

# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee

FROM: Raul Aguila, Interim City Manager

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*Paul J. Aguila*  
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DATE: December 18, 2020

SUBJECT: Economic Development Incentives

### **BACKGROUND**

The City is a unique municipality with a geographic profile that distinguishes it from most municipalities in Greater Miami. Traditionally, we have attracted and supported businesses in ways that don't necessarily involve economic incentives, but which are generally related to quality of life, tourism, entertainment, arts and culture. Especially in times of fiscal conservatism, it is necessary to emphasize our attractive qualities that appeal to out-of-state businesses interested in relocating, such as our superior schools and educational institutions, appealing climate, preferential State tax structure, and abundant housing supply.

Arts and culture are pillars of the City of Miami Beach. Not only have the arts played a vital role in the City's renaissance since the 1990s, but this sector continues to reaffirm the City's relevance and attract visitors to Miami Beach. The City should strive to ensure that tourism plays a strong role in our economy. The influx of visitors and their spending provides important revenue and elevates international prominence.

Nevertheless, it is critical to diversify and enhance the business industries which drive our economy. Reliance on one sole business sector is a recipe for disaster in the event of an unanticipated crisis or economic downturn as we have seen with COVID-19. Keeping this in mind, if we are serious about diversifying and expanding, it is imperative that the City invest in areas that need development and strengthening. It is not enough to merely hope that targeted new industries are attracted if we do not meaningfully invest resources in the recruitment process.

On September 19, the Land Use and Sustainability Committee discussed the migration of corporate office tenants from locations outside of Florida to the greater Miami area. On multiple occasions as of late, the Administration has presented information to the Land Use Committee and FERC Committee regarding a

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meaningful increase in interest in the Miami market from financial services and related firms located elsewhere. Accordingly, in an effort to boost the City's appeal to such firms, the City has issued an RFLI for Class A Office Space near Lincoln Lane North. The deadline for receipt of questions is January 21, 2021 and letters of interest are due February 11, 2021.

Leveraging the City's underutilized real estate portfolio is only one way to diversify our economy and promote economic development. The City's annual budget allocation is representative in many ways of the City's priorities and goals. Presently, the City funds very little programs to incentivize and attract new businesses. An objective assessment is that, after initially recognizing our shortcomings, the strategy has been to operate like the City *wants* business diversification and enhancement. In reality, the City *needs* business diversification and enhancement. If we need growth and are serious about effecting change, we must be competitive with other metropolitan areas and neighbors and implement measures with resources and financial backing.

## **ANALYSIS**

In its memorandum to the September 17, 2020 Land Use workshop on the Art Deco Cultural District, the Administration discussed financial and non-monetary incentive types which could be tailored to specifically target desired industries for any of the City's commercial districts. Among the programs, the most effective incentives would require budgetary impacts for the City, such as cash grants or lease subsidies in exchange for business relocation.

The Miami Downtown Development Authority, an autonomous agency of the City of Miami funded by ad valorem tax levy of constituent members, provides specific incentives to attract new business:

### **Miami DDA Incentive Fund**

- *Eligibility:* Available only to New-to-Market Businesses or Expanding Businesses that relocate or hire a minimum of 10 new employees to the Miami DDA District within a 3-year period (along with other program requirements which help highlight the DDA). The Program is available to the following industries:
  - Financial/Professional Services
  - Technology
  - Headquarters including regional headquarters
- *Incentives:* The actual award is determined after the Company has begun operations, and at the end of each fiscal year upon the verification of new hires and all other obligations. The maximum Miami DDA award is based on the number of employees brought to Miami DDA District during the initial move and any subsequent new hires.

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- The incentives over the three (3) year period after the applicant's start of operations or the execution of the agreement, whichever is later, may not exceed:
  - \$500 per employee for the first 50 jobs (minimum of 10);
  - \$350 per employee for each job added above 50 but less than 100;
  - \$250 per employee for each job added above 100
- Applicant may be eligible for the following bonuses for new hires only:
  - An additional \$125 per employee if a company is located within the Flagler District as defined by the City of Miami
  - An additional \$125 per employee if new hire received a degree from a public university, private university, or technical school located within Miami-Dade County and graduated within 3 years of the hire date
  - An additional \$125 per employee if previously unemployed or employed below the Living Wage Rate immediately preceding employment with company
  - An additional \$125 per employee if their primary residence is within the Miami DDA District
- A business may not receive more than \$50,000 in awards per fiscal year and the company may not receive more than \$150,000 in award payments over the 3 year eligibility period, however the DDA may waive the \$150,000 total award cap at its discretion.

Miami DDA Property Improvement Grant Program

- Provides grant funding for qualified exterior improvements. The goal of the program is to improve the central business district's physical environment ("curb appeal") and enhance the area's overall perception – while supporting increased economic activity and investment.
- The incentive is administered by the Downtown Miami Partnership (DMP). An independent committee awards funds at its discretion and in accordance with the program guidelines.

The Beacon Council is a public-private partnership that grew out of the Greater Miami Chamber of Commerce and it serves as the official economic development organization for Miami-Dade County. In partnership with Miami-Dade County, businesses may benefit from the Miami-Dade County Targeted Jobs Incentive Fund (TJIF).

Miami-Dade County Targeted Jobs Incentive Fund (TJIF)

- The TJIF Program is intended to spur business activity and promote the growth of Miami-Dade County's economy.
- The Program offers cash incentives for existing Miami-Dade companies undertaking a business expansion that creates new jobs. New business

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establishments in Miami-Dade and companies considering relocating to the county are eligible for a TJIF incentive,

- Companies relocating from Monroe, Broward, or Palm Beach counties are not eligible, unless the company plans to relocate outside South Florida, in which The Beacon Council in an effort to retain the business in South Florida.
- The TJIF Program awards cash incentives to companies in selected industries that create new above-average paying jobs (at least 10 new jobs) and make a capital investment of at least \$3 million. Businesses that expand or relocate within the boundaries of the Enterprise Zone, Targeted Urban Areas, Brownfield areas and Community Development Block Grant eligible areas are eligible for an additional incentive amount.
- Disbursements of incentive awards only occur after capital investments are made, jobs are created and retained over a specified time period (usually six years), and after paying its County property taxes.

The State of Florida also has economic development incentives, the majority of which are focused on larger companies with a greater impact and, therefore, are more difficult for the City to leverage:

High Impact Performance Incentive (HIPI):

- A negotiated incentive used to attract/grow major high impact facilities in Florida, for sectors such as financial services, corporate headquarters, information technology, among others.
- Within a 3-year period, businesses must create at least 50 new full-time equivalent jobs and make a cumulative investment of at least \$50 million.

Qualified Target Industry Tax Refund Incentive (QTI):

- Provides an incentive for target industries to locate new facilities or expand existing facilities in Florida. The program provides tax refunds of \$3,000 per new job created. Higher awards are available to companies paying very high wages, operating within a designated high impact sector, or meeting other criteria. To qualify, a company must create at least 10 new jobs (and a 10% increase for expanding Florida companies), pay an average of at least 115% of area wages, have a significant positive impact on the community, and have local financial support.

Veterans Business Training Grant:

- Available to Florida businesses seeking to train and hire military veterans. The program helps businesses meet workforce demands in a competitive environment by facilitating access to training and education in high-demand fields for veterans through matching training grants up to \$8,000 per veteran employee trained

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Business attraction and expansion incentives programs are not limited to the state or county. Cities like Miramar in Broward County have developed incentive programs to attract the growth they seek. While the state and county incentive programs apply to businesses locating or expanding within the City of Miami Beach, there are no existing incentive programs specific to Miami Beach. As the City aims to increase office inventory, we must take additional measures to remain competitive and draw attention to our desire for economic growth. Now is the time to be aggressive with recruitment efforts in a competitive market.

It is proposed that the Administration prepare an economic development incentive program for consideration by the City Commission at the January 13<sup>th</sup> City Commission meeting.