

THE ONE THAT GOT AWAY

With HQ relocation or expansion deals often won or lost on paper, a key differentiator is gone, and it's not lost on Florida's competitors



By Veronica Brezina-Smith – Reporter, Tampa Bay Business Journal
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Quietly, while the pandemic raged this summer, Tampa Bay economic developers worked fiercely to land what would have been an enormous prize. The new regional headquarters for St. Louis-based health insurance giant Centene was up for grabs, billed as a \$1 billion investment with 6,000 jobs.

Tampa Bay joined Charlotte, North Carolina and York County, South Carolina on a short list, and assembled a generous \$50 million package to attract Centene's regional HQ, or what was being called "Project Big Boy." The package may be the largest the Tampa Bay region has ever offered, according to reports and discussions with economic developers.

Under confidentiality agreements, the exact details of the bid to attract Centene aren't known. But sources familiar with the specifics said our region offered workforce training programs but

were reluctant to share more, even without attribution. Packages typically include land, tax abatement, expedited permitting and other cost savings.

But the offer wasn't even close to enough.

North Carolina partnered with Charlotte economic developers to assemble a massive, coordinated bid with neighboring municipalities and business organizations — offering juicy incentives Centene could not refuse. But this year, with the expiration of Florida's Qualified Tax Industry refund program, which would have significantly boosted the local pitch, Tampa Bay was never working from a position of strength — especially in the eyes of site selectors, key players in the HQ relocation game.



Craig Richard

"We're all on a spreadsheet. And you either have that box checked or you don't. So we now don't have a check in our box," Tampa Bay Economic Development Council CEO and President Craig Richard said. "Your educational institutions need to be top-notch. Your infrastructure needs to be top-notch. You gotta have the right talent, you've got to be able to attract the right talent."

The QTI, which included a financial commitment from the state and municipalities competing for project, is a major piece that local leaders can no longer leverage. It's now a cliché that incentives make a good deal better. But without QTI, Florida is at a serious competitive economic development disadvantage, forcing business development interests to fight even harder to make the case for companies to move here.

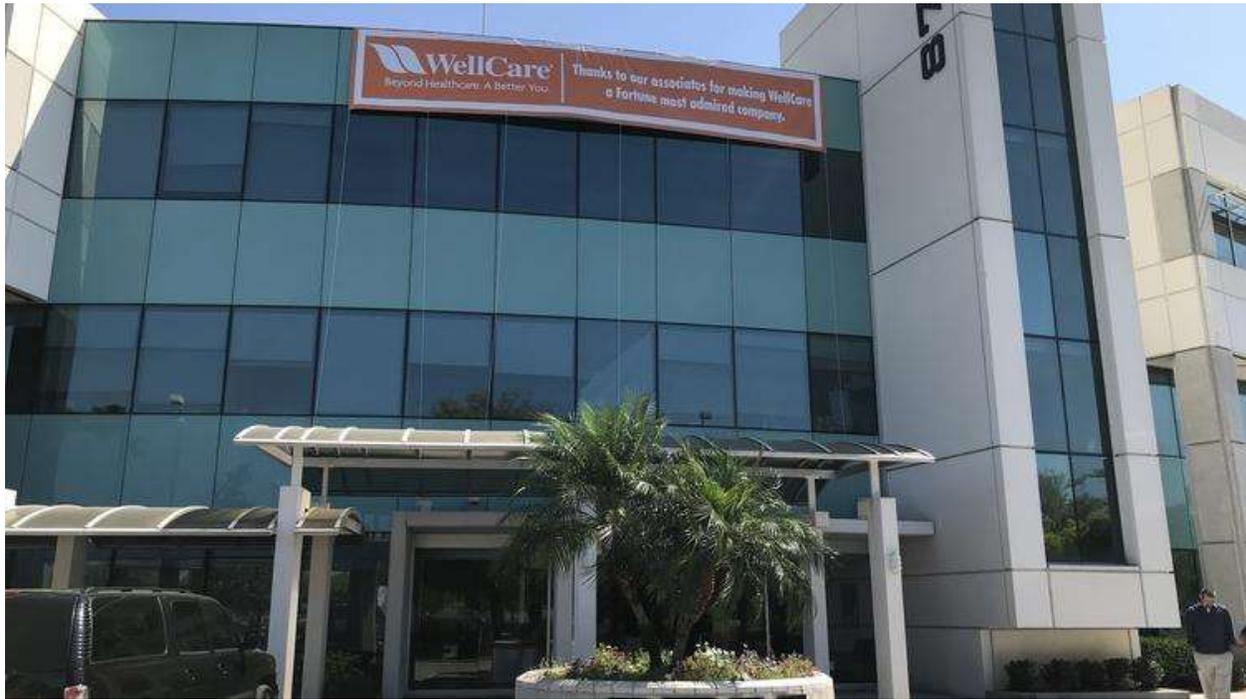
The Centene experience is a prime example of how incentives can take a lead role in securing a record deal. Large corporations such as Centene need to know they will have the financial support from the state where it would establish regional headquarters.

Something to build on

After Centene acquired Tampa-based WellCare Health Plans Inc. in a \$17.3 billion deal this year, the region had a compelling interest in landing the new headquarters given the company's now deep roots and history here. Tampa Bay also made sense because of the size of the company's existing workforce.

But Centene selected Charlotte for many reasons, including its incentive package that can provide up to \$450 million in tax breaks and performance awards. Centene pledged to create thousands of jobs with salaries that average \$100,089 annually. The company estimated it would add an

annual regional payroll impact of nearly \$324 million, it said in documents obtained by the Charlotte Business Journal.



WellCare Health Plans corporate headquarters in Tampa MARGIE MANNING

North Carolina's package also included \$387.9 million from the state Job Development Investment Grant, \$4.5 million from the N.C. Community College System, up to \$31.6 million from the city of Charlotte and up to \$26 million from Mecklenburg County. North Carolina economic developers said beyond incentives, the deal overall has to make sense. In this case, the state and Charlotte sold Centene on a collaborative partnership.

"When you look at the numbers that North Carolina was giving, [Tampa's offering] wasn't close," said Steve Morey, senior vice president at the Tampa Bay Economic Development Council.

But, he asked, how are they funding those incentives?

"They're getting them from taxes that you don't pay, costs that you don't have in Florida," Morey said.



Steve Morey, senior VP of business development, Tampa Hillsborough EDC NOLA LALEYE

In North Carolina, Charlotte and the state marked off all the boxes the company was looking for in its criteria including unity; access to a highly skilled labor workforce with a heavy emphasis on software engineering and information technology talent; and an 80-plus acre greenfield site.

Centene was also seeking a state and local incentive package that had the potential to increase over time with the significant job creation and investment, according to public records.

North Carolina's package involved all the stakeholders such as the N.C. Department of Commerce, Mecklenburg County, the city of Charlotte, the Charlotte Regional Business Alliance, University City Partners and Duke Energy, which all worked on the project.

"Without the state's commitment, I'm not sure we would have landed this deal," said Fran West, the city of Charlotte's assistant economic development director.

It was a six-month long process to secure Centene's campus, West said.

What collaboration?

In Tampa's bid, community stakeholders and organizations such as Tampa Mayor Jane Castor, the Tampa Bay Partnership, the St. Pete Economic Development Corp. and Pinellas County Economic Development did not collaborate on the bid. Other city officials had minimal involvement.

"Because Centene acquired WellCare in Tampa, it was seen more as a retention project than a regional one," Pinellas County EDC Director Mike Meidel said.



Mike Meidel, director, Pinellas County Economic Development NOLA LALEYE

Pinellas County has worked with Tampa Bay in past coordinated efforts like Amazon's HQ2 opportunity and landing major pharmaceutical company Bristol-Myers Squibb's massive facility, Meidel said.

"We can't afford to be in silos," he said.

Tampa Bay also lacked the greenfield site Centene would need, a source close to the deal said. The sites that were available were only 20 or 30 acres, which didn't fit Centene's criteria.

Multiple requests for comment from Centene executives were not returned.

The overall approach to capturing Centene was unsuccessful for several reasons, but the loss of Centene is a wake-up call to Florida economic interests because the metrics are already stacked against them — considering much of the legwork to identify the best locales for companies falls to site selectors.

And Tampa Bay's competitors smell opportunity in the water.

"Other communities like Raleigh and Charlotte were watching the QTI's fate in Tallahassee," said **John Boyd**, principal of New Jersey-based corporate site selection firm The Boyd Company

Inc. He said Centene could be one of many projects Florida misses out on due to state incentives alone.

One example of a large project that demonstrates the state's potential is Blue Origin, the rocket company Amazon CEO Jeff Bezos founded in 2000. Blue Origin selected Florida in 2015 for its New Glenn rocket in Merritt Island and then in 2018 it announced plans to build a modern launch pad for the rocket at Cape Canaveral Air Force Station.

Although the project wasn't seeking QTI, it did receive other state tax dollars through Space Florida to be reimbursed for over \$4 million in common infrastructure costs.

"Blue Origin was the deal I saw where Florida actually had skin in the game," said site selector Denise Mott, vice president of Tennessee-based J.M. Mullis Inc. She was the consultant for the Blue Origin deal.

Mott currently has a client planning another massive project, but Florida is not an option.

"Florida could have been considered but we knew off the bat this is a mega project; the incentive package would not be there," she said, unable to disclose further details. "Florida is simply not aggressive enough."

Mott said she sees the state losing out on more large opportunities like this because the package dwindles down to local dollars.

"This is putting a lot of pressure on locals if you have a company that has a search radius from a certain city, that is pitting these nearby cities against each other," Mott said. "The pressure is on these rural areas that need job growth, but don't have finances alone so then they lose the project to a larger community."

The Tampa EDC's Morey said that presents new challenges to his Florida industry colleagues around lower cost.

"The onus on me and my fellow economic developers in Florida is to make that message loud and clear on the front end about the business climate and about the cost of doing business here before you even get to the incentives," he said.

Reviving a lifeline

Nothing is formal yet, but in the wake of the economic fallout from the coronavirus pandemic, it could be "a toolkit" moving ahead.

"We won't call it incentives. Let's call it what it really is, which is helping our economy recover and helping to attract companies. In Florida, we were below double-digit unemployment, but still



J.P. DuBuque

had some of the highest unemployment rates we've seen in decades. We still need to create good jobs," Richard said.

The Tampa EDC has started working with the Florida Economic Development Council in Tallahassee, an industry association, on a program to fill the void.

"If we are to announce to the world that Florida is serious about diversifying its economy and creating high-wage jobs, and during this time to help people get back on their feet, that could be received really well. We're working on that but it's going to take more than just us beating that drum," Richard said.

Meidel said the Pinellas EDC is also involved with the FEDC in recreating a similar program and knows how vital it is.

"We have never been No. 1 when it comes to state incentives," Meidel said. "By not having QTI, it keeps us out of the game, out of the short list of cities for major corporate relocations."

J.P. DuBuque, president and CEO of the St. Petersburg Area EDC, echoed Meidel's concern.

"The problem now is we are never going to know what we missed out on," he said, explaining that without QTI, it will be difficult to know if a company is eyeing the region.

Once pitched, it will be tough to sell to legislators, according to local economic development leaders.

"What's going to be hard is trying to get a replacement because of the impact Covid had on taxes," Meidel said. With the pandemic hitting tourism and restaurants, state sales tax coffers have been hammered.

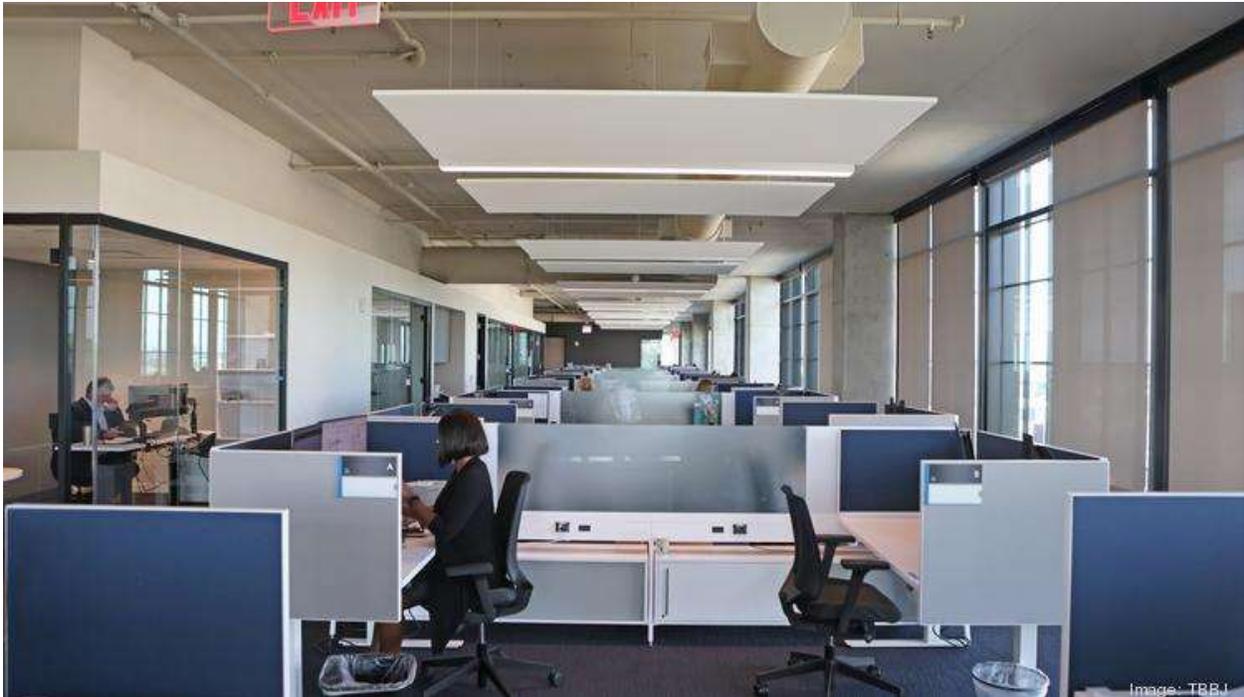
Tampa Bay's legislative delegation has largely understood the importance of incentives and economic development more broadly, Richard said. For other state leaders, not so much.

"They still need to be persuaded," he said.

For these two firms, incentives were outweighed by regional assets, like talent

Incentives played a key factor in Centene's choice to award Charlotte its regional HQ. They weren't as necessary for others.

Leaders at Alachua-based medical research company Axogen Inc. (NASDAQ: AXGN) knew they would be hiring hundreds of employees over the next few years. So company executives went on a search for the perfect site to find the people it needed and still have ample space for growth.



Interiors at Axogen in Tampa NOLA LALEYE

But incentives — it won \$775,000 through the QTI program for the creation of 155 jobs — were not the deciding factor, the company said.

"We actually turned down incentives in some of the other locations we looked at that were greater than Tampa's," Axogen CEO Karen Zaderej said. "We decided to go to Tampa because it was the best place for the talent we were trying to attract."

Axogen compared Tampa with its typical competitors — Atlanta, Charlotte, Raleigh and Dallas — and Tampa came very close to Raleigh and Dallas, where Axogen has a distribution center, Axogen CFO Pete Mariani said. He was on the site selection team.



Axogen CFO Pete Mariani NOLA LALEYE

Axogen ultimately elected to put its second campus in Tampa Heights at the new Heights Unions building in 2018. Axogen was among the first to sign a lease agreement in the new building that sits across from Armature Works next to the Tampa Riverwalk. The views awed the Axogen executives, along with proximity to where Axogen has existing clinical trials, the ability to have wet lab space, access to the talent pool, an international airport and potential partners.

Tampa's growing health care sector is well-known, Zaderej said. When Axogen came back for another look at Tampa during its site selection process, it saw it as a place with concrete growth plans, especially in Tampa Heights.

"Axogen has a strong relationship with the University of Florida and we want to be able to replicate that type of relationship here," Zaderej said.

The University of South Florida has a biomedical engineering program with an emphasis on regenerative medicine and tissues.

While incentives weren't at the top of the company's requirements, Zaderej said it favors the region to have state incentives available to help offset costs for companies.



The Heights Union building in Tampa Heights NOLA LALEYE

One company that wanted to pursue incentives but was not successful was Madison Cloud. It provides private multi-cloud storage for companies and was previously based in Baltimore.

CEO Randal Van Allen selected the Pinellas County region after considering Chicago, Charlotte, North Carolina and other Florida cities. Even without incentives, due to not technically being within St. Pete city limits to receive them, Madison Cloud was weighing other advantages.

"We ultimately made our decision based on the diverse business community, different industries in the Tampa area and quality of life. It's also pro-business with no taxes unlike Chicago," he said, explaining how it really came down to comparing St. Pete with Charlotte, which was a close tie.

How local incentives can keep companies in Tampa Bay

The QTI program is dead, but local incentives still remain and can help swing decisions.

St. Petersburg tech giant Jabil (NYSE: JBL) is one of the world's largest providers of electronic manufacturing services and Tampa Bay's largest public company with 2,300 local employees. Local incentives were part of the reason to grow its headquarters in St. Pete where it is currently undergoing a \$67 million expansion.

St. Petersburg approved \$530,000 worth of tax exemptions for Jabil for its new innovation center in August.

"When we considered moving our headquarters, incentives were among several factors that helped us decide to remain in St. Petersburg. It isn't the only factor; in fact, there were other locales that offered more incentives," Jabil Senior Director of Government Engagement Christopher Johnson told the Business Journal in a statement. Jabil's \$11.4 million innovation center opened in 2019 and has since generated 12 high-paying jobs.



A Jabil engineer handles plans for an innovative device, one of several being made by Jabil.

St. Pete's ad valorem tax exemption program requires that a target industry business create at least 10 new jobs paying more than the average county wage, which is \$48,901, to be considered an expansion eligible for an exemption. The 12 new employees earn an average wage of \$95,000, above Pinellas County's average — allowing the company to redeem local dollars.

"Pinellas County and the city of St. Petersburg was competitive and — combined with advantages like the area talent pool, the weather and the good business environment — we were pleased to be able to stay home," Johnson said.

In 2018, the state approved Jabil receiving \$3.67 million in QTI incentives, which also went toward its capital expansion, according to the state's QTI portal.

Other local incentives in St. Pete include those for commercial revitalization, reduced impact fees, capital investment tax credit, urban job credits and more.

Why QTI died

The state's QTI refund program ended June 30 when the Legislature failed to extend it. The QTI bill, Senate Bill 922, would have made the QTI program permanent. The bill was approved by the full Senate but was not taken up by the House.

Over its tenure, QTI incentives helped the state secure billions of dollars in investment and over 50,000 high-wage jobs, the Tampa Bay EDC said. However, QTI has been a controversial topic as many business leaders have divided opinions on how necessary it was.

The effectiveness of business tax incentives has remained debatable. Although successfully used to create jobs in target sectors, there's no evidence tax incentives fuel job growth in connected industries, according to a recent study from Princeton University.

In some states, the cost of incentives exceeds earnings from corporate tax revenue, according to the report.