



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:** Economic Development Tools related to Enterprise Zone

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### **Summary of Issue**

Per the June 22, 2017 General Policy Committee meeting, staff was directed to bring back potential economic development tools that could be utilized to resolve operational challenges raised by Double Envelope with regard to the existing GRU commercial rate structure.

This direction was provided in the context of a broader conversation with the Committee about future prospects for the City's Enterprise Zone.

These economic development tools are presented for consideration by the Committee.

### **History/Background Information**

On June 22<sup>nd</sup>, the General Policy Committee heard an agenda item regarding the issue of economic development related to the Enterprise Zone and more particularly, the issues raised by Double Envelope and other interested parties. General Government and Gainesville Regional Utilities (GRU) staff has recently been approached by Double Envelope about their existing operating challenges particularly in regard to existing commercial utility rates. They have indicated that these rates may result in relocating their current plant located on 39<sup>th</sup> Avenue outside of the City of Gainesville. Double Envelope currently employs 51 residents living within the City of Gainesville and has a total workforce of 85 individuals.

At its June 22<sup>nd</sup> meeting, the Committee gave direction to staff to enlarge the Enterprise Zone using 6<sup>th</sup> Street as the north/south corridor boundary (retaining areas west of 6<sup>th</sup> Street) and encompassing all City areas to the east of 6<sup>th</sup> north to 53<sup>rd</sup> Avenue and south to SW 16<sup>th</sup> Avenue. As a result, Double Envelope will be located in this newly configured area. The General Policy Committee also indicated a desire to have appropriate GRU, City Manager, City Attorney and Strategic Initiatives Department staff to devise a set of economic development tools for consideration by Double Envelope and the broader Enterprise Zone, and report back to the City Commission.

Since that time staff (Nicolle Shalley, Dan Hoffman, Bill Shepherd and Erik A. Bredfeldt) met to discuss the General Policy Committee motion and visited on site with a representative from Double Envelope. As a result, the following prospective toolbox components have been developed:

- D/E and Enterprise Zone businesses to be able to take advantage of a reevaluated/modified Real Rate applicable to for profit entities in the Enterprise Zone that meet certain criteria relative to being: representative of certain target industries; export based; a City resident employer reaching a certain threshold of jobs; providing wage rate at a minimum of 115% of the average annual wage for Alachua County;

- Provide an exemption from utility tax or reduction in the utility tax rate per Florida Statute 166.231. Municipalities; public service tax
- D/E to be included in the Enterprise Zone allowing them to take advantage of newly applied incentives (similar to CRA incentives) and development fee reduction associated with any future footprint expansion
- D/E to be able to retain services of EDI staff in terms of facilitative assistance regarding any future facility capital improvement.
- Additional savings to be determined as it relates to the GREC purchase

## **Staff Analysis**

In terms of the toolbox components individually the following are specific matters for Committee deliberation:

- 1) **REAL Rate;** The REAL rate is codified in the City Code of Ordinances and attachments but to staff's knowledge has only been employed once in twenty years with regard to Bear Archery. It provides a maximum 13% discount over a four year period applicable to Customer Charge, Demand Charge and Energy Charge for General Service Demand and Large Power customers and requires an application from the interested entity and City Commission approval based upon various criteria.

As indicated applying the REAL Rate to Double Envelope and the Enterprise Zone would ultimately reduce revenue to General Government.

Staff believes that the REAL Rate tool can be made more effective and applicable to today's economic landscape in the context of a broader Enterprise Zone proposal but this would require modification of the REAL Rate structure and eligibility criteria and would thus have broader fiscal implications than just those for Double Envelope (but could regardless based upon its existence in Code today).

In the event that the Committee does not wish to modify the REAL Rate (specifically in the context of Double Envelope or otherwise) then it should consider repealing it as it is not being employed currently and has potentially wide fiscal implications.

- 2) **Exemption from utility tax or reduction in the utility tax rate per Florida Statute 166.231. Municipalities; public service tax:** There is authority present in the Florida Statutes that allow local governments to provide exemptions or reductions in the utility tax however these are constrained by Statute provisions and would have to be applied on a broader basis and potentially to entities outside of not only the Enterprise Zone, but also to entities outside of the City of Gainesville limits but within the GRU service boundaries.
- 3) **Double Envelope to be included in the Enterprise Zone allowing them to take advantage of newly applied incentives (similar to CRA incentives) and development fee reduction associated with any future footprint expansion:** At its June 22<sup>nd</sup> meeting, the Committee gave direction to staff to enlarge the Enterprise Zone using 6<sup>th</sup> Street as the north/south corridor boundary (retaining areas west of 6<sup>th</sup> Street) and encompassing all City areas to the east of 6<sup>th</sup> north to 53<sup>rd</sup> Avenue and south to SW 16<sup>th</sup> Avenue. As a result, Double Envelope will be located in this newly configured area and as a result will be able to avail itself of any additional incentives that the Commission makes available moving forward (the Commission gave

preliminary direction to consider offering a similar package to the one offered in the existing CRA's). A few of these may be helpful in light of a Double Envelope footprint expansion if they make the corporate decision to remain at their current location.

- 4) **D/E to be able to retain services of EDI staff in terms of facilitative assistance regarding any future facility capital improvement:** In meeting with Double Envelope at their facility a prior expansion was not reported as a satisfying experience in terms of interactions with City staff. In the event that any future facility capital improvement is contemplated Double Envelope can avail itself of facilitative assistance through the services of Economic Development and Innovation staff.
- 5) **Additional savings to be determined as it relates to the GREC purchase:** This action by GRU is pending and would likely have system wide commercial rate structure effects although they have not been fully quantified at this juncture.

At this juncture, preliminary savings to Double Envelope based upon the first two tools stated above and identified sale tax savings would total approximately \$117,500 (\$68,500 in REAL rate reduction and utility tax exemption; \$49,000 in sales tax savings) and would reduce revenue to General Government.

In addition, these first two toolbox components may have wider City revenue impacts based upon the group of customers that fall within the parameters of the new/modified REAL rate or the utility tax exemption and thus the preliminary Double Envelope savings do not represent the potential full cost of implementation; the remaining three toolbox components have not been completely costed out at this point due to their pending status and potential for application but will be reported out to the City Commission at a later date.

### **Staff Recommendation**

The General Policy Committee to hear a presentation and provide appropriate direction regarding which components of the toolbox, if any, are to be further pursued by staff.

### **Attachments/References**

Double Envelope Letter to City Commission, June 20, 2017

General Policy Committee Motion regarding this matter, June 22, 2017

Double Envelope Parcel Ownership Record from Alachua County Property Appraiser

REAL rate Code of Ordinance provisions

Florida Statutes 166.231, Municipalities; public service tax

GRU memo regarding REAL rate authorization for Bear Archery, January 10, 2000