



The City of Delray Beach Competitive Assessment and Cluster Strategies Study



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Draft For Commission Review

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The **Florida International University Metropolitan Center** is Florida's leading urban policy think tank and solutions center. Established in 1997, the Center provides economic development, strategic planning, community revitalization, and performance improvement services to public, private and non-profit organizations in South Florida. Its staff and senior researchers are leaders in their respective fields, and bring extensive research, practical, and professional experience to each project. The Center's research has catalyzed major policy initiatives and projects in housing, economic redevelopment, transportation, social services, and health services throughout South Florida.

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Introduction

Delray Beach's economy and quality of life rank it as one of Florida's most desirable places to live and work. So why then, is a strategic plan needed at all? The answer is that smart and successful communities engage in continuous strategic planning to **remain** competitive, and maintain its quality of life, employment, business, and housing choices.

All communities, large and small, compete for jobs, residents, and development in an environment that never stands still. Constantly changing demographics, family structure, technology, and economic conditions means that no community has the luxury of standing still.

The City of Delray Beach engaged the FIU Metropolitan Center to complete a **Competitive Assessment and Cluster Strategies Economic Development Study** to suggest key strategies for the City's short and long-term economic development planning processes. This study assesses 1) Delray's competitive position, 2) its economic structure, strengths, and opportunities, 3) labor force, and 4) housing and real estate market performance. The analysis uses over 60 different economic indicators and statistics, including publicly available sources including the American Community Survey, the Federal Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW), the BLS Occupational Survey, State of Florida QCEW data, independent market studies, the Palm Beach County Assessor's, property records, and private third-party business databases. Note: much of the business and employment data is only available at the Zip Code level. For this part of the analysis, Zip codes 33444, 33445, 33483 were used as coverage for the City.

The Cluster Strategies Study is not designed to replace the City's existing economic development plans, but update and augment the strategic planning process the city has implemented to sustain and improve Delray's economic prosperity.

This study would not have been possible without the guidance and assistance of the City's Economic Development Staff. An additional important elements of the research process included a workshop conducted with over 40 of the City's business leaders, and individual interviews with the City commissioners. We are grateful for the generous participation of everyone who contributed to the study and the depth of understanding they provided to the research team.

The Elements of Community Competitiveness

In our experience, the policy elements of building and maintaining successful, competitive and sustainable communities include the following:

- **Planning for Stable, Sustainable Long-Term Growth:** Competitive communities support diversified employment, industry, and occupational growth that is less susceptible to business cycle fluctuations, protecting worker incomes and household wealth during national economic downturns;



- **Targeted and Strategic Allocation of Resources to Stimulate Economic Growth:** 97 percent of employment growth comes from the expansion of existing businesses. In an era of shrinking federal and state funding, leaders in high performing local economies 1) focus and target investments in their local strengths, 2) take a disciplined and targeted approach to investments in physical assets, real estate, and infrastructure, and 3) focus on high-wage job creation in leading local industries before attempting to create jobs in entirely new industries;
- **Supporting Local Innovation and Growing Global Competitiveness:** All economies grow through the expansion of local businesses *and* a steady supply of new businesses to maintain employment. All businesses, even small ones, engage in markets that never stand still. Successful communities support local business capacity to innovate and adopt new technology to improve performance and *global* competitiveness;
- **Expanding Economic Opportunity and Upward Mobility:** Competitive communities support an expanding supply of jobs and occupations paying competitive wages and skills that provide a platform for upward economic mobility and building household wealth;
- **Building Local Human Capital:** High performing local economies build the collective knowledge and skills of its *local* labor force to support globally competitive businesses, obtain higher-wage, high-skilled employment opportunities, and adopt to rapidly changing employment markets, technology, and industry changes;
- **Addressing Housing Market Imbalances:** High performing communities provide equitable solutions to address housing market imbalances that erode incomes, dampen wealth building, and hamper the retention of younger workers; and
- **Strategic Quality of Life Investments:** Competitive communities make intelligent investments in quality public spaces, multi-generational recreation, and activities that further enhance the work-life balance.



Regional Context

Benchmarking Delray Beach

Benchmarking performance characteristics against other similar communities provides valuable insight into the City's strengths and weaknesses. Much of the analysis for this study is built on a benchmark analysis comparing Delray against Palm Beach County and 23 other similarly sized cities. Benchmark cities were chosen based on similar size, and economic performance. 17 of the Cities are in Florida, and also includes a few outliers, to give a sense of where Delray measures against some of the Nation's best performing small cities.

In general, Delray lies in the middle of the pack on almost all benchmark indicators. The benchmark comparison has also been structured to serve as the basis for a long-term performance review and planning. Easily updated annually, the benchmark comparisons can be used to guide and continuously improve policy and programs into the future.

At Home in Florida's Top Performing County

Economic growth at the local level depends on the structure, strengths and weaknesses of the region it is located within.

Delray's businesses and resident employees work for, grow and trade within the network of businesses within the greater County economy. Small businesses, those employing 20 employees or less, especially depend on the network of businesses, services, and industries within the region for growth and expansion.

Palm Beach County's strengths represent a major opportunity for Delray Beach, and has supported its growth over the last decade. Palm Beach is a highly competitive economy, noted for its diversification, high-end manufacturing, high-skilled labor force, balanced with one of the nation's most competitive tourism and hospitality industries. The distinguishing characteristics of the County's economy include:

- Palm Beach County, based on its labor force, is the 5th largest County economy in Florida, with 55,658 private business establishments employing 514,463 workers;
- Total private employment within the County has grown over 23 percent since 2010, compared to 15 percent for the rest of the US during the same period;
- The County's annual average wage for employees of private companies, at \$52,724 (2017) is the highest in Florida;

Benchmark Comparison Cities

Palm Beach County
Mountain View, CA
Santa Cruz, CA
West Hartford, CT
Boca Raton, FL
Boynton Beach, FL
Clearwater, FL
Coral Gables, FL
Daytona Beach, FL
Deerfield Beach, FL
Delray Beach, FL
Doral, FL
Fort Myers, FL
Gainesville, FL
Jupiter, FL
Margate, FL
Oakland Park, FL
Ocala, FL
Pompano Beach, FL
Sarasota, FL
Tamarac, FL
Wellington, FL
West Palm Beach, FL
Sugar Land, TX



- Average wages, adjusted for inflation, have declined only twice year-over-year since 2001. Private employer average wages have increased 4.2 percent since 2010, adjusted for inflation. However, the County's median wage has declined by almost 7 percent since 2010, indicating that similar to the national pattern, earnings for workers in the middle and lower end of the pay scale have stagnated.
- Tourism, tourism support and travel services one of the County's economic bases. However, the County has been home to major tech and industrial companies since the late 1950's, and its high-skill, high wage sectors have expanded faster than any County except Orange County, and include a wide range of high-end professional services, medical care and medical research, construction services and support, and manufacturing, especially aerospace components.
- Industries and industry clusters are classified as **local** or **traded**. Local industries serve the needs of residents and local businesses. Traded industries, sometimes called **basic industries**, are the engines of local economies because they serve markets beyond the region and grow the local economy by bringing in dollars from outside the County. Nationally, traded industries represent 36 percent of employment, 50 percent of income, and 95 percent of patent activity. The County's traded industries represent 34 percent of all employment.
- 8 of the County's top 10 traded industries are concentrated in industries requiring advanced education and/or professional skills, including management of companies and enterprises, legal services, Management and technical consulting services, architectural and engineering services, and computer systems design and related services.
- Palm Beach County has the highest number of annual patents filed of all Florida counties, and has the 55th highest patent rate of all US counties.
- The U.S. Commerce Department's Economic Development Administration (EDA) and Indiana University Business Research Center's **Innovation Index** ranks Palm Beach County 158th among all 3,110 US counties, 5th highest among Florida Counties.
- Businesses in the County's **Advanced Industries** — the 50 industries with the highest levels of skills, knowledge, growth, and value-added productivity — employ 39,319, or 8 percent of the County's workers. Nationally the Advanced Industries employ 9 percent of all workers.
- The County's business structure has evolved from a high concentration of large firms to a larger network of smaller firms. The average number of employees per establishment has shrunk by 25 percent since 2001 (12 down to 9). Employer establishments employing less than 20 employees make up 89 percent of all employer establishments. **Combined with the County's over 171,000 non-employer establishments (those with no employees and only an owner-operator), 98 percent of the County's business establishments have 20 or less employees.**

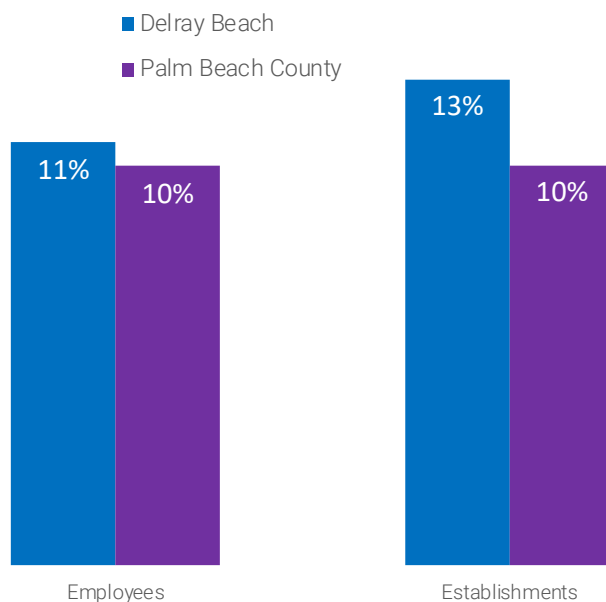


Industry Structure

Rapid Employment Growth

Delray Beach experienced **a 13 percent increase in business establishments, and an 11 percent increase in reported (employer-based establishment) jobs from 2014 to the end of 2018.** Delray's jobs base increase ranks it among Florida's leading small cities for employment growth.

Employment Growth, 2014-2018



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars



A City of Small Businesses

The South Florida economy is noted for its especially high concentration, and high rate of formation of small businesses relative to the national economy. Delray is no exception, but with an interesting balance of small and large business establishments driving its growth over the last 5 years.

Delray has an unusually high proportion of small businesses — 95 percent of Delray’s businesses with payroll employ less than 20 employees, and account for 49 percent of total employment, far ahead of the average for similar sized cities and the rest of Palm Beach County. 92 percent of its businesses are single locations, about standard for the Miami Metro Area (Miami-Dade, Broward, and Palm Beach Counties).

Delray’s high percentage of small business establishments is probably even higher than the statistics indicate. The number of **Non-Employer Establishments**, or businesses owned and run by a single proprietor with no employees, is unavailable at the City level. However, in 2016 (the latest available year), Palm Beach County had 47,613 employer establishments and 170,587 non-employer businesses, representing 78 percent of all establishments, 25 percent of all employment, and 25 percent of all business income. From 2012 to 2016 Non-employer establishments in Palm Beach County accounted for 85 percent of all business establishment growth. From 2012 to 2016 the number of employer establishments in the County grew by 10 percent, while non-employer establishments grew by 17 percent. This means that if Delray has the same composition of non-employer establishments as the County, it could be home to a significant number of additional businesses that otherwise go uncounted.

High Rate of Self-Employment

At 14 percent of all employed resident workers, Delray’s rate of self-employment is 40 percent higher than the US average, at 10 percent of all workers. The average for Palm Beach County is also 14 percent.

Small Firms Balanced by Large Firm Growth

Between 2012 and 2016, in the three zip codes that cover Delray (33444, 33445, and 33483) establishments employing less than 20 employees accounted for 80 percent of the growth of new business establishments in Delray. However, during the same period the City experienced an unusual expansion of large establishments as well. The number of establishments with 100 to 499 employees increased by 18, a 72 percent increase, compared to only 19 percent for the County. It is not known at this time how many of the new large establishments were the result of the growth of mid-size firms versus relocation into the City.

Delray’s Businesses are Profitable and Productive

Despite its high percentage of small businesses, Delray’s private employers generated over \$7.1 B in total sales. 45 percent of Delray’s business establishments earn more than \$1M per year, atypical for a small city.



Business Characteristics, City of Delray Beach

Q4 2018

Private Employers Excluding Government

Total Establishments	4,870
Total Establishments Reporting Employees	4,099
Total Employees	35,884
Total Local Sales	\$5.8B
Total Sales	\$7.1B
Gross Product	\$2.05B

Establishments by Employment

20 Employees or Less	3,876	95%
21-99 Employees	181	4%
100 or more	42	1%

Local and National Presence

Single Location	4,517	92.8%
Branch	330	6.8%
Subsidiary Headquarters	10	0.2%
Headquarters	12	0.2%

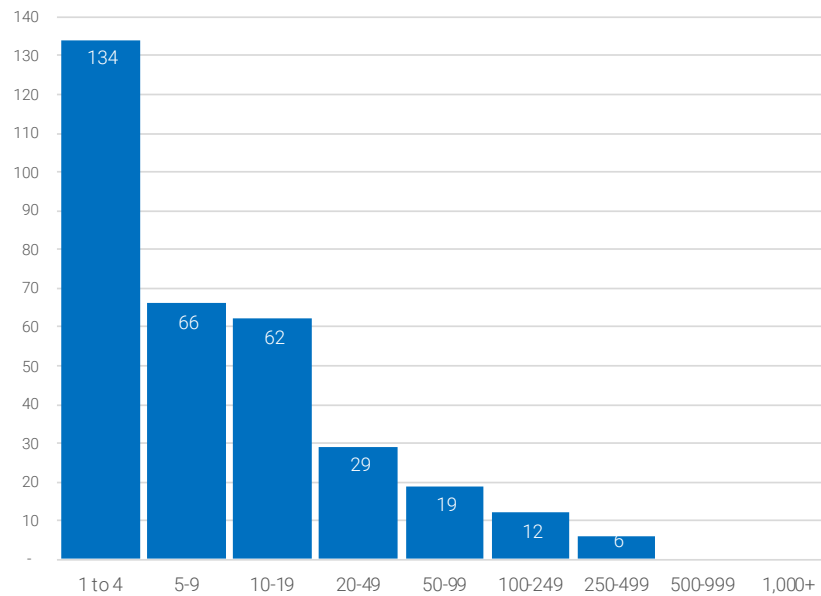
Establishments by Sales Revenue

< 1M sales	2,737	56.2%
1-5M	839	17.2%
5-10M	110	2.3%
10-50M	70	1.4%
50-100M	8	0.2%
100-500M	3	0.1%
> 500M	-	0.0%
Unreported Sales	1,102	22.6%

Government Employment	1,263
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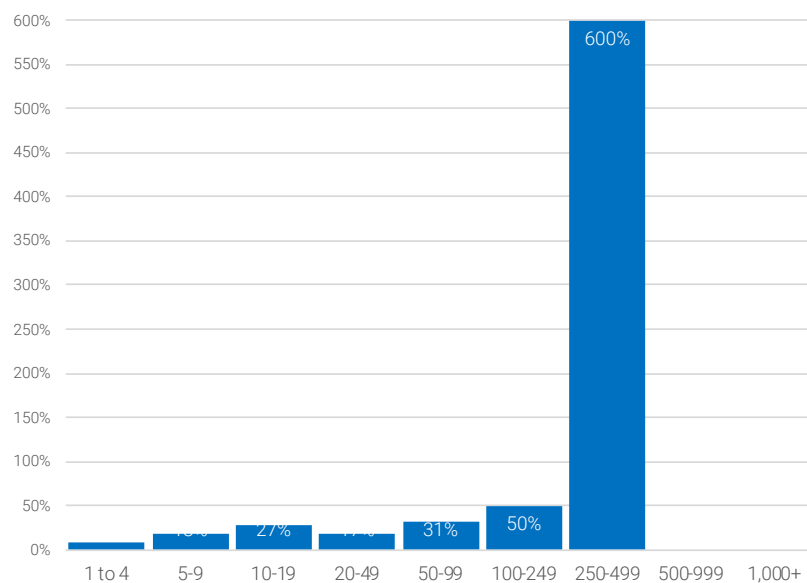


Establishment Growth by Employee Size, 2012-2016 City of Delray Beach



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

Percentage Growth in Establishment Employee Size, 2012-2016 City of Delray Beach



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates



Industry Composition / Economic Base

Industries and industry clusters are classified as **local** or **traded**. Local industries serve the needs of residents and local businesses. Traded industries, sometimes called **basic industries, or economic base**, are the engines of local economies because they serve markets beyond the region and grow the local economy by bringing in dollars from outside the County. ***Without strong traded industries it is virtually impossible for an economy to grow and attain high performance.*** Traded industries in Delray represent over 21 percent of employment, compared to 36 and 34 percent of employment nationally and in Palm Beach County.

Delray, by comparison to its benchmark cohorts, especially other cities in Florida, is unusual for its balanced industry composition. Tourism and hospitality is a major component of nearly all local economies in Florida, yet Delray has managed to grow a large number of sophisticated, high-skilled and well-paying industries alongside a rapid expansion in its hospitality, restaurant and construction sectors. ***This balanced growth pattern is one of its most important strengths.***



City of Delray Beach
Industry Sectors By Employment Q4 2018

Industry	Employees	Percent of Total	Average Earnings Per Job	Total Sales	Sales Per Employee
Traded Sectors					
541 Professional, Scientific, and Technical Services (Traded Industries)	1,848	5.1%	\$80,606	\$377,713,750	\$204,394
721 Accommodation	1,420	4.0%	\$41,879	\$210,971,889	\$148,545
561 Administrative and Support Services	707	2.0%	\$57,532	\$120,073,914	\$169,763
423 Merchant Wholesalers, Durable Goods	416	1.2%	\$81,067	\$157,142,839	\$377,875
523 Securities, Commodity Contracts, and Other Financial Investments and	391	1.1%	\$188,741	\$369,129,402	\$944,594
424 Merchant Wholesalers, Nondurable Goods	339	0.9%	\$76,419	\$198,521,596	\$585,414
551 Management of Companies and Enterprises	260	0.7%	\$170,995	\$91,570,913	\$352,357
713 Amusement, Gambling, and Recreation Industries	253	0.7%	\$39,996	\$31,268,112	\$123,369
512 Motion Picture and Sound Recording Industries	201	0.6%	\$97,476	\$91,678,005	\$457,090
333 Machinery Manufacturing	155	0.4%	\$79,889	\$50,917,839	\$328,988
611 Educational Services	143	0.4%	\$42,077	\$15,123,214	\$105,627
711 Performing Arts, Spectator Sports, and Related Industries	123	0.3%	\$47,317	\$26,683,731	\$217,524
332 Fabricated Metal Product Manufacturing	118	0.3%	\$62,886	\$20,806,312	\$175,990
327 Nonmetallic Mineral Product Manufacturing	108	0.3%	\$87,433	\$29,849,423	\$276,077
522 Credit Intermediation and Related Activities	92	0.3%	\$100,685	\$43,874,874	\$475,619
485 Transit and Ground Passenger Transportation	91	0.3%	\$21,583	\$11,602,088	\$127,988
321 Wood Product Manufacturing	90	0.3%	\$49,103	\$24,386,978	\$271,057
454 Nonstore Retailers	87	0.2%	\$53,052	\$27,729,781	\$320,133
425 Wholesale Electronic Markets and Agents and Brokers	78	0.2%	\$108,255	\$17,338,938	\$223,274
339 Miscellaneous Manufacturing	75	0.2%	\$75,498	\$17,164,842	\$228,128
712 Museums, Historical Sites, and Similar Institutions	58	0.2%	\$47,842	\$7,002,851	\$121,307
518 Data Processing, Hosting, and Related Services	55	0.2%	\$113,671	\$29,869,900	\$538,643
336 Transportation Equipment Manufacturing	49	0.1%	\$63,281	\$13,221,015	\$269,438
312 Beverage and Tobacco Product Manufacturing	49	0.1%	\$40,812	\$36,299,355	\$747,456
511 Publishing Industries (except Internet)	46	0.1%	\$96,604	\$20,709,890	\$448,412
487 Scenic and Sightseeing Transportation	44	0.1%	\$44,568	\$5,791,917	\$132,614
519 Other Information Services	44	0.1%	\$79,323	\$14,011,777	\$321,222
111 Crop Production	42	0.1%	\$41,912	\$7,981,393	\$191,023
324 Petroleum and Coal Products Manufacturing	34	0.1%	\$163,061	\$27,688,845	\$806,883
533 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	33	0.1%	\$108,833	\$254,234,946	\$7,727,132
Local Sectors					
722 Food Services and Drinking Places	4,334	12.1%	\$24,924	\$303,280,980	\$69,976
238 Specialty Trade Contractors	2,285	6.4%	\$48,989	\$316,588,382	\$138,550
621 Ambulatory Health Care Services	2,080	5.8%	\$71,874	\$305,182,232	\$146,718
622 Hospitals	1,926	5.4%	\$70,825	\$312,385,135	\$162,217
561 Administrative and Support Services	1,586	4.4%	\$57,532	\$197,941,323	\$124,811
441 Motor Vehicle and Parts Dealers	1,552	4.3%	\$68,288	\$276,993,554	\$178,509
623 Nursing and Residential Care Facilities	1,268	3.5%	\$44,753	\$110,037,366	\$86,781
541 Professional, Scientific, and Technical Services (Local Industries)	1,123	3.1%	\$80,606	\$229,815,831	\$204,576
531 Real Estate	973	2.7%	\$54,910	\$530,505,317	\$545,467
445 Food and Beverage Stores	930	2.6%	\$29,563	\$70,518,509	\$75,826
812 Personal and Laundry Services	691	1.9%	\$27,391	\$65,104,709	\$94,238
624 Social Assistance	651	1.8%	\$38,060	\$42,514,478	\$65,338
814 Private Households	649	1.8%	\$20,600	\$13,629,333	\$20,996
713 Amusement, Gambling, and Recreation Industries	614	1.7%	\$39,996	\$63,189,698	\$102,916
236 Construction of Buildings	519	1.4%	\$73,525	\$106,552,442	\$205,478
444 Building Material and Garden Equipment and Supplies Dealers	479	1.3%	\$37,312	\$50,213,588	\$104,823
811 Repair and Maintenance	449	1.3%	\$49,484	\$58,770,826	\$131,010
452 General Merchandise Stores	389	1.1%	\$27,609	\$28,955,746	\$74,468
813 Religious, Grantmaking, Civic, Professional, and Similar Organizations	379	1.1%	\$50,414	\$56,916,067	\$150,066
524 Insurance Carriers and Related Activities	378	1.1%	\$94,743	\$167,338,811	\$442,387
446 Health and Personal Care Stores	355	1.0%	\$45,536	\$37,200,257	\$104,647
522 Credit Intermediation and Related Activities	348	1.0%	\$100,685	\$120,492,480	\$346,492
453 Miscellaneous Store Retailers	341	0.9%	\$37,517	\$38,434,556	\$112,778
611 Educational Services	303	0.8%	\$42,077	\$21,506,336	\$70,865
448 Clothing and Clothing Accessories Stores	302	0.8%	\$30,417	\$36,988,395	\$122,651
327 Nonmetallic Mineral Product Manufacturing	288	0.8%	\$87,433	\$114,410,354	\$397,241
442 Furniture and Home Furnishings Stores	265	0.7%	\$38,010	\$23,515,088	\$88,903
901 Government	256	0.7%	\$105,095	\$230,495,330	\$901,056
339 Miscellaneous Manufacturing	207	0.6%	\$75,498	\$35,536,341	\$171,959
423 Merchant Wholesalers, Durable Goods	167	0.5%	\$81,067	\$50,679,686	\$304,162



Advanced Industry Composition

The Brookings Institution has identified the U.S. **Advanced Industries Sector** — 50 industries that drive the nation's best performing regional economies. As a whole:

- The Sector has the highest levels of research and development spending, productivity well above the rest of the economy, employ 80 percent of the nations' engineers, funds 90 percent of private sector R&D, and accounts for 85 percent of all U.S. patents and 60 percent of U.S. exports;
- Advanced industry output expanded 30 percent faster than the rest of the US economy, and has added over one million jobs since 2010. Employment growth and economic output of the Sector has been 1.9 times higher than the national average since 2010.
- The Sector provides high-skilled, high-wage and high value-added employment. Workers in advanced industries generate over \$210,000 in annual value added per worker compared with \$101,000 for workers outside the Sector. Workers within the Sector, unlike the remainder of the U.S. economy, are experiencing rapidly rising wages. The average advanced industries worker earns \$90,000 in total compensation, twice as much as workers outside of the sector. Absolute earnings in advanced industries grew by 63 percent from 1975, compared with a 17 percent increase outside the sector.

Total US employment in the Advanced Industries sector represents 9 percent of total employment, but over 17 percent of total US Output. The sector as a whole are crucial foundations of extensive supply chains and third-party employment in a wide range of support industries outside the sector. As such, the composition of Advanced Industry sectors is a good measure of the technical capacity, sophistication, and growth potential of a local economy.

The City is home to 318 establishments within the Advanced Industries Sector. These business locations employ 2,283 workers, or 6 percent of the City's employment base and generate \$560 Million in sales. ***Given that Advanced Industries employment represents 9 percent of U.S. employment, and only 3 percent of the state's total employment, the City has a growing potential as a Florida location for the Advanced Industry Sector, particularly Advanced Industry Services.***



City of Delray Beach: Advanced Industry Sector Composition

Services	Establishments	Employees	Sales
5413 Architecture & Engineering	53	421	\$81,175,687
5416 Management Consulting	130	904	\$174,140,595
5415 Computer Systems Design	23	159	\$34,026,187
5179 Other Telecommunications	10	38	\$16,128,736
5182 Data Processing & Hosting	10	55	\$29,869,900
5112 Software Products	8	25	\$12,603,157
5172 Wireless Telecom Carriers	-	-	-
5191 Web Search and Internet Publishing	3	44	\$14,011,777
5417 R&D Services	17	19	\$5,737,180
2122 Metal Ore Mining	-	-	-
5174 Satellite Telecommunications	-	-	-
6215 Medical & Diagnostic Laboratories	10	81	\$16,485,293
<u>5152 Cable & Other Programming</u>	<u>1</u>	<u>-</u>	<u>-</u>
Services Totals	265	1,747	\$384,178,511

Manufacturing	Establishments	Employees	Sales
3344 Semiconductors	3	-	-
3345 Precision Instruments	1	-	-
3341 Computer Equipment	-	-	-
3339 General Purpose Machinery	-	17	\$6,043,285
3391 Medical Equipment & Supplies	13	194	\$34,155,262
3399 Jewelry, Sporting Goods	22	93	\$18,545,921
3364 Aircraft Products & Parts	-	-	-
3253 Pesticides & Fertilizers	-	-	-
3346 Magnetic & Optical Media	1	-	-
3279 Stone & Mineral Products	2	26	\$4,923,411
3333 Commercial & Service Machinery	1	116	\$39,251,918
3336 Engine & Power Equipment	1	-	-
3366 Ships & Boats	-	39	\$12,196,877
3365 Railroad Rolling Stock	-	-	-
3311 Iron & Steel Products	-	-	-
3315 Foundries	-	-	-
3351 Electrical Lighting Equipment	1	-	-
3313 Aluminum Products	-	-	-
3271 Clay & Refractory Products	-	-	-
3342 Communications Equipment	2	-	-
3241 Petroleum & Coal Products	-	31	\$27,688,845
3331 Agri., Constr., Mining Machinery	-	-	\$2,047,254
3251 Basic Chemicals	-	-	-
3343 Audio & Video Equipment	-	-	-
3353 Electrical Equipment	-	-	-
3363 Motor Vehicle Parts	-	-	\$1,024,138
3361 Motor Vehicles	1	-	-
3259 Misc. Chemicals	-	-	-
3369 Misc. Transportation Equipment	-	-	-
3362 Motor Vehicle Body & Trailers	-	-	-
3254 Pharmaceuticals	-	-	\$983,869
3359 Misc. Electrical Equipment	-	-	-
3352 Household Appliances	1	-	-
3332 Industrial Machinery	1	-	\$3,575,381
<u>3252 Resins & Synthetic Rubbers</u>	<u>1</u>	<u>-</u>	<u>-</u>
Manufacturing Totals	51	514	\$150,436,163

Energy	Establishments	Employees	Sales
2111 Oil & Gas Extraction	2	-	-
<u>2211 Power Generation & Supply</u>	<u>-</u>	<u>22</u>	<u>29,768,475</u>
	2	22	\$29,768,475
Advanced Industry totals	318	2,283	\$564,383,149
Delray Totals	4,870	35,884	\$7,106,723,978
Advanced Industry Percentage of Total	7%	6%	8%



Industry Clusters

Local Industry Cluster composition is the best way to understand the relationships and industry dynamics that drive a local economy. Clusters consist of companies, suppliers, and service providers that provide inputs to each other, or rely on each other for growth. **Clusters are a central component of economic competitiveness** — they bring together technology, information, specialized talent, competing companies, academic institutions, and other linkages and organizations in close proximity to yield better market information, pools of specialized talent, and faster deployment of new knowledge. Improving the performance of clusters, not just individual companies, is a central feature of leading economic development policy.

The concept of industry Clusters was best formulated and promoted by Dr. Michael Porter at Harvard University beginning in the 1980's. Dr. Porter now leads the **US Cluster Mapping Project** at the Harvard Institute for Strategy & Competitiveness. The Institute develops and maintains the standards and definition of Industry Clusters, based on constant analysis of spending, investment labor, and technology relationships between local industries. Industry Clusters are therefore a standardized set of industries grouped together due to their economic relationships and mutual support.

Delray Beach's industry cluster structure again reflects its balanced overall economic composition. Although its largest traded Clusters are Business Services and Hospitality and Tourism, its remaining leading traded clusters are high-end and in some cases, sophisticated business services including Marketing, Design and Publishing, Financial Services, and Education Knowledge Creation. The City has a smaller set of manufacturing clusters including Performing Arts, Electric Goods, Downstream Metal Products, and Food Processing.

Local Health Care and the Local Real Estate Clusters are classified as local, but in Delray act as traded industry groups, as evidenced by their large exported sales (outside Delray) and location quotients. These clusters are clearly serving a broader (outside) market. Although their development is contentious, Residential Mental Health and Substance Abuse Facilities and Outpatient Mental Health and Substance Abuse Centers employ 777 workers, and grew 49 percent over the last five years.



Delray's Industry Clusters, 2019 Private Employers

	2018 Employment	Employment Change 2014- 2018	Local Growth Forecast to 2024	Employment Location Quotient	Exported Sales	Total Sales	Sales Per Employee
Traded Clusters							
6 Business Services	2,146	-1%	7%	0.83	\$597,413,827	\$730,285,106	\$340,268
22 Hospitality and Tourism	2,011	8%	0%	1.88	\$263,411,191	\$305,417,553	\$151,894
10 Distribution and Electronic Commerce	948	14%	1%	0.50	\$369,299,079	\$407,004,369	\$429,470
29 Marketing, Design, and Publishing	655	27%	14%	1.22	\$94,020,496	\$121,718,500	\$185,764
16 Financial Services	495	10%	-6%	0.77	\$418,295,399	\$470,064,871	\$949,571
48 Video Production and Distribution	201	112%	65%	1.33	\$84,055,193	\$91,678,005	\$457,090
9 Construction Products and Services	171	-5%	-19%	0.67	\$53,530,180	\$63,723,895	\$373,139
13 Education and Knowledge Creation	168	29%	12%	0.19	\$13,466,905	\$21,314,954	\$126,553
40 Production Technology and Heavy Machinery	151	98%	19%	0.28	\$48,473,271	\$50,658,817	\$335,998
37 Performing Arts	115	61%	12%	0.70	\$21,384,417	\$24,631,815	\$214,806
12 Downstream Metal Products	106	-5%	-20%	0.86	\$17,925,230	\$18,837,351	\$177,336
51 Wood Products	90	15%	7%	0.72	\$18,478,448	\$24,386,978	\$271,057
41 Recreational and Small Electric Goods	63	27%	-5%	0.98	\$13,111,682	\$13,612,937	\$215,251
18 Food Processing and Manufacturing	57	282%	30%	0.04	\$34,369,934	\$41,733,176	\$737,807
2 Agricultural Inputs and Services	54	31%	-9%	0.11	\$8,711,442	\$9,420,675	\$175,163
50 Water Transportation	41	125%	-6%	0.21	\$12,025,261	\$14,221,219	\$346,278
42 Textile Manufacturing	30	2944%	-87%	0.02	\$9,192,069	\$9,601,054	\$315,373
23 Information Technology and Analytical Instruments	29	51%	20%	0.05	\$10,472,447	\$12,862,178	\$440,212
11 Downstream Chemical Products	28	43%	11%	0.25	\$13,469,501	\$14,229,181	\$504,095
38 Plastics	24	30%	8%	0.10	\$5,470,696	\$5,791,359	\$243,940
45 Transportation and Logistics	35	3440%	11%	0.00	\$9,232,090	\$12,028,507	\$339,787
8 Communications Equipment and Services	13	-29%	-69%	0.21	\$12,100,450	\$27,076,778	\$2,116,808
24 Insurance Services	24	2276%	11%	0.00	\$11,925,857	\$15,260,874	\$642,422
21 Furniture	15	1402%	5%	0.01	\$2,161,650	\$2,299,631	\$153,119
39 Printing Services	14	4%	-44%	0.11	\$2,239,607	\$2,418,654	\$169,527
	7,684	13%	5%		\$2,144,236,322	\$2,510,278,437	\$326,697

Local Clusters							
103 Local Health Services	5,715	13%	15%	1.06	\$534,320,215	\$788,781,658	\$138,022
111 Local Hospitality Establishments	5,072	10%	833%	1.19	\$261,919,328	\$373,500,651	\$73,642
115 Local Real Estate, Construction, and Development	4,710	23%	8%	1.31	\$744,637,417	\$1,130,460,528	\$240,021
112 Local Commercial Services	2,291	16%	8%	0.78	\$303,796,148	\$386,296,235	\$168,631
108 Local Motor Vehicle Products and Services	2,059	12%	10%	1.44	\$286,100,024	\$350,757,666	\$170,367
102 Local Personal Services (Non-Medical)	1,219	17%	12%	1.25	\$95,995,005	\$118,651,536	\$97,354
101 Local Food and Beverage Processing and Distribution	1,178	10%	5%	0.88	\$116,298,148	\$136,620,386	\$115,994
107 Local Financial Services	842	7%	3%	0.98	\$176,214,162	\$302,604,727	\$359,298
114 Local Community and Civic Organizations	831	16%	12%	0.63	\$57,636,960	\$89,177,155	\$107,344
109 Local Retailing of Clothing and General Merchandise	739	5%	0%	0.54	\$56,775,828	\$70,426,180	\$95,321
106 Local Household Goods and Services	677	11%	3%	1.08	\$49,343,478	\$57,527,466	\$85,002
113 Local Education and Training	238	-1%	6%	0.65	\$7,964,241	\$16,462,654	\$69,045
110 Local Entertainment and Media	234	7%	6%	0.52	\$16,875,897	\$21,504,658	\$91,941
105 Local Logistical Services	198	9%	-2%	0.26	\$45,030,674	\$57,093,881	\$288,567
116 Local Industrial Products and Services	173	16%	12%	0.93	\$33,758,859	\$36,230,841	\$209,540
104 Local Utilities	127	40%	11%	0.28	\$45,836,484	\$74,301,808	\$586,298
	26,301	14%	-100%		\$2,786,666,383	\$3,936,096,222	\$149,654

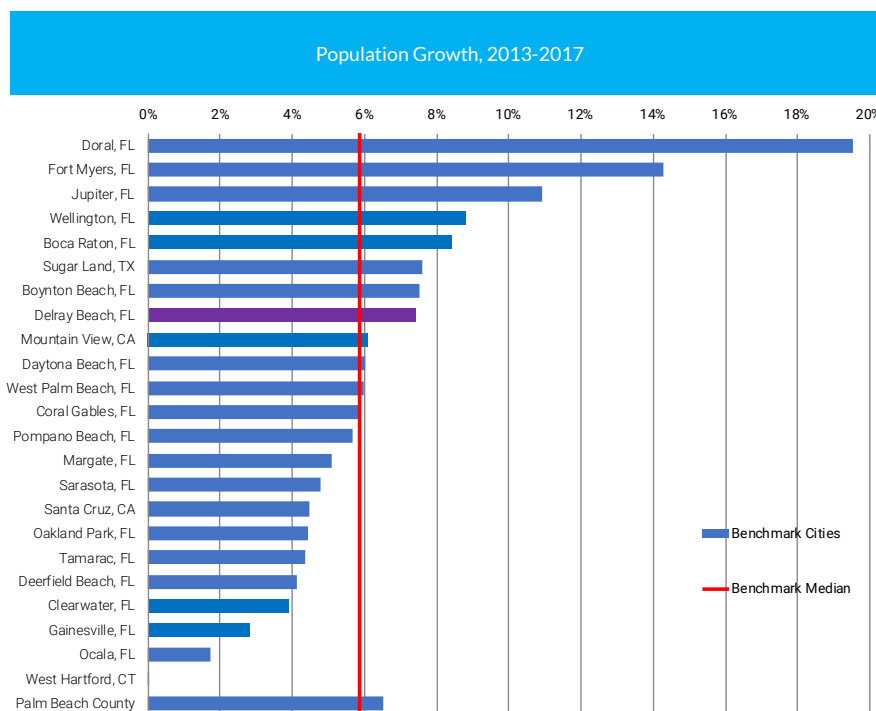


Labor Force

The composition, skills, and knowledge of the local labor force is crucial to sustained economic growth. Small economies can't always rely on importing labor to fill local needs, and many employers, especially small businesses, can't always afford to import workers from outside the region. Delray's labor force is distinguished by the following characteristics.

Population Growth

Delray, like Florida, continues to grow. The City's population growth, at 7 percent since 2013, is just above the national average, slightly higher than the County, and just over the median for the benchmark cities. The City has grown mostly through in-migration (discussed later).



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

Who's Moving to Delray

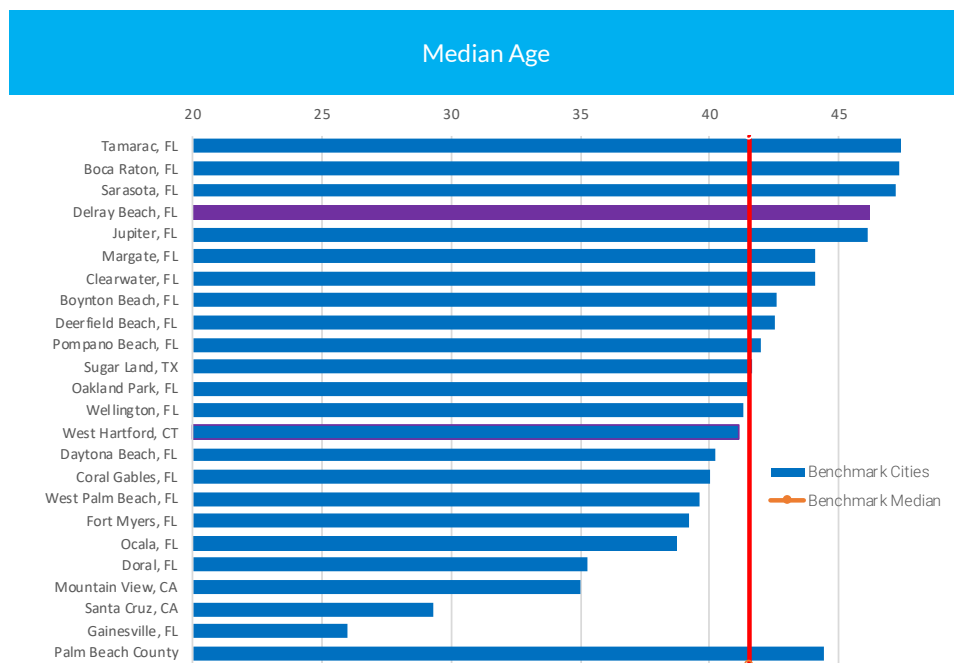
Population growth throughout Florida is driven by in-migration. Delray is no exception. Newcomers to Delray differ from the rest of the County and the Metro area in that the largest percentage of new residents to Delray come from other states in the US, rather than from other counties in the state or



abroad. **53 percent of the newcomers to Delray in 2017 were from out-of-state, compared to 43 percent for the County.** This speaks to Delray’s extended national brand identity, and its desirable lifestyle, job opportunities and business environment.

Age Distribution

Delray is slightly older than the County, and at a median age of 46.2 years, is at the high end of the benchmark cities. Its age structure has remained relatively stable since 2013, with two exceptions: a gain in children 18 and under, and loss of millennial-aged residents (18 to 34 years).

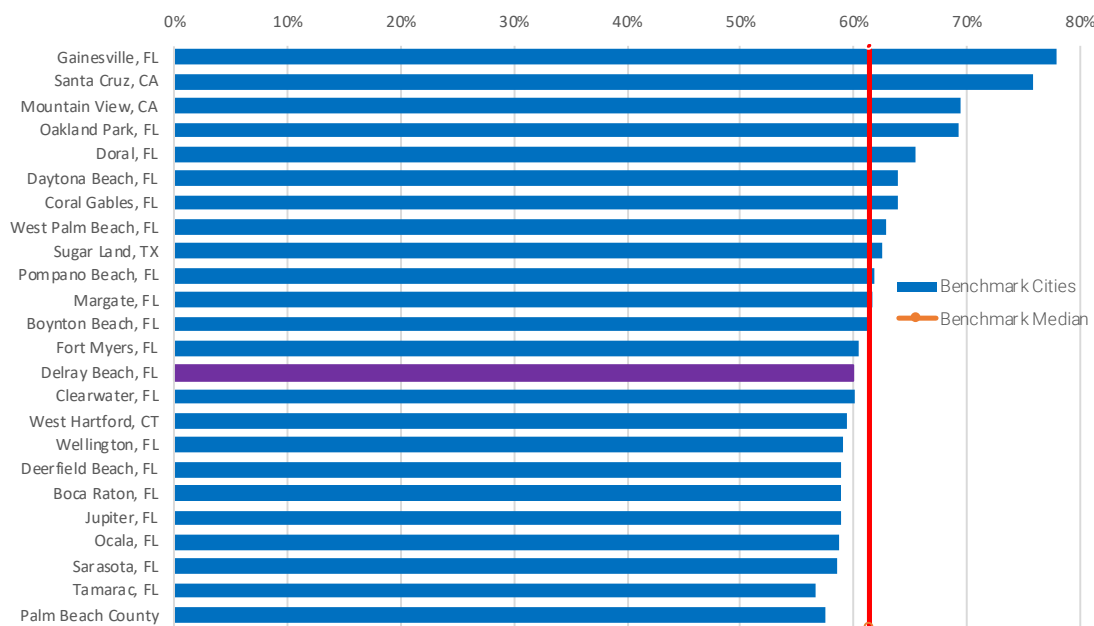


Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

Working Age Population / Labor Participation Rate

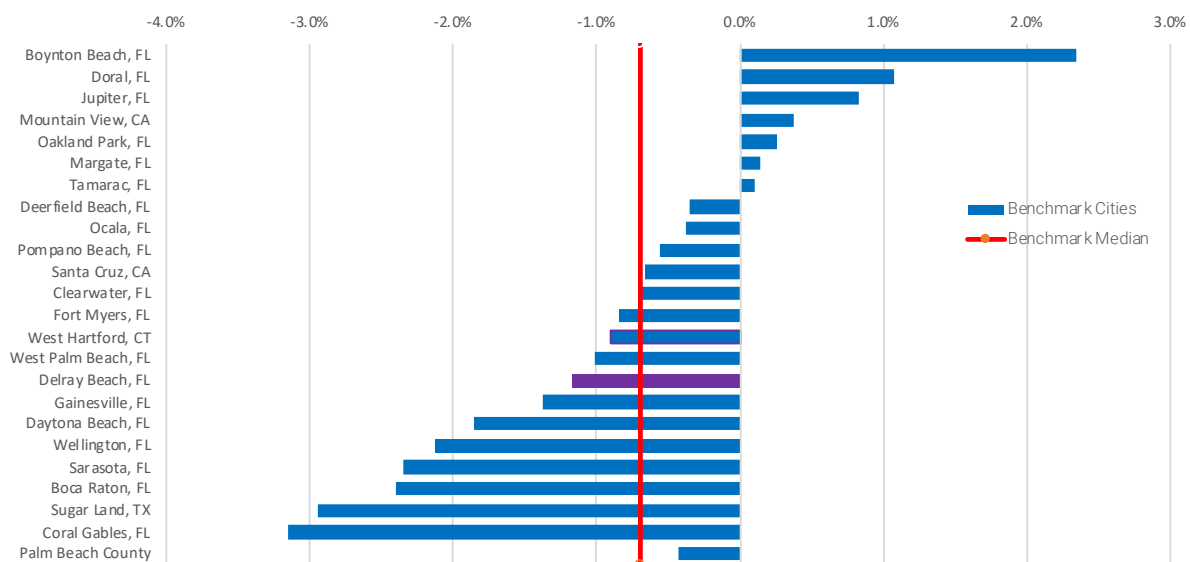
As Baby boomers now reach retirement age, the working age population of the US — ages 18 to 64 — is shrinking. Delray is no exception. **Although its current working age population is near the median for its benchmark cohorts, the size of its working age population shrunk by 1.2 percent from 2013-2017.**

Working Age Population as Percent of total Population, 2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

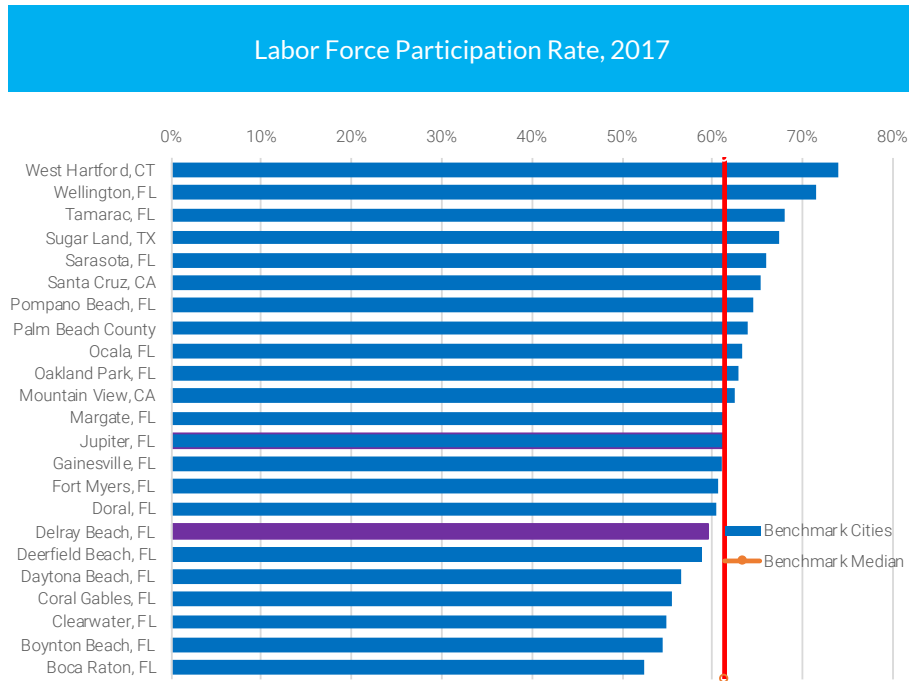
Change in Working Age Population, 2013-2017



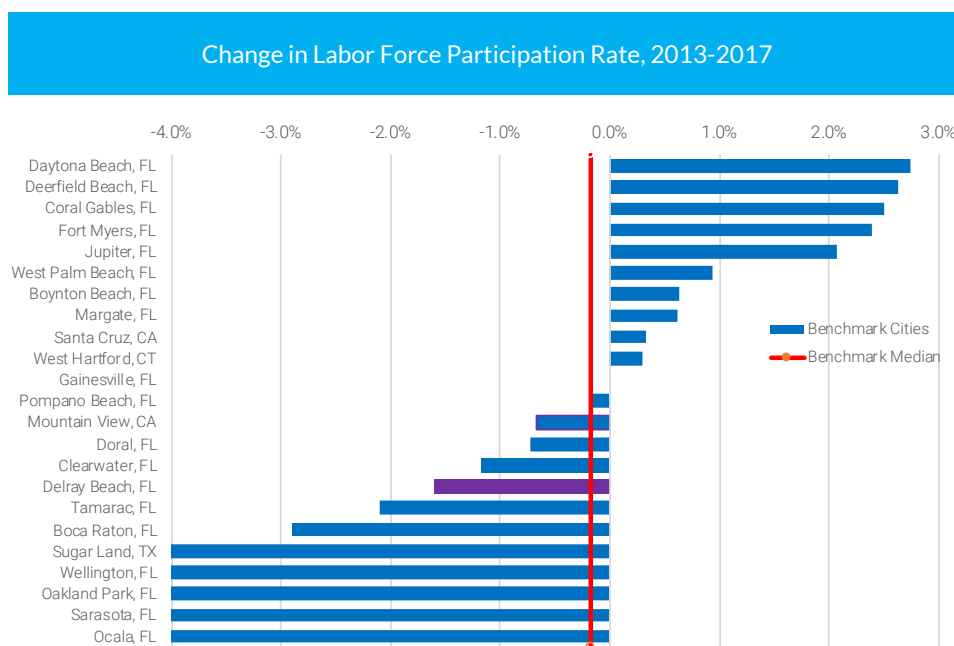
Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates



Similarly, the City's labor participation rate — the percentage of its working age population that is either employed or actively seeking employment — lies just below the median for the benchmark cities, but has dropped by 1.5 percent from 2012 to 2017. As shown in the benchmark tables, dynamic, productive economies maintain and grow their labor participation rates.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

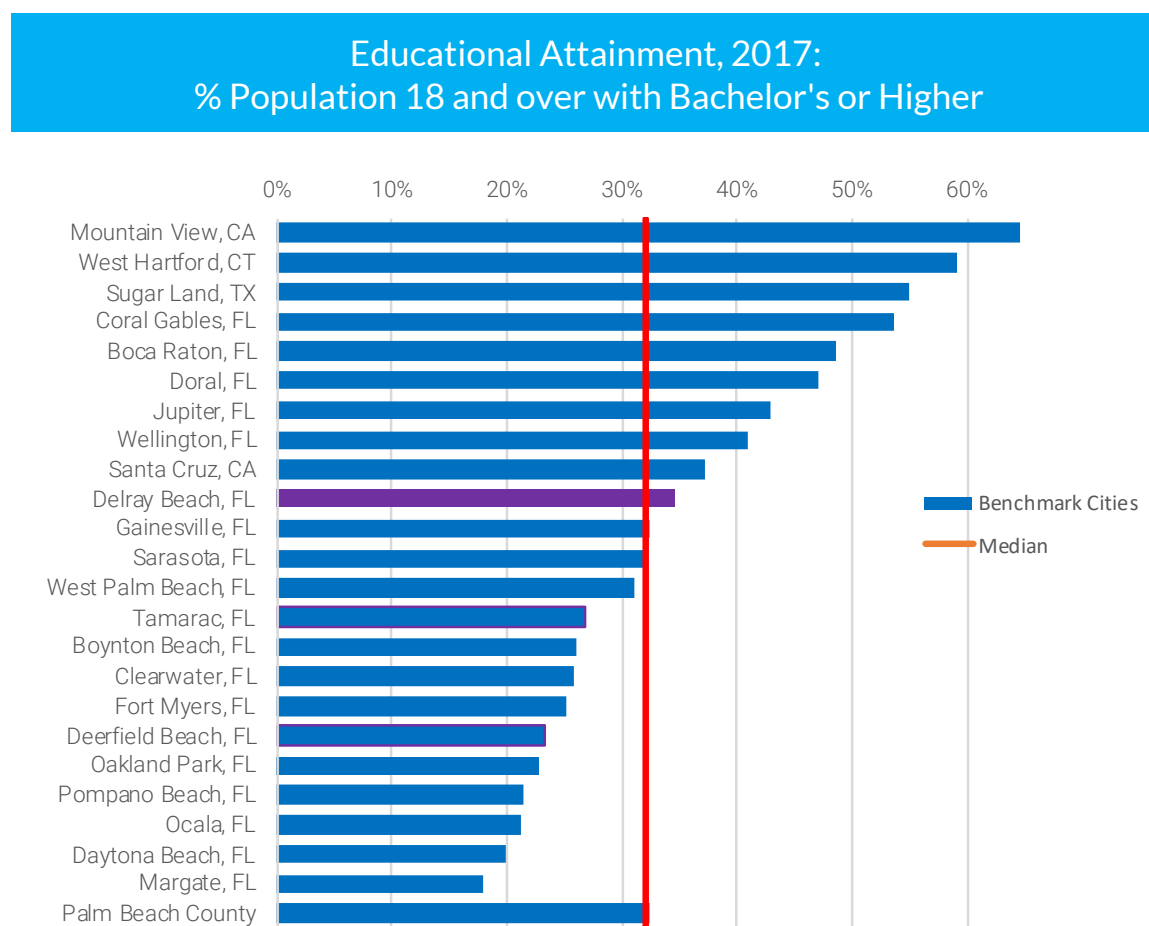


Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates



Educational Attainment

Delray's residents, by comparison, are relatively well-educated over all. 34 percent of City residents have a bachelor's degree or higher. A highly educated resident workforce is also a hallmark of leading economies. Delray has a relatively high educational attainment for comparative Florida communities, but lags national leading economies significantly.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

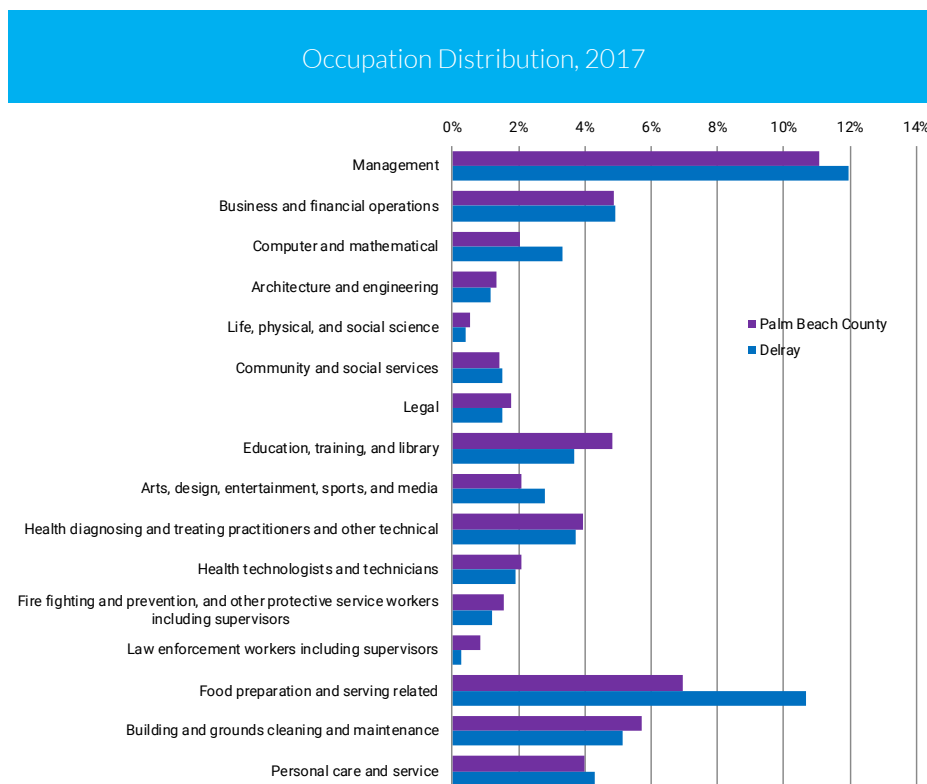


Occupation and Earnings

Delray's residents are employed in a diverse set of industries and occupations. The key characteristics of its occupational structure and earnings are as follows.

- Compared to the County, a high concentration of residents working in management, computing and mathematical occupations, and business and financial occupations;
- An unusually high concentration of workers in food preparation and serving occupations, driven by the City's rapid expansion of its restaurant sector;
- A relatively well-paid resident workforce: except for architecture and engineering and health care technicians, City residents across all other occupations earn close to, or more than the median earnings for the same occupations across the rest of the County;
- Median full-time worker earnings at the median for the benchmark cohort, and growing median earnings (adjusted for inflation) for all occupations, ***even with the City's unusually high proportion of food service workers*** (who typically earn less than other occupations); and
- An advancing proportion of high-wage workers: the ratio of workers earning more than \$75,000 per year, compared to those earning less than \$50,000 per year, is growing, above the benchmark median, and more than all but two Florida cities in the sample.

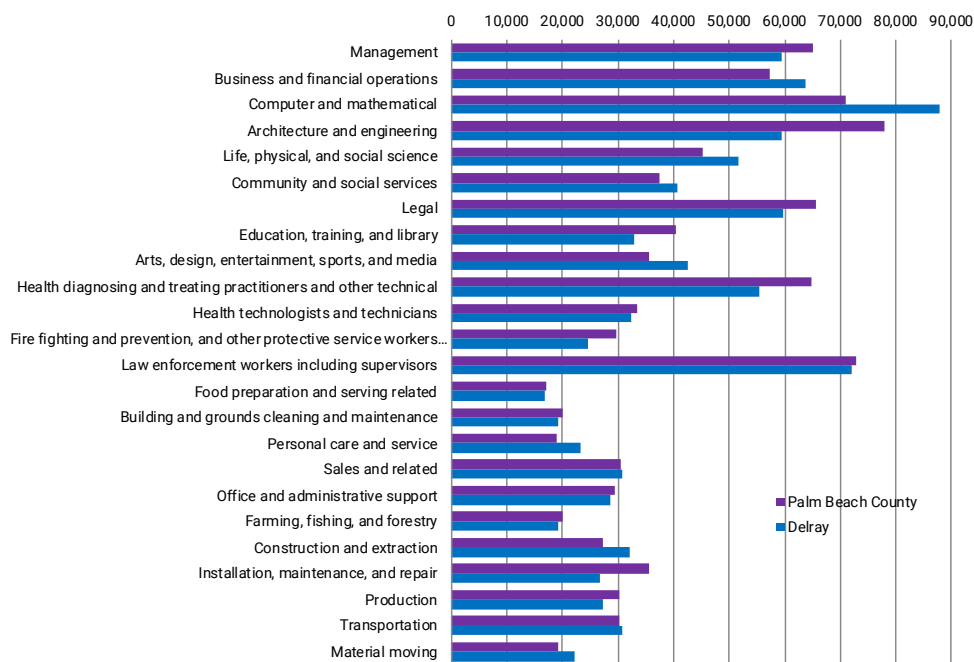
In general, wages and earnings reflect the City's high level of industry and occupational diversity. It is growing both lower and entry level jobs, but a significant number of higher-wage, high-skilled jobs at the same time.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars

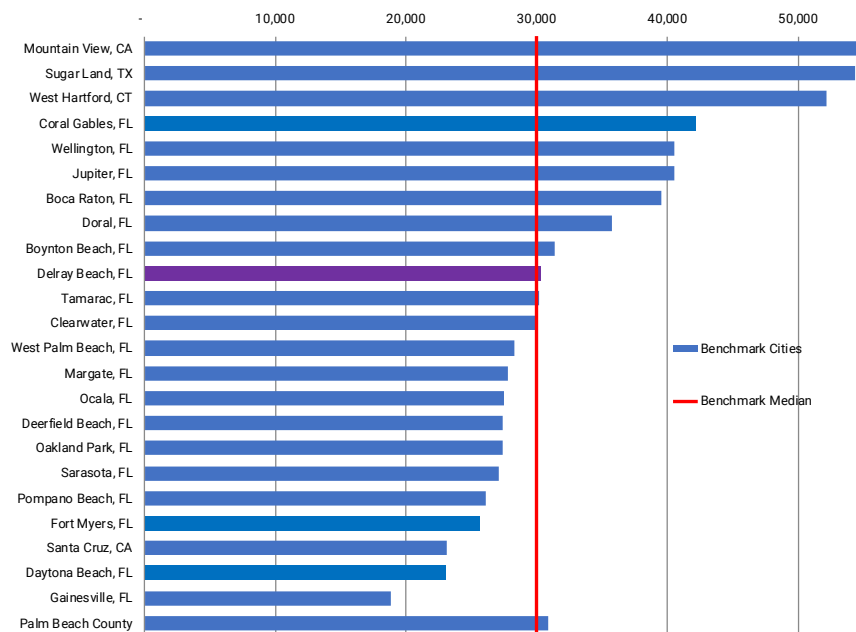


Delray Resident Earnings by Occupation, 2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars

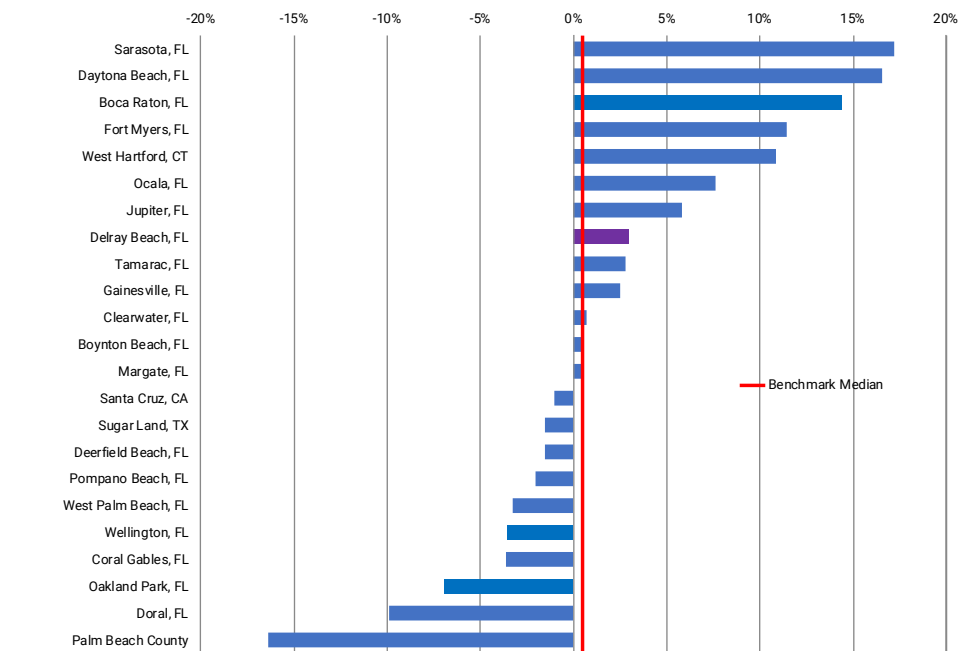
Median Full-Time Worker Earnings, 2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

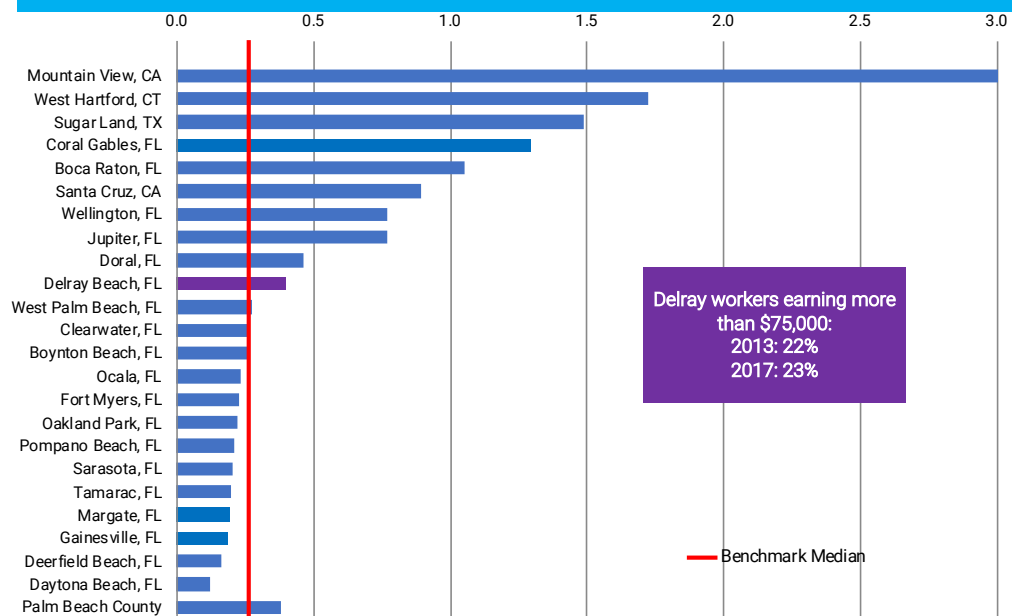


Change in Real Median Worker Earnings, 2013-2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars

75/50 Ratio, 2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

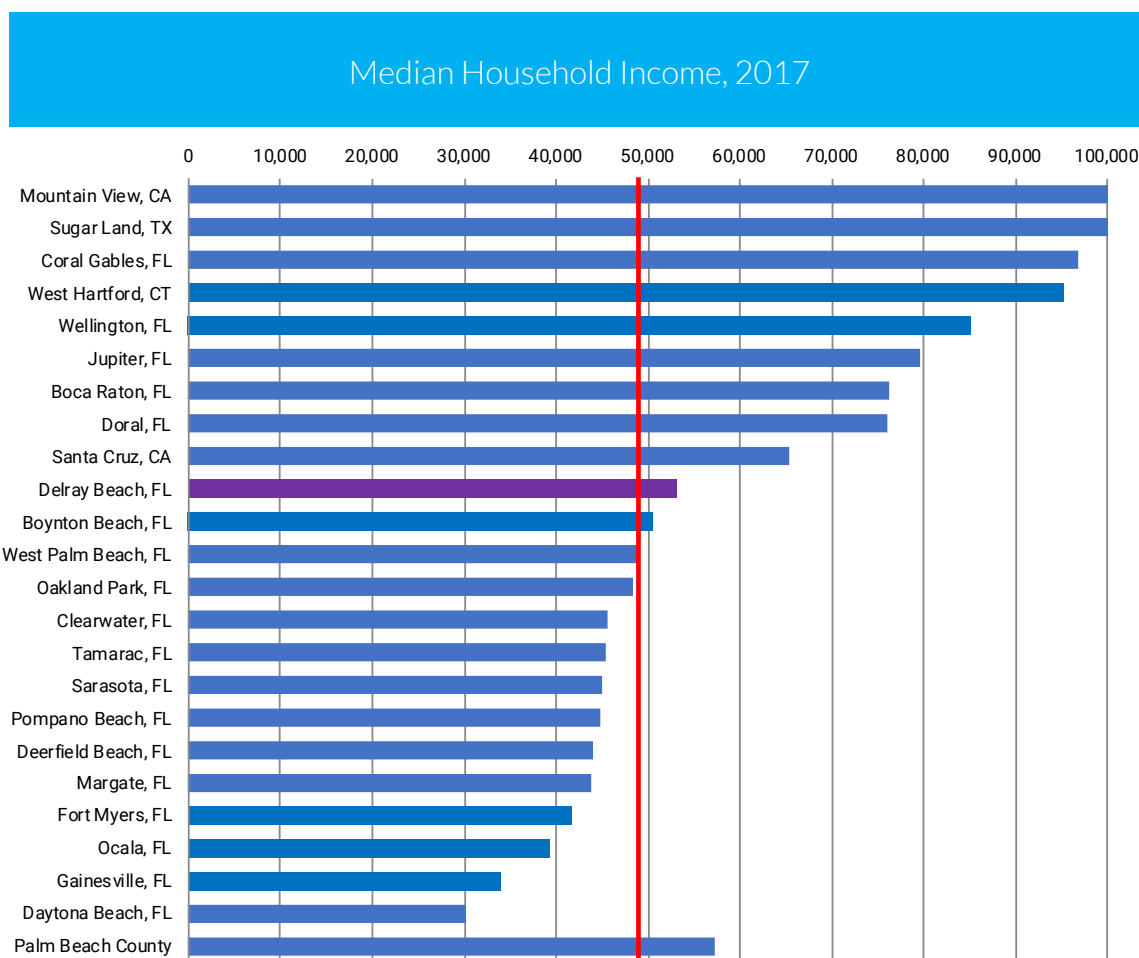


Household Income Structure

The outcome of the City's economic structure and growth is a household income structure that for the most part has shown recent income growth, growing households incomes above \$75,000 per year, and moderate, but increasing income inequality. Household incomes in Delray have the following primary characteristics:

Delray's median household income is right at the middle of the benchmark cohort. At \$52,333 per year, it is slightly lower than the Palm Beach County median, at \$57,256.

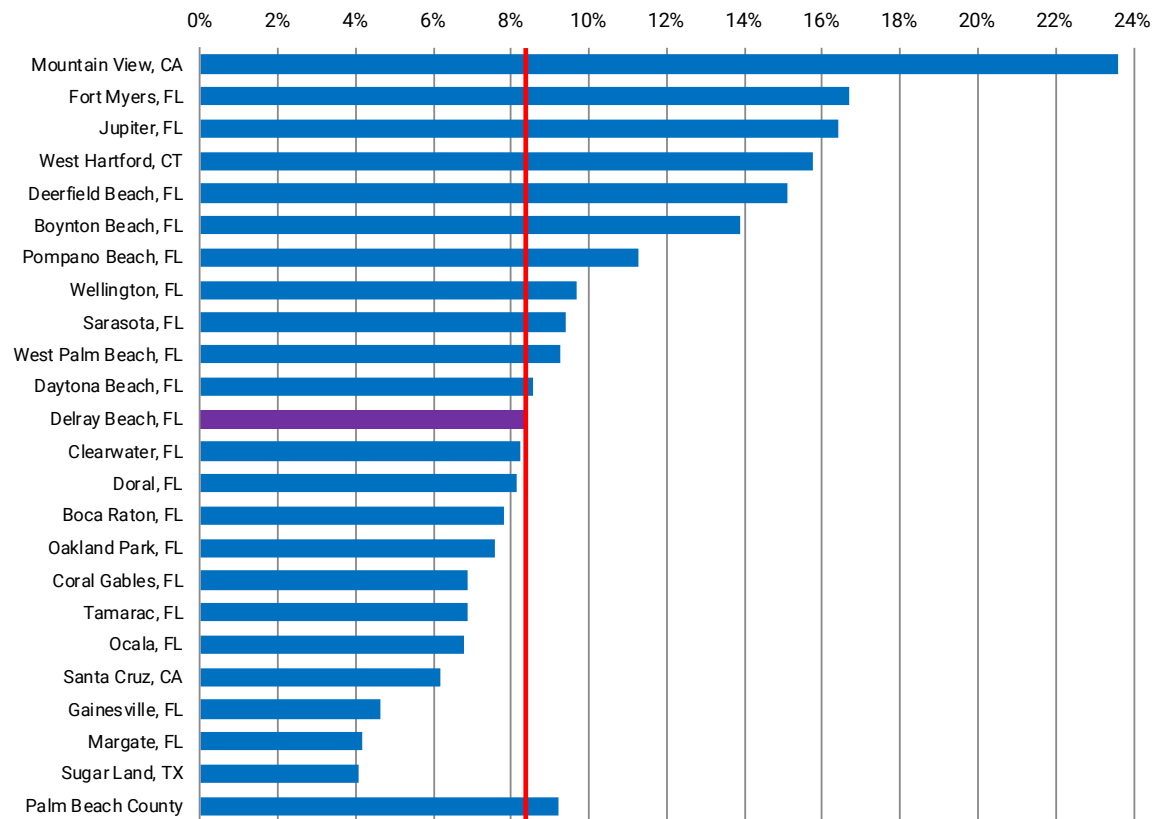
Adjusted for inflation, Delray's median income increased by over 8 percent from 2013 to 2017, again, lower than the County overall (9 percent), and in the middle of the pack for its Florida benchmark competitors.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars



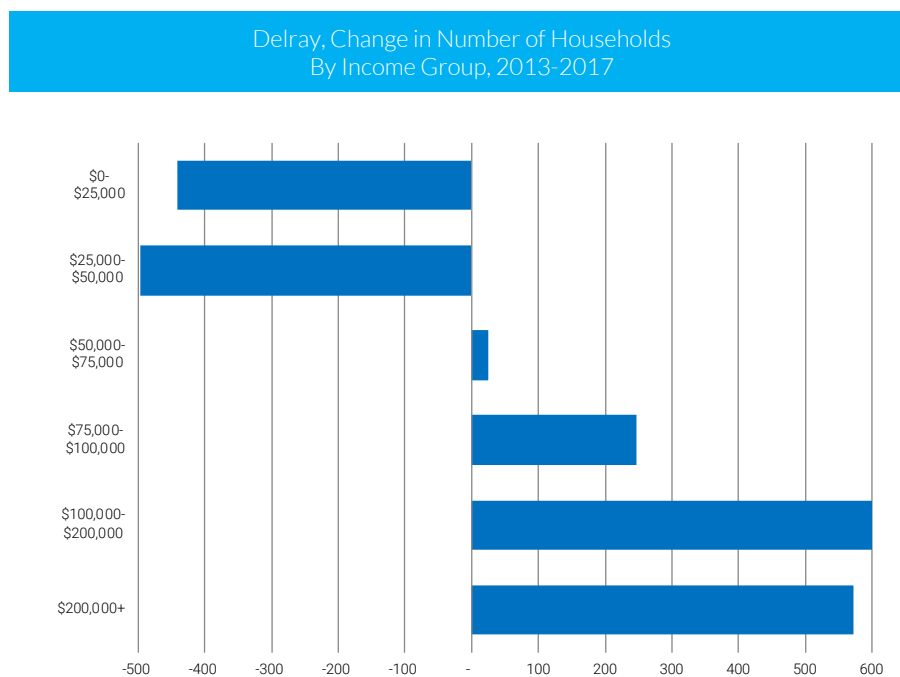
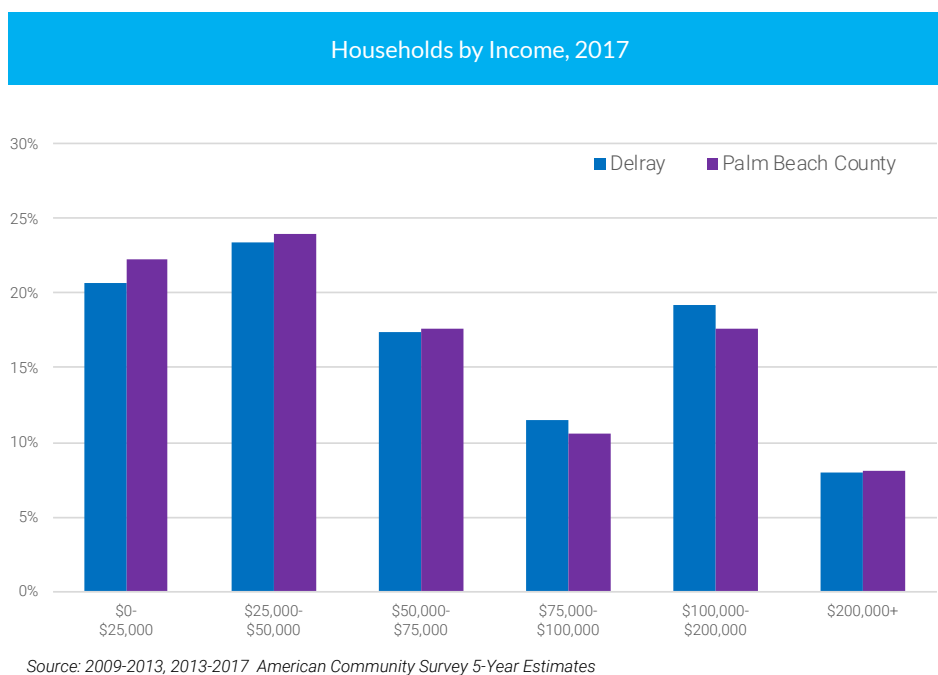
Median Household Income Change, 2013 - 2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars



Delray's household income structure nearly mirrors that of the County, with two exceptions: 1) less households earning under \$50,000 per year, and 2) a higher proportion of households earning more than \$75,000 per year. From 2013 to 2016, one of the most striking patterns of change in Delray has been the net loss of households earning less than \$50,000 per year (939 households), and the net gain of households earning more than \$50,000 (1,949). This pattern is not necessarily driven by the creation of higher income jobs within Delray, but is more likely the result of the in-migration of higher income families and the simultaneous outmigration of households struggling to afford rising housing costs.

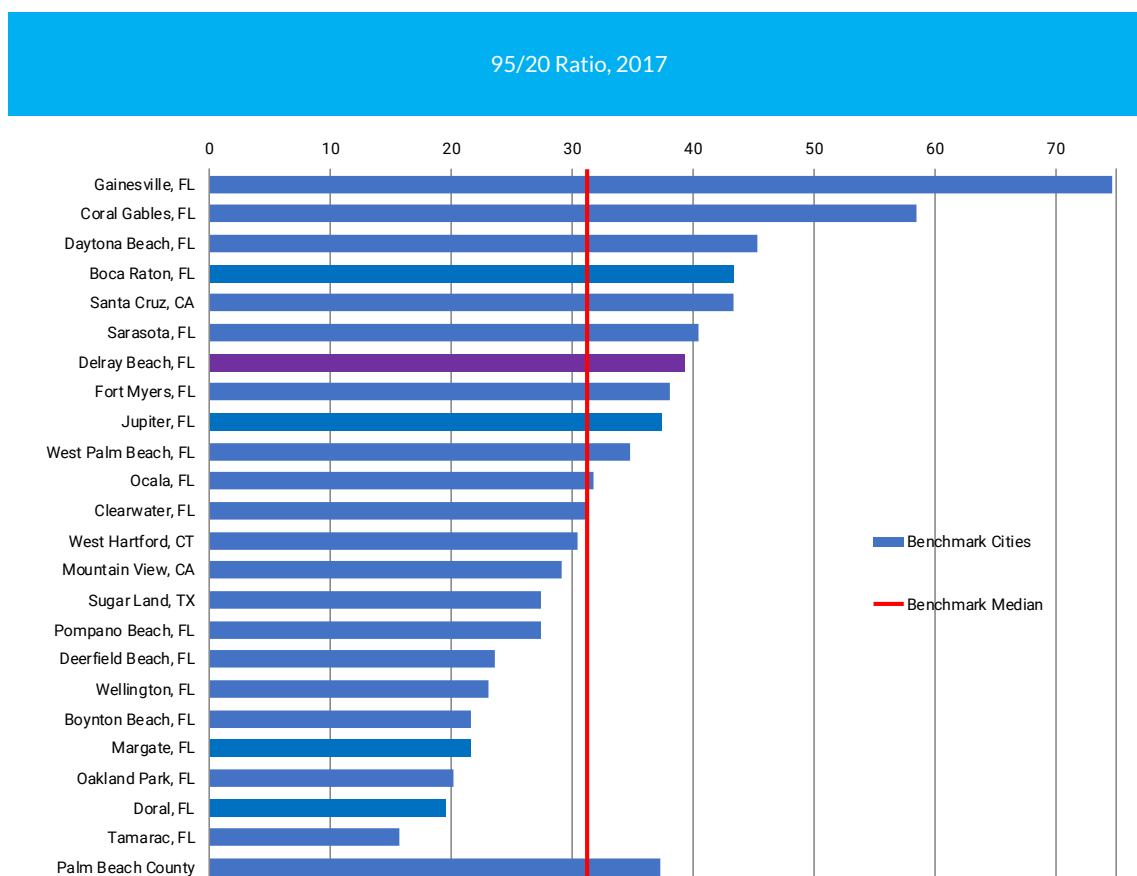




Income inequality in Delray is also a mixed bag. Income inequality is most clearly measured comparing the mean household incomes of the City's residents, divided into even **quintiles** (fifths). The 95/20 ratio measures the ratio of the mean incomes of households in the bottom fifth of households versus the mean income of households in the top 5 percent of income, expressed as a multiple. Delray's 2017 95/20 ratio — the mean incomes of the top 5 percent of its households is 39 times the mean income of those households in the bottom 5th (20th percentile).

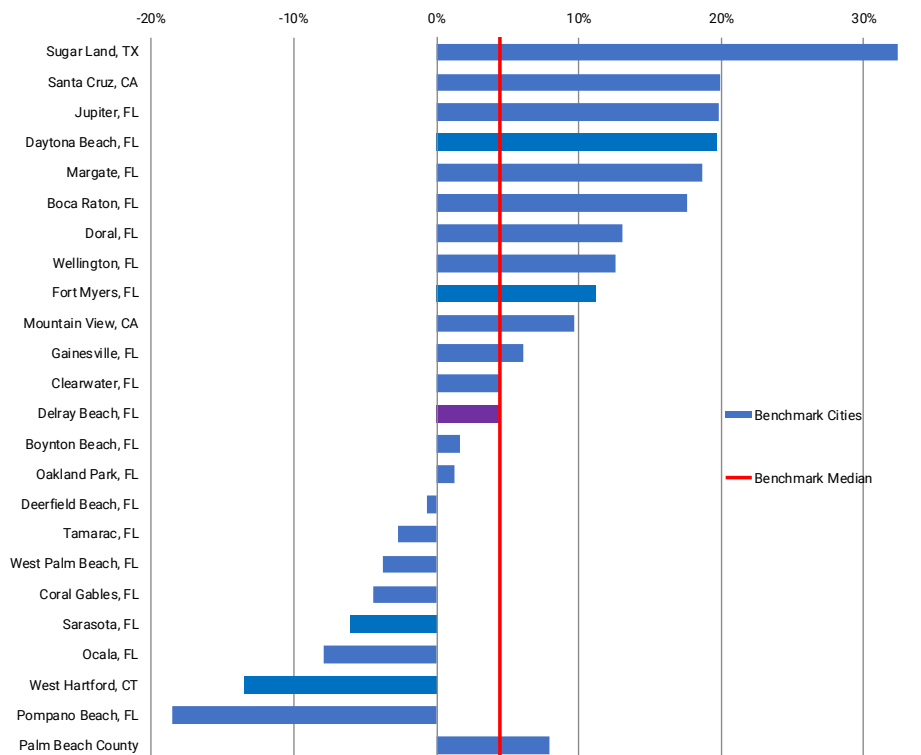
The 95/20 ratio is a reflection of a variety of factors, but primarily reflects the strength of economic opportunity for households at the bottom to move up the ladder, and obtain affordable housing. In this respect, Delray's 95/20 is higher than the County as a whole, above the benchmark median, and increasing, but at a slower rate than the benchmark cohort and the County. Additionally, Delray's income inequality has an especially acute spatial geography, with its highest income households concentrated in four census tracts, and its lowest in only three (The NW/SW neighborhood).

The comparative growth of incomes among the City's income quintiles over the last 5 years shows some gains for households at the bottom, but similar to the pattern across the US, the largest gains in come continue to accrue to those households in the highest income quintile (mean income of \$244,366 per year).



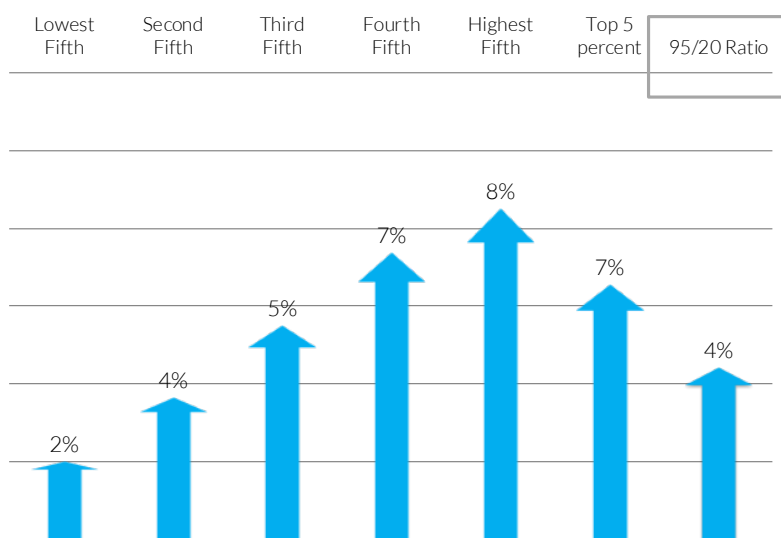
Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

Change in 95/20 Ratio, 2013-2017



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates

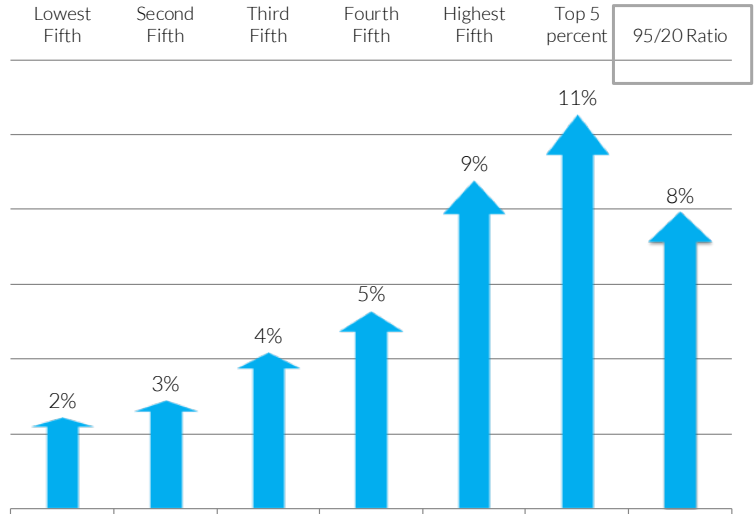
Mean Household Income Received by Each Income Quintile Delray Beach, 2013-2017



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Income in 2017 CPI-U-RS Adjusted Dollars)

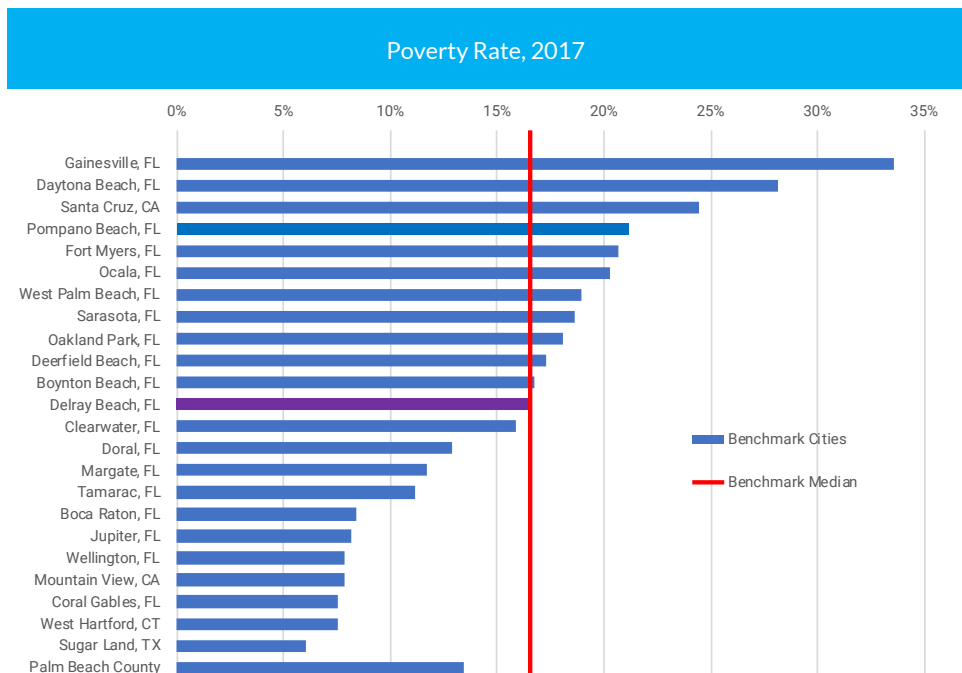


Mean Household Income Received by Each Income Quintile Palm Beach County, 2013-2017



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
(Income in 2017 CPI-U-RS Adjusted Dollars)

Delray's poverty rate, at 17 percent, is less than the US, more than the County (13 percent), and at the median for the benchmark cohort, especially its Florida neighbors. The City's poverty rate is problematic for two reasons: 1) it is persistent, fluctuating around 17 percent for the last decade, and 2) spatially concentrated, with the bulk of the City's poorest households concentrated in The NW/SW.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars



The NW/SW: Delray Beach's Economic Outlier

As noted in the 2017 **NW/SW Transformation Plan**, The NW/SW neighborhood lags the County on nearly every economic indicator, and has remained in a condition of distress for decades. In addition to the difficulties that structurally distressed neighborhoods create for their residents, they also have broader negative impacts on the local economy. Failing to improve economic conditions within The NW/SW creates a number of difficult issues for the City. First, neighborhoods in long-term conditions of distress create additional public costs, drawing straining public budgets and creating long-term political tensions. Second, wide disparity in housing prices and incomes places the community in danger of gentrification and displacement.

Most importantly, continuing distress in The NW/SW represents tremendous lost economic opportunities for the rest of the City. Low incomes represent lost spending power that could be cycling through the Delray's retail and housing sectors, further fueling the City's broader prosperity. Traditionally distressed neighborhoods also don't capitalize on native entrepreneurial talent within their boundaries. Talented entrepreneurs from places like The NW/SW can't get attention, capital, or mentoring, meaning that opportunities to create new employment are simply lost. Third, lack of opportunity forces young workers to move away, further exacerbating the loss of talent needed to fuel sustained economic progress.

Research completed by the Metropolitan Center has demonstrated that small increases in income for households at the bottom of the ladder create major positive economic ripple throughout the local economy. Raising the incomes of households at the bottom dramatically increases local spending on goods, services, and housing, tax revenues increase, and interestingly, creates significant demand for new high-wage, high skilled jobs in medical services and real estate.

The irony of the NW/SW is that despite its low overall low economic indicators, the NW/SW has very high labor force participation rate — ***more residents of the NW/SW are employed on a percentage basis than the rest of the City.*** The problem is that they tend to be employed in lower wage occupations and industries. Additionally, residents of the NW/SW commute further than workers in the rest of the City. This indicates that they aren't taking the many good jobs that are created in the City, traveling greater distances to work and incurring greater transportation costs.

The City has taken dramatic new steps to improve conditions and create new opportunity within the NW/SW. The implications from this analysis are that a sustained, amplified, effort to improve the NW/SW is not just warranted, but beneficial to the entire City economy. It also points to the fact that considerable opportunity is already within the City's economy to provide significant upward mobility for families within the NW/SW. Because the City's economy creates jobs within such a diverse and vibrant set of industries, the key short-term focus should be on strategies to prepare residents of the NW/SW to compete for the jobs created in their own back yard.





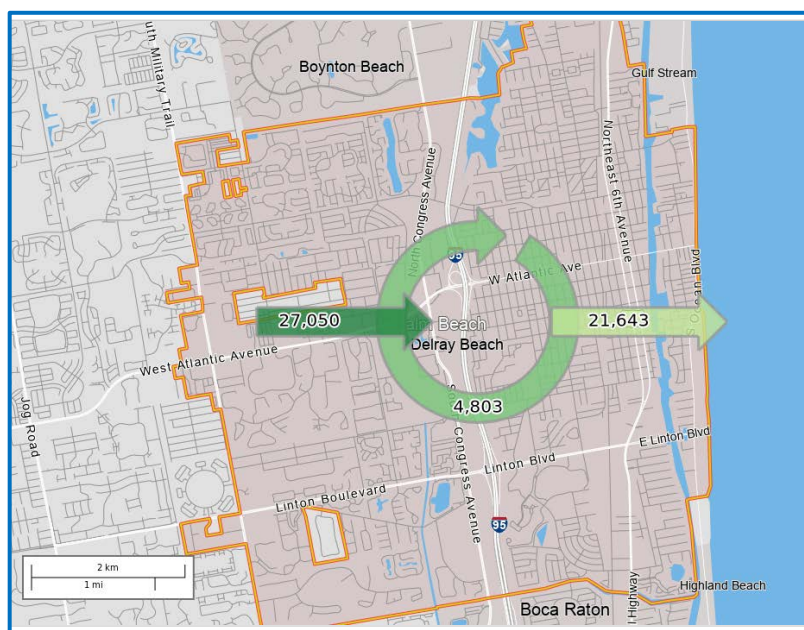
Where Delray Beach Works

A Resident-Jobs Mismatch

Delray has a high **employment density**, or jobs per resident worker, compared to communities across the state. **There are more jobs in Delray than there are employed residents.** The US Census Bureau's **Longitudinal Employer-Household Dynamics (LEHD)** data tracks where workers live and work. The most recent data for the LEHD is 2015 and captures employment data slightly differently than the Bureau of Labor Statistics. **The LEHD indicates a significant mismatch between the jobs located within the City, and where employed residents actually work.** The key indicators of the LEHD **Inflow/Outflow** analysis are as follows.

- Although 31,853 employed residents live in the City, only 4,803 (15 percent) of them work in Delray;
- This means that 21,643 employed residents are employed by businesses somewhere else in the County;
- This also means that 27,050 jobs within the City are filled by workers who live outside the City;
- The average commute time for resident employed workers in Delray is over 26 minutes, indicating a significant portion leave the City to work each day.

This analysis does not definitively mean that all resident workers employed outside Delray leave each day — the telecommuting data indicates that if a high percentage of the local population mirrors national trends, they increasingly work from home each day. However, the Inflow/Outflow analysis does indicate that continuing this pattern, without a significant change in working locations, cannot be sustained, risks exacerbating Delray's traffic congestion issues or negatively affecting its quality of life.



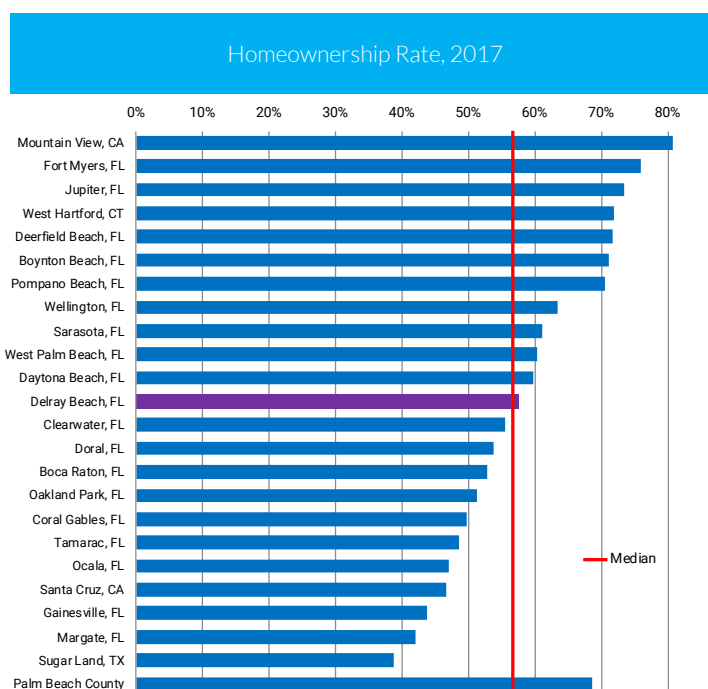


Housing Market

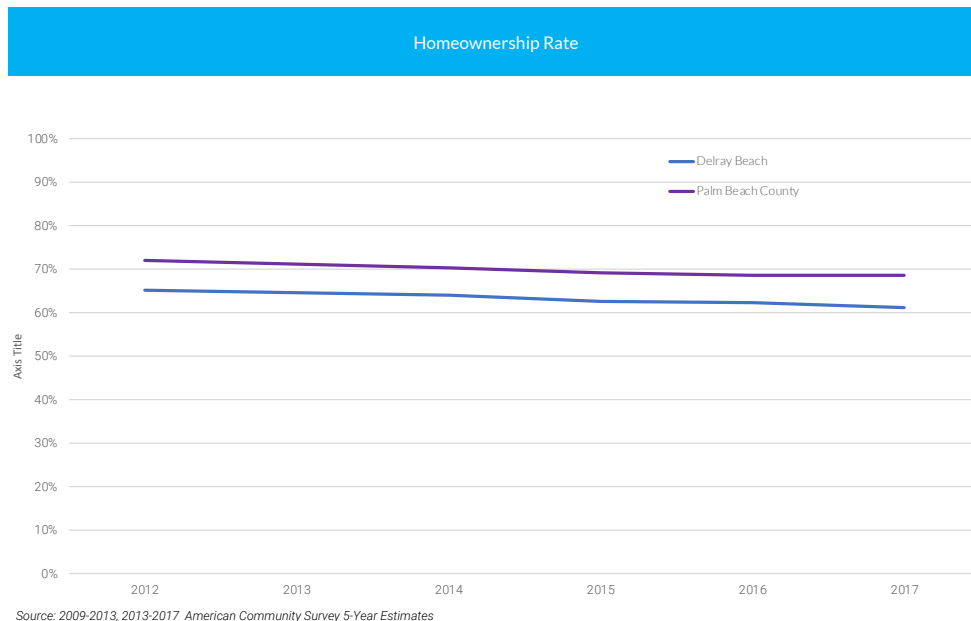
The local housing market has major ramifications for the development of the City's labor force, talent retention, and talent attraction. High housing prices relative to incomes hurts poor families and younger workers the most. Unaffordable housing forces younger workers, even those earning top salaries, to make a hard choice to remain in the region, or move to where incomes are higher and housing costs relative to income are more affordable. The most important characteristics of the City's housing market relative to its economy are as follows:

Delray Beach is at the moment, a relatively affordable housing market. Its median home value, median home sale price, and median rent is at the median for the benchmark cohort, and considerably less than the County median as well as most of the Florida communities in the benchmark comparison.

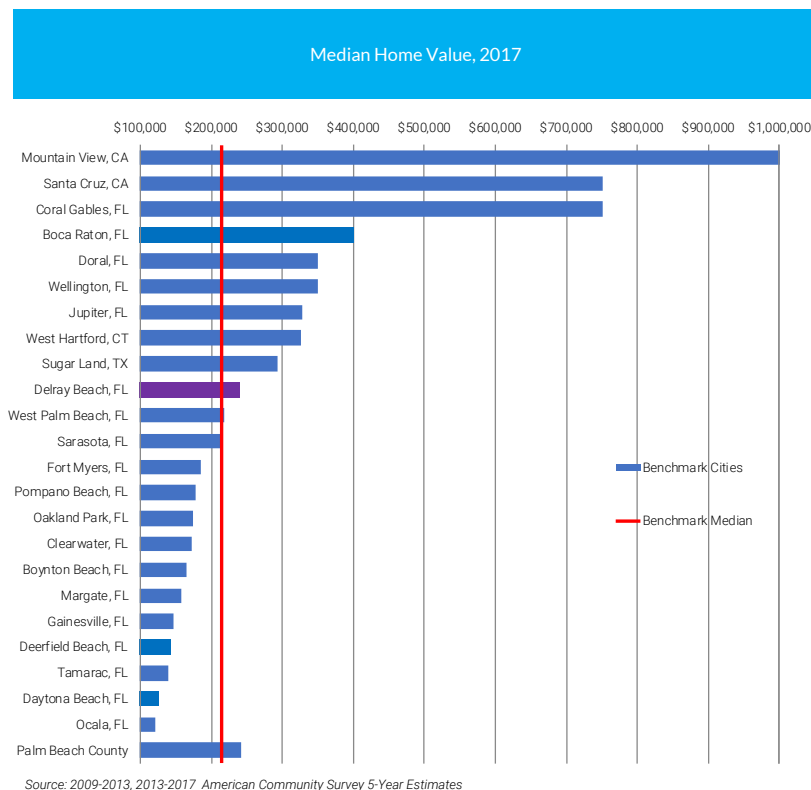
- Due to the development of new units, but a concomitant loss and conversion of older units, the total supply of housing units in Delray Beach from 2013 to 2017 has remained flat, during a period in which the County experienced a gain of 2 percent of housing units.
- During the same period, the rest of South Florida has been undergoing a rapid conversion from homeownership to rental housing. Palm Beach County and Delray have defied this trend — the homeownership rate for both is high and has remained stable since 2013.
- Declining homeownership rates are not necessarily negative, but can indicate increasing unaffordability. A high, stable rate of homeownership is preferable in that homeownership 1) promotes stability of the labor force, especially retaining young talent, and 2) is the major vehicle for family wealth building, as the home is the single largest asset for the vast majority of US households.



Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates
All Dollar values are in CPI adjusted 2017 Dollars

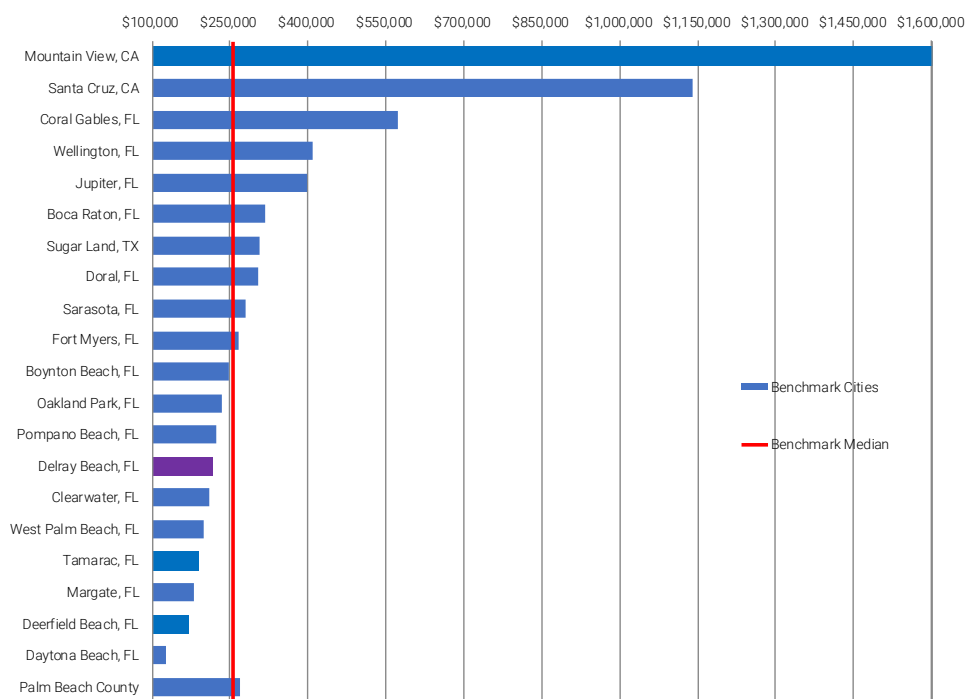


The rapid increase of home prices, value, and rents is major concern for the City. ***The median sale price of all homes in the City has increased by 150 percent from 2012 to the end of 2018 (currently \$215,000). Median rents have increase at a slower pace (27 percent), comparable to the rest of the County.***



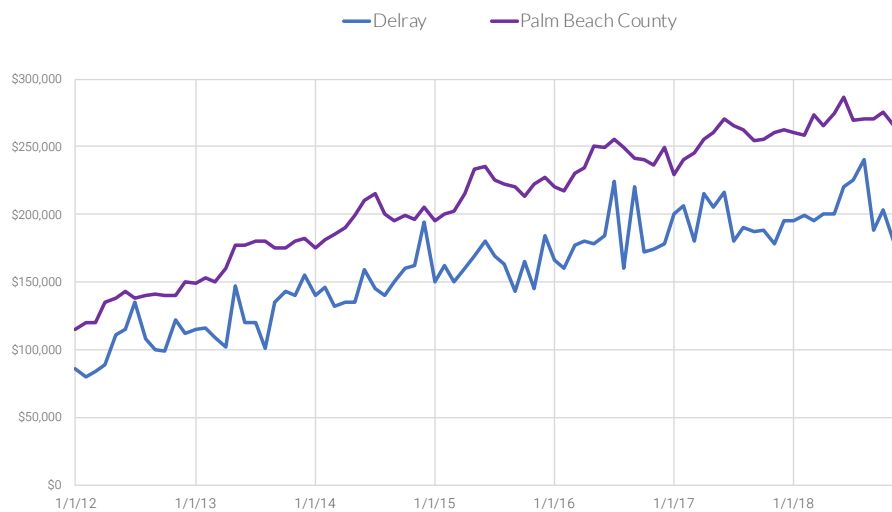


Median Home Sale Price, December 2018



Data provided by Redfin, a national real estate brokerage, 2019

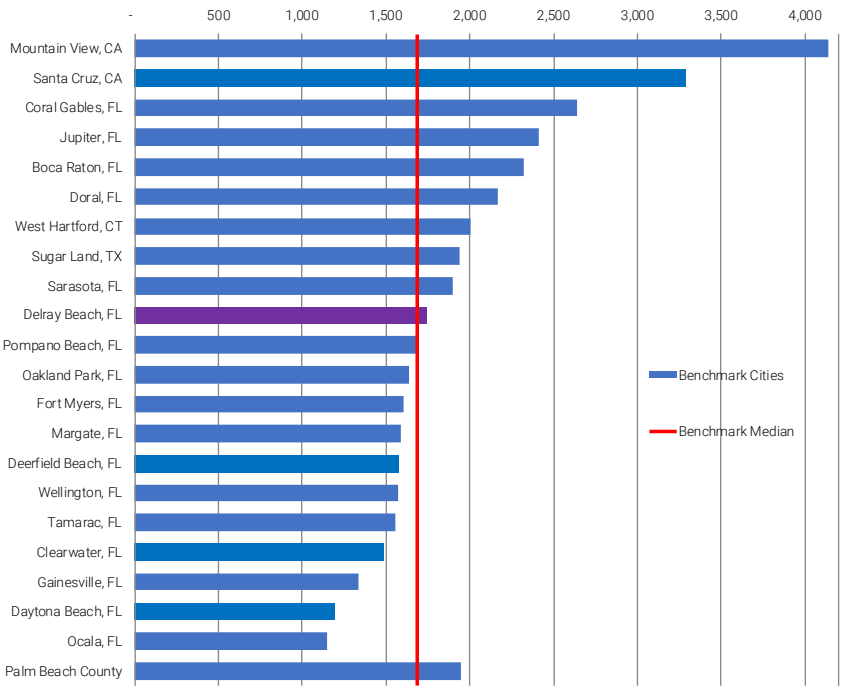
Median Residential Sale Price



Data provided by Redfin, a national real estate brokerage, 2019

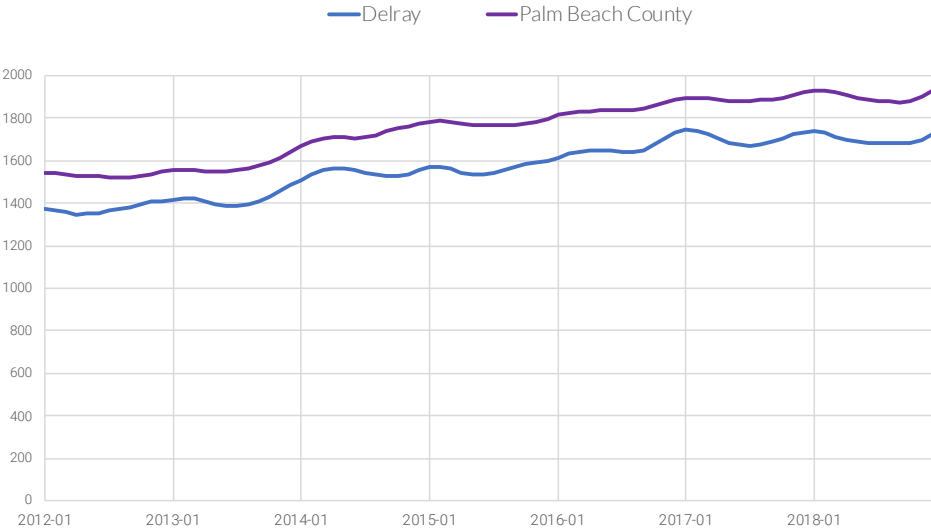


Median Rent , all residential Units, January 2019



Data provided by Redfin, a national real estate brokerage, 2019

Median Rent, All Residential Units



Data provided by Redfin, a national real estate brokerage, 2019



Housing affordability is defined by the relationship of local incomes to local housing prices. Housing prices rising faster than incomes creates a potential affordability issues, and hurts long-term development and retention of the City's labor talent. ***At the moment, the annual household income required to purchase a home at the City's December 2018 median sale price is nearly \$78,000 — more than \$25,000 more than the City median household income.***

Overall, the percentage of ***cost-burdened*** households in Delray — those spending more than 30 percent of their income on housing costs, and a crucial indicator of relative housing affordability — is greater than the County but at the median for its benchmark competitors.

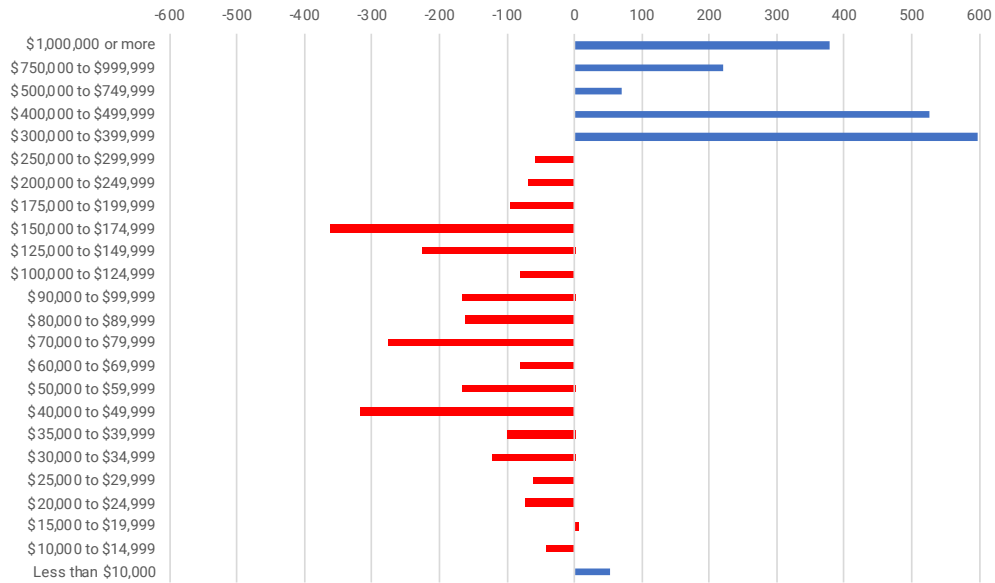
Of greater concern is the loss of affordable housing units, primarily through rising market prices, both in the County and in Delray Beach, which without intervention, may herald a rising housing affordability problem



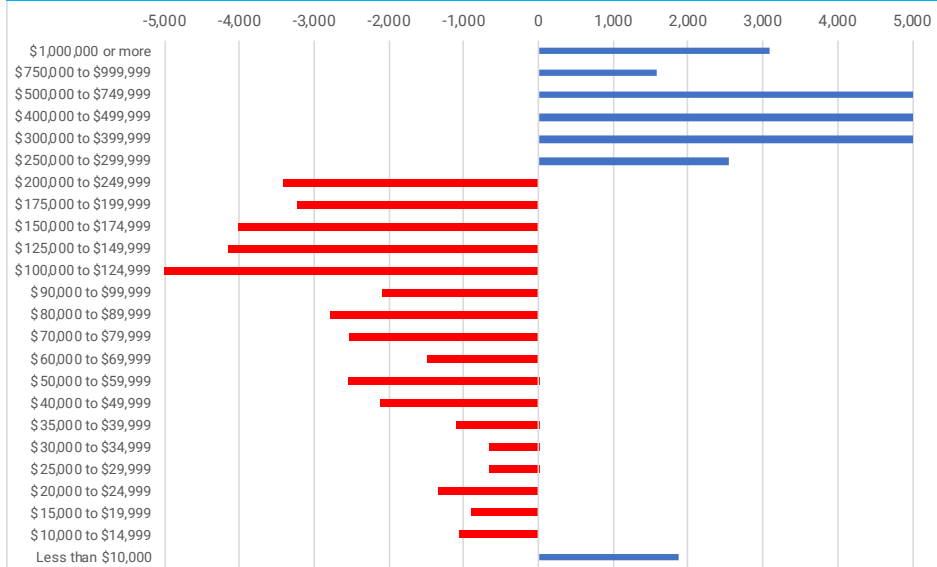
Source: 2009-2013, 2013-2017 American Community Survey 5-Year Estimates



Owner Occupied Unit Supply Change by Value Delray, 2013-2017



Owner Occupied Unit Supply Change by Value Palm Beach County, 2013-2017





Real Estate and Land Availability

Retail Development

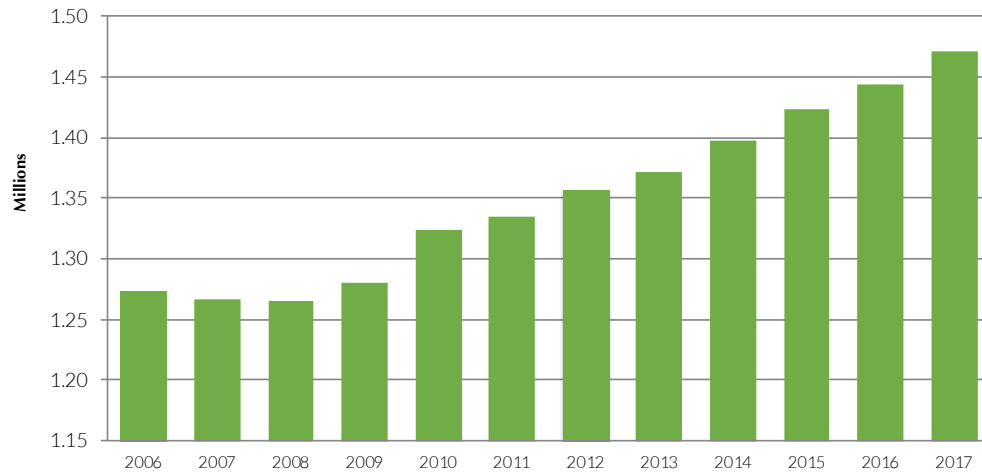
As punishing as the last recession was on retail real estate, the shrinking US inventory and demand for retail space is the result of a number of longer-term trends. The future of retail in the region is being dramatically affected by the rapid growth of E-Commerce. According to Deutsche Bank's RREEF Global Real Estate Research Group, E-commerce sales are pervasive — excluding auto-related purchases (which are now also selling on-line) e-commerce grew 53 percent from 2007 to 2012, seven times the overall retail sales growth rate. The growing shift to online shopping has significant real estate implications, and has forced retailers to significantly adjust their brick-and-mortar sale strategies by:

- Rapidly closing significant portions of their physical store locations, and keeping, smaller stores focused on sales per square foot over growth. Commodity retailers, especially big-box retailers, are especially vulnerable to online sales losses. *Best Buy*, *the Gap* and *Abercrombie*, among other retail giants, are busy permanently closing physical locations across the nation;
- Using an "Urban" Strategy — moving stores closer to urban consumers, with smaller footprints, shrinking 100,000 square foot stores to as little as 15,000 square feet; and
- Developing flagship Stores in high-end and high-rent locations, designed to market the brand, often at boutique scale size, as well as Multi-Brand Stores that bringing multiple brands under one roof.

Traditionally, population growth predictably drove new retail development. In Palm Beach County, despite a growing population, the County's total inventory of retail space recovered since the recession, but is flattening. Total retail square footage per person, which grew through 2009, is now less than it was in 2006.

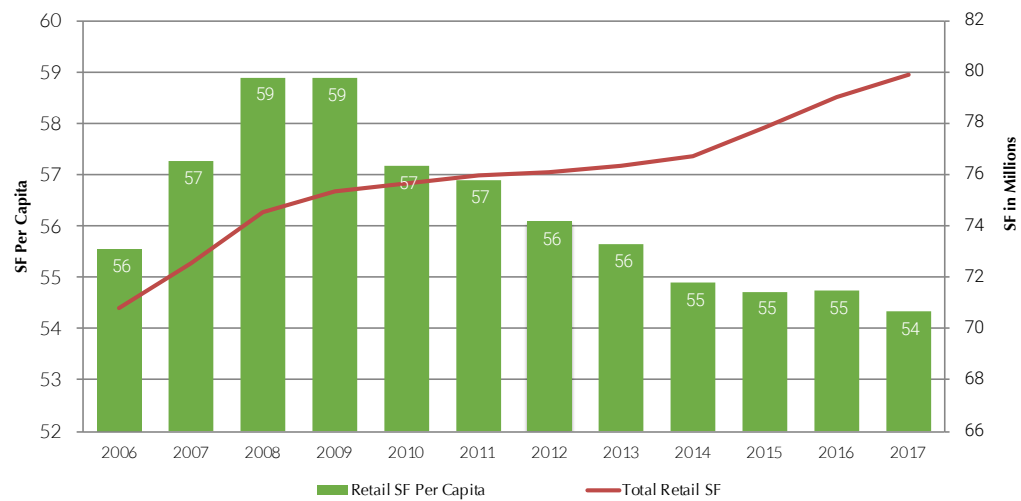


Palm Beach County Population



Source: U.S. Census Bureau, Annual 1- Year American Community Survey(s)

Palm Beach County Retail SF Per Capita



Source: U.S. Census Bureau, Annual 1- Year American Community Survey(s); CoStar



Industrial Market

The industrial and warehousing real estate markets are in the midst of a renaissance, having been ignored in many markets until a few years ago, and are one of the hottest current real estate segments for institutional investors.

The bulk of the regional demand for warehousing, flex, and transshipment space has been filled in Miami-Dade County, especially surrounding the airport. Even with the addition of new industrial and warehouse inventory, vacancies in south Florida are expected to remain below the national average. [CoStar] According to CoStar Inc., the Miami metro ranks in the top 15 percent of markets nationally for warehouse and distribution space construction, deliveries and asking rents. Sales volume in the Metro ranks in the top 15 markets with more than \$1 billion in trades in the past 12 months. [CoStar Analytics]

The development of industrial, manufacturing and distribution space in Palm Beach County is less than in Miami-Dade, but has seen a significant increase in inventory along the Turnpike corridor. From the end of 2016 to the end of 2017, the County's total industrial inventory increased by 25 percent, from over 49 Million to over 61 Million square feet.

Delray Beach has the smallest inventory of industrial and warehouse space of any of the County's submarkets, at 2,746,888 square feet. The City's inventory of industrial space has shrunk due to conversions of older warehouse space to other land uses.

Demand is being driven by the rise in e-commerce, but overall any industry making daily use of warehousing is going through quiet revolution. High-performing mature industries utilizing extensive warehouse services, include Scheduled Air Freight Services, Process and Logistics Consulting, and General Warehousing and Storage Industries. New demand for modern warehousing space is being supported and driven by technology — the industry is shifting to shared, third-party, multi-tenant warehouses using high end computerized inventory systems, communications, and in some cases, robotics. Retailers, wholesalers, distributors and manufacturers are finding significant cost savings by not owning expensive warehouses that sit idle most of the day, leasing shared facilities that make better use of space, machinery and labor.

Office Space and the New Geography of Work

Delray's predominance of small, but successful business establishments, its industry concentrations in professional and business services, its high percentage of self-employed residents, and the education and earnings of its residents, all point to a local economy that could be ready to take advantage of new trends of where and how Americans work. Across the US, traditional office-based employment is changing quickly in favor of more remote work and telecommuting, non-traditional office space and office sharing, and solo business ownership. The three major trends driving the new geography of work and office development, are as follows.

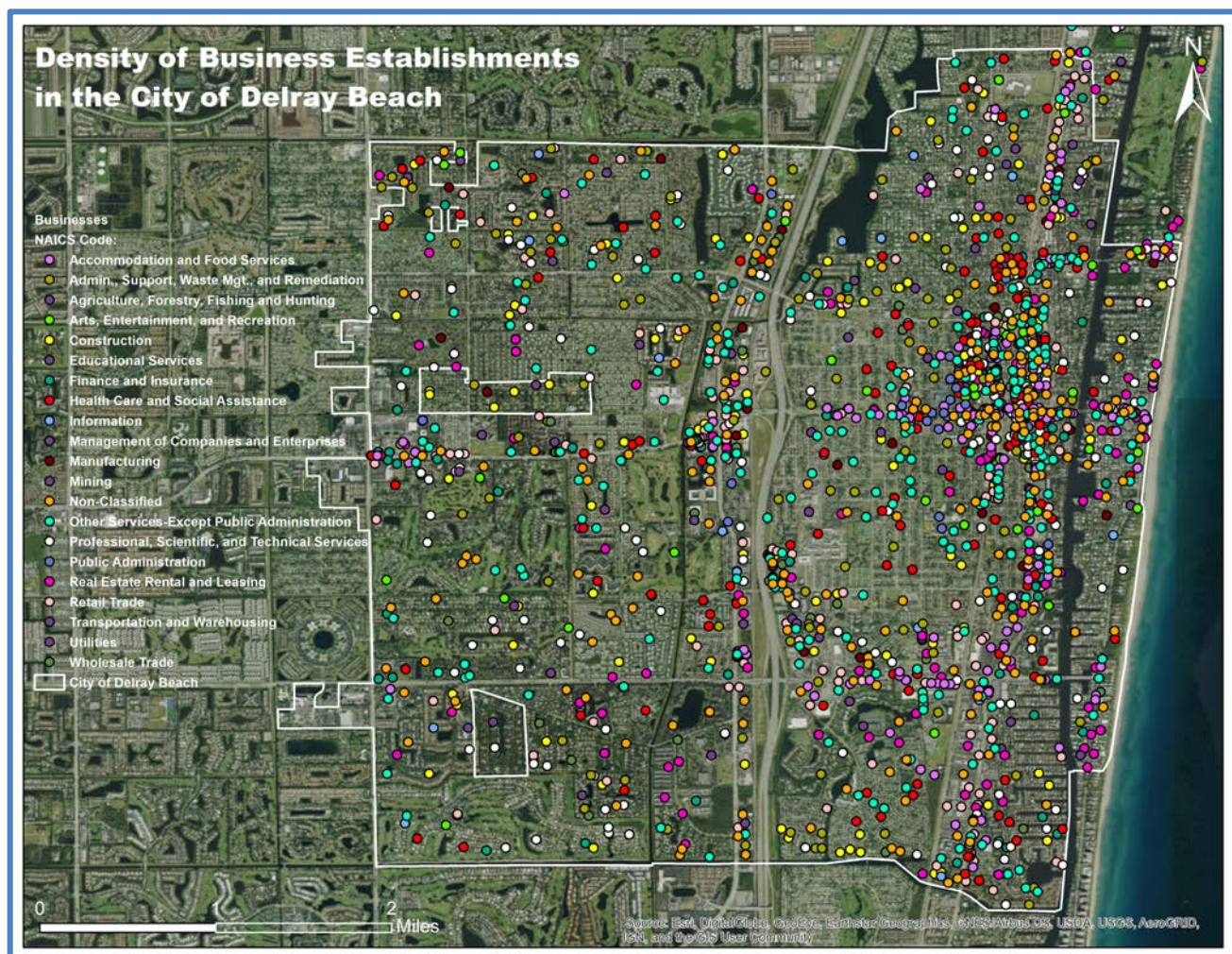
The Rise of the Non-Employer Business Establishment

The Miami Metro's (including Delray) percentage of small, micro, and non-employer business establishments are unusually high. According to a recent study by the Fuller Institute at George Mason University, the Miami-Fort Lauderdale metropolitan area (which includes Palm Beach County) leads the nation the total number of non-employer firms per capita and has the fastest growing number of non-employer businesses. Non-employer firms are sometimes called the "Gig" economy —



businesses that are self-employed and usually perform work as independent contractors. Between 1997 and 2015 the number of non-employer establishments in the Miami metro area grew by 142 percent, more than twice the national average, at 58.6 percent.

Measuring the precise number of non-employer establishments at the City level is not possible without a detailed survey. However, mapping the geography the City's businesses indicates that while the bulk of the City's business establishments are located along Atlantic Avenue, and clustered in established business parks, a significant portion of its business are located within Delray's residential neighborhoods.. these locations can be assumed to be non-employer establishments, and most of them are in the business services, professional services, consulting, and financial services industries. Like the growing regional trend, Delray Beach's home-based businesses provide sophisticated business consulting and finance sector services.





The Changing Economics of Traditional Office Development

Despite its local improvement, after the recession, businesses have radically reconsidered their use of office space, changing their business practices to find ways to shrink and share office space, including:

- Outsourcing non-core functions, such as IT, accounting, human resources, marketing and legal to lower cost providers;
- Aggressively shrinking the amount of square footage per employee. According to the *CoreNet* Global Corporate Real Estate 2020 survey, square feet per employee in the office sector shrank from 225 square feet in 2010 to 176 in 2012, and is projected to reach 151 or less in 2017;
- Increasingly using Co-Working space. According to Yardi Matrix, the Miami Metro market has 59 co-working locations totaling nearly 1.4 Million square feet of space. At 2.7 percent of all office space, the Metro has the highest percentage of co-working space of 200 metro areas studied, including New York, Los Angeles, and San Francisco;
- Office-less development: Even as the county economy adds jobs, the combination of occupation structure and changed business practice means that economic expansion will take place with much less new office space development than has been historically required in the past.

Telecommuting as a Work Location and Lifestyle Choice

Global Workplace Analytics and Flexjobs recently completed the most comprehensive analysis of telecommuting in the US. The key findings of its 2017 report are:

- Corporations are adopting **workshift** strategies, placing talent closer to their customers and away from the central office. Aided by technologies such as Skype and GoToMeeting, **telecommuting is not only a way to save on office space but offering it as part of employment packages is ranked by 46 percent of corporate leaders in a recent Deloitte survey as second only to compensation as the best way to attract talent.** A 2017 Gallup survey found that 43 percent of workers now work at least one day per week from home;
- Regular telecommuting grew 115% in the past decade, nearly 10 times faster than the rest of the workforce.
- The average annual income for most telecommuters is \$4,000 higher than that of non-telecommuters.
- The percent of women and men who telecommute is about equal. Half of telecommuters are 45 years of age or older, compared to just 41% of the overall workforce.
- Telecommuters are, on average, more highly educated than other employees. Approximately 53% have at least a bachelor's degree, compared to 37% of non-telecommuters.
- Telecommuting is most common in Management occupations, but employees in Computer, Mathematical, and Military occupations work at home much more frequently than their peers.



- While the Professional, Scientific, and Technical Services industry has the highest percentage of telecommuters relative to its share of the workforce, the Management of Companies and Agriculture industries top the list because of an administrative job component.
- In more than half of the top U.S. metros, telecommuting exceeds public transportation as the commute option of choice. It has grown far faster than any other commute mode.

According to the US Bureau of Labor Statistics **American time Use Study**, 24 percent of all workers in the US do all or some of their work at home, up from 21 percent in 2006. The percentage varies widely by occupation. 37.8 percent of workers employed in **Management, business, and financial operations occupations** report working all or some part of their workweek from home.

Year	Total	Management, business, and financial operations occupations	Professional and related occupations	Service occupations	Sales and related occupations	Office and administrative support occupations	Construction and extraction occupations	Installation, maintenance, and repair occupations	Production occupations	Transportation and material moving occupations
2006	21.1	32.3	33.2	12.1	20.3	8.2	14.5	10.9	3.8	6.1
2007	19.9	32.3	30.6	11.3	20.7	7.8	10.6	7.3	4.0	6.0
2008	21.1	29.8	32.1	13.0	24.3	12.3	5.5	9.2	5.5	7.3
2009	23.6	35.5	38.3	13.7	21.7	9.0	11.4	12.0	5.2	6.6
2010	23.6	32.9	32.9	15.0	26.6	10.6	11.6	12.7	6.3	10.3
2011	21.3	34.2	33.5	9.5	20.0	12.8	10.1	11.3	5.2	5.2
2012	23.2	35.5	37.0	10.1	21.4	9.3	16.0	14.7	6.2	7.2
2013	22.9	35.1	34.8	11.0	21.4	11.1	17.0	14.8	7.9	6.2
2014	23.1	36.8	34.0	12.0	26.0	8.5	15.0	9.5	4.6	6.3
2015	24.1	37.8	34.6	10.5	22.1	11.2	16.2	9.6	5.5	7.7

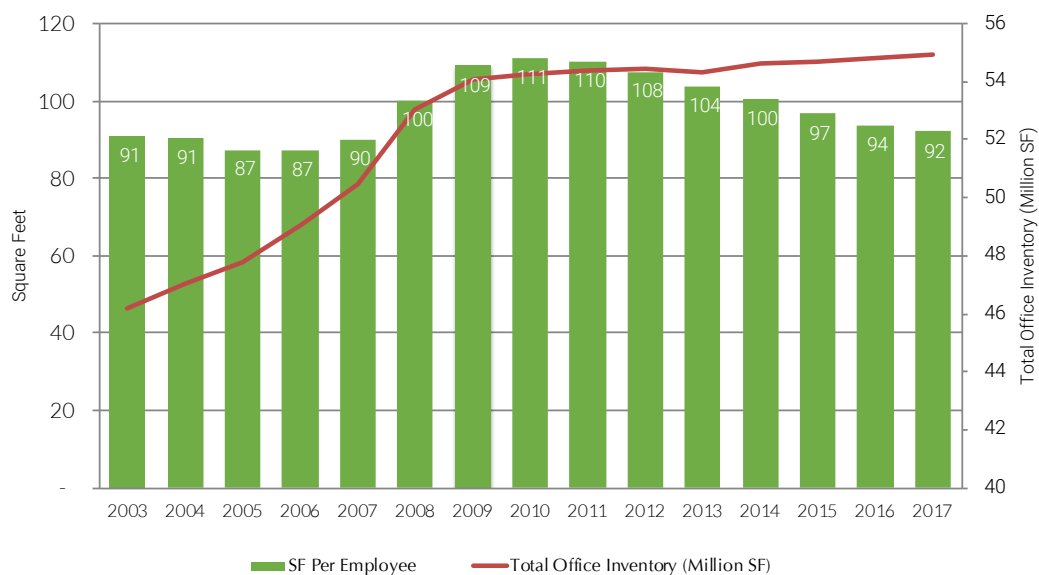
Source: US Bureau of Labor Statistics American Time Use Study, 2017

Regional and Local Impacts

The net effect of these trends is that like retail space, traditional office space is becoming less tied to employment growth, and less important to the functioning of modern organizations. The regional impact is clear: although Palm Beach County's employed labor force is 22 percent larger than in 2010, the total office square footage per employee is 17 percent less.

The Delray office submarket comprises a significant share of the County office market — 7 percent of the County. The City's explosive employment growth, however, has occurred without the addition of extensive new office space. **According to Costar, between 2013 and the end of 2017 the number of office buildings in the City remained flat at 369, and the inventory of office space actually shrunk by over 147,000 square feet.**

Palm Beach County: Total Office Square Feet Per Employee



Source: US Bureau, of Labor Statistics, CoStar.
Analysis by FIU Metropolitan Center

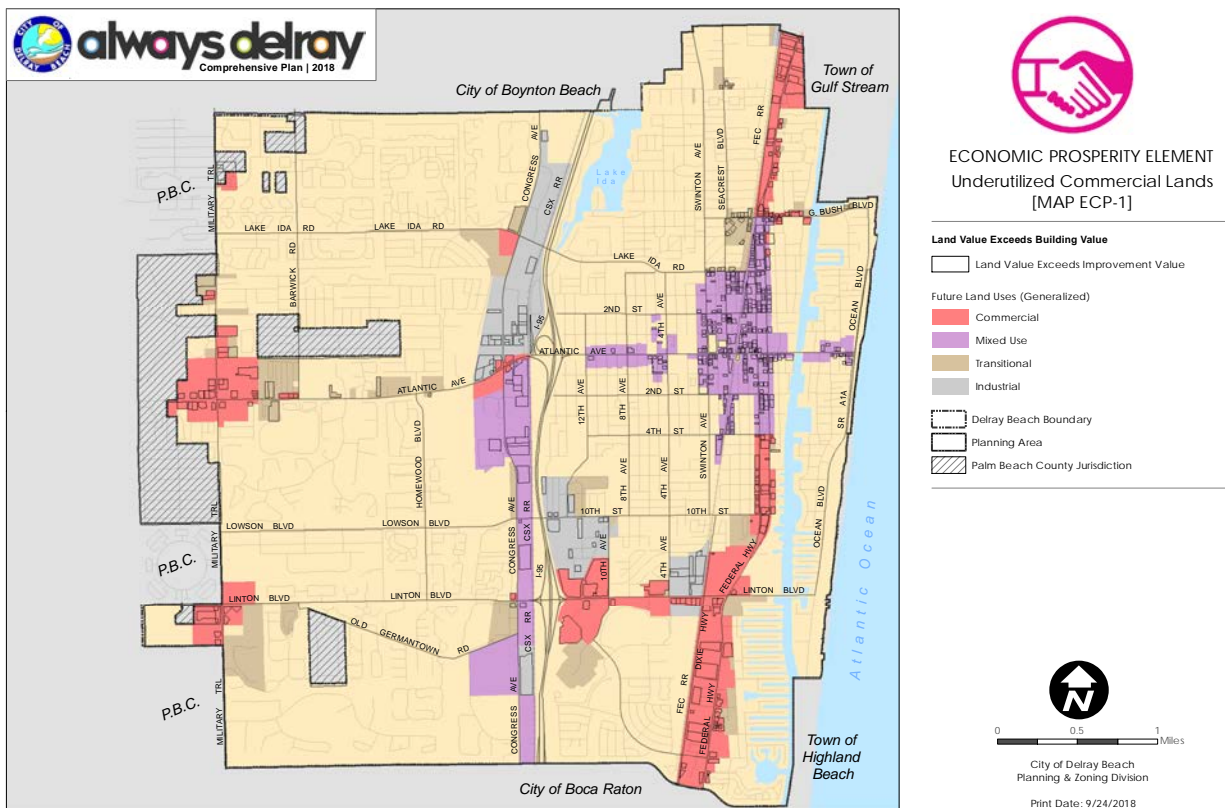


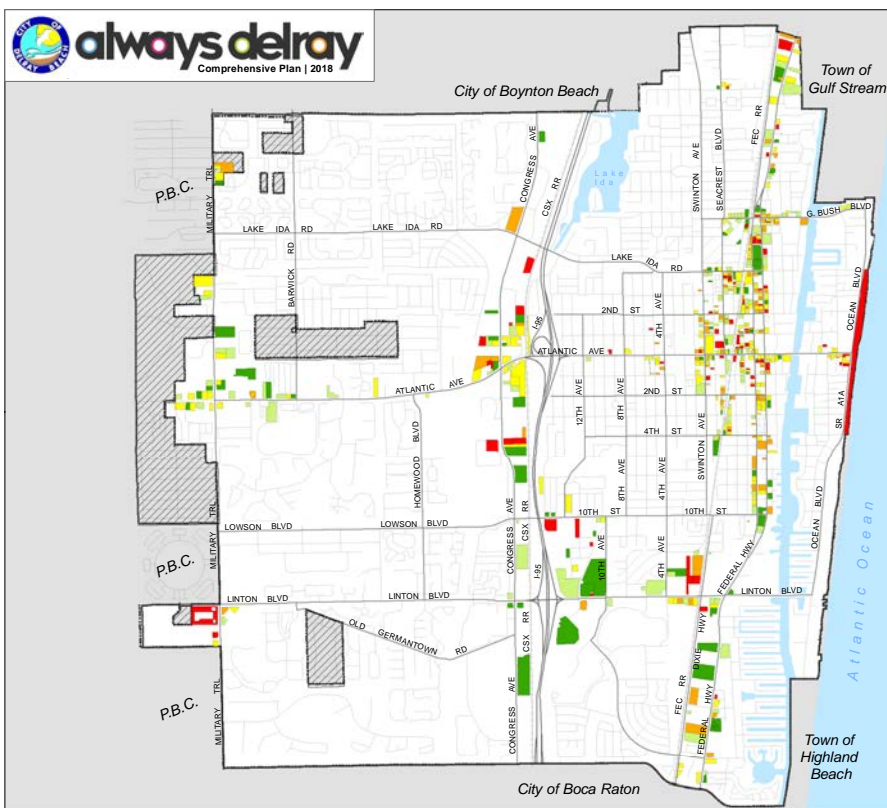
Land Availability and Future Growth

Delray Beach has rapidly grown a diverse, sophisticated local economy **without** a dramatic expansion in traditional office and business park development. The bulk of new employment outside the City's medical sectors has occurred by re-purposing existing buildings and spaces that cater to small business formation and growth.

Delivering **land** to support the continuing growth of the City's economy faces two contrasting issues. On the one hand, as the City has identified in its latest update to the City Comprehensive Plan, that there may not be a large supply of vacant land for new development, but the City has a significant supply of underutilized property within it. Properties identified on the following maps show a significant acreage of undervalued properties in connected, well-place locations. On the other hand, the business community was clear that the existing inventory of suitable space to start and/or grow a business is rapidly disappearing in Delray, and that providing new, non-traditional, affordable office space would be one of the City's major challenges if it wishes to continue its economic progress.

Given new office space use trends, the inventory of land that **could** support new employment growth is ample and significant. However, unlike development in the past, will increasingly require the **re-purposing of existing buildings and land**.





ECONOMIC PROSPERITY ELEMENT Underutilized Commercial Lands [MAP ECP-2]

Percent of Building Value to Land Value

- 75% to 99%
- Less than 75%
- Less than 50%
- Less than 25%
- Less than 10%

- Delray Beach Boundary
- Planning Area
- Palm Beach County Jurisdiction



City of Delray Beach
Planning & Zoning Division

Print Date: 9/24/2018





Target Industry Cluster Analysis

The City's Priority Target Industry Clusters

Targeting resources and effort around a priority set of industrial clusters is the foundation of effective economic development policy. Targeting economic development resources on priority industries and industry clusters means strategically allocating assets, policy, and programs to support those industries where public and private investment can have the biggest impact on future economic growth. Properly selected priority clusters are those that 1) driving current and future growth, and 2) will have the greatest multiplier, or “ripple” effect on the rest of the local economy, thereby representing the City’s “best bet” to expand and sustain its economic growth.

Selecting the **Priority Target Industry Clusters** is not an exact science, but is a process of using analytics to rank clusters and their component industries. Target Clusters are those that:

- Are the largest in scale, determined by employment, and/or economic impact, including sales and purchases;
- Are Traded, rather than Local. Local Clusters can be considered as viable targets under special circumstances, as shown;
- Demonstrate high local competitive advantages, as measured by its **Employment Location Quotient**. An industry Location Quotient is the ratio of the percentage of local employment of an industry against total local employment, compared to the percentage of total employment for that industry nationwide. A location Quotient of 1 or more means that the local industry is employing a greater concentration of workers than the nation as a whole for that industry, meaning that it has local competitive advantages that support its performance relative to the rest of the US. An LQ of 1.25 is typically considered to indicate significant local competitive advantages;
- A stable rate of past employment growth;
- A stable, positive rate of forecasted future employment growth;
- The Sales generated by the cluster and its component industries, particularly the “exported” sales it generates – these are dollars that are brought into the community from outside;
- The sales per employee and earnings per employee — Clusters and industries with higher sales and wages generate greater economic multipliers, raise incomes, and increase opportunity, and promotes upward economic mobility for City residents;
- Has a local support structure including physical infrastructure, local investment capability, labor, and educational infrastructure to sustain its growth and adaptability to change; and
- Where applicable, a Cluster’s “opportunity” characteristics — whether a Cluster or its industry sub-components support other important industries, or whose growth and development addresses key Citywide economic issues.

Based on these considerations, the recommended Priority Target Industry Clusters and their leading sub-industries are listed below.



Delray Beach Priority Target Industry Clusters							
	2018 Employment	Employment tChange 2014-2018	Local Growth Forecast to 2024	Employment Location Quotient	Exported Sales	Total Sales	Sales Per Employee
Traded Clusters							
6 Business Services	2,146	-1%	7%	0.83	\$597,413,827	\$730,285,106	\$340,268
541618 Other Management Consulting Services	250	57%	30%	9.34	\$46,798,618	\$48,741,372	\$194,870
541611 Administrative Management and General Management Consulting Services	225	16%	14%	1.31	\$39,468,964	\$50,069,366	\$222,596
541214 Payroll Services	136	23%	25%	3.41	\$29,177,668	\$32,763,900	\$240,173
541310 Architectural Services	132	23%	6%	2.73	\$16,591,456	\$24,992,089	\$189,215
541990 All Other Professional, Scientific, and Technical Services	96	32%	29%	1.59	\$30,268,574	\$33,021,747	\$342,215
22 Hospitality and Tourism	2,011	8%	0%	1.88	\$263,411,191	\$305,417,553	\$151,894
721110 Hotels (except Casino Hotels) and Motels	1,412	7%	1%	3.76	\$184,190,571	\$208,197,678	\$147,422
712110 Museums	39	11%	5%	1.67	\$3,049,268	\$5,496,618	\$140,752
713930 Marinas	22	-8%	14%	2.26	\$3,164,816	\$3,218,447	\$143,705
712190 Nature Parks and Other Similar Institutions	15	30%	13%	5.54	\$1,084,554	\$1,313,845	\$89,520
10 Distribution and Electronic Commerce	948	14%	1%	0.50	\$369,299,079	\$407,004,369	\$429,470
423910 Sporting and Recreational Goods and Supplies Merchant Wholesalers	86	21%	5%	6.63	\$30,170,442	\$31,585,293	\$369,145
423610 Electrical Apparatus, Wiring, and Related Equipment Merchant Wholesalers	82	19%	4%	2.05	\$36,468,354	\$37,479,700	\$459,171
29 Marketing, Design, and Publishing	655	27%	14%	1.22	\$94,020,496	\$121,718,500	\$185,764
541613 Marketing Consulting Services	352	35%	20%	4.74	\$56,929,665	\$62,017,209	\$176,209
541410 Interior Design Services	89	12%	7%	3.72	\$8,883,440	\$9,419,706	\$106,246
541430 Graphic Design Services	59	11%	11%	1.90	\$2,625,075	\$5,621,939	\$95,681
16 Financial Services	495	10%	-6%	0.77	\$418,295,399	\$470,064,871	\$949,571
523910 Miscellaneous Intermediation	154	-8%	-11%	17.92	\$101,660,205	\$107,548,708	\$698,061
523120 Securities Brokerage	78	10%	-5%	1.18	\$35,155,712	\$40,979,295	\$528,607
523930 Investment Advice	58	23%	7%	1.11	\$91,311,137	\$102,768,027	\$1,780,701
523999 Miscellaneous Financial Investment Activities	51	9%	9%	7.26	\$73,972,948	\$75,656,974	\$1,488,019
48 Video Production and Distribution	201	11%	65%	1.33	\$84,055,193	\$91,678,005	\$457,090
512191 Teleproduction and Other Postproduction Services	120	291%	79%	19.98	\$58,603,008	\$60,247,244	\$502,351
512110 Motion Picture and Video Production	81	26%	44%	1.19	\$25,452,185	\$31,430,760	\$389,774
13 Education and Knowledge Creation	168	29%	12%	0.19	\$13,466,905	\$21,314,954	\$126,553
611691 Exam Preparation and Tutoring	84	21%	20%	3.04	\$4,435,656	\$5,207,542	\$61,914
611430 Professional and Management Development Training	18	15%	-4%	1.55	\$1,874,135	\$42,397,96	\$232,312
	10,262	12%	8%		\$2,721,298,542	\$3,129,500,614	\$304,962
Local Clusters							
103 Local Health Services	5,715	13%	15%	1.06	\$534,320,215	\$788,781,658	\$138,022
622110 General Medical and Surgical Hospitals	1,926	10%	6%	1.78	\$149,298,532	\$312,385,135	\$162,217
622111 Offices of Physicians (except Mental Health Specialists)	712	7%	13%	1.19	\$96,415,095	\$121,674,314	\$170,909
623311 Continuing Care Retirement Communities	675	13%	22%	5.93	\$43,551,646	\$50,418,039	\$74,712
623220 Residential Mental Health and Substance Abuse Facilities	489	49%	48%	9.16	\$49,578,695	\$51,203,814	\$104,614
621420 Outpatient Mental Health and Substance Abuse Centers	288	24%	11%	4.94	\$34,786,716	\$38,685,267	\$134,462
621210 Offices of Dentists	270	15%	14%	1.19	\$19,234,386	\$22,399,818	\$102,547
446110 Pharmacies and Drug Stores	218	3%	2%	1.31	\$17,555,478	\$22,399,818	\$102,547
339116 Dental Laboratories	182	17%	21%	15.48	\$29,686,409	\$30,603,357	\$168,021
621310 Offices of Chiropractors	122	6%	10%	3.35	\$10,107,036	\$10,795,342	\$88,704
115 Local Real Estate, Construction, and Development	4,710	23%	8%	1.31	\$744,637,417	\$1,130,460,528	\$240,021
238210 Electrical Contractors and Other Wiring Installation Contractors	578	18%	4%	2.51	\$49,285,276	\$88,139,569	\$152,544
236220 Commercial and Institutional Building Construction	344	20%	11%	2.14	\$45,840,245	\$78,380,718	\$227,924
531311 Residential Property Managers	294	10%	12%	2.70	\$70,572,394	\$76,994,396	\$261,633
238220 Plumbing, Heating, and Air-Conditioning Contractors	292	28%	17%	1.07	\$4,645,179	\$45,026,618	\$154,375
327320 Ready-Mix Concrete Manufacturing	288	48%	15%	12.82	\$106,623,284	\$114,410,354	\$397,241
238160 Roofing Contractors	250	31%	13%	4.42	\$22,496,745	\$28,499,044	\$113,982
531210 Offices of Real Estate Agents and Brokers	241	6%	1%	2.29	\$81,827,669	\$111,056,200	\$461,358
238990 All Other Specialty Trade Contractors	200	30%	13%	1.65	\$19,242,750	\$27,064,584	\$135,568
	17,793	17%	12%		\$2,129,705,165	\$3,162,426,163	\$177,737



Development Strategies

Overview

Deriving the suggested development strategies are built on five considerations:

- The competitive assessment of the City's economic conditions, and the common needs of the recommended target industry clusters and their high-wage component industries. In our opinion, directing program, resources, support at these clusters and their highest wage industries will 1) Deliver the largest potential economic impact across the rest of the Delray economy, 2) Insure the best use of scarce public resources, and 3) Provide the best range of new employment and income mobility opportunities for Delray Beach's residents;
- Given that Delray's economy is overwhelmingly comprised of knowledge-based, high-skill service industries and occupations, policy, programs, and investments aimed at building the City's strongest clusters will benefit a wide swath of the City's economy;
- The City's economic base — its leading clusters — represent important assets and opportunities that can be leveraged to help build other industries drive new employment, and create new opportunity for the City's residents;
- Specific strategies have been developed to not only support key industry growth, but address broader underlying economic and community development issues; and
- Creating policy and programs that are both affordable and implementable using the City's existing organizational resources.

Sustaining Growth in Concert with the Delray Brand

Delray Beach's growth over the last decade has proven that you can grow a potent local economy without large-scale real estate development, particularly large office complexes. The City has supported the growth of both high-skill **and** entry level jobs, but within a compact, low-rise urban scale. This feature of its economy is more than just part of its charm, but an important competitive advantage.

The ability to grow successful businesses in a City that retains much of its "beach-side" ambiance is a clear life-style brand, and as evidenced by the City's attractiveness to new residents from out-of-state indicates its desirability as a place to live, work and start a business.

Delray's future growth and continued success will depend on its ability to sustain economic development, but within, and supporting the Delray Beach "**brand**". Structuring the right balance and form of new economic growth is crucial, so that the City does not become a "victim" of its own success. ***The continued development of Delray Beach as a 21st Century Live-Work Community will be based on:***



- The expansion of existing small businesses employing 20 people or less, growth through the acquisition of existing businesses, and the growth of existing companies through innovation and improving competitiveness by making investments in new technology and productivity;
- Given the new geography of employment, land use patterns, and the City's strengths in sophisticated business services, sustaining the growth of a high-quality economy probably won't require a radical re-thinking of its physical development, zoning, or land use strategies, nor will it require traditional big investments in infrastructure or incentives;
- Creating **low-impact** employment generating development that stays in scale with the City's existing physical fabric, avoids creating traffic and parking hot-spots, and takes cars off the road;
- Incremental redevelopment, re-purposing of existing commercial properties to new mixes of uses, and increasing the percentage of workers and employment accommodated in non-traditional office and work spaces, including co-working spaces, home-based and sole proprietor (non-employer) businesses, and workers making use of regular telecommuting; and
- Focusing growth in traded, high income industries and occupations. Promoting industries with higher-skilled, higher paying jobs provides greater economic spin-off, job multipliers, and new entry level jobs in other service.

Leveraging the Hospitality Sector to Support Business Competitiveness and Growth

Expand the Vision for the City's Hospitality Sector

The City's Hospitality and Tourism Sector is a Priority Target Industry cluster in its own right. — it has sustained solid growth over the last five years, employs over 2,000 workers, and generates over \$300 Million in annual sales. However, growth forecasts indicate slowing growth in the sector locally, reflecting the increasing difficulty to develop new hotels. Also, long-term, tourism is one of the industries most susceptible to climate negative change impacts across the state.

We recommend strongly pursuing diversifying the City's hospitality and tourism sector, adding a focus on business travel, meeting space, conferences and trade shows focused on the City's leading clusters, and local business meeting support. Given the City's high concentration of business service establishments, and small business make-up, building the local hospitality sector business travel and meeting segment would 1) benefit local business, helping them, extend their national visibility, 2) provide first-class affordable meeting facilities for small businesses, 2) build new revenue streams for the area hotels, and 3) raise the City's visibility for capital investors in its local businesses.

Adding this focus probably doesn't mean a large physical investment in new space, but re-tooling and pooling resources to develop a joint marketing campaign. Launching this effort begins with introducing the Cluster study to the City's hospitality and tourism businesses, with a focus on detailing the City's sophisticated business services and health services sectors.



Complete a Detailed Local Census of Non-Employer Establishments

Non-employer establishments (NES) are growing in economic importance, and provide a significant portion of regional employment and revenues. However, detailed information on the number, location and industry make-up below the County level can only be inferred. The City's composition of NES businesses has important ramifications for the City's housing policy, business development programs, and marketing.

The study team recommends that the City commission a detailed survey and inventory of its NES businesses, beginning with an analysis of with County business tax licenses, and including in-person surveys and interviews.

Better Network the City's Small Business Community

Delray depends on its small business community more than most Cities. It has a rich mix of large and small business in diverse industries, serving local, national and international customer markets. Yet small businesses outcompete larger firms by utilizing networks of local partners to extend their capabilities. Knowing who is out there and what they do crucial to small business success.

The Center recommends taking the City's Business-to-business (B2B) efforts to the next level, developing educational programs and a social media communications platform, with the goal of reaching and/or engaging every business in the City. Given the total amounts of spending and revenue generated by City businesses, the following programs can have measurably beneficial results, including:

- Build a complete on-line Delray Beach business directory and social media platform dedicated to Delray's business-to-business networking, communication, and marketing;
- Consider adding new economic development position focused exclusively on supporting existing local business networking and expansion;
- Aggressively continue preferred purchasing programs for Delray businesses as part of every public contract in Delray Beach; and
- Harness the City's competitiveness in marketing consulting to develop these B2B resources and platform, including more regular and direct communication with the City's economic development Department.

Develop Incentives and Programs that Aggressively Reward Innovation

Continuous innovation, even in mature industries, is a hallmark of local economic competitiveness. Innovation even at the small business level is critical, separating business winners from losers. The City would be well advised to establish grant and/or loan programs to help underwrite the cost of investments in new technology, especially for small firms. The monies can be raised from a variety of sources. Even a total amount of \$500,000 per year could have far-reaching impacts on the development and growth of small businesses in Delray.



Pool Resources to Acquire Healthcare Benefits for Small Businesses

Delray has a leading medical and healthcare complex of business and health providers. At the same time, healthcare and insurance expenses for small and NES businesses can be prohibitive. The Center recommends bringing together local need with local strength, and explore the development of pooled insurance purchasing which lowers and controls costs for local small businesses. Pooled health and life insurance provided through Chambers of Commerce are common in many regions. Here, Delray can leverage its local network of hospitals, clinics, diagnostic, and out-patient services to build a significant local competitive advantage.

Invest in an Ultra-High-Speed Internet Backbone

The development of ultra-high-speed Internet connectivity benefits the City's leading clusters, and would provide distinct advantages to nearly all business in the City. Affordable, widely used Gigabit and higher speed internet service has been slow to emerge in South Florida. Supporting, subsidizing, investing in, or partnering to provide this backbone would provide an immediate small business development and growth incentive allowing high-speed service at costs businesses can afford. It would provide distinct advantages to business in the medical diagnostics, video production and distribution, marketing, and digital publishing industries, as well as others. It would support telecommuting and workshifting strategies (see below).

The Center recommends actively soliciting service providers to develop high-speed backbone in the City of Delray, and that the program, once established, should be marketed aggressively.

Expand the City's Supply of Alternative Work Space

As noted, Delray has grown without the large-scale addition of traditional office buildings. Businesses and the City have successfully re-purposed older properties for new small business use. However, as noted in this research, by the local business leadership, and the City's leaders, the short supply of suitable office space is raising rents, and forces some businesses to consider relocation in order to grow.

The Center recommends immediate development of two products 1) co-working space, and 2) flexible live-work space, within the City. The benefits of both immediate and sustained support for the development of shared office, shared desk, and co-working space are that they support a much higher number of jobs per square foot. Traditional office development, even with shrinking per-worker space standards, house between 190 and 200 workers per acre. Co-working space, by comparison, can support as many as 800 workers per acre. Also, well designed co-working space fits with Delray's low-rise, walkable urban fabric, helping sustain the Delray Brand.

Expanding development of co-working space can be driven at low cost through re-development of City properties by third-party developers, and through simple zoning changes. ***The use of alternative work space arrangements will be the primary vehicle that the City can use to continue to advance its economic growth within its highly desirable physical fabric.***



Affordable Housing: Prepare Now

As noted, Delray Beach has a **relatively** affordable housing market compared to the rest of South Florida. However, rapidly rising housing prices and the almost non-existent new supply of housing units built in the City over the last five years means that this situation will not last. High housing prices can be one of the most significant challenges to economic growth, hurting poor families, young workers, and experienced seniors seeking to downsize. Rising housing costs may also be driving the City's shrinking labor force participation.

The City can get ahead of this situation by aggressively pursuing an affordable housing program that delivers wider housing choice. While a complete affordable housing plan is beyond the scope of this study, the City needs to consider the following programs and policy as part of a complete affordable housing strategy:

- Develop an Affordable Housing Trust Fund, with a local, dedicated source of funds for affordable housing development. Dedicated revenue for a local affordable housing trust fund can come from a number of sources;
- Support and grow the Delray Community Land Trust (CLT). The City CLT is a proven mechanism for ensuring long-term affordable housing. The CLT might consider expanding its charter to develop commercial and mixed-use projects as well;
- Grow the role and capabilities of select Developers, including the City's community development corporation (CDC). CDCs can serve as an excellent partner for cities in providing smaller-scale, urban infill type projects (typically under 50 units) that most private developers do not consider. They anchor capital in communities by developing residential and commercial property, ranging from affordable housing to shopping centers and even businesses. CDCs are also able to generate grants and other financial assistance from non-traditional funding sources such as corporate and community foundations. CDCs can also provide underwriting assistance and homebuyer counseling to prospective buyers; and
- Provide Zoning Incentives Such as Density Bonuses and reduced parking requirements to Developers of Affordable Housing. Density bonuses are a tool offered to developers that allows for increased floor space, taller buildings, or more housing units than the traditional zoning code permits, in exchange for including a certain number of affordable housing units. Parking requirements generally impose an undue burden on housing development, particularly for transit-oriented or affordable housing. When transit-oriented developments are intended to help reduce automobile dependence, parking requirements can undermine that goal by inducing new residents to drive, thereby counteracting city goals for increased use of public transit, walking and biking.

Implement Active Workshifting Strategies

Based on the previous economic analysis, despite Delray's high proportion of small businesses, too many of its residents still commute to work outside the City, exacerbating traffic congestion, degrading quality of life and the environment.

The practice of moving workers out of a central office on a daily basis and either structuring telecommuting or moving satellite offices closer to where their employees actually live is known as **workshifting**. Workshifting and telecommuting are a hybrid of workplace and office cost-reducing,



land use and transportation strategies to quantifiably reduce the number of commuter trips workers need to make for work each week.

Co-working, shared, home office, and off-site office space are playing a rapidly growing role in the future of the workplace. Workshifting is gaining ground across many US cities, particularly in South Florida, as a way to reduce commute times, take commuters off the road, reduce traffic volume and increase worker productivity by reducing or eliminating travel times. Telecommuting has the potential to save employers \$10,000 per employee per year due to increased productivity, reduced real estate and facility costs, and reduced turnover. Other benefits include reduced driving cost and time savings for employees, energy savings, reduced congestion and environmental benefits. Flexible work arrangements are also essential to attract and retain the new generation of labor force.

Given the high percentage of residents who commute in and out of the City, supporting workshifting or adopting formal workshifting incentive programs could have high appeal. A workshifting program is a combination of strategies, some already listed above, but would include the following:

- Develop a targeted marketing program to large nearby employers about the benefits of workshifting to Delray, focusing on occupations and industries making the most use of telecommuting, home work, and home business formation;
- Incentive programs that encourage employers to develop and implement telecommuting programs that allow employees to work remotely instead of commute to the central office daily;
- Revise local zoning through density bonuses or parking relief to incentivize small office and co-working spaces;
- Develop financial grants or incentives for the development of co-working space;
- Revise zoning – parking and density bonuses — to incentivize live-work housing units and live-work communities in the City; and
- Develop, and provide grants to access affordable ultra-high-speed internet connectivity, especially for small businesses. (see above)

Launch a Four-Prong Marketing Program

Educating the City's residents, businesses, and outside interests regarding Delray's dynamic, balanced, high-skill, and diverse economy can help drive the City's prosperity. The Center recommends a four-part marketing program designed to support business growth, in conjunction with the other strategies listed here. The four parts of the City's business marketing program should include:

- Completing a detailed, updated statement of the Delray brand: Delray, as evidenced by this study, can authoritatively market itself as the City that's friendliest to new small business development, and that the City is THE location in Florida to launch, expand, or invest in a range of sophisticated, high growth industries;
- Complete a broad market education program to inform the nation, the region and local businesses and residents of Delray's advantages and strengths, by disseminating a new marketing package as widely as possible;



- Connect high net worth new residents with small businesses: Delray has a significant portion of high-net worth individuals who have either lived here or moved to Delray. Many are not retired, but looking for new investment opportunities. The City should showcase its small business community, and specifically create information and presentation vehicles to connect local investors with promising new and small businesses; and
- Market Delray and its business dynamics to high-tax states. Delray is already a popular destination for new residents from out-of-state. Changes in the individual deduction limits for State and Local Taxes (SALT) in the Federal Tax Code has prompted a number of high-income residents of high tax (predominately northeastern) states to consider relocation to Florida. Tapping into this movement could provide a new pool of business and investors for Delray.

Again, the City can take advantage of its considerable Marketing, Design, and Publishing Cluster to help create and drive a renewed business marketing program.

Leverage Hospital and Medical Cluster Spending to Benefit Local Businesses and Workers

Other than the City's real estate development and services Cluster, its Local Health Service Cluster generates the largest amount of revenue and local spending. Each year the City's hospitals, medical labs, physicians, clinics, etc. spend on everything from medical devices, implements, food, linens, clothing, cleaning, disposal and a host of other daily needs. This spending represents a considerable pool of spending that if directed toward a preferred local purchase program, could support a large number of small firms and support local income and employment.

Many communities have focused efforts on their local health and medical sector companies to **buy local**, with benefits including not just new jobs, but supporting new business creation, increasing local incomes, spending, and fueling new household medical spending, as lower-income families have more to spend on medical coverage.

The Study team was not able to find such local programs. The Center recommends that the City aggressively pursue development of a local purchase program within its medical sector businesses. The practice has become so popular that a pool of experienced consultant firms who specialize in the development and management of these programs are now available.

Leverage Hospital and Medical Cluster Hiring to Benefit Local Businesses and Workers

Similar to local spending, the City's Medical Cluster is the second largest employer cluster in the City. Many of the jobs created in the City's medical and Health Services Cluster, however, are filled by non-City residents, as evidenced by the worker commuter analysis.

The Health Services Cluster, because of its size, and the fact that it has a larger complement of larger size firms and employers should be seen as a major asset for providing entry-level employment with good possibilities for rapidly increasing skills and pay. The Center recommends creating a focused Health Service Sector training, education, and local hiring program, focused on preparing City residents to take jobs in the expanding Health Cluster. Vehicles to implement the program include:



- Completing a Health Cluster Employer survey, to assess their short- and long-term hiring needs, skills, and qualifications;
- Developing focused training and educational programs through the City's extensive network of job training and occupational training businesses;
- Developing specialized Health Sector educational programs in the City's local public Schools, beginning at the Middle School level;
- Developing an employer-potential employee hiring portal through social media or a dedicated web site. This service might be included as part of the B2B networking program and platform recommended above; and
- Negotiating a local hiring pledge with the City's major Health Sector employers, including opportunities for internships, job shadowing, training, and eventual job placement for City residents.

Coordinate Bold Strategies to Improve the Local Public Schools

A Major topic of discussion throughout the study is the perception that the County School District's Delray Beach Schools are perceived as underperforming. The Center did not complete an analysis of the Delray Beach Public Schools, so we are in no position to render a confirmed opinion on that perception. However, employers indicated that they are very interested in hiring local residents, but feel that there is a shortage of City students prepared to take positions with them.

The City cannot on its own makeover its public schools, but can take a leading role, particularly as a leading partner in driving new programs and changes to better prepare City residents to take the wide variety of skilled and good paying jobs in Delray. Some specific immediate programs the City can drive include:

- Completing a survey of businesses in each of its target clusters to assess hiring and skills needs;
- Developing focused educational programs aimed at providing highly skilled workers for firms within the City's Target Clusters;
- Long term, partnering with the County School Board, area Universities, and employers to develop focused educational, occupational mentoring, training and development programs aimed at producing a steady supply of talented workers at all skill levels for the City's Target Cluster Industries.

Multiple models used across the Country have established the willingness of businesses to partner with educators and the public sector to fund and operate programs that enhance the quality of local labor talent.

Double-Down on the NW/SW Neighborhood

The City has made great progress implementing redevelopment plans in the NW/SW Neighborhood. This study is recommending that the City "Double Down" on these efforts and create opportunities for its residents. As discussed in the analysis, increases in the incomes of even a small number of households at the bottom of the income ladder can produce economic benefits that ripple through the rest of the City economy.



The Center is recommending that the City also makes sure to invest in the **people** of the NW/SW as well as the **place**. The City produces a wide variety of jobs that would provide opportunity, stability and upward mobility to a considerable number of households. City policy toward the NW/SW should continue and expand its focus on preparing residents of the NW/SW to take those jobs. Key programs include, but are not limited to:

- Aggressive support and expansion of the **Career Cottage** Program — preparing and placing residents to fill local jobs, and continue implementing and expanding job training and the education programs detailed above, on and for the residents of the NW/SW;
- Using the employer surveys recommend above to focus on the precise needs and skills gaps of residents of the NW/SW;
- Continuing to develop business incubators and accelerators focused on entrepreneurs in the NW/SW, capturing and keeping its talented business owners in the city;
- Implement a Legacy Business Acquisition Program focused on the NW/SW. Traditionally the fastest and lowest risk route to small business growth is to acquire an existing business. Increasingly, acquiring **legacy** businesses — businesses whose owner wants to retire, but has no plan for succession — is seen as a valuable way to 1) expand access to small business ownership, 2) retain and grow local employment, and 3) expand opportunity to families in the middle and lower ends of the income ladder. The U.S. Small Business Administration (SBA) has targeted legacy small business acquisition as an important program, supported through its local Small Business Development Centers (SBDCs). SBDC based **legacy small business programs** match qualified business buyers with small business acquisition opportunities, providing funding, training, technical support and customers. Expanding access to small business acquisitions can be an important way to grow family wealth, expand and grow a business that otherwise may close, protecting Delray's employment base; and
- Consider organizing a Children's College Savings Account Program for low income families, in which College savings are seeded and then matched by donors, to provide funding for a Child's College education. Results from around the US are striking, including improving High School graduation rates, College acceptance and graduation rates, and job income of the children whose families participate.
- Capitalize on the opportunity Zone designation of the entire SW/NW to develop affordable multi-family housing and local job creating investments.

Launch an Aggressive Blue-Green Economy Initiative

Delray's coastal location and risk exposure to sea level rise requires a strategic response. It's also clear that in the current state and federal political environment, local leadership is required to move forward on this critical issue. This study recommends the City undertake the development of a Delray Beach **Blue-Green Economic Development Initiative**. The Blue-Green Initiative would consist of a series of planning and development programs and projects to:

- Develop concrete and specific near-term strategies and responses to Sea level rise and storm event related physical risk;
- Develop and implement a plan to move the City to sustainable carbon-neutrality by 2035; and



- Develop strategies to innovate, stimulate, and fund the Blue-Green Initiative.

Blue-Green development strategies require a combination of strategies, many of which are also recommended in this report, including: land use modifications, mobility alternatives, adopting and promoting energy conservation technologies, and converting the City's energy sources to zero-carbon energy technologies.

However, the need to lead on climate change issues is rarely discussed as an economic opportunity.

The advantages and opportunities of moving this initiative forward include:

- Building local analytical, consulting, engineering and construction expertise so that it can become exportable business consulting and advisory services;
- Assisting existing local companies to adopt new technology, mobility alternatives and workshifting strategies that not only reduce their carbon footprint, but reduces costs;
- Assist property owners to adopt strategies and technologies that reduce operating costs;
- Blue-Green development ultimately creates new employment in high-skill, high-wage occupations, creates new tax base, reduces transportation costs to workers, builds the City's knowledge and skills base across a wide range of sectors, and generates important new local job and spending multipliers; and
- Builds yet another critical competitive advantage for the City. Sea-level rise and Climate change problem solving is growing into a multi-Trillion Dollar worldwide industry cluster.

A City Blue-Green Economic Development Initiative builds on the City's target cluster strengths and competitive advantages, including:

- Other Management Consulting Services
- Administrative Management and General Management Consulting Services
- Architectural Services
- All Other Professional, Scientific, and Technical Services
- Marketing Consulting Services
- Interior Design Services
- Financial Services
- Local Real Estate, Construction, and Development

Benchmark Performance Over Time

Adopting and regularly monitoring clear performance metrics is a feature of all good government. We recommend the City develop a simple, clear and concise ***Economic Performance Metrics Dashboard***, posted on the City's web site. The data can be collected from County and federal (census) data, and we also recommend purchasing a private database of all businesses in the City annually, available from a variety of third-party providers. We recommend updating each of the economic benchmarks used in this study, as well as the Industry Cluster metrics, each year, in order to assess progress, problems and adjust programs as need to deliver better outcomes.