

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date:	October 18, 2011	<input type="checkbox"/> Consent	<input checked="" type="checkbox"/> Regular
		<input type="checkbox"/> Workshop	<input type="checkbox"/> Public Hearing
Department:	County Administration		
Submitted By:	County Administration		
Submitted For:	Economic Development Office		

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to conceptually approve: an Economic Development Ad Valorem Tax Exemption for Florida South Division, LLC, not to exceed an estimated \$1,700,000 over a seven (7) year period.



Summary: Florida South Division, LLC is a Florida Corporation whose function is to be the distribution center and regional headquarters serving ALDI, Inc. stores in South Florida. ALDI, Inc. is a discount grocery store chain that operates over 1,000 stores in 31 states, with nearly 95% of the company's premium products sold under its own private label at prices 40% below traditional grocery retailers.

Florida South Division, LLC's plans include the construction of a 500,000+ sq. ft. (expandable to 800,000 sq. ft.) facility which will accommodate a distribution center and regional headquarters within the municipal boundaries of Royal Palm Beach. The distribution center will serve new ALDI stores which are being constructed in South Florida. The regional headquarters will provide all management for the South Florida region for both distribution and retail stores, including human resources, purchasing, logistics, and general management. The company has agreed to create 100 new permanent jobs at an average salary of \$46,100 which is 105% over the County's average salary. Additionally, it is estimated that 280 construction jobs will occur as a result of this project.

The Economic Development Office estimates that this project will have a \$112.5 Million economic impact over a five (5) period. This conceptual approval is contingent upon the company's construction of a \$43 Million facility, the creation of 100 full-time new jobs at an average annual salary of \$46,100 over a period of three (3) years from the effective date of the Agreement and retained for five (5) years, and the determination that the project meets the requirements under Florida Statute 196.012 for an Ad Valorem Tax Exemption. **Upon completion of these requirements, the final Ad Valorem Tax Exemption Application will be presented to the Board of County Commissioners for consideration and approval.** District 6 (DW)

Background and Justification: Florida South Division, LLC plans to use the ad valorem tax incentive to offset impact and permitting fees, increased transportation costs, and other relocation costs, which will keep Palm Beach County competitive with other sites outside the county that were being considered. Florida South Division, LLC will provide an annualized benefits program to employees equal to approximately 30% of their salary, inclusive of health, vision, dental, personal disability and life insurance, 401(k), RSP (Retirement Savings Plan), vacation and sick leave.

Attachment: Economic Impact Analysis

Recommended by:		<u>10-11-2011</u>
	Economic Development Director	Date
Approved by:		<u>10-14-11</u>
	Assistant County Administrator	Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
External Revenues	<u>215,168</u>	<u>221,623</u>	<u>228,272</u>	<u>235,120</u>	<u>242,173</u>
Program Income (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
In-Kind Match (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 NET FISCAL IMPACT	 <u>215,168</u>	 <u>221,623</u>	 <u>228,272</u>	 <u>235,120</u>	 <u>242,173</u>
# ADDITIONAL FTE					
POSITIONS (Cumulative)	_____	_____	_____	_____	_____

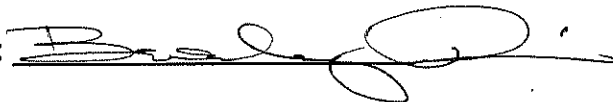
Is Item Included In Current Budget? Yes _____ No X

Budget Account No: Fund _____ Agency _____ Org. _____ Object _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

The source of funds is in the form of an ad valorem tax exemption for a seven (7) year period if so approved by the Board of County Commissioners.

C. Departmental Fiscal Review:

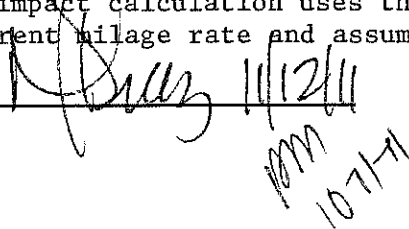


III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

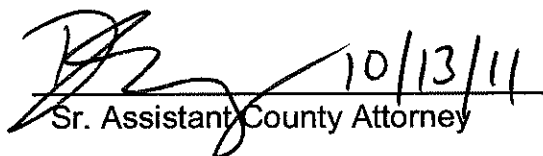
The fiscal impact calculation uses the valuation referenced in the attached study and the current millage rate and assumes a 3% increase per year thereafter.

WS
OFMB
11-12-11


11/12/11
10/7/11


Contract Development and Control
10-13-11 10-14-11

B. Legal Sufficiency:


10/13/11
Sr. Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

**FLORIDA SOUTH DIVISION, LLC
REGIONAL HEADQUARTERS &
DISTRIBUTION FACILITY
Royal Palm Beach, FL**

**FISCAL & ECONOMIC IMPACT
REPORT**

*Prepared by
Palm Beach County
Office of Economic Development
September 28, 2011*



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Executive Summary

The data prepared in this report addresses the fiscal and economic impact of a proposed regional headquarters and distribution facility project which is proposed to be located behind the Regal Cinema on the west side of State Road 7, within the Village of Royal Palm Beach, Florida. This facility will serve ALDI grocery stores in South Florida, which offer nearly 95% of their premium products under the ALDI private label, at prices 40% below traditional grocery retailers.

Development Concept/Site Data	Size (sq. ft.)
Regional headquarters/Distribution facility	500,000 (expandable to 800,000)

Based on the assessment contained herein, it is estimated that the overall economic impact of the proposed project in its first year of operation, will be \$68,083,532. The five year estimated impact is \$112,517,630 (2012-2016, based on current dollars). This estimate incorporates the “multiplier effect” as explained in the Introduction section and includes earnings associated with construction and permanent employment (as well as cumulative re-spending/demand for final products and state revenue); recurring revenue sources such as ad valorem taxes, franchise fee/utility taxes; and non-recurring revenue sources, such as building permit and impact fees.

It is estimated that the project will generate 429 FTE* construction as well as 140 FTE* permanent jobs (inclusive of multiplier effect).

The development/phasing assumptions upon which the summary report is based include the following:

- Year 2011: Begin construction of 500,000 sq. ft. facility
- Year 2012: Complete construction of facility

* FTE = Full-Time Equivalent

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Introduction

This summary report presents data relative to the economic and fiscal impact of a proposed discount grocery chain regional headquarters and distribution center, known as Florida South Division, LLC, in the Village of Royal Palm Beach, Florida. The facility will be constructed behind the Regal Cinema on the west side of State Road 7, within the Village of Royal Palm Beach, Florida. This facility will serve ALDI grocery stores in South Florida, which offer nearly 95% of their premium products under the ALDI private label, at prices 40% below traditional grocery retailers.

The economic impact of real estate development extends well beyond the site itself. For example, payments to contractors and suppliers to build structures directly stimulate the economy. Contractors and suppliers pay their employees, who, in turn buy groceries and pay mortgages. These payments to supermarkets and banks support more employees, and so on.

Those areas of analysis which are covered in this summary report include estimates of construction and permanent employment, estimated salaries associated therewith, and the estimated economic impact in Palm Beach County and the Village of Royal Palm Beach (based on multipliers associated with salaries and numbers of jobs generated by the Regional Economic Models, Inc. (REMI) program. Multipliers based on construction industry employees building the headquarters and distribution facility, as well as permanent employees who will be working in the facility, are used to forecast future economic activity and to account for the "ripple effect" of this economic activity in the local economy. The cumulative impact of these jobs, earnings and spending is known as the "multiplier" effect, which is commonly included at the national level as the indicator of Gross Domestic Product (GDP). Local GDP estimates are included herein.

Highlighted specifics which are not typically extrapolated in the REMI model estimates for GDP are also addressed in this report. Revenue to the State of Florida is also estimated. Government-based revenue such as the recurring funds of franchise fees/utility and ad valorem taxes are estimated. Nonrecurring funds, including building permit fees and impact fees are also estimated.

As indicated in the Executive Summary, the development/phasing assumptions upon which the summary report is based include the following:

- Year 2011: Begin construction of 500,000 sq. ft. facility
- Year 2012: Complete construction of facility

During the course of this analysis, we have not audited nor confirmed financial data provided by Florida South Division, LLC.

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Economic Analysis Data

Construction/Permanent Employment (Jobs and Earnings)

The following represents estimates of construction employment and permanent employment associated with the grocery retail regional headquarters/distribution facility project and the estimated salaries associated therewith, created as a result of the proposed project. It is anticipated that the subject project will begin construction in year 2011.

Palm Beach County						
Single Phase	Construction Employment (1)		Permanent Employment (2)		Total Employment	
	Earnings (\$)	Jobs (#)	Earnings (\$)	Jobs (#)	Earnings (\$)	Jobs (#)
2011	12,100,000	280	-	-	12,100,000	280
2012	-	-	2,305,000	50	2,305,000	50
2013	-	-	3,457,500	75	3,457,500	75
2014	-	-	4,610,000	100	4,610,000	100
2015	-	-	4,610,000	100	4,610,000	100
2016	-	-	4,610,000	100	4,610,000	100
Total	12,100,000	280	19,592,500	100	31,692,500	380

Source: ES-202 Reports and Occupational Wage Reports - Florida Agency for Workforce Innovation (fka Florida Department of Labor and Employment Security; Florida South Division, LLC; R.S. Means/Swift & Marshall Construction Cost Handbook; various contractors; Construction employment estimates generally equate to 40 percent of hard construction cost, factoring in annual average construction salary (per Florida Agency for Workforce Innovation reports), with a 1.25 benefits factor (including workers' compensation) - does not include spending on materials, parts and equipment; Construction cost estimates based on: REMI-Regional Economic Models, Inc. program calibrated for Palm Beach County, using employment and salary inputs

Note: Employment estimates are expressed as full-time equivalents (F.T.E.); Estimates expressed in current dollars (\$)

Construction/Permanent Employment (Jobs and Earnings - Including Indirect Employment-Multiplier Effect)*

The following represents the same data as the preceding table with the exception that the multiplier effect of indirect employment is included in estimated numbers of jobs and salaries associated therewith.

Palm Beach County						
	Construction Employment (1)		Permanent Employment (2)		Total Employment	
Single Phase	Earnings (\$)	Jobs (#)	Earnings (\$)	Jobs (#)	Earnings (\$)	Jobs (#)
2011	18,515,000	429	-	-	18,515,000	429
2012	-	-	2,933,500	70	2,933,500	70
2013	-	-	4,802,700	105	4,802,700	105
2014	-	-	6,851,190	141	6,851,190	141
2015	-	-	7,400,510	141	7,400,510	141
2016	-	-	7,877,350	140	7,877,350	140
Total	18,515,000	429	29,865,250	140	48,380,250	569

Source: ES-202 Reports and Occupational Wage Reports - Florida Agency for Workforce Innovation (fka Florida Department of Labor and Employment Security; Florida South Division, LLC.; R.S. Means/Swift & Marshall Construction Cost Handbook; various contractors; Construction employment estimates generally equate to 40 percent of hard construction cost, factoring in annual average construction salary (per Florida Agency for Workforce Innovation reports), with Construction cost estimates based on: REMI-Regional Economic Models, Inc. program calibrated for Palm Beach County, using employment and salary inputs

Note: Employment estimates are expressed as full-time equivalents (F.T.E.); Estimates expressed in current dollars (\$)

* Indirect employment (jobs/earnings) based on multipliers which account for the ripple effect from job creation and earnings associated therewith (direct employment), resulting from development of the regional headquarters/distribution facility. For every job created for construction and permanent employees, there are additional jobs created in all other industries in the local economy. For every dollar earned by construction and permanent employees, there are additional dollars earned in all other industries in the local economy. Payments to contractors and suppliers to build structures directly stimulate the economy. Contractors and suppliers pay their employees who, in turn, buy groceries and pay mortgages. These payments to supermarkets and banks support more employees, and so on. The cumulative impact of these jobs, earnings and spending is known as the "multiplier" effect-aka GDP. This transfer of money also generates taxes to support all levels of government.

Gross Domestic Product (GDP)

Year	2012	2013	2014	2015	2016	Total
GDP (\$)*	4,718,780	7,308,960	10,108,940	10,490,410	10,848,990	43,476,080

*Inclusive of multiplier effect with jobs/compensation & final profits

Source: REDI-Regional Economic Models, Inc. program, calibrated for Palm Beach County

Florida State Tax Revenue*

Year	2012	2013	2014	2015	2016	Total
Revenue (\$)	207,900	341,410	489,230	547,400	586,510	2,172,450

Estimates expressed in current dollars (\$)

*Including final demand multipliers; Not including commercial/retail sales taxes

Source: REDI-Regional Economic Models, Inc. program, calibrated for Palm Beach County

Recurring Revenue

Property Value and Tax Revenue **

Ad-Valorem Tax Revenue Estimates

Year/ Tax Date	Valuation/ Assessment (\$)	Ad- Valorem Tax Rev. Estimate (\$) [TOTAL]	Ad- Valorem Tax Rev. Estimate (\$) [P. B. Co.] (1)	Ad- Valorem Tax Rev. Estimate (\$) [Library] (2)	Ad- Valorem Tax Rev. Estimate (\$) [School] (3)	Ad- Valorem Tax Rev. Estimate (\$) [SFWMD] (4)	Ad- Valorem Tax Rev. Estimate (\$) [CSC; FIND; HCD] (5)	Ad- Valorem Tax Rev. Estimate (\$) [Royal Palm Beach] (6)
2013	45,000,000	863,438	215,168/9,495	77,810	368,100	19,634	86,832	86,400
Total	45,000,000	863,438	215,168/9,495	77,810	368,100	19,634	86,832	86,400

Year/ Tax Date	Total Millage Rate*	Palm Beach County/Debt Millage Rate (1)	Library Millage Rate (2)	School Millage Rate (3)	SFWMD Millage Rate (4)	CSC; FIND; HCD; Millage Rate (5)	Royal Palm Beach Millage Rate (6)
2013	19.1875	4.7815/0.2110	1.7291	8.180	0.4363	1.9296	1.920
Total	19.1875	4.7815/0.2110	1.7291	8.180	0.4363	1.9296	1.920

*Based on 2011 adopted budget

**Tax revenue to Palm Beach County will be exempted for seven years (2011 millage of 4.7815, not including debt)

Franchise Fees/Utility Taxes to Village of Royal Palm Beach

**Franchise Fees/Utility Taxes
Estimated Annual Franchise Fees/Utility Taxes Received By
Village of Royal Palm Beach (\$)**

Revenue Type	Revenue (\$)
<u>Utility Tax</u>	
Electric (1)	120,000
Telephone (2)	84,000
Total Utility Tax	204,000
<u>Franchise Fee</u>	
Electric (3)	63,792
Telephone (4)	12,000
Total Franchise Fee	75,792
Grand Total (utility tax & franchise fee)	279,792

(1) Utility tax rate = 10.0%

(2) Utility tax rate = 7.0%

(4) Franchise fee rate = 5.316%

(4) Franchise fee rate = 1.0%

Revenue estimates calculated based on estimates of annual utility and telephone; FP&L/Telephone: \$0.20/square foot/month average (non-residential=500,000 square feet)

Non-Recurring Revenue

Impact Fees (\$)
Village of Royal Palm Beach (County/City Fee Schedule)

Regional Headquarters/Distribution Facility	Impact Fee Total (\$)
2012	385,295.00/155,000.00

Per fee schedule for Village of Royal Palm Beach, based on following fees for warehouse use (per 1000 sq. ft.) per Village of Royal Palm Beach Building Department:

Service	Total (\$)
Roads	747.00/175.00
Fire Rescue	0/103.00
Law Enforcement	0/21.00
Public Bldgs.	23.59/11.00
Parks/Recreation	0/0
Libraries	0/0
Schools	0/0
Total	770.59/310.00

Permit Fees

\$173,495 (Estimated Building Permit Fee)*

* Based value of construction/cost-Village of Royal Palm Beach Permit Fee Schedule = \$0-\$2,000=\$75; \$2,001 to \$8,000= 2.25%; \$8,001 to \$90,000 = 1.25%; \$90,001 to \$400,000 = 0.60%; and \$400,001+ = 0.40%; Total estimated construction cost = \$43,000,000

Summary

Overall Summary of Economic/Fiscal Impact Inclusive of Multiplier Effect* (Palm Beach County-Inclusive of Revenue to Royal Palm Beach and Florida)

	Year of Build-Out (2012) (1)	Years 2012-2016 (2)
Estim. Employment (multipliers)		
Number of jobs	499	569
Earnings (\$)*	22,448,500	48,380,250
Estim. Recurring Rev. (\$) (3)	1,135,962	6,812,760
Estim. Non-Recur. Rev. (\$) (4)	713,790	713,790
Estim. GDP (5)	4,718,780	43,476,080
TOTAL JOBS	569	569
TOTAL IMPACT (\$) **	68,083,532 (incl. \$43 million capital construction cost)	112,517,630 (incl. \$43 million capital construction cost)

(1) Includes construction employment (2011) and permanent employment in year of construction completion; and Estimated state revenue (Year 2012)

(2) Includes permanent employment-5 year weighted avg. and construction employment total; and Estimated state revenue (Years 2012-2016)

(3) Includes ad valorem tax to Royal Palm Beach (Palm Beach County excluded based on tax exemption for first 7 years) and other taxes to Florida; franchise fee and utility tax revenue to Royal Palm Beach; Assumes no increase in assessed value nor millage rate over 5 year time frame

(4) Building Permit and Impact Fees per schedule in the Village of Royal Palm Beach

(5) GDP-Represents compensation and profits

*Not included in Total Impact – already included in GDP Total

**Includes employment earnings and \$43 million capital construction cost

Multipliers (Indirect/Induced): Account for the ripple effect from job creation and earnings associated therewith as well as dollars spent for eating/drinking and retail goods and services, resulting from the development of the Regional headquarters/distribution facility project. For every dollar earned by employees of the development of the proposed project, there are additional dollars earned in all other industries in the local economy. In addition, for every job created by the development of the proposed project, there are additional jobs created in all other industries in the local economy.

As an example, it costs money to construct the headquarters/distribution facility. Payments to contractors and suppliers to build structures directly stimulate the economy. Contractors and suppliers pay their employees who, in turn, buy groceries and pay mortgages. These payments to supermarkets and banks support more employees, and so on. This transfer of money also generates taxes to support all levels of government. Dollars spent for eating/drinking and retail goods and services are re-spent by others, generating additional sales from the initial expenditures, as well as successive expenditures (cumulative re-spending is known as the "multiplier effect.")

GENERAL LIMITING CONDITIONS

Every reasonable effort has been made to insure that this report contains the most accurate and timely information possible, which is believed to be reliable. However, no responsibility is assumed for inaccuracies in reporting by developer, developer's agents or any other sources.

Access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as a by-product of this research and analysis effort is prohibited.

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