of capital to allow expansion of Hospital district.
- Lack of parking in commercial areas.
- Limited public access to inter-coastal waterway (parks, boat ramps, etc.).
- Underdeveloped and inefficient use of water front areas.
- No incentives for expanding existing businesses or bringing in new business.
- Poor communication between City staff and users of City services.
- Lack of first class office space.
- Lack of employment opportunities.
- Lack of resources dedicated to grant writing.
- Barriers and impediments to change.
- Fear of thinking "outside the box."
- Lack of leadership.

OPPORTUNITIES

The external analysis may provide opportunities for success probability that the organization has little to no control over. The most successful organizations are ones that generate the greatest value and sustain it over time.

- Contiguous land available for annexation.
- Expanded tax base leads to lower property taxes for all and improved services.
- Grant funding through Brownfields, ECO, and Historic Districts.
- Support and resources from Volusia County Economic Development Department.
- Partnering with surrounding cities.
- Increase in baby boomer population relocating to warmer climates.
- Desire and commitment to protect historic and natural assets.

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THREATS

An external environmental threat is a challenge posed by unfavorable trends or developments that will negatively affect an organization or entity such as a city.

- Voter approval of Amendment 4 in November 2010, requiring an election every time a change is desired to the Comprehensive Land Use Plan, will effectively shut down growth and development.
- No state funding for projects.
- Housing prices and tax revenues.
- Lack of financing.
- Business failures; poor overall business climate.
- Lower personal incomes.
- Separation of public and private entities, each pursuing own agenda.
- Competition with surrounding cities, Port Orange, Edgewater (Restoration and Woodhaven).
- Overregulation by the state.
- Not enough hotel space to accommodate visitors.
- Lack of restaurants, bars & upscale retail on Canal Street (threat to economic growth).
- Lack of parking in commercial areas (threat to development).
- No convention hotel (threat to business and tourism).
- No designated "Arts" District.
- Possibility of climate change.
- Hurricanes and other destructive acts of nature, such as red tide and beach erosion.
- Pollution of waterways.
- Inlet dredging.
- Unfunded state mandates.

TRENDS

A trend is a relatively constant movement of a variable over a period of time. Trends can take place over a short or prolonged period of time. For example, the aging of America is a trend that has been taking place since the early 1900's, when only 13% of the population was over the age of 65. It is expected that by 2050 the percentage of Americans over the age of 65 will be 25%.

- Aging population.
 - Retiring baby boomers moving to warmer climates.
 - Increase in need for medical services and health care as the population ages.
 - Health, wellness and preventative care.
- Acceptance of technological advancements. Such as social media and electronic communication.
- Economic turmoil
 - Declining state and local population.
 - Decrease in consumer spending.
 - Lower personal income levels.
- National increase in enrollment at higher learning institutions.
- Increase in bed tax revenues in Volusia County for past year, according to the Southeast Advertising Authority.
- Green technology and environmental awareness
- Discount retail and prices
- Affordable alcohol
- Parental outsourcing
- Tutoring, test prep & driving schools

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IV. GOALS, OBJECTIVES AND POLICIES

GOAL: PROMOTE AND MAINTAIN ORDERLY AND DIVERSIFIED ECONOMIC GROWTH, INCREASED EMPLOYMENT, AND INVESTMENT OPPORTUNITIES, ENHANCE AND PROMOTE RELATIONSHIPS WITH THE BUSINESS COMMUNITY AND STAKEHOLDERS, WHILE PROTECTING QUALITY OF LIFE THROUGH ENVIRONMENTAL SUSTAINABILITY TO ENSURE COMPETITIVENESS IN TODAY'S ECONOMY.

OBJECTIVE

1. Image and Culture. Create and advance the image and culture of the City of New Smyrna Beach as a place where the private business sector, government and community come together as a prosperous and special place to do business, live, work, visit, invest and grow.

POLICIES

- a. Assess the current image of the City as perceived by visitors/tourists, business people and political leaders and activists, determine a core image to used on a common basis and develop an image that promotes a sustainable business friendly atmosphere that is safe and reliable for investment.
- b. Assess and address the existing culture of the city government, its departments, sub-agencies, advisory boards and other volunteers in order to ensure attitudes and behaviors that are customer friendly and deliver service with results in a timely fashion.
- c. Review, amend and update as necessary the governing documents of the city and its agencies to ensure support for responsible economic development.

OBJECTIVE

2. Organizational Development. Develop a responsible and responsive economic development organization to oversee and implement an approved plan, coordinate activities with volunteers and work cooperatively with development staff from the county and surrounding municipalities.

POLICY

- a. Create an economic development organization to implement the Economic Development Element, Economic Development Plan and develop other incentives to promote economic development.

OBJECTIVE

3. Streamline Processes. Create streamlined, transparent, and user-friendly government processes required to start-up, relocate or expand a business, including home-based businesses.

POLICIES

- a. Identify policies and procedures that unnecessarily impede and/or duplicate the permitting process. If needed, recommend changes to current policies and procedures required to start-up, relocate or expand a business, identify new policies and procedures to streamline the process, implement in order to create an open and transparent permitting process.
- b. Continue to monitor and identify new methods to enhance service and procedures, including but not limited to, administrative review and approval of certain development applications.

OBJECTIVE

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4. Expand Tourism. Support efforts to expand tourism through venues and support systems.

POLICIES

- a. Stimulate the private development of short-term hotel accommodation space as well as convention services and facilities.
- b. Encourage the expansion of existing events and development of new events, which are compatible with the vision and mission of the city.

OBJECTIVE

- 5: Business Recruitment, Retention and Expansion. Create mechanisms, including incentives and workforce training, to attract, retain and expand diverse, innovative and responsible businesses to the City.

POLICIES

- a. Classify and characterize areas based on infrastructure, transportation links, geography, infill capability, sustainability and smart growth precepts.
- b. Revitalize the City's traditional downtown areas, building upon architectural, recreational and historical resources to attract residential, tourist-related and business development.
- c. Develop a list of targeted industries or specific business classifications that would be appropriate for the aforementioned areas, in order to develop incentive programs to attract those desired businesses.
- d. Capitalize on the city's resources, both natural and man made, to ensure the continued image as a safe and thriving community in which to raise a family, invest, do business and enjoy the quality of life.
- e. Encourage effective working partnerships between the public and private sectors, including educational institutions.
- f. Assure the conservation and enhancement of quality of life indicators, including cultural and natural assets.
- g. Promote appropriate business development around transportation hubs, including the airport, waterways and railroad corridor.

OBJECTIVE

- 6: Annexation. Create a plan for annexation of those geographical areas that are contiguous with or enclosed by current City boundaries in order to raise the tax base and provide a logical, contiguous land mass.

POLICIES

- a. Identify land for future annexation, prioritize areas for annexation, formulate a timeline for annexation and execute said timeline.
- b. Work with the Utilities commission to determine financial impact of annexation and infrastructure needs.