

OFFICE OF ECONOMIC AND SMALL BUSINESS DEVELOPMENT
Governmental Center Annex

115 S. Andrews Avenue, Room A680 • Fort Lauderdale, Florida 33301 • 954-357-6400

MEMORANDUM

DATE: April 21, 2022

TO: Monica Cepero, County Administrator

FROM: Sandy-Michael McDonald, Director
Office of Economic and Small Business Development

SUBJECT: Project Starfish 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 Starfish resolution to be approved as a qualified applicant for participation in the Broward County Direct Cash/Job Creation Incentive Grant Program. The incentive amount includes a \$1,000 per new job created each from Broward County and the City of Fort Lauderdale under the Direct Cash/Job Creation Incentive Grant Program over the period of Fiscal Years 2022 through 2029 based on the creation of 115 new, high wage/high skill jobs and an estimated capital investment of \$1,000,000 in the City of Fort Lauderdale, 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 Starfish a total of \$80,500 over a six (6) year period as follows: Year 1: \$4,375; Year 2: \$11,375; Year 3: \$20,125; Year 4: \$20,125; Year 5: \$15,750; Year 6: \$8,750. During the seven (7) year period of the project, the County's Share of All Tax Payments would generate \$212,879, (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.9244) (Column G), the total economic benefit from Project Starfish investment would be \$409,663.

Over that same seven-year period, the Net Return for the County (Column J) is \$132,379. This figure reflects the County's Share of All Tax Payments (\$212,879) minus the County Incentive Payments (\$80,500) and the County Public Service Cost (\$0). Because the proposed facility is already in existence and operating, there is no additional public service cost factor in the project.

The Tax Revenue/Incentive Pay Out Analysis comprises the following data and information in

spreadsheet form (see spreadsheet). 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 FY22 [2021 Final] Millage Rate Chart, Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY22 [2021 Final] Millage Rate Chart),
Estimate provided by the 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 1.9244 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 164.45%. Approval is recommended based on the creation of 115 direct new, high wage/high skill jobs and an estimated capital investment of \$1,000,000.

Starfish -- Tax Revenue/Incentive Pay Out Analysis - 6-Year/\$1,000,000 Capital Investment											
Projected Tax Payments	County's Share of Sales Tax	County's Ad Valorem and Pers. Prop. Taxes	County's Share of Ad Valorem Taxes	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	
Year	Local Sales Tax	Payments 50.00%	Taxes	22.41%	Payments	Effect	Payments	Service cost	County	County	Net Return
2023	48,411	24,206	25,292	5,669	29,875	57,491	0	0	29,875	29,875	29,875
2024	48,411	24,206	26,051	5,839	30,045	57,818	4,375	0	25,670	55,545	24,802
2025	48,411	24,206	26,833	6,014	30,220	58,155	11,375	0	18,845	74,389	17,592
2026	48,411	24,206	27,638	6,195	30,400	58,502	20,125	0	10,275	84,665	9,268
2027	48,411	24,206	28,467	6,381	30,586	58,860	20,125	0	10,461	95,126	9,116
2028	48,411	24,206	29,321	6,572	30,778	59,228	15,750	0	15,028	110,154	12,653
2029	48,411	24,206	30,200	6,769	30,975	59,608	8,750	0	22,225	132,379	18,080
Total					212,879	409,663	80,500	0	132,379		121,385
									Return on Investment =	164.45%	
									Discounted Return on Investment		150.79%

Assumptions:

1. Allocation of sales tax payments based on DOR estimates.
2. Allocation of other tax payments based on FY 2021 millage rates.
3. Discount rate of 3.5% used for net present value calculation.
4. Estimated capital investment total \$1,000,000
5. Estimated total square feet of office 18,500
6. Total Value-Added New Jobs Created: 115 @ Estimated \$67,854/Year per job
7. County's Total portion of QTI/DC incentive: \$80,500
8. City's Total Portion of QTI/DC incentive: \$34,500
9. County's investment of \$80,500 with a return of \$132,379 represents an 150.79% return on investment.
10. Incentive payback period: 6 years

Prepared by the Broward County Office of Economic and Small Business Development