

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, City Manager

DATE: October 18, 2024

TITLE: DISCUSS THE CREATION OF LEASING INCENTIVES FOR OWNERS OF VACANT COMMERCIAL PROPERTIES

RECOMMENDATION

The Administration recommends that the Finance and Economic Resiliency Committee (FERC) review and discuss best practices from nationwide incentive programs, with a focus on creating pilot programs to test their effectiveness for vacant commercial property owners in Miami Beach.

BACKGROUND/HISTORY

At the July 24, 2024, City Commission meeting, the Mayor and City Commission referred to FERC a discussion (C4 K) regarding potential incentives for vacant commercial property owners to lease out vacant spaces.

As noted in the referral memo, vacant buildings have an adverse effect on Miami Beach's commercial corridors by contributing to a less attractive environment and attracting loitering and other unwanted activities. These vacant properties often demand increased attention from the police, fire, and building departments, further straining city resources.

The Economic Development Department has implemented several incentive programs aimed at attracting new businesses and diversifying the City's economy. These efforts focus on bringing high-wage industries, such as technology, medical services, and financial services, 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** have improved the appearance of vacant properties by covering façades with pre-approved artistic designs inspired by the City's award-winning "Make a Bold Move" business attraction marketing campaign. This program has been well received by property owners struggling to find desired tenants and is fully subsidized by the City. The Department conducts outreach and recruitment for the voluntary program.

In Fiscal Year 2024, the Department added sixty-two (62) new participants to the Vacant Storefront Cover Program through 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**, which provides a no-cost, fast-tracked permitting process for targeted industries such as 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, 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 in Miami Beach. To be eligible, businesses must initiate or transfer a minimum of ten (10) new full-time positions with annual wages surpassing 125% of the established averages of either Miami-Dade County or the State of Florida.

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. 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 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 prerogative 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 a reduction in the number of vacant properties in the City's commercial corridors.

At the September 20, 2024 FERC meeting, this item was not reached.

ANALYSIS

To develop new, innovative incentives for vacant commercial properties, it is essential to review best practices from other cities. A number of municipalities across the country have implemented programs to encourage business attraction, property improvement, and storefront revitalization. Key examples include:

Miami Downtown Development Authority:

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

- Available to new to market businesses or expanding businesses that hire a minimum of ten (10) new employees 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 (LMEP)

Focus: Energy cost savings

- Provides property owners and commercial tenants in eligible buildings up to 45% reduction in electricity transportation and delivery costs. Full benefits last 8 years, followed by a 4-year phase-out with 20% benefit reduction each year.

Energy Cost Savings Program (ECSP)

Focus: Energy cost savings

- Reduces regulated energy costs up to 45% for eligible businesses. Full benefits last 8 years, followed by a 4-year phase-out with 20% benefit reduction each year.
 - Participant criteria: Businesses moving into the targeted area, making investments in real property that will improve the value of the property by at least 30%, and operating in a city-owned building

Chicago:

Neighborhood Opportunity Fund

Focus: Property improvement

- Funds support commercial corridors in underserved neighborhoods. Residential uses or places where commercial is not the primary use are ineligible.
- Business and property owners may apply for grant funding to pay for the construction or rehabilitation of property and projects that support new or expanding businesses or cultural assets.
- 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, as part of an eligible project
 - Other soft costs associated with eligible hard costs.

San Francisco:

Rent Stabilization Grant for Legacy Businesses

Focus: Rent incentive grant

- Businesses can apply for special designation with the city as a Legacy Business and receive specialized assistance, resources, and promotion. Designation is for businesses that have been open for at least 30 continuous years.
- Funds are made available to the Legacy Business's landlord.

Vacant Storefront Tenanting Program

Focus: New or existing business incentive grants

- Two types of grants:
 - *First Commercial Storefront*: to assist businesses that share a lease with other businesses (\$25,000)
 - *Additional Commercial Storefront Expansion*: to assist businesses with expanding to a secondary storefront in another area of the city (\$50,000)

Los Angeles:

Storefront Improvement Program

Focus: Property improvement

- The LA community development agency leverages City funds to 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. An interactive map details where activations are currently happening.
- Seattle residents can apply for the following types of activations:
 - *Pop-Up Shop* – Temporarily operate a business in a vacant commercial space.
 - *Art Installation* – Display and sell artwork using a QR code in a street-facing window.
 - *QR Code Window Shopping* – Promote and sell products through a QR code displayed in a street-facing window.
 - *Collective Pop-Up Shop* – Share a retail space with other Seattle Restored participants in a collaborative marketplace.
 - *Restaurant Pop-Up Residency* – Operate a temporary restaurant for one month in a vacant commercial space.

Boston:

Supporting Pandemic Affected Community Enterprises (SPACE) Grant Program

Focus: small business grant/incentive

- SPACE prioritizes helping small businesses, with a priority for industries most affected by the COVID-19 pandemic. These 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.
- Funds can be used for start-up costs like rent, infrastructure build-out, security, deposit.
- Grantees will receive wrap-around technical assistance services, a one-year membership to the Greater Boston Chamber of Commerce and the Associated Industries of Massachusetts (AIM) organization, and a two-year membership to the Retailers Association of Massachusetts.

Philadelphia:

Rehabilitation & New Construction for Commercial and Industrial Properties

Focus: property tax abatement

- 10-year property tax abatement for owners/developers that rehab or construct a property intended for sale or lease for use as commercial, industrial or other business purposes.

Each of these programs offers a model for how incentives can be designed to attract businesses to vacant properties and improve commercial corridors. However, success hinges on the active participation of property owners who are committed to attracting and supporting new businesses.

FISCAL IMPACT STATEMENT

The fiscal impact of potential new programs is to be determined. Further analysis will be required to assess the financial implications.

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

While Miami Beach has already implemented several effective incentive programs, exploring new ideas and adapting best practices from other cities will allow us to further reduce vacancy rates and support business development. Collaboration with property owners is crucial to creating a thriving business community. Additionally, continued improvements to the City's permitting processes, coupled with financial support from property owners in the form of accessible rent structures, are vital to addressing the challenges of vacant properties.

Positive change will be gradual as 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

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?

No

Is this item related to a G.O. Bond Project?

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

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