

**INDIAN RIVER COUNTY, FLORIDA
M E M O R A N D U M**

TO: Board of County Commissioners

THROUGH: John A Titkanich, Jr., County Administrator

PREPARED BY: Chris Balter, Chief, Long Range Planning

DATE: March 08, 2024

SUBJECT: Consideration of Mod Units LLC., Request For an Economic Development Ad Valorem Tax Exemption (Tax Abatement) [Legislative]

It is requested that the data presented herein be given formal consideration by the Board of County Commissioners (BCC) at its regular meeting on March 19, 2024.

DESCRIPTION AND CONDITIONS

On November 2, 2010, the voters of Indian River County approved a tax abatement referendum, and the tax abatement ordinance (Chapter 1100 of the Indian River County Code) then went into effect for a ten-year period. On November 3, 2020, the voters of Indian River County voted in favor of continuing such authority for another ten years. The ordinance, along with state statutes, establishes tax abatement requirements, sets tax abatement limitations, and governs the County's tax abatement process (see attachment #1).

Mod Units LLC. has recently applied for a County tax abatement in association with establishing its operations within the County. The company is currently operating from an existing building located at 7756 130th Street, Sebastian, FL (the former Ford Wire and Cable building), with plans to expand that building by 40,000 square feet. As per the application, the company is eligible for a tax abatement on real property and new tangible personal property listed in the application.

While Mod Units LLC. plans to operate from a location that is within the City of Sebastian, as stated in its tax abatement application, the County's tax abatement process applies to all eligible properties within the County, regardless of jurisdiction.

ANALYSIS

As structured, the County's tax abatement ordinance authorizes the BCC, at its sole discretion, to grant qualifying businesses an exemption from certain ad valorem taxes (property taxes) for a period of up to 10 years. Under the ordinance, the BCC may exempt (abate) up to 100% of the assessed value of new real property improvements and newly installed tangible personal

property for purposes of assessing “County taxes.” Consistent with the tax abatement ordinance, the “County taxes” that will be abated for the Mod Units LLC. project are those taxes associated with the General Fund and the Emergency Services District Fund. No other taxes, such as School District taxes, applicable City taxes, or taxes levied for the payment of bonds, are affected by the tax abatement.

- **Qualifying for Tax Abatement**

Consistent with state statutes, the County’s tax abatement program is an economic development incentive available for new business projects and business expansion projects that qualify under the terms of the tax abatement ordinance. In this case, the proposed project is a new manufacturer in the County that will make affordable modular housing units and employ twenty-four (24) people. Per the tax abatement ordinance, a new manufacturing business that employs at least ten (10) or more new full-time employees is eligible to apply to the program. Since Mod Units LLC. proposes to hire twenty-four (24) employees, its facility qualifies for tax abatement consideration under the terms of the tax abatement ordinance (see page 3 of attachment #1).

- **Scoring the Mod Units LLC. Tax Abatement Application**

According to the tax abatement application submitted by Mod Units LLC., the proposed facility will:

- Generate 24 permanent, full-time jobs to be hired gradually over a two-year period ending at the end of 2025
 - Estimated annual payroll of new full-time jobs: \$1,720,000.
 - Estimated average annual wage of \$62,500 (excluding benefits such as health insurance and 401k contributions)
- Include capital investment in the site consisting of an estimated \$4,000,000. \$1,500,000 in tangible personal property (e.g., industrial equipment) \$2,500,000 to construct a 40,000-sf building, along with renovations to the existing structure
- Meet adopted economic development policy:
 - As a “Manufacturing” use, the facility qualifies as a Target Industry under Policy 2.5 (see attachment #3)

The positive economic development impacts and benefits of Mod Units LLC. are described in a report provided by the Chamber of Commerce (see attachment #5). These characteristics provide the basis for evaluating and scoring the tax abatement application in accordance with the scoring guidelines adopted by the BCC (see attachment #4).

Under the scoring guidelines, a project scores more points for a higher number of jobs, higher average wages, higher local capital investment, and for having special economic development attributes. For projects that score higher point totals, the guidelines establish higher tax

abatement levels and longer tax abatement timeframes (tax years). In this case, staff has scored the Mod Units LLC. application as follows:

1.	Number of new full-time jobs created (24 manufacturing jobs).....	18 points
2.	Level of average annual wages (100% or more but less than 155%).....	18 points
3.	Level of local capital investment (\$4,000,000).....	20 points
4.	Special economic development attributes (meeting Policy 2.5).....	20 points
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	Total Application Score	76 points

Based upon a total score of 76 points, Mod Units LLC. application qualifies for the second tax abatement scoring category (out of 3 categories). The qualification points for that category are between 61 and 80 points. That category provides for an 8-year tax abatement with the following schedule:

Year 1.....	100%	Year 5.....	60%
Year 2.....	100%	Year 6.....	40%
Year 3.....	90%	Year 7.....	20%
Year 4.....	80%	Year 8.....	10%

A Tangible Personal Property tax abatement scenario for the Mod Units LLC. the facility, based on the applicant’s estimates and based on certain assumptions, are stated below:

Year	Combined Property Taxes Abated GF, ES Dist. At 5.9006 Mills	Combined Property Taxes Paid GF, ES Dist. At 5.9006 Mills	Combined Property Taxes Paid Schools, Bonds, Other At 6.8801 Mills
Year 1	\$23,602	\$0	\$30,837
Year 2	\$22,717	\$0	\$29,681
Year 3	\$19,729	\$2,192	\$28,640
Year 4	\$16,963	\$4,241	\$27,703
Year 5	\$12,335	\$8,223	\$26,860
Year 6	\$7,991	\$11,987	\$26,102
Year 7	\$3,891	\$15,564	\$25,419
Year 8	\$1,785	\$16,064	\$23,321
	\$109,014 (abated)	\$58,272 (paid)	\$218,563 (paid)

This scenario provides a rough estimate of the maximum potential tax abatement amount. The Property Appraisers Office (PAO) will determine the actual assessed value for any given year during the abatement period on or around January 1st of that year.

- **Timing**

According to Mod Units LLC.'s tax abatement application and recent correspondence with company representatives, the property has been acquired, and the first ten employees will be

hired by the beginning of September 2024. Based on the company's hiring and operations plans, the facility will first be assessed for tax purposes on or about January 1, 2025, for the 2025 tax year. Therefore, the application proposes that the tax abatement (Year 1) begin in 2025.

- **Limitations & Safeguards**

As previously described in this report, the tax abatement ordinance limits the abatement to new tangible personal property associated with certain types of qualified businesses (real property improvements would also be included with a new building or new building expansion). Also, the tax abatement applies to a limited number of tax funds for a maximum of 10 years. In addition, the tax abatement ordinance requires tax abatement grantees to enter into a tax exemption (abatement) agreement with the County, meet all exemption (abatement) requirements on a continuing basis, file an annual compliance report with the County, and immediately advise the County of any failure of the business to meet exemption (abatement) requirements. Under the tax abatement ordinance, the BCC is authorized to revoke or revise the exemption if the BCC determines that the business no longer meets the exemption requirements or that the application or any annual report contains a materially false statement that would have affected the granting or continuing the exemption (see page 6 of attachment #1). Those limitations and safeguards apply to Mod Units LLC. application.

- **Ordinance & Agreement**

In order to approve the subject tax abatement application, the County must adopt an ordinance specifically for the Mod Units LLC. abatement and grant approval of an agreement with Mod Units LLC. The County Attorney's Office has prepared an ordinance and an agreement (see attachments 8 and 9). As proposed, the ordinance provides findings and establishes up to an 8-year abatement beginning in 2025. Consistent with the County's tax abatement ordinance, the proposed agreement requires Mod Units LLC. to provide an annual status report to confirm compliance with tax abatement requirements and commitments as referenced in the "Limitations & Safeguards" section above. If Mod Units LLC's performance would cause it to fall out of the 2nd tier tax abatement scoring category, the agreement allows the company to request the BCC consider a tax abatement reduction through an ordinance amendment.

CONCLUSION

Based on the analysis conducted, staff and the Economic Development Council have determined that the Mod Units LLC. application qualifies for the County's tax abatement program. In addition, staff's analysis indicates that the Mod Units LLC. tax abatement application scores in the 2nd award category (out of 3 categories) under the County's tax abatement scoring guidelines. Based on those guidelines, the proposed Mod Units LLC. facility qualifies for an 8-year tax abatement beginning in 2025. If an 8-year property tax abatement is granted as recommended, the maximum potential total combined tax abatement over the 8-year period in current dollars is roughly estimated to be \$109,014. For the same 8-year period, the maximum potential total tangible personal property taxes paid in current dollars is roughly estimated to be \$218,563 for

schools, bonds, and other districts, and \$58,272 for the general fund and emergency services fund.

RECOMMENDATION

Staff and the Economic Development Council (by consensus) recommend that the Board of County Commissioners approve the tax abatement application and:

1. Find that the Mod Units LLC. facility qualifies as a “New Business” under the tax abatement ordinance, and
2. Find that the application scores in the 2nd tax abatement award category (out of 3 categories) under the adopted scoring guidelines; and
3. Grant a tax abatement using the schedule for up to the 2nd highest award category, with up to the 8-year abatement period to begin in 2025 (a lower award category may be applied if the company’s performance results in it meeting lower average wage and/or lower # of provided jobs); and
4. Approve the attached ordinance granting an economic development ad valorem tax exemption to Mod Units LLC. and
5. Authorize the Chairman to execute the Economic Development Tax Exemption Agreement for Mod Units LLC.

ATTACHMENTS

1. Indian River County Tax Abatement Ordinance
2. Mod Units LLC. Tax Abatement Application
3. Economic Development Policy 2.5
4. Tax Abatement Scoring Guidelines
5. Preliminary Tax Abatement Scoring and Estimated Tax Abatement Amounts
6. Chamber of Commerce Report
7. Property Appraisers Office Report
8. Ordinance for Mod Units LLC. Exemption (Abatement)
9. Agreement with Mod Units LLC.