Board of County Commissioners
Workshop Item

Date of Meeting:	February 27, 2007
Date Submitted:	February 21, 2007
To:	Honorable Chairman and Members of the Board
From:	Parwez Alam, County Administrator Vincent S. Long, Deputy County Administrator Leigh A. Root, Assistant to the County Administrator Shington Lamy, Special Projects Coordinator
Subject:	Workshop on Economic Development Issues

Statement of Issue:
This workshop item presents to the Board a comprehensive review of economic development programs and initiatives in Leon County, as well as an analysis of potential dedicated funding sources for economic development.

Background:
On December 11, 2006, the Board held their annual retreat at which time economic development was identified as the top priority for fiscal year 2007 (Attachment #1). The priority as ratified on January 9, 2007 stated:

1. Economic Development
   Pursue programs to enhance local economic development that may include: an incubator at Innovation Park, a Business Accelerator Program, a research and development facility, partnerships with the state and universities, as well as, identify a continuous funding source and establish measures for these initiatives.

On January 23, 2007 the Board directed staff to schedule a workshop on economic development issues for February 27, 2007 at 12:00pm-3:00pm.

Analysis:
The Leon County Board of County Commissioners has long maintained a strong focus on expanding economic development and job growth in Leon County. It has consistently been identified as a priority of Leon County for over a decade. The Board's continuous focus on economic development has resulted in significant programs and initiatives which serve as powerful economic development tools for this community.

This workshop examines and evaluates these programs and initiatives and the County's collaboration with our economic development partners in an effort to continually build upon the strength of our community and enhance our ability to stimulate long-term, sustainable economic development and job growth.

County's Role in Current Economic Development Programs and Initiatives

Innovation Park

In 1978, Leon County, in partnership with Florida State University (FSU) and Florida A&M University (FAMU), created the Leon County Research Development Authority (LCRDA) to operate, manage, and control a research and development park (Innovation Park). For over 25 years, Innovation Park remains our community's university-related research park and an important partner of economic growth in Leon County.

As the governing body of Innovation Park, the powers and duties of the LCRDA include the acquisition and leasing of park property and the development and implementation of a plan for the use of park lands. The LCRDA is also charged with advising the Leon County Board of County Commissioners on all subjects relating to the development and operation of Innovation Park. The LCRDA is comprised of nine members. The first five members of the LCRDA include appointments by each of the presidents of FAMU, FSU, and TCC, the Mayor of Tallahassee, and the Chairman of the Board of County Commissioners. The remaining four members are private sector, community members appointed by the Board of County Commissioners.

Innovation Park is located on 208 acres which is home to the National High Magnetic Field Laboratory, the FAMU/FSU College of Engineering, and the new Turbocor headquarters. Currently, the Park is a self-supporting enterprise that owns more than $25 million in equity in several of the 15 buildings in the park. The Park has an operating budget of $1.2 million.

Recently, the LCRDA and Small Business Development Center (SBDC) at Florida A&M University (FAMU) established a business incubator at Innovation Park. The business incubator provides access to training, counseling, facilities, referrals and other services to young companies. The incubator recently accepted its first tenants Ubiquitous Technologies Inc., and Com-Engines, a spin-off of Talla-Comm. Innovation Park is limited in the current space available, but is interested in seeking partners to expand their model and increase their capacity to serve more young companies. The park only has approximately 2,000 vacant square feet which is set aside for the incubator.

In addition, the LCRDA administers a Technology Commercialization Grant Program which promotes and assists in the commercialization of developing technologies (Attachment #2). The program awards grants up to $15,000 to entrepreneurs, local businesses, and universities and research labs in Leon County on a competitive award basis. In its third year of operation, this program has granted a total of $45,000 each year to three companies a year.

Further information regarding the programs and services occurring at Innovation Park will be provided at a tour being scheduled for July or August for the Board of County Commissioners.

- *Recommendation for Continued Improvement:*
  As our community's only university-related research park, it is important for the County to continue to assist Innovation Park in its efforts to turn intellectual property into economic prosperity and to strengthen its ties to the Universities and the broader community. A County Commission tour and workshop on Innovation Park is currently being scheduled for July or August.

Tallahassee/Leon County Enterprise Zone
In 2002, Leon County led the legislative effort to establish the Tallahassee/Leon County Enterprise Zone #3701 (EZ) to stimulate economic development in underdeveloped areas in our community. The EZ is a 20 square mile area across Leon County that offers significant state-based tax incentives to property and business owners within the EZ boundaries who renovate their homes, create jobs, and/or expand their businesses. These incentives include rebates of state sales tax paid for equipment and construction materials and a state tax credit for increases in local property taxes due to property improvements.

The EZ is governed by the Enterprise Zone Development Agency Board (EZDA). The EZDA is comprised of 11 members, 10 of whom are appointed by the Board of County Commissioners. The EZDA's responsibilities include:

- Review, process, and certify applications for state enterprise zone tax incentives
- Provide assistance to businesses and residents within the EZ
- Promote the development of the EZ
- Make and execute contracts and other instruments necessary to exercise the County's powers as an EZ governing body
- Assist in the development and oversight of the EZ strategic plan and identify and recommend to the County and City Commissions ways to remove regulatory barriers placed on businesses
- Oversee and monitor the implementation of the strategic plan for the EZ
- Identify financial needs of, and local resources or assistance available to eligible businesses within the EZ

The EZDA has five measurable goals to assess annual successes and accomplishments. These measurable goals are: (1) The number of incentive applications approved, (2) full time employees listed on the EZ application that live in the EZ, (3) the full time jobs created in the EZ, (4) advertised outreach, and (5) website hits registered to the Tallahassee-Leon County Economic Development Council website to verify parcel IDs/addresses in the EZ.

The EZDA establishes its annual goals at 10% above the previous year's numbers. According to the EZDA annual report for FY 05/06, there were 247 incentive applications approved, 122 full time

employees living in the EZ, 18 full time jobs created in the EZ, two workshops conducted for advertise outreach, and 1,279 website hits. The 247 applications approved during FY 05/06 generated over $1.1 million in state tax incentives to the County.

- *Recommendations for Continued Improvement:*
  Staff recommends that the County continues to support the EZ and amend the EDC contract to reflect increased emphasis on advertisement outreach activities.

Tallahassee Community Redevelopment Area
Community Redevelopment Areas (CRAs) are powerful economic development tools which use significant public funding (Tax Increment Financing / TIF) and land development powers to spur private sector reinvestment to targeted areas of the community. In 1998, the City Commission established the Tallahassee Community Redevelopment Area (CRA) in the Frenchtown area, with the support of the County. Since its inception, the County has funded the Frenchtown CRA in excess of $3.8 million. The Frenchtown CRA has been successful in leveraging public dollars to stimulate new private investment in the area. For example, $1 million in TIF funding was recently used to draw $12 million in low income tax credits for affordable housing.

In 2004, the County entered into an Interlocal Agreement with the City which provided for the expansion of the CRA and the creation of the Downtown District. The original agreement, stipulates that the County contribute $15,000,000 and the City $13,000,000. Once the County completed the $15,000,000 payment, the County would not be obligated to make any additional TIF payments. Although the County has already contributed over $1.9 million to the Downtown District, the County recognizes that this TIF cap is a limiting feature of the Downtown District.

In effort to enhance effectiveness of the Downtown District of the CRA, on October 24, 2006, the County Commission gave County staff direction to work with the City to amend the existing agreement to provide significant enhancements such as:

- Removing the current Tax Increment Financing Payment cap.
- Providing that the TIF payments be made by the County at 4.29 mills and the City at 3.7 mills (which will generate over $80 million in County TIF contributions over the 30 year life of the Downtown District).
- Expanding the Downtown CRA boundaries to include the Bloxham Building site on east Gaines Street, the Johns Building Block and Chevron Block located on Gaines Street, and the properties along College Avenue from Macomb Street to Copeland Street.

Currently, the governing body of the CRA is comprised of all five members of the City Commission and two citizen representatives of the Board of County Commissioners. The Board direction of October 24, 2006 also included amending this group composition to nine, 5 City Commissioners and 4 County Commissioners.

At the time of this writing, the City Commission has not yet taken action on the proposed amendments but is expected to do so at an upcoming regular meeting of the City Commission.

Other related significant actions taken by the County Commission include the Board's decision to dedicate $10.7 million of the County's 10% share of the sales tax extension funding to the Gaines Street Reconstruction Project and of the imposition the fourth cent Tourist Development Tax for the Performing Arts Center (both located in the CRA).

- *Recommendation for Continued Improvement:*
  Based on the October 24, 2006 Board direction, staff will prepare an amendment to the CRA Interlocal Agreement for execution by the Chairman upon City Commission approval of same.

Qualified Target Industry Tax Refund Program
The County has partnered with the State of Florida to offer Qualified Target Industry (QTI) tax incentives to qualifying companies that create high-wage jobs in targeted, value-added industries. The incentives provided include refunds on corporate income taxes, sales taxes, ad valorem taxes, insurance premium taxes, emergency excise taxes, excise taxes on documents, and the state communications services tax. The QTI program allows a target business to receive tax refund payments ranging from $3,000 to $8,000 per net new job created as specified in an agreement with the state. Companies can increase their QTI "per job" refund by establishing their business within an enterprise zone and/or offering wages that are increasingly above average annual salaries.

The QTI program also requires that a resolution be adopted by the County which recommends an eligible business for the QTI program and requires a local financial support equal to 20% of the annual tax refund to the State's Economic Development Trust Fund. The required local financial match is divided evenly (10% each) by the County and the City.

As part of its contractual agreement with the County, the EDC serves as the administrator of the QTI program. The EDC maintains the County's QTI reserve account which is allocated $25,000 each fiscal year as part of the EDC contract. The EDC currently has approximately $35,000 set aside in the County's reserve QTI account for use in attracting new high-paying jobs to Leon County. During the past three years, the Board has approved three QTI applications for Southeast Corporate Federal Credit Union, Danfoss Turbocor Compressors and DayJet Corporation. The County's total contribution for these three companies of $152,000 has leveraged an equal match from the City and over $1.4 million in state incentive funds.

- *Recommendation for Continued Improvement:*
  Continue to support the QTI Program.

Targeted Business Pilot Program

The Targeted Business Pilot Program (TBPP) was created jointly between the County and City in 2001 to attract high wage, targeted businesses to the community. The TBPP provides for the reimbursement of up to 100% of development (permit) fees and ad valorem taxes (capped at the City's millage rate) to qualifying local businesses that locate in designated economic growth areas and meet job creation goals. In order to qualify for the program an eligible company must submit a preliminary application. Once a local business qualifies, a reimbursement agreement is executed with the appropriate local government(s) depending on the location of the business. The agreement outlines the inducement and performance requirements expected by the County.

Once an agreement is executed, a business may begin applying for reimbursement on ad valorem taxes and/or fees on an annual basis. The reimbursement amount awarded to a qualifying business is based on a scoring system evaluated by a review committee comprised of staff members of the County, City and the Economic Development Council. As part of the application and prior to the scoring phase, businesses must provide audited financial statements for the previous two years as evidence that they are a strong, growing company in which the County and City should invest. There are seven categories measured in the scoring system: the number of employees, salary levels, the amount of capital investment, location in targeted areas, environmental sensitivity of project design/redevelopment achievements, local business promotion, and corporate citizenship.

In 2003, Fringe Benefits Management Company (FBMC) qualified for up to 60% ad valorem tax reimbursement based upon its creation of 268 targeted jobs, building a $5 million new office complex, and other program criteria. FBMC has received an annual reimbursement of approximately $25,000 which is divided evenly between the County and City and which will continue through 2008.

To date, FBMC remains the only business participating in the TBPP program. In 2003, the program was modified to expand the list of targeted industries and to include business retention activities within the community. Since the modifications, business participation in the program has remained stagnant with FBMC still being the sole participant. In 2006, the Board directed staff to adopt measures to enhance public awareness of the TBPP and other economic development programs in the County.

- <u>Recommendation for Continued Improvement</u>:
  In order to increase participation in the TBPP, staff recommends that the EDC contract reflect an increased emphasis on the advertising and outreach of this program. Staff will also advertise this program on the County's website, in the County Link, and in public spaces frequented by local business people, such as Growth Management, Building Inspection and Planning.

Leon County Small Business Enterprise Program
On March 28, 2006, the Board approved the allocation of $300,000 towards the creation and two-year start up costs of a Leon County Small Business Enterprise (SBE) program including a performance agreement with Florida A&M University's (FAMU) Small Business Development Center (SBDC)for the assessment and training of owners of small businesses located within the County. The purpose of this program is to foster growth in the County's economy by affording small businesses an opportunity to gain the necessary experience, knowledge, and training to compete and secure contracts in the bidding process.

On June 13, 2006 the County executed the Agreement with FAMU's SBDC. Pursuant to the agreement, the SBDC provides professional instruction and coursework in such areas as management strategies for small businesses, business plan development, small business financing options, and information technology. The SBDC is affiliated with a national network that has more than 1,100 business development centers nationwide and is a member of the Florida SBDC Network and the Association of Small Business Development Centers (ASBDC). The U.S. Small Business Administration (SBA) administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners. SBDCs represent the largest service delivery network of the U.S. Small Business Administration and offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The FAMU's SBDC is one of ten in the state, receiving grant funding from the U.S. Small Business Administration via the University of West Florida.

It is anticipated that approximately 300 local small businesses will participate in the program. Since June 2006, the County's funding has enabled 32 businesses the opportunity to register in the program.

- *Recommendation for Continued Improvement:*
  Continue to support the Leon County SBE Program and build upon the successes of the SBDC program and the relationship with Florida A&M University.

Expedited Permitting
Recognizing that an efficient and user-friendly development review and permitting process directly benefits new and expanding businesses in our community, the Board made a thorough review of the permitting process a top priority in 2005. On April 25, 2005, County staff presented a comprehensive package of proposals to streamline the permitting process. At that time, the Board empanelled a Blue-Ribbon committee to review the recommendations made by staff. After almost eight months of intensive review, County staff and the "Blue-Ribbon" committee presented the recommendations to the Board to realize a faster, easier and uncompromised process.

On April 11, 2006, the Board adopted recommendations that would enhance permitted use verification, reactivate the quick checks option to developers, provide options to applicants of the

review track that they wish to follow, provide the authority of administrative approval of certain site plans, modify the tree survey requirement, remove the constraint on the construction of docks at single family homes, and reduce the level of silviculture review.

The Board also directed that staff initiate amendments to the Comprehensive Plan, specifically with regard to slopes protection and regulation. In addition, the Board approved three additional positions to assist in the roll-out and implementation of the County's new expedited permitting process. Combined, these recommendations are expected to result in a 50% reduction in permit processing times. Full implementation is expected by early summer 2007.

- *Recommendation for Continued Improvement*:
  Staff recommends Board support all upcoming agenda items and amendments to the Comprehensive Plan to effectuate these changes in the coming months.

Vision 2020, LLC
Beginning on June 2, 2005, the County collaborated with the City and Innovation Park in support of an EDC proposal to relocate Danfoss Turbocor Compressors, Inc. (Turbocor) to Leon County. On November 8, 2005, the Board approved a budget amendment appropriating $1.605 million in direct (cash) incentives for the company's relocation and creation of 150 jobs. During its December 13, 2005 meeting, the Board, for the first time, considered Turbocor's detailed financial information and decided not to participate in providing the company with $1.6 million in cash incentives. However, at that same time, the Board reaffirmed its commitment to local economic development by maintaining the $1.605 million in the FY 05/06 budget and directing staff to develop a program to grow, retain, expand and diversify local businesses.

Subsequently, the County Administrator convened a series of workgroup meetings with local business leaders as an open forum to discuss the key issues related to growing local businesses and to identify policy options available to the Board. This ad hoc workgroup included:

Rick Kearney	Dr. Bill Law	Ed Murray	Kim Williams
Mike Sheridan	John Lewis	Chuck Mitchell	Bryan Desloge
Cliff Hinkle	Tom Barron	Dr. Kirby Kemper	Dr. Jerry Osteryoung

During their meetings, the ED Workgroup agreed that the County could better leverage their $1.605 million in funding for economic development by investing in local businesses with high growth potential. One option identified early during the review process by Rick Kearney, CEO of Mainline, and reviewed thoroughly by the ED Workgroup was the creation of a private business accelerator in Leon County.

During its March 28, 2006 Workshop on Local Economic Development Issues, the Board established a Business Accelerator Oversight Committee (Committee) to develop a new private business

accelerator program (many of the original ad hoc workgroup members remained on this committee). At that time, the Board earmarked $700,000 for the program and requested that the Committee complete the necessary due diligence and report back to the Board within 180 days with a formal proposal. At that time, the Board also authorized the County Administrator to expend up to $150,000 to engage the services of a professional consultant to assist in the program development process.

On January 23, 2007, the Board conducted a Workshop on a Proposed Accelerator Program at which time the Committee presented an in-depth overview of the private venture capital business accelerator fund, Vision 2020, LLC. During the workshop, the Board approved an economic development grant in the amount of $725,000 to Vision 2020 to capitalize initial start-up and operation of the fund. Staff was also directed to include an additional $300,000 line item for the fund for Board consideration during the 2007/08 budget cycle.

The County's initiative to establish Vision 2020 is a significant accomplishment. It is a proactive economic development tool distinct from other economic development programs. The accelerator program targets early stage businesses in the community that not only seek assistance for preferred services (accounting, legal, managerial services, etc.), but also need financial capital. Vision 2020 provides a much needed source of capital to early stage companies that are attempting to introduce a new product or service into the market. In addition Vision 2020 affords local investors the opportunity to invest in new technology being created in the local research community.

It is anticipated that Vision 2020 will reach its private fundraising target of $5 million dollars within 12-18 months with the goal of commencing investment in local businesses next year. It is anticipated that over the life of the fund the County will see a significant increase in economic growth as emerging businesses expand to create jobs and capital investment in the community.

- *Recommendation for Continued Improvement*:
  Vision 2020 will submit quarterly reports to the Board commencing in June 2007. Staff will include the additional $300,000 funding request for Board consideration in the upcoming budget process. Staff has also prepared an agenda item for the February 27, 2007 Commission meeting to transfer the remaining funds from the Klehr Harrison contract to Vision 2020, LLC.

Tallahassee-Leon County Economic Development Council Partnership

The mission of the Economic Development Council of Tallahassee/Leon County, Inc. (EDC) is to create high-wage jobs with benefits by marketing the community's strengths, particularly targeting certain industries, as well as retaining, protecting and nurturing local businesses. The Council serves primarily as a liaison between business, state and local governments and educational institutions while fostering collaboration on development issues, product, business retention and recruitment. Since 1995, the County has provided over $1.8 million in funding to the Tallahassee-Leon County Economic Development Council (EDC). The EDC receives approximately 40% of its total annual

funding through public partnerships with Leon County (FY06 - $210,000) and the City of Tallahassee (FY06 - $150,000). The remaining 60% of funding is derived from a collection of membership dues from local businesses and organizations (FY06 – approximately $540,000). The EDC is governed by a 42 person Board of Directors. The County has 3 representatives on the EDC Board, including two commissioners and the County Administrator. The Board generally meets 6 times per year.

The FY 05/06 contract with the EDC has expired. The proposed $199,500 contract for FY 06/07, as in previous years, provides that the EDC shall:

- Create and/or retain of 400 jobs through business recruitment, retention, and expansion efforts.
- Serve as Enterprise Zone Administrator for the Leon County Enterprise Zone
- Provide administration for the Qualified Target Industry (QTI) incentives program.
- Create a standardized process for the review of incentives requests made by a relocating or expanding business enterprise, including the establishment of "shelf-ready" incentive packages, subject to Board approval.

Should the Board not desire any additional changes to the above, the FY 06/07 EDC contract will be agendaed for Board consideration at the regular Commission meeting of March 13, 2007.

➢ *Recommendations for Continued Improvement:*
Direct staff to agenda the FY 06/07 EDC Contract for Board consideration.

First Focus Partnership

On March 28, 2006, the Board contributed $100,000 to the First Focus Partnership Program (First Focus) to partner with the Economic Development Council, Tallahassee Community College (TCC), and other local organizations in an effort to leverage county funding towards workforce training for local businesses. As the program is in its formative stage, the County's funding will be directly utilized to assist business in the form of workforce training, grant writing, business plan consulting and strategic job assessment.

TCC and the EDC have begun formulating requirements for local businesses to receive funding, which will include securing matches from state and/or federal grants. It is anticipated that 50 or more local businesses will benefit from the County's contribution. Once the program has fully developed the County could potentially receive a $1 to $5 return on applied county funds for direct program expenditures. The County's partnership with these other organizations highlights a community effort to foster a cooperative and positive approach to addressing local business development issues in Leon County. It is anticipated that the program will commence by this summer.

➢ *Recommendation for Continued Improvement:*
Continue to support the First Focus Partnership Program

Other Important Community Economic Development Efforts

As the County continues to take the lead in economic growth, there are numerous other initiatives that are taking place throughout the community. These programs seek to increase the community's economic sustainability by identifying the community assets, expanding and increasing research and development capabilities, and improving the quality of life of Leon County.

Knight Creative Communities Initiative

The Knight Creative Communities Initiative (Knight Initiative) is a program funded by the John S. and James L. Knight Foundation (Knight Foundation) that promotes a new approach to economic development. The Knight Initiative contends that the key to economic growth lies with the "creative class." The creative class is a new class of workers that are the driving force behind community prosperity and a high quality of life.

Tallahassee has been selected as one of three pilot communities, nationwide, to work with the Knight Initiative and nationally-recognized community development consultant Richard Florida. The goal of this collaboration is to establish a community-wide program to build authentic sustainable prosperity in the community. The yearlong effort will build upon the research and writings by Mr. Florida, which spotlight human creativity as the primary engine of economic growth.

In his bestselling book, *The Rise of the Creative Class*, Mr. Florida writes:

> "Companies were the force behind the old game and cities measured their status by the number of corporate headquarters they were home to. Even today, many cities, states and regions continue to use financial incentives, some of them obscenely extravagant, in their effort to lure companies." He goes on to state that "they (corporations) no longer call the shots, companies increasingly go and get started where creative people are."

Mr. Florida identifies the Tallahassee area as the number one ranked community for regions with a population of 250,000 to 500,000 on his Creativity Index. This initiative will seek to formulate new strategies for achieving sustainable economic growth in our community by maximizing our creative advantage. The Knight Initiative will be led by Mike Pate of the Knight Foundation who will enlist the involvement of 30 volunteers to form the Catalyst Team that will be charged with understanding and applying effective methods of developing sustainable economic prosperity. The Richard Florida Creativity Group will present its findings to and host a training seminar for the Catalyst Team on March 28-29. At the completion of the seminar the Catalyst Team will commence a year-long strategic planning process which will result in the formulation of initiatives for sustainable economic prosperity in our community.

Jim Moran Institute

The mission of The Jim Moran Institute (JMI) for Global Entrepreneurship in the College of Business at Florida State University is to nurture the growth and development of entrepreneurship in the global marketplace through practical assistance, applied education, and public recognition. JMI, led by Dr. Jerry Osteryoung, provides consulting services to small and growing businesses, hosts

entrepreneurial roundtables, and sponsors a youth initiative called Junior Achievement which introduces high school students to entrepreneurial and business concepts. Since its inception, JMI has directly assisted over 3,000 businesses throughout the State of Florida.

Florida State University GAP Program
The Florida State University Research Foundation led by Dr. Kirby Kemper has established the GAP Program to encourage the introduction of innovative products in the market. The Research Foundation has committed a total of $1 million to the program for the next four years to support the creation and/or enhancement of inventions and other original works.

The GAP Program provides graduated funding to innovative products based on a 3 stage criteria that all potential participants must meet. At the first stage the program provides up to $50,000 to begin work on the product, at the second stage up to $100,000 is provided if companies have shown interest in the invention that is being produced, and at the final stage the GAP program commits up to $250,000 to the product with an expected match by a company that is interested in marketing the product. Thus far, the program has provided funding to 10 projects for a total of nearly $500,000.

- *Recommendation for Continued Improvement*:
  As the County has done, staff recommends that the County continue to work with the leaders of the aforementioned programs in strengthening our partnerships and formulating the County's economic initiatives.

Funding Sources for Economic Development
As previously mentioned, at the Board's annual retreat, the Commission directed that a continuous funding source for economic development be evaluated. Notwithstanding the significant funding contributed by the County associated with the aforementioned programs and noted in the previous sections, the County's only recurring annual line-item funding for economic development is for the contract between the EDC and the County. The $199,500 currently budgeted is entirely funded by ad valorem taxes.

As the Board is aware, Leon County, like all Florida counties, is now facing a challenge with respect to property tax reform which cannot be overstated. Specific recommendations being considered by the Florida Legislature and those being spearheaded by the newly elected Governor will result in what is expected to be significant decreases in revenues to local governments. These recommendations which include: doubling the homestead exemption, capping non-homesteaded property at a 3% growth rate, portability of homesteaded property's save our homes values and a $25,000 exemption on tangible personal property, will considerably limit funding available for providing even the current operating service levels of the County, as well as anticipated capital needs. If these proposals had been in place last year, not taking into consideration any of the impacts of portability, the reduced revenue to the County would have been **$17.4 million** or a reduction of over 15% of all ad valorem revenue. Without new construction, the impact would have been a

reduction of over **$20 million**. This amount will be significantly larger if unlimited statewide portability is implemented.

That said, the following presents specific continuous funding options which the Board may wish to consider.

Establishment of a Special District for Economic Development
Dependent Special District
The Board could create by ordinance a dependent special district for the purpose of economic development. With the consent of the City Commission, the special district could be established countywide. The Board could unilaterally create the special district in the unincorporated area of the County. If the Board chose to create a dependent district for economic development purposes, the governing board of the dependent district may be the Leon County Board of County Commissioners or a group appointed by the Board of County Commissioners. However, any taxing authority would have to be expressly granted by the Special Act of the Legislature and approved by referendum. A millage rate levied at .05 mills during the FY '07 would generate $750,000. A millage of .10 would generate $1.4 million. The millage rate for the special district could note exceed the County's millage cap.

Independent Special District
Alternatively, the Board could seek for the creation of an independent special district, commonly referred to as a special purpose unit of government (as opposed to general purpose government, such as the County). Only the Florida Legislature could establish an independent special district for economic development. As a new taxing authority, explicit authority to levy an ad valorem tax millage would have to be included in the legislation, and the millage rate would have to be placed as a referendum for approval by all affected citizens. The independent special district could be established countywide, regionally, or in a designated geographical area of the County. The district would be governed independently from the County and any millage would not count against the County millage rate cap.

Municipal Service Taxing Unit (MSTU)
The Board has the option by ordinance to levy an additional MSTU for the purpose of economic development. Section 125.01(1)(q), Florida Statues, provides specific legislative authorization for counties to establish a MSTU county-wide or for a portion of the County. The consent of the City would be required to levy an MSTU in the incorporated area.

The ordinance adopted by the Board would set the millage rate of the proposed MSTU which would not county against the County's 10 mill cap (MSTU millage cap provides additional 10 mills of capacity). In addition the establishment of an MSTU for economic development would count against the City's cap.

Local Business Tax (Occupational License Tax)
Section 205.0533(7), Florida Statutes, provides that counties may levy the local business tax (occupational license tax) for the purpose of overseeing and implementing a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques. The current occupational license tax levied by the County is a $25 flat fee for all businesses (Attachment #3). Pursuant to the aforementioned law, the County must remit to the City a portion of the revenue generated from businesses located in the incorporated area equal to the City's percentage of population to that of the County. Based on this, the County remitted 64.47% of the revenues collected from incorporated area businesses in FY 05/06, for a total of $163,546. The County, in turn, received 35.53% of the revenues from incorporated area businesses and 100% of the revenues from the unincorporated area businesses, for a total of $237,776 last year.

The City levies its own occupational license tax which varies based on a fee structure from $0 to $1,000 per business located in the incorporated area of the City. This generated $1.6 million to the City in FY06. The City directs this funding to its general revenue.

As previously mentioned, the County's contract with the EDC is currently funded exclusively from property taxes at the $199,500 level. It is important to note that the occupational license tax has remained at the $25 flat fee since its inception in 1994. Section 205.0535(4), Florida Statutes provides that the County may increase this rate for economic development purposes by 5% every two years by a supermajority vote of the Board. For example, if the Board were to implement a bi-annual 5% increase on the FY 05/06 amount of $237,776, revenues would yield, $249,664, $262,147, and $275,254, over just a six year period. This would provide the Board with a continuous funding source for economic development as provided for in statute a rational nexus to business. This funding could be used to fund the EDC contract with a portion reserved for particular projects, such as business relocation incentives. It should be noted that the occupational license tax has become a dedicated funding source to economic development organizations in numerous counties, including: Miami-Dade, Broward, and Sarasota Counties.

Another possibility exists to significantly increase the funding from the business license tax to provide a continuous funding source for economic development. Currently, Chapter 205.033 (6)(a) authorizes Miami-Dade County and its surrounding counties to increase the business license tax by 50% and dedicate the revenue generated to an economic development organization (such as our EDC). Under this provision the revenue generated from the increase is not apportioned among the counties and the municipalities in its boundaries, but instead retained fully by the counties. A 50% increase to the current business license tax in Leon County under this provision would have yielded an addition $200,000 over the FY 05/06 amount of $237,776. Legislative action to amend the eligible counties definition would be required to implement this option. Staff recommends changing the "eligible counties" definition to include all charter counties.

➢ *Funding Source Options:*

- *Creation of Economic Development Dependent Special District*
  - *Can be created by County Ordinance*
  - *Requires referendum to establish millage rate*
  - *Board may serve as or appoint a governing body*
  - *A millage rate would count against the County's millage cap*

- *Creation of Economic Development Independent Special District*
  - *Can only be created by the Legislature*
  - *Requires referendum to establish millage rate*
  - *Governing body created in law, independent from the County Commission*
  - *Millage Rate does not count against the County's cap*

- *Municipal Services Taxing Unit (MSTU) for Economic Development*
  - *County Commission can establish MSTU by Ordinance*
  - *Requires City Commission approval to levy countywide*
  - *Millage Rate would not count against the County's general millage cap*
  - *Millage Rate would count against the City's general millage cap*

- *County occupational license tax - Section 205.0533(7), Florida Statutes*
  - *FY 05/06 Actual County Funding Amount - $237,776*
  - *FY 05/06 Total (City - $163,546 and County - $237,776) Amount - $401,322*
    - *The City collected $1.6 million from its own separate occupational license tax in FY 06*
  - *This funding source can be increased 5% every two years*
    - *Should the Board wish to expand this funding source further, direct staff to pursue a legislative amendment to F.S. 205.033(6)(a) to provide authority for charter counties to increase the occupational license tax up to 50% to be dedicated to an economic development organization*

➢ *Continuous Funding Source Recommendations:*

1. Utilize the total County Occupational License Tax revenues (City and County portions = $401,322) to funding of the EDC Contract and economic development. Including the City's portion would require City agreement. The City's has a separate occupational license tax which generated $1.6 million in FY 06. This option would enable the Board to increase this amount by 5% every two years.

2. Should the Board wish to engage in providing direct financial incentives to attract relocating businesses, staff strongly recommends that the Board consider one of the above funding options which provides the Board the ability to dedicate an ongoing millage rate to provide adequate continuous funding for that activity.

Summary

As evidenced in this workshop item, the County's progressive economic development efforts, especially over the past several years, have resulted in significant accomplishments. The programs and initiatives included here serve as important economic development tools for this community. The recommendations for continued improvement found throughout this document are indicative of the long term nature of these initiatives and the continued commitment necessary and partnerships required to carry out the Board's top priority. Staff will continue to keep the Board informed on the progress of all of these issues in your Quarterly Board Priority Status Reports.

Options:

1. Adopt all of the Recommendations for Continued Improvement associated with the economic development programs and initiatives presented herein:
   - *As our community's only university-related research park, it is important for the County to continue to assist Innovation Park in its efforts to turn intellectual property into economic prosperity and to strengthen its ties to the Universities and the broader community. A County Commission tour and workshop on Innovation Park is currently being scheduled for July or August.*
   - *Staff recommends that the County continues to support the EZ and amend the EDC contract to reflect increased emphasis on advertisement outreach activities.*
   - *Based on the October 24, 2006 Board direction, staff will prepare an amendment to the CRA Interlocal Agreement for execution by the Chairman upon City Commission approval of same.*
   - *Continue to support the QTI Program.*
   - *In order to increase participation in the TBPP, staff recommends that the EDC contract reflect an increased emphasis on the advertising and outreach of this program. Staff will also advertise this program on the County's website, in the County Link, and in public spaces frequented by local business people, such as Growth Management, Building Inspection and Planning.*
   - *Continue to support the Leon County SBE Program and build upon the successes of the SBDC program and the relationship with Florida A&M University.*

- *Staff recommends Board support all upcoming agenda items and amendments to the Comprehensive Plan to effectuate these changes in the coming months.*

- *Vision 2020 will submit quarterly reports to the Board commencing in June 2007. Staff will include the additional $300,000 funding request for Board consideration in the upcoming budget process. Staff has also prepared an agenda item for the February 27, 2007 Commission meeting to transfer the remaining funds from the Klehr Harrison contract to Vision 2020, LLC*

- *Direct staff to agenda the FY 06/07 EDC Contract for Board consideration.*

- *Continue to support the First Focus Partnership Program*

- *Continue to work with the leaders of the Knight Initiative, JMI, and the FSU GAP Program in strengthening our partnerships and formulating the County's economic initiatives.*

2. Direct staff to pursue the continuous funding sources list below:
   - *Utilize the total County Occupational License Tax revenues (City and County portions = $401,322) for to funding of the EDC Contract and economic development. Including the City's portion would require City agreement.*

   - *Should the Board wish to engage in providing direct financial incentives to attract relocating businesses, staff strongly recommends that the Board consider one of the above funding options which provides the Board the ability to dedicate an ongoing millage rate to provide adequate continuous funding for that activity.*

3. Direct staff to pursue an amendment to F.S. 205.033(6)(a) to provide authority to Leon County to increase the occupational license tax up to 50% to be dedicated to an economic development organization.

4. Board Direction.

Recommendation:
Board Direction.

Attachments:
1. 2007 Board Priorities
2. Innovation Park 2007 Technology Commercialization Grant Information
3. F.S. Section 205.0533(7)