Although struggling to pay for such basics as police and fire services, Lauderdale Lakes used $700,000 in incentives to help lure three anchor tenants to the once half-vacant Lakes Mall.

In a rundown area of Boynton Beach, a new Wal-Mart is being built where a strip club used to be, before the city bought it out for $1.2 million. At the same time, the city, which has a $9 million budget deficit, is redeveloping its marina with a new lighthouse and two new restaurants a few miles away.

Across South Florida, financially-strapped cities have earmarked hundreds of thousands of dollars to woo businesses and the jobs they bring. Too many empty centers can create a perception of blight that might scare away new tenants and residents, they say.

"There's a spillover effect on [home] property values when neighborhoods change," said Yanmei Li, assistant professor of urban and regional planning at Florida Atlantic University. "If commercial streets become blighted and vacant, then the overall image of a neighborhood will become very distressed."

But not everyone agrees that using taxes to subsidize business is money well spent, even if the funds were specifically collected for redevelopment.

"Instead of short-term Band-Aids, cities need to look at longer-term solutions and ask why these areas need additional funding to attract businesses," said Apryl Marie Fogel, Florida director of Americans for Prosperity, a free market grassroots organization.

Economists say whether incentives are a good use of funds depends on what you're getting.

Cities have to look at the number of jobs being created, the wages of these jobs and the impact on their tax base, said Sean Snaith, University of Central Florida economist.

"If it's an anchor store that will help smaller stores fill up, then you see larger benefits," said Snaith. "If it's Bill and Ted's comic store, you're likely creating a couple of minimum wage paying jobs. Sometimes these things make sense and sometimes they don't."

The cities doling out the most money have Community Redevelopment Agencies, which are special taxing districts created for areas considered blighted. Agencies raise money from property taxes within the district and also seek. By law, they must spend the funds in those zones.
Shopping centers were particularly hard hit during the recession, with vacancy rates in Broward climbing from about four percent at the end of 2006 to about 8 percent at the end of 2010, according to CoStar Group, a Maryland-based commercial real estate information company. In Palm Beach, it jumped from about five percent to about 11 percent.

"It's absolutely in our interest that the [stores] are full and functioning," said Kim Briesemeister, who manages Pompano Beach's two Community Redevelopment Agency districts, where about $1 million is being set aside for retail improvements primarily along Atlantic Boulevard.

Davie's CRA recently gave the Flashback Diner a grant and a subsidy worth $157,000 to help open a new business on Davie Road, the former site of Lums Restaurant. It gave $100,000 to a security company moving into an abandoned building and Grifs Western, on Orange Drive, got $139,600 to help with building upgrades.

"The current economy we are enduring does present significant challenges," said Peter Tokar, Davie's economic development manager. "The growing number of vacancies within the market is forcing developers and owners to re-negotiate leases and craft creative solutions to keeping tenants."

Some cities, such as Delray Beach and Plantation, are targeting businesses that will bring higher-paying positions.

"Delray Beach has done well at attracting new housing...and we've done really well at improving our entertainment industry with restaurants, clubs and beautiful art galleries," said CRA director Diane Colonna. "We're missing the big employer."

The city is about to launch an incentive program in which it will cover up to 20 percent of the relocation expense for a business, up to $50,000. Aimed at non-retail sectors, the companies would have to bring a minimum of 25 jobs that offer wages of at least $52,000 a year.

Plantation is offering grants to industries that create a certain number of jobs at wages of $47,273 or greater. So far, it has given $100,000 to DHL and $16,000 to Tradestation, a stock trading company.

Even with incentives, some properties in prime locations still sit vacant.

Industry experts say it can be difficult for older malls to compete with new construction, since some businesses would rather move into a custom space than pay for retrofitting.

"People who own shopping centers already have a great mortgage on the property," said broker Steven Miller, explaining why landlords don't automatically reconfigure space.

Boynton Beach leaders say luring a Wal-mart prompted some neighboring businesses to reinvest in their property. Still, budget cuts mean the city can't do all the projects planned, said Vivian Brooks, interim executive director of the city's CRA. Instead, she said, "we have to do them in smaller bites."
In Lauderdale Lakes, the CRA recently had to freeze projects such as new entranceway signs and additional facade improvements because of major budget reductions.

It plans to continue luring businesses to its commercial core near Oakland Park Boulevard and State Road 7. That's the area where Ross Dress for Less, Aldi grocery market and Burlington Coat Factory recently opened in the Lakes Mall.

"You look at the bus shelters, the signage and new façade here. The city has radically improved and that's the evidence that the CRA works," said executive director Gary Rogers. "Every time we attract a national retailer it gives the visual image that this is a hot place and that this is where people want to be."