

Memorandum



Date: January 21, 2015

To: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Enterprise Zone Program and Its Impact on Miami-Dade County's Economy -
(Resolution R-635-14)

The attached report is presented in response to Resolution No. R-635-14, approved by the Board of County Commissioners on July 1, 2014. The resolution requested a study of the economic impact of the Enterprise Zone Program in the enterprise zone designated areas of the County compared to areas outside the zones. Statistical data was used to assess the effectiveness of the program within the County's Enterprise Zone (EZ). The analysis suggests economic benefits within the EZ in terms of poverty and unemployment, job creation, household and family median incomes, per capita income, and industrial and commercial real estate investments since 2000.

The assessment of social and economic progress in Miami-Dade's Enterprise Zones (EZ) indicates that economic progress has been achieved since 2000, although many areas in the EZ continue to suffer from high poverty rates and high rates of unemployment, low family incomes, as well as low per capita income.

The socio-economic gains achieved in the EZ during a decade marked by the deepest recession in U.S. history, along with the fact that pervasive poverty remains in most of the neighborhoods of the zones, strongly suggests that the Enterprise Zone Program in Miami-Dade has contributed to the welfare of the County and should be reauthorized. The socio-economic gains and expansion of private investment experienced in the EZ meet the legislative intent of the program as it was established by the State. However, the reauthorization of the program and continued public investments in the EZ remain necessary to sustain the positive momentum achieved during the last decade.

Key findings in the assessment attached include:

- Businesses and residents of Miami-Dade's Enterprise Zone (EZ) have benefitted not only from the tax rebates and credits received by businesses, but also from the new hires of EZ residents by establishments in the zone and the associated increase in consumer buying power within EZ neighborhoods.

- Fundamental socio-economic indicators show that the areas within the Miami-Dade Enterprise Zone (EZ) outperformed the areas outside the zone between 2000 and 2012. Indicators of private investment also demonstrate that the EZ outperformed the areas outside the zone between 2004 and 2014.
 - The percentage of persons living below the poverty line in the EZ declined by 4.3 percent, while the area outside the EZ experienced an increase of 0.3 percent.
 - The unemployment rate in the EZ increased by 0.6 percent, but the unemployment rate outside the EZ increased by 2.2 percent.
 - Job growth in the EZ increased by 139.9 percent, while the area outside the EZ experienced an increase of 9.9 percent.
 - Median family income in the EZ increased by 42 percent, and over the same period it increased by 29 percent in areas outside the EZ.
 - Homeownership in the EZ increased from 29 percent to 34 percent, while homeownership outside the EZ remained virtually unchanged at approximately 63 percent.
 - Private investment increased in the EZ between 2004 and 2014 with the development of additional 29 million square feet of industrial and commercial space. During the same period, industrial and commercial space declined outside the EZ.

Modest changes aligned with the State's legislative intent of the program could improve the effectiveness of the tax credits already available in the EZ.

Six recommended program adjustments to EZ incentives include:

- a) Allow small businesses to receive prorated sales tax jobs credits on wages paid to part-time workers scheduled for more than 20 hours per week or 84 hours per month.
- b) Allow businesses located outside the EZ to be eligible for the sales or corporate income tax jobs credit when the establishments hire full-time workers living in the EZ.
- c) Reduce the threshold to be eligible for sales tax credits for investments in business equipment from \$5,000.00 per unit of machinery or equipment to \$500.00.
- d) Increase the cap on corporate tax jobs credit to reflect price inflation since 2004.

- e) Allow unused sales tax job credits for small business establishments providing business, personal and professional services to carry over their earned sales tax job credits for two years. Small businesses often do not generate enough sales taxes remittances to the State to make effective use of the job tax credits since earned tax credits do not carry over to future tax returns.
- f) Raise the cap on the building materials tax credit from \$5,000 to \$60,000 for industrial or commercial construction in the EZ and adjust the cap each year for price inflation.

If you have any questions regarding this study, please contact Jack Osterholt, Deputy Mayor/Director of the Department of Regulatory and Economic Resources, at 305-375-3076.

Per Ordinance 14-65, this memorandum will be placed on the next available Board of County Commissioners meeting agenda.

Attachment

- c: Jack Osterholt, Deputy Mayor/Director of Department of Regulatory and Economic Resources
Russell Benford, Deputy Mayor
Robert A. Cuevas, County Attorney
Lourdes Gomez, Deputy Director, Department of Regulatory and Economic Resources
Mark Woerner, Assistant Director, Department of Regulatory and Economic Resources
Christopher Agrippa, Clerk of the Board
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Economic Assessment of Miami-Dade County's Enterprise Zone: 2000-2012

Regulatory and Economic Resources Department

January 21, 2015

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Summary of Key Findings

- The Florida Legislature, with the approval of the governor, established the Enterprise Zone program in 1994 for the purpose of assisting “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.”
- The State assists local Enterprise Zones primarily through a series of tax rebates/credits to private sector businesses operating in the zones and constructing commercial buildings and affordable housing, investing in business equipment, and hiring employees from within the Zones.
- The Enterprise Zone program was reauthorized in 2005 and is scheduled to expire at the end of 2015 unless the program is reauthorized in the 2015 legislative session.
- Businesses and residents of Miami-Dade’s Enterprise Zone (EZ) have benefitted not only from the tax rebates and credits received by businesses, but also from the new hires of EZ residents by establishments in the zone and the associated increase in consumer buying power within the local community. (See Table 1.)
- An examination of key socio-economic and private investment indicators show that between 2000 and 2012 the areas within the Miami-Dade Enterprise Zone (EZ) outperformed the areas outside the EZ. (See Table 2.)
 - The percentage of persons living below the poverty line in the EZ declined by 4.3 percentage points, while the area outside the EZ experienced an increase of 0.2 percentage points.
 - Job growth in the EZ increased by 139.9 percent, while the area outside the EZ experienced of 9.9 percent.
 - The unemployment rate in the EZ increased by 0.6 percentage points, but the unemployment rate outside the EZ increased by 2.2 points. Employed residents in the EZ increase by 130,000 between 2000 and 2012.
 - Median family income in the EZ increased by 42 percent compared to 29 percent in areas outside the EZ over the same period.
 - Homeownership in the EZ increased from 29 percent to 34 percent, while homeownership outside the EZ remained virtually unchanged.
 - Private investment increased in the EZ with the development of 29 million square feet of industrial, warehouse and commercial space. Industrial and commercial space outside the EZ declined during that same period.
- Despite relatively strong gains in socio-economic and private investment indicators, the County’s Enterprise Zone remains challenged by high unemployment and poverty and in need of additional private sector investment.
- The socio-economic gains and expansion of private investment experienced in the EZ meet the legislative intent of the program as it was established, and yet reauthorization of the program and continued public investments in the zone are necessary to sustain the positive momentum achieved during a difficult economic environment.

Background History of the Enterprise Zone

The Enterprise Zone Program is a joint State and County effort that provides economic development incentives to businesses in order to stimulate capital investment and job growth. The State of Florida established the program in 1994 with the primary objectives of: 1) accelerating economic growth in economically distressed areas; 2) increasing private sector investments within the zones; and 3) spurring job growth to increase employment opportunities for residents living in the zones, reducing unemployment rates and alleviating poverty. When the federal government designated Empowerment Zones with similar economic development objectives and incentives, the State deemed Empowerment Zones in Florida to be eligible for incentives available within the Enterprise Zone. The economic conditions used to determine eligibility for inclusion in the federal empowerment zones were similar to the conditions required in the State Enterprise Zones, and, therefore, large portions of the Empowerment Zone overlap with the Enterprise Zone.

Miami-Dade's Enterprise Zone (EZ) encompasses 53.1 square miles of distressed neighborhoods, with a population of 553,000 and where 32% of the residents live below the official poverty line. Areas of land included in the EZ must be located within a census block group¹ where the poverty rate is at least 20 percent. Florida also requires that the unemployment rate in the EZ is not less than the State's unemployment rate. State law also requires that at least half of the block groups represented in the EZ must have a poverty rate not less than 30 percent.²

The EZ Program provides state tax credits and rebates to eligible businesses that meet the performance requirements of the program. The EZ program has been an integral part of the County's economic development strategy since the program's inception. From 2005 through 2010, Miami-Dade developers investing in the Enterprise Zone received incentives of nearly \$83 million in sales taxes rebates on building materials. Tax rebates on purchases of building materials accounted for approximately 93% of the incentives awarded from 2005 to 2010. Building materials used in construction of condominiums were excluded from the sales tax rebates in 2010, and the fiscal cost of the tax rebates on building materials dropped sharply after FY 2009-10. Enterprise Zone incentives since then are more focused on incentivizing investments in business equipment and job growth in the Zones, which arguably have a more direct effect on the stated purpose of the statute authorizing the program. State statute 290.003 describes the legislative intent and policy purpose of the program:

¹ The Census Bureau defines a *census block group* as a statistical division of a *census tract* and generally contain between 600 and 3,000 people. A census tract is a small, relatively permanent statistical subdivision of a county and generally contains a population from 1,200 to 8,000 persons. The optimal size of a census tract is 4,000 according to the Census Bureau.

² Florida Statutes, Chapter 290, Urban Redevelopment.

... to provide the necessary means 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.

From 2011 through 2013, 638 Miami-Dade businesses located in the EZ received nearly \$1.2 million in sales tax rebates and corporate tax credits for purchases of business equipment and 547 EZ establishments received \$1.8 million in incentives for hiring full-time employees residing within the Enterprise Zone boundaries. During that 3-year period businesses located in the EZ paid out \$7.1 million in wages in order to receive \$1.8 million in incentives for filling 482 positions (approximately \$4 in wages per \$1 of tax rebate). In calendar year 2013, businesses in the EZ provided 162 employment positions for EZ residents, paid out \$2.6 million in wages (an average annual wage of \$16,050), and received \$636,000 in state EZ tax credits. (See Table 1.)

Table 1. Miami-Dade Enterprise Zone Incentives: Sales or Corporate Income Tax Rebates
Monetary values in thousand dollars, except for state incentives per application.

Calendar Year	Purchases: Bldg Materials				Purchases: Business Equipment			
	Sales	State Incentive	Applications	Incentive / Application	Sales	State Incentive	Applications	Incentive / Application
	Thou. \$	Thou. \$	units	\$	Thou. \$	Thou. \$	units	\$
2005	167,122	8,835	1,763	5,011	13,800	522	191	2,733
2006	122,167	3,833	763	5,024	19,360	649	224	2,897
2007	101,676	2,308	10	230,774	13,280	882	135	6,530
2008	407,257	23,155	41	564,762	10,506	421	130	3,240
2009	621,595	29,496	41	6,206	10,023	459	134	3,423
2010	209,854	15,267	2,629	5,807	22,603	1,110	847	1,311
2011	1,257	77	25	3,097	7,444	424	220	1,928
2012	5,678	105	28	3,750	4,077	289	179	1,616
2013	10,597	127	36	3,515	8,514	482	239	2,016
Total	1,647,203	83,203	5,336	NA	109,608	5,238	2,299	NA
Ann. Avg.	183,023	9,245	593	62,371	12,179	582	255	9,114
Calendar Year	Jobs Sales Tax Credit				Jobs Corp. Inc. Tax Credit			
	Wages Paid	State Incentive	Incentive / Application	Jobs*	Wages Paid	State Incentive	Incentive / Application	Jobs*
	Thou. \$	Thou. \$	\$	units	Thou. \$	Thou. \$	\$	units
2005	1,472	294.4	1,211	189	458	91.6	1,527	61
2006	1,087	217.4	933	145	403	80.6	2,985	52
2007	1,378	282.5	1,139	253	3,295	659.0	25,346	136
2008	830	240.9	1,125	158	473	142.4	5,696	30
2009	263	242.2	1,742	118	234	65.5	1,820	38
2010	633	163.7	1,820	38	141	28.3	1,010	16
2011	1,547	404.5	2,829	153	711	184.7	8,395	18
2012	1,404	352.1	2,083	129	911	265.7	8,858	20
2013	1,612	409.7	2,696	146	965	226.8	7,315	17
Total	10,226	2,607.5	15,578	1,328	7,591	1,744.6	62,952	388
Ann. Avg.	1,136	289.7	1,731	148	843	193.8	6,995	43

Notes:

- 1) Data reflects information submitted on quarterly applications for disbursement of incentives.
- 2) Jobs are the annual average of employment positions submitted each quarter in applications requesting disbursement of the Job Tax Credits.

Comparative Performance of the Enterprise Zone

The Miami-Dade Enterprise Zone was established in 1994 and reauthorized in 2005. Since then, the Enterprise Zone incentive programs have been adjusted from time to time and Enterprise Zone boundaries were modified in 2004 and 2008. Economic progress in the EZ has been influenced not only by financial incentives, but also by changes in the general economic climate at the global, national, and countywide levels. The County's economy experienced robust growth from 2003 through the middle of 2007, as it benefited from a favorable global and national economic environment that spurred an increase in international trade, tourism, construction activity and consumer spending. During that period both employment and household incomes rose at a fast pace, unemployment rates along with poverty rates were falling to historically low levels, and property values were rising along with home ownership rates. These trends not only yielded positive effects on the County as a whole, but also in many of the neighborhoods within the boundaries of the Enterprise Zone. The recession from the end of 2007 through the summer of 2009, however, reversed nearly all of those earlier gains. The economic progress during the recovery has been modest but gaining additional momentum in 2014, but the advances in key socio-economic indicators have been discernably stronger within the boundaries of the EZ compared generally to the areas outside the EZ.

Changes in incentive programs and the general economic environment make it difficult to isolate the importance of enterprise designation in the long-term economic progress of the zone, and it would be unlikely that EZ incentives alone would have a significant positive impact without complementary public policies in areas of education and childcare, public transportation and other infrastructure, public safety, small business development efforts and the regulatory environment that businesses must navigate. The economic development initiatives of the County and other local government entities have focused much of their efforts and resources to areas within the EZ. An examination of the relative changes in several socio-economic indicators in Miami-Dade's EZ from 2000 to 2012 show significant progress in the EZ over that timeframe when compared with the same indicators for the areas of the County outside the zone.³

Socio-Economic Conditions in the Enterprise Zone and Outside the EZ in 2000

Socio-economic indicators from 2000 show extreme levels of economic distress throughout much of the Enterprise Zone. The residents of the EZ living in households with incomes at or below the official poverty threshold comprised 36.4 percent of all EZ residents. The poverty rate within the EZ was more than twice the rate found among residents of the rest

³ The estimates of socio-economic indicators in 2000 are from the Census Bureau's *2000 Decennial Census*, while the indicators in 2012 are from the *2012 American Community Survey 5-year Estimates*. The ACS is based on a rolling monthly survey of households over a 5-year period.

of Miami-Dade (15.3 percent). If one considers the residents with incomes on the edge of poverty (*income exceeding the poverty level by 25 percent or less*) where a health issue or even temporary unemployment could push them into poverty, then the poor and “near poor” comprised 46 percent of the EZ population in 2000 compared to 21 percent in the areas outside the EZ.

High unemployment was also pervasive among EZ residents in 2000, when 14.7 percent of residents looking for work were unable to find employment. The unemployment rate in the EZ was 1.75 times higher than in the rest of the County. High and persistent unemployment rates tend to discourage participation in the labor force and in the EZ 50 percent of the non-institutionalized population 16 or older participated in the labor force, while nearly 60 percent of the 16 or older population outside the EZ boundaries participated in the labor force. Lower participation in the labor force is, of course, directly correlated with lower than average household earnings and higher poverty rates.

Median household income and median family income outside the EZ were approximately double the incomes inside the EZ in 2000. Median household income within the EZ was \$19,600, compared to \$39,300 for households outside the EZ. Median family income within the EZ was \$22,300 and \$43,300 in the areas outside the EZ. Per capita income in the EZ was \$10,700 in 2000, and just below half the per capita income in the areas outside the EZ.

High rates of homeownership tend to promote neighborhood stability and enhance other social benefits. Homeownership in 2000 was less common in the Enterprise Zone, where only 29 percent of households owned their own homes, compared to 62 percent of households living outside the EZ. Relatively more households living in the EZ in 2000 were described as “housing cost burdened” than in the areas outside the EZ. Nearly 47 percent of households in the EZ that owned their home reported spending more than 30 percent of income on housing costs, while outside the EZ 41 percent of homeowners reported spending more than 30 percent of income on housing. In 2000, a significant number of renters in the EZ and outside the EZ were burdened by expensive housing costs. Forty-nine (49) percent of renters in the EZ and 48 percent of renters outside the EZ spent 30 percent or more of their income on housing expenses.

Socio-Economic Gains and Losses in the Enterprise Zone and Outside the EZ: 2000-2012

Since 2000, socio-economic conditions in the Enterprise Zone have improved significantly in key areas, despite a deep recession from the end of 2007 through the summer of 2009. The recession reversed the gains that were made from 2003 through the summer of 2007. Nevertheless, an examination of economic progress between 2000 and 2012 reflected in economic indicators such as poverty and unemployment rates, employment growth, household incomes, and homeownership and housing costs affirms the Enterprise Zone outperforming the areas outside the EZ in 15 of the 20 economic

indicators. **(See Table 2.)** The gaps between socio-economic conditions in the EZ and in the rest of the County remain wide, but the narrowing of the gaps during the past decade suggests that the Enterprise Zone program combined with local and federal resources have made a difference in the economic conditions within the EZ. **(See Figures 1 and 2.)**

The latest available information from the U.S. Census Bureau suggests that the poverty rate in Miami-Dade's EZ declined by as much as 4.3 percentage points between 2000 and 2012. The same data suggests that the poverty rate in the County outside the Enterprise Zone remained essentially unchanged with the most recent estimate of the poverty rate outside the EZ showing a slight increase of 0.2 percentage points. When including the near poor, one finds that the percentage of the EZ population considered poor or near poor declined by 4.8 percentage points between 2000 and 2012. During the same period, the percent of the population outside the EZ classified as poor or near poor increased by 0.5 percentage points.

While unemployment rate within the Enterprise Zone increased by 0.6 percentage points between 2000 and 2012, the unemployment rate outside the EZ increased by 2.2 percentage points. Labor force participation rates in the EZ increased by 10 percentage points over this time period, while the labor force participation rate outside the EZ rose by 5 percentage points. The gap in labor force participation rates between the two areas narrowed by almost half between 2000 and 2012. Jobs held by residents of the EZ increased by 140% between 2000 and 2012, while employment growth outside the EZ increased by 10% over the same period. (The population in the EZ doubled between 2000 and 2012.)

In 2000, the median household income in the EZ (\$19,600) was half the median household income outside the EZ (\$39,300), but by 2012 that gap had narrowed markedly. In 2012 median household income in the EZ increased by nearly 40 percent to \$27,200, while median household income outside the zone increased by just 26 percent to \$49,700. The difference in purchasing power between the median household living outside the EZ and the median household living inside the EZ declined by 14 percent from 2000 to 2012. Similarly, median family income in the EZ (\$22,300 in 2000) increased by 42 percent (\$31,600), while the median family income outside the EZ (\$43,300 in 2000) experienced an increase of 29 percent (\$56,000) and the gap in purchasing power narrowed by 13 percent. The gains in per capita income within the EZ outperformed the gains outside the EZ. Per capita income in the EZ increased by 47 percent from \$10,700 to \$15,800, while outside the EZ the increase was 29 percent and per capita income outside the EZ rose from \$19,600 to \$25,400 in 2012.

Homeownership became more prevalent from 2001 to 2008 at the national level, the State level and in Miami-Dade County, as mortgage interest rates declined and access to home mortgages expanded. As the foreclosure crisis deepened in 2009 and 2010,

homeownership rates among all households in the County fell back to levels below 2004, but the EZ was able to sustain prior gains in homeownership. Only 29 percent of households in the EZ owned their own residential property in 2000, but by 2012 that ratio had increased to 34 percent. Homeownership rates also increased outside the EZ, but not at a pace as strong as that found in the EZ. From 2000 to 2012 homeownership rates outside the EZ increased modestly from 62% in 2000 to 63 percent in 2012.

Table 2. Comparative Progress in Miami-Dade County's Enterprise Zone 2000 to 2012

Economic and Social Indicators	Enterprise Zone			Non-Enterprise Zone Areas			Progress Differential, EZ-non EZ	EZ Performed Better?
	2000	2012	Change	2000	2012	Change		
Poverty Rate (population)	36.4%	32.1%	-4.3%	15.3%	15.5%	0.2%	-4.6%	✓
Percent of Persons "Near Poor" ¹	9.2%	9.2%	0.0%	5.7%	6.0%	0.3%	-0.3%	✓
Percent Poor or Near Poor	45.7%	41.4%	-4.3%	21.0%	21.5%	0.5%	-4.8%	✓
Unemployment Rate	14.2%	14.7%	0.6%	8.1%	10.3%	2.2%	-1.7%	✓
Labor Force Participation Rate ²	49.9%	59.9%	9.9%	58.5%	63.7%	5.3%	4.7%	✓
Job growth (% change)	NA	139.9%	NA	NA	9.9%	NA	130.1%	✓
Median Household Income \$000	\$19.6	\$27.2	38.8%	\$39.3	\$49.7	26.5%	12.3%	✓
Median Family Income \$000	\$22.3	\$31.6	41.7%	\$43.3	\$56.0	29.2%	12.5%	✓
Per Capita Income \$000	\$10.7	\$15.8	46.7%	\$19.6	\$25.4	29.4%	17.3%	✓
Homeownership Rate	28.9%	34.0%	5.1%	62.2%	63.4%	1.2%	3.9%	✓
% Homeowners Cost Burdened ³	46.9%	62.4%	15.5%	40.9%	56.6%	15.7%	-0.2%	✓
% Renters Cost Burdened ³	48.8%	64.0%	15.2%	46.7%	59.8%	13.1%	2.1%	X
Real Estate Development Investment Indicators	Enterprise Zone			Non-Enterprise Zone Areas			Progress Differential, EZ-non EZ	EZ Performed Better?
	2004	2014	Change	2004	2014	Change		
Average Building Value per SF								
Industrial/Warehouse	\$25.10	\$22.31	-11.1%	\$31.81	\$35.49	11.6%	-22.7%	X
Commercial (excl. ind./wrhs)	\$40.81	\$45.77	12.2%	\$54.21	\$61.97	14.3%	-2.2%	X
Aggregate Bldg Size (SF million)								
Industrial/Warehouse	72.2	79.3	9.8%	108.0	93.4	-13.6%	23.4%	✓
Commercial (excl. ind./wh)	79.6	101.8	27.9%	152.0	150.6	-0.9%	28.8%	✓
Residential Units Value per SF								
Multi-family Rental	\$39.21	\$41.02	4.6%	\$40.96	\$44.81	9.4%	-4.8%	X
Single-family and Condominiums	\$47.42	\$39.29	-17.2%	\$60.09	\$66.55	10.7%	-27.9%	X
Residential Units (SF million)								
Multi-family Rental	38.0	44.5	17.3%	96.3	69.2	-28.1%	45.5%	✓
Single-family and Condominiums	55.1	81.4	47.7%	691.0	759.4	9.9%	37.8%	✓

Data Sources. Economic and social indicators: U.S. Census Bureau, *2000 Decennial Census; 2012 American Community Survey 5-year estimates*. Industrial/warehouse and commercial value/SF and building size, Miami-Dade Property Appraiser.

Notes:

- "Near Poor" are individuals living in households whose incomes exceed the poverty threshold by no more than 25%.
- The participation rate represents the percent of persons 16 years or older who are employed or actively seeking employment (unemployed).
- Cost burdened homeowners or renters spend 30% or more of their income on housing costs.
- ✓ indicates Enterprise Zone outperformed the rest of the County, while an X indicates that rest-of-County outperformed the EZ.

Housing costs in Miami-Dade have typically been high relative to household income. Approximately 47 percent of homeowners (with a mortgage) living in the EZ in 2000 spent at least 30 percent of their income on housing costs (i.e. *housing cost burdened*), and by 2012, 62 percent of EZ homeowners were considered housing cost burdened. In 2000 only 41 percent of homeowners outside the EZ were housing cost burdened, but by 2012 that percentage had increased to 57 percent (an increase that was just slightly above what was experienced by homeowners in the EZ).

Expansion of the Property Tax Base in the Enterprise Zone

Records from Miami-Dade’s Property Appraiser reveal that industrial and commercial⁴ development increased significantly in the Enterprise Zone between 2004 and 2014. Industrial space grew by 7.1 million SF (10 percent gain) within the EZ, while commercial space added 22.2 million SF (28 percent). The average value per SF of industrial space in the EZ decline by 11 percent during that period due to competitive pressures in this market segment. (See Table 2.)

The areas outside the EZ experienced a contraction in both industrial and commercial space between 2004 and 2014, reflecting a shift toward additional residential development. Industrial space declined by 14.7 million SF (-14 percent), while commercial space remained essentially unchanged (a loss of 1.4 million SF, -1 percent). The value per SF of building space outside the EZ, however, increased for both industrial and commercial space.

Table 3. Aggregate Private Real Estate Investment¹ and Contribution to Property Tax Base: Enterprise Zone and Outside the Zone.

Type of Real Estate	Enterprise Zone			Non-Enterprise Zone Areas			EZ Performed Better?
	Millions of Dollars		Percent Change	Millions of Dollars		Percent Change	
	2004	2014		2004	2014		
Industrial/Warehouse	1,358	1,630	20.0%	2,373	2,735	15.2%	✓
Commercial	<u>3,019</u>	<u>4,321</u>	43.1%	<u>6,164</u>	<u>6,719</u>	9.0%	✓
Sub Total	4,378	5,951	35.9%	8,537	9,454	10.7%	✓
Multi-Family Rental Housing	1,101	1,669	51.6%	2,599	3,123	20.2%	✓
Single-Family (incl. condominiums)	<u>1,900</u>	<u>1,836</u>	-3.3%	<u>25,746</u>	<u>36,989</u>	43.7%	X
Sub Total	3,000	3,505	16.8%	28,345	40,112	41.5%	X
All other uses or not specified	2,075	4,157	100.3%	18,546	34,824	87.8%	✓
TOTAL BUILDING VALUE	9,454	13,612	44.0%	55,428	84,389	52.3%	X

Notes:

- 1) Includes only building values before tax exemptions. Land value is excluded.
- 2) ✓ indicates Enterprise Zone outperformed the rest of the County, while an X indicates that rest-of-County outperformed the EZ.

Data Source. Miami-Dade Property Appraiser.

⁴ “Commercial” refers to retail, food services, personal services, lodging, and office space, and similar uses.

Net investment in non-residential properties in the EZ exceeded the level of net investment outside the EZ between 2004 and 2014. **(See Table 3)** The combined investment value⁵ of industrial and commercial buildings increased by \$1.6 billion (+36 percent) within the EZ during that decade. Investment in industrial and commercial buildings outside the EZ increased by \$917 million (+11 percent) from 2004 to 2014. Investment in multi-family rental buildings within the EZ increased by 52 percent over the same period compared to an increase of 20 percent outside the EZ.

The growth in assessed value of industrial, commercial and multi-family rental housing in the EZ led to an additional \$106 million in property taxes for all taxing jurisdictions in 2014 alone. Approximately 56 percent of the additional property taxes from the EZ were directed to municipal and countywide services in 2014, while 42 percent of assessments supported public K-12 education.

Single-family construction activity from 2004 and 2014 added 26 million SF to the stock of single-family residential structures⁶ in the EZ, but value per SF fell by 17 percent during that period. The assessed value of single-family property in the EZ increased by \$6.8 billion from 2004 to 2014 and generated approximately \$131 million to 2014 property taxes.

Economic Challenges Remain in the Enterprise Zone Despite Recent Gains

Despite considerable economic progress in Miami-Dade's Enterprise Zone since 2000, the majority of the EZ's residents continue to face high unemployment, low incomes and the adverse social and health effects of pervasive poverty.

In the latest available economic data from the U.S. Census Bureau at the time of this report, 41 percent of EZ residents were considered poor or near poor, almost double the rate found outside the EZ. Unemployment in the EZ was estimated at nearly 15 percent, approximately 1.5 times higher than the rate outside the zone. If one factors in a reasonable estimate of the 16 and over population that has dropped out of the labor force because of the low probability of finding a job ("*discouraged workers*"), then the unemployment rate in the EZ could be as high as 20 percent.

Sustaining and continuing the economic progress achieved since 2000 requires not only the reauthorization of the Enterprise Zone program, but also the continued focus of the County and other local governments on coordinated policies and programs that promote socio-economic development in the EZ. Continuing economic progress requires local government commitments to public investments and programs in the EZ that: 1) increase access to public transit; 2) repair, upgrade and build necessary public infrastructure; 3) enhance the quality and effectiveness of education, job training and other

⁵ The building values are obtained from the Miami-Dade Property Appraiser's electronic data files.

⁶ This activity includes the conversion of rental apartments to condominiums.

social services; 4) support the development of small businesses; and 5) maintain an adequate level of public safety.

Recommended Program Adjustments to Accelerate Socio-Economic Gains in the EZ

Based on the experience of Miami-Dade County's Enterprise Zone, modest changes aligned with the legislative intent of the program could improve the effectiveness of the sales and corporate income tax credits already available in the EZ.

Six recommended program adjustments:

- a) Allow small businesses to receive prorated sales tax jobs credits on wages paid to part-time workers scheduled for more than 20 hours per week or 84 hours per month.
- b) Allow businesses located outside the Enterprise Zone to be eligible for the sales or corporate income tax jobs credit when they hire full-time workers living in the Enterprise Zone.
- c) Increase the number of small businesses that can make use of the tax credit for purchases of business equipment by reducing the threshold for granting sales tax credits for investments in business equipment from \$5,000.00 per unit of machinery or equipment to \$500.00.
- d) Increase the cap on corporate tax jobs credit to reflect price inflation since 2004.
- e) Allow unused sales tax job credits for small business establishments providing business, personal and professional services to carry over their earned sales tax job credits for two years. Small businesses often do not generate enough sales tax remittances to the State to make effective use of the job tax credits. Unlike the corporate income tax job credits, earned sales tax job credits do not carry over to future tax returns.
- f) Raise the cap on the building materials tax credit from \$5,000 to \$60,000 for industrial or commercial construction in the EZ and adjust the cap each year for price inflation.

Figure 1: Change in Poverty Rates Between 2000 - 2012
in the Miami-Dade County Enterprise Zone

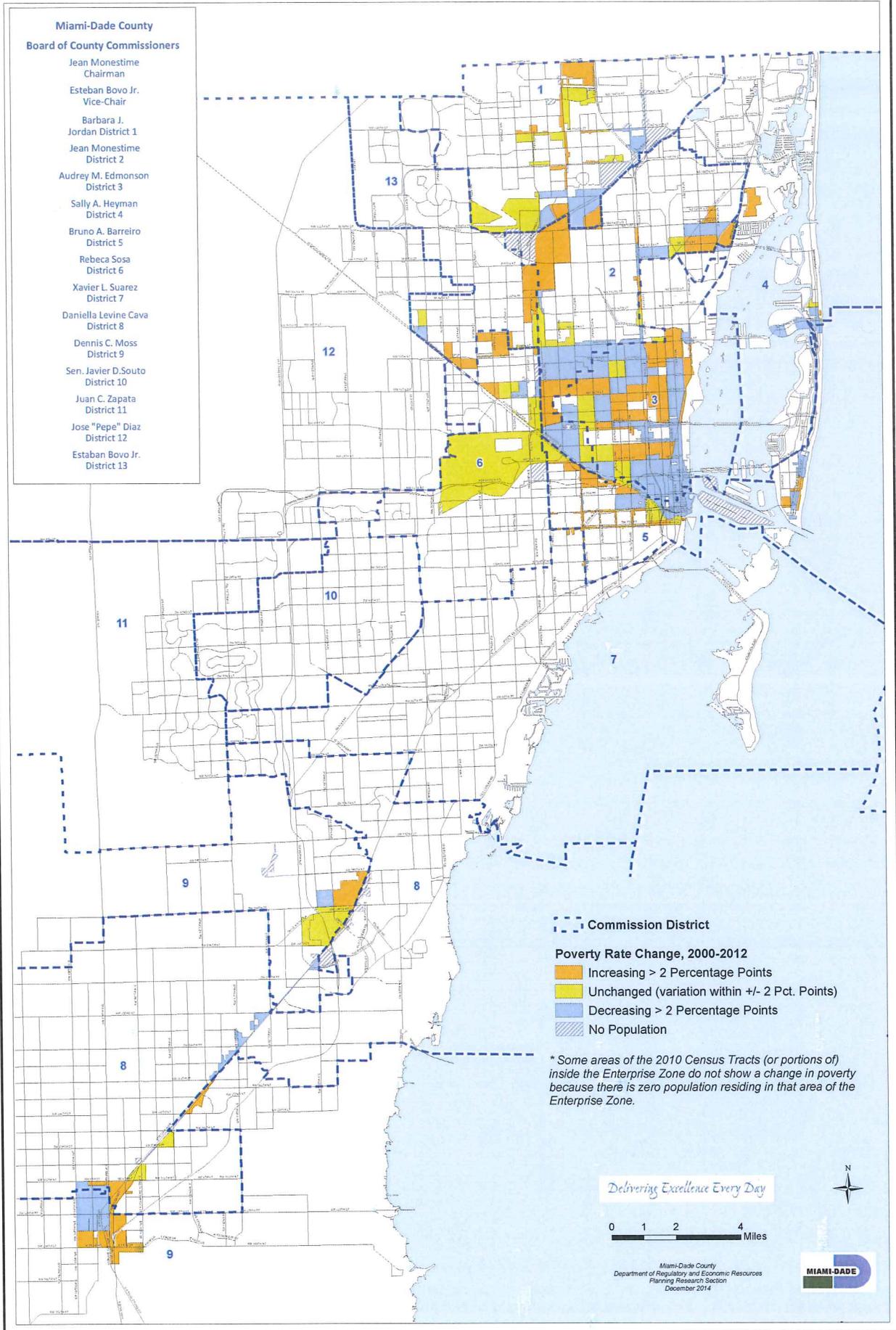
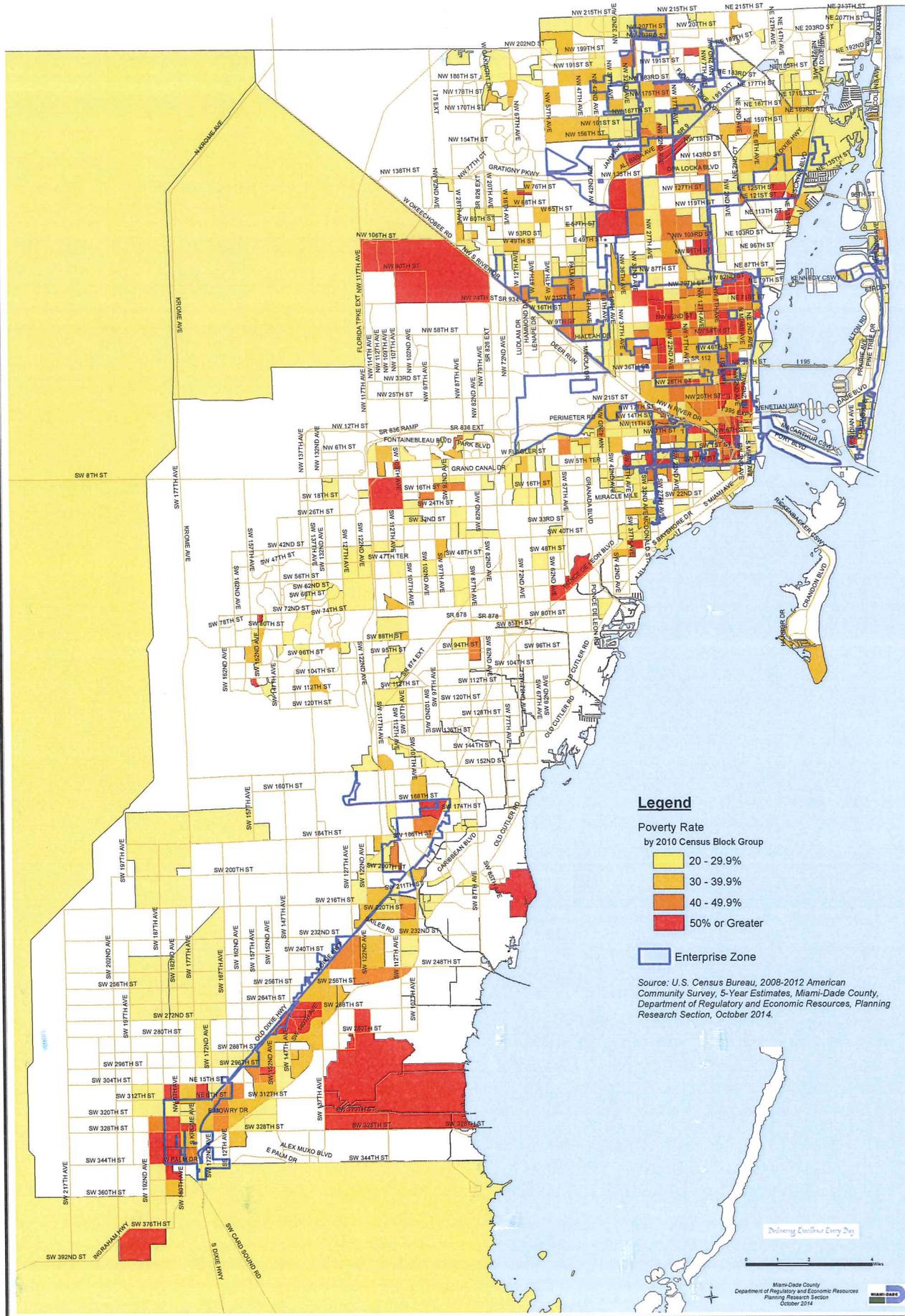


Figure 2: Poverty Rate by 2010 Census Block Groups, Miami-Dade County

Excludes Block Groups with Population Less than 200 Persons



Legend

Poverty Rate
by 2010 Census Block Group

- 20 - 29.9%
- 30 - 39.9%
- 40 - 49.9%
- 50% or Greater

Enterprise Zone

Source: U.S. Census Bureau, 2008-2012 American Community Survey, 5-Year Estimates, Miami-Dade County, Department of Regulatory and Economic Resources, Planning Research Section, October 2014.