

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1646
 SPONSOR: Senator Holzendorf and others
 SUBJECT: Economically Distressed Communities
 DATE: March 26, 2001

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Maclure	Maclure	CM	Favorable
2.	_____	_____	CA	_____
3.	_____	_____	AGG	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill requires Enterprise Florida, Inc. (EFI), to develop a detailed plan for marketing and using government programs and economic development incentives in a coordinated fashion in order to generate business investment in economically distressed urban and rural communities.

This bill substantially amends section 288.9015, Florida Statutes.

II. Present Situation:

According to the state’s principal economic development organization, the level of economic activity in rural communities and in central city communities lags behind that occurring in other areas of the state. In its statewide economic development plan, Enterprise Florida, Inc. (EFI), notes:

While Florida has experienced tremendous economic growth over the past few years, there are strong indications that its rural and central city communities have not fully shared in this prosperity, particularly in terms of job opportunities. The unemployment rates for Florida’s central cities and non-metro areas are both higher than the statewide average. Unemployment in Florida’s non-metro areas is higher than the national average for non-metro areas, though unemployment in Florida’s central cities is below the national average for central cities.

(Enterprise Florida, Inc., *Florida Statewide Strategic Plan for Economic Development 2001-2006*, January 1, 2001, p. I-23.)

Florida has in place a number of organizations, programs, and initiatives designed to improve conditions in economically disadvantaged communities. Some of these efforts are described below.

Enterprise Florida, Inc.

Enterprise Florida, Inc. (EFI), is the principal economic development organization for the state, with responsibility for leading business-development efforts in the state by aggressively establishing a unified international trade and reverse investment approach; aggressively marketing the state as a location favorable to business investment; and aggressively assisting existing businesses to stay and grow in Florida, while also encouraging the creation of new businesses in this state (s. 288.9015(1), F.S.). As a component of its purpose and duties, EFI is responsible for promoting economic development in rural communities and distressed urban communities. In particular, s. 288.9015(2), F.S., directs EFI:

to aggressively market Florida's rural communities and distressed urban communities as locations for potential new investment, to aggressively assist in the retention and expansion of existing businesses in these communities, and to aggressively assist these communities in the identification and development of new economic development opportunities for job creation.

EFI submits an annual report to the Governor and the Legislature which includes, among other items, a description of the operations and accomplishments of the organization related to its responsibilities for promoting economic development in rural communities and distressed urban communities (s. 288.906, F.S.). In addition, s. 288.905(2), F.S., requires EFI to develop a strategic plan for economic development in the state. The plan must be updated or modified annually. The plan must include strategies for producing better jobs and higher wages for all areas and communities of the state, including rural areas, minority businesses, and urban core areas (s. 288.905(3)(a), F.S.).

Enterprise Zones

Florida established one of the first enterprise zone programs in the country in 1980 to encourage economic growth and investment in distressed areas by offering tax advantages to businesses willing to make such an investment. An enterprise zone is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 34 enterprise zones (Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Program Annual Report, October 1, 1999-September 30, 2000*, March 1, 2001, p. 1).

Among the principal state incentives available in an enterprise zone are:

- Jobs credit against corporate income tax under s. 220.181, F.S.;
- Property tax credit under s. 220.182, F.S.;
- Community contribution tax credits against corporate income tax and insurance premium taxes under ss. 220.183 and 624.5105, F.S.;
- Sales tax exemption for building materials used in the rehabilitation of real property in an enterprise zone, as provided under s. 212.08(5)(g), F.S.;

- Sales tax exemption for business property used in an enterprise zone, as provided under s. 212.08(5)(h), F.S.;
- Sales tax exemption for electrical energy used in an enterprise zone, as provided under s. 212.08(15), F.S.; and
- Jobs credit against sales tax under s. 212.096, F.S..

In addition, the Public Service Commission may allow public utilities and telecommunications companies to provide discounts of up to 50 percent on tariffed rates for services to small businesses located in enterprise zones (s. 290.007, F.S.).

Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone and provides size limitations depending on the community population category. This section also requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured under s. 290.0058, F.S. An enterprise zone community must develop a strategic plan and create an enterprise zone development agency (ss. 290.0056 and 290.0057, F.S.). Although s. 290.0065, F.S., as a result of revisions enacted in 1994, specifies that no more than 20 areas may be designated by the state as enterprise zones, the Legislature has in subsequent years provided distinct authority for additional zones. (*See, e.g.,* s. 370.28, F.S., authorizing enterprise zones for communities adversely affected by certain fishing net limitations.)

Front Porch Florida

In 1999, the Governor announced creation of a Front Porch Florida initiative, the mission of which includes helping urban residents to define neighborhood problems and then develop solutions to such problems in order to preserve and strengthen their communities. Among the goals of the initiative are “to improve schools, reduce crime, increase economic opportunities and provide adequate infrastructure and affordable housing opportunities” (Executive Office of the Governor, “Governor Bush Designates New ‘Front Porch Florida Communities,’” press release dated March 23, 2001, p. 1). The program is administered by the Office of Urban Opportunity (s. 14.2015(9), F.S.).

There are currently 11 designated Front Porch Florida communities. The first six were named in October 1999: 1) Pensacola (Greater Pensacola); 2) Ft. Lauderdale (Dorsey-Riverbend Neighborhood); 3) St. Petersburg (Greater South-Central Neighborhood); 4) Tallahassee (Greater Frenchtown); 5) West Palm Beach (Northwood-Pleasant City-Northwest); and 6) Opa-Locka (Opa-Locka-North Dade).

During the spring of 2000, there was another application process, with plans to announce additional designations in September 2000. Those designations, however, were not announced until March 23, 2001: 7) Bartow (West Bartow Neighborhood); 8) Gainesville (Duval Area Neighborhood); 9) Orlando (Holden Heights Community); 10) Miami (Riverside Community of Little Havana); and 11) Sanford (Goldsboro Neighborhood Community).

According to the Office of Urban Opportunity, a new application form and criteria are being developed for release in early 2001. Once the application is available, interested communities will have approximately 30 to 60 days to respond. Plans call for the designation of more

communities in approximately May 2001. It is anticipated that there may be another application round, with the goal of designating additional communities in November 2001 or December 2001.

Toolkit for Economic Development

During the 2000 regular session, the Legislature created the Toolkit for Economic Development, ch. 2000-290, L.O.F., which is designed to help communities with low incomes, depressed property values, high unemployment, or similar conditions leverage resources from a wide variety of federal, state, and local programs in order to achieve comprehensive change. The Toolkit is founded on the legislative recognition that the existence of safe and strong communities with healthy economies is critical to reduce dependence on public assistance and promote economic self-sufficiency through employment (s. 12, ch. 2000-290, L.O.F.). The Legislature appropriated \$25 million in Temporary Assistance for Needy Families (TANF) funds, which are the federal funds used to support welfare-reform activities. The program is under the shared responsibility of Workforce Florida, Inc.; Enterprise Florida, Inc.; the Department of Community Affairs; and the Office of Urban Opportunities, who are identified in the legislation as “coordinating partners” for the program (s. 12, ch. 2000-290, L.O.F.).

One of the primary elements in the Toolkit for Economic Development is a requirement for high-level liaisons from more than 20 state agencies to develop an inventory of the various incentives, grants, programs, and other resources that currently are available in support of economic and community development in disadvantaged areas. The inventory will be organized around the following policy areas: building community-based leadership skills; promoting safety and reducing crime; supporting neighborhood clean-up projects; encouraging small business development; renovating schools and providing services such as school-based child care; inducing investment in community improvement projects; and facilitating residential, mixed-use, and commercial redevelopment.

Under a second component of the program, the Start-up Initiative, community-based organizations, neighborhood associations, and local governments in 15 communities with high concentrations of needy families who are current, former, or likely recipients of public assistance will be invited to submit proposals to jump-start their economic development efforts. The proposals will be designed to access the programs in the inventory. Based upon a competitive evaluation, up to nine such communities will be selected for focused assistance and funding from the state agencies in order to finalize their project proposals and implement them. The law requires a showing of support for the proposal from people in the communities, such as representatives from community-based organizations and local economic development or workforce organizations. There also must be a commitment of local resources, in keeping with the goal of leveraging funds to address the community’s problems. To date, communities have not been selected for participation in the Start-up Initiative of the Toolkit for Economic Development.

III. Effect of Proposed Changes:

This bill further delineates the responsibilities of Enterprise Florida, Inc. (EFI), under s. 288.9015, F.S., to promote economic development in economically distressed urban and rural

communities. Specifically, the bill requires EFI to develop a plan for marketing and using, in a coordinated fashion, federal, state, and local programs the purposes of which are to improve economic conditions in distressed communities, such as the:

- Enterprise Zone Program under ch. 290, F.S.;
- Front Porch Florida Initiative; and
- Toolkit for Economic Development.

The bill requires the plan to address:

- Educating businesses that are engaged in a site-selection process about economically distressed communities and about specially designated areas such as enterprise zones and Front Porch Florida communities;
- Informing businesses about the availability of incentive programs that are specially designed to encourage investment in economically distressed communities;
- Employing, as much as possible, general economic development incentives in these communities, such as the tax refund program for qualified target industry businesses (s. 288.106, F.S.); the high-impact performance grants (s. 288.108, F.S.); the Quick Action Closing Fund (s. 288.1088, F.S.); and contracts for transportation projects (“Road Fund”) (s. 288.063, F.S.).

The bill directs EFI to develop performance measures to assess changing levels of economic investment in distressed communities and to report such data as part of the organization’s annual report. Further, the bill authorizes EFI to recommend that the Legislature incorporate these measures into the annual agency performance measurement review process under ch. 216, F.S., and to recommend a method for according more importance to these measures than other economic development measures.

The bill requires EFI to consult and coordinate with other organizations with economic development, workforce development, and community development missions and to leverage their combined programs, designations, and initiatives in an effort to secure projects in distressed communities that result in the creation of jobs.

The bill provides an effective date of July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

To the extent the responsibilities assigned to Enterprise Florida, Inc. (EFI), under this bill result in new economic investment in distressed communities, residents and businesses in such communities may benefit from increased economic activity and employment opportunities. In addition, businesses that invest in such communities may benefit from the use of tax and other incentives that are available to them.

C. Government Sector Impact:

The bill requires EFI to develop a strategic and operating plan related to the generation of economic development activities in distressed communities and, in the process of doing so, to coordinate with several other entities.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
