

# Great Practice Profile: Florence Gives Back to Gain Big

by Terri Johnson, Senior Marketing & Communications Manager

## THE CITY OF FLORENCE IS ALL BUSINESS ABOUT BUSINESS.

In 2011, after studying local incentive models in communities around the nation, the City of Florence began offering payroll-tax rebates to attract high-wage jobs and sustain retail. The moves have generated a steady stream of new white-collar jobs and a focus on the city's important Main Street and central business areas. The incentives were also set up to spur substantial retailer investment.

City leaders knew there was no way to do anything with property taxes without changing the state constitution. However, under state law and home-rule statutes, cities can modify occupational license taxes, which is why Florence leaders focused on payroll-tax incentives.

Like most communities, Florence and its businesses participate in state economic development programs, including transportation and tax-increment financing (TIF) funds, but Mayor Diane Whalen and the city council saw a gap with what state incentives covered and what was available for smaller businesses.

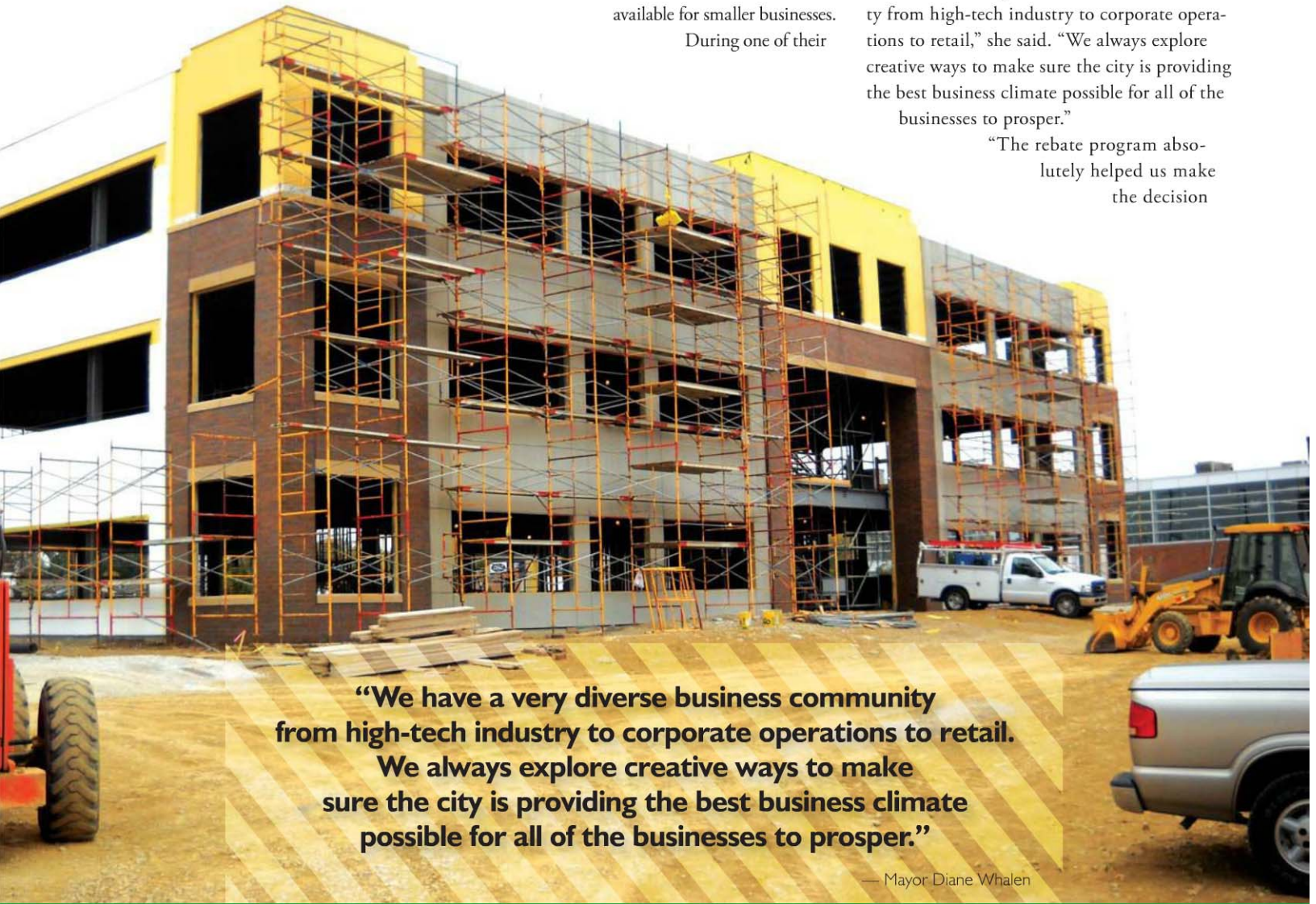
During one of their

annual budget retreats, the city council and staff members hammered out rebate options for the city's 2 percent withholding rate on employee earnings. By unanimous vote, the council passed the plan and established the necessary local ordinances. Throughout the process, the city involved the public and media to keep citizens informed.

Whalen said the goal is to help the city grow, establish a strategic business plan and create a friendly environment for all types of businesses and industry.

"We have a very diverse business community from high-tech industry to corporate operations to retail," she said. "We always explore creative ways to make sure the city is providing the best business climate possible for all of the businesses to prosper."

"The rebate program absolutely helped us make the decision



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to relocate to Florence,” said Philip Hageman, president/CEO of Target Marketing/SouthComm Inc., a business that employs 54 people.

The rebates cover small and large businesses and are performance-based. That means the businesses must generate new income (and new payroll-tax income for the city) in order to benefit. According to Joshua Wice, the city’s director of business and community development, there’s no real risk for the city because the rebates come from additional taxable wages. Businesses must apply and qualify for the incentives, some of which pertain only to specific areas of the city to help downtown in-fill and development in other designated areas.

### Here’s How the Rebates Work:

#### Development Incentive for Licensed

**Professionals** incentivizes a new or existing business that provides professional licensed services (such as architects, attorneys, engineers, physicians, psychiatrists, psychologists and certified public accountants). The business may be eligible to receive an employee withholdings incentive payment equal to 50 percent for up to five years. Applicants located in or locating to the Florence



Main Street District must generate a minimum of \$150,000 in new Florence-taxable wages. Applicants located in or locating to the Central Florence District must generate a minimum of \$300,000 in new Florence-taxable wages. The incentive is not available in other areas of the city.

**Development Incentive for Industry, Service, or Technology** applies to other types of new or existing businesses, exclusive of retail, restaurants, bars, hotels/motels, nonprofits, or sexually oriented/adult entertainment businesses. The business may be eligible for an employee withholdings incentive payment equal to 50 percent for up to five years. Applicants located in or locating to the Florence Main Street

District must generate a minimum of \$300,000 in new Florence-taxable wages. Applicants located in or locating to the Central Florence District must generate a minimum of \$500,000 in new Florence-taxable wages. Applicants located in or locating to other areas of the city must generate a minimum of \$2 million in new Florence-taxable wages.

**Development Incentive for Florence Main Street Reinvestment** applies to a new or existing business that redevelops a property in the Florence Main Street District. The property must have been unoccupied for at least 18 months. The business may be eligible for an employee withholdings incentive payment equal to 50 percent for up to two years.

To address retail expansion, the city established the **Signature Retail Development Incentive**. This incentive provides guidelines that allow high-volume retailers to also receive up to 50 percent of the payroll tax back over a five-year period. Applicants for this incentive must generate at least \$8 million in new capital investment and must generate at least \$4 million in taxable employee wages at the location of the project investment for the length of the incentive.

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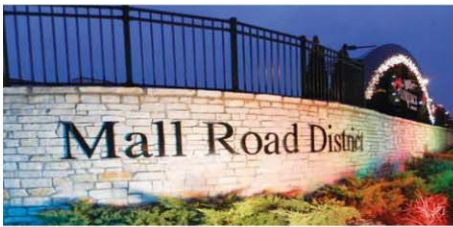
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If the business creates NEW job growth after the five years based on the minimum levels, it could potentially qualify for another incentive; otherwise, the initial incentive would be fulfilled. The idea is that the rebate is to help new businesses with relocation or expansion costs but not a permanent subsidy for the business.

The city's approach includes a dedicated person focused on business needs. As the city's director of business and community development, Wice said his job is to "engage with the business community and make the city as attractive as possible for business to come to Florence."

He meets with national retailers; works with new and existing businesses, planning and zoning officials, developers, the state, regional economic developers, and Boone County officials; and serves as the city's overall liaison for business-related issues. Wice, who came from a background in corporate marketing and government relations, said the emphasis on business in Florence also benefits the region and state overall.

"This is selling Kentucky, not just Florence. Businesses want to come to a place with regional collaboration and political stability," Wice said. "I've had people tell me that it's refreshing to see politicians working together and elected leadership focused on a strong quality of life."

Wice said, while the thresholds are high, recent history has shown positive results with improvements to a number of existing high-traffic retailers, including anchor stores at the 1 million-square-foot Florence Mall.

In addition to the incentives, the city obtained \$13 million in state transportation funds to make improvements to its Mall Road corridor. The mall was built in 1976. The infrastructure improvements have been beneficial for longtime businesses and in attracting new business close to the mall.

Kroger was impressed and is using the Signature Retail Development Incentive to locate a new flagship store on Mall Road.

Wice said city officials are encouraged and want to continue to grow in the future.

"We're always looking at how to maintain a pro-business climate and to cultivate a very diverse business community," Wice said. "We recognized that something we were probably missing that many large cities around the country have is local business incentives. We hope this will be a competi-

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— Joshua Wice

tive incentive program for businesses currently here looking to expand or businesses that may be looking for a new home."

The increased mix of retail adds to quality of life and plays positively for larger retailers and industry considering Florence as a new or sustainable location. Bottom line: It's good for everyone.

Wice said his advice for other cities interested in launching a local incentive program is to look at your tax base and see how you can best use it to develop performance-based incentives.

"While cities may not create jobs in the private sector, we can certainly make sure that we are a supportive partner with businesses and have policies in place that encourage development and job growth," Whalen said. "We are trying to support businesses of all sizes in all areas of the city." **KYC**

## Destination: Florence *Target Marketing/ SouthComm Inc.*

Target Marketing/SouthComm Inc. was bustling at its walls and looking to move. The local tax incentive from the City of Florence influenced the decision.

When the company moved to Florence in 2011, the city's business-tax-incentive program had just been approved by the city council, making Target Marketing one of the very first businesses to benefit from it.

Company President/CEO Philip Hageman said the move had a lot to do with the city's payroll rebate. "Florence found a way to capitalize on a growing sector. It was a perfect fit for us."

Target Marketing is a design and publishing firm that produces street maps, relocation guides and membership directories for chambers of commerce across the nation. The company has been in business more than 25 years and employs 54 professionals, including graphic designers, sales and marketing staff members, and cartographers.

Hageman said the company actually learned about the Development Incentive for Industry, Service, or Technology from a developer he was working with to relocate his growing company.

"I was impressed that the city was working closely with developers on the program," Hageman said.

Hageman said he appreciates the city's ongoing interest in his business and other types of business as well.

"After a year, the city's finance director actually called to remind me it was time to

complete the paperwork to get the rebate," Hageman said.

"The city is proving that it wants to be a great partner with business. The tax incentive was the difference maker with Target Marketing when finding a new and permanent placement here."



President/CEO Philip Hageman