



Staff Analysis

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

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June 22, 2017

## **CITY OF GAINESVILLE STAFF ANALYSIS**

**Legistar No:** 160396

**Title:** Status of Gainesville Enterprise Zone Program

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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 late 2015, staff presented the issue to the Economic Development University Community Committee (EDUCC) and received direction as regards the local component of the program (see January, 2017 staff analysis for that discussion).

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 ensuing months, staff has sought input from an Enterprise Zone Focus Group and will summarize their comments as well as provide information on potential incentives in light of existing circumstances.

### **History/Background Information**

At the January, 2017 General Policy Committee, the Committee indicated that they would be interested in considering another approach to incentives in the Enterprise Zone.

Since that time, staff has worked with an EZ focus group to consider their experiences in pursuing development opportunities in East Gainesville and they're recommendations and comments are summarized in the attached meeting notes.

In addition, staff has been approached by a few specific interested parties in East Gainesville that have concerns and potential approaches based upon their particular circumstances and their status in summarized in the attached correspondence.

### **Applicable Geography**

Currently the Enterprise Zone consists of ten (10) square miles which has been the State of Florida statutory limit based upon the City of Gainesville's population size. The Zone is predominantly located between the University of Florida campus, east to Waldo Road and then areas to the north and east along Waldo Road.

Prior direction has been to designate a north/south transportation corridor such as Main Street, NW 6<sup>th</sup> Street or NW 13<sup>th</sup> Street and apply the Enterprise Zone east of that demarcation encompassing all properties.

The Enterprise Focus Group suggested a reconfiguration of the existing Enterprise Zone boundaries to delete areas that have limited development potential due primarily to environmental constraints and then a reallocation of that deleted area to other areas in E. Gainesville.

### **Analysis/Options for Consideration**

With regard to incentives offered, currently 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 (does not include building permitting fees). Reductions in these fees have totaled approximately \$200,000 over the last six (6) years.

With respect to additional incentives the following are for the Commission's consideration:

In terms of incentives generally, the Commission needs to decide exactly 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 business, possibly those in industries that have a larger multiplier effect, on 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).

Incentives generally 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.

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

- 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 thought is to make the same incentives available in areas outside of the CRA, but in a reconstituted Enterprise Zone, in order to simplify administration and messaging in terms of citizen and business centeredness.
- 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;
- As alluded to the Enterprise Zone Focus group specifically raised provisions of utility infrastructure as regards the ability to enhance or support development prospects and utility connection charges and sewer/water infrastructure upgrades were mentioned specifically;
- Providing assistance with soft costs particularly for small business entities that don't have the financial means to engage a required architect/civil engineer has been suggested as a consideration;
- 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;
- Staff has been approached by a few entities that are introducing other issues to be addressed in the context of the Enterprise Zone focusing on property tax abatement and utility rates;
- 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)?

## **Staff Recommended Options**

Staff has provided two recommendations for consideration by the Commission based upon the Commission's desires moving forward which are:

### **Deliberative**

- Provide general direction to City staff about mission of the EZ, structure, geography, incentives and metrics
- Direct staff to pull team together from GG, GRU and CRA to work on specific package and bring back for Commission consideration within 60 days.

### **Active**

- Consider retaining existing 50% EZ development fee reduction
- Modify EZ geography to properties east of 13<sup>th</sup> Street (US 441) with appropriate exclusions and fold into "Look East" orientation;
- Generally, replicate CRA incentives in EZ geography emphasizing local orientation;
- Implement an approach to provision of utilities that provides capital, rate (re-examine ED rate and real rate) and fee assistance;
- Provide appropriate funding and make effective in October as part of FY '18 budget

## **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 and Other Former EZ communities)