

**OFFICE OF THE CITY COUNCIL**

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**FINANCE ECONOMIC INCENTIVES SUBCOMMITTEE MINUTES**

 **June 24, 2014**

**10:00 a.m.**

**Location:** City Council Chamber, City Hall – St. James Building; 117 West Duval Street,

**In attendance:** Council Member John Crescimbeni and Greg Anderson (arr. 11:50)

**Excused:** Council Member Matt Schellenberg

See attached sign-in sheet for additional attendees

**Meeting Convened**: 10:06 a.m.

Chairman Crescimbeni convened the meeting and the attendees introduced themselves for the record.

Dr. Christopher Johnson – Chair, UNF Dept. of Economics and Geography

Dr. Johnson’s specializes in research in poverty and economic development and made a presentation entitled “A Tale of Two Cities” comparing economic and social statistics for two Jacksonville zip codes – 32223 in Mandarin and 32209 in the Edward Waters College/near downtown area. The statistics show a stark difference in conditions within the city in factors such as per capita and household income and unemployment. He discussed the differences between incentives targeted to stimulating employers (tax credits, tax abatements) and incentives targeted to stimulating labor supply (vocational training, pre-school education, reduced personal income taxes). He noted several problems with employer-based incentives, including the fact that many companies would make their location decisions without the incentives (therefore making the incentives unnecessary expenditures) and the fact that research shows that many newly created jobs from the attraction of out-of-town companies go to out-of-town employees who relocate to the area rather than to unemployed or under-employed local residents.

Dr. Johnson advocated for customized job training as a key to long-term economic success, improving the quality of the local labor supply and providing skilled employees as an incentive to prospective employers in lieu of tax benefits. He suggested that this type of job training is particularly valuable to small- and medium-sized businesses that may lack the resources of larger companies to do their own in-house training. He recommended “manufacturing extension services” that serve as sources of information on productivity improvement and increased efficiency for businesses to help them grow their business and workforce. Access to these extension services could be offered to firms that agree to hire employees from economically disadvantaged areas. He briefly discussed the Democracy Collaborative recommendations for community wealth building that identifies the supply chain needs of major local industries (hospitals, universities, manufacturers) and seeks to grow local suppliers to service the needs of those industries. “Buy local” initiatives are one example of seeking to stimulate the local economy by keeping purchasing power at home and growing local companies to serve the needs of other companies in the area. Immediate creation of job opportunities is a difficult prospect. One possible mechanism is to offer temporary wage subsidies to companies to hire new employees (the Minnesota Emergency Employment Development – MEED – program is an example).

The group asked questions of Dr. Johnson about comparative costs and returns on investment of the various types of incentives. Council Member Jones agreed that producing skilled labor to meet the needs of local companies is a great tactic to match company needs with employment needs. He cited the example of JEA needing to replace 35% of its linemen (high paying jobs) in the next 5 years, and Council Member Crescimbeni noted a presentation made several weeks ago by Tim Ryan of Johnson & Johnson/Vistakon about their high school training/mentorship program.

Avalanche Consulting report – City Public Investment Policy

Amy Holloway of Avalanche Consulting made a presentation on the company’s research on trends in Jacksonville’s targeted industries, incentives in Jacksonville’s competitor cities and made recommendations on potential revisions to the City’s Public Investment Policy. The performance of targeted industries is mixed, with advanced manufacturing declining and financial services holding neutral while the health and biomedical, information technology and logistics fields are improving. Basic conditions in Jacksonville seem to be improving, with the City’s public schools showing improvement, construction rebounding and the cost of living remaining competitive.

Overall, incentives are a fact of life and competition among cities is keener than ever. Speed and flexibility are key to success; companies are in a huge hurry to get projects off the drawing boards and into production now that the economy is showing signs of a real turnaround and don’t want to wait. Major trends: 1) cash is king (especially cash closing funds to seal a deal); 2) talent talks (workforce development, specialized job training); 3) live and die by the ROI (incentives based on how much ROI a project is expected to produce); 4) back the clawback (local governments want them to protect public investment, but companies are increasingly cancelling their agreements to get out from under the clawback requirements).

The use of cash closing funds is a very recent development for city governments, but seems to be growing in popularity. Council Member Crescimbeni is interested in knowing how these cities fund their closing funds – do they appropriate a pot of money in the budget each year that can be used as needed? Who controls the fund? Practices vary city by city, with some more transparent and others more opaque in their operations.

Over the last 4 years, Jacksonville’s incentive use appears to be very balanced among recruitment of outside firms versus retention of local firms, use of grants versus loans, size of firms being incentivized, and amount of incentives being granted. Seventy-four projects were incentivized which represent a combined capital investment of $1 billion and the projected creation of 11,250 jobs.

Recommendations for improvements to the City’s Public Investment Policy include the following:

* Expand downtown incentive programs, including façade improvements and fee waiver programs
* Create a countywide economic development fund with a dedicated funding source
* Conform local incentives as much as possible to state incentive programs (don’t have separate local requirements) to encourage simplicity and speed.
* Promote as much project confidentiality as possible until deals are closed.
* Utilize the federal New Market Tax Credit.
* Offer bonus incentives to businesses that locate in target areas.
* Support small business support infrastructure (revolving loan funds, microloans, food incubators, SBDCs).
* Replace the current project evaluation matrix with an ROI-based methodology that is simpler, more customizable and more relevant to the desired end result.

Avalanche has produced a new evaluation matrix in the form of an Excel spreadsheet and provided that to the OED. Council Member Crescimbeni requested the OED to plug recent economic development incentive projects (Greencore, L&J Diesel, etc.) into the new proposed matrix to see what results.

Ted Carter said that the OED is still looking at ideas for inclusion in the final report in the areas of compensating for our utility rates, alternate incentives for jobs at different wage levels, and transportation-related initiatives for connecting employees to available jobs.

Council Member Crescimbeni inquired about the current status of retail electric deregulation or power “wheeling”. JEA will be consulted.

The committee discussed the fact that this is their last meeting as a subcommittee of the current Finance Committee. Continuation of the subcommittee will depend on an action of the new Council President.

**Meeting adjourned:** 11:53 a.m.

Minutes: Jeff Clements, Council Research

 6.24.14 Posted 12:00 p.m.

Tapes: Finance Economic Incentives Subcommittee meeting – LSD

 6.24.14