



Staff Analysis

# Enterprise Zone Policies & General Infrastructure Economic Development in other Parts of the City

**Presented by:**

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## CITY OF GAINESVILLE STAFF ANALYSIS

**Legistar No:** 160396

**Title:** Enterprise Zone Policies & General Infrastructure Economic Development in other parts of the City

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### **Summary of Issue**

On December 31, 2015, the State of Florida Legislature let the State Enterprise Zone program sunset. This program had been administered within the City of Gainesville since 1995 and generally provided a menu of State incentives (primarily sales and use tax refunds for capital purchases and hiring) and then a local component as well (reductions in permitting fees, business tax, and utility tax).

In January, 2017, a presentation was made to the General Policy Committee requesting further direction and input on the status of the Enterprise Zone. The Committee directed that staff bring back additional information for the Committee's consideration.

In June, 2017, the General Policy Committee heard additional information on the Enterprise Zone program and directed via motion that: 1) a package of proposed incentives be brought back to the Committee for Commission consideration; 2) that the Enterprise Zone map boundaries be modified to include areas east of 6<sup>th</sup> Street and all other areas currently existing in the Enterprise Zone; and 3) that staff bring back a proposed toolkit for the purposes of assisting Double Envelope.

In August, 2017, a toolkit for the Committee's consideration (motion #3) was brought forward for consideration and direction was provided to staff on next steps.

Since January, staff has undertaken the process of researching economic development practices in other communities and has also conducted focus group meetings with East Gainesville businesses to learn of any issues or concerns that are specific to this particular community. As a result, today staff is bringing back information related to proposed incentives and the proposed revised Enterprise Zone boundaries.

### **History/Background Information**

Staff received feedback on various incentives from the Committee at the June meeting and has worked with an EZ focus group (and heard from other interested parties independently) to

consider their experiences in pursuing development opportunities in East Gainesville and proposed incentives. The focus group's observations are attached in minutes form.

In addition, staff has been approached by a few entities in East Gainesville that have concerns and potential approaches based upon their particular circumstances.

### **Applicable Geography**

The Committee directed that the boundaries of the Enterprise Zone be modified to utilize 6<sup>th</sup> Street as the primary north/south demarcation corridor and then include all properties lying to the east to the City limits as well as preserving those properties currently lying within the Enterprise Zone to the west of 6<sup>th</sup> Street.

Staff utilized NW 53<sup>rd</sup> Avenue as the northernmost east/west corridor and SW 16<sup>th</sup> Avenue as the southernmost east/west corridor.

The proposed map is attached for Committee review and consideration.

### **Analysis and Options for Incentive Consideration**

In terms of incentives generally, the Commission needs to decide what type of economic activity it is attempting to incent (normally job creation and capital investment) and to whom it should apply (criteria would need to be developed that possibly put an emphasis on export based businesses, possibly those in industries that have a larger multiplier effect, or those that pay a higher wage than the County average, possibly those that have a local vs. a national or international profile or all of the above, those employing Enterprise Zone and/or City of Gainesville residents). An important question is structure and metrics. What is the most efficient structure to achieve the Commission's EZ mission and what will the metrics be (jobs, business formation, capital investment, business climate, quality of life)?

Incentives need to be performance based and have claw back provisions in the event that performance is not achieved. If the Commission is interested in introducing additional incentives then the supporting staff resources need to be assessed.

Several communities around the State of Florida (and jurisdictions outside the state) that offer incentives seem to focus on ad valorem tax exemptions (this has State Statute considerations), job creation, façade improvement, workforce development, infrastructure improvement and fee waivers. Often these incentives are administered by an area's Economic Development Council or similar agency.

With regard to incentives currently offered, the only incentive provided in the existing Enterprise Zone geography is a 50% reduction in applicable development fees (e.g., site plans, zoning petitions, miscellaneous other fees) to a project, which does not include building permitting fees. Reductions in these fees have totaled approximately \$200,000 over the last six (6) years. There

are no specific projections on future impacts relative to development fee reduction however a map is attached that lays out those areas/projects that would have been included if the Enterprise Zone boundaries had been expanded over time.

Some approaches that the City Commission may want to consider are the following:

1. **Extension of CRA Programs:** Currently, the CRA offers a package of incentives inclusive of a façade program, a job creation incentive and a relocation assistance incentive. The four CRA districts are generally encompassed within the existing Enterprise Zone geography and one approach is to make the same incentives available in areas outside of the CRA, in the reconstituted Enterprise Zone, in order to simplify administration and messaging in terms of citizen and business centeredness;
2. **Incentivize job creation and wages:** One example of where a more ad hoc approach has been utilized by the Commission has been with regard to Phalanx located at the old Armory Building. Here the Commission supported an approach that provides incentives for job creation (focused on specific wage level and local hiring criteria) and loan forgiveness (based upon building improvements). One thing to remember is that this was an example of the City having control of the subject property;
3. **Utility Infrastructure Charges:** The Enterprise Zone focus group specifically raised provisions of utility infrastructure and the ability to enhance or support development prospects and utility connection charges and sewer/water infrastructure upgrades were mentioned specifically;
4. **Public/Private Ambassador/Action Officer:** Provision of additional resources to assist with administration of EZ incentives particularly for small business entities as has been suggested through the Citizen's Committee in its recommendation and in the Blueprint for Economic Competitiveness and would be helpful in extending current staff efforts;
5. **Land Banking/Assembly:** Another related approach is the potential for land banking and assembly for economic development purposes and the ability of the City to acquire properties that could be prepared for development purposes. This was the process utilized to provide a platform for the Cornerstone Project and is a way for the City to provide ready to develop properties to the market for private industry to develop in a timely manner;
6. **Tax Abatement:** This is a tool that is utilized by other communities within the State and in other states to provide an ad valorem tax exemption for expanding businesses based upon real and tangible personal property. In Florida, a jurisdiction must put this type of tool to a referendum in order to authorize it.
7. **Utility Rates:** Currently staff is working on a solution to issues raised by Double Envelope at the August 24, 2017 regarding commercial rates that may have further, but limited, applicability in the Enterprise Zone.

### **Staff Recommended Options**

Staff has provided the following recommendation for consideration by the Commission:

- Retain the existing 50% EZ development fee reduction;
- Modify EZ geography to properties east of 6<sup>th</sup> Street as indicated and fold program into the “Gainesville East” CRA campaign;
- Generally, replicate CRA incentives in EZ geography emphasizing local orientation and include additional assistance for soft costs associated for retained/expanded business;
- Direct appropriate staff to review broad infrastructure needs in various areas of the modified EZ geography and report back to the Commission on identified needs;
- Implement a limited approach to commercial utility rate assistance;
- **Provide initial funding of an amount to be determined, depending on the scope of proposed incentives, to be made effective mid-year;** and,
- Direct staff to bring the modified EZ map and program back to the City Commission for final approval.

### **Attachments/References**

National League of Cities Paper on Elected Leaders and Economic Development

Inter-office communication to City Commission indicating status of Enterprise Zone

Enterprise Zone Focus Group Comments/Recommendations

Maps of Enterprise Zone as related to CRA’s and past development

Budget and Finance information regarding level of Enterprise Zone Fee Reduction

Phalanx Promissory Note Information

Communication from interested parties

Communities Incentives (Jax USA, Tallahassee, Ocala, Austin, Augusta, Greenville and Florence, SC)

### **New Attachments/References:**

Map of revised Enterprise Zone Boundaries

June 22<sup>nd</sup> General Policy Committee Minutes

Record of CRA Commercial Façade Program Incentives