# Subsidized Economic Development in Miami

## A Research Report

By Bruce Nissen and
Marcos Feldman

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***RISEP***
**Research Institute on Social and Economic Policy**

Center for Labor Research and Studies
Florida International University
Miami, FL 33199
http://www.risep-fiu.org
305-348-2616

**Contact:**
Bruce Nissen *nissenb@fiu.edu*
Marcos Feldman *mfeld001@fiu.edu*

## INTRODUCTION

Miami-Dade County, aware of the high poverty rates in both the city of Miami and the county as a whole compared to counterparts around the country, has engaged in attempts to spur economic growth and raise incomes. State and local agencies have subsidized private sector investment in the name of economic development. The rationale behind economic development subsidies is that (1) government intervention in the market has been necessary to stimulate economic growth, particularly in the wake of the urban riots that shook Miami more than twenty years ago and the prolonged inner city disinvestment that followed; and (2) such growth creates jobs for Miami's residents, thereby reducing unemployment and improving people's lives.

The primary economic development agency and the manager of most subsidized private business activity in Miami is the Office of Community and Economic Development (OCED). Although a number of specific subsidy deals have been negotiated between private companies and key political figures, including county commissioners and the mayor, this study focuses on **four economic development programs** used by Miami-Dade County to disburse public subsidies to private companies. **Enterprise Zone (EZ) property tax abatements, Qualified Targeted Industry (QTI) tax refunds, Targeted Job Incentive Fund (TJIF) tax refunds, and impact fee refunds** are paid from the County's coffers. The County also relies on the Beacon Council, a public/private economic development agency, to market and advertise subsidy packages to potential investors, analyze the potential economic impact of companies that apply for subsidies, and ultimately recommend public assistance for new or expanding businesses.

*What is Miami-Dade getting back from its investment in economic development projects?* To answer this question we analyzed the outcomes of subsidized economic development in Miami from a community benefits perspective. Accordingly, we were interested in the number and quality of jobs created through public-private partnerships, as well as the extent of local hiring, the transparency and inclusiveness of the development process and the extent to which such standards were monitored and enforced by local government agencies.

## EVALUATING PUBLICLY FUNDED DEVELOPMENT PROJECTS

To evaluate the value of economic development subsidies from the perspective of local economic benefit, we considered the number and quality of jobs created, the extent to which the development process is transparent and participatory, and whether adequate monitoring and enforcement of job quality and other standards is present.

### *(1) Number and Quality of New Jobs Created*

If business incentives are awarded on the basis of job creation, the effectiveness of that strategy must be evaluated through the number and quality of new jobs created. New businesses in the service and retail sectors may create jobs, but if those jobs pay low wages, provide no benefits, expose workers to unhealthy work conditions or are not available to those living in the local community they may increase rather than reduce the problems of poverty and homelessness in an area.

Employment in poor quality jobs forces more workers to seek public assistance for their health, food, housing and other needs.[1] Many of the homeless work, but the jobs they occupy pay too little to afford shelter. Moreover, hiring outsiders to fill new positions fails to reduce unemployment and raise the incomes of local residents while contributing to the gentrification of their communities through new capital investment. Local hiring is particularly important since subsidized economic development often takes place in low-income communities of color, where land may be cheaper, regulations less stringent and where better jobs are needed most.

*(2) Fiscal Return on the Public's Investment*

Like any investment, it is important that economic development projects generate economic benefits for the community that must bear the economic and non-economic costs of development. Jobs are only one way taxpayers receive economic benefits from development projects. Another direct economic benefit to the county is property and sales tax revenue generated by the development project. Many economic development projects involve specific arrangements with local government agencies that provide for public-private revenue sharing, rental payments, debt payments and other sources of income for public agencies.

Poorly performing projects, such as malls, office buildings or hotels with low occupancy rates, or sports facilities with low attendance, are less likely to share any revenue with the public or to generate considerable tax revenues. Often the financial arrangements of public-private partnerships protect the developer's bottom line while placing the fiscal burden on the public sector. For example, in many public-private partnerships the public sector is responsible for cost-overruns, missed debt payments on federally funded loans or other financial shortcomings. Moreover, tax abatements that benefit private companies divert scarce resources from schools and from other worthy needs, such as addressing the problems of poverty and homelessness. Thus, the economic performance of a subsidized project is an important measure of its worth from the perspective of local taxpayers.

*(3) Transparency and Public Participation*

Economic development should be an inclusive process. Community members have the most to gain or to lose from economic development as investment may bring positive benefits like upward mobility or negative impacts like gentrification and displacement or other negative impacts. Furthermore, when community members are organized they have power and their opinion becomes pivotal in the development process. It is therefore critical that affected communities play a central role in the development of their neighborhoods.

In order for such participation to take place and be meaningful policy makers and/or developers must disclose information related to the proposed development project, including the building plans, funding sources for the project, and the anticipated economic, environmental and social costs and benefits to the affected community. This information must be made available to the public with ample time to generate feedback on the project. Opportunities for public input must also be advertised properly so as to facilitate planned and informed participation.

But these forums do not ensure that new development projects will not proceed without the approval of key community stakeholders. Subsidized development projects or programs must require more than the execution of public hearings. Workshops for economic development must be truly democratic and reflect the needs and interests of affected communities. Thus, to properly evaluate subsidized economic development in Miami it is important to consider the extent to which local communities participate and have a say in key decisions; whether project plans and outcomes reflect community input; and the degree to which the community is involved in oversight and enforcement throughout the process.

*(4) Accountability: Monitoring and Enforcement*

An obvious corollary of a truly democratic, participatory process is the capacity to monitor and enforce quality standards such as good jobs. Subsidy programs differ greatly concerning the extent to which they require, monitor and enforce community benefits such as good jobs and targeted hiring in exchange for subsidies. Often job and wage requirements are included but follow-up efforts to ensure compliance are weak or non-existent.

To ensure that subsidized development projects actually benefit the communities in which they are built, such projects must be monitored for compliance with specific criteria related to job creation, wage levels, local hiring and other required or negotiated terms. Further, economic development programs through which subsidies are provided should contain integral structures for enforcement or an oversight process in which development cannot occur and be evaluated unless community stakeholders are involved in the oversight and given the authority to monitor and enforce community benefits.

## MIAMI'S ECONOMIC DEVELOPMENT SUBSIDIES

### *The Enterprise Zone*

In the last 30 years several "business incentive" programs have been devised to allow local and state governments to provide tax breaks and credits, low-interest loans and grants to attract private businesses in the hope of creating jobs and increasing tax revenues. Tax breaks are one of the most common business incentives used at the municipal or county level. Tax-related incentives can have a large impact if the business receiving the exemption or tax credit occupies a large parcel of land, employs a large workforce or handles a large sales volume, pushing the value of the exemption into the hundreds of thousands of dollars annually. While this is a great benefit to the profitability of a business, these exemptions divert funds from other uses, such as education, housing, job training, health care, etc.

The main vehicle through which tax abatements and credits are provided in the United States is the Enterprise Zone (EZ) program, the state level variation of the Federal Enterprise Communities program. Urban Enterprise Zones were established in the United States soon after the idea was popularized by Peter Hall, a London-based urban planner, in 1977 and their subsequent widespread adoption in England.[2] The United States began to create enterprise zone programs at the state level in the 1980s in anticipation of federal legislation.[3] The EZ program was adopted at the federal level in 1993 and by 1995 it included 34 active state programs and 106 Enterprise Communities throughout the country. By 2003 forty states had adopted EZ programs.[4]

Florida established one of the first EZ programs in the country in 1982. In 1994, the program changed significantly when the Florida Legislature passed the Florida Enterprise Zone Act of 1994. The 1994 act was based primarily on the federal government's Empowerment Zones and Enterprise Communities programs and provided for the designation of specific local agencies to oversee EZ business incentives. In 1995 nineteen zones were created in Florida and since then 36 additional zones were designated throughout the state. Miami-Dade's EZ program was founded in 1986 when the Board of County Commissioners approved its implementation.

<u>Enterprise Zone Business Incentives</u>

Incentives provided by local governments throughout the state of Florida have been much greater than the total of EZ incentives provided by the State until recently. For example, in the 2002-03 period the state of Florida provided $5.4 million to EZ businesses, increasing to $7.2 million in the 2003-04 period. Local governments allocated $12.5 million in incentives in 2002-03 and $34.5 million in the 2003-04 period, an increase of $22.1 million. While no new zones were designated during these two periods, in the two previous years (2000 and 2001) thirteen new zones were created. Furthermore, from 1999-2001 the value of state and local business incentives increased less than in the more recent period. Thus, between the 2002-03 and 2003-04 EZ funding periods funding in the zones increased relative to other periods.[5]

However, in the 2004-05 and 2005-06 fiscal years the trend was reversed, and local subsidies declined while state subsidies grew.[6] The state of Florida contribution to the total outlay of subsidies to private businesses increased while the total outlay of local governments declined. State subsidies nearly doubled, from $7.2 million in 2003-04 to about $14 million in 2004-05, and increased again to $23.4 million in 2005-06. Local subsidies decreased from $34.5 million in 2003-04 to $16.3 million in 2004-05 to about $9.8 million in 2005-06.

The largest sources of public subsidies provided by local agencies to businesses in Enterprise Zones are property tax abatements and credits, loans, grants and "miscellaneous" incentives.[7] These types of incentives make up 90 percent of the local subsidies provided in 2004-05 and 67 percent of local subsidies provided in 2005-06 by Florida's local economic development agencies. In the 2004-05 and 2005-06 funding periods $14.5 million and $6.6 million respectively were provided in local property tax abatements and credits. "Loans, grants and miscellaneous" subsidies collectively totaled $11.8 million in the former funding period and $5.9 million in the latter.

At the local level, the largest outlays are provided in the form of loans. However, since loans are paid back, the value of the subsidy is the revenue that is not collected because the loan is paid back at a lower interest rate (the interest rate discount) than would otherwise be available. If the interest rate on a $10 million loan is discounted 3 percent from the prevailing market rate and paid back over 10 years, the local jurisdiction foregoes $1.65 million in potential interest earnings.

Property Tax Abatements and Impact Fee Refunds

Property tax abatements and impact fee refunds are the next largest sources of locally provided subsidies under the Enterprise Zone program. The property tax abatement program became available as a local subsidy tool in 1989 and impact fee refunds have been used since 1993. Particularly in the case of malls or industrial parks that occupy large tracts of land, the county may forego hundreds of thousands of dollars in property taxes annually. Tax breaks for corporations reduce funding for local education and social services. Thus, property tax abatements and credits provided under the Enterprise Zone program can be significant not only for the corporations that receive them but also for the local taxing authorities from which they are diverted.

Any new capital investment in physical property or infrastructure creates extra costs for local public services. New buildings and infrastructure require additional police and fire protection, road maintenance and new water and sewer connections. Impact fees are collected in order to offset the increased cost incurred by public agencies. Refunding impact fees to certain businesses under the EZ program diverts these crucial revenues from local governments. Thus, the combined economic impact of tax abatements and impact fee refunds are directly felt by local governments trying to meet the needs of their residents.

Our analysis focuses on the proliferation of property tax abatements through the county's Enterprise Zone program from 1989 to 2006. Miami-Dade County enterprise zones are home to about 400,000 residents, making up about 15 percent of the County's population.[8] EZ boundaries cover communities in North Central and Northwest Dade, including Miami International and Opa-Locka Airports, parts of east Hialeah, the Empowerment Zone, and a satellite in North Dade which surrounds the Dolphins Stadium. The South Dade zone covers most of the cities of Homestead and Florida City, as well as Cutler Ridge, Perrine, and Princeton. The EZ boundaries also envelop parts of South Beach, a long segment of Collins Avenue and parts of North Miami Beach. In addition, the City of Miami provides incentives through its own enterprise zones, which include the neighborhoods of Allapattah, Wynwood, the eastern part of Liberty City, Little River, Overtown, Culmer, East Little Havana and Little Haiti.

To qualify for EZ tax abatements, new or expanding businesses need only create five new jobs. Prior to 1995, the EZ program required that participating businesses draw at least 20 percent of their workforce from the local Zone. However, the Florida Enterprise Zone Act of 1994 allowed local governments to change the program according to their needs, weakening the local hiring requirement. Since 1995 EZ businesses may receive the maximum abatement award if 20 percent of their workers are from the zone but if the businesses does not hire a single Zone resident it may still receive a 50 percent discount on the assessed value of real and personal property (and as long as it creates five new jobs).

The application process requires that businesses disclose the size and nature of the anticipated capital expenditure, the products or services it provides, the number of present employees and the number of new jobs they *expect* to create. Businesses apply for EZ subsidies through Miami-Dade's Office of Community and Economic Development (OCED). The Property Appraiser's office verifies that the applicant paid property taxes in the previous year and prepares an analysis of the revenue implications of the proposed tax abatement for the County. The Beacon Council analyzes the projected economic impact of the new or expanded business activity on Miami-Dade County, emphasizing the number of new jobs to be created, the amount of capital investment and the foregone tax revenue for the County.

There are no statutory requirements related to job quality; tax abatements have been awarded regardless of the quality of the wages paid, the number of hours worked or the provision of health or other benefits. Miami-Dade's OCED, which manages the EZ tax abatement program, conducts annual monitoring of the participating businesses. Through the monitoring process OCED obtains employee rosters from the companies to verify the proportion of workers that live in the local Zone in order to determine the proper amount of tax abatement (50 or 100 percent). If they find that the company's workforce is less than five, they cancel the abatement for that year. But without a "clawback" clause in the EZ ordinance, OCED cannot recover the subsidies disbursed in prior years.

Businesses qualify for impact fee refunds if they have already been awarded Enterprise Zone property tax abatements and if the new development project fits in with the County's master plan and is located in an Enterprise Zone. In 2001 Miami-Dade County amended its impact fee waiver program so that 25 percent of the businesses' workforce must live in the local Zone. Prior to this, the impact fee program followed the local hiring criteria established by the tax abatement program in 1994.

A company may apply for impact fee refunds within one year after paying its impact fees. The impact fee division of the Department of Planning and Zoning approves the refund once it verifies that the County is supporting EZ tax abatements for the applicant. Miami-

Dade's OCED is responsible for checking that the applicant's building plans are consistent with the comprehensive plan's established or proposed zoning and land uses.

***Qualified Target Industry (QTI) Tax Refunds***

The Qualified Target Industry (QTI) tax refund was created in 1995 and is administered by the state of Florida to aid in the recruitment and development of specific industry sectors for which Florida is thought to be well-suited. Miami's Beacon Council, an organization dedicated to marketing state and local subsidy programs to potential recipients, lists the following sectors as targeted industries:

- Corporate Headquarters
- Research and Development
- Chemicals and Allied Products
- Rubber and Misc. Plastics
- Primary Metal Industries
- Fabricated Metal Products
- Industrial Machinery and Equipment
- Transportation Equipment
- Instruments and Related Products
- Miscellaneous Manufacturing
- Printing and Publishing
- Wholesale Distribution
- Electronic Equipment
- Stone, Clay and Glass
- Business Services
- Security and Commodity Brokers
- Insurance Carriers
- Holding and Other Investment Offices
- Non-Depository Credit Inst.
- Food and Kindred Products
- Communications
- Apparel and Other Textiles
- Lumber and Wood Products
- Furniture and Fixtures
- Paper and Allied Products
- Motion Pictures

Like the Miami-based partnership between OCED and The Beacon Council, the state-run QTI tax refunds are administered through a partnership between Florida's Office of Tourism, Trade and Economic Development (OTTED) in the Office of the Governor and Enterprise Florida, Inc. (EFI), a private corporation that in 1996 took over the duties of Florida's former Department of Commerce regarding economic development, international trade and statewide business marketing. OTTED administers the business incentive programs while EFI concentrates on recruiting businesses and assisting business expansion.

The QTI program is the most widely used program in the state according to EFI, with 429 QTI awards approved since 1995. To qualify for QTI tax refunds companies must create an agreed-upon number of jobs; companies that are new to the state must create at least 10 jobs while companies expanding within the state must grow their workforce by at least 10 percent. The company must pay its workforce an average wage that is at least 115 percent of the average area wage, which in Miami was $18.23 in 2006 for all occupations (the median wage was $12.33 and average of entry level wages was $8.28).[9] Exceptions to the wage level requirement are made, however, for businesses in Enterprise Zones, rural areas or Brownfield areas. In such cases companies still have to offer an average wage that is "comparable to the state, local or MSA average."[10] Finally, the business must generate tax revenue for the government before any refunds are paid and the local government where the business will locate or expand must recommend it and promise financial support of at least 20 percent of the state's award.

EFI claims that the QTI program has induced more than 300 active projects,[11] meaning that the subsidies helped to persuade businesses to relocate or stay in Florida. Those active projects are projected to generate more than 65,000 new jobs and $5 billion in private sector investment throughout the state.[12] Although Miami-Dade was one of the state's four counties that had more then 20 active QTI projects by 2004 the number has declined since then.

Enterprise Florida determines the QTI award by employing an economic impact model that estimates the sales tax revenue that will be generated by the private investment (i.e., land, buildings, equipment and/or jobs). Thus, the state is interested in confirming the size of the capital investment in both facilities and personnel. While the state is responsible for verifying the authenticity of jobs and wages through payroll audits, the local economic development agency's role in the QTI award process amounts to verification that the business has generated property taxes for the local jurisdiction (i.e., that it exists). However, before a positive recommendation is made and financial support is pledged by the county, the economic impact of the proposed project is analyzed by the Beacon Council. If the return on investment is found to be positive, Miami-Dade's Office of Community and Economic Development, under the advisement of the Beacon Council, recommends the QTI award to the state. Thus far Dade County has not rejected any QTI claims; rather, several proposed QTI projects have been cancelled by the State.

In only one case does documentation suggest that a project was cancelled because it failed to meet job or wage requirements. Indeed, while the QTI program contains language promoting job quality, the state's primary concern for QTI projects is that they generate tax revenue for the state, which may or may not occur by creating high quality jobs. Furthermore, several qualifications make it possible for companies to create average or below-average jobs.

First, as mentioned above, the job quality requirements are waived for companies in Enterprise Zones, brownfields and rural areas. They are still required to create jobs with wages comparable to average state, regional or MSA wage but the weakened criteria allows for greater flexibility in enforcement. The QTI program does not require that *all* employees at the company earn a wage comparable to the MSA average. This suggests that companies may average the wages across their entire workforce, obscuring the poor quality of many of its jobs, or pay only a few of its workers very little, such as janitors and security guards.

Second, there is no language that requires QTI companies to hire locally. Thus, companies that receive bonus incentives for locating in an enterprise zone (double the normal incentive amount, up to $6,000 per job) are not required to hire EZ residents. There is nothing that prohibits QTI businesses from importing their entire workforce from outside the local area.

Finally, since the state is responsible for the program it is also charted with monitoring the job creation of Miami-based companies receiving QTI funds.[13] The state obtains employee rosters to ensure that the number of jobs, the income of the employees and the overall capital investment generates a threshold level of tax revenue for the state. If Miami-based companies employ workers from Broward County or elsewhere, thereby significantly reducing the economic benefits to Miami, there are no oversight mechanisms to recognize or address this. As long as the company generates property tax revenue for Miami-Dade, the QTI award will receive support from the Beacon Council and OCED.

***Targeted Jobs Incentive Fund (TJIF) Tax Refunds***

TJIF is a Miami-Dade tax incentive program modeled on the state's QTI program. To qualify for TJIF awards new businesses must have created at least 10 new jobs or expanding businesses must have created five new jobs or expanded their workforce by 10 percent before submitting their application. TJIF tax refunds are generally for 6 years. They are determined according to the estimated incremental tax revenue the company will generate for the County, according to number of jobs created. The Beacon Council performs an economic impact analysis to determine the amount of the refund to recommend to the county. Between $3,000 and $6,000 per job can be returned to the business depending on location of the job and area of residence of the job holder. The amount of the refund is also supposed to be returned to the county either in full or 10 percent above that, depending on the location of the company (in or out of the Empowerment Zone, an Enterprise Zone, a Target Urban Area, a Brownfield, or CDBG Area).

A second way to qualify is for a businesses (or developer) to invest at least $3 million in taxable property value. They may then receive 80 percent of the property taxes paid previously or a full property tax refund if located in a designated priority area. Businesses can receive overlapping business incentives as long as the greater of the incentive awards is reduced by the other subsidy amounts. For example, as TJIF awards are generally greater than EZ tax abatements, companies may receive the full tax abatement and a TJIF award reduced by the amount of the tax abatement.

If the goal is to efficiently create a good number of well-paying jobs, there appear to be several deficiencies in the TJIF program. First, local hiring is not required (although it is encouraged through bonus incentives). Requiring some degree of local hiring would be a boon to the county since the TJIF program requires that eligible companies pay employees no less than the county living wage ($10.27 plus benefits or about $21,362 annually). While many jobs in the targeted industries are likely to pay wages considerably higher than the county's living wage, some workers at these companies—janitors, landscapers, and the like—would reap substantial benefits.[14]

Second, there is no statutory requirement that any of the new jobs created pay more than the county living wage despite the fact that the mission of TJIF is to attract high-paying ("targeted") industries and jobs to Miami-Dade. Higher wage levels are *encouraged* through bonus incentives ($250 per new job) for companies that create new jobs that on average pay annual salaries that are greater than the state average salary of $34,452.[15] The County requests that companies submit current employee rosters for the new jobs created and report the average of the annualized wages for those jobs.[16] Although monitoring wages in this way appears to be common practice at present there is nothing in the TJIF ordinance that prohibits companies from paying employees less than the state's average salary.[17] Awards may be approved by the Board of County Commissioners (BOCC) as long as TJIF applicants meet the program's minimum requirements (capital investment and 10 new jobs with wages that are on average higher than the county living wage).

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## SUBSIDIES AND INVESTMENT RETURNS

### *Enterprise Zone Property Tax Abatements and Impact Fee Refunds, 1989-2006*

Between 1989 and 2006, 179 Enterprise Zone (EZ) tax abatements were approved and awarded to 167 businesses, exempting them from paying $15,485,328 in property taxes. **Table 1** summarizes the amount and change in property tax abatements during this period. Foregone property tax revenues grew from $52,402 in 1989 to $1,540,160 by 2003.[18] The number of awards increased from 4 in 1989 to 95 by 2003 but has declined substantially to only 25 by 2006.

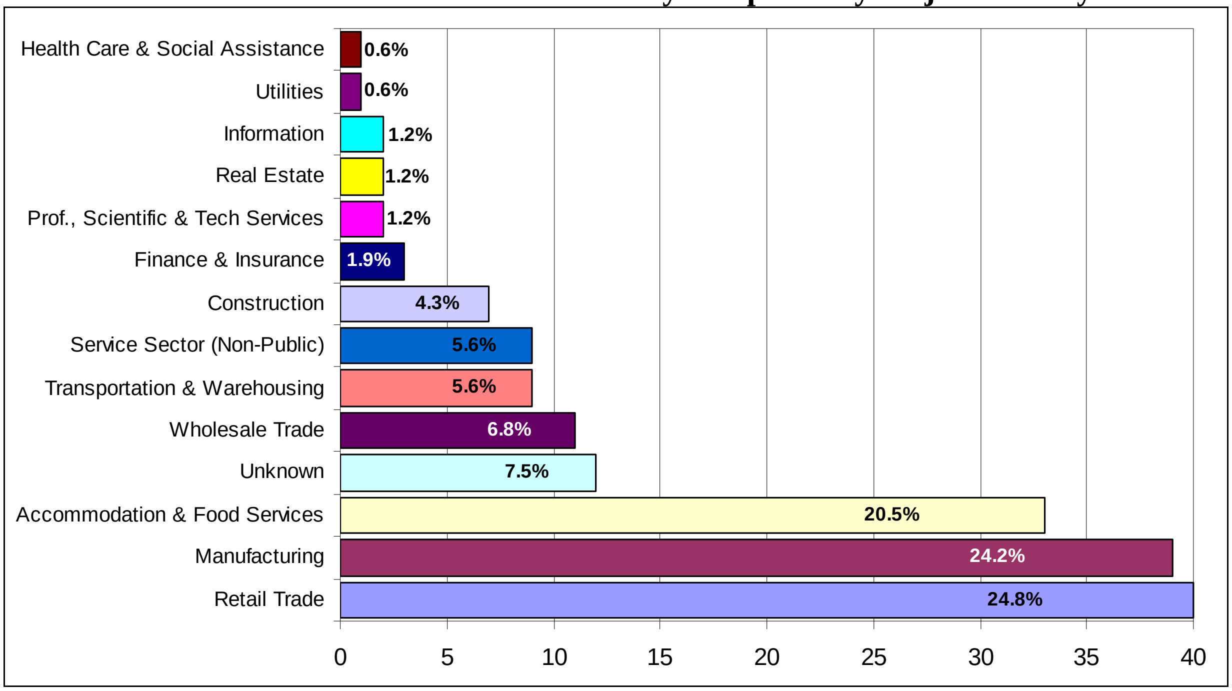
**Table 1**
**Enterprise Zone Property Tax Abatements, 1989-2006**

| Year | Awards | Annual Amount | Change | |
|---|---|---|---|---|
| | | | Amount | Percent |
| 1989 | 4 | $52,402 | | |
| 1990 | 10 | $67,955 | $15,553 | 29.7% |
| 1991 | 19 | $182,678 | $114,723 | 168.8% |
| 1992 | 23 | $230,454 | $47,776 | 26.2% |
| 1993 | 28 | $523,006 | $292,552 | 126.9% |
| 1994 | 32 | $822,621 | $299,615 | 57.3% |
| 1995 | 46 | $1,419,922 | $597,301 | 72.6% |
| 1996 | 38 | $1,040,830 | -$379,092 | -26.7% |
| 1997 | 32 | $974,767 | -$66,063 | -6.3% |
| 1998 | 35 | $988,552 | $13,785 | 1.4% |
| 1999 | 39 | $958,847 | -$29,705 | -3.0% |
| 2000 | 67 | $1,488,130 | $529,283 | 55.2% |
| 2001 | 81 | $1,413,107 | -$75,023 | -5.0% |
| 2002 | 90 | $1,517,243 | $104,136 | 7.4% |
| 2003 | 95 | $1,540,160 | $22,917 | 1.5% |
| 2004 | 73 | $1,449,914 | -$90,246 | -5.9% |
| 2005 | 45 | $481,998 | -$967,916 | -66.8% |
| 2006 | 25 | $332,742 | -$149,256 | -31.0% |
| Total | 179 | $15,485,328 | | |

Source: Tax Abatements, 1989-2009, Miami-Dade Office of Community and Economic Development

Many of the businesses that received Enterprise Zone tax abatements were also approved for impact fee refunds. Since 1993 thirty three impact fee payments were refunded to 24 businesses for a total of $4,905,540.[19] **Chart 1** presents the distribution of the combined tax abatements and impact fee refunds by major industry. The majority of EZ subsidies were paid to retail establishments (24.8 percent), manufacturing companies (24.2 percent) and accommodation and food service companies (20.5 percent). Wholesale traders received almost 7 percent of all subsidies, transportation and warehousing and the "other services" sector each comprised about 5.6 percent, and construction made up about 4.3 percent of Enterprise Zone subsidies. The coveted high-tech, higher wage industries like finance and insurance, professional services, real estate and information made up less than 2 percent each. There was little or no information provided for 7 percent (12) of the businesses receiving impact fee refunds because some of these awards were older (prior to 1997) and remain inaccessible to the public.

**Chart 1: Number and Percent of EZ Subsidy Recipients by Major Industry**




Source: Tax Abatements, 1989-2009, Miami-Dade Office of Community and Economic Development

An important question concerns whether the enterprise zone economic development strategy is addressing the income gap between the rich and the poor, or aiding lower income residents. *Have residents of the Enterprise Zone, who are more likely to be poor and underemployed or unemployed, benefited from economic development subsidies by filling the new jobs created with the help of Enterprise Zone subsidies? And have EZ subsidies created good jobs or further expanded low-wage employment in Miami?*

Table 2, which lists the top ten subsidy recipients under the Enterprise Zone program, provides a snapshot of the economic development strategy of EZ subsidies. Cutler Ridge Mall, Winn Dixie, ABC distributing and Burdines were the only companies from this list to fill a significant share of their new jobs with local residents. The jobs at ABC Distributing may pay closer to the average salary for the County but they company closed last summer. Wages in retail stores such as those found at the mall, at grocery stores or department stores are considerably lower. In the year 2006 the median hourly wage for retail salespersons in Miami was $12, with entry level wages hovering around $7.50.[20]

**Table 2**
**Top Ten Enterprise Zone Subsidy Recipients**

| Business | Product/Service | Jobs Created | Local Hiring | Subsidy |
|---|---|---|---|---|
| Cutler Ridge Mall | Shopping Mall | 63 | 25% | $4,732,191 |
| Winn Dixie Stores, Inc. | Grocery Stores | 402 | 20% | $2,456,757 |
| American Bankers Life Insurance | Insurance Services | 983 | 3% | $1,172,110 |
| Cliff Berry, Inc. | Environmental Services | 32 | 5% | $1,169,534 |
| ABC Distributing, Inc | Wholesale Distributor | 1067 | 22% | $1,097,207 |
| Visa International | Financial Activities | 285 | 0% | $798,947 |
| Burger King Corp (HQ) | Fast Food Service | 420 | 3% | $755,720 |
| Atlas Paper Mill | Commercial Printing | 5 | 15% | $511,609 |
| Burdines, Inc. | Department Store | 36 | 21% | $372,638 |

Source: Tax Abatements, 1989-2009, Miami-Dade Office of Community and Economic Development

The 160 businesses that were monitored for compliance under the EZ program promised to create 9,006 **new** jobs as a result of relocating or expanding in Miami. The monitoring records available indicate that these companies have employed more than 12,000 workers. However, many of these jobs already existed in the case of expanding companies who improved their facilities, acquired or built new facilities and/or purchased new equipment. Thus, the employee roster of expanding companies does not accurately reflect the number of **new** jobs gained for Miami-Dade County as a result of the expansion. The tax abatement application asks expanding businesses to distinguish between projected total jobs (number of workers employed at the time) and projected new jobs but OCED uses a weak method for verifying the creation of new jobs. Expanding businesses are simply asked to provide a roster of the employees occupying positions created as a result of investments made in new facilities and/or equipment. For the purposes of this report we have no choice but to assume that such self-reporting is accurate, but genuine accountability would require stronger verification than simple self-reporting.

Since the application process distinguishes between new and expanding businesses,[21] in the case of expanding companies we added the number of new jobs companies claimed to have created to the change in the number of jobs for the years they were monitored. For new companies we assumed that all the jobs created – recorded in OCED's monitoring reports – were jobs gained for Miami-Dade County. Thus, the job creation statistics based on OCED's monitoring reports may exaggerate the net job change in Miami-Dade.

Many companies were unable to meet the most basic of job creation requirements. Since some tax abatement awards were cancelled when businesses failed to create at least five new jobs, the number of cancelled property tax abatements represents a considerable number of potential jobs that were never created. American Bankers Insurance Group of Florida (now Assurant, Inc.) was approved for property tax abatements on seven separate expansions. In 1994 and 1995 the insurance company was exempted from paying $471,480 in property taxes but in 1996 the award was cancelled because of "insufficient employment," meaning they were found to have created less than five new jobs as a result of the expansion. This also means that they failed to create at least 256 of the 260 jobs they promised when they applied for the subsidy. Similarly, Edron Fixtures Corporation, which promised to generate 285 new jobs, had its five year tax abatement term cancelled after three years for failing to create 5 jobs. This means that at least 280 jobs promised were not created despite the fact that the business was exempt from paying local property taxes for three years.

Of the 167 businesses that were approved for property tax abatements between 1989 and 2004, incentives were cancelled for forty of them (21 percent) because they failed to create and maintain five new jobs.[22] This represents 1,632 jobs or about 18 percent of the promised new jobs that never materialized. While the County stopped providing tax abatements to such companies in the year after they failed to meet the job creation requirements, the abatements provided before that point were not refunded. **These 37 companies collected over $2.5 million in property tax abatements and impact fee refunds despite failing to create at least 5 jobs each.**[23]

Local hiring is an important component of the Enterprise Zone program. Indeed, the designation of geographic "zones" allows policy makers to target low-income communities with high unemployment. Prior to 1995, the eligibility criteria for the tax abatement included the requirement the companies draw at least 20 percent of the workforce from the Enterprise Zone where they were located. In 1995 the ordinance was weakened so that businesses that did not hire EZ residents could still be exempted from paying half of their property taxes.[24]

**Of the 128 projects monitored for compliance with job creation standards between 1997 and 2005, 74 failed to draw at least 20 percent of their workers from the local Enterprise Zone. Of these companies, 10 never hired a single EZ resident.** In 2005, 614 or 7 percent of the 8,202 workers at firms receiving tax abatements were EZ residents. The average proportion of EZ residents employed at participating companies since 1997 is 16 percent. These figures indicate that **local hiring has declined considerably.**

**EZ residents make up 14 percent of the County's population.[25] Thus, while EZ subsidies target low-income communities, where larger tracts of land may be available at a lower cost, EZ residents are not disproportionately targeted to benefit from the increase in employment opportunities.**

Table 3 presents selected EZ program statistics by major industry. Businesses receiving a total of $19,509,335 in EZ tax abatements and impact fee refunds were credited with creating 6,897[26] jobs from 1989 to 2004, at a cost of about $2,829 each. The industries gaining the most new jobs were retail trade (1608), wholesale trade (1449), finance and insurance (1302), accommodation and food services (1143) and manufacturing (964). Two of these industries – retail trade and accommodation and food services – pay wages well below average for the county, although finance and insurance pay well above average. The weighted average wage of all jobs created is $42,652 (in 2006 dollars), about the same as the average for all industries in Miami.

However, Enterprise Zone residents were seldom employed in higher-paying jobs. Five hundred thirty eight of the total 1,115 jobs created for zone residents were in retail trade and accommodation and food services, industries notorious for low pay and few benefits. While Enterprise Zone incentives apparently helped to create some good jobs, few of them went to low-income workers from an Enterprise Zone.

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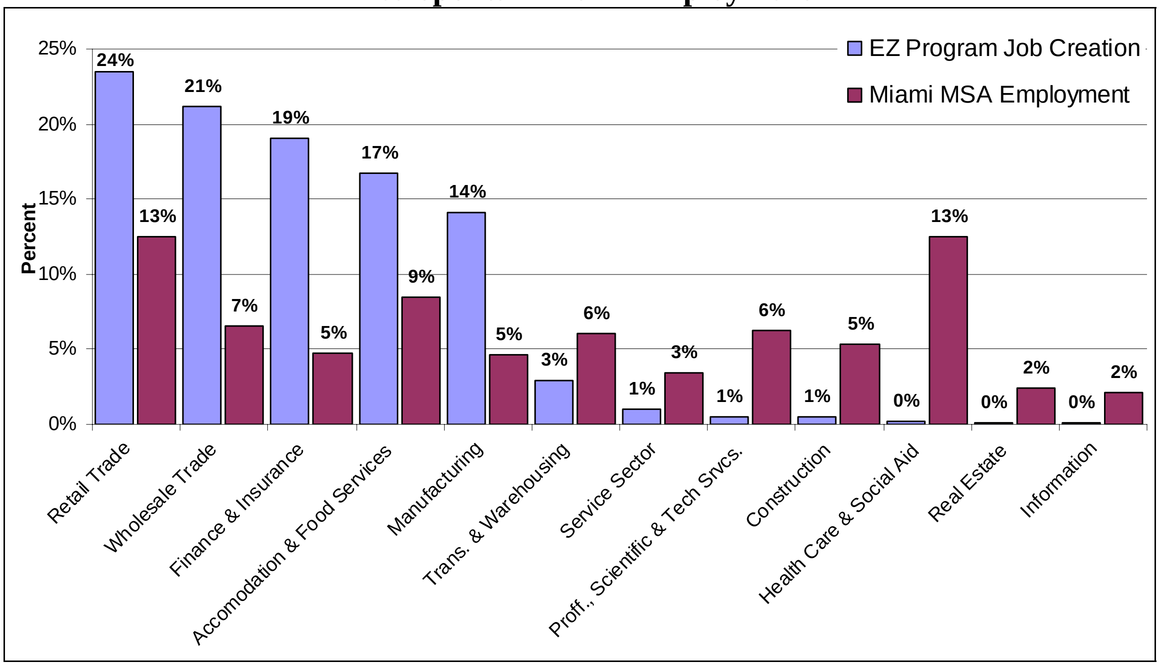
**Table 3**
**Selected Enterprise Zone Program Statistics by Major Industry**

| Industry | 2006 Average Wage (Miami MSA) | Number of New Jobs Created | Local Resident Share of New Jobs(i) | Local Resident Share of New Jobs(i) | Cost Per Job | Total EZ Subsidy |
|---|---|---|---|---|---|---|
| Retail Trade | $27,479 | 1,608 | 371 | 33% | 5,453 | 8,767,232 |
| Wholesale Trade | $52,796 | 1,449 | 313 | 28% | 1,083 | 1,569,359 |
| Finance and Insurance | $73,150 | 1,302 | 32 | 3% | 1,521 | 1,979,909 |
| Accommodation & Food Services | $21,241 | 1,143 | 167 | 15% | 1,534 | 1,754,509 |
| Manufacturing | $38,808 | 964 | 176 | 16% | 2,757 | 2,658,213 |
| Transportation | $46,858 | 201 | 16 | 1% | 1,429 | 287,249 |
| Other Services | $25,824 | 71 | 10 | 1% | 3,630 | 257,752 |
| Utilities | $64,515* | 52 | 11 | 1% | 155 | 8,084 |
| Prof., Technical & Scientific Services | $67,346 | 36 | 2 | 0% | 32,531 | 1,171,109 |
| Construction | $44,403 | 35 | 7 | 1% | 3,593 | 125,760 |
| Education and Health Services | $41,428 | 11 | 3 | 0% | 2,501 | 27,508 |
| Real Estate, Rental & Leasing | $43,443 | 10 | 3 | 0% | 29,186 | 291,861 |
| Unknown(ii) | -- | 8 | 1 | 0% | 49,810 | 398,482 |
| Information | $61,212 | 7 | 2 | 0% | 30,330 | 212,308 |
| Totals | | 6,897 | 1,115 | 16% | 2,829 | 19,509,335 |

(i) Number and Percent of Enterprise Zone Residents Hired
(ii) In this category there are 12 awards for which little information other than a business name is available. Eight of these were cancelled in the early 1990's and there is no monitoring data available for the others.
* This statistics is from 2005.
Source: Authors calculations based on OCED reporting on EZ Tax Abatements, 1989-2009, Quarterly Census of Employment and Wages, Miami MSA 2006 and 2005.

**Moreover, subsidized job creation through the EZ program was disproportionately focused in low-wage industries relative to employment throughout the Miami metro area. Chart 2** compares the breakdown of job creation through the EZ program to employment throughout the metropolitan statistical area (MSA) for 2004. The retail sector's share of total employment in Miami (12%) is about half of retail's share of total job creation through the EZ program (24%). Wholesale traders, financial service and insurance providers, and manufacturing companies were also overrepresented, but only the first of these employed nearly as many local workers as retailers did. But the bulk of the jobs created in the wholesale trade industry (1,067) were concentrated at one factory in Hialeah, ABC Distributing. But ABC Distributing closed in June of 2006 and an estimated 1,000 local jobs were lost.[27]

**Chart 2: Share of Jobs by Major Industry, Enterprise Zone Subsidy Recipients and Metropolitan Miami Employment**




Source: Adopted from Tax Abatements, 1989-2009, Miami-Dade Office of Community and Economic Development, and Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2006.

Chart 2 depicts an economic development strategy that has not done enough to alter the quality of the wage structure in Miami. While some higher-wage industries were clearly targeted, such as wholesale trade, finance and insurance and manufacturing, economic development continues to involve the expansion of low quality employment opportunities at retail stores and malls, hotels, restaurants, and the like. While the service sector is shown to be underrepresented in the above diagram, this is likely because a number of service jobs, such as maintenance and cleaning, were probably created at the office complexes and manufacturing and distribution plants of companies in high-wage industry categories.

The Enterprise Zone economic development strategy must ensure that more local residents are employed in higher-wage jobs. Subsidizing the creation of poverty wage jobs will only widen the gap between rich and poor and place increased stress on local social services because companies fail to meet the medical and economic needs of their employees.

### *Qualified Target Industry Tax Refunds, 1995-2005*

Unlike the Enterprise Zone program, Qualified Target Industry (QTI) tax refunds strategically recruit higher-wage companies with the goal of further developing Miami's niche industries. Since the programs' inception in 1995 QTI awards have been approved for 22 companies in Miami-Dade County, for a total local share of $1,470,723 and state share of $5.4 million.[28] These 22 companies agreed to create 2,864 new jobs in exchange for the tax refunds and have thus far created 2,675 at a cost of $549.80 per job considering only Miami-Dade County's share of the QTI subsidy or $2,723 per job if the State's share is added.

**Table 4**
**QTI Subsidy Recipients by Industry**

| Industry | Award Recipients | Net Jobs Created | County QTI Share |
|---|---|---|---|
| Prof., Scientific & Tech Services | 4 | 1215* | $328,789 |
| Manufacturing | 7 | 705 | $319,899 |
| Wholesale Trade | 1 | 522 | $703,895 |
| Information | 3 | 96 | $38,000 |
| Transportation & Warehousing | 4 | 137** | $44,090 |
| Retail Trade | 2 | 0*** | $29,800 |
| Finance & Insurance | 1 | 0*** | $6,250 |
| Total | 22 | 2,675 | $1,470,723 |

* 185 of these are not confirmed
** These 137 are not confirmed
*** These projects have either been recently cancelled or recently activated; in the latter case job monitoring has not taken place yet.
Source: Adopted from Enterprise Florida, Miami-Dade QTI, November 2005, and BOCC Agenda Item 8(K)(1)(A), Resolution Approving QTI Tax Refund, July 10, 2007.

QTI subsidies appear to be more cost effective than EZ tax abatements from the standpoint of job creation, and more targeted to higher wage industries. But while the QTI program awards bonuses to companies locating in Enterprise Zones it does not require companies to hire Zone residents. However, for at least four of the companies that also received EZ property tax abatements, we can consult the EZ monitoring reports.

ABC Distributing closed last year but while it was open it drew 22 percent of its workforce from the local Enterprise Zone (most of Hialeah). Federal Express Corporation's QTI award is pending termination (after receiving $20,900 from the county in 2001-02), but under the EZ program it drew only 5 percent (4 workers) of its labor force from the local Enterprise Zone. Miami-Dade reports having paid over $25,000 in QTI awards and almost $16,000 in EZ tax abatements to the Gap but cancelled the EZ award in 2005 for failure to comply with the job creation requirements. QTI records have not credited The Gap with creating any new jobs either. Finally, Avborne Professional Modification Services, which repairs and manufactures airplane parts, is credited with creating 91 new jobs under the QTI program and is found to have drawn 6 percent of its workforce from the Enterprise Zone. **If these statistics are a window into the strategy and future outcomes of the QTI program, it is not likely that these tax refunds will have a significant impact on the economic well-being of the County's low-income residents, many of whom live in Enterprise Zones.**

The state of Florida's QTI monitoring records report the average wage of the projected new jobs provided by companies when they applied for the subsidy. Such data was provided by 33 QTI applicants, 20 of which were subsequently awarded tax refunds by Miami-Dade County. Table 5 presents the projected wages of the jobs created by these 20 businesses. The average wage of projected new jobs reported by QTI applicants suggests that many of the jobs created pay lower wages that is typical for these industries. Precision Response, Bertram Yacht, Avborne, United Dominion and MDEK Inc. anticipated paying lower than average wages for the manufacturing industry in Miami. It is particularly notable that Precision Response Corporation is getting over 40% of all the subsidy money, and it projects paying only $17,500 per job, less than half the average wage in the county. Taking into account confirmed net jobs created by each company through 2004, **the weighted average wage of the employment generated through QTI awards is $26,190, far lower than would be expected based on the average wages of the targeted industries throughout Miami-Dade. This undermines the purpose of targeting higher-wage industries for expansion in Miami.**

While the overall strategy of the QTI program is to attract higher-wage, niche industries, in Miami economic development assisted by QTI awards has struggled to avoid generating low-wage jobs. Moreover, this proclaimed strategy apparently precludes targeting low-income residents and communities, except for increasing the subsidy award to businesses that locate or expand in the Enterprise Zone. **Monitoring and enforcement of targeted hiring outcomes is non-existent, and what little data is available on the wages companies expect to pay to their new employees (self-reported in the subsidy application) reveals that they are lower than the industry-wide averages for Miami.** Table 5 lists recipient companies, projected wages, confirmed new jobs, and amount of subsidy.

**Table 5**
**QTI Business Projected Wages, Job Creation and Subsidies**

| Company | Projected Wage | Confirmed New Jobs[ii] | Subsidy[iii] Through 2004 |
|---|---|---|---|
| Federal Express | $36,818 | n/a | $ 20,900 |
| Atlas Air, Inc. | $40,000 | n/a | $ 21,000 |
| GAP International Sourcing, LLC | $59,288 | n/a | $ 25,550 |
| DBK Concepts Inc. | $31,200 | n/a | $ 4,250 |
| Systems Union, Inc. | $55,000 | 29 | $ 3,750 |
| Precision Response Corp. | $17,500 | 971 | $ 209,197 |
| Global Entertainment Holdings/Equities, Inc. | $64,000 | 30 | $ 3,375 |
| HotJobs.com, Ltd. | $38,000 | 16 | $ 1,125 |
| Avborne Professional Modification Srvs, Inc. | $33,000 | 91 | $ 69,500 |
| Boston Scientific | $31,775 | 479 | $ 61,800 |
| Bertram Yacht, Inc. | $20,000 | 47 | $ 22,500 |
| United Dominion Inds. | $30,500 | n/a | $ 18,750 |
| Volkswagen Group | $60,000 | 30 | $ 13,879 |
| Royce Labs Inc. Watson Labs | $37,307 | 58 | $ 8,550 |
| Mitsubishi Heavy Industries America | $75,000 | 10 | $ 5,000 |
| MDEK, Inc. | $33,280 | n/a | $ 2,420 |
| Allegiance Telecom | $45,000 | 60 | $ 15,000 |
| IDS Telecom | $45,000 | n/a | $ 10,000 |
| American Express Travel Related Services. | $67,900 | n/a | $ 6,250 |
| Total/ Average | $26,190[i] | 1,821 | $522,796 |

[i] Average wage weighted according to job creation
[ii] Where n/a is found the project is either pending termination or has been recently activated and no new jobs have been recorded yet.
[iii] Miami-Dade County's 20 percent share of the total subsidy award.
Source: Adopted from Enterprise Florida, Miami-Dade QTI, November 2005, and BOCC Agenda Item 8(K)(1)(A), Resolution Approving QTI Tax Refund, July 10, 2007.

A recent state-wide study of the QTI program by the Collins Center for Public Policy (2005) echoes many of these concerns. The Center's recommendations include improved transparency and public participation through published lists of businesses receiving subsidies; adding health insurance as part of wage requirements; added incentives to encourage QTI businesses to exceed their job and wage requirements; increased monitoring through site visits to maintain comprehensive data, increased compliance and better understanding of the role of incentives in business decisions; and more frequently updated subsidy lists.[29]

The state-wide average wage of new jobs reported in the Collins Center study was over $35,000, far higher than the $26,000 average for the confirmed jobs created in Miami. While the program requires higher wage-levels to qualify it contains provisions that weaken the high-wage goals, leading to the low-wage job creation found in Miami-Dade. There is no monitoring of local hiring or other important job quality measures, such as provision of health and other benefits. **Ultimately, the focus of the QTI program as administered by the State and supported by county and local municipalities appears to be on capital investment and tax revenue more than raising the standard of living through the creation of high-quality employment opportunities for low- and moderate-income residents.**

*Targeted Jobs Incentive Fund (TJIF) Tax Refunds*

From the data we have, it appears that one company, Burger King, was approved in early 2005 to receive almost half of the TJIF tax refunds: almost $5.4 million of a total $13.5 million. At promised levels of job creation (60 new jobs), this works out to almost $90,000 per new Burger King job, although the average cost per job for the entire program is $7,088. Despite potentially getting about 40 percent of the tax refunds, Burger King planned to create only three percent of the projected new jobs under the TJIF program.[30] Table 6 shows the companies that have been approved for TJIF subsidies, their industries, projected new jobs, and amount of the approved award.

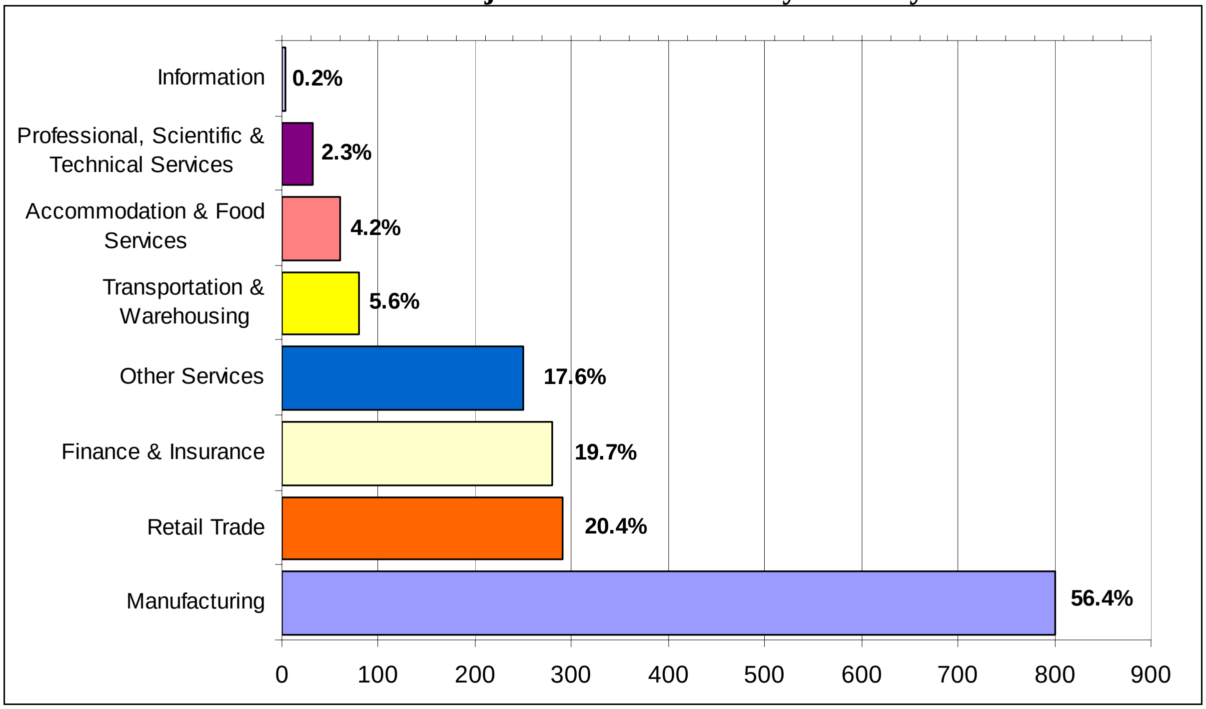
**Table 6**
**TJIF Awards Approved, 2004-2023**

| **Company** | **Industry** | **Total Award** | **Projected Job Creation** |
|---|---|---|---|
| Burger King | Accommodation & Food Services | $5,380,917 | 60 |
| Great Florida Bank | Finance & Insurance | $225,000 | 75 |
| Conf Proj No. 06-00039 | Finance & Insurance | $1,368,672 | 205 |
| Sherjan Broadcasting | Information | $219,386 | 50 |
| Alienware Corp. | Manufacturing | $293,493 | 155 |
| Colonial Press Intl | Manufacturing | $199,660 | 13 |
| Dosal Tobacco Corp | Manufacturing | $176,598 | 19 |
| Badia Spices, Inc. | Manufacturing | $80,487 | 20 |
| Confidential Project | Manufacturing | $85,525 | 24 |
| PAL laboratories, inc | Manufacturing | $373,774 | 25 |
| Conf. Proj. 03-00242 | Manufacturing | $466,657 | 100 |
| Boston Scientific | manufacturing | $231,093 | 120 |
| Conf. Proj. 05-00289 | Manufacturing | $150,000 | 50 |
| Miami Tech Line | Manufacturing | $39,000 | 200 |
| Conf Proj No. 07-00135 | Manufacturing | $733,450 | 75 |
| 50 State Security | Other Services | $118,750 | 250 |
| Conf Proj No. 06-00076 | Professional, Scientific & Technical Services | $560,410 | 32 |
| Conf. Proj. 05-00095 | Retail Trade | $420,500 | 290 |
| Ryder System, Inc. | Transp. & Warehousing | $1,952,634 | 10 |
| U.S. Cold Storage Inc. | Transp. & Warehousing | $313,805 | 20 |
| Dedicated Transport | Transp. & Warehousing | $50,214 | 50 |
| Square One Amoring | Transp. & Warehousing | $13,750 | 55 |
| **Total** | | **$13,453,775** | **1,898** |

Average cost per job = $7,088

Chart 3 shows job creation under the program by industry.

**Chart 3: TJIF Projected Job Creation By Industry**




Source: Data adopted from BOCC resolutions 053360 (12/20/2005) , 071847 (7/10/2007) and 070963 (5/8/2007), approving TJIF funds for confidential projects.

The TJIF program is a substantial improvement over the Enterprise Zone tax abatement and impact fee refund program. As chart 3 shows it makes an effort to target industries that pay higher wages (although still including some that do not). In addition, it sets a living wage floor, which is a very desirable feature. It remains to be seen whether compliance with the living wage will be strictly monitored and enforced, but the fact that Miami-Dade appears to be abandoning the practice of tax breaks to fast food restaurants and retail mall outlets that generally pay very low wage levels is a large step in the right direction.

Still, there are some strategic flaws in the TJIF program, such as the lack of local hiring requirements noted earlier. Beyond this, the list of approved awards is troubling. The discrepancy between job creation (very small at Burger King) and amount of tax refund (almost half of total given to Burger King if the subsidy is ultimately disbursed) shows that, despite its name, **the Targeted Jobs Incentive Fund (TJIF) is not sharply targeted on jobs, but is at least as much focused on real estate investment.**

That only one subsidy has been disbursed is also somewhat troubling and raises the larger question of the effectiveness of the TJIF program in achieving its objectives, something that concerns all of the “business incentive” programs studied here. *Do the incentives really make any difference in the number of jobs, or is it simply a matter of companies taking money from the public while they create exactly the same number of jobs they* *would have anyway, absent the subsidies? Are these public incentives really nothing more than a form of unneeded "corporate welfare," useful for fattening the profit margins of companies but useless for promoting the public good through job creation?*

Larger evidence from the national scene casts serious doubt on the efficacy of most subsidy programs. The enterprise zone literature is illustrative. Studies attempting to determine their actual impact have reached inconsistent and possibly inconclusive results, although a majority is unable to find statistically significant impacts on employment or earnings. In their book *State Enterprise Zone Programs: Have They Worked?* Peters and Fisher conclude:

> We find no evidence of a strong positive impact of enterprise zone incentives on growth: zones offering larger incentives (or a lower net tax rate) for firms in a given sector did not attract significantly more births and in-migration of establishments in that sector than zones with a less attractive tax and incentive regime.[31]

Boarnet and Bogart conclude that there is no evidence that New Jersey's enterprise zone program had improved economic performance or employment.[32] Engberg and Greenbaum studied six states including Florida, and concluded that their enterprise zone programs created no significant increase in per capita employment rates.[33] Bondonio and Engberg studied five states and found their enterprise zones created no significant changes in employment growth, per capita income, or poverty rates.[34]

There are a few counter-examples of studies showing at least temporary positive results in some cases,[35] but these are rare. While mixed, the preponderance of the evidence from the better studies indicates that these programs have either no, or very little, positive impact. Trying very hard to put the best "spin" on the evidence, analysts for the Minnesota House Research Department concluded the following after surveying a wide variety of studies:

> Empirical studies of enterprise zones reach inconsistent results. Most of the more sophisticated studies show no increases in employment or per capita income. However, several such studies reach opposite conclusions or at least find a temporary increase in employment. . . Although most studies suggest negligible gains, a few studies do find statistically significant gains. By including all such studies, one cannot deny that some zones in occasional situations may be at least temporarily successful, without speculation about the merits of these studies (pp. 9, 11).[36]

If indeed tax incentive programs such as the enterprise zone, QTI, and TJIF programs do little or nothing to create net new jobs, the county's approach to economic development through these programs is seriously flawed.

## CONCLUSIONS

Returning to our four criteria for evaluating economic development programs, we are now in a position to assess Miami-Dade County's economic development efforts. How do they fare regarding (1) number and quality of jobs; (2) fiscal return on the public's investment; (3) transparency and public participation; and (4) monitoring and enforcement?

### (1) Number and quality of jobs

The "jobs performance" of these programs is problematic in a number of ways. First, as just indicated, nobody is really sure if <u>any</u> of the new jobs attributed to these programs occurred solely as a result of the program – in other words, that they would not have occurred anyway, even without the incentives. The bulk of the evidence seems to suggest – it is next to impossible to get definitive evidence – that the incentives have either zero or very little effect.

The enterprise zone program has no requirements for wage levels, and thus many of the jobs associated with it are in industries with low quality wage and benefits conditions. Almost 41 percent (2,822 out of 6,897) are in industries paying on average less than $25,200 per year (i.e., retail, accommodations and food service, other services). And for the past 10 years, even those jobs need not be given to residents of the enterprise zone to qualify for a rebate of half of property taxes, meaning that the tie between impoverished low-income communities and job creation that supposedly is the hallmark of this program is broken.

The QTI and TJIF programs attempt to overcome some of these problems by targeting incentives toward higher wage industries. However a number of loopholes and features of the programs appear to be defeating their intent, particularly in the case of the QTI program. The confirmed jobs in the QTI program average only $26,000 in pay, way below the county average. The TJIF program's potential for good job creation remains to be seen because the program is so new. But if the list of approved projects is a window into the program's future operation, the approval of tax refunds to Burger King totaling over $90,000 per job is troubling.[37]

### (2) Fiscal return on the public investment

Only one of these programs – TJIF – has a built-in evaluation of the public return on the public investment entailed in the program. This is a positive feature, but the focus is on tax revenue, not a public return in the number and quality of jobs. The "big question" – whether any new jobs are actually created solely as a result of the programs – is basically unknown for these programs, but the circumstantial evidence is not very positive.

A broader way to look at the return on the money spent in these programs is what the money could accomplish if spent for other purposes. This is known as the "opportunity cost" of the program. For example, if the money were instead spent on the education system, a rational transportation system, or affordable housings, would the returns to society be higher? Or, would job training produce more and better employment?

Because of incomplete data and lack of monitoring regarding job quality (and, to some extent, job creation), it is impossible to accurately calculate the return on the public investment in these programs. But one thing is clear: because there are no “clawback” requirements that tax breaks be returned by those companies who failed to comply with requirements, millions of dollars have been wasted on companies that did not meek the basic job creation requirements.

**(3) Transparency and public participation**

Because of Florida’s “sunshine law,” basic information on these programs is available. However, in most cases it is not convenient to access. Much basic data needed to determine the performance of the program is usually not available on the web. Those interested must go through complicated requests and fairly long waits to see data that is usually only given out in a paper form.

Beyond the simple availability of data, two of the three programs have few or no mechanisms for community input into their design and implementation. The most extensive public participation involves the Beacon Council, a public-private entity primarily set up to serve the Chamber of Commerce and the business community. The TJIF tax refunds are brought to and voted upon by the County Commissioners, which is a major improvement over the other two programs.

**(4) Monitoring and enforcement**

Fortunately, there is some degree of monitoring built into all these programs. However, the monitoring usually consists of nothing more than confirming the existence of the firm, its payment of property taxes, and the number of jobs it claims to be providing. For geographically-bound programs such as the enterprise zone (EZ) program, the number of jobs going to EZ residents is also collected.

Basic problems with the monitoring and enforcement mechanisms of these programs include the following: (1) absence of information on wages and benefits of actually created jobs (except for TJIF) makes monitoring concerning job quality difficult or impossible; (2) overworked government staff have few clear directions and even less positive incentives to rigorously monitor these programs; and (3) enforcement is severely compromised because there are no “clawback” provisions requiring repayment of money improperly given in the past to non-complying companies – the worst sanction is merely being dropped from the program.

## RECOMMENDATIONS

(1) There should be no subsidies given to companies for creating jobs with wages below a "living wage," with "living wage" being defined in accordance with the county's living wage ordinance. The county should not be subsidizing "working poverty," whereby an individual could work full-time year round and still live in poverty. Laudably, the TJIF program has this feature; the other two programs do not. The problem is particularly egregious with the Enterprise Zone program.

(2) The county should either conduct a study internally or have an impartial outside research group conduct a thorough study of existing subsidy-based economic development programs for evaluation in terms of alternate uses of the "tax expenditures" involved. Such a study could determine current effectiveness and to recommend either retention of the current program or alternative ways to more effectively provide family-supporting jobs to all residents, especially those in impoverished communities.

(3) There should be "clawback" mechanisms whereby non-complying companies are required to refund to the county tax breaks or refunds given to a company that ends up not in compliance with program requirements.

END NOTES

[1] See Carole Zabin, Arin Dube, and Ken Jacobs (2004), "The Hidden Public Costs of Low-Wage Jobs in California," for an example of this problem. Accessible online at www.nedlc.org/Hidden_Public_Costs.pdf.
[2] Marlon G. Boarnet. "Enterprise Zones and Economic Development: Can We Learn More?", *Economic Development Quarterly,* 15:3 (2001); 242-254.
[3] Alyssa Talanker, Kay Davis, and Greg LeRoy, "Straying from good intentions: How states are weakening enterprise zone and tax increment financing programs." *Good Jobs First*, Washington, D.C., 2003.
[4] Talanker, Davis, and LeRoy, 2003.
[5] "Florida Enterprise Zone Program Annual Report: October 1, 2003 – September 30, 2004." *Florida Office of Tourism, Trade and Economic Development* (OTTED), March 1, 2005.
[6] "Florida Enterprise Zone Program Annual Report: October 1, 2005 - September 30, 2006." *Office of Tourism, Trade & Economic Development*. March 1, 2007.
[7] OTTED, 2005, p. 16
[8] Authors calculations based on GIS overlay of 2000 census block groups and Enterprise Zone boundaries.
[9] *2005 NAICS Files*, Quarterly Census of Employment & Wages, www.labormarketinfo.com/library/qcew. Accessed June 4, 2007. Entry level wage is defined as the average wage earned by the lowest third of all workers in a given occupation.
[10] "2006 Incentives Report: A Progress Report on Programs Funded from the Economic Development Incentives Account." (November, 2006). *Enterprise Florida, Inc.*
[11] Petrey, Roderick, Mark Pritchett, Tracey Lowe, April Young, Sharon Cooper and Phillip Hopkins. "Florida Qualified Target Industry Refund Program: An Independent Analysis." *Collins Center for Public Policy, Inc. (Tallahassee, Miami) and Global Insight, Inc. (Philadelphia)*, February 2005, p. 14.
[12] *Incentives.* (2006). Business Florida (www.businessflorida.com/advantages/07.asp), retrieved October 12, 2005.
[13] Miami-Dade County BOCC Resolution 071846, approving QTI funds for a new project, reads, "QTI funds provided for job creation are provided as a matching basis upon the State of Florida invoicing the County for jobs created that the State has verified. In essence, The State monitors the creation of QTI jobs."
[14] For research on the benefits of the county's living wage ordinance see, Bruce Nissen and Jen Wolfe Borum, *A Difference That Matters: The Impact of the Miami-Dade Living Wage Ordinance on Employees Covered by the Ordinance*, February 2006. Available at www.risep-fiu.org.
[15] See BOCC Ordinance amending the TJIF program (Miami-Dade County Ordinance 2-1254 and 2-1258), April 5, 2005, at www.miamidade.gov/govaction/legistarfiles/Matters/Y2005/050933.pdf, pg. 36.
[16] The TJIF reimbursement application asks companies to "please attach current employee roster showing new positions and average annualized wages."
[17] Miami-Dade County Ordinance 2-1254 and 2-1258. (see note 15)
[18] There are differences between the State and the County's records. While the state of Florida's Office of Tourism, Trade and Economic Development (OTTED) reports that in the 2003-2004 funding period Miami-Dade County awarded almost $2 million in enterprise zone property tax abatements (OTTED, 2005, p. 18) the figure reported by Miami-Dade's Office of Community and Economic Development (OCED) is only about $1.5 million (see Table 1). The discrepancy is not caused by the funding cycle used as both agencies use the same funding period (October 1 through September 30). This report relies on the County's data on tax abatements instead of the State's.
[19] Companies received more than one impact fee refund because refunds are processed in connection with building permits. One business may have to obtain three building permits to complete one project or project expansion.
[20] Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Miami-Dade County, 2006. An entry level wage "is defined as the average (mean) wage earned by the lowest third of all workers in a given occupation."
[21] The definitions of new and expanding businesses are found in Florida Statutes (1991), Section 196.012:
(15) "New business" means:
… (b) Any business located in an enterprise zone that first begins operation on a site clearly separate from any other commercial or industrial operation owned by the same business.

(c) A business that is situated on property annexed into a municipality and that, at the time of the annexation, is receiving an economic development ad valorem tax exemption from the county under s. 196.1995.
(16) "Expansion of an existing business" means:
… (b) Any business located in an enterprise zone that increases operations on a site co-located with a commercial or industrial operation owned by the same business.

[22] Nine additional awards cancelled for other reasons, including changes in ownership or bankruptcy. Regardless of the particular case, taxpayers do not get a refund when companies fail to create jobs.

[23] Many of these companies created more than five jobs but could not maintain them; they may have closed or moved after one year, thereby utilizing the subsidy to reduce start-up costs in Florida and then move elsewhere.

[24] Not coincidentally, in 1995 the number of awards increased from 32 to 46, while the increase the monetary total of the awards was less dramatic than over previous years.

[25] We used GIS software to overlay Miami-Dade Enterprise Zone boundaries and US Census defined block groups with population data to figure out the population of EZ residents for the year 2000.

[26] The actual number of new jobs created may be slightly higher. There is no monitoring data for twelve businesses, representing 229 potential new jobs at four manufacturing plants, four retail stores, two construction companies and two hotels. On the other hand, if these businesses failed their job requirements while receiving subsidies the overall cost of each job created through the EZ program would be higher.

[27] Miami Herald Staff and Wire Services. 2006. "Hialeah Warehouse Sells for $90 million," *The Miami Herald*, Business, 3C (August 4).

[28] Enterprise Florida. *2006 Incentives Report*. www.edri-research.org/clientuploads/Library/studies/2006_Incentives_Report.pdf.

[29] Petrey, et. al, 2005, p. 43-44.

[30] We stress that our data cover what is awarded or approved, not what is actually disbursed in tax refunds. For example, Burger King subsequently failed to make the move they promised in the application, and consequently will likely not collect. We are focusing on the criteria and award decisions made, not actual money collected for relatively recent awards, because in many cases the tax refund has not yet occurred.

[31] Alan H. Peters and Peter S. Fisher, *State Enterprise Zones Programs: Have They Worked?* Kalamazoo, MI: W. E. Upjohn Institute, 2002.

[32] Marlon G. Boarnet and William T. Bogart, "Enterprise Zones and Employment: Evidence from New Jersey," *Journal of Urban Economics*, 40, no. 2 (1996): 198-215.

[33] John Engberg and Robert Greenbaum, "An Evaluation of State Enterprise Zone Policies," *Policy Studies Review* 17, no. 2-3 (2000):L 29-46.

[34] Danielle Bondonio and John Engberg, "Enterprise Zones and Local Employment: Evidence from the States' Programs," *Regional Science and Urban Economics* 30, no. 5 (2000): 519-549.

[35] For examples showing at least something positive, see Leslie E. Papke, Tax Policy and Urban Development: Evidence from an Enterprise Zone Program, working paper #39435, National Bureau of Economic Research. See also, Kala Seetharam Sridhar, "The Incentive Programs and Unemployment Rate," *Review of Regional Studies* 30, no. 3 (1999): 275-298. The most positive assessment comes from an evaluation of Colorado's program: James Alm and Julie Ann Hart, *Enterprise Zones and Economic Development in Colorado*. A discussion paper available on the web at: http://www.colorado.edu/Economics/CEA/papers98/wp98-16.pdf .

[36] Dona Hirasuna and Joel Michael, *Enterprise Zones: A Review of the Economic Theory and Empirical Evidence*, Minnesota House of Representatives Research Department, 2005. pp. 9, 11. Available on the web: http://www.house.leg.state.mn.us/hrd/pubs/entzones.pdf . This review of the existing literature is one of the best, and most up-to-date, examinations of existing enterprise zone literature.

[37] We suspect this tax abatement was awarded because it was Burger King's corporate headquarters that was involved, and there are different arguments for why it is important to retain or attract corporate headquarters of larger companies. We understand those arguments, but they do not change the fact that it appears to be a misuse of a program entitled the "Targeted Jobs Incentive Fund" to spend public money for purposes not really related to job creation or job quality.