

REPORT

State of the 2019 Florida Startup Landscape



Florida Funders
Sunshine State to Startup State



From Sunshine State to Startup State

Bob Dylan first sang “The Times They Are a-Changin’” more than 50 years ago, but the sentiment couldn’t be truer today – especially in the case of business startups in Florida.

Once only known as the “Sunshine State,” the developing business landscape continues to change in the third-largest state by population. Our best opportunity for the brightest Florida will come when we position the state as being on the forefront of technology and innovation, not just as a vacation spot or source for oranges. We need to continue to push to go from being the Sunshine State to the Startup State. Our best and brightest entrepreneurs should be starting and growing their businesses right here to create meaningful jobs with high paying salaries, not heading off to New York, Austin or Silicon Valley. Doing so will put Florida on a

better trajectory for increasing education levels, wages, economic security, healthcare and access to clean energy – elevating the lives of all Floridians, not just the ones who work in tech.

This critical shift does not exist on some distant horizon. The change from Sunshine State to Startup State is already happening. Access to capital, number of eager investors and Florida tax laws, among other factors mean it has never been a better time to create and grow a startup in Florida. Likewise, thanks to the creative talent, new technological developments and venture capital firms willing to perform thorough due diligence before funding new opportunities, it has also never been a better time to invest in these budding Florida startups.

Key Takeaways:



With **400,000-500,000 accredited investors** in Florida, startup leaders don't need to leave the state in search of funding.



Federal tax laws are driving potential investors out of the Northeast and into Florida.



Startups incorporating **artificial intelligence, virtual reality and 3D printing technology** have a promising future in Florida.



Florida provides the flexible, innovative work environments startups need to thrive.



Smart Startups Embrace Emerging Tech

Most successful startups in Florida, and around the world, have technology engrained into their cores. Whether it's an **app that allows users to hire a verified home service professional** to quickly tackle maintenance projects, or a company striving to **refine wellness at work** by creating a digital platform that connects enterprises, their employees and gyms, startups in Florida are leveraging technology to disrupt and solve problems in a variety of verticals.

In the past, many people considered a startup using novelty tech to be a surefire success, but in a time where technology is a leading component in many startup business models, drilling down to understand and utilize certain emerging tech categories becomes crucial in the Florida startup landscape.

Startups using the following technology are predicted to have the brightest futures in Florida:

- ✓ Artificial Intelligence/Deep Learning
- ✓ Augmented and Virtual Reality
- ✓ 3D Printing
- ✓ Blockchain
- ✓ Self-Driving Vehicles
- ✓ Internet of Things

Number of Accredited Investors in Florida Grows

It's no secret capital is the life blood of startups. Since capital comes from investors, entrepreneurs and startup leaders make a beeline to accredited investors (people with a net worth of over \$1 million other than a primary residence). But that beeline no longer needs to cross state lines.

Florida is already home to a large population of accredited investors. Less than **10 percent** of households in America claim accredited investor status. Of that group, 400,000 to 500,000 of these accredited investors live in Florida. Plus, the number of accredited investors and potential investors in the state is projected to grow thanks to federal tax laws impacting the wealthy in states like New York and New Jersey.

According to the Wall Street Journal, New York Governor Andrew Cuomo blamed the 2017 law capping a deduction for state and local taxes at \$10,000 as a reason why his constituents are leaving. In fact, he **specifically mentioned Florida** as an attractive option for New Yorkers who are disgruntled with tax law change.

Cuomo, as reported by the WSJ, went on to say some in the top tax bracket in New York City already faced a combined tax rate of 45 percent, which would increase by 12 to 50.4 percent because of the tax deduction changes. "A taxpayer in Florida would see no increase, probably would see a decrease, and Florida also has the advantage of no estate tax," Cuomo said.

Wealthy people and accredited investors leaving New York may not be good for startups in the North, but it's great news for startups in Florida and entrepreneurs looking to launch their next great idea here.



Florida had the **highest level** of net domestic migration from July 2017 to July 2018, according to U.S. Census data released in December.

Florida Offers Support and Coaching for Budding Startups

Tech entrepreneurs and startup leaders can count on a supportive environment in Florida. The state is home to more than **60 incubators**, labs and accelerators – including Dreamit and 500 Startups, two of the top accelerators in the world.

The Institute for Commercialization of Florida Technology, based in Boca Raton, generates measurable impacts that benefit the economic development of Florida. The Institute funded companies in Florida that then raised more than **\$255 million** between the 2011 and 2018 fiscal years. Additionally, Institute portfolio companies raised over \$80 million in private funding in fiscal year 2018 alone.

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In addition to incubators and accelerators, startup leaders usually require a place to create and collaborate. They need a flexible working space that can easily scale to hire new employees or adjust while getting off the ground – and Florida delivers. There are dozens of coworking spaces located throughout the state. WeWork, a well-known coworking space company, has multiple office **locations in Miami** and one in Tampa.

Expertise and Due Diligence Is Still Critical

As beneficial as it is for startups to form and grow in Florida, a favorable location doesn't take the place of old-fashioned experience and knowledge. No startup is guaranteed to be successful and certain steps need to be taken to better gauge if a startup will thrive.

Connecting the right startups with the right investors might seem laborious, but certain organizations, such as Florida Funders, simplify the process. For example, accredited investors can login to a user-friendly database featuring opportunities that have already gone through a rigorous vetting process to ensure only the most promising are presented.

Opportunities can be optimized when an investor does the following:

- ✓ Extensive due diligence
- ✓ Invest with others who have deep industry knowledge
- ✓ Build a portfolio of at least 10 investments
- ✓ Look at many deals, but invest in a few

The Bottom Line

Florida is staring at the “perfect storm” of technology, innovation, capital and investors. Creating and investing in Florida startups is not only good for the wallet, but it creates a better Florida we can be proud of for future generations. As time marches on, Florida will be better positioned to lead the tech boom, not just follow it.



Florida Funders is a hybrid of a venture capital fund and crowd-funding platform that invests in early-stage technology companies in Florida. The firm is led by an experienced team of serial entrepreneurs, venture capitalists and experienced angel investors with proven track records of successful exits and a shared passion for growing the next generation of Florida tech companies. Learn more at floridafunders.com.