



**OFFICE OF ECONOMIC AND SMALL BUSINESS DEVELOPMENT
Governmental Center Annex**

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MEMORANDUM

DATE: January 6, 2015
TO: Bertha Henry, County Administrator
FROM: Sandy-Michael McDonald *SM*
Office of Economic and Small Business Development
SUBJECT: Project Eagle 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 Eagle resolution to be approved as a qualified applicant for participation in the State of Florida Qualified Targeted Industry Tax Refund Program (QTI). The incentive amount includes a QTI amount of \$4,000 per new job created, under the QTI program over the period of Fiscal Years 2016 through 2021, and is based on the creation of 40 new, high wage/high skill jobs and an estimated capital investment of \$4,550,000 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 Eagle a total of \$16,000 over a six (6) year period as follows: Year 1: \$1,000; Year 2: \$2,000; Year 3: \$4,000; Year 4: \$4,000; Year 5: \$3,000; Year 6: \$2,000. During this six (6) year period the County's Share of All Tax Payments would generate \$114,353, (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8853) (Column G), the total economic benefit from Project Eagle's investment would be \$215,591.

Over that same six-year period, the Net Return for the County (Column J) is \$74,563. This figure reflects the County's Share of All Tax Payments (\$215,591), minus the County Incentive Payments (\$16,000) and County Public Service Costs (Column I) of \$23,790.

The Tax Revenue/Incentive Pay Out Analysis comprises 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 FY15 Millage Rate Chart), Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY15 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 is 466.02%, and meets the County's threshold for positive Net Return and therefore recommended for approval based on the creation of 40 new, high wage/high skill jobs and an estimated capital investment of \$4,550,000 in Broward County.

Project Eagle -- Tax Revenue/Incentive Pay Out Analysis - 6-Year/\$4.55M Capital Investment (QTI)

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 25.97%	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	
2016	0	0	33,631	8,733	8,733	16,465	1,000	3,498	4,236	4,236	4,236	
2017	0	0	59,380	15,420	15,420	29,071	2,000	3,672	9,748	13,983	9,418	
2018	0	0	67,263	17,467	17,467	32,930	4,000	3,856	9,611	23,594	8,972	
2019	0	0	88,808	23,062	23,062	43,478	4,000	4,049	15,013	38,607	13,541	
2020	0	0	95,639	24,836	24,836	46,823	3,000	4,251	17,584	56,191	15,324	
2021	0	0	95,639	24,836	24,836	46,823	2,000	4,464	18,372	74,563	15,469	
Total					114,353	215,591	16,000	23,790	74,563		66,959	
									Return on Investment =	466.02%	Discounted Return on Investment =	418.49%

Assumptions:

1. Allocation of sales tax payments based on DOR estimates.
2. Allocation of other tax payments based on FY 2015 (2014 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 \$4,550,000
5. Estimated total square feet of project 37,500
6. Total Value-Added New Jobs Created: 40 @ Estimated \$64,848/Year
7. County's Total QTI incentive: \$16,000
8. The total County and municipality participation yields \$160,000
9. County's investment of \$16,000 with a return of \$74,563 represents a 466.02% return on investment. This return represents a net positive rate of return required by ordinance 2011-19.
10. Incentive payback period: 6 years

Project Eagle 12/30/14