

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, City Manager

DATE: September 20, 2024

TITLE: DISCUSS THE POSSIBLE CREATION OF INCENTIVES FOR OWNERS OF VACANT COMMERCIAL PROPERTIES TO LEASE VACANT SPACES

**RECOMMENDATION**

The Administration recommends the Finance and Economic Resiliency Committee review and discuss best practices of nationwide incentive programs and the potential creation of pilot programs to test the effectiveness on Miami Beach vacant commercial property owners.

**BACKGROUND/HISTORY**

During the July 24, 2024 City Commission meeting, the Mayor and City Commission referred to the Finance and Economic Resiliency Committee (FERC), a discussion (C4 K) regarding possible incentives for owners of vacant commercial properties to lease vacant spaces.

As noted in the referral memo, vacant buildings have an adverse effect on Miami Beach commercial corridors because they are typically untended and under-maintained, making a community look less attractive. Vacant property can also attract loitering and other unwelcomed activities, potentially negatively altering the character of our community and commercial corridors, often triggering the resources of local police, fire and building departments.

The Economic Development Department has implemented a series of incentive programs to encourage new or expanding businesses in certain industries that work to diversify the City's economy, by attracting tech, medical, financial services and other quality, high-wage job businesses to the City.

Methods and strategies are aimed to revitalize targeted areas and increase investment in specific neighborhoods by being creative, smart, and agile. In addition, the team collaborates with community and business associations to find solutions to reduce the number of vacant properties.

Miami Beach incentive programs include the Vacant Storefront Cover Program, which seeks to improve the appearance of commercial corridors by assisting property owners in covering vacant storefront façades with preapproved artistic designs inspired by the City's award-winning Make a Bold Move business attraction marketing campaign. The program has been welcomed by landlords struggling to find desired tenants. Program participation is voluntary, at no cost to businesses, and is fully subsidized by the City. The Department conducts outreach and recruitment for the voluntary program.

To date in Fiscal Year (FY) 2024, the Department has added sixty-two (62) new participants to the program. This outcome, in large part, is due to collaborative outreach with the Code Compliance Department. To extend the program's impact on commercial corridors, the Department is actively conducting outreach and analysis of existing program participants, to collect occupancy data and provide support with commercial leasing efforts.

Additional proactive programs, designed to attract new business to vacant properties include the Expedited Plan Review and Permitting Incentive Program, a no-cost incentive intended to

encourage targeted relocations or expansions and associated development among technology and financial services firms as well as corporate headquarters (including regional headquarters) for any industry. Building permit applications for office uses that support the targeted industries are eligible for a 10-business day plan review and permitting process.

Likewise, the Job Creation Incentive Program (JCIP) is a key incentive within Miami Beach's economic strategy. JCIP appeal is rooted in encouraging the growth of select ventures and facilitating the continued success of established businesses in Miami Beach. The program's foundational principle is to entice the establishment of high-caliber, skilled and competitively compensated positions to Miami Beach. To be eligible, businesses must demonstrate dedication to fostering employment through the initiation or transfer of a minimum of ten (10) new full-time positions. These roles should enhance the employment landscape and provide annual wages surpassing 125% of the established averages of either Miami-Dade County or the State of Florida, with the higher of the two being the benchmark.

The Commercial Lease Subsidy Program (CLS) was specifically developed to enhance the commercial character of retail properties in the Art Deco/Miami Modern Commercial Character Overlay District (District). CLS uses an incentive grant to defray leasing costs for commercial properties in the District, aiming to promote arts and culture and family-friendly commercial activities, while encouraging property owners to transition away from nonconforming business models. Eligible applicants receive monthly reimbursement of leasing-related expenses, such as lease or mortgage payments, insurance costs, and real estate taxes, up to \$20,000 per year for a total of three (3) years. Additionally, participants will be reimbursed for the cost of the City's annual business tax receipt (BTR).

Creating appropriate incentives for the owners of vacant commercial properties is a constant goal for the Economic Development team. The goal is to actively seek out and evaluate best practices, challenges, and more to acquire data to assist in developing measurable and meaningful incentives and reduction in the number of vacant properties in the City's commercial corridors to inform the discussion.

## **ANALYSIS**

To develop new and innovative incentives, it is prudent to seek out best practices and determine how other municipalities have created and/or improved overall performance and productivity of vacant property owner incentives. To do so, we reviewed a number of programs to gain knowledge, fill knowledge gaps, encourage innovation and creative thinking, boost efficiency and competency, and minimize challenges.

### **Miami Downtown Development Authority:**

Focus: new-to-market or expanding businesses (tech/finance/headquarters)

- Available to new to market businesses or expanding businesses that will relocate and hire a minimum of ten new employees to the Miami DDA district within a three-year period. Additionally, the applicant must meet other specifications.
- Amount is based on the number of employees brought to Miami DDA District.
- Company may not receive more than \$50,000 in awards in any single year and no more than \$150,000 in award payments over the three-year eligibility period.

### **New York:**

#### ***Lower Manhattan Energy Program***

Focus: Energy cost savings

- The Lower Manhattan Energy Program (LMEP) provides property owners and commercial tenants in eligible buildings up to 45% reduction in electricity transportation and delivery costs. The full benefits last for 8 years, followed by a 4-year phase-out during which benefits are reduced by 20% each year.

#### ***Energy Cost Savings Program (ECSP)***

Focus: Energy cost savings

- Reduce regulated energy costs up to 45% and regulated natural gas costs up to 35% for eligible businesses. Benefits associated with the program last for 8 years.
- Participant criteria: Businesses moving into the targeted area
- Businesses making investments in real property that will improve the value of the property by at least 30%
- Businesses that operate in a city-owned building

#### Chicago:

##### *Neighborhood Opportunity Fund*

Focus: Property improvement

- The Neighborhood Opportunity Fund uses these funds to support commercial corridors in Chicago's underserved neighborhoods. Business and property owners may apply for grant funding to pay for the construction or rehabilitation of real estate and projects that support new or expanding businesses or cultural assets.
- Does not award funds for residential uses or places that do identify commercial as the primary use
- Grant funds CAN be used to reimburse the following costs associated with the construction or rehabilitation of buildings:
  - Land acquisition and assembly
  - Building acquisition, demolition and environmental remediation
  - Security measures
  - Roofing, façade repair and mechanical system repairs
  - Architectural and engineering fees
  - Financing fees (related to securing a loan or other capital)
  - Minor site improvements, such as fencing or planters, when a part of an eligible project
  - Other soft costs associated with eligible hard costs
- How projects are selected:
  - Catalytic impact, project readiness (no liens, court orders, past due taxes), clear financial feasibility, construction implementation.
  - Department of Planning Development submits the applications to an advisory committee

#### San Francisco:

##### *Rent Stabilization Grant for Legacy Businesses*

Focus: Rent incentive/grant

- Funds under the program are made available to the Legacy Business's landlord. The office of small business administers the legacy business historic preservation grant program.
- Businesses can apply for this special designation with the city and receive specialized assistance, resources, and promotion. Designation is for business that have been open for at least 30 continuous years.
- Program is currently not accepting new applicants but is allowing re-applications

#### *Vacant Storefront Tenanting Program*

Focus: Grant/new or existing business incentives

- Two types of grants that applicants can qualify for
- First Commercial Storefront: to help businesses that share a lease with other businesses. (\$25,000)
- Additional Commercial Storefront Expansion: to help businesses that want to open a secondary storefront in another area of the city. (\$50,000)

#### Los Angeles:

##### *Storefront Improvement Program*

Focus: Property improvement

- The LA community development agency will use the funds from the City to leverage and augment the County funded Renovate Façade Improvement program for business commercial storefronts within the City's Reseda target area.
- The program helps address exterior improvements including but not limited to the repair of windows, doors, awnings, painting, and to address city code safety violations.

#### Seattle:

##### *Seattle Restored Program*

Focus: Storefront revitalization

- Program matches vacant commercial storefronts with small business owners, artists, and entrepreneurs to facilitate pop-up shops and art installations
- Seattle Office of Economic Development is partnering with Seattle Good Business Network and Shunpike (artist resource and support organization)
- Seattle residents can apply for the following types of activations:
- Pop-Up Shop – Run a business in a vacant commercial space.
- Art Installation – Exhibit and sell artwork via QR code from a street-facing window display.
- QR Code Window Shopping – Advertise and sell products via QR code from a street-facing window display.

- Collective Pop-Up Shop – Share space with other Seattle Restored participants in a collective retail marketplace.
- Restaurant Pop-Up Residency – Run a restaurant residency for one month in a vacant commercial space.
- Program maintains an interactive map detailing where activations are currently happening.
- Application Selection Process
  - **Compelling:** Is the proposal thorough and thoughtful? Does the applicant clearly communicate the project and provide proof of business experience or professional artist practice?
  - **Impact:** Will the proposal provide a social and/or public benefit for the local community?
  - **Readiness:** What is the proposal's status and viability?
  - **Equity:** Is the business or artist practice Woman/ Black, Indigenous, or Person of Color (BIPOC) owned, and/or how does the project serve women/BPOC communities?
  - **Experience:** Does the proposal demonstrate that the business owner or creative entrepreneur has the necessary experience to implement their proposed project
- Customized application pathways depending on type of storefront activation [art installation, pop-up shop, artist residency, long-term business]
- Varies in duration, stipend amount, insurance coverage, no-cost lease, creative/entrepreneurial technical assistance

Applicants are not eligible to apply for Seattle Restored if ANY of the following apply:

- Have received over \$20,000 in funding from the City of Seattle Office of Economic Development between the years of 2022 – 2024
- Currently have more than one operating business location. This does not include pop-ups, markets, or production facilities.

#### Boston:

##### *S.P.A.C.E Grant (SPACE)*

Focus: small business grant/incentive

- (Supporting Pandemic Affected Community Enterprises) Grant Program prioritizes helping small businesses, with a priority for industries that were most affected by the COVID-19 pandemic. These prioritized businesses include, but are not limited to:
  - food service and production, restaurants
  - childcare
  - repair and maintenance and laundry services (i.e., laundromats, dry cleaning)
  - retail

- art, entertainment, creative economy, and
- fitness, wellness (including spas and salons), and recreation.
- The grant can be used for start-up costs like rent, infrastructure build-out, security, deposit.
- Grantees will receive wrap-around technical assistance services, a free one-year membership to the Greater Boston Chamber of Commerce, and the Associated industries of Massachusetts (AIM) organizations. Grantees have also been granted a two-year membership to the retailer association of MA.

#### Philadelphia:

#### Rehab & New Construction for Commercial and Industrial Properties

Focus: property tax abatement

- 10-year property tax abatement for owners/developers that are rehabbing or building a property that will either be sold or leased for commercial, industrial or other business purposes.

#### **FISCAL IMPACT STATEMENT**

The fiscal impact is to be determined.

#### **Does this Ordinance require a Business Impact Estimate?**

(FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on .

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

#### **FINANCIAL INFORMATION**

#### **CONCLUSION**

A number of cities have similar incentive programs as Miami Beach, suggesting we are on the right path. A few cities have interesting programs that we can explore with more detail. None of these programs will work without the collaboration and sincere and meaningful participation of property owners to be actively engaged in attracting and supporting new and existing businesses, and purposely combating the challenges of vacant property.

The solution to building a prosperous and thriving business community requires partnership. As the City works to improve the efficiency of the development permitting process, property owners may have to explore financially supporting businesses or entrepreneurs through accessible rents and payment structures.

Positive change is not going to happen overnight, businesses are still adversely impacted by the lingering effect of the pandemic on the economy, talent pool, supply chain, access to capital, and the growing cost of housing, education, childcare, and more.

However, we will continue to test programs, work with owners and special assessment districts, and leverage the assets of the city to build a healthy, competitive, and successful business community.

**Applicable Area**

Citywide

<b><u>Is this a “Residents Right to Know” item, pursuant to City Code Section 2-17?</u></b>	<b><u>Is this item related to a G.O. Bond Project?</u></b>
No	No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying?** No

If so, specify the name of lobbyist(s) and principal(s):

**Department**

Economic Development

**Sponsor(s)**

Mayor Steven Meiner  
Commissioner Alex Fernandez  
Commissioner Kristen Rosen Gonzalez

**Co-sponsor(s)**

Commissioner Tanya K. Bhatt

**Condensed Title**

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