

## ECONOMIC DEVELOPMENT INCENTIVES

The **objective** of any economic incentive policy is to:

*Increase the tax base, create jobs and stimulate the local economy by encouraging new business activities or expansion of existing business activities within the Town of Lake Park's Community Redevelopment District (CRA) and promote viable development and redevelopment initiatives in the Town.*

## GOAL STATEMENT

The Town of Lake Park supports economic development to sustain the fiscal health of the community, promote a variety of housing options and employment opportunities and enhance the quality of life in the Town. To further those goals, the Town desires to create tools to assist economic development in order to attract new businesses to the community, retain and promote the expansion of existing businesses in the community and diversify the local economy.

## GENERAL OVERVIEW AND ITEMS TO CONSIDER

Incentives can be Grants for eligible projects, Loans or Loan Guarantees. The purpose is to leverage public incentive funds with outside money (non-municipal funds) to allow a project to move forward. Private sector funding can be integrated with Federal, State and or County Economic Development, if the project is eligible, as part of a complete economic incentive package. The total amount from all non-municipal incentives must, generally, be greater than fifty percent (50%) of the total funding required for the project.

Public Sector incentives must stimulate the local economy. It is imperative for the CRA to diversify the mix of businesses and residential housing options, in order to continue to make Lake Park more attractive for residential and economic development projects to move forward. The motivating factors for businesses (specifically) to locate, relocate or expand in Lake Park vary depending on the nature of the business and its purpose in the community. Generally however, a good quality of life, an inviting community and an ability to generate a positive return on its investment in order to limit as much risk as possible, is always desired. These variables also generally apply to all development projects. Incentives offered will look to balance these desires with reasonable guarantees and equity from the applicant since in an attempt to balance risk. Public assistance can potentially spur a certain amount of development activity, expand the tax base and provide other economic development opportunities. Without incentives, projects and prospects may be limited, as it relates to proposing and integrating the highest and best uses into the Lake Park community.

**MAIN OBJECTIVE AND CRITERIA** - Those seeking public funding must first identify private sector funding, state and federal funding including grants and private sector loan funds. Lake Park's implementation of a loan, grant and or loan guarantee program must be provided only after sufficient proof is provided that the business owners have met the first objective and that at least fifty percent (50%) of the private funding is secured. The extent of public sector incentives must correspond to the amount of return on the Town's investment. **The project must demonstrate an increase in tax revenue, an increase in the number of employment positions created, along with the nature of these positions, along with an analysis of the amount of new dollars that will flow into the local economy from the overall, projects, businesses, etc.** Grant funding must include an assessment of how likely the project will be completed and operational. I would recommend that depending on the grant dollars, the business must be in operation for a specified time. For example; \$25,000 grant, the business must be continuously operated for five years, \$50,000 the business must be continuously operated for ten years, and so on (or in the case of an overall project, show financial viability for the same terms). To be most effective, the Town should have the ability to package and combine resources from various sources including the business' equity contribution towards the project.

Outside resources must be identified and secured before municipal participation can be considered. When evaluating how to promote recruit and or expand new and existing businesses, or in the development of new projects, the financial risk for the CRA must be equal to or less than the private financial risk of the business or overall project.

- What is the intended goal or benefit to the public?
- Is the benefit to the public speculative or objective? Is it measurable?
- What is the probability that the public interest will be served and to what degree?

The public funding must be proportional to the return on investment, the increase to the local economy, the number of jobs created etc.

**Incentive programs will be established on a case-by-case basis and by Resolution of the Town Commission.**

Additional Criteria to consider when making a request for incentives:

- Degree to which the development may potentially stimulate other desirable economic development or redevelopment activities.
- Contribution the development will make toward increased employment and earnings within the CRA including the number of quality jobs created.
- Increase in property tax revenue that will result from the development.
- Increase in sales tax and other fee revenues including Business Tax Receipt (BTR) revenues from the development.
- The potential of development for other business activity expansion and additional job creation.
- Preservation of key historical or architecturally significant buildings or sites.
- The extent to which additional direct or indirect public costs to the Town and Town Departments would be necessary, such as the cost of extending public infrastructure, facilities or municipal services.

Other public benefits for which performance standards are NOT easily measured include:

- Likelihood that the proposed development would not occur in the absence of economic development incentives?
- The Extent to which the proposed development satisfies a desired or unique niche in the marketplace and helps with the diversification of the local economy?
- Beneficial impacts the development may have on a particular section of the CRA including areas needing revitalization or redevelopment by filling in empty commercial space.
- The compatibility of the location of development with land use and development plans as part of the Town's Comprehensive plan, including the consideration of availability of essential public services.

ALL incentives that are established must ensure that the project will be completed. Therefore, a written contract or agreement will be required between the developer/owner and the CRA or

the Town of Lake Park. The contract will come before the CRA Board and or the Commission at a duly posted public meeting of each or both entities. If the contract or agreement moves forward, a vote authorizing the Mayor and or the Chairman of the Board of Directors of the CRA to sign such contract or agreement is required by Resolution.

In the case of upfront grants or loans, this type of incentive agreement should be backed by supplemental written documents to reasonably guarantee developer performance and to collateralize the financial participation of the Town should the project default or fail to meet the above-mentioned criteria. The purpose will be to ensure the ratio of municipal financial participation to the project is equal to or lower than the level of other source financing/participation to the public incentive investment approved.

### INCENTIVE STRUCTURE

Incentives can be outright grants to eligible projects, loans or loan guarantees. The incentive is paid through either an upfront loan or a grant, and only after certain conditions, are met. The after-the-fact method is easier to structure. Compliance with a defined performance standard is verified before payment is made. I.e. invoices are received and verified before payments are made to the developer(s). Incentives can be structured as a payment to the project based on a percentage of municipal revenue derived and collected from the project that would not otherwise have been collected if the development project had not been completed. This may be difficult to calculate.

The after-the-fact incentives are not counted as equity in a project and does little to address **gap-financing (GAP)**. Closing GAP financing for developers can be challenging, but may be required before economic development projects can move forward. How do we address this issue? When GAP financing cannot be avoided and as a result, prevents the project from moving forward, the Town may want to consider upfront grants or loans to developers. This arrangement will require a more complex agreement between the CRA, the Town and the Developer. To ensure compliance, the Town will need reasonable guarantees that: (1) the project will materialize; (2) the loan or grant must be proportional to the level of private investment and (3) remain in place for a period relative to the level of initial public investment. A claw-back provision may be required for larger public investments over a certain dollar amount. Equity must be secured from the private investor in the form of a letter of credit or an equivalent amount of funds deposited in a bank and co-signed by the Town.

Security mechanisms must accompany such grants or loans to provide reasonable assurance that, if the publically assisted project does not produce the anticipated benefits the municipality has recourse to recover its investment in the project. The upfront incentive assistance may be structured as a deferred forgivable loan from the municipality. The larger the loan, the greater the forgivable period. The forgivable loan is accompanied by a loan agreement, promissory note

and or mortgage to ensure that the public investment is recoverable if the developer fails to meet his/her obligations.

Outside incentive resource links:

<https://www.flgov.com/financial-incentives/>

<http://edr.state.fl.us/Content/presentations/economic-development/FLFinanciallyBasedEconDevTools-ROI.pdf>

<https://www.enterpriseflorida.com/why-florida/business-climate/incentives/>

<http://www.blsstrategies.com/florida-incentives>

<http://edr.state.fl.us/Content/local-government/economic-development-incentives/index.cfm>

Economic incentives can be an effective tool, if carefully developed, structured and implemented. Incentives should be used prudently after extensive vetting and due diligence by the Town Staff. Publically funded incentives may be granted either in the form of grants or loans. The structure of any incentive must have a public benefit that is proportional to the level of investment of public funds. Eligibility for incentive participation must not be arbitrary and must treat all members of the business community in a fair and equitable manner under similar circumstances. The Town may grant incentives to developers upfront, or after certain performance standards have been met. Security mechanisms should accompany upfront incentives to ensure developer performance and to collateralize the public incentive investment.

# POLICY

## ELIGIBLE PROJECTS

The Town may consider providing economic incentives to projects that offer extraordinary long-term benefits to the Town. In determining whether to grant an economic incentive, the Town is guided by whether an economic incentive is likely to attract new, sustainable and desirable development to the community; whether a proposed development that is attractive to the community would locate in the Town without an economic incentive; whether an existing business desires to expand in a manner that would be beneficial to the Town; or, in the case of an existing business, whether an existing business is actively seeking to relocate outside the Town. The Town shall be particularly inclined to grant economic incentives to businesses or projects with a strong sales tax base; or to businesses or projects within the downtown area; or to businesses or projects that will diversify the tax base by investing capital dollars into the renovation of properties.

Based on these broad principles, the Town considers the following criteria in determining whether to grant an incentive:

- Potential to generate sales tax revenue
- Substantial capital investment in the Town
- Creation of new employment
- Above-average wages
- Diversification of businesses that enhance quality of life
- Desirable retail establishments
- Vital industry with a long term commitment to the Town
- Uniqueness of a project deemed advantageous and beneficial to the Town
- Location of new sales tax generating business
- Potential to introduce other desirable businesses to locate in the Town
- Quality of the proposed improvements and use

## POTENTIAL INCENTIVES

For eligible development projects, the Town may consider the following potential economic incentives based upon the magnitude and attractiveness of the project:

**Business Tax Receipt Fees:** The Town may waive, reimburse or defer payment of a portion of the Business Tax Receipt Fees generated by a development if the funds are otherwise used to

assist in the payment of the cost of the public improvements associated with the development project.

**Development Fees:** The Town may waive, reimburse or defer payment of the Town's portion of the associated development application fees, building permit and inspection fees, if the funds are otherwise used to assist in the payment of the cost of the public improvements associated with the development project.

**Sales Tax:** The Town may consider a rebate, or share-back, of a portion of the sales tax generated to reimburse a developer for the cost of public improvements associated with the development project.

**Storm Water Utility Impact Fees:** The Town may consider deferral of all or a portion of the Storm water impact fees for a time certain.

**Ad Valorem Tax Exemption:** (EXPIRED PROGRAM – can only be renewed by referendum) If re-established, the Town may consider this tax exemption pursuant to the provisions established in Chapter 28 of the Town Code of Ordinances.

**Façade or other Grant Program Funding:** The Town may provide financial assistance for improvement projects to buildings, or renovating façades in commercial and industrial areas to encourage revitalization of private and commercial properties. These funds must be specifically identified and available in the Town or Community Redevelopment Agency (CRA) budgets.

**Coordination with Economic Development Agencies:** The Town may actively assist and help coordinate efforts to obtain grants and financial assistance from other economic development agencies, such as the Business Development Board; Palm Beach North Chamber of Commerce; and other agencies.

**Expedited Permitting:** The Town may consider expedited permitting pursuant to the provisions provided in Chapter 67 of the Town Code of Ordinances.

## **COORDINATED AND EXPEDITED REVIEW**

A request for an economic incentive shall be evaluated on a case-by-case basis to determine the overall benefit and impact to the community. In reviewing a request, the Town commits to expedited review, superior customer service and a quality development review process. A developer or business applicant seeking an economic incentive shall submit a written request to the Town. Upon receipt of the written request, the Town Manager and his/her designated staff member(s), shall review the request and schedule an in-person review meeting with the applicant. As a part of the review process, Town staff, with the use of outside parties as may be needed, shall perform a cost-benefit analysis of the requested economic incentive(s). The



analysis should identify and calculate the benefits to the community compared with the costs and impacts. When appropriate, Town staff may require that the applicant obtain a cost-benefit analysis from an independent outside consultant to determine the viability of the requested economic incentive and this decision will be made at the discretion of Town staff after review of the initial written request and its associated documentation.

Once Town staff and the applicant have finalized discussions and negotiations, regardless of whether Town staff and the applicant have reached agreement on the economic incentive request(s), the applicant shall have an opportunity to appear before the Town Commission (or Community Redevelopment Agency-CRA, if applicable), to request the economic incentive(s). At that time, Town staff shall present its findings and also make a recommendation to the Town Commission (or CRA Board). The Town Commission (or CRA Board) retains full discretion and final authority to approve or deny an economic incentive, and may do so on any basis that it deems to be proper and appropriate and in the best interests of the Town.

#### **Contact Information**

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