



LEGISLATIVE MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Gregg Lynk, City Manager

DATE: August 14, 2018

RE: Ordinance granting economic development ad valorem tax exemptions to Project Rainbow; Resolutions Recommending Project Rainbow as a Qualified Target Industry Business and Requesting a waiver of the average wage requirement.

The City of Palm Bay, through its Ad Valorem Exemption Program, provides incentives to businesses to stimulate economic growth and development within the City. The incentive is in the form of tax exemptions for businesses that provide high quality jobs and improvements to real estate and capital equipment. The exemption only applies to taxes levied by Palm Bay.

Project Rainbow plans to construct a 20,000 SF build-to-suit facility in Palm Bay, Brevard County, Florida, hire 30 new employees at an average wage of \$46,000 over three years and invest approximately \$5,100,000 in capital expenditures.

The Brevard County Property Appraiser conducted the required analysis and provided the Palm Bay City Council with a report as required by Chapter 196.1995(8) F.S.

The Palm Bay Chamber of Commerce, Committee of 100, conducted an economic impact analysis of the Company and provided its recommendation of an exemption of 8 years at the 80% level.

REQUESTING DEPARTMENT(S):

Office of the City Manager – Economic Development and External Affairs

FISCAL IMPACT:

FY2018-2019 – No fiscal impact until company modifies and moves into facility.

FY2019-2020 – Fiscal impact will be 80% of city ad valorem taxes.

RECOMMENDATION:

Adopt ordinance granting economic development ad valorem exemption to Project Rainbow and approve Resolution supporting the designation of Qualified Target Industry and Wage Waiver.

Attachment(s): 1) Ordinance 2018-_____
2) Resolution 2010-_____
2) Ad Valorem Tax Exemption Application – Project Rainbow
3) Brevard Property Appraiser property information and TRIM notice

AA/

Project Rainbow Ad Valorem Tax Abatement Executive Summary

Project Rainbow is a Midwest based corporation with four locations across the United States including locations in Florida. The company currently employs 76 people across all locations.

Project Rainbow is a leading manufacturer of products used in medical settings. The company provides design and manufacturing services both inside and outside the state of Florida. All of our products are made in the United States with zero outsourcing.

Companywide growth necessitates the expansion of our manufacturing capabilities. The expansion is agnostic with respect to place and is driven by internal cost analysis.

If the project goes forward in Palm Bay Project Rainbow would build a 20,000 sq. ft facility. The expansion would support an increase in workforce of near 100% from 28 to 58 employees within 3 years from completion of the building. Estimated cost to complete the build-to-suit would be approximately \$3,000,000 and an additional approximately \$2,100,000 in new equipment.

Project Rainbow has determined the manufacturing would most likely take place in either Florida or at the Midwest HQ location. Given that product shipping costs are an incidental part of the final product price our location decision is driven by a variety of variable cost factors, including property taxes. The Ad Valorem Tax Abatement program considerably strengthens the Florida business case for the company.

AD VALOREM TAX ABATEMENT

Job Creation Distribution Worksheet

JOB TITLE / DESCRIPTION	NUMBER OF JOBS	WAGE	ANTICIPATED HIRE TIMELINE (YEARS 1-3)
Manufacturing Technicians	7	\$46,000	Year 1
Cad	3	\$70,000	Year 1
Manufacturing Technicians	6	\$46,000	Year 2
Cad	4	\$70,000	Year 2
Manufacturing Technicians	5	\$46,000	Year 3
Cad	5	\$70,000	Year 3

Project Rainbow

City of Palm Bay

06/25/18

Overview:

New Job Commitment:	30	Capital Investment:	\$5,100,000
Average Annual Wage:	\$46,000		

Economic impact from job creation:

<u>Jobs</u>	<u>Net New Wage</u>	<u>Contribution to GDP</u>
30 (Direct)	\$1,380,000 (Direct)	\$1,203,573 (Direct)
20 (Indirect)	\$770,292 (Indirect)	\$1,171,258 (Indirect)
12 (Induced)	\$456,540 (Induced)	\$821,284 (Induced)
62 TOTAL	\$2,606,831 TOTAL	\$3,196,115 TOTAL

- For every employment position created by Project Rainbow approximately 1.06 additional jobs will be developed to support the operation of the facility.
- For every payroll dollar paid to Project Rainbow approximately \$0.89 will be generated for consumer spending.

City Tax Impact

Years 1-10	Annual Taxes on Construction	
Projected Tax Assessed	\$	20,280.00
Potential Abatement (at 100%)	\$	20,280.00
	Annual Taxes on Personal Property	
Projected Tax Assessed	\$	14,196.00
Potential Abatement (at 100%)	\$	14,196.00

Years 11+: Company will be assessed for 100% of tax liability

Tax Millage Code – 34U0

NAICS – 541990

IMPLAN Sector – 460

Analysis based on information supplied by Project Rainbow - June 2018

Economic impact calculations furnished by EDC Research Office, using IMPLAN Professional 3.0 (www.IMPLAN.com).

Abatement & millage numbers are estimates; all final numbers determined solely by the Brevard County Property Appraiser's Office and the City of Palm Bay.

**Subject to City of Palm Bay's Ad Valorem Tax Abatement Program Guidelines.*

Exemption Resolution, 98-55, Palm Bay Code SUPPLEMENTAL APPLICATION

PALM BAY ECONOMIC DEVELOPMENT
AD VALOREM TAX EXEMPTION PROGRAM

APPLICANT NAME: Project Rainbow

NOTICE: This supplement is to be used by the applicant to provide additional information required by Economic Development Ad Valorem Tax Exemption Resolution 98-55, Palm Bay Code and to provide other information requested by the Board of County Commissioners and the entities who will review the application.

1. Length of exemption requested is total of 10 years (length of exemption approved is sole discretion of City Council and commences on the adoption date of the ordinance granting the exemption.)
2. Proposed Property Address (legal description & street address):
Parcel ID #29-37-09-MY-3042-6 Legal Description: Plat Book/Page: 0030/0060 Port Malabar Unit 56 Lot 6 Blk 304
3. Property Owner Name: MRI Global
Address: 425 Volker Blvd. Kansas City, MO 64110
Telephone No.: () FAX No.: ()
4. Authorized Agent: _____
Address: _____
Telephone No.: () FAX No.: ()
5. Type of industry or business: Design and Manufacturing Services
Brief description of product and expansion plans: Project Rainbow is a leading manufacturer of products used in medical settings. The company provides design and manufacturing services both inside and outside the state of Florida.
6. Anticipated number of new employees: 30
7. Percent increase in overall employees: 100%
8. Expected number of new employees who will reside in Palm Bay: 10
9. Percentage of existing employees who have resided in the City for more than two years: 50%
10. Anticipated average wage of employees: \$46,000
11. Anticipated average annual payroll: \$1,380,000
12. Anticipated new capital investment as a result of expansion of relocation of business:
New construction value: \$3,000,000
New personal property value: \$2,100,000
13. Environmental impact of business. (Identify the number and type of environmental permits required as a result of this project: e.g. air, soil and water pollution, water and sewer, dredge and fill, stormwater, industrial wastewater.): standard water, sewer and stormwater
14. Anticipated volume of business or production: Estimated volume of business in excess of \$3M
15. The relocation or expansion would not occur without the exemption: Yes (X) No ()
16. Source of supplies (local or otherwise):
% source of supplies County: 0%
% source of supplies Florida: 20%
% source of supplies out-of-state: 80%
17. Business is/will be located in a community redevelopment area: Yes () No (X)
Name of area: _____

SIGNATURES:

I hereby confirm the information provided by _____ to the Committee of 100 and the Palm Bay City Council for the purpose of calculating the economic impact and benefit of the proposed tax abatement is true, accurate and complete. I further confirm that _____ is not in violation of any federal, state, or local law, or regulation governing environmental matters:

DATE: _____

SIGNED: _____

SIGNED: _____
(Applicant)

2425 Pineapple Ave # 108 Melbourne, FL 32935
(Preparer's Address)

TITLE: _____

321-663-3546
(Preparer's Telephone Number)

COMMITTEE OF 100 USE ONLY

Committee Economic Impact Analysis:

Committee RECOMMENDS 8 YEAR - 80% -

Committee Recommendation:

The Committee of 100 hereby certifies that it has proof, to the satisfaction of the Committee, that the applicant meets the criteria of a new business or for an expansion of an existing business as defined in Resolution 98-55, Palm Bay Code. Furthermore, the Committee has conducted an economic impact analysis, applying acceptable multipliers as defined by the State Department of Commerce which concludes that the applicant does hereby meet the economic benefit test; and, therefore, the Committee recommends to the City Council that the applicant receive an ad valorem tax exemption for 80 percent of its eligible taxes and for a period of 8 years.

DATE: 7/23/18

SIGNED: Ken R. Allen
(Committee Chairman)

CITY USE ONLY

City Manager's Recommendation:

City still concurs with staff recommendation

DATE: 7/23/18

SIGNED: _____
(City Manager)

PALM BAY
ECONOMIC DEVELOPMENT AD VALOREM TAX EXEMPTION
Chapter 196, Florida Statutes

To be filed with the Board of County Commissioners, the City of Palm Bay, or both, no later than March 1 of the year the exemption is desired to take effect.

1. Business name: Project Rainbow
Mailing address: _____
2. Name of person in charge of business: _____
Telephone No.: () _____ FAX No.: () _____
3. Location of business (legal description and street address) of property for which this report is filed:
Parcel ID #29-37-09-MY-3042-6 Legal Description: Plat Book/Page: 0030/0060 Port Malabar Unit 56 Lot 6 Blk 3042

4. Date business opened at this facility: TBD
5. a. Description of the improvements to real property for which this exemption is requested:
\$3,000,000 new construction

- b. Date of commencement of construction of improvements: Estimated 2nd quarter 2019
6. a. Description of the tangible personal property for which this exemption is requested, and date when property was purchased:

Class or Item	Age	Date of Purchase	Original Cost	Taxpayer's Estimate of Condition			Taxpayer's Estimate of Fair Market Value	APPRAISER'S USE ONLY
				Good	Avg.	Poor		
Misc Manufacturing Equipment TBD anticipated \$2,100,000								1,890,000

- b. Average value of inventory on hand: \$500,000
- c. Any additional personal property not listed above for which an exemption is claimed must be returned on form DR-405 (Tangible Personal Property Tax Return) and a copy attached to this form.
7. Do you desire exemption as a "New Business" () or as an "Expansion of an Existing Business" (X) ?
8. Describe the type or nature of your business: Design and Manufacturing Services

9. Trade level (check as many as apply):
Wholesale () Manufacturing (X) Professional () Service (X) Office () Other ()

- 10. a. Number of full-time employees employed in Florida: 35
- b. If an expansion of an existing business:
 - (1) Net increase in employment 30 or 100 %
 - (2) Increase in productive output resulting from this expansion: 50-100 %
- 11. Sales factor for the facility requesting exemption:

Total sales in Florida from this facility - one (1) location only \$1,200,000 divided by
 Total sales everywhere from this facility - one (1) location only \$3,000,000 = 40%
- 12. For office space owned and used by a corporation newly domiciled in Florida:
 - a. Date of incorporation in Florida: N/A
 - b. Number of full-time employees at this location: 28
- 13. If requesting an exemption due to location in a slum or blighted area, please furnish such additional information as required by the County Commission, City Commission, or Property Appraiser.

I hereby request the adoption of an ordinance granting an exemption from ad valorem taxation on the above property pursuant to Section 196.1995, Florida Statutes. I agree to furnish such other reasonable information as the Board of County Commissioners, the governing authority of the municipality, or the Property Appraiser may request in regard to the exemption requested herein. I hereby certify that the information and valuation stated above by me is true, correct, and complete to the best of my knowledge and belief. (If prepared by someone other than the taxpayer, his/her declaration is based on all information of which he/she has any knowledge.)

DATE: _____

SIGNED: _____
(Preparer)

SIGNED: _____

3425 Pineapple Ave #108 Melbourne FL 32905
(Preparer's address)

TITLE: _____

321-663-3546
(Preparer's telephone number)

PROPERTY APPRAISER'S USE ONLY

- I. Total revenue available to the County or municipality for the current fiscal year from ad valorem tax sources: 30,395,936.09
- II. Revenue lost to the County or municipality for the current fiscal year by virtue of exemptions previously granted under this section: 512,885.17
- III. Estimate of the revenue which will be lost to the County during the current fiscal year if the exemption applied for was granted had the property for which the exemption is requested otherwise been subject to taxation: 37,518.00
- IV. Estimate of the taxable value lost to the County or municipality if the exemption applied for were granted: Real Estate: 2,550,000 TPP: 1,890,000
- V. I have determined that the property listed above meets the definition, as defined by Section 196.012(15) or (16), Florida Statutes, as a New Business (), an Expansion of an Existing Business () or Neither ().
- VI. Last year for which exemption may be applied: dependent upon the number of years granted by City Council.

DATE: 7-26-18

SIGNED: _____
(Property Appraiser)

RETURN TO BE FILED NO LATER THAN MARCH 1