

3**AGENDA ITEM
ST. JOHNS COUNTY BOARD OF COUNTY COMMISSIONERS***Deadline for Submission - Wednesday 9 a.m. – Thirteen Days Prior to BCC Meeting***4/6/2021****BCC MEETING DATE****TO:** Hunter S. Conrad, County Administrator**DATE:** March 16, 2021**FROM:** Joy Andrews, Deputy County Administrator**PHONE:** 904 209-0562**SUBJECT OR TITLE:** Project Breeze Economic Development Incentive Request**AGENDA TYPE:** Business Item, Contract, Grant, Report**BACKGROUND INFORMATION:**

The St. Johns County Economic Development Agency (Agency) has received an application from Project Breeze for economic development incentives. The Applicant has requested confidentiality under Section 288.075, Florida Statutes, for the project as it goes through the due-diligence process. The Applicant proposes to develop a 150,000-square-foot building (Building A) to house digital media operations within the qualified targeted industry of infotech. The Applicant has yet to submit the final number of new fulltime jobs and annual average wage of the new jobs the project will bring. In addition to the provision of incentives based on the construction of a new facility and creation of new jobs, the Applicant has requested that the County consider the value of retention of existing jobs at an existing facility (Building B) within the County in its consideration of the application. The project will retain 145 jobs there, averaging \$97,000 per job retained. The Applicant has also proposed additional potential inducements for further incentives, such as the conveyance of certain property rights to the County and the opportunity for the County to work with the Applicant as a resource for County-wide economic development and general marketing. These inducements would be a condition of the County's entering into an incentive agreement with the Applicant. The County has broad authority under Section 125.045, Florida Statutes, to expend public funds for the expansion or retention of businesses. The Applicant has requested economic development incentives over a 30-year period due to the magnitude of the project and to encourage retention and expansion of an existing business with significant economic impact within St. Johns County. An incentive period of this duration falls outside of the scope of the incentive program provided under Section 11 of the St. Johns County Business Incentive Program Ordinance (the Ordinance); however, Section 7 of the Ordinance permits the Board of County Commissioners to consider incentives that fall outside the scope of the program. Completion of the project is anticipated by the first quarter of 2024. With this schedule, the first annual grant payment would be anticipated during FY26. Based on the Applicant's request, the estimated value of the incentive for Building A is \$13,774,888. Based on the Applicant's request, the estimated value of the incentive for Building B is \$9,605,237. Based on the Applicant's request, the total estimated value of incentives for both buildings is \$23,380,125. The requested values are subject to change based on the final number of new fulltime jobs provided by the Applicant and other conditions outlined for the project. In accordance with program requirements, the Agency is required to review the application and make a written report to the Board of County Commissioners.

1. IS FUNDING REQUIRED?Yes**2. IF YES, INDICATE IF BUDGETED.**No**IF FUNDING IS REQUIRED, MANDATORY OMB REVIEW IS REQUIRED:****INDICATE FUNDING SOURCE:** ED TAX INCENTIVE REBATE – 0059-53120: No anticipated funding in FY21. Funding for grant payments to begin in FY26.**SUGGESTED MOTION/RECOMMENDATION/ACTION:**

Motion to instruct the County Attorney to draft an Economic Development Grant Agreement for Project Breeze and place the proposed Grant Agreement for consideration by the Board at a later regularly scheduled meeting.

For Administration Use Only:**Legal:** RL 3/30/2021**OMB:** DC 3/30/2021**Admin:** Joy Andrews 3/30/2021



**ST. JOHNS COUNTY
OFFICE OF THE COUNTY ADMINISTRATOR
ECONOMIC DEVELOPMENT**

500 San Sebastian View
St. Augustine, Florida 32084

I N T E R O F F I C E M E M O R A N D U M

To: St. Johns County Board of County Commissioners
Through: County Administration
From: Joy Andrews, Deputy County Administrator
Date: March 29, 2021
Subject: St. Johns County Economic Development Agency Report -
Project Breeze Economic Development Incentive Request

The St. Johns County Economic Development Agency (Agency) has received an application from Project Breeze for economic development incentives. The Applicant has requested confidentiality under Section 288.075, Florida Statutes, for the project as it goes through the due-diligence process. The Applicant proposes to develop a 150,000-square-foot building (Building A) to house digital media operations within the qualified targeted industry of infotech. The Applicant has yet to submit the final number of new fulltime jobs and annual average wage of the new jobs the project will bring.

In addition to the provision of incentives based on the construction of a new facility and creation of new jobs, the Applicant has requested that the County consider the value of retention of existing jobs at an existing facility (Building B) within the County in its consideration of the application. The project will retain 145 jobs there, averaging \$97,000 per job retained. The Applicant has also proposed additional potential inducements for further incentives, such as the conveyance of certain property rights to the County and the opportunity for the County to work with the Applicant as a resource for County-wide economic development and general marketing. These inducements would be a condition of the County's entering into an incentive agreement with the Applicant.

The County has broad authority under Section 125.045, Florida Statutes, to expend public funds for the expansion or retention of businesses. The Applicant has requested economic development incentives over a 30-year period due to the magnitude of the project and to encourage retention and expansion of an existing business with significant economic impact within St. Johns County. An incentive period of this duration falls outside of the scope of the incentive program provided under Section 11 of the St. Johns County Business Incentive Program Ordinance (the Ordinance); however, Section 7 of the Ordinance permits the Board of County Commissioners to consider incentives that fall outside the scope of the program. Completion of the project is anticipated by the first quarter of 2024. With this schedule, the first annual grant payment would be anticipated during FY26. Based on the Applicant's request, the **estimated** value of the incentive for Building A is \$13,774,888. Based on the Applicant's request, the **estimated** value of the incentive for Building B is \$9,605,237.¹ Based on the Applicant's request, the total **estimated** value of incentives for both buildings is \$23,380,125.² The requested values are subject to change based on the final number of new fulltime jobs provided by the Applicant and other conditions outlined for the project.

¹ The grant calculation and cost-benefit analysis calculation for Building B are not included in this report to protect the confidentiality request of the Applicant.

² By way of comparison, if this project were proceeding solely under the Ordinance, the project would have scored 7 to 8 points, depending on the number of new jobs created. Under the ordinance, a project that receives 5 or more points is eligible for the maximum level of incentives, which includes expedited permitting and an economic development grant of up to 100% of fees paid to the County by the Applicant (impact fees and water/sewer connection fees), four years ad valorem taxes paid by the Applicant (general county portion) on capital improvements and four years tangible business personal property taxes (general county portion).

In accordance with program requirements, the Agency is required to review the application and make a written report to the Board of County Commissioners.

The following items are attached and represent the Agency Report:

- Project Breeze - Grant Calculation
- Project Breeze - Cost Benefit Analysis

**ESTIMATE OF ECONOMIC DEVELOPMENT
GRANT CALCULATION
PROJECT BREEZE**

Calculations based on County Ordinance 2014-30 and millage rates effective on October 1, 2020

Building A

POINTS AWARDED*

Target Industry: Infotech (Digital Media)	2
Facility Size: 150,000 sq ft	2
Job Creation: Applicant Has Not Submitted Final Number	1 or 2
Wages: 125%+ of County Wage	2
Total Points	7 or 8

Total Value of Capital Improvements	68,000,000
Multiplied by County Millage Rate	0.46537%
Annual Ad Valorem Tax (General County Portion)	316,451.60
Multiplied by # Eligible Years	30
Ad Valorem Tax (General County Portion) Estimate	9,493,548

Total Estimated Value of New Tangible Assets	24,786,537
Multiplied by County Millage Rate	0.46537%
Annual New Tangible Business Personal Property Tax (General County Portion)	115,349.11
Multiplied by # Eligible Years	30
Tangible Business Personal Property Tax (General County Portion) Estimate	3,460,473

Total Square Footage	150,000
Impact Fee Category: General Office 100-200k sq ft	150,000 (\$3,466 per 1,000 sq ft)
Impact Fee Estimate (100%)	519,900

Water/Sewer Total Unit Connection Fees Estimate (100%) **300,967**

TOTAL ESTIMATED INCENTIVE FOR BUILDING A **13,774,888**

Building B

TOTAL ESTIMATED INCENTIVE FOR BUILDING B (24 YEARS) **9,605,237**

TOTAL ESTIMATED INCENTIVE (BUILDING A + BUILDING B) **23,380,125**

PAYOUT SCHEDULE

Building A
Total Maximum Possible Incentive: **13,774,888**
Payout Will Consist of Estimated Annual Installments of: **431,801**

Building B
Total Maximum Possible Incentive: **9,605,237**
Payout Will Consist of Estimated Annual Installments of: **400,218**

*By way of comparison, if this project were proceeding solely under the Ordinance.

The annual payment is based on the general county portion of the ad valorem taxes and tangible personal property taxes paid each year, which could fluctuate with increasing property values. The total payout will not exceed the total incentive granted.

Payout will begin when all capital improvements are recognized on the tax roll. Annual installments will not exceed the annual general county portion of the ad valorem taxes paid each year.

**FINANCIAL CONTRIBUTIONS
COST-BENEFIT ANALYSIS
PROJECT BREEZE**

Calculations are based on County Ordinance 2014-30 and millage rates effective on October 1, 2020

BUILDING A

Estimated Added Values:	Real Property	8,000,000
	Taxable Improvements	68,000,000
	Tangible New Business Personal Property	24,786,537
	Total Added Value	<u>100,786,537</u>

Total Estimated Countywide Property Taxes	Annually	Over 30 Years
Real Property Taxes	1,341,882	40,256,461
Total Estimated Property Taxes Paid	1,341,882	40,256,461

Total Estimated General County Portion Taxes	Annually	Over 30 Years
Real Property Taxes	469,030	14,070,909
Total Estimated General County Portion Taxes Paid	469,030	14,070,909

Total Estimated Fees		
Estimated Assessment for Impact Fees		519,900
Estimated Assessment for Water/Sewer Unit Connection Fees		300,967
Total Estimated Fees		820,867

Total Estimated Value of Economic Development Grant **13,774,888**

Net Benefit to St. Johns County (General County Portion) Over 30 Years **1,116,888**

BUILDING B

Total Estimated Value of Economic Development Grant **9,605,237**

Net Benefit to St. Johns County (General County Portion) Over 30 Years **2,654,768**

**FINANCIAL CONTRIBUTIONS
COST-BENEFIT ANALYSIS
PROJECT BREEZE**

Calculations are based on County Ordinance 2014-30 and millage rates effective on October 1, 2020

BUILDING A

Estimated Added Values:	Real Property	8,000,000
	Taxable Improvements	68,000,000
	Tangible New Business Personal Property	24,786,537
	Total Added Value	<u>100,786,537</u>

Total Estimated Countywide Property Taxes	Annually	Over 40 Years
Real Property Taxes	1,341,882	53,675,281
Total Estimated Property Taxes Paid	1,341,882	53,675,281

Total Estimated General County Portion Taxes	Annually	Over 40 Years
Real Property Taxes	469,030	18,761,212
Total Estimated General County Portion Taxes Paid	469,030	18,761,212

Total Estimated Fees		
Estimated Assessment for Impact Fees		519,900
Estimated Assessment for Water/Sewer Unit Connection Fees		300,967
Total Estimated Fees		820,867

Total Estimated Value of Economic Development Grant **13,774,888**

Net Benefit to St. Johns County (General County Portion) Over 40 Years **5,807,191**

BUILDING B

Total Estimated Value of Economic Development Grant **9,605,237**

Net Benefit to St. Johns County (General County Portion) Over 40 Years **6,741,436**

Project Breeze Incentive Request

St. Johns County
Board of County Commissioners

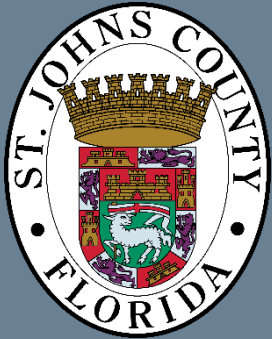
April 6, 2021



PROJECT OVERVIEW

Project Breeze - Building A

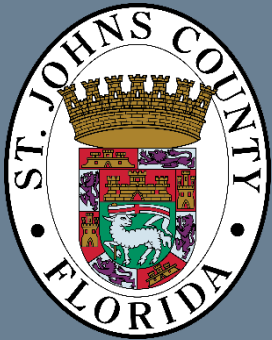
- The Applicant proposes to develop a 150,000-square-foot building (Building A) to house digital media operations within the qualified targeted industry of infotech.
- The project will be complete and operational by the first quarter of 2024.
- The anticipated investment for land, building and equipment is more than \$100 million.
- The project will bring \$304 million in direct economic impact per year and \$16.7 million in school taxes over 30 years.
- At the time this report was submitted, the Applicant had not provided the final number of jobs the project will bring.



PROJECT OVERVIEW - continued

Project Breeze

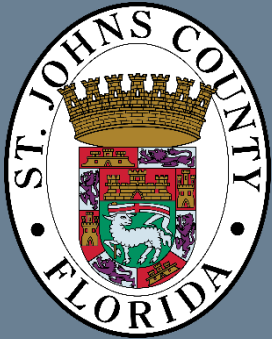
- In addition to the provision of incentives based on the construction of a new facility and creation of new jobs, the Applicant has requested that the County consider the value of retention of existing jobs at an existing facility (Building B) within the County in its consideration of the application.
- The Applicant has also proposed additional potential inducements for further incentives, such as the conveyance of certain property rights to the County and the opportunity for the County to work with the Applicant as a resource for County-wide economic development and general marketing. These inducements would be a condition of the County's entering into an incentive agreement with the Applicant.



PROJECT SCORING – BUILDING A*

Project Breeze

- 7 or 8 Total Points
 - Target Industry / Infotech (Digital Media) / 2 Points
 - Facility Size / 150,000 sq ft / 2 Points
 - New Employment / Applicant Has Not Submitted Final Number / 1 or 2 Points
 - Wage Rates / 125%+ Average Wage Rate / 2 Points



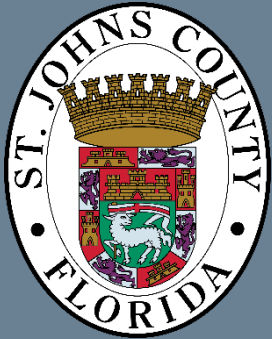
**By way of comparison, if this project were proceeding solely under the Ordinance.*

REQUESTED ECONOMIC DEVELOPMENT GRANT INCENTIVES

Project Breeze – Building A

- 100% of fees paid to the County by the applicant (impact fees and water/sewer connection fees)
- 30 years ad valorem taxes paid by the applicant (general county portion) on capital improvements
- 30 years tangible business personal property taxes (general county portion) paid by the applicant
- Expedited permitting

Based on the Applicant's request, the total estimated value of the incentive for Building A is \$13,774,888.

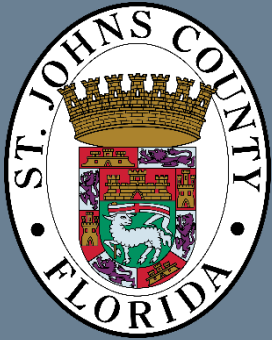


REQUESTED ECONOMIC DEVELOPMENT GRANT INCENTIVES

Project Breeze – Building B

- 24 years ad valorem taxes paid by the applicant (general county portion) on capital improvements
- 24 years tangible business personal property taxes (general county portion) paid by the applicant

Based on the Applicant's request, the total estimated value of the incentive for Building B is \$9,605,237.



REQUESTED ECONOMIC DEVELOPMENT GRANT INCENTIVES

Project Breeze

Based on the Applicant's request, the total estimated value of the incentive for both Building A and Building B is \$23,380,125.

