
Economic Impact upon the Ocala – Marion County Economy of the Possible Closure of the Emergency One Manufacturing Facility

Prepared for the

Ocala - Marion County Economic Development Corporation

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Prepared by

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Summary

Local economies grow and expand, decline and fall in direct proportion to the amount of money flowing into the area through the activity of primary employers which sell their goods or services outside an area. This analysis examines the impact of the possible closure of Emergency One upon the Marion – Ocala economy. Emergency One is a primary employer.

The analysis will estimate the current impact and the impact as a result of its closure.

Current Impact: Presently, through its output, Emergency One has a positive impact of about \$550,000,000 in transactions upon the Marion County economy. It accounts for about 1,700 primary jobs which cause a total of 4,000 jobs to be created.

As a result, there is about \$112,000,000 in worker wages generated, 3,000 households supported in Marion County, \$1,147,000 in sales tax collected, and \$4,500,000 in property taxes paid.

Closure: Should Emergency One completely close, the negative impact would be less than the current contribution as some suppliers and workers would immediately find other vendors and jobs. Even so, a closure, over a two to three year period, would have a negative impact of \$474,000,000 (transactions) upon the economy and the loss of about 1,560 primary jobs.

Absent other employment opportunities, at least 3,400 jobs would be lost having a negative impact upon almost 3,000 households, causing a decline in worker wages of \$96,000,000 and sales tax collections of about \$750,000. While homeowners will still be liable for property taxes, absent employment it will be difficult to pay about \$3,500,000 in property taxes.

Impact on Reaching the Economic Goal: The 2003 *Economic Development Goal Setting Study for Marion County* provides for a total net gain of 1,262 new primary jobs for 2007 and 2008. If Emergency One closes, there will be a loss of 1,560 primary jobs over the same two year period. This essentially means the community and the economic development organization must find a means to create 2,824 new primary jobs to meet the job generating milestones set forth the two year period. This is not likely possible.

Observations by POLICOM: The closure of the Emergency One facility could not come at a worse time for the area as the real estate, construction industry, which has boomed for the last four years, is headed toward a “bust,” causing a significant reduction in construction revenues and employment.

Introduction

Local economies grow and expand, decline and fall in direct proportion to the amount of money flowing into the area. Money is imported by means of the “primary or contributory” industries which sell their goods or services (export) outside of the geographic limits of the economy. When “exports” increase, more wealth is added to the economy. When exports decline, less wealth is available in the area.

Once wealth enters the economy, it is mixed and churned within. It travels from business to business, person to person, until it is eventually totally consumed through the purchase of goods or services purchased from outside the economy (imports).

The purpose of this study is to determine the economic impact upon the Ocala - Marion County economy of the potential closing of “Emergency One.” Emergency One is a manufacturer of fire trucks and apparatus. It is a primary employer given virtually 100% of all products manufactured is exported, importing money to the local economy.

This study will address the following issues:

1. The current economic impact of Emergency One upon the Ocala – Marion County economy.
2. The economic impact of a total closure of Emergency One upon the Ocala – Marion County economy.

For each of the above, POLICOM will calculate the overall impact upon the economy and the tax benefit to local government.

In addition to the above, POLICOM will provide observations regarding the impact of a total closure will have upon the overall nature of the local economy, based upon the Economic Development Goal Setting Study created by POLICOM for the Ocala – Marion County Economic Development Corporation.

What is “Economic Impact?”

Impact upon the Community:

When a primary business sells its services or products outside the area, money flows into the area. The amount of money flowing into the economy and the resulting utilization of this money is the impact upon the economy.

The measurement for total economic impact is the value of transactions. Once the business imports the money via sales, through the wages paid to workers and purchased by the company for materials, multiple transactions occur within the economy. Workers pay their mortgages, buy automobiles, go to the doctor, and on and on. The recipient businesses of these purchases pay their workers who in turn pay their mortgages, buy automobiles, and so forth. The money is used on multiple occasions.

The economic impact of a company on a community’s economy varies among industries. A primary business has the greatest impact as it is a direct importer of wealth. A consumptive business also has a positive impact as it causes the money to be retained in the community. Absent the consumptive business, the money for the service or product would immediately leave the community, as the purchase would occur outside the area.

Basically, the gross sales of the company are the initial consideration when determining the impact upon a local economy.

For example, suppose there is an automobile final assembly manufacturing plant located in a community in which parts for cars are put together to create a finished vehicle. If the plant assembles 50,000 cars a year with a value of \$20,000 per auto, the gross export for the company is \$1,000,000,000. However, the full value of the imported money from sales is not the root for determining the economic impact.

Suppose within this economy there are no manufacturers of automobile parts. As a result, the assembly company must purchase from outside the area all of the tires, fenders, seats, radios, engines, and so forth. These purchases could total \$900,000,000. As a result, the net value added at the assembly plant is only \$100,000,000. The net amount for considering economic impact upon the community is only \$100,000,000.

Conversely, suppose every part used in the assembly is manufactured locally, causing all of the value added to occur within the economy. The initial impact is the full \$1 billion.

To determine the amount of impact upon a community, the Bureau of Economic Analysis (BEA), U.S. Department of Commerce has created impact multipliers for each industry for each region in the nation. Known as the “Regional Input-Output Modeling System” (RIMS II), multipliers have been created specific to Marion County, Florida. The multipliers, based upon the 2004 industrial composition of Marion County, were made available November 28, 2006.

The multipliers are different for every area as impact varies. The BEA studies the industrial composition of each area to determine the proper multiplier for more than 400 industrial sectors for their respective economic impact upon an area. The multiplier for the automobile assembler with no suppliers in the area would be a fraction of the multiplier for an area will all of the supplier present. From the multipliers, the total economic impact for Emergency One can be calculated specific to Marion County.

Additionally, multipliers are provided for Marion County for the total jobs created and total workers earnings within the community as a result of the impact of the employer.

The multiplier estimates the spin-off jobs created by the business. The total employment at impact employer is used as the root which is multiplied. However, the jobs which are directly related to the impact employer are added to the root before multiplying.

Going back to the example of the automobile assembler, if no direct parts suppliers are in the area, then only the workers at the assembly plant are used. However, if parts suppliers are present, and since they are a direct component of the value added process and account directly to the gross sales of the assembler, they are included in the root.

However, the value of the sales (output) by supplier companies to the impact business is not added to the total economic impact as it is already included in the value of the export by the impact business. The economic impact multipliers take into consider the supplier impact.

To determine the total impact of worker earnings (wages), the same process is used. The root wages are multiplied by the RIMS II factor to determine the estimate of all the wages paid in the economy as a result of the impact employer.

Through discussions with Emergency One, it has been determined there are ten business enterprises which manufacture components and parts used by Emergency One in the assembly of fire trucks and apparatus. (There are other companies from which it purchases items, but the products are not “value added” in nature.) Due to confidentiality, the total number of workers and wages paid by these companies for work directly related to Emergency One will not be disclosed individually, but will be grouped together under “Supplier Employment” and “Supplier Wages” and will be added to the root for calculations.

Impact upon local government revenues:

Local government, city, county, schools, and others, benefit from the tax revenue generated by the presence of the business through the spending by both the business and residents whom owe their jobs to the business.

To determine the revenue impact upon local government, the direct taxes paid by the business and the spending by the community is considered.

The estimated taxes paid for real property, personal property, and sales is calculated using a combination of formulas developed by Georgia Technical University’s Economic Development Institute and by POLICOM Corporation.

Georgia Technical University has developed software called LOCI, an acronym created from “Local Impact Model.” The formulas estimate the revenues generated to government after the initial multipliers created by RIMS II are determined. However, LOCI is not able to specifically consider every region in the nation regarding spending habits or industrial composition as is the case with BEA multipliers.

POLICOM has also created formulas for such a purpose and uses them to check modify the results of the LOCI, using inputs specific to Marion County. The combination of the two methods yields more accurate results than either singularly.

The following are the sources of data used to create the inputs:

1. Florida Department of Revenue.
2. Bureau of the Census, U.S. Department of Commerce (multiple data bases).
3. Marion County Tax Collector.
4. Marion County Property Appraiser.
5. County of Marion County.
6. City of Ocala.
7. Ocala – Marion County Chamber of Commerce.
8. Ocala/Marion County Economic Development Corporation.
9. Emergency One.
10. Supplier Businesses.

The following are the inputs used to generate the data for the impact upon revenue to local governments. The calculations used to determine the inputs are based upon LOCI and POLICOM formulas:

1. RIMS II multipliers:
 - a. Sector “336120 Heavy duty truck manufacturing.” This is the sector in which Emergency One is presently classified.
 - b. Sector “230000 Construction.” This is used to determine the impact of the construction of a new manufacturing facility.
2. Property tax rate for all jurisdictions (2006). The following are the millage rates used:

Millage Rates / \$1,000			
Property located in unincorporated Marion County	16.709	Property located in Ocala	18.715
County	4.57	Ocala	5.676
County MSTU	3.67	County	4.57
School	7.869	School	7.869
Water District	0.6	Water District	0.6

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3. Commuting patterns of workers to determine the proportion of taxes generated.
 4. Sales tax collections, proportion between Marion County and the City of Ocala, which is based upon the historic distribution by the Florida Department of Revenue between the county and municipalities (calendar year 2005 data).
 5. Households per job.
 6. Average taxable retail sales per household (based upon 2005 calendar year receipts).
 7. Average property taxes paid per household (2006 assessment).
 8. Real and personal (equipment) property taxes paid by Emergency One (2006 assessment).
 9. Local taxable purchases made by Emergency One and supplier companies (2005).

From the multipliers developed by the Bureau of Economic Analysis, Georgia Technical University, and POLICOM, inputs were created and the following are the economic impacts for two scenarios for Emergency One.

The two scenarios include:

1. The current (**Current**) economic impact Emergency One has on the economy. Emergency One presently employs about 1,200 individuals manufacturing fire and emergency vehicles and other apparatus.
2. The negative impact of a total closure (**Closure**) of the facility in Marion County resulting in the loss of all production and employment in the local economy.

Economic Impact:

Table 1 - Economic Impact	Current	Closure	
Emergency One Output	375,000,000	0	
Community Impact (Transactions)	554,287,500	-474,027,342	
Emergency One Jobs	1,282	0	
Direct Supplier Jobs	460	180	
Total Impact Jobs	1,742	180	
Total Community Jobs	4,040	-3,455	
Emergency One Wages	42,306,000	0	
Direct Supplier Wages	19,528,028	7,862,523	
Total Impact Wages	61,834,028	7,862,523	
Total Community Wages	112,952,219	-96,596,875	
Households Created	3,414	-2,920	
In Cities (Principally Ocala)	30%	1,024	-876
In County	60%	2,048	-1,752
Out of County	10%	341	-292
Total Taxable Households Created	90%	3,073	-2,628
Taxable Retail Sales Per Household	29,531	29,531	
Taxable Property Value Per Residence	78,857	78,857	
Taxable Sales by Residents	90,739,921	-77,600,890	
Taxable Local Purchases - Emergency One	16,000,000	0	
Taxable Purchases Suppliers	8,000,000	3,000,000	
Total Taxable Retail Sales	114,739,921	-74,600,890	

Current: Currently, Emergency One has output of \$375,000,000 which generates approximately \$554,287,500 in economic activity in the county. Between Emergency One and its direct suppliers, there are 1,742 impact jobs which generate a total of 4,040 jobs in the economy earning about \$61,000,000.

The 4,040 total jobs generate or support about 3,414 households. Of these, about 3,073 (90%) are located in either Ocala or Marion County with the balance being outside the county as a result of commuting workers.

Taxable retail sales generated by the 3,073 households total approximately \$90,000,000. Combined with the taxable purchases by Emergency One and its supplier companies, a total of \$114,000,000 in taxable retail sales are presently being generated by Emergency One in the Marion County economy.

Closure: Should the facility close, there would be a negative impact upon the economy as a result of the withdrawal of imported money to the community. However, the negative effect is not equal to the positive effect of the presence of Emergency One. A different set of multipliers is used to calculate the negative impact of the loss of economic contribution.

Upon closure it cannot be assumed all direct workers will become unemployed permanently and/or immediately leave the community. Many will accept a lower paying position in the area until a better position is created. The direct supplier companies will likely reduce their workforce in response to the loss of business but some will find business with other companies to replace some if not all of the lost revenue. While a retailer will likely see a downturn in business, it might not be sufficient to cause the retailer to layoff a worker.

Additionally, the negative impact of the closure will not be immediate. Because of severance pay and unemployment benefits, while there will be an initial shock to the economy, most of the negative effects will take between 24 and 36 months to have their full influence.

As a result of a closure, there will be a loss of \$375,000,000 in output by Emergency One causing a reduction of about \$474 million in economic activity in Marion County. As a result of the loss of output and the reduction of 1,562 in direct jobs, eventually the total workforce in the county will be reduced by 3,455 jobs.

There will be a negative impact upon 2,920 households in the county. This does mean these households will disappear. However, the household will have to consider moving from the area if alternative employment is not found.

Due to the reduction of \$96 million in worker earnings, taxable retail sales in the county will fall by \$77 million.

Impact upon Local Government Revenue – Sales Tax:

Table 2 - Government Revenue - Sales Tax	Current	Closure
Sales Tax Generated		
County - Portion of 1/2 cent	476,632	-309,894
Cities (Principally Ocala) 1/2 cent portion	97,067	-63,110
Special Levy (Schools)	573,700	-373,004
Total Sales Tax all subdivisions	1,147,399	-746,009

Table 2 shows the sales tax revenue generated by the presence of Emergency One for all scenarios. The State of Florida levies a 6% sales tax of which ½ of one percent is returned to the government jurisdiction in which the sale was made, either a county or a city. Additionally, Marion County has a ½ % local option sales tax for the school system. The State also remits sales tax “revenue sharing” to local jurisdictions (not included in this analysis).

The estimated sales tax for each jurisdiction is generated using the ratio of distribution determined by the Florida Department of Revenue between Marion County and its municipalities.

Current: Presently, as a result of Emergency One, a total \$1.1million of sales tax revenue is generated annually in Marion County which is split among several jurisdictions.

Closure: If the facility closes, within 24-36 months there will be a reduction in sales tax collections of approximately \$746,000.

Impact upon Local Government Revenue – Property Tax:

Table 3 - Government Revenue - Property Tax	Current	Closure
Property Taxes		
Taxable Value - Real Property - Emergency One	See Below	See Below
Taxable Value - Equipment - Emergency One	See Below	See Below
Real and Personal Property Taxes - 2006 Emergency One		
County	67,756	27,102
Ocala	84,153	33,661
Schools	116,667	46,667
Water Districts	8,896	3,558
Total Emergency One	277,472	110,989
Taxable Residential Value - All Areas	242,305,505	-207,219,961
Live in County - Taxable Value	161,537,003	-138,146,641
County	738,224	-631,330
County MSTU	592,841	-506,998
School	1,271,135	-1,087,076
Water District	96,922	-82,888
Total Live in County	2,699,122	-2,308,292
Live in Ocala - Taxable Value	80,768,502	-69,073,320
Ocala	458,442	-392,060
County	369,112	-315,665
School	635,567	-543,538
Water District	48,461	-41,444
Total Live in Ocala	1,511,583	-1,292,707
Total All Real and Personal Property Taxes	4,488,176	-3,490,011
County	1,767,933	-1,426,891
Ocala	542,595	-358,399
School	2,023,369	-1,583,947
Water District	154,279	-120,774

Table 3 shows the estimated annual property taxes generated as a result of Emergency One. Property taxes are generated directly by the company and by the residents who derive their livelihood from the

economic impact of Emergency One. Not included in the analysis is the property taxes generated by the support companies. Also not included are the taxes paid by all various business enterprises which are “feeding” upon the \$555,000,000 in transactions which are generated by Emergency One.

Current: Presently (2006) Emergency One is paying \$277,472 in taxes for its facilities and equipment. About 60% of the taxes are for real property and 40% for personal property. The 3,073 households created by the presence of Emergency One have a total taxable value of more than \$240,000,000. Based on commuting trends, the estimated property taxes for each jurisdiction are provided in Table 3. As a result of Emergency One, a total of \$4,500,000 is paid to local government via property taxes.

Closure: Upon closure, property taxes paid by Emergency One will be reduced. The portion of the present taxes paid for equipment will be removed. Additionally, the value of the present buildings likely will be reduced, further reducing the company’s tax liability. However, some taxes will be paid on the current facilities not matter who owns them.

Also, if the facility is closed, unlike sales taxes, the property taxes paid by the households created by Emergency One will be due and payable by the owners of the property. The real estate does not “go away.” However, the source of income to pay the taxes does “go away.” Table 3 shows negative numbers for property tax collections under “Closure.” This, of course, is not the case. Property tax collections will likely be the same amount as under “Current” unless property values decline. The negative numbers are provided to demonstrate, as a result of the closure, there will be a shortfall of earned income by the community in the amount of \$3.5 million to pay real property taxes.

Impact upon other industries:

Table 4 - Impact Upon Industrial Sectors	Current		Closure	
	Wages	Jobs	Wages	Jobs
Agriculture, forestry, fishing, and hunting	131,035	10	-112,061	-8
Mining	0	1	0	-1
Utilities	524,140	9	-448,245	-8
Construction	393,105	17	-336,184	-15
Manufacturing	73,379,632	2,196	-62,754,350	-1,878
Wholesale trade	7,075,893	207	-6,051,312	-177
Retail trade	4,258,639	275	-3,641,994	-235
Transportation and warehousing	3,800,017	170	-3,249,779	-146
Information	982,763	30	-840,460	-25
Finance and insurance	3,734,499	118	-3,193,748	-101
Real estate and rental and leasing	851,728	48	-728,399	-41
Professional, scientific, and technical services	3,079,324	104	-2,633,441	-89
Management of companies and enterprises	917,245	20	-784,429	-17
Administrative and waste management services	1,572,421	101	-1,344,736	-86
Educational services	458,623	29	-392,215	-25
Health care and social assistance	6,420,718	264	-5,491,006	-226
Arts, entertainment, and recreation	458,623	28	-392,215	-24
Accommodation and food services	2,686,219	255	-2,297,257	-218
Other services	2,031,043	134	-1,736,951	-114
Households	196,553	26	-168,092	-22
Total	112,952,219	4,040	-96,596,875	-3,455

Table 4 provides the impact of the three scenarios upon the 20 major industrial sectors. Using RIMS Multipliers, for each industry, total wages (worker earnings) and jobs are provided.

Impact upon Marion County Economic Goal

In 2003, POLICOM created an Economic Development Goal Setting Study for the Ocala – Marion County Economic Development Corporation. The purpose of the study was to project the future condition of the Marion County economy and to set job and wage goals which would significantly improve the quality and increase the size of the economy.¹

To reach the goal, POLICOM created annual milestones for the formation of new, primary industry jobs in Marion County. (Remember, a primary industry is one which sells its goods or services outside the area, importing wealth to the community.) The milestones have been determined to be reasonable but only achievable if there is an aggressive economic development program.

The following chart shows the number of net, new, primary industry jobs and ancillary wages necessary each year to achieve the goal for the first ten years (**Primary Job Milestone**). Some of the new primary jobs to be created will be through recruitment of new companies to the area and others will be by the expansion of existing primary companies.

Mostly importantly, the **New Primary Jobs** annual milestone is a net gain. This means if an existing employer reduces employment by 100 workers, then this loss must be made up by other existing companies or through recruitment in order to break even for the year.

<u>Year</u>	<u>Primary Job Milestone</u>	<u>Net Gain for Year</u>	<u>Variance from Milestone</u>	<u>Cumulative</u>	<u>Milestone Wage</u>	<u>New Job Wage</u>	<u>Variance from Milestone</u>
2003	470	-321	-791	-791	29,783	34,449	4,666
2004	513	962	449	-342	32,200	38,784	6,584
2005	578	1,169	591	249	33,791	34,225	434
2006	594		-594	-345	35,440		-35,440
2007	611		-611	-956	37,216		-37,216
2008	651		-651	-1,607	39,298		-39,298
2009	692		-692	-2,299	41,272		-41,272
2010	713		-713	-3,012	42,944		-42,944
2011	735		-735	-3,747	44,681		-44,681
2012	758		-758	-4,505	46,484		-46,484

In September of 2006, POLICOM created an evaluation to determine if the area was achieving the annual milestones for new primary jobs. The chart shows in 2003 it fell short of the milestone (470) by 791 jobs, having had a net loss of 321 primary jobs. Much of the job loss was due to the recession. In

¹ For information regarding the Economic Development Goal Setting Study, please contact the Ocala – Marion County Economic Development Corporation.

2004, the area exceeded the annual milestone and is presently 249 jobs ahead of what is required. Many of the new jobs created in 2004 and 2005 were by existing companies rehiring after the recession and through recruitment.

The possible closure of Emergency One will have a significant negative impact on the area's ability to create a sufficient number of new primary jobs to improve the size and quality of the economy. The goal provides for a total net gain of 1,262 new primary jobs for 2007 and 2008. As previously stated, if Emergency One closes, there will be a loss of 1,560 primary jobs over the same two year period.

This essentially means the community and the economic development organization must find a means to create either through recruitment or expansion 2,824 new jobs to meet the milestones for a two year period.

It is unlikely this will occur via expansion of existing companies in Marion County since many of the existing companies are tied to the construction industry. New construction in the United States has slowed and will continue to slow significantly over the next two years. It is possible many of Marion County's existing manufacturers will not expand and several may likely have to reduce their workforce during this time, compounding the loss of Emergency One.

Recruiting enough companies to the county to create 2,800 new primary jobs will be very difficult. Nationally, the number of people employed by the average "project" (a primary business looking for a community) is only about 50 workers. This would require luring 56 companies to the Ocala area over a two year period. The area would have to recruit 30 companies just to make up for the loss of Emergency One.

Each year there are about 200 projects nationally which result in 200 to 300 workers. However, many of these companies do not look at the State of Florida and most are granted "incentives" by communities to offset costs. There are only five to six projects each year in the United States which could come to Ocala and employ more than 1,000 workers.

As a result, the community should make every effort to prevent the closure of Emergency One as replacing its economic impact will be very difficult.

Observations Regarding Emergency One

The potential closure of the Emergency One facility could not come at a worst time for the Marion County economy. The new home construction industry, which has caused a significant increase in local tax revenue, property values, and construction employment, will begin to slow significantly and will likely decline. This will not only cause a loss of employment, but also a reduction in local retail sales and taxes to local government.

Florida has had a long history of real estate “booms.” It has also had a history, after each boom, a “bust.” This is usually the result of “overbuilding.” The supply of product would grow so fast during the boom it would far exceed the marketplace, causing the industry to collapse and fall into a recession if not a depression. Two to three year busts followed booms in 1974 and 1981.

Beginning in 1989, the state endured one of its worst declines in construction which lasted almost five years. As an example, in Palm Beach County, construction employment fell 30% from 1989 to 1992. The county did not regain its construction workforce of 1989 (number of workers) until 2000. St. Lucie County, one of the fastest growing counties in Florida, lost 21% of its construction workforce between 1989 and 1996 and did not fully recover until 2001, when the current boom began.

Marion County did not suffer a massive decline in the construction industry during this period as it did not have a massive boom or increase during the 1980’s. Even so, employment in construction dropped in Marion County by 3.5% between 1989 and 1992. It also had “slow-downs” in 1995 and 2001.

While Marion County has not been a participant in previous booms in Florida, it has been one of the “leaders” of the current boom from 2001 to 2006.

From 2001 to the beginning of 2006, Florida has had one of its most prolific and expansive real estate booms in its history. Driven by low interest rates, equity lines of credit, interest only-no down payment loans, and speculation, more new homes and condominiums were constructed in the state during this five year period than any other.

A feeding frenzy occurred in the state, like sharks in bloody water, as buyers chased whatever property they could purchase with the intent of quickly selling for a profit. As a result, it was not unusual for

property values to increase by 15% to 20% each year during this time. Home and condominium builders raced to create new product to satisfy what appeared to be an insatiable, unending demand.

From 2001 to 2005, construction employment in Marion County increased at the annual rate of 12%, the fastest increase of any of the 361 metropolitan areas in the nation. The greatest growth occurred from 2003 to 2005.

The impact of the real estate boom on Marion County has been significant. The Marion County Property Appraiser reports the value of new construction as of January 1, 2006, built the previous year, was more than three times greater than in 1998. Taxable real property increased in value by an average of 21% per year from 2003 through 2006 with property tax collections increasing by 15% per year.

Taxable retail sales increased an annual average of 12% from 2003 to 2005. Much of this increase was driven by an average increase of 22% per year in the taxable sales of construction materials.²

Table 6						
Actual and Percentage Increase						
New Construction Value			Total Taxable Real Property		Total Property Taxes	
1998	232,450,511		5,385,346,201		133,398,010	
1999	274,249,486	18%	5,782,714,204	7%	137,986,373	3%
2000	310,718,089	13%	6,345,590,349	10%	149,623,464	8%
2001	319,962,567	3%	6,945,940,873	9%	162,121,854	8%
2002	322,601,723	1%	7,608,257,137	10%	182,966,638	13%
2003	485,187,539	50%	8,575,086,992	13%	202,653,582	11%
2004	608,917,347	26%	9,928,215,180	16%	221,794,122	9%
2005	581,052,878	-5%	11,805,778,330	19%	250,112,653	13%
2006	781,842,660	35%	16,163,434,519	37%	320,439,628	28%
Taxable Retail Sales			Taxable Sales - Construction			
1998	2,716,449,877		229,183,262			
1999	2,894,152,562	7%	242,769,097	6%		
2000	3,034,529,127	5%	258,695,703	7%		
2001	3,113,997,741	3%	249,460,047	-4%		
2002	3,167,716,462	2%	265,520,306	6%		
2003	3,466,606,762	9%	323,490,121	22%		
2004	3,849,602,884	11%	382,604,367	18%		
2005	4,429,665,434	15%	453,538,490	19%		

² Property tax values determined by appraised value as of January 1 of each year. Construction activity occurred the previous year the value is determined by the Property Appraiser. Sales tax data is for the current year. Annual data is not available for 2006.

Table 6 shows the actual and percentage increase beginning in 1998.

The principal reason this issue is raised in this study is the community should brace itself for a significant reduction in new construction activity. As a result, revenue to local government will not only not increase at rates comparable to the last three years, but will likely decline.

The Researcher is not completely familiar with the nature of the real estate, construction industry in Marion County. However, it is obvious the current growth rates cannot be sustained.

The overall collapse of the real estate, construction industry has already begun in Florida and has yet to bottom out. In Miami-Dade County, it is estimated almost 80% of the new condominiums constructed from 2002 to 2005 were purchased by speculators with no intention to occupy the structure. As a result, thousands of condominium units are for sale and planned new condominium projects have been cancelled.

In Palm Beach County, more than 50% of the new condominiums constructed were purchased by speculators and three planned projects have been cancelled in downtown West Palm Beach. There is at least a three year supply of user occupied condominiums in the Palm Beach County marketplace.

Major home builders have a glut of inventory as more than 40% of their homes built to order are not closing. Buyers are “walking away” from their deposits and values are falling rapidly.

The overbuilt situation is so severe major home builders are also “walking away” from closing on new tracts of land which they had planned to use in the future. New home builder, Minto, is advertising 20% price reductions on existing homes they have for sale.

In St. Lucie County, the overbuilt situation is so acute new home builders are advertising on television in an attempt to rent the new homes which are sitting empty.

The supply of new homes on the market has had a dampening effect on existing homes sales. In November of 2006, the number of existing homes for sale in Palm Beach County was three times greater than in November of 2005, but the number of closings in 2006 were half that of 2005. Additionally, the

average sale price in November of 2006 was 12% less than in 2005. This compounds the problems for the new home builders, as their potential buyers cannot sell their existing homes.

Marion County will not be immune to the latest bust in the real estate, construction industry. The community should prepare itself for a decline of 50% in new construction value from the 2006 level over the next two years, an overall decline in property values of 10%, and a decline of sales tax revenue of 5%.

As stated at the beginning of this section, this is not a good time for Emergency One to close its operation.