



# Attracting Distribution Center and Related Logistics Investment to Florida to Anchor Traffic through Florida Ports

Florida Seaport Transportation and Economic Development Council Meeting

## Why?

1. **Anchor traffic to Florida** - investments in DCs and warehouses that will create sustained demand for Florida seaports, and associated economic activity.
2. **Provide a resource for ports and economic development agencies** –materials that define and articulate Florida’s value proposition.
3. **Bolster investment attraction** - “Florida” as a destination for transportation and logistics sector investment.

Study led by:



In association with:



DCs, warehouses and other logistics facilities generate economic activity, jobs, and ... traffic through ports.



Source: marketwired.com



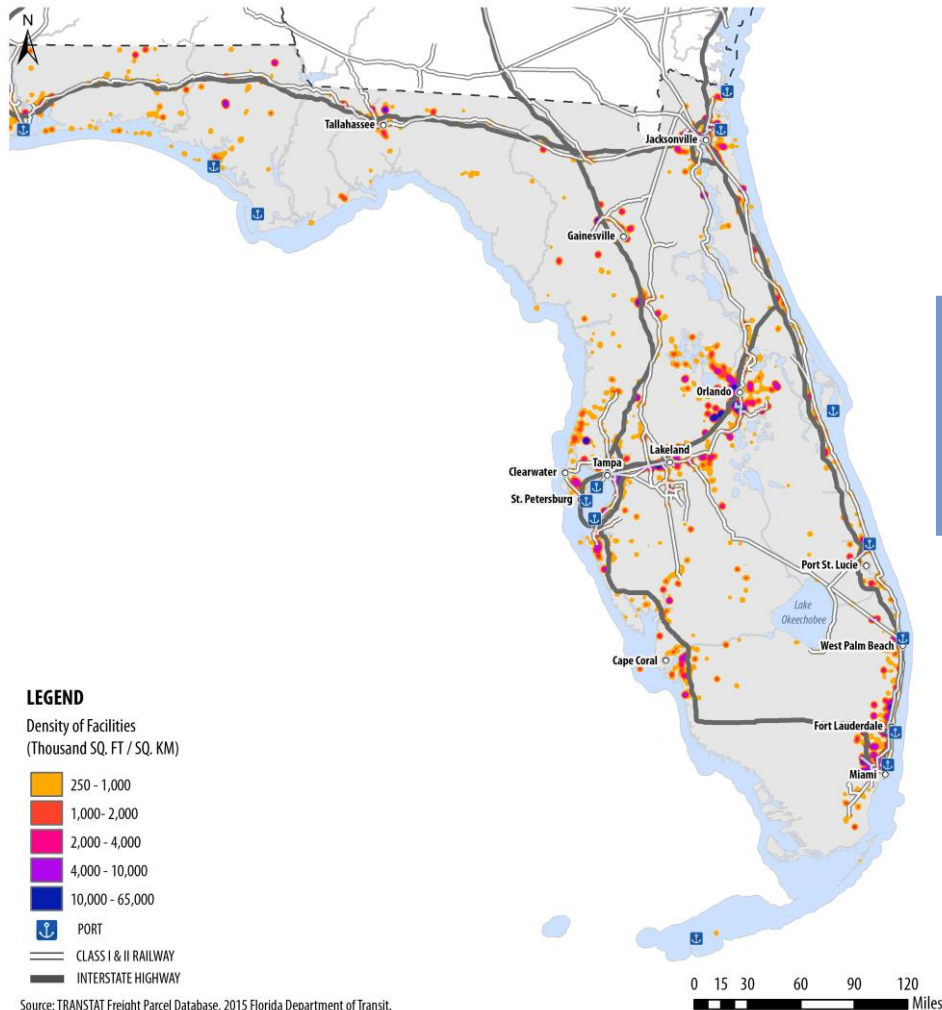
Source: jobs.lovetoknow.com/



# Florida's DCs and warehouses (left) help generate over 32,000 direct transportation and logistics sector jobs in the state (right)

CPCS Solutions for growing economies

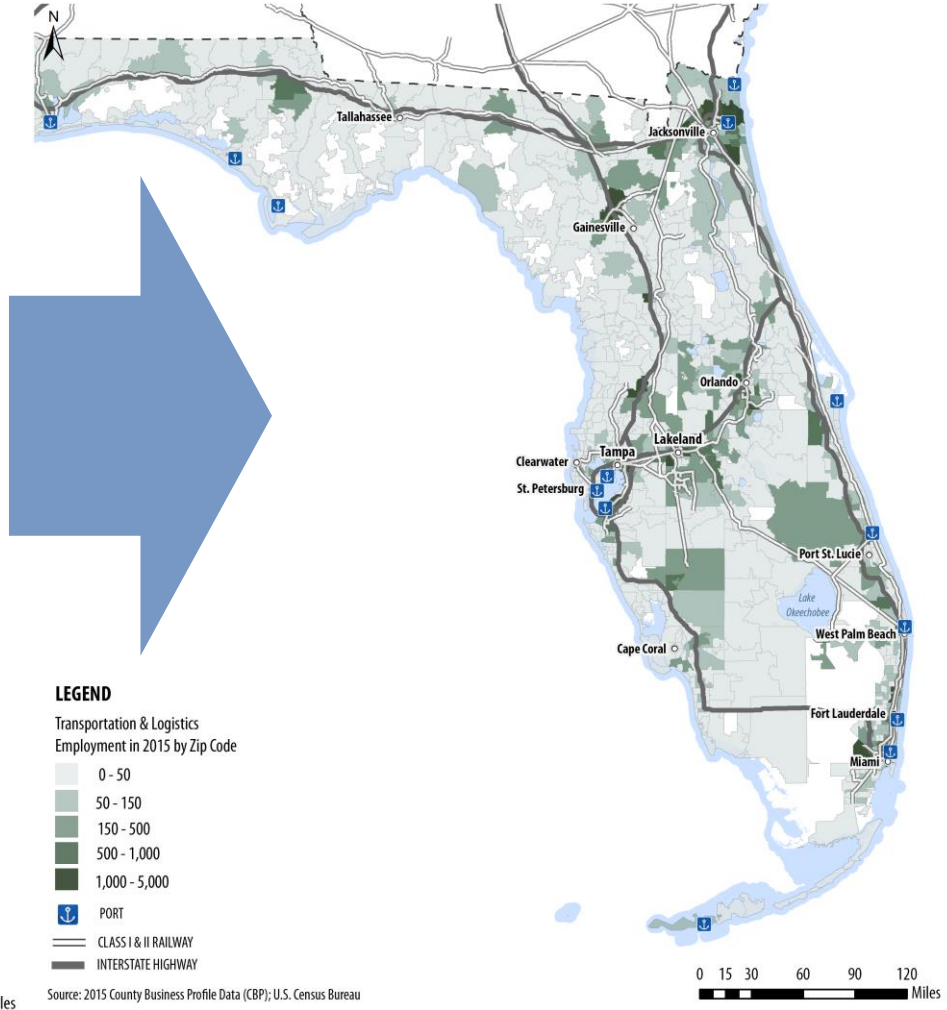
Warehousing & Distribution Clusters - Square Footage



Source: TRANSTAT Freight Parcel Database, 2015 Florida Department of Transit.

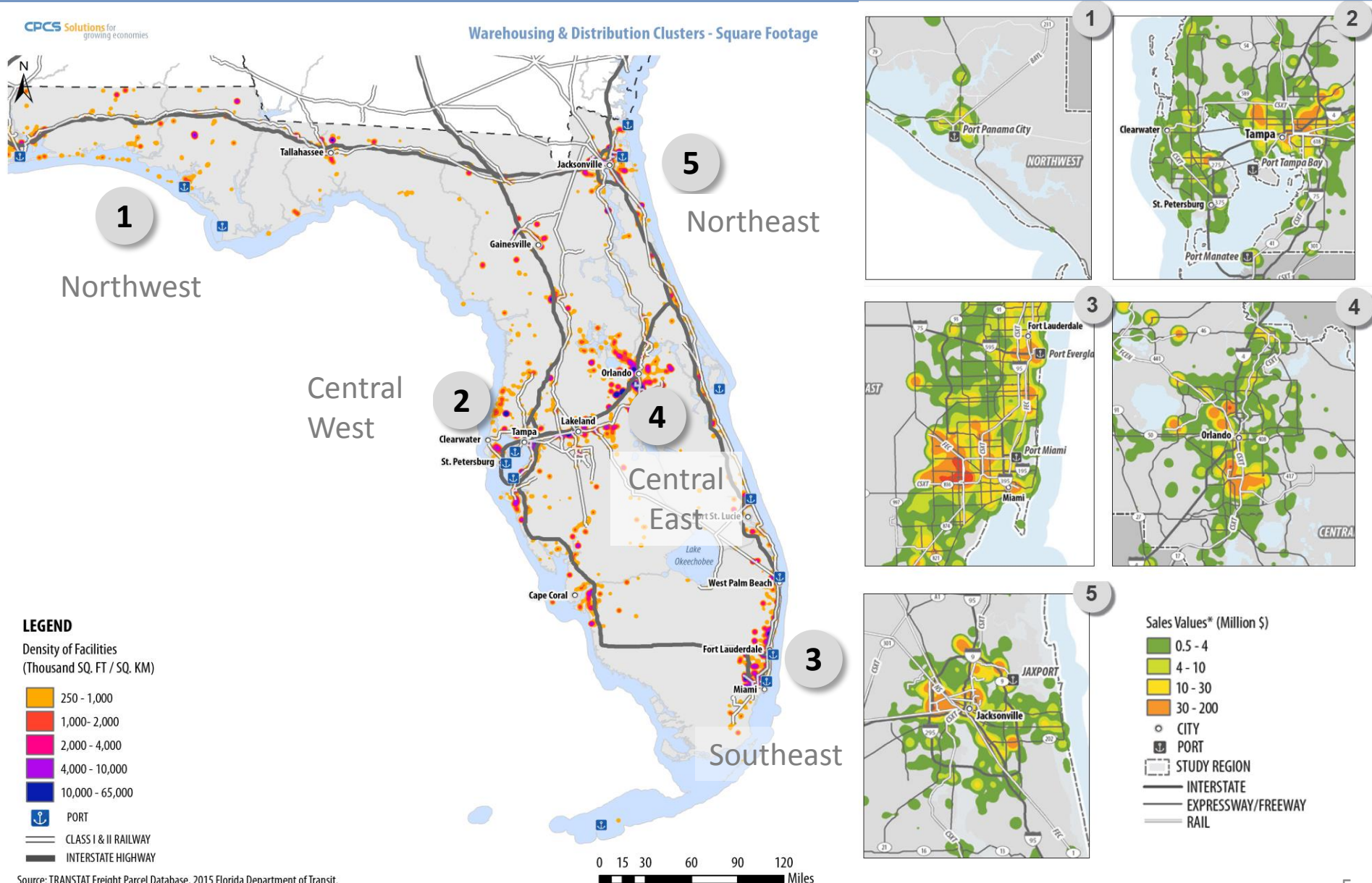
CPCS Solutions for growing economies

Transportation & Logistics Employment in 2015

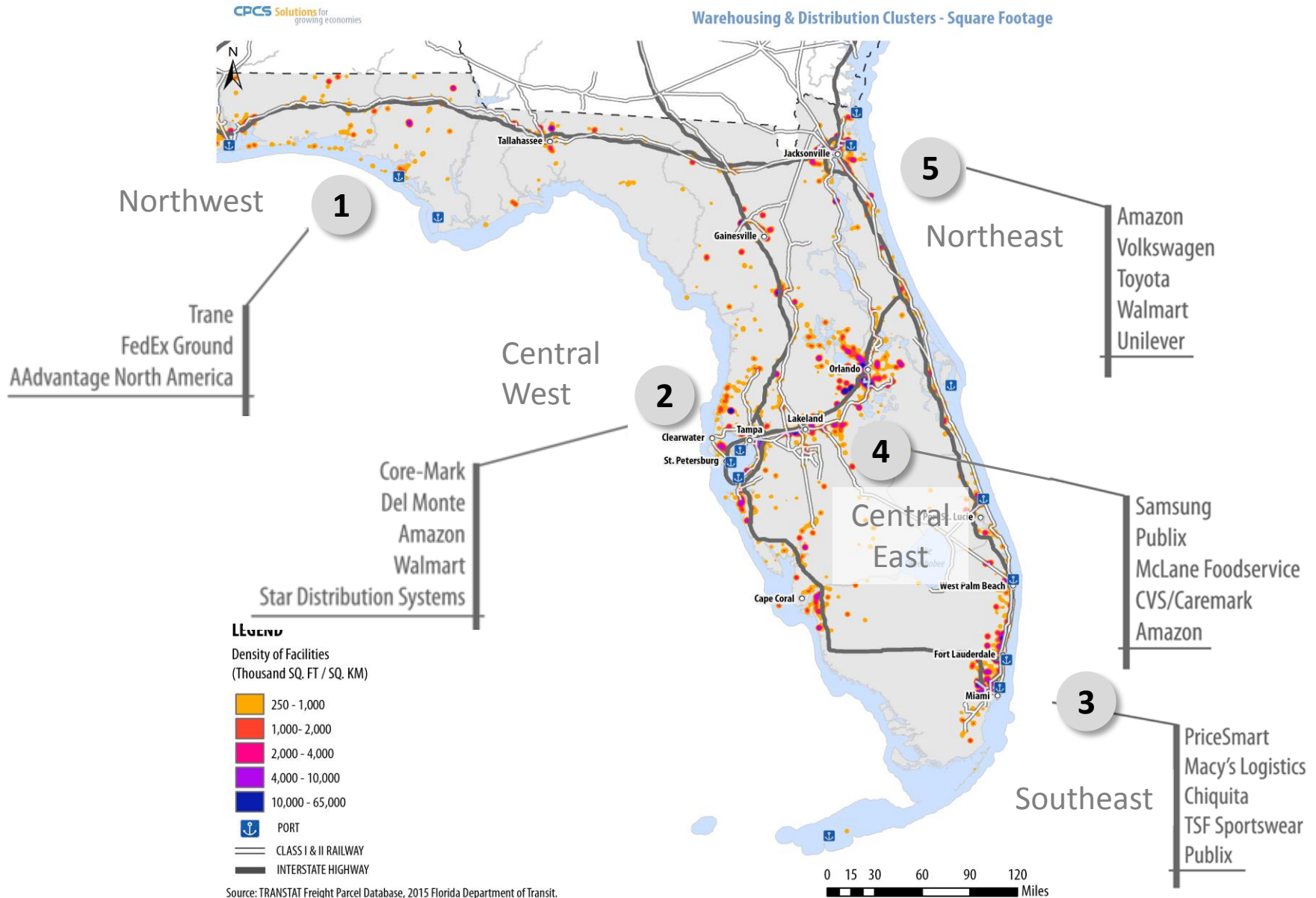


Source: 2015 County Business Profile Data (CBP); U.S. Census Bureau

# Florida's major DCs and warehousing clusters are concentrated in and around five regions



# Florida is already host to many major DCs and warehousing clusters

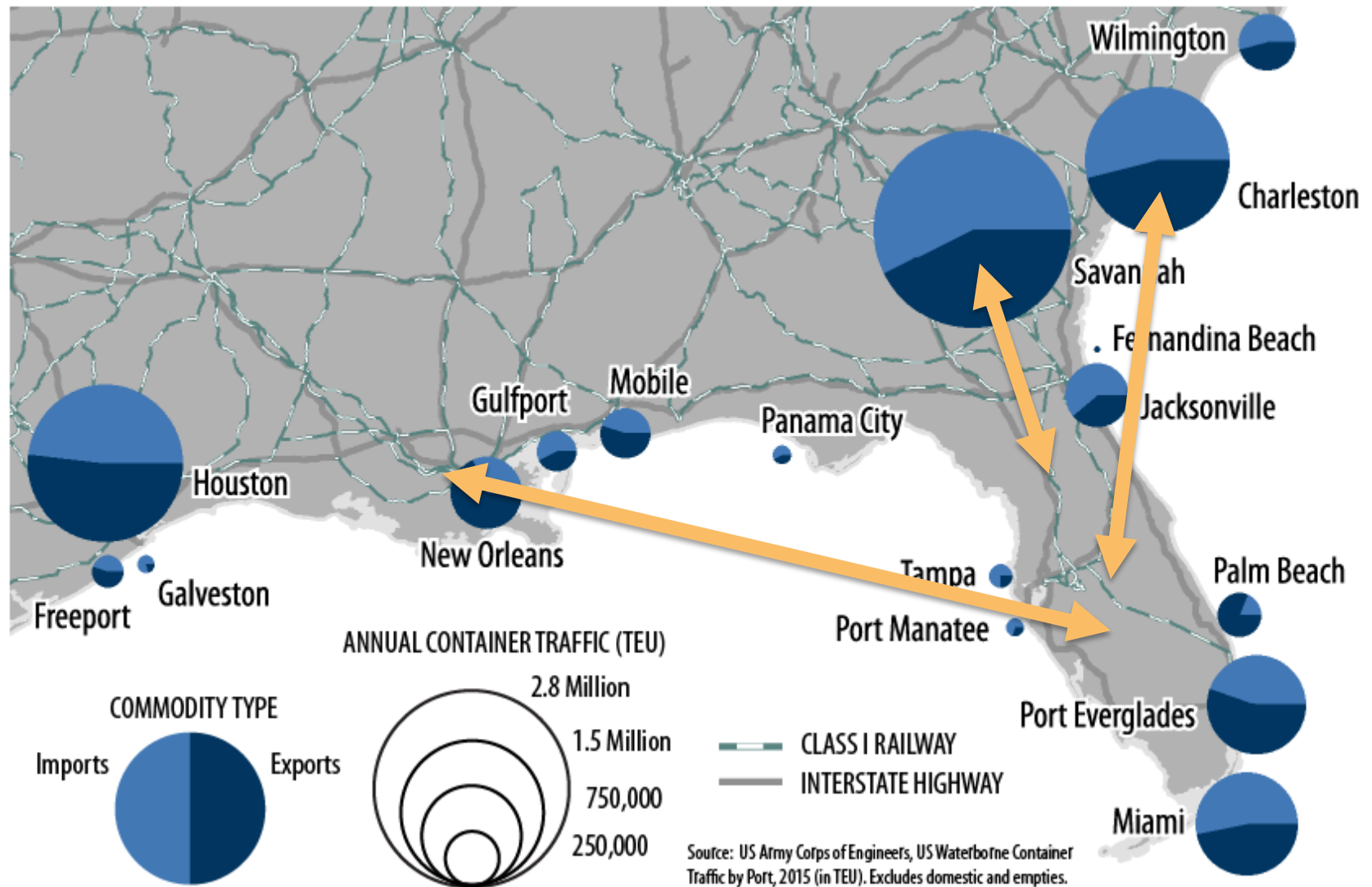


# BUT...

A share of traffic destined to/from Florida is currently “leaking” to ports and logistics facilities outside of Florida (and with it, related economic activity)

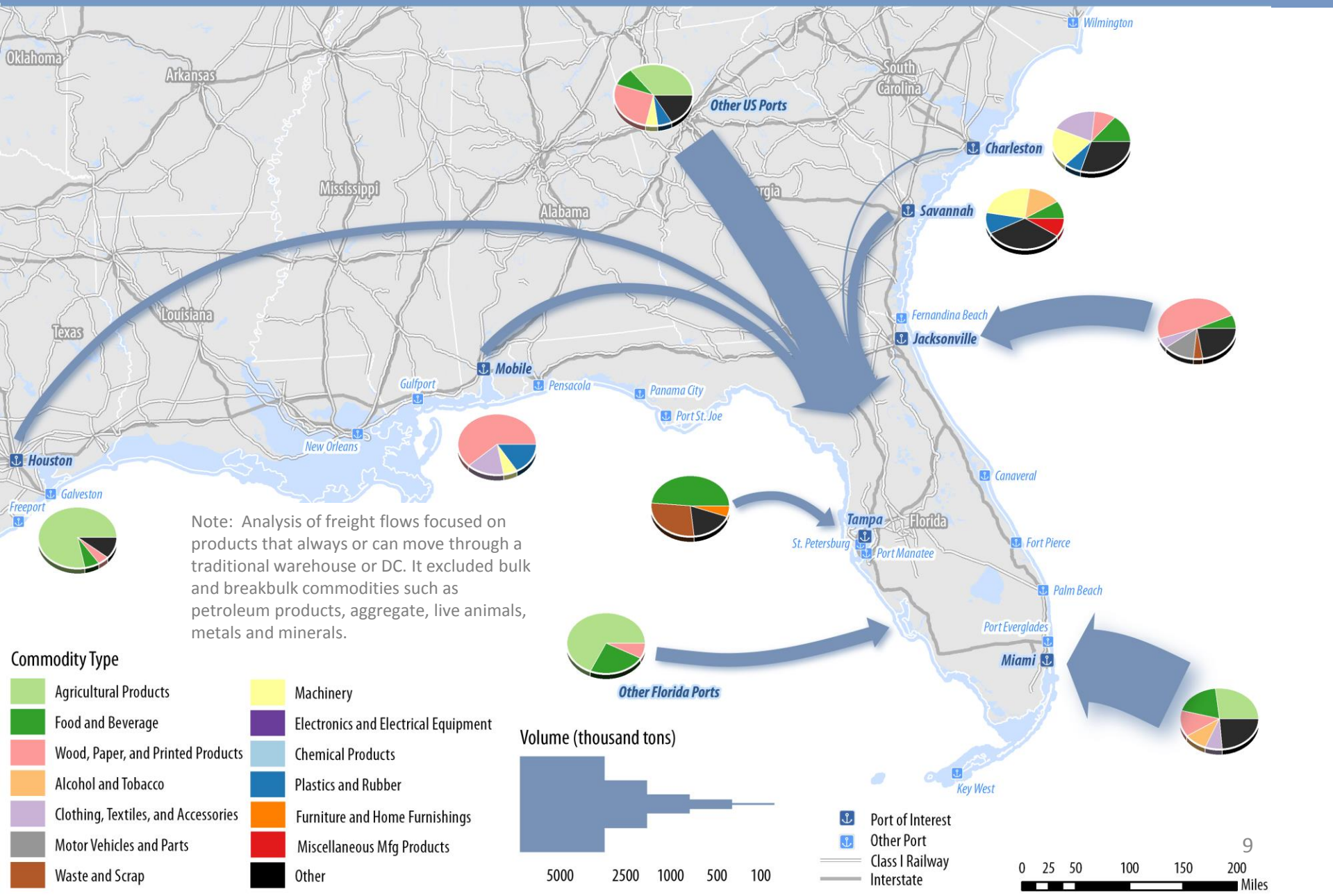


# Key Question: How to capture “Florida” freight currently moving through competing gateways?

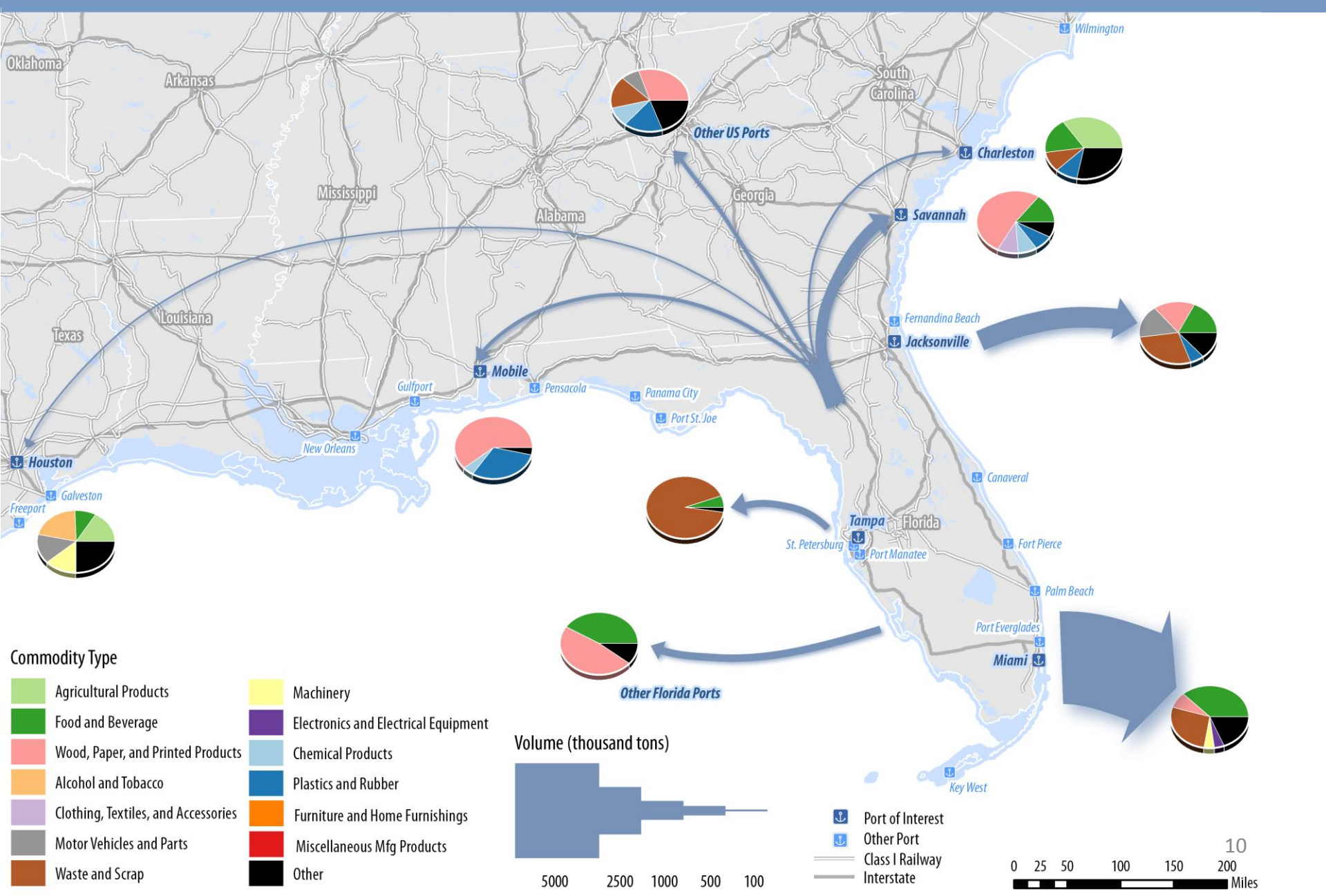




# Million of tons of non bulk freight imports shipped to Florida via out of state ports



# Significant volumes of non bulk exports shipped from Florida via out of state ports



# So...

One strategy to capture some of this leakage is to anchor more traffic to DCs, warehouses and other logistics facilities in Florida.

# Presentation map

Context: Why this Study?

→ Florida's strengths and weaknesses for DC investment attraction

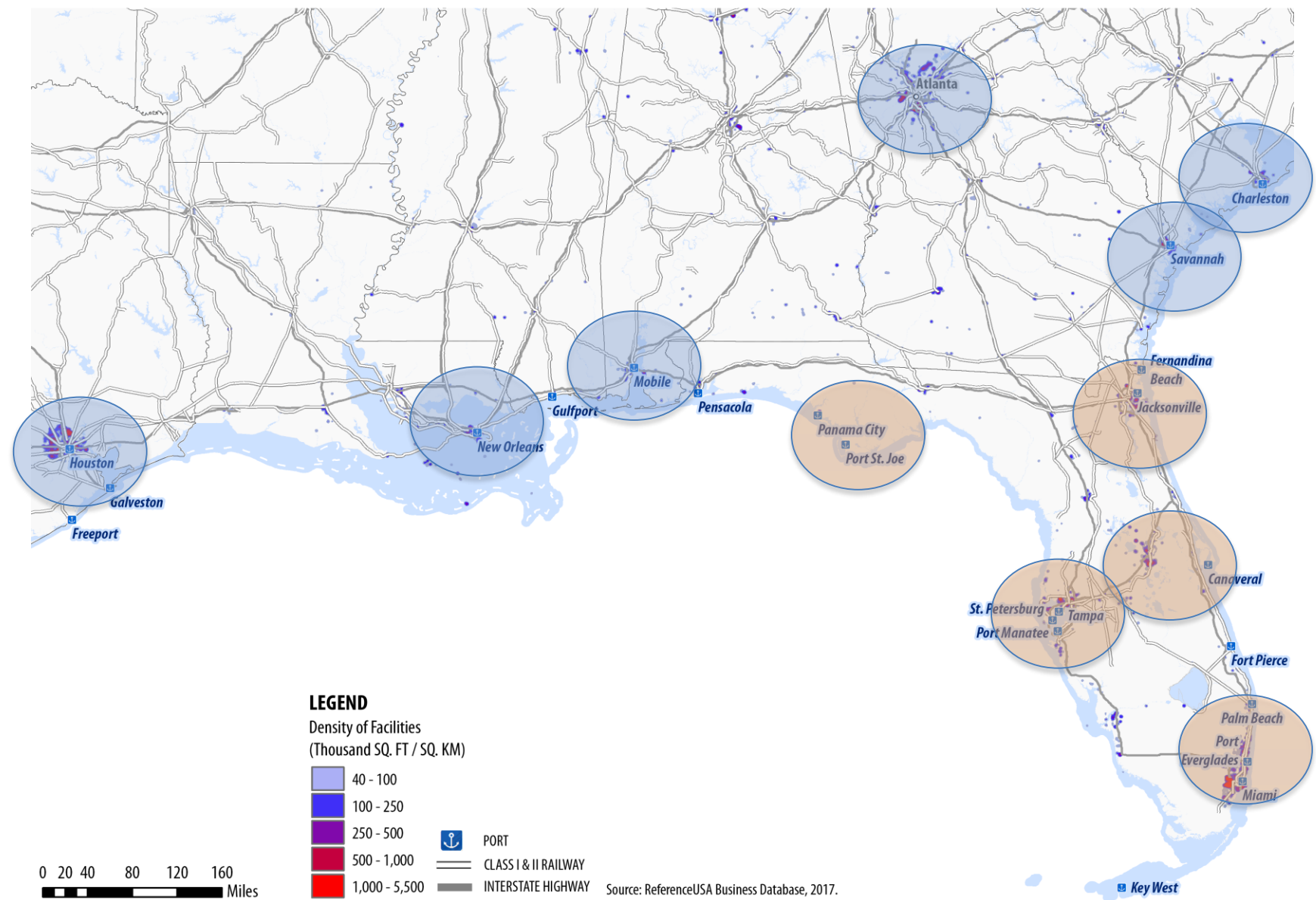
Way forward

Questions and discussion



# We assessed the competitive position of Florida's logistics regions with six competing regions for logistics sector investment attraction

Transportation & Logistics Clusters - Square Footage

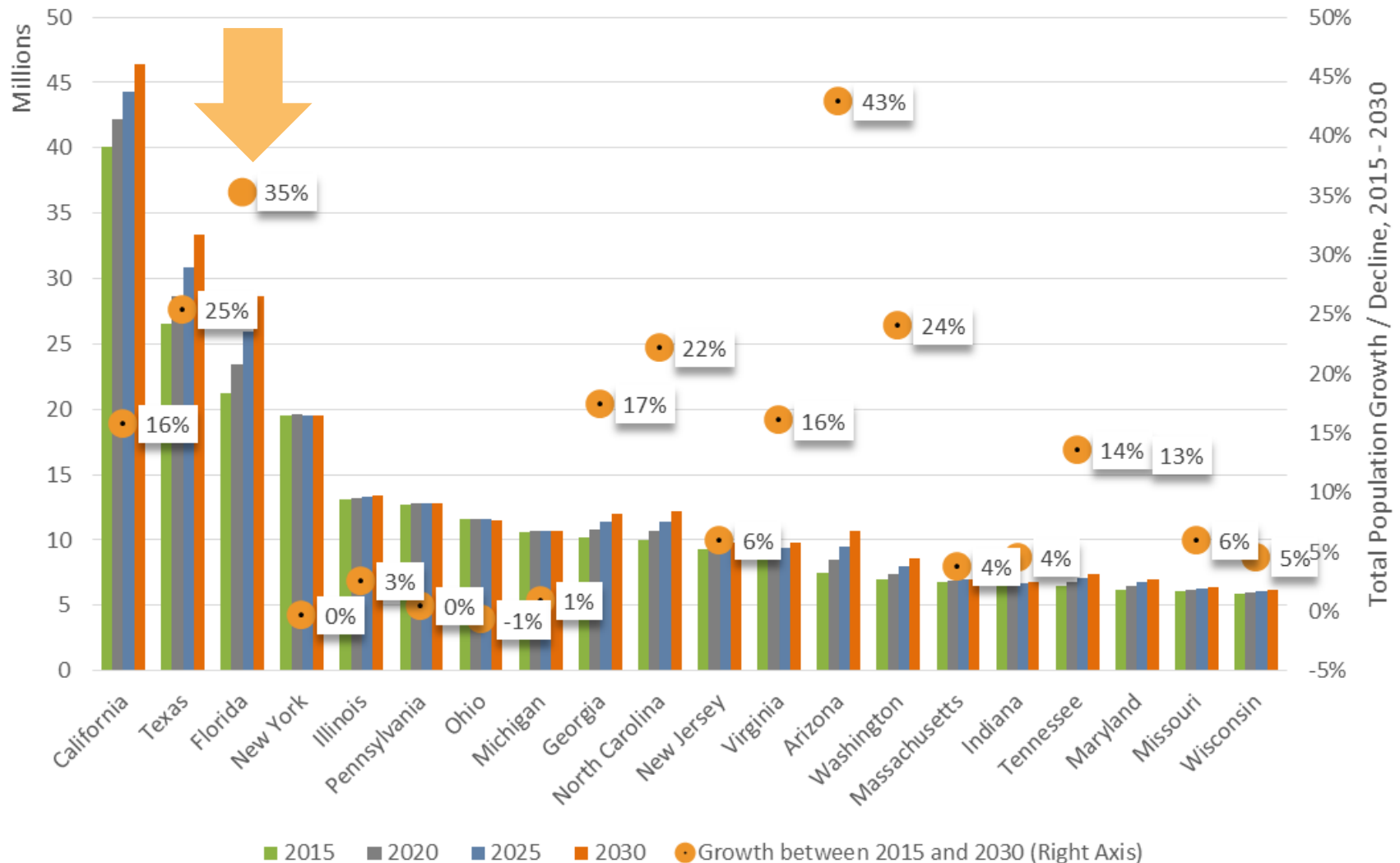


# Florida's Strengths

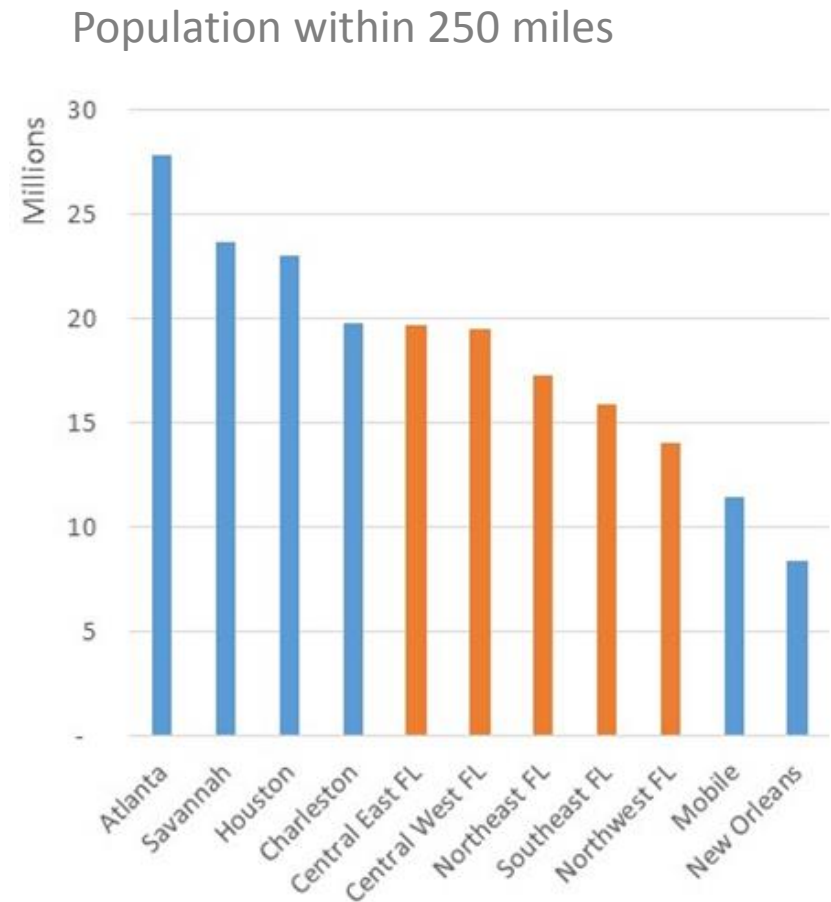
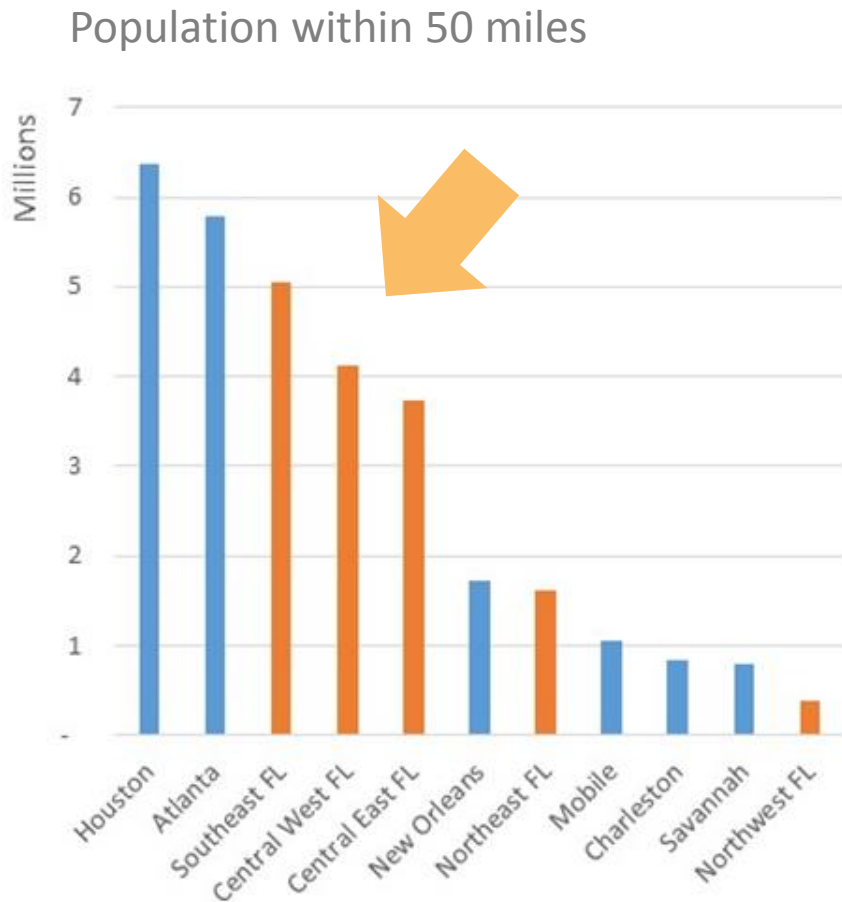
(as a destination for DC and warehouse investments)

# 1. Market access: Shippers put a premium on DC locations that provide easy access to large consumer populations

Florida is the third most populous US state and expected to grow more quickly than most states. This growth is coupled with strong and growing visitors to the state (113M in 2016).



## 2. Short distance to large population base notably important for E-Commerce fulfilment centers



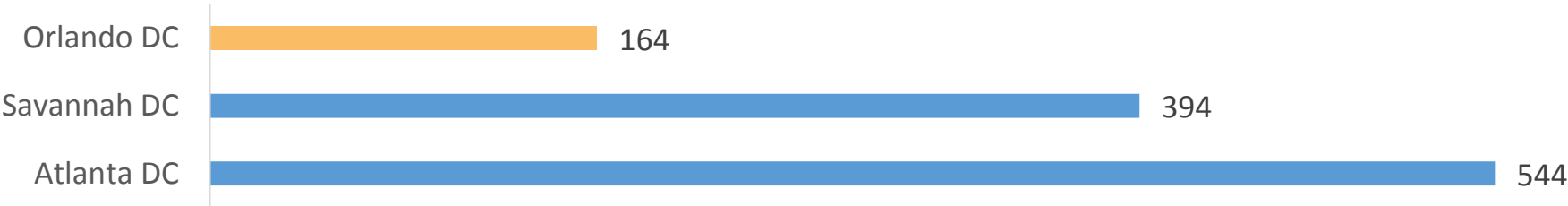
Source: CPCS analysis of Estimated US population from the 2015 American Community Survey Census Tract data. Estimated Mexico population from worldpop.org (2015).



# 3. Lower truck transportation cost to serve Florida retail market from Florida facilities relative to out of state facilities

## Example:

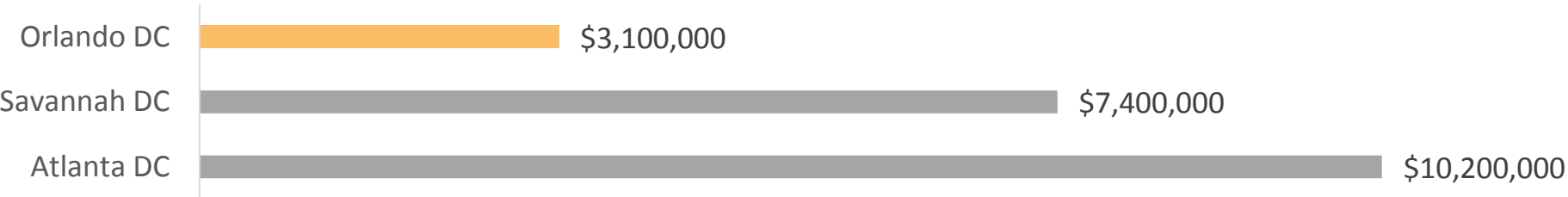
Average distance (miles) to Florida’s 44 GAP retail stores from alternative DC locations



Source: CPCS analysis using GIS model, and Florida GAP locations per web



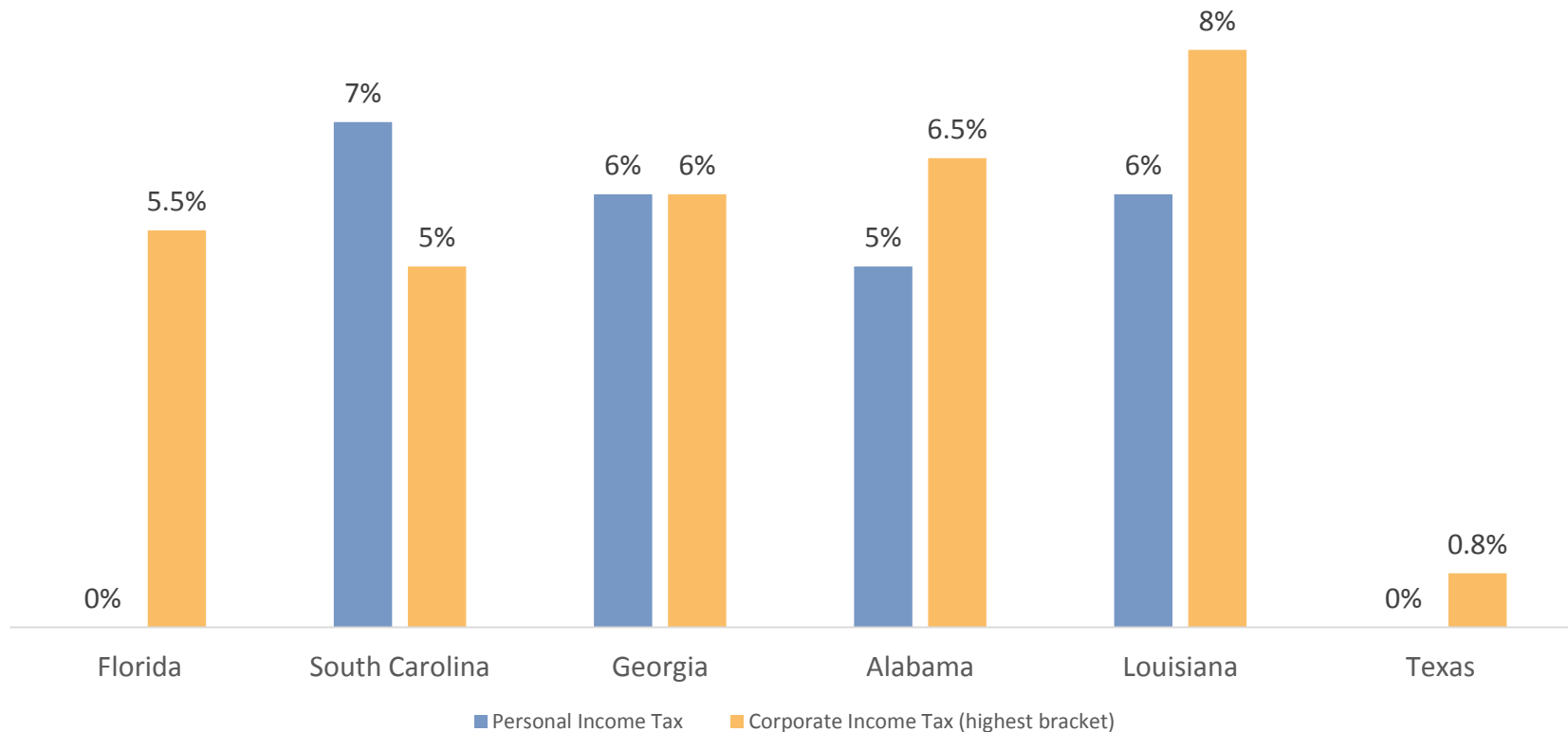
Annual trucking cost estimate to serve Florida’s 44 GAP retail stores from alternative DC locations



Source: Assumed \$2.67/mile for fore haul and half rate for backhaul. Assumed 2 truck trips per store per week

## 4. Florida has a favorable income tax regime relative to most of its competitors (other than Texas)

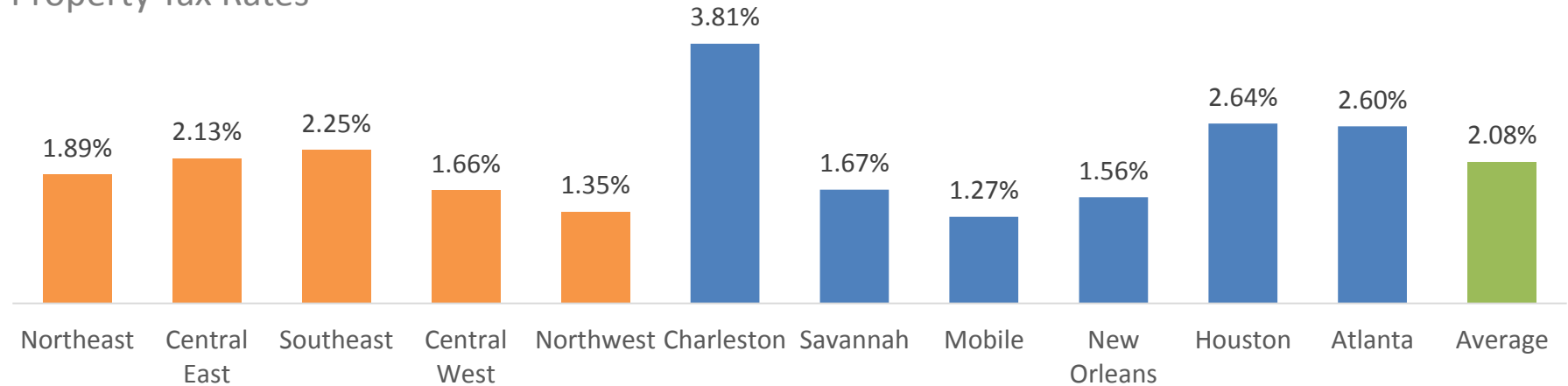
### Income Tax



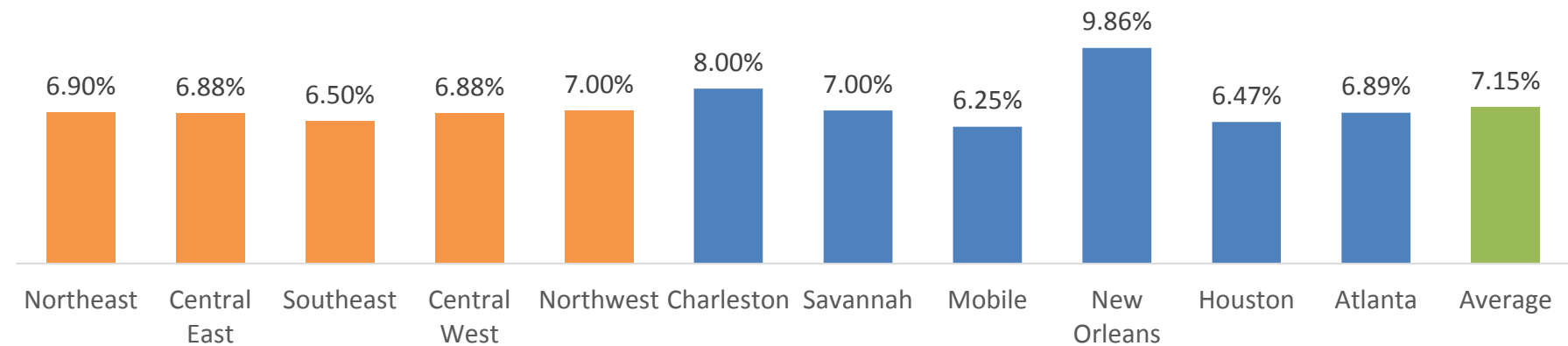
Source: ICA analysis of data from US Census Bureau and Tax Foundation

## 4 (cont.) Florida's property and sales tax levels are also lower than average

### Property Tax Rates

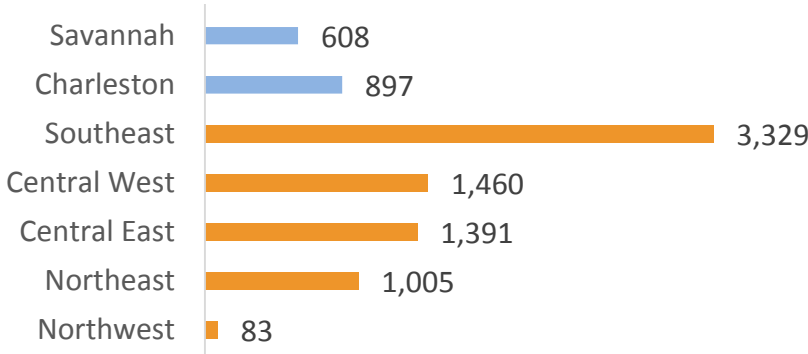


### Sales Tax Rates

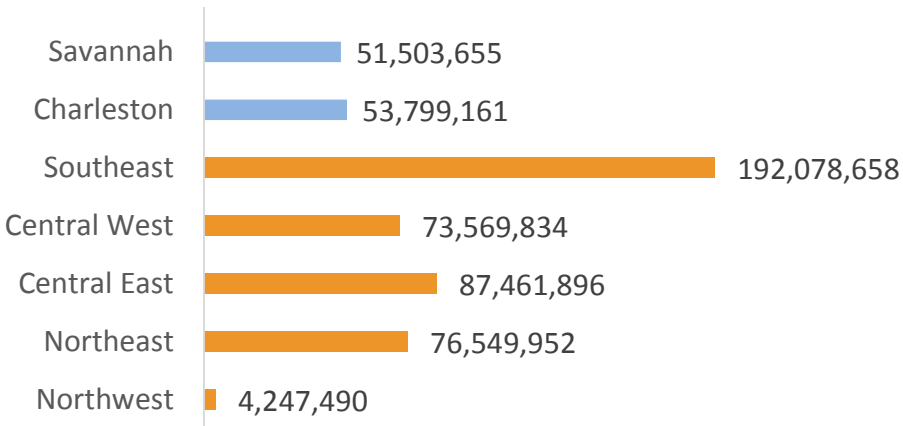


# 5. Florida has a larger inventory of warehousing and distribution buildings compared to Savannah and Charleston

Number of Warehousing and Distribution Industrial Buildings (Number of Buildings)



Total Inventory of Warehousing and Distribution Industrial Buildings (Square Footage)

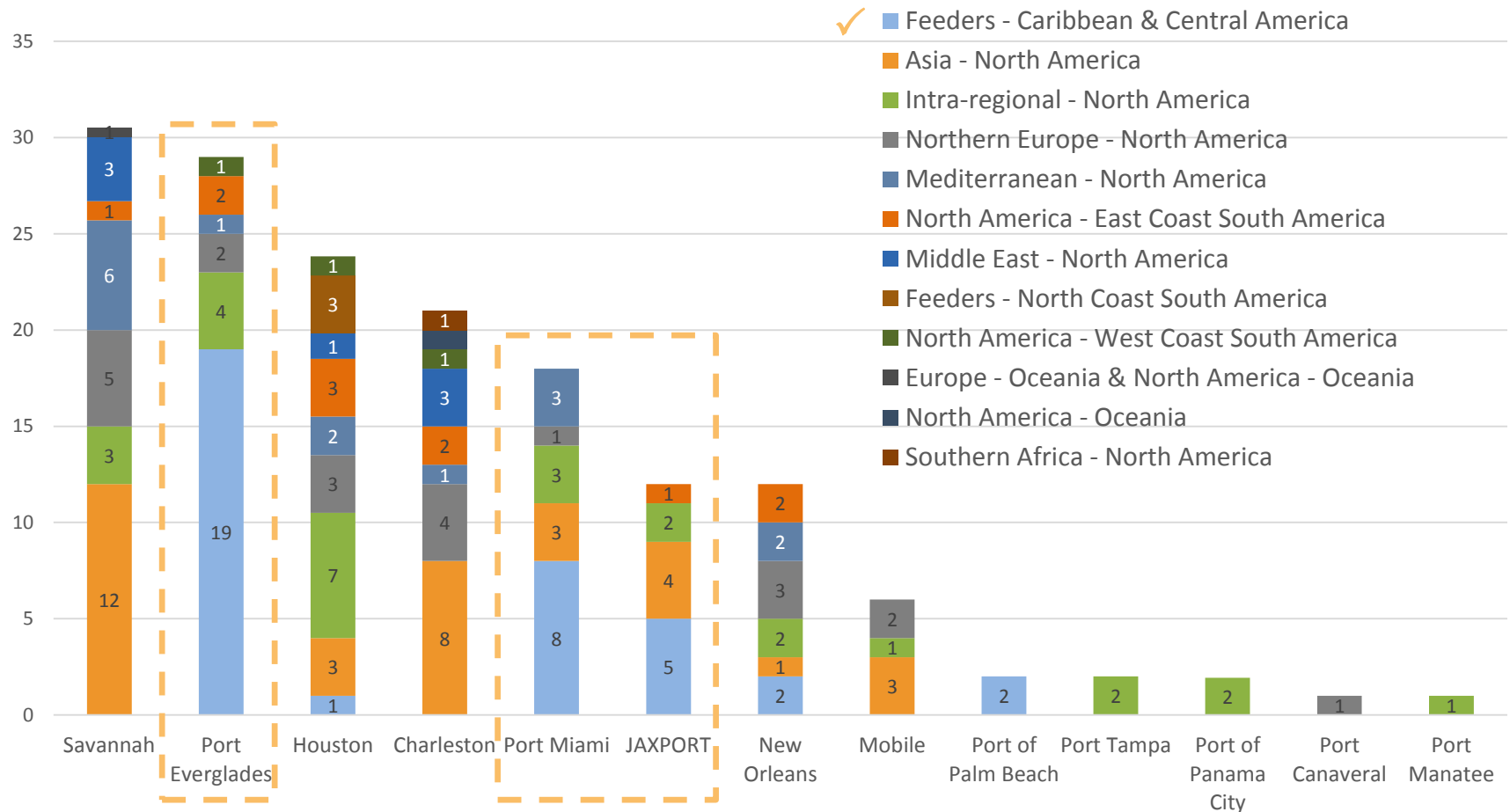


Source: ICA and CPCS analysis of Cushman & Wakefield Data and Request for Information (RFI) responses from regional economic development organizations



# 6. Good maritime connections, particularly to the Caribbean and Central America

Number of Weekly Services from Container Lines at Florida and Regional Ports



Source: CPCS analysis of data from [www.eesea.com](http://www.eesea.com)

# Florida's Weaknesses

(as a destination for DC and warehouse investment)

# Peninsula challenges Florida's ability to be a transportation and distribution hub for markets beyond Florida





Source: cafepress.com

Florida is not as well placed to be a hub as Chicago or Atlanta....

...But the Florida market is large in its own right and well positioned to host DCs and warehouses that serve the Florida market.

**Message: Focus on shippers that are looking to serve Florida from a regional footprint (maybe their third, fourth or fifth DC in the US...not the first)**

# More limited rail service and less competitive rail rates in Florida lower attractiveness as a US transportation hub

Region							# Class I providers
Northeast	✓	✓					2
Central East	✓						1
South East	✓						1
Central West	✓						1
Northwest							0
Charleston, SC	✓	✓					2
Savannah, GA	✓	✓					2
Mobile, AL	✓	✓		✓		✓	4
New Orleans, LA	✓	✓	✓	✓	✓	✓	6
Houston, TX			✓		✓		2
Atlanta, GA	✓	✓					2

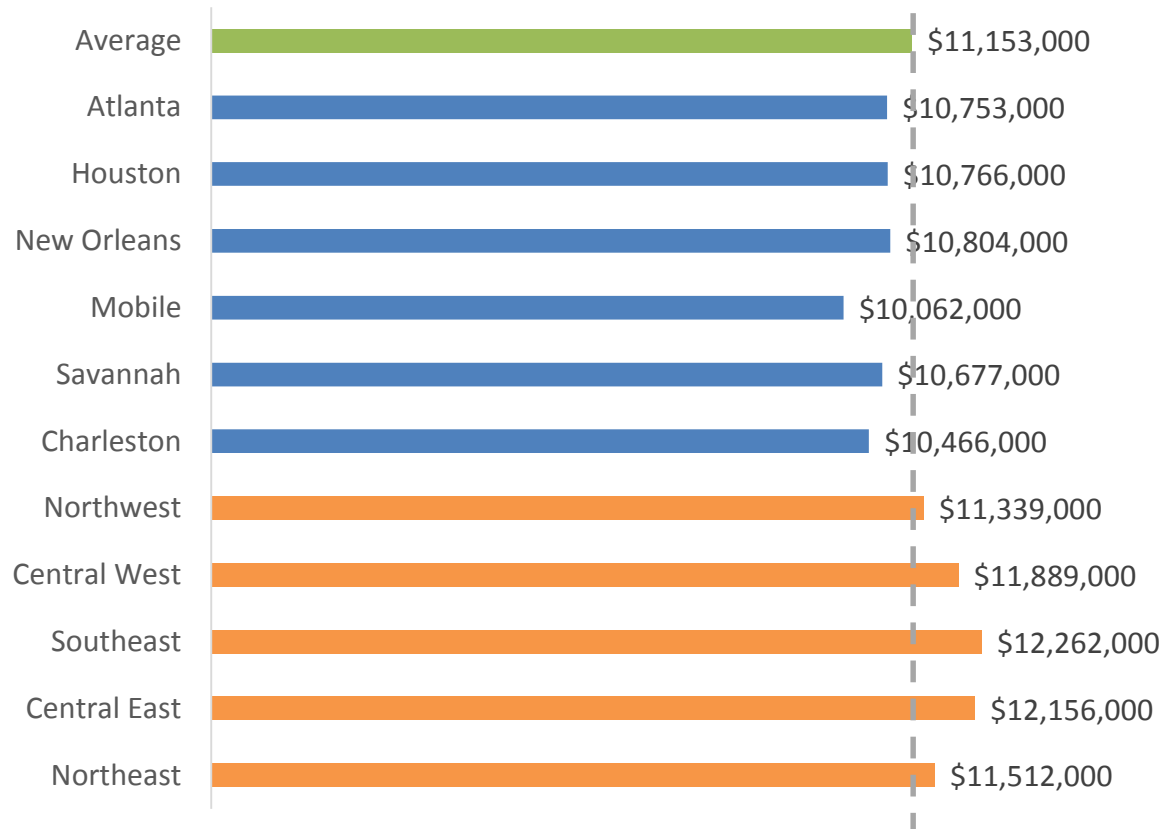
Source: CPCS research

[ii](#) In the Northwest region, CSX provides service to Pensacola, while Panama City connects to CSX via a Class III railway.

Note: Northeast, Central East and South East regions are also served by a major Class II railway (FEC)

# Distribution Center operating costs are relatively high in Florida, compared to competing regions.

## Annual Operating Costs, 500,000 sq-ft Warehousing Facility



...But recall the potential for significant truck transportation cost savings relating to being closer to Florida retail footprint.

**Message: Focus investment attraction pitch on access to Florida's large consumer base and lower truck transportation costs to serve these consumers**

Source: CPCS analysis of Boyd Company data. Estimates based on annual operating cost totals for hourly labor, electric power, property taxes, sales taxes and the amortization of the land and building costs over 25 years at a fixed 3% rate of interest. Labor cost totals assume a premium of 40% for mandated and company-sponsored benefits. Annual labor costs are based on an assumed 1,904 hours worked per year per employee based on 12 paid holidays and a two-week vacation for the mature warehouse.

# Presentation map

Context: Why this Study?

Florida's strengths and weaknesses for DC investment attraction



Way forward

Questions and discussion



# Two investment attraction approaches

## 1. Proactive

Identify shippers with a retail footprint in Florida that don't yet have a logistics facility in Florida

Initiate exploratory discussions to gauge logistics network expansion plans

Develop pitch specific to most interested shippers, crystalizing Florida Value Proposition

Leverage findings in this study to inform discussions with shippers and “the pitch”

# Sample of target commodity groups based on products moving via out of state ports include retail and consumer goods, manufactured products

## Imports



- **Retail and consumer goods**, including clothing, textiles & accessories; electronics & electrical equipment; and furniture & home furnishings.



- **Manufactured products**, including plastics; machinery; agricultural products; wood, paper & printed products; and chemicals. These products are primarily linked to the wholesale market.

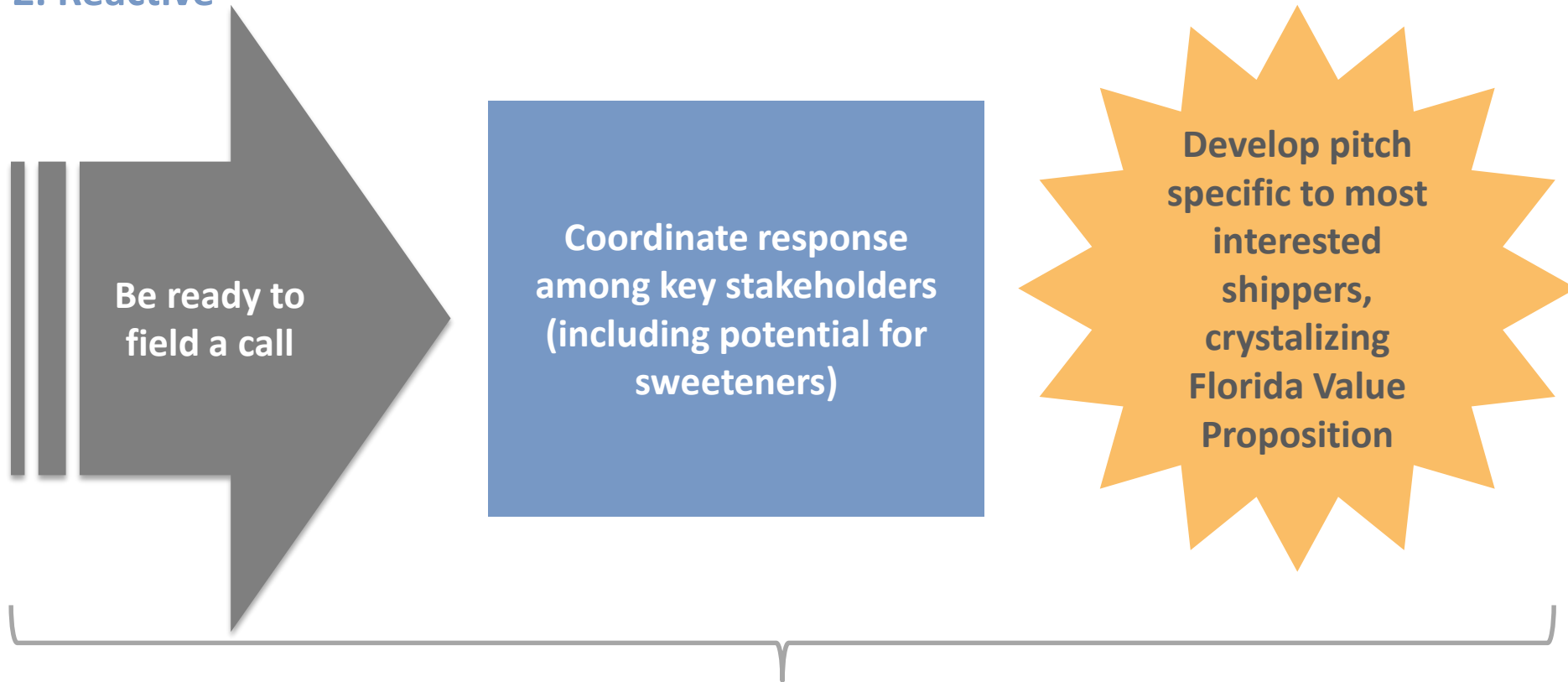
## Exports



- **Wood, paper & printed products**, and particularly paper products

# Two investment attraction approaches

## 2. Reactive



**Leverage findings in this study to inform discussions with shippers and “the pitch”**

# What about incentives?

- Florida's state-level incentives not targeted at the Transportation and Logistics Sector, especially relative to competing states
- The structure of state-level incentive programs (focused on target industries) makes it difficult for DC projects to qualify for tax refunds or credits.
- Florida's local incentives such as county tax exemptions may be more directly applicable to transportation and distribution firms, but these programs may be less lucrative and all competing regions have similar local incentive programs.

## What do competing regions do?

- Georgia and South Carolina offer incentives that are directly tied to the utilization of the state's ports.
- Georgia offers additional tax credits to companies who generate a 10% or greater increase in shipments through Georgia ports.
- South Carolina offers up to an \$8 million state income tax credit for companies that generate at least a 5% increase in the state's port cargo volumes.
- South Carolina offers a 5-year abatement on operating taxes for the creation of 75 new full-time jobs and \$50,000 investment in distribution facilities.

# How to leverage this study?

- Who should champion investment attraction? How should this be coordinated?
- Analytical resources in this study help define Florida's value proposition and related messaging can be leveraged and tailored to different types of shippers based on their needs.
- What should be State of Florida's role in investment attraction?
- How can Florida Ports Council best support investment attraction activities?

# Q & A



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