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Complex business lures get scrutiny

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ODESSA — His lease at one Pasco industrial park was almost up, so Keith Binney got to thinking about where he might relocate his growing company.

Hernando County was offering a good deal on industrial land. But in late 2008, Pasco commissioners sealed the deal to keep Binney's Stainless Fabricators in town: a credit (\$33,000) and five-year loan (\$83,000) to pay off the impact fees on a new facility proposed at West Pasco Industrial Park.

In exchange for that \$116,000 incentive, Binney promised to create 10 new jobs that pay an average of \$39,355.

Cut to this month. Binney is close to opening a new facility for Stainless Fabricators, which manufactures stair railings. He has five of the 10 new hires.

But that county incentive doesn't seem as sweet these days.

"This process has been nothing but a cruel joke on us," he wrote to commissioners on April 12, "and we feel a way to keep our business in the county but with no real intention of actually awarding us the incentive."

The problem? Binney did not learn until the last couple of months that he needed to come up with a way to guarantee his loan. And when the last-minute scrambling came up short, he was facing a county impact fee bill that he hadn't built into his construction budget.

"When it was given to us," he said, "there was nothing said about giving up your first born."

Though Pasco officials say the requirements put on Stainless Fabricators are meant to protect taxpayers, they also acknowledge that the company's experience illustrates the shortcomings of the county's current economic development ordinance.

And the problems are significant enough that commissioners next month will decide whether to make changes.

Approved in 2007, the current ordinance rewards eligible companies by putting off — or forgiving — their development impact fees. To be eligible, a company would have to create at least 10 new jobs (with average wages that are 125 percent of the average county wage) and have most of its market outside Pasco.

County officials, in return, require security agreements to guarantee the businesses repay the funds. If businesses default, county taxpayers would be on the hook for reimbursing the impact fee accounts.

Over the last two years, Pasco officials have awarded \$709,171 in incentives to four companies, including Stainless Fabricators, under that ordinance.

But the process can get complicated. Commissioner Michael Cox, who met with Binney in 2008, said he told the company then it would need to have some sort of collateral. (Binney said he did not recall that.)

Over the next 18 months, however, no one from the county got back to Binney with a proposed contract detailing the specifics. Not until his contractor went to the county's permitting office to wrap up a few final issues did Binney learn that Pasco County had him as owing more than \$100,000 in impact fees.

County Attorney Jeff Steinsnyder tried over the last two months to work with Binney's lawyer to come up with a solution, but the two sides could never come to an agreement.

Binney said he racked up about \$3,500 in legal fees working on the incentives issue. In his April 12 letter, he formally withdrew from the program.

Cox said the county attorney's office and the Pasco Economic Development Council, which is tasked with coaching companies through the incentives process, should have reached out to Binney sooner.

"Everybody got busy and sort of dropped the ball," Cox said.

But he and others say the bigger problem is that because the ordinance is tied to impact fees, it rewards new construction as much as new high-wage jobs.

The \$116,155 that Stainless Fabricators was originally awarded, for instance, works out to \$11,615 for each of the 10 new jobs, which pay, on average, about \$39,355.

By contrast, Coastal Caisson Corp., which received \$135,907 in incentives to build its headquarters in Odessa, agreed to create 49 new jobs that pay on average \$53,804. That incentive is worth \$2,773 per job.

"What are we trying to get people to do?" asked John Hagen, president of Pasco Economic Development Council. "Build buildings or create jobs?"

So next month, Pasco commissioners are scheduled to take up a new economic development ordinance that would be based on a "pay as you go" philosophy.

Companies that qualify would get a payment for each new employee. The incentives would vary from \$2,000 to \$5,000 per job, depending on the wages.

Under the proposed ordinance, Stainless Fabricators would have been eligible for \$30,000. Coastal Caisson, by contrast, would have qualified for \$196,000.

"We're trying to be very proactive," Cox said. "We've certainly identified the confines of the existing ordinance and that's why we're going through the process of changing it."

But in a county that has been trying to reinvent itself as more business friendly, Binney's letter looked like a public relations problem.

The day after he fired it off, the county and the Economic Development Council put out a joint news release of their own, touting the proposed new ordinance.

A day after that, Pasco commissioners took up the matter again. In the end, Cox proposed taking \$30,000 in impact fee credits out of an account and awarding those to Stainless Fabricators. This time, no strings attached.

"I personally think that's being generous," he said.

Three other commissioners sided with him. Commissioner Jack Mariano voted against the measure, saying he wanted to see the county also reimburse the company for its legal fees.

Binney and his sister-in-law, manager Laura Binney, said they're still unsure how they're going to finance the remainder of the impact fees, roughly \$82,000 with the new credit.

"Is it what we were looking for? No," said Laura Binney. "Will we take it? Yes."

Their new facility in Pasco opens this summer.

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Fast facts

Under the current ordinance, Pasco County has provided \$709,171 in incentives — reimbursements or deferrals of impact fees — to four companies:

Solar World (d/b/a The LeverEdge)

Award: \$296,484

Jobs: 43

Average annual wage: \$45,935

ISPC Inc.

Award: \$160,624

Jobs: 34

Average annual wage: \$57,365

Coastal Caisson Corp.

Award: \$135,907

Jobs: 49

Average annual wage: \$53,804

Stainless Fabricators

Award: \$116,155

Jobs: 10

Average annual wage: \$39,355

Source: Pasco County