

## Application Score Sheet

Proposed Project: Santa Rosa County Board of County Commissioners, Project Runner Property Tax Abatement (#163)

Proposed Project/Program County: Santa Rosa

Board of County Commission Support: Yes

Total Projected Project Cost: \$65,300,000

Match Provided: \$5,800,000.00

Triumph Funds Requested: \$3,500,000.00

Triumph Funds Recommended by Staff: 3,500,000.00

*\*This proposal is requested in conjunction with Proposal #205*

Score: A

ROI: An expected increase of \$30 dollars in personal income for every Triumph dollar spent.

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### **Economic Analysis and Score**

The Santa Rosa County Board of County Commissioners is requesting \$3,500,000 to fund abatement of property taxes for Project Runner (confidential per s.288.075, F.S.). These funds would be used to abate school and water management district property taxes that will become due upon sale by the County and subsequent development of the property in question at the Blackwater Industrial Park.

The project has committed to create at least 400 new to Florida jobs at the Park paying an average wage (before fringes) of \$46,000. The County notes in its application that it is also requesting funding of \$4,500,000 in order to improve a road to the site and extend water, sewer, and electricity to the site. Taken together, the County is requesting \$8,000,000 and will commit to at least 400 new sustainable high wage jobs. The cost per direct job is thus \$20,000 which is competitive with other infrastructure programs approved for potential funding by Triumph.

Given that this is a competitively recruited project that is also considering Alabama or Georgia, it is appropriate to consider every job as a net new job that may not exist in Santa Rosa absent the Triumph incentive, so that the associated wages will be net new to our area. Staff used the REMI model to run the analysis of the impact of these jobs in the Triumph counties (Santa Rosa has the lion's share of the impact). We used a window of 8 years following the award, so as incorporate infrastructure installation cost to be incurred in 2020 - 2022, followed by a three-year ramp-up period of new jobs, followed by a four-year maintenance period during which jobs are guaranteed (through 2028). The increment to personal income, adjusted for expected inflation of two percent and then using a real discount rate of four percent, is \$240 million. Dividing this by the Triumph cost of \$8 million yields an expected increase of \$30 dollars in personal income for every Triumph dollar spent. Using an alternative assumption of a 10-year job period yields an expected increase of \$45 per Triumph dollar spent, while use of a 20-year job period yields an expected increase of \$102 per Triumph dollar spent.

Given the good economic impact of these direct jobs in the transportation and logistics sector and the ability to improve infrastructure in a key County asset, staff score this program as a “A.”

### **Project Summary (based on information provided by the applicant)**

The Santa Rosa County Board of County Commissioners is requesting a \$3,500,000 Triumph grant over 10 years for property tax abatement for the confidential competitive economic development project, Project Runner (Confidential per s. 288.075, F.S.). The grant would be used to offset school and water management district property taxes based on the current rate of 6.2290 mills from the Santa Rosa School District and 0.0338 mills from the Northwest Florida Water Management District.

The Santa Rosa Economic Development Office and Enterprise Florida, Inc. have been engaged with a distribution company seeking to expand their presence in the Southeast. In recent months discussions have intensified. With competition from Birmingham and New Orleans, a competitive incentive package is required to win the project.

Project Runner has committed to create at least 400 new to Florida target sector jobs in the distribution industry - Global Logistics and Trade. The jobs will have an average annual wage of \$46,000 and the company will make a capital investment of at least \$50 million. According to the US Census American Community Survey, the median earnings for an individual worker in Santa Rosa County is \$31,333.

The ad valorem abatement grant would be part of a competitive incentive package that also includes tax refunds from the county and state. Annual job and wage reports from the company will be required to ensure that target goals are being met. The company must create jobs to gain the value of the tax refunds.

In 2012, the Santa Rosa County BOCC adopted an ordinance establishing an ad valorem industry incentive program (EDATE) whereby new and expanding businesses in target industries are eligible for rebates on property tax obligations. As a match of this grant request, the county will provide \$3.4 million over 10 years through the EDATE program, \$240,000 of the up to \$1.2 million Florida Qualified Target Industry Tax Refund (QTI), and an additional \$1.2 million in a Santa Rosa County QTI.

The requested Triumph grant award represents 38% of the proposed ad valorem expenditures and 5% of the total project value when project capital investment is included.

This tax reduction plan has been vetted with the Santa Rosa County Property Appraiser and as such can be implemented immediately upon approval by the Triumph Board. After the Board of County Commissioners approves the agreement with Triumph Gulf Coast, a budget amendment will be on the agenda at the next regular commission meeting, usually held twice monthly. The budget amendment will recognize the Triumph award and designate a county account(s) as source for the match.

The abatement process will then be initiated with the following steps:

1. Trim notices sent out
2. Company sends letter of request to County
3. County verifies jobs, capital investment, wages
4. County pays tax collector on behalf of company and sends reimbursement request package to Triumph
5. Triumph verifies jobs, capital investment, wages
6. Triumph reimburses County

This project would have a transformational impact on Santa Rosa County by becoming one of the largest employers in the County at over 125% of the average county wage (EFI State of Florida Incentives Average Wage Requirements). This project would also spur additional growth in regional industrial parks. Supply chain suppliers have already begun inquiring about co-locating with the facility.

The Santa Rosa Board of County Commissioners has worked for years to bring higher paying jobs to the County. The current net inflow/outflow of commuters is largely outward from Santa Rosa County. Workers are commuting outside the county to higher paying jobs. They are commuting to the metropolitan core areas of Pensacola or Fort Walton Beach or to Crestview. The downturn of the economy in 2008 and the Deepwater Horizon Oil Spill in 2010 both hit the county's economy very hard (unemployment rose from 2.8 in 2006 to 9.5 in 2010) because of the reliance on growth in the construction/housing industry and tourism for jobs and revenues.

Years later, the choice among better paying jobs in the county is still limited. As of 2016 according to the Northwest Florida Forward County Snapshots, a publication of Florida's Great Northwest, the top five industry sectors by employment are, in order, elementary and secondary schools, limited service restaurants, full service restaurants, the federal government including military, and local government. Missing from the list are the types of industries that can create an industry cluster around a major consumer of other businesses products.

It is intended that this major distributor, by locating at the Blackwater Industrial Park, will attract not only other distribution businesses but also businesses within the supply chain of the distributor. Development of the distribution industry will not only diversify the economy but would also provide stability as the need increases nationally and locally for distribution hubs. According the American Trucking Association, demand for product transportation will increase, from 16 billion tons in 2018 to 21.7 billion tons by 2029.

Garner Economics, LLC in its 2018 strategic plan for Santa Rosa County, *Building a Better Santa Rosa County: A Five-Year Strategic Blueprint for Economic Development* listed many characteristics of Santa Rosa County that support the efficacy of Distribution and Logistics businesses succeeding if locating in the county. Some of those include excellent interstate access, rail service via CSX, proximity to Pensacola & Mobile Ports, high number of military veterans in area with logistics & related skills and availability of distribution-oriented workforce.

## 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

### PROJECT RUNNER BUDGET

#### INFRASTRUCTURE

Capital Investment	\$50,000,000
Triumph Request ( <i>infrastructure application</i> )	\$4,500,000
EDA Grant	\$1,500,000
<b>TOTAL INFRASTRUCTURE</b>	<b>\$56,000,000</b>

#### TAX REDUCTION

Triumph Request ( <i>current application</i> )	\$3,500,000
State QTI	\$960,000
SRC QTI match	\$240,000
EDATE	\$3,400,000
SRC QTI	\$1,200,000
<b>TOTAL INCENTIVE PKG</b>	<b>\$9,300,000</b>
<b>TOTAL PROJECT BUDGET</b>	<b>\$65,300,000</b>

Percent of Project Cost (Infrastructure Request) 6.89%

Percent of Project Cost (Tax Reduction Request) 5.36%

**Total Amount Requested (*tax reduction application*): \$3,500,000**