

Application Score Sheet

Proposed Project: Okaloosa County Board of County Commissioners, Project Sound (#322)
Proposed Project/Program County: Okaloosa
Board of County Commission Support: Yes
Rural Area of Opportunity: No
Opportunity Zone: No

Total Projected Project Cost: \$17,028,000
Match Provided: \$11,028,000
Triumph Funds Requested: \$6,000,000 (35%)
Triumph Funds Recommended by Staff: \$6,000,000

Score: A

ROI: \$31.2 in additional personal income per Triumph Gulf Coast dollar requested

Economic Analysis, Score and Impact

The Okaloosa BOCC is applying for up to \$6,000,000 to construct a publicly-owned, custom-built facility of approximately 40,000 square feet. At least 140 high-wage jobs would be created by 2034, paying an average salary of at least \$90k per job. Location of the facility in Okaloosa County will establish a sector engaged in high-volume manufacturing of advanced systems components for defense platforms supporting the U.S. Navy deterrence capacity.

The Triumph request of \$6 million represents 35.2 percent of the \$17.028 million total project cost (this figure excludes facility lease fees to be paid by the company), with the company contributing \$10.05 million in match for design, construction, and equipment. The University of West Florida Industry Resilience and Diversification Fund (IRDF) will provide \$1.05 million in support of the project. Using a “crawl, walk, run” approach, the company will first lease privately-owned space before expanding into a publicly-owned facility adjacent to the Bob Sikes Airfield, and then transferring and expanding manufacturing to include a second product line at a publicly-owned facility to be constructed during the “walk” phase.

A quarter of the proposed tenant company’s business is engineering and software-based with a portion of that being highly advanced and classified R&D requiring highly educated personnel. The rest of the business is high-precision manufacturing requiring sophisticated assembly and test processes.

The 140 net new engineering and high-technology manufacturing jobs will pay an average of 173 percent of the 2023 EFI-specified average wage for the 2-county metro area and will also offer an attractive benefits package.

For a job guarantee of 140 jobs and an award amount of \$6,000,000, the cost per direct job to Triumph Gulf Coast is \$42,857. It is expected that the increment to personal income in the region

attributable to the project will be as much as \$187.5 million over a 10-year job maintenance period following implementation of the “crawl, walk, run” growth path and associated employment ramp-up. This represents \$31.2 in additional personal income per Triumph Gulf Coast dollar requested.

For these reasons, staff score this program as a “A.”

Project Summary (based on information provided by the applicant)

The Okaloosa County Board of County Commissioners and One Okaloosa EDC are requesting a \$6,000,000 Triumph grant to support the recruitment of Project Sound, a leading developer and manufacturer of integrated systems, sensors, weapons, and training & support systems for the defense industry. Triumph funds will be used toward the construction of a 40,000 sq ft facility by Space Florida on a 13.63 acre county-owned parcel at the Okaloosa Industrial Air Park (OIAP) in Crestview. The building will be leased by the company who will create 140 new jobs paying an average wage of \$90,000 with a total capital investment of at least \$17,028,000.

Project Sound undertook a competitive site selection process that included evaluating multiple sites in states including FL, VA, SC, MD and PA for their new High-Volume Manufacturing (HVM) facility to support continued growth of high-priority defense programs. Okaloosa County is one of two remaining finalist locations.

Founded in 1989, Project Sound’s advanced systems are used in defense platforms supporting the US Navy in a deterrence capacity. The company designs, develops, engineers, manufactures, and sells a complete range of state-of-the-art systems and associated software. A quarter of the company’s business is engineering and software with a portion of that being highly advanced and classified Research and Development (R&D.) The remainder of the business is high precision manufacturing requiring sophisticated assembly and test processes. Project Sound has annual sales in excess of \$100M and employs over 250 associates at sites located in three states and the District of Columbia.

The two programs planned for the new HVM facility (Angler and Sonobuoy) are of high interest and importance to the US Navy providing long-term, stable employment and steady growth. Project Sound benefits from having a financially strong corporate parent, a large, multi-national corporation that reported record profitability in 2022, including an 8.5% Year over Year increase in sales and a 14% increase in adjusted net income.

Project Sound will create 44 jobs within the first 5 years with total job creation of 140 jobs by the end of 2034. New hires will include professional engineers, scientists and highly qualified personnel with experience in defense manufacturing among others. Depending on their position or job, employees will need to pass different levels of security background checks.

The company uses a phased “crawl, walk, run” approach when standing up new facilities and intends to follow a similar strategy for this new HVM location. During the crawl phase the

company will lease 10-12K SF of space for three years while designing and constructing a publicly-owned, custom-built 40,000 sq ft facility for the walk and run phases.

American manufacturing suffered a widely-reported decline between 1979 and 2009 with the U.S. losing more than 40% of its manufacturing jobs (Brookings Metropolitan Policy Program article “Why Does Manufacturing Matter?”, Feb 2012). Okaloosa County’s percentage of manufacturing employment has hovered around 4% in recent years, well beneath the 11% national average. According to EMSI/Lightcast, 3,099 manufacturing jobs exist in Okaloosa County at present compared with 9,214 manufacturing jobs for comparably-sized U.S. markets.

The Economic Policy Institute in the U.S. reports that each manufacturing job creates at least three additional jobs, as manufacturing supplies are purchased, and wages are spent in other parts of the economy. The opportunity to provide viable advanced manufacturing career pathways for Northwest Florida transitioning military members, students participating in career/technical education programs and lower-wage service industry workers looking to upskill is significant. Project Sound’s need to employ higher-wage personnel in precision assembly, engineering and MIL-SPEC/Aerospace qualified QA/QC, will provide economic diversification.

The University of West Florida’s Office of Research Administration & Engagement conducted a thorough review of Project Sound’s Business Plan and Financial Statements prior to approving a \$1,050,000 award from the UWF Industry Resilience & Diversification Fund in October 2023. Space Florida, as a development partner in the proposed Phase 2 custom-built facility, has vetted the company’s financials and reviewed pertinent information including performance history, current customer list, and future planned contracts.

It’s estimated that the amount to be financed through Space Florida will be \$9,978,000 for the facility and equipment. Triumph’s funds are designated to support facility construction including, but not limited to, site work, foundations, utility extensions, parking areas, storm water retention and other requirements.

The Triumph grant will be used in combination with private financing secured through Space Florida utilizing the company’s credit history and profile. Space Florida will enter into a ground lease with Okaloosa County for the site, and Space Florida will maintain ownership of the facility and enter into a long-term lease with the company. The facility and equipment will be synthetically leased back to the company through Space Florida. Through the lease, Project Sound will be financially obligated for lease payments to Space Florida that cover the debt service, the cost of the Okaloosa County land lease, and reasonable administrative fees.

Okaloosa County’s economy is heavily dependent on lower-wage service sector occupations. The Advanced Manufacturing that will occur in Project Sound’s HVM facility has been identified as a targeted industry sector by the county, the region, and the state. The Okaloosa County Board of County Commissioners (OCBCC), One Okaloosa EDC and various workforce and educational partners have been working collaboratively to position Okaloosa County to compete for higher wage Advanced Manufacturing job projects like Project Sound.

The OCBCC has made significant infrastructure investments in the vicinity of Bob Sikes Airport, including the creation and development of the Okaloosa Industrial Air Park (OIAP). By pursuing certification of the OIAP through FPL's Florida First Sites site certification program in 2015 and undertaking extensive due diligence studies intended to demonstrate ease of development while saving cost and mitigating risk for future industrial tenants, the Okaloosa County Board of County Commissioners and Okaloosa Airports Department set the stage for high-value targeted industry sector projects to locate within the park.

Project Sound's proposed HVM facility, anticipated to be constructed in the OIAP would become the first catalytic project developed in the OIAP since the park was certified. The location of Project Sound's state of the art facility in the OIAP will serve to solidify the park as a preferred location for companies requiring ready-access to a high quality workforce, efficient transportation systems and low cost utilities.

Project Sound stands to leverage Okaloosa County's local capabilities, including local machine shops, critical suppliers and an annual pipeline of approximately 1,300 transitioning military members, many of whom have the security clearances and skill sets that the company requires, as a valued workforce cohort. The company will be joining an existing ecosystem comprised of more than 300+ defense contractors, many of whom are active participants in the Technology Coast Manufacturing & Engineering Network (TeCMEN) operated by One Okaloosa EDC.

The company has a history of partnering with local colleges, universities, and county entities to develop training programs, internships, and co-op programs and intends implement similar partnership programs at its new location.

Recognizing the importance of providing manufacturing career pathways, Okaloosa County educational partners have developed innovative programming and curriculum to align with the specialized needs of today's forward-leaning manufacturing enterprises. Project Sound's manufacturing, engineering and technology workforce requirements are closely aligned with numerous technical career pathway programs offered by Okaloosa County School District/Okaloosa Career & Technical Education, Okaloosa Technical College, Northwest Florida State College, University of West Florida and the University of Florida REEF (Research Engineering & Education Facility) located in Okaloosa County. Project Sound met with the leadership of Okaloosa Technical College and Northwest Florida State College and looks forward to establishing meaningful long-term partnerships with these institutions and others.

Funding and Budget

Attached

Exhibit B
Project #322 , Project Sound

Budget

Estimated construction start date if applicable Jan-24

Estimated education component start date if applicable

		Phase 1 Lease	Phase 1 Renovation	Design & Construction	Equipment	Total
Please change year # to actual year						
Project Total						
2024		72,000.00	-	-	770,000.00	842,000.00
2025		-	600,000.00	500,000.00	2,013,000.00	3,113,000.00
2026		-	-	5,000,000.00	670,000.00	5,670,000.00
2027		-	-	4,500,000.00	1,500,000.00	6,000,000.00
2028		-	-	-	1,075,000.00	1,075,000.00
2029		-	-	-	200,000.00	200,000.00
2030		-	-	-	200,000.00	200,000.00
2031		-	-	-	-	-
2032		-	-	-	-	-
2033		-	-	-	-	-
2034		-	-	-	-	-
Project Total		72,000.00	600,000.00	10,000,000.00	6,428,000.00	17,100,000.00
Triumph						
2024						-
2025						-
2026				3,000,000.00		3,000,000.00
2027				3,000,000.00		3,000,000.00
2028						-
2029						-
2030						-
2031						-
2032						-
2033						-
2034						-
Triumph Total		-	-	6,000,000.00	-	6,000,000.00
Grantee						
2024		72,000.00			770,000.00	842,000.00
2025				500,000.00	1,563,000.00	2,063,000.00
2026				2,000,000.00	670,000.00	2,670,000.00
2027				1,500,000.00	1,500,000.00	3,000,000.00
2028					1,075,000.00	1,075,000.00
2029					200,000.00	200,000.00
2030					200,000.00	200,000.00
2031						-
2032						-
2033						-
2034						-
Grantee Total		72,000.00	-	4,000,000.00	5,978,000.00	10,050,000.00
IRDF						
2024						-
2025			600,000.00		450,000.00	1,050,000.00
2026						-
2027						-
2028						-
2029						-
2030						-
2031						-
2032						-
2033						-
2034						-
Match Source 1 Total		-	600,000.00	-	450,000.00	1,050,000.00