

SARASOTA COUNTY GOVERNMENT
Office of the County Administrator

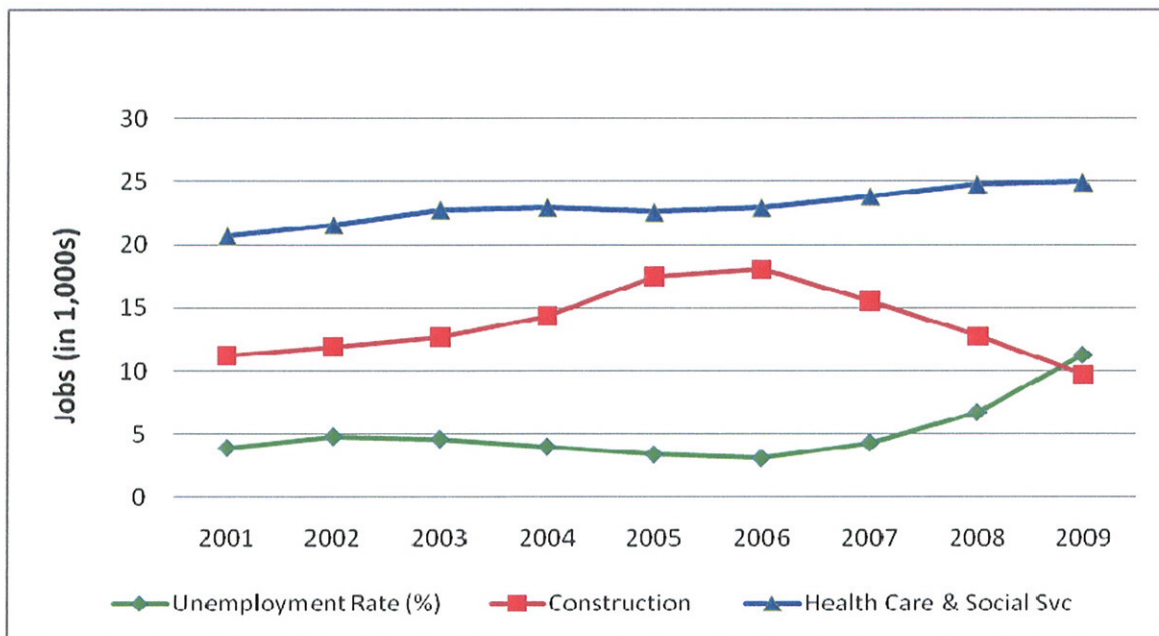
INTEROFFICE MEMORANDUM

TO: Board of County Commissioners
FROM: James L. Ley, County Administrator
DATE: March 22, 2011
SUBJECT: **Status Report on Jackson Labs**



There has been much community excitement about the possibility of recruiting the Jackson Laboratory (Jax) to Sarasota County and the creation of a bio-medical village here. The implications for economic diversification through partnerships with Sarasota Memorial Healthcare Systems (SMHCS) and the University of South Florida (USF) are significant. In addition, the potential for personalized medicine to touch each or our lives in a very personal way is profound.

As we searched for the appropriate place to focus our economic development efforts, we scanned our existing asset base looking for a sector that has shown steady growth throughout this and previous downturns. The health sector has grown consistently for over a decade, in stark contrast to the volatility that our other major economic sectors have experienced. The graph below shows a comparison of the growth in the health sector against the unemployment rate and construction employment for the same period.



Targeting this sector is consistent with the recently updated Economic Development Strategic Plan in relation to two specific areas: as part of the Aging Platform where we lay out our goal of becoming a national leader for businesses and services that serve an older demographic, and in alignment with the objective of developing a robust environment for innovation and entrepreneurship through exploration of commercialization opportunities with local universities.

The strength of the partnerships with USF and SMHCS are very important in our consideration of this project. Both institutions are highly respected and have established great credibility through years of service to our community. While genetic research is not something the county has expertise in, the presence of these institutions in such a significant way provides some comfort to us in relation to this project.

There is, however, a business side to this issue that has not gotten a lot of attention. It is the responsibility of the county to craft a sensible agreement with Jax in our role as stewards of the public trust and treasury. To that end, you can rest assured there is much activity currently underway related to the necessary due diligence for a project of this significance.

First, we have educated ourselves on who Jax is and what their work consists of. We have learned a lot about this not-for-profit research organization. They clearly are held in esteem by the international research community and such national agencies as the National Institutes of Health (NIH) and the National Cancer Institute (NCI), as demonstrated both by the amount of competitive research funding they have received and by their designation as a national cancer center by NCI. They have a long history in the field of genetic research stretching back to 1929 and have been part of many life changing discoveries.

Second, we have asked Dr. Sean Snaith of the University of Central Florida (UCF) to give us a sense of the growth potential of the bio-medical sector in our region.

Finally, we have contracted with the Battelle Group to provide expertise and assistance in understanding the breadth and depth of the various contract issues that will need to be worked out to ensure that this endeavor is successful.

The county is working with Jax to formulate a contract that defines the major components of the business relationship between the county and Jax. In addition to the county contract, Jax and the State of Florida must work out a contract regarding the award of financial incentive dollars and the fulfillment of any conditions therein, providing that the State of Florida deems this project a worthy funding recipient.

Once there is a decision from the state regarding the availability of funds for the project, the County Commission will have the opportunity to place a question on the ballot requesting voter approval for the county's portion of the incentive.

In the county contract, the county and Jax will agree to certain terms and conditions as to the use of public funds and the expected return on investment for those funds, ownership and operation of the facilities built with public funds, community interest in any money-making products or services stemming from the project, recovery of public funds in the event of failure, participation in economic

development activity, local hiring preference, participation in local educational opportunities, etc.

As with every economic development venture in which the county participates, we have run an analysis using the IMPLAN model to estimate economic activity related to the project. Our analysis is summarized below, and the major assumptions used for the analysis are included as an attachment.

Total Economic Output			
	Direct	Indirect	TOTAL
Year 5	\$38,775,287	\$49,750,238	\$88,525,525
Year 10	\$71,010,202	\$78,486,802	\$149,497,004
Year 15	\$153,380,736	\$154,208,598	\$307,589,334
Year 20	\$279,027,833	\$277,690,343	\$556,718,176

Total Jobs					
	Jackson Lab - Direct	Avg. Wage	Jackson Lab - Indirect	Others – Direct & Indirect	TOTAL
Year 5	101.5	\$84,471	229.6	269.5	600.6
Year 10	214.4	\$77,508	284.5	456.1	955.0
Year 15	289.7	\$76,451	423.2	762.9	1,475.8
Year 20	432.1	\$76,431	634.3	1,158.3	2,224.7

Much effort is now underway to determine if the state will participate through its economic development programs. It is hoped a picture of the state involvement will emerge in the coming weeks. Until that happens, staff will continue analyzing and researching the range of possibilities related to the business aspects of the emerging arrangement and will continue discussions with Jax, SMHCS, and USF on potential roles and responsibilities needed to give this significant investment of public dollars a high likelihood of success.

Attachment

- c: David R. Bullock, Deputy County Administrator
- Stephen E. DeMarsh, County Attorney
- Mary Sassi-Furtado, Director of Strategic Operations
- Jeffrey C. Seward, Chief Financial Planning Officer

ATTACHMENT

Assumptions

The major assumptions used in the analysis are shown below:

- General Assumptions:
 - IMPLAN State of Florida database was used
 - 2.50% annual inflation rate was used
 - RS Means was used to estimate local construction costs

- Spin-off Assumptions:
 - 1 Spin-off per year beginning in Year 5
 - Spin-offs start with 5 employees and grow by 1 employee per year
 - Spin-offs have a failure rate of 33% after 5 years
 - Successful spin-offs after 5 years flip to a Medicinal / Biomedical / or Pharmaceutical manufacturing operation and continue to grow by one employee per year
 - By Year 20, there are 7 successful Spin-offs, 4 failed Spin-offs, and 5 Spin-offs still in the research stage

- USF & SMHCS Assumptions:
 - Utilized construction costs, facility size, initial employee estimates, & employment growth rates consistent with information provided by each institution.