

## ENTERPRISE ZONE PROGRAM RE-DESIGNATION BACK-UP

The City of Gainesville, pursuant to the amended Florida Enterprise Zone Act of 1982, and in accordance with Chapter 290, F.S., adopted an Enterprise Zone in February, 1995. The Enterprise Zone consisted of three geographic areas covering approximately 10 square miles. The intent of establishing the Enterprise Zone, as indicated in the adopting Resolution, was to provide both State and local incentives in order to induce private investment in these identified economically distressed areas.

In addition to the adopting Resolution instituting the Enterprise Zone, several steps were taken to implement its intent. These included: 1) adoption of a Strategic Plan, outlining the specific objectives of the Program; 2) establishing, by Ordinance, a Gainesville Enterprise Zone Development Agency (GEZDA), responsible for carrying out and overseeing activities associated with the Enterprise Zone Program; and 3) establishment, by Ordinance, of several local incentives, pursuant to Chapter 290, F.S., available to businesses located in the Enterprise Zone including a 50% reduction in building permit and development fees, a 50% reduction in occupational license tax and a 50% reduction in the municipal tax on electric energy.

In addition to locally offered incentives, the Florida Department of Revenue administers a menu of State incentives that include: 1) State Sales Tax Refunds on Building Materials and Business Equipment; 2) State Sales Tax or Corporate Income Tax Credits for Job Creation; 3) Corporate Income Tax Credit based upon ad valorem taxes paid; 4) a State Sales Tax Exemption for Electrical Energy; and 5) the Community Contribution Tax Credit Program.

The Florida Legislature recently reviewed the Florida Enterprise Zone Program in the 2005 Legislative Session to determine whether the Program should be reinstated. This is due to the fact that per Chapter 290, F.S., the Program was due to sunset on December 31, 2005.

The Florida Legislature did reenact the program per Chapter 2005-287, Laws of Florida, House Bill 1725 with the following features: 1) extends the expiration date of the Enterprise Zone Program to December 31, 2015; 2) provides opportunities for existing Enterprise Zones to apply for re-designation (including a request to amend their boundaries); if not approved for re-designation they expire on December 31, 2005; 3) institutes a procedure for re-designation; 4) adds measurable goals as an element of the Enterprise Zone Annual Report; and 5) modifies the State Sales Tax Refund on Building Materials. To comply with the legislation, all applications for re-designation must be submitted to the State of Florida by November 30, 2005.

The Gainesville Enterprise Zone Development Agency (GEZDA) is recommending re-designation of the Enterprise Zone with the following provisions;

- 1) Amend the Enterprise Zone Boundaries:** Amendment of the existing boundaries is driven by the fact that certain areas have dropped out according to poverty rate data published by the 2000 US Census and that the GEZDA Board expressed an interest in maintaining the 10 square mile overall statutory limit by adding several areas lying to the east

of 13<sup>th</sup> Avenue. The proposed additions primarily affect Area 3 of the existing Enterprise Zone with supporting deletions and State owned property lying in the vicinity of Waldo Road and 39<sup>th</sup> Avenue.

- 2) **Maintenance of Local Incentives:** A preliminary review of annual reports filed with the State of Florida through the most recent submission indicates that local incentives (including 50% reduction in permitting and development fees, 50% reduction in Occupational License Tax and 50% reduction in municipal tax on electric energy) total approximately \$1.3 million dollars over the past ten years, or between \$100 - \$150,000 annually. The GEZDA Board supported maintenance of these incentives and the addition of an educational component to provide Entrepreneurial Assistance in addition to the existing quarterly Enterprise Zone Workshops.
- 3) **Adoption of Measurable Goals:** The Strategic Plan adopted in 1995 had several goals that did not seem to be affected by administration of the Enterprise Zone program and/or too sweeping in terms of practical implementation. The GEZDA Board felt that going with more realistic, measurable, and timely goals made more sense. Therefore, the goals focus on job creation, capital investment and business formation.

The GEZDA Board adopted its Enterprise Zone Re-designation proposal at its regularly scheduled October 12, 2005 meeting and an October 26, 2005 special meeting.

State legislation requires that an application for Enterprise Zone Re-designation be forwarded to the State Office of Tourism, Trade and Economic Development (OTTED) no later than November 30, 2005. The local governing body is required to re-designate the program via Resolution. Following adoption of the Resolution and supporting application, several Ordinances amending the applicable date of local incentives will be brought before the City Commission for approval.