

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: CS/SB 1088

SPONSOR: Commerce and Economic Opportunities Committee and Senator Meek

SUBJECT: Enterprise Zones

DATE: February 21, 2002 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
2.	<u>Cibula</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>AGG</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

The committee substitute authorizes Miami-Dade County to apply to the Office of Tourism, Trade, and Economic Development (OTTED) to make two amendments to expand its existing enterprise zone. One amendment may include up to four square miles for an area with a high concentration of Haitian immigrants. The other amendment may include up to four square miles for an area targeted for revitalization by the Miami River Commission. The amendment to include an area targeted for revitalization by the Miami River Commission may not include property used for the benefit of a professional sports franchise. OTTED is required to approve the applications to amend the Miami-Dade County enterprise zone if the amendments satisfy the criteria and conditions specified in s. 290.0055, F.S., requiring the adoption of an appropriate resolution by the governing bodies of an applicant; nomination of a designated area; creation of an enterprise zone development agency; creation and adoption of an enterprise zone development plan; and a finding by OTTED that the designated area suffers from pervasive poverty, unemployment, and general distress.

II. Present Situation:

Enterprise Zones

The Florida Enterprise Zone Act of 1994 (act), codified in ss. 290.001-290.016, F.S., was created

to assist local communities, their residents, and the private sector in creating the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas and to provide jobs for residents of such areas.

Section 290.003, F.S. Under the act, areas of the state meeting specified criteria -- including suffering from pervasive poverty, unemployment, general distress, or other considerations -- have been designated as enterprise zones. According to the Office of Tourism, Trade, and Economic Development (OTTED), there are 34 enterprise zones. There is one enterprise zone in Miami-Dade County comprising 41.6 square miles. To induce private business to invest in these enterprise zones, the use of state and local incentives is authorized.

State Incentives

- *Enterprise zone jobs credit:* Businesses located in an enterprise zone who pay Florida corporate income taxes are authorized to receive a tax credit against their corporate income tax based on the amount of wages paid to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 220.181, F.S.
- *Enterprise zone jobs credit against sales tax:* Businesses located within an enterprise zone who collect and pay Florida sales and use tax are allowed a credit against their sales tax due based on the amount of wages to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 212.096, F.S.
- *Enterprise zone property tax credit:* New, expanded, or rebuilt businesses located within an enterprise zone are allowed a credit on their Florida corporate income tax based on the amount of property taxes paid. Section 220.182, F.S.
- *Sales tax refund for building materials:* A refund is available for sales taxes paid on the purchase of building materials used in the rehabilitation of real property used in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(g), F.S.
- *Sales tax refund for business property used in an enterprise zone:* A sales tax refund is available for sales taxes paid on the purchase of business property with a purchase price of \$5,000 or more purchased by and for use in a business located in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(h), F.S.

Local Incentives

- *Sales tax exemption for electrical energy used in an enterprise zone:* A sales tax exemption is available to qualified businesses located in an enterprise zone on the purchase of electrical energy. The amount of the exemption is equal to 50 percent of the sales taxes otherwise due or 100 percent of the sales taxes otherwise due if 20 percent or more of the business's employees reside in an enterprise zone. This exemption is only available if the municipality in which the business is located has passed an ordinance to exempt the municipal utility taxes on such business. Sections 212.08(15) and 166.231(8), F.S.

- *Economic development ad valorem tax exemption:* Up to 100 percent of the assessed value of improvements to real or tangible property of a new or expanded business located in an enterprise zone may be exempted from property taxes if the voters of a municipality authorize the governing body of the municipality to grant such exemptions. Section 196.1995, F.S.
- *Occupational license tax exemption:* By ordinance the governing body of a municipality may exempt 50 percent of the occupational license tax for businesses located in an enterprise zone. Section 205.054, F.S.
- *Local impact fee abatement or reduction, or low-interest or interest-free loans or grants to businesses.* Section 290.0057(1)(e), F.S.,

In FY 1996-97, local and state incentives approved under the Enterprise Zone Program totaled \$11.2 million; in FY 1997-98, local and state incentives totaled \$13 million. Following are enterprise zone statistics for FY 1998-99 and FY 1999-00. Office of Tourism, Trade, and Economic Development, *Enterprise Zone Program Annual Report*, p. 5, March 1, 2001.

CATEGORY	1999/2000	1998/1999	DIFFERENCE
New Businesses in a Zone	766	776	- 10
New Jobs Created in a Zone	5,141	5,305	- 164
State Incentives Approved	\$5,458,835	\$5,170,899	+ \$287,936
Local Incentives Provided	\$10,135,65	\$18,839,076	- \$10,255,879
Total State and Local Incentives Approved	\$15,594,492	\$24,009,975	- \$10,931,560

The Florida Enterprise Zone Act of 1994 is scheduled for repeal on December 31, 2005, as provided by s. 37 ch. 94-136, L.O.F.

Designation as an Enterprise Zone

Section 290.0065, F.S., limits the total number of enterprise zones that may be designated by OTTED to 20. However, the Legislature has waived that limit for specific areas. See, e.g., s. 290.0067, F.S. However, in such cases the Legislature has required a county and/or a municipality to comply with the requirements of s. 290.0055, F.S., as follows:

The governing bodies or body must adopt a resolution which:

1. Finds that an area exists in such a county or municipality, or in both the county and one or more municipalities, which chronically exhibits extreme and unacceptable levels of poverty, unemployment, and economic disinvestment;
2. Determines that the rehabilitation, conservation, or redevelopment, or a combination thereof, of such area is necessary in the interest of the public health, safety, and welfare of the residents of such county or municipality, or such county and one or more municipalities; and
3. Determines that the revitalization of such area can occur only if the private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.

The governing body or bodies of a nominated area must also create an enterprise zone development agency and create and adopt an enterprise zone strategic plan prior to the submission of an application to OTTED. Section 290.0055(1)(b) and (c), F.S. The enterprise zone development agency is responsible for assisting with the development and implementation of the enterprise zone strategic plan. Section 290.0056(8), F.S. The enterprise zone strategic plan is the community's plan for revitalizing the nominated area and contains commitments to enact and maintain local fiscal and regulatory incentives if the nominated area receives an enterprise zone designation. Section 290.0057, F.S.

OTTED will designate the nominated area as an enterprise zone if the selected area suffers from pervasive poverty, unemployment, and general distress. Section 290.0055(4)(d), F.S. To determine whether an area suffers from pervasive poverty, OTTED census data must show that the poverty rate for each census block within the nominated area is at least 20 percent and in at least 50 percent of the census geographic block groups within the nominated area the poverty rate exceeds 30 percent. Section 290.0058(2), F.S. If a census block group within a nominated area has no population, it is considered to have a 20-percent poverty rate. Section 290.0058(2)(c), F.S. Unemployment is evidenced by data indicating that the unemployment rate is equal to or greater than the state's unemployment rate or by evidence indicating severe economic conditions for the area. Section 290.0058(3), F.S. General distress is evidenced by such factors as a high crime rate, abandoned structures, and deteriorated infrastructure or substantial population decline. Section 288.0055(4), F.S.

III. Effect of Proposed Changes:

The committee substitute authorizes Miami-Dade County to apply to the Office of Tourism, Trade, and Economic Development (OTTED) to make two amendments to expand its existing enterprise zone. The amendments may include an area with a high concentration of Haitian immigrants and an area targeted for revitalization by the Miami River Commission.

Section 1 of the committee substitute authorizes a county as defined under s. 125.011(1), F.S., to apply to OTTED for approval of an expansion, by four square miles, of an existing enterprise zone. Miami-Dade County is the only county authorized to expand its enterprise zone under this committee substitute because it is the only county meeting the statutory definition. The added area must be contiguous to a portion of the existing enterprise zone and be part of a revitalization area that has been targeted for assistance by the county or a municipality within the county. The area must also contain a high concentration of Haitian immigrants. The application to expand the enterprise zone under this section must be submitted to OTTED by October 1, 2002, and must meet the requirements of s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones, and the area must also suffer from "pervasive poverty, unemployment, and general distress."

Section 2 of the committee substitute authorizes Miami-Dade County to apply to OTTED for approval of an expansion, by four square miles, to its existing enterprise zone to include an area targeted for revitalization by the Miami River Commission. No part of the enterprise zone authorized by this section may include property used for the benefit of a professional sports franchise. If any portion of the addition of the enterprise zone authorized by this section ever includes property used for the benefit of a professional sports franchise, that portion will

automatically lose its designation as an enterprise zone. The application to expand the enterprise zone under this section must be submitted to OTTED by October 1, 2002, and must meet the requirements of s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones, and the area must also suffer from “pervasive poverty, unemployment, and general distress.”

Section 3 of the committee substitute clarifies that the expansion of the enterprise under section 1 of this committee substitute does not preclude expansion of the enterprise zone under section 2 of this committee substitute.

Section 4 provides that the committee substitute will take effect upon becoming a law.

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:

The Revenue Estimating Conference has not reviewed this committee substitute. However, SB 1088 was heard by the Revenue Estimating Conference on February 8, 2002. SB 1088 authorized Miami-Dade County to expand its enterprise zone by up to three square miles. This committee substitute provides for an additional square mile for an area with a high concentration of Haitian immigrants and additional four square miles for an area targeted for revitalization by the Miami River Commission. The estimated fiscal impact of SB 1088 by the Revenue Estimating Conference was based on the average amount of tax benefits approved on a per square mile basis (\$26,116 per sq. mi.) within the Miami-Dade County enterprise zone. As such, the Revenue Estimating Conference may likely conclude that the fiscal impact of this committee substitute is \$208,928 on a recurring basis (8 x \$26,116 per sq. mi.).

For SB 1088, the Revenue Estimating Conference considered the cost of the three square mile addition to the enterprise zone located in Miami-Dade County to be \$100,000 on a recurring basis.

<u>Fiscal Year 2002-2003</u>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring

SB 1088	\$ (*)	\$ (0.1)	(*)	(*)	\$ (*)	\$ (*)	\$ (*)	\$ (0.1)
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* Insignificant (less than \$50,000)

B. Private Sector Impact:

If an application to amend the Miami-Dade County enterprise zone by expanding its boundaries is approved by the Office of Tourism, Trade, and Economic Development (OTTED), businesses located in the addition should have access to many of the economic development incentives available to businesses located in an enterprise zone.

C. Government Sector Impact:

This committee substitute may result in higher costs for OTTED in carrying out activities related to the review and approval of an amendment to an enterprise zone boundary. In addition, the committee substitute may result in increased costs for OTTED and the Department of Revenue to review and approve tax incentives granted to businesses in the expanded area.

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.
