

**MEMORANDUM**

DATE: September 30, 2021

TO: Bertha Henry, County Administrator

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

SUBJECT: Project Sunshine 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 Sunshine 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 \$500 per new job created from each, Broward County and the City of Fort Lauderdale, under the Direct Cash/Job Creation Incentive Grant Program. This will be over the period of Fiscal Years 2022 through 2029 based on the creation of 100 new high wage/high skill jobs and an estimated capital investment of \$2,100,000 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 Sunshine a total of \$50,000 over a six (6) year period as follows: Year 1: \$4,125; Year 2: \$8,250; Year 3: \$12,500; Year 4: \$12,500; Year 5: \$8,375; Year 6: \$4,250. During the seven (7) year period of the project, the County's Share of All Tax Payments would generate \$188,701, (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8967) (Column G), the total economic benefit from Project Sunshine's investment would be \$357,909.

Over that same seven-year period, the Net Return for the County (Column J) is \$87,726. This figure reflects the County's Share of All Tax Payments (\$188,701) minus the County Incentive Payments (\$50,000) and the County Public Service Cost (\$50,975). 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 FY21 [2020 Final] Millage Rate Chart, Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY21 [2020 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 1.8853 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 175.45%. Approval is recommended based on the creation of 100 new, high wage/high skill jobs and an estimated capital investment of \$2,100,000.

<b>Sunshine -- Tax Revenue/Incentive Pay Out Analysis - 6-Year/\$2,100,000 Capital Investment</b>												
Projected Tax Payments												
		County's	Ad	County's						Net	Cumulative	
		Share of	Valorem	Share of	County's					Return	Net	
		Sales Tax	and	Ad Valorem	Share of	Addition of	County	County		for the	Return	
	Sales	Payments	Pers. Prop.	Taxes	All Tax	Multiplier	Incentive	Public		County	for the	
Year	Tax	3.89%	Taxes	28.67%	Payments	Effect	Payments	Service cost		County	County	
											Net	
											Present	
											Value of	
											Net Return	
2022	380,360	14,796	38,745	11,110	25,906	49,136	0	6,261		19,645	19,645	19,645
2023	380,360	14,796	39,907	11,443	26,239	49,768	4,125	6,574		15,540	35,186	15,015
2024	380,360	14,796	41,104	11,786	26,582	50,419	8,250	6,902		11,430	46,616	10,670
2025	380,360	14,796	42,337	12,140	26,936	51,090	12,500	7,248		7,188	53,804	6,484
2026	380,360	14,796	43,608	12,504	27,300	51,780	12,500	7,610		7,190	60,994	6,485
2027	380,360	14,796	44,916	12,879	27,675	52,492	8,375	7,990		11,310		
2028	380,360	14,796	46,263	13,266	28,062	53,225	4,250	8,390		15,422		
Total					188,701	357,909	50,000	50,975		87,726		58,299
										<b>Return on Investment =</b>	175.45%	
										<b>Discounted Return on Investment =</b>		116.60%
<b>Assumptions:</b>												
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 \$2,100,000												
5. Estimated total square feet of building 18,000-23,000												
6. Total Value-Added New Jobs Created: 100 @ Estimated \$62,003/Year per job												
7. County's Total portion of QTI/DC incentive: \$50,000												
8. City's Total Portion of QTI/DC incentive: \$50,000												
9. County's investment of \$50,000 with a return of \$87,726 represents an 175.45% return on investment.												
10. Incentive payback period: 6 years												
<b>Prepared by the PMG Associates, Inc. for Broward County Office of Economic and Small Business Development</b>												