




OFFICE OF ECONOMIC AND SMALL BUSINESS DEVELOPMENT

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MEMORANDUM

DATE: June 5, 2014
TO: Bertha Henry, County Administrator
FROM: Sandy-Michael McDonald 
Office of Economic and Small Business Development

SUBJECT: Project Ocean Exhibit 2 - Tax Revenue/Incentive Pay Out Analysis

The Office of Economic and Small Business Development (OESBD) has prepared an agenda item in support of the Project Ocean resolution to be approved as a qualified applicant for participation in Broward County Direct Cash/Job Creation Incentive Grant Program. The incentive amount includes a Direct Cash/Job Creation Incentive Grant amount of \$50,000 (\$12,500 per year) over the period of 2015 through 2018, and is based on the creation of 65 new, high wage/high skill jobs and an estimated capital investment of \$350,000 in the City of Miramar, Broward County, Florida.

The OESBD conducts tax revenue/incentive pay out analyses to ultimately determine Return on Investment (ROI). The ROI is determined by calculating the monetary value of the Net Return for the County (Column J) divided by monetary value of the County Incentives Payments (Column H), plus the monetary value of the County Public Service Cost (Column I).

The OESBD proposes to award to Project Ocean a total of \$50,000 over a four (4) year period as follows: Year 1: \$12,500; Year 2: \$12,500; Year 3: \$12,500; Year 4: \$12,500. During this four (4) year period, the County's Share of All Tax Payments would generate \$7,616 (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8853) (Column G), the total economic benefit from Project Ocean's investment would be \$14,358. The County Public Service Cost (Column I) over the four-year period totals \$15,796.

Over that same four-year period, the Net Return for the County (Column J) is -\$58,180. This figure reflects the County's Share of All Tax Payments (\$7,616), minus the County Incentive Payments (\$50,000) and Public Service Cost (\$15,796).

The Tax Revenue/Incentive Pay Out Analysis is comprised of the following data and information in spreadsheet form (see spreadsheet). The following are descriptive headings included on this spreadsheet:

- Column A/Year: The term of the project
- Column B/Sales Tax: The projected amount of future sales tax by year
- Column C/County's Share of Sales Tax Payments (Reference Local Government Half-Cent Sales Tax Table). Source: Florida Department of Revenue's Office of Tax Research
- Column D/Ad Valorem and Personal Property Taxes (Reference FY10 Millage Rate Chart), Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY10 Millage Rate Chart), Broward County Property Appraiser
- Column F/County's Share of All Tax Payments: Reflects the sum of Column E plus Column C
- Column G/Economic Impact 1.8853 Multiplier. Source: Florida Department of Revenue
- Column H/County Incentive Payments: Proposed amount of local financial support from County
- Column I/County Public Service Cost (Reference OESBD Municipal Service Costs Chart)
- Column J/Net Return for the County: (Difference between Column F (County's Share of All Tax Payments), and Column H (County Incentive Payment) and Column I (County Public Service Cost)
- Column K/Cumulative Net Return for the County
- Column L/Net Present Value of Net Return

The analysis indicates that the anticipated tax revenue generated from the project does not conform to the County's threshold for positive Net Return. However, approval of Project Ocean as a qualified applicant for the Direct Cash/Job Creation Incentive Program is nevertheless recommended due to continued relatively high unemployment rate and the project represents creation of 65 new high-skill/high-wage jobs. Additionally, the proposed project represents a high-profile addition to the critical mass of shipping and trade related firms in the County required to fulfil Commission Goal #5 under Unlimited Economic Opportunities: "Become Florida's epicenter for world trade; especially with the Caribbean, Asia, South and Central Americas" through attraction of other trade and logistics firms, and through the building of the private sector shipping industry support necessary to promote continued development and growth of Port Everglades, contributing to Broward County's image as a "Gateway to Latin America and the Caribbean".

Project Ocean -- Tax Revenue/Incentive Pay Out Analysis - 4-Year/\$350K Capital Investment (Direct Cash)

A	B	C	D	E	F	G	H	I	J	K	L
Projected Tax Payments											
Year	Sales Tax	County's Share of Sales Tax Payments 3.89%	Ad Valorem and Pers. Prop. Taxes	County's Share of Ad Valorem Taxes 25.90%	County's Share of All Tax Payments	Addition of Multiplier Effect	County Incentive Payments	County Public Service cost	Net Return for the County	Cumulative Net Return for the County	Net Present Value of Net Return
2015		0	7,351	1,904	1,904	3,590	12,500	3,665	-14,261	-14,261	-14,261
2016		0	7,351	1,904	1,904	3,590	12,500	3,848	-14,444	-28,705	-13,956
2017		0	7,351	1,904	1,904	3,590	12,500	4,040	-14,636	-43,341	-13,663
2018		0	7,351	1,904	1,904	3,590	12,500	4,242	-14,838	-58,180	-13,383
Total					7,616	14,358	50,000	15,796	-58,180		-55,263
									Return on Investment =	-116.36%	
									Discounted Return on Investment =	-110.53%	

Assumptions:

1. Allocation of sales tax payments based on DOR estimates.
2. Allocation of other tax payments based on FY 2014 (2013 Final) millage rates. Amount are based on OESBD estimates.
3. Discount rate of 3.5% used for net present value calculation.
4. Estimated capital investment total \$350,000
5. Estimated total square feet of project 12,000
6. Total Value-Added New Jobs Created: 65 @ Estimated \$90,000/Year
7. County's Total Direct Cash/Job Creation incentive: \$50,000
8. The total County and municipality participation yields \$505,000
9. County's investment of \$50,000 with a return of \$-58,180 represents a -116.36% return on investment.
This return does not represent a net positive rate of return required by ordinance 2011-19.
10. Incentive payback period: 4 years

Project Ocean 5/10/14