



**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 *SMC*
Office of Economic and Small Business Development
SUBJECT: Project Squadron 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 Squadron 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 \$3,000 per new job created, under the QTI program over the period of Fiscal Years 2016 through 2021, and is based on the creation of 30 new, high wage/high skill jobs and an estimated capital investment of \$2,200,000 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 Squadron a total of \$9,000 over a six (6) year period as follows: Year 1: \$750; Year 2: \$1,500; Year 3: \$2,250; Year 4: \$2,250; Year 5: \$1,500; Year 6: \$750. During this six (6) year period the County's Share of All Tax Payments would generate \$65,364, (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8853) (Column G), the total economic benefit from Project Squadron's investment would be \$123,231.

Over that same six-year period, the Net Return for the County (Column J) is \$38,918. This figure reflects the County's Share of All Tax Payments (\$123,231), minus the County Incentive Payments (\$9,000) and County Public Service Costs (Column I) of \$17,446.

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 432.42%, and meets the County's threshold for positive Net Return and therefore recommended for approval based on the creation of 30 new, high wage/high skill jobs and an estimated capital investment of \$2,200,000 in Broward County.

Project Squadron -- Tax Revenue/Incentive Pay Out Analysis - 6-Year/\$2.2M 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 | 28,376 | 7,369 | 7,369 | 13,892 | 750 | 2,565 | 4,054 | 4,054 | 4,054 | |
| 2017 | 0 | 0 | 38,361 | 9,962 | 9,962 | 18,781 | 1,500 | 2,693 | 5,768 | 9,822 | 5,573 | |
| 2018 | 0 | 0 | 46,243 | 12,008 | 12,008 | 22,640 | 2,250 | 2,828 | 6,931 | 16,753 | 6,470 | |
| 2019 | 0 | 0 | 46,243 | 12,008 | 12,008 | 22,640 | 2,250 | 2,969 | 6,789 | 23,542 | 6,124 | |
| 2020 | 0 | 0 | 46,243 | 12,008 | 12,008 | 22,640 | 1,500 | 3,118 | 7,391 | 30,933 | 6,441 | |
| 2021 | 0 | 0 | 46,243 | 12,008 | 12,008 | 22,640 | 750 | 3,274 | 7,985 | 38,918 | 6,723 | |
| Total | | | | | 65,364 | 123,231 | 9,000 | 17,446 | 38,918 | | 35,384 | |
| | | | | | | | | | Return on Investment = | 432.42% | Discounted Return on Investment = | 393.16% |

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 \$2,200,000
5. Estimated total square feet of project 27,500
6. Total Value-Added New Jobs Created: 30 @ Estimated \$50,484/Year
7. County's Total QTI incentive: \$9,000
8. The total County and municipality participation yields \$90,000
9. County's investment of \$9,000 with a return of \$38,918 represents a 432.42% return on investment.
This return represents a net positive rate of return required by ordinance 2011-19.
10. Incentive payback period: 6 years

Project Squadron 12/30/14