

Application Score Sheet

Proposed Project: Florida's Great Northwest (FGNW), FGNW Regional Investment Stimulation and Enhancement (RISE) Fund (#133)

Proposed Project/Program County: All

Board of County Commission Support:

Total Projected Project Cost: \$31,000,000.00 assuming the program is available for 5 years

Match Provided: Variable per year

Triumph Funds Requested: \$16,000,000.00 assuming the program is available for 5 years

Triumph Funds Recommended by Staff:

Score: C

Date: November 27, 2018

Economic Analysis and Score

The Florida's Great Northwest application proposes that \$15 million Triumph dollars be set aside to fund a property tax rebate program intended to benefit companies facing local property tax liability. These companies would be those that are the subjects of competitive industry recruitment, retention, or expansion efforts by local economic developers in our region.

The RISE program proposes to use Triumph dollars to match local economic development ad valorem tax exemption (EDATE) programs (exemptions are offered for a 10-year period). EDATE programs have only been able to offer exemption on a city or a county's portion of the company's tax bill because state law does not allow local economic developers to offer rebates of other components of property tax, e.g., school board, water management district, etc. The RISE program would use Triumph funding to make payments to the applicable taxing jurisdiction other than a City or County in order to reduce the company's effective tax bill.

The RISE proposal specifies that funding would remain under Triumph's control until dispersed for an approved competitive project's annual distribution. As noted in the application, FGNW is also requesting \$200,000 each year the program is in effect, with \$100,000 to be used to promote the FGNW RISE Fund to site location consultants and business executives in targeted industries. If Triumph Gulf Coast, Inc. would like FGNW's support with the program, then \$50,000 will be utilized for economic impact analyses and programs for tracking and reporting purposes, and \$50,000 for FGNW to serve as a coordinator and advisor to Triumph Gulf Coast, Inc. for the FGNW RISE Fund program.

In assessing the economic benefit of RISE activities, it seems clear that the annual expenditure requested by FGNW would need to be counted against the expenditure allowed by statute for Triumph administration, as the RISE application proposes to administer and market Triumph-funded activities. The Triumph Board would need to carefully assess whether such an administrative expenditure would fit within the available budget. While marketing the

availability of a property tax abatement program would likely increase awareness and visibility, the tax exemption itself could already be brought forward by any county or municipality directly to Triumph for consideration by staff and Board. It seems both more workable and more desirable to have counties and municipalities working with Triumph staff directly through their own designated economic development officers, as these are the officers already responsible for negotiating the local cost share of any incentive packages offered to companies.

The property tax payment incentive tool proposed by RISE already exists for the Triumph Board to use directly for a given project, should it choose to do so. The Triumph Board has already opined unfavorably on delegating authority for funding decisions to other organizations. Because of this, the possible value to be added by RISE instead would lie in the marketing and administration domain. These functions are already performed by Triumph staff and by the economic development professionals in each county. The Triumph Board already faces a tight budget constraint for staffing to support project development due to the language in its enabling statute. Nor has the Board indicated a desire to allocate the additional major administrative expense that the RISE program would represent.

For these reasons, staff score the project as a “C” and do not recommend that the RISE proposal be brought to the Board for consideration.

Project Summary (based on information provided by the applicant)

Florida’s Great Northwest (FGNW) seeking a Triumph set aside \$15 million for the Florida’s Great Northwest Regional Investment Stimulation and Enhancement Fund (FGNW RISE). The FGNW RISE Fund is a property tax abatement grant fund for all eight counties. FGNW also requests an additional \$200,000.00 to Florida’s Great Northwest for marketing of the FGNW RISE Fund and possible support services for the FGNW RISE Fund if requested by Triumph.

The \$15,000,000 to be utilized for the FGNW RISE Fund will remain under Triumph Gulf Coast, Inc.’s control until dispersed for an approved competitive project’s annual distribution. The FGNW RISE Funds would only be accessed when one of the disproportionately affected counties has won a competitive job creation project and is abating/rebating the county’s portion of the ad valorem taxes, which is typically 50% of the total ad valorem taxes.

The final ad valorem rate reduction could vary based on each community’s millage rates and the magnitude of the property being taxed. Non-abatable ad valorem taxes for past competitive projects have been in the range of \$10,000 to \$400,000 per year. Over the course of 10 years, this could amount to \$100,000 to \$4 million in FGNW RISE Funds for a project.

The FGNW RISE Fund would be the first of its kind in Northwest Florida, the fundamental concept is not new and enhances programs that currently exist in the eight disproportionately affected counties. It is common to offer tax exemptions or tax refunds/rebates for competitive projects to stimulate the economy.

When a company in a targeted industry is deciding where to locate/expand its business, a community will typically offer an economic development ad valorem tax exemption (FS

196.1995 EDATE) or a rebate on a city's/county's portion of the property taxes for up to 10 years to encourage the company to locate/expand in its community. This amount is approximately 50% of total property taxes.

FGNW RISE Funds would be used to cover the non-abatable portion of property taxes, which are typically the remaining 50% of property taxes. This would essentially allow the community to offer companies a more competitive package that is the net equivalent of up to 100% property tax abatement for up to 10 years without compromising their investment in public education. Property tax abatement programs in Alabama and Georgia do not allow for the exemption of school property taxes.

The program will be aligned with existing state statute FS 196.1995 Economic Development Ad Valorem Tax Exemption, requiring projects to create 10 or more new, full-time jobs and pay an average wage higher than the current average wage of the county or MSA (as defined by Enterprise Florida) in which the jobs will be located.

A community can apply for FGNW RISE Funds to cover city and/or county non-abatable property tax. A maximum award of \$1,000,000 per project/application will be set. One city/county cannot receive all the funds. FGNW RISE Funds cannot be made available for competitive projects already approved.

The FGNW RISE Fund would improve Northwest Florida's competitiveness, grow targeted industries, provide higher-paying jobs for its citizens, increase household incomes and improve the economy throughout the region.

FGNW is also requesting \$200,000 each year the program is in effect, with \$100,000 to be used to promote the FGNW RISE Fund to site location consultants and business executives in targeted industries. If Triumph Gulf Coast, Inc. request FGNW's support with the program, then \$50,000 will be utilized for economic impact analyses and programs for tracking and reporting purposes, and \$50,000 for FGNW to serve as a coordinator and advisor to Triumph Gulf Coast, Inc. for the FGNW RISE Fund program.

In the program coordinator roll, FGNW would provide an economic impact analysis on projects awarded to show the expected number of jobs created (direct/indirect/induced), the value added to the economy (GDP) and the increase in personal income. Additionally, competitive projects awarded would be required annually to provide proof of jobs created and capital investment expended in order to receive FGNW RISE funds. This information would be tracked, recorded and reported to Triumph Gulf Coast, Inc.

Each year, the company will be required to provide a copy of the official state form for the Economic Development Ad Valorem Property Tax Exemption (EDATE) Form DR-418 or the county's rebate form. Additionally, the company will be required to submit the city's/county's supplemental evaluation form, and the community's official verification that the jobs have been created and capital investment has been expended. FGNW RISE Funds would only be provided once the official city and county documents have been submitted to prove job creation and capital investment requirements were fulfilled.

The FG NW RISE Funds proposes the following process:

1. When a county/city has an eligible competitive project and it has approved an EDATE/rebate of the county/city's portion of ad valorem taxes, the local economic development organization will complete the FG NW RISE Fund application, if needed to provide a more competitive package. The dollar amount and term must mirror exactly what the community approved for the EDATE/rebate.
2. If at the request of Triumph Gulf Coast, Inc., Florida's Great Northwest (FGNW) will serve as an administrator for the program.
3. The FG NW RISE Fund application and copies of the county's/city's EDATE/rebate forms will be provided to Florida's Great Northwest. FGNW will ensure all appropriate materials are provided, submit documentation to Triumph, discuss project with Triumph, and begin application tracking
4. If Triumph approves the application and the company chooses to locate/expand in one of the eight disproportionately affected counties, then Triumph will enter into a contract with the company. Florida's Great Northwest will maintain records and documentation and serve as an advisor for the FG NW RISE program to Triumph.
5. Each year, the company will pay all non-abatable property taxes upfront.
6. Each year, the company will be required to submit an evaluation form to serve as proof that jobs were created, and capital investment was expended.
7. The county will audit documentation, as this is already required for the EDATE/rebate of abatable property taxes. The documentation will then be sent to Florida's Great Northwest for review, tracking, record keeping and informing Triumph of need for reimbursement
8. Only when jobs and capital investment are verified would Triumph disburse funds to the company.

Additionally, upon final FG NW RISE Fund application approval by Triumph Gulf Coast, Inc., FGNW, in partnership with the economic development partners; the county constitutional officers responsible for approving, assessing and collecting taxes for the eight disproportionately affected counties; and Triumph Gulf Coast, Inc., will develop appropriate forms and formalize the FG NW RISE application and distribution process.

When a competitive project in one of the eight disproportionately affected counties is approved for an EDATE/rebate for the abatable city/county property taxes, then an application for the FG NW RISE Fund may be submitted to Triumph Gulf Coast, Inc. Similar to the timelines established between Enterprise Florida and the Florida Department of Economic Opportunity for approval of the FS 288.106 Tax Refund Program for Qualified Target Industry Businesses program, Triumph Gulf Coast, Inc. should respond with an approval or denial of the FG NW

RISE Fund application within 10 business days so the FG NW RISE Funds (if approved) can be included as part of a complete solution for the competitive project.

The FG NW RISE Fund gives the region an automatic competitive advantage and provides companies a more immediate benefit that would help them when they need it most - during initial start-up of operations. A reduction in the costs associated with the beginning years of operation would help targeted industry clusters grow significantly. Moreover, the community would also be able to stimulate the hiring and retention of the region's workforce in targeted industries and potentially increase their household incomes.

Alabama can provide an additional benefit for very large projects. For years 11-20, cities in Alabama can abate city non-educational property taxes, counties can abate county non-educational property taxes, and the Governor can abate State non-educational property taxes. On the other hand, Georgia abates the property taxes on a graduated scale. Typically, it abates non-educational property taxes 100% for the first 5 years, then 80% in year 6, 60% in year 7, 40% in year 8, 20% in year 9, and 0% in year 10.

The FG NW RISE Fund would give Northwest Florida a better opportunity to help targeted industries grow in the region. The growth of these targeted industries would help diversify our economic base and make us less dependent on tourism and the military. Additionally, these targeted industries will provide higher than average wage-paying jobs for our graduating students and current labor pool. The average household income would increase, resulting in more expenditures (retail, restaurants, services) throughout the region. The FG NW RISE Fund will stimulate growth in our region's key industry clusters, and in the end, help diversify and transform Northwest Florida's economy for generations to come.

Funding and Budget (as provided by the applicant)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs:

Example Costs (Note: Not exhaustive list of possible Cost categories.) Construction

	\$ N/A
Reconstruction	\$ N/A
Design & Engineering	\$ N/A
Land Acquisition	\$ N/A
Land Improvement	\$ N/A
Equipment	\$ N/A
Supplies	\$ N/A
Salaries	\$ N/A
Other (specify)	\$ <u>15,000,000 (FGNW RISE Fund)</u>
Other (Marketing of RISE)	\$ <u>100,000 per year</u>
<u>RISE program in place</u> Other (Support to TGC)	

		<u>\$100,000 per year</u>
	<u>RISE program in place</u>	
Total Project Costs:	-	\$ <u>15,000,000 + \$200,000/yr RISE</u>
	<u>in effect</u>	

B. Other Project Funding Sources:

Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)

City/County	-	\$ <u>abatement of ad valorem property taxes</u>
Private Sources		\$ _____
Other (e.g., grants, etc.)		\$ _____
Total Other Funding		\$ _____
Total Amount Requested:	-	\$ <u>15,000,000 + \$200,000/yr RISE</u>
	<u>in effect</u>	

Letters of Support