




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

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**MEMORANDUM**

DATE: July 26, 2018  
TO: Bertha Henry, County Administrator  
FROM: Sandy-Michael McDonald, Director   
Office of Economic and Small Business Development  
SUBJECT: Project Swing 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 Swing resolution to be approved as a qualified applicant for participation in the State of Florida Qualified Targeted Industry Tax Refund (QTI) Incentive Grant Program. The incentive amount includes a QTI amount of \$5,000 per new job created under the QTI program over the period of Fiscal Years 2018 through 2024 based on the creation of 20 new, high wage/high skill jobs and an estimated capital investment of \$4,500,000 in Broward County, Florida. The analysis excludes the \$2,000,000 value of the proposed new building as the structure will be tax exempt and owned by the County when complete. The basis of the ROI analysis is the \$2,500,000 investment in equipment.

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 Project Swing a total of \$20,000 over a six (6) year period as follows: Year 1: \$2,000; Year 2: \$3,750; Year 3: \$5,000; Year 4: \$5,000; Year 5: \$2,500; Year 6: \$1,250. During this six (6) year period, the County's Share of All Tax Payments would generate \$50,838 (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8853) (Column G), the total economic benefit from Project Swing's investment would be \$95,844.

Over that same six-year period, the Net Return for the County (Column J) is \$30,838. This figure reflects the County's Share of All Tax Payments (\$50,838) minus the County Incentive Payments (\$20,000). Please note that Project Swing is constructing a new facility on County-owned airport property and, therefore, the facility will not be subject to ad valorem taxes. However, Project Swing's equipment will be subject to personal property tax. Additionally, because the property is being leased from the County and the structure will be owned by the County, public service costs are excluded from the ROI calculation.

The Tax Revenue/Incentive Pay Out Analysis comprises the following data and information as illustrated on the spreadsheet form (see spreadsheet – Page 3). The following are the 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 FY17 [2018 Final] Millage Rate Chart, Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY17 [2018 Final] 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 return on investment generated from the project is 154.19% and meets the County's threshold for positive Net Return. Therefore, approval is recommended based on the creation of 20 new, high wage/high skill jobs and an estimated capital investment of \$2,500,000.

<b>Project Swing-- Tax Revenue/Incentive Pay Out Analysis - 6-Year/\$9M Capital Investment (QTI)</b>											
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>	<b>K</b>	<b>L</b>
Projected Tax Payments		County's	Ad	County's						Cumulative	
		Share of	Valorem	Share of	County's	Addition of	County	County	Net	Net	Net
		Sales Tax	and	Ad Valorem	Share of	Multiplier	Incentive	Public	Return	Return	Present
	Sales	Payments	Pers. Prop.	Taxes	All Tax	Effect	Payments	Service cost	for the	for the	Value of
Year	Tax	3.89%	Taxes	28.18%	Payments				County	County	Net Return
2018		0	\$1,938	\$546	\$546	\$1,030		\$0	\$546	\$546	\$546
2019		0	\$13,181	\$3,714	\$3,714	\$7,003	\$2,500	\$0	\$1,214	\$1,761	\$1,173
2020		0	\$22,466	\$6,331	\$6,331	\$11,935	\$3,750	\$0	\$2,581	\$4,341	\$2,409
2021		0	\$31,596	\$8,904	\$8,904	\$16,786	\$5,000	\$0	\$3,904	\$8,245	\$3,521
2022		0	\$40,319	\$11,362	\$11,362	\$21,420	\$5,000	\$0	\$6,362	\$14,607	\$5,544
2023		0	\$36,655	\$10,329	\$10,329	\$19,474	\$2,500	\$0	\$7,829	\$22,436	\$6,592
2024		0	\$34,252	\$9,652	\$9,652	\$18,197	\$1,250	\$0	\$8,402	\$30,838	\$7,074
<b>Total</b>			\$180,407	\$50,838	\$50,838	\$95,844	\$20,000	\$0	\$30,838		\$26,859
									<b>Return on Investment =</b>	154.19%	
									<b>Discounted Return on Investment =</b>		134.30%
<b>Assumptions:</b>											
1. Allocation of sales tax payments based on DOR estimates.											
2. Allocation of other tax payments based on FY 2017 (2016 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 \$2,500,000											
5. Estimated total square feet of project 18,000											
6. Total Value-Added New Jobs Created: 20 @ Estimated \$55,038/Year											
7. County's Total QTI incentive: \$20,000											
8. The total County participation yields \$100,000.											
9. County's investment of \$20,000 with a return of \$30,838 represents a 154.19% return on investment.											
This return represents a net positive rate of return required by ordinance 2011-19.											
10. Incentive payback period: 6 years											
<b>Prepared by the Broward County Office of Economic and Small Business Development</b>											

Project Swing 7/2/18