



MEMORANDUM

To: Bloomington Common Council

From: Andrew de la Rosa, Assistant Director for Small Business Development, Economic & Sustainable Development

Date: November 1, 2023

Re: Resolution 23-18 - Renewal of the Bloomington Urban Enterprise Zone

Resolution 23-18 extends the Bloomington Urban Enterprise Zone (“Zone”) for five years from 2024 through the end of 2028.

Recommendation

Staff recommend that the Common Council extend the Zone for another five years. The Bloomington Urban Enterprise Association (BUEA) has made significant community investments that benefit individuals, small businesses, and the City. The investment deduction that funds the Zone encourages qualifying investments to Bloomington’s economy, as detailed below. The fiscal impact of renewing the zone is largely from the money received from the BUEA and staff time dedicated to serving them.

History of the Enterprise Zone Program

The Enterprise Zone program was established in 1983, and enterprise zones are designated based on demographic, socioeconomic, and geographic size criteria to encourage a mix of commercial, industrial, and residential activities in an underdeveloped area. Indiana Code 5-28-15 provides for establishing Urban Enterprise Associations to oversee activities within the enterprise zone. The Bloomington Urban Enterprise Association (BUEA) was established in 1992, and incorporated as a non-profit organization, as permitted under Indiana Law.

Under Ind. Code 5-28-15, the BUEA’s responsibilities include:

1. Coordinate zone development activities.
2. Serve as a catalyst for zone development.

3. Promote the zone to outside groups and individuals.
4. Establish formal lines of communication with residents and businesses in the zone.
5. Act as a liaison between residents, businesses, the City, and the Indiana Economic Development Corporation for any development activity that may affect the zone.

Additionally, the BUEA may initiate and coordinate any community development activities that aid in the employment of zone residents, improve the physical environment, or encourage the turnover or retention of capital in the zone. In 2018, the General Assembly shifted specific responsibilities for enterprise zones from the Indiana Economic Development Corporation to localities. The Association of Indiana Enterprise Zones was created to support enterprise zones around the state.

The Bloomington Urban Enterprise Association

When the State authorized the Urban Enterprise Zone program, its goal was that the Urban Enterprise Association would represent a wide swath of the Community. To that end, there are several requirements for an Urban Enterprise Association to ensure that essential community interests are represented. Six members are appointed by the Mayor, four by the Common Council, and two by the Governor (who have never been appointed).

These include:

- A councilmember whose district includes all or part of the zone (currently Councilmember Kate Rosenbarger)
- Residents of the Zone (currently Paul Ash and Mary Morgan with one vacancy)
- Representatives of businesses in the Zone (currently Felisa Spinelli, Heather Robinson, and Julie Donham)
- A representative of organized labor from the building trades that represents construction workers (currently Michael Hover)
- A representative of the City's department that performs planning or economic development functions (currently Holly Warren)
- A representative of the plan commission having jurisdiction over the zone (currently Chris Cockerham)

The City performs administrative duties for the BUEA, which allows more of the organization's resources to go toward improving the Zone rather than administrative functions. Administrative support is currently provided by the Department of Economic and Sustainable Development, with support from the Controller's Office and the Legal Department.

Previous Extensions to the Bloomington Urban Enterprise Zone's Term

The Zone was created in 1992. Pursuant to state law, its initial term was to expire on February 1, 2002. State law has permitted five separate five-year extensions of the Zone.

The mechanics for these five-year extensions were slightly different. The first two extensions—extending the expiration of the Zone from February 1, 2002, to January 31, 2007, and from January 31, 2007, to January 31, 2012—were supported by the Council and had to be approved by the State Enterprise Zone Board that was part of the Indiana Economic Development Corporation.

Council approved three other extensions from 2012 through 2023, and a change in state law no longer required approval by the State Enterprise Zone Board. The last extension was made by the Council in Resolution 19-02.

Under the then-existing state law, the 2019 extension was to be the final extension of the Zone. However, in 2021, the General Assembly modified the law and allowed additional 5-year extensions under Ind. Code § 5-28-15-10(g), the Common Council may renew the zone for five years, and incentives are limited to those found in Ind. Code Chapter 6-1.1-45, which applies to qualified investments made by businesses within the Zone, also known as the Enterprise Zone Investment Deduction (EZID).

Statutory Incentives for the Zone - Enterprise Zone Investment Deduction

State law provides specific incentives that apply in Urban Enterprise Zones to improve the economic, physical, and social environment in the Zone, known as the Enterprise Zone Investment Deduction.

The Enterprise Zone Investment Deduction is a ten-year property tax deduction for the increased value of Enterprise Zone business property due to qualifying real and personal property investment. Qualifying investment means:

1. The purchase of a building.
2. The purchase of new manufacturing or production equipment.
3. Costs associated with the repair, rehabilitation, or modernization of an existing building and related improvements.
4. Onsite infrastructure improvements.
5. The construction of a new building.
6. Costs associated with retooling existing machinery.

If the Enterprise Zone business property is located in the Enterprise Zone and a Tax Increment Financing (TIF) District, the Common Council must approve the Enterprise Zone Investment Deduction. A portion of the savings a business receives from the Enterprise Zone Investment Deduction is paid to the Urban Enterprise Association, which uses the funds to fund its local programs.

Additionally, zone residents who work in the zone can receive a state income tax deduction of up to \$7,500 annually.

Below is a table of Enterprise Zone Investment Deduction participation:

Taxable Year	Businesses	Participation Fees	Deductions Received
2007	1	\$1,559	\$101,599
2008	1	\$8,609	\$39,077
2009	6	\$20,745	\$76,736
2010	6	\$23,651	\$546,380
2011	27	\$95,913	\$24,100,397
2012	33	\$270,765	\$15,458,890
2013	22	\$280,425	\$52,113,247
2014	63	\$360,445	\$59,084,720
2015	59	\$442,251	\$105,222,660
2016	69	\$531,836	\$117,252,617
2017	66	\$535,165	\$116,679,361
2018	56	\$488,071.96	\$83,343,684.00
2019	55	\$2,793,451.46	\$83,343,684.00
2020	52	\$498,201.40	\$116,309,688.00
2021	30	\$422,541.56	\$92,488,218.00
2022	20	\$262,043.90	\$81,380,284.00

Fiscal Impact

Extending the Zone will result in some fiscal impact on the City. That impact will include the marginal amount of levy that the City may lose from the deductions taken on those qualified investments within the zone that may add to the assessed value of real property or constitute taxable personal business property. However, this is offset by the percentage of fees that go to the BUEA and that are then reinvested in the community.

Additionally, the BUEA currently pays the City \$45,000 per year for staffing services for the board. This includes the City providing an executive director, who is the assistant director of small business development, and it includes legal and controller fees.

BUEA Programs and Accomplishments

Additionally, the Bloomington Urban Enterprise Association has created several local programs that further the BUEA's mission to "provide the means to improve the economic, physical, and social environment for Zone residents and businesses. These include:

- **Entrepreneurial Support and Technical Assistance**
 Since 2007, the BUEA has partnered with the Indiana Small Business Development Center to support 115 entrepreneurs. During that time, the Indiana Small Business Development Center has provided over 1,100 counseling hours. Counseling services include but are not limited to assistance with market research, business plan development, QuickBooks training, loan preparation, and providing general information and referrals. The BUEA annually pledges \$45,000 to these efforts.

- **Diversity, Equity, & Inclusion/Anti-racism Training Business Scholarship**
 Scholarships of up to \$1,000 are available for Zone businesses that wish to self-assess and improve business practices relating to anti-racism or diversity, equity, and inclusion. In addition, max grant amounts that partner with other zone businesses or non-profits for their training will increase to \$1,250 for each Zone business. Each year, the BUEA allocates \$15,000 to these grants.

- **Historic Façade Preservation Grants**
 Since 2004, the BUEA has awarded 32 Historic Façade Preservation Grants worth \$375,000.00, which has helped preserve and revitalize our downtown by rehabilitating its historic commercial environment and maintaining structurally sound places of business. Grantees work with the City’s historic preservation staff to ensure design is within historic standards.

- **Zone Arts Grants**
 Each year, the BUEA allocates \$40,000 for Zone Arts Grants, which the Bloomington Arts Commission has been entrusted to allot as part of its annual Arts Project Grant Cycle. The BUEA Zone Arts Grants are meant to support arts activities within the boundaries of the Bloomington Urban Enterprise Zone.
 Projects must do one or more of the following for residents and businesses within the Urban Enterprise Zone:
 - Facilitate involvement in arts and cultural activities
 - Provide an opportunity to participate in the creative process
 - Advance the quality and availability of the arts in the Zone
 - Celebrate or enhance the identity of the Zone

- **Business Economic Enhancement Scholarship Program**
 These have assisted Zones businesses and their staff with continuing education. Scholarships have been given for classes, conferences, and CEO Roundtable groups. Scholarships of up to \$1,200 for professional development opportunities to further the economic stability of the business/organization that has operated within the Zone for at least 12 months. Each year, the BUEA allocates \$10,000 to these grants.

- **Resident Economic Independence Scholarship Program**
 Residents who have lived in the Zone for at least 12 months may apply for a scholarship to attend post-secondary classes to further their economic

independence. Each year, the BUEA allocates \$15,000 to these grants. The scholarship can be applied to any course (college, trade school, or other special training) that advances the applicant's skills as a workforce member. The BUEA will pay for two classes, including textbooks, or up to \$750.00 a semester, whichever is less, up to a lifetime maximum of \$1,500.00 in educational assistance.

Three new grants were created for businesses and non-profits in 2023 to beautify, improve safety, and increase accessibility within the Zone

- **Small Business Safety & Security Grant**

This grant aims to improve the Enterprise Zone's overall safety and security. The Safety & Security Grant is for small business owners who want to improve the general security of their businesses in the Enterprise Zone. \$20,000 is earmarked annually for this grant.

- **Business Building Improvement Grant**

This grant aims to improve the physical condition of business buildings in the Enterprise Zone and promote economic vitality and beautification of the community in the Enterprise Zone. This grant seeks to assist small business owners in updating and improving internal and external visual improvements, preservation, and structural integrity. \$20,000 is earmarked annually for this grant.

- **Accessibility Modification Grant**

The Accessibility Modification Grant provides grant-based assistance for businesses to make their small businesses ADA-accessible and promote inclusive practices for people with disabilities. This grant aims to improve the BUEZ's social and physical environment through accessibility modifications in the Enterprise Zone. This grant intends to help business owners complete ADA modifications that do not meet the requirements due to grandfathered plans. Businesses can use the funding to update their ADA-accessible areas, entrances, signage, low shelves, restroom accessibility, & parking space.

\$15,000 is earmarked annually for this grant.

Special Grant Programs

In addition to the BUEA's local programs mentioned above, the Board has given funds to other organizations to help meet Zone and community needs. Below are some examples

- **CDFI Friendly Bloomington**

The BUEA donated \$1,000,000 to capitalize the enhancement fund for CDFI Friendly Bloomington, an entity created in December 2018 to provide flexible financing for affordable housing, small and new businesses, and community facilities.+

- **School Grants**

Since 2004 the BUEA has given \$440,209 to the Foundation for Monroe County Schools to assist schools in the Zone. Funds have been used for educational programs, staffing, equipment, licenses, and meals.

- **Boys & Girls Club of Monroe County**

In 2015, the BUEA voted to give the Boys & Girls Club of Monroe County a \$50,000 grant to help with the renovation and build-out of a facility in the Crestmont neighborhood. This new facility will help the Boys & Girls Club of Monroe County provide quality services and programming in an area where many of their clients live. BUEA is also an annual sponsor of Lemonade Day, a nationally recognized program teaching youth how to start, own, and operate their very own business.