Internal Audit Report

2022-02 – ECONOMIC DEVELOPMENT INCENTIVES

Jonathan P. Edwards, CIA, CPFO
Internal Auditor
123 West Indiana Avenue
DeLand, Florida 32720

May 6, 2022

Table of Contents

Internal Auditor

May 6, 2022

Honorable Members of the County Council and County Manager

Ladies and Gentlemen:

I am pleased to present audit report 2022-02 Economic Development Incentives. The purpose of this audit was to determine, with a reasonable degree of assurance, if internal controls related to the application, granting, and subsequent tracking of incentive funds are operating effectively and in compliance with regulations and policies. The audit scope included all economic development incentive grants that were approved during January 1, 2014 through December 31, 2021.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, except for the requirement of an external quality control review. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions. The audit was performed in the months of December 2021 through April 2022. Svetlana Ries, staff auditor, assisted with the audit work.

This audit was successful due to the assistance of the economic development division staff and we appreciate their support.

Jonathan Edwards, CIA, CPFO
Internal Auditor

Background

The use of public funds for incentivizing private economic development projects to help strengthen the economic viability is not unique to Volusia County and is employed by many governments. Incentives come in many forms such as tax abatements, building support for infrastructure, or workforce development. These incentive packages are used to pursue economic goals such as tax base diversification, job creation, housing stock creation, or business retention and expansion.

In 1995, the County Council adopted the Economic Development Ordinance and created a public/private partnership known as the Volusia County Business Development Corporation. It was charged with the responsibility of attracting new industry to the area and managing the Economic Opportunity Fund. The ordinance was repealed in 2007 by the County Council due to the County's Home Rule Charter along with FL statute 125.045 adopted the same year. These changes meant that a separate ordinance was no longer needed as the County Council was empowered to expend public funds to attract and retain business enterprises as it deemed appropriate.

With the adoption of the FY 2001 budget, the County Council approved the transfer of funds from the General Fund to a newly created fund devoted to economic development. The County Council set goals for a comprehensive, countywide economic development program. Since 2001, the Economic Development Fund (Fund 130) has received funding from the General Fund to support programs and services.

The division is responsible for providing local financial support for business expansion and recruitment activities as well as monitoring federal and state legislative issues important to the County. Local funds are used for direct grants or are leveraged through cooperative programs. The division assists business owners and works collaboratively with local stakeholders. It provides assistance, at no cost, to businesses with the desire and potential for growth within Volusia County. The division can help start-ups, second-stage, or maturing businesses directly or refer owners to other qualified organizations. The division promotes a more prosperous County, helps create new employment opportunities, increases average annual wages, provides economic resiliency through diversification, and helps expand the tax base.

Since 2001, the County partnered with the Florida Department of Economic Opportunity (DEO) in their performance-based grant program known as Qualified Target Industry (QTI). The DEO managed the QTI program from application through monitoring of the agreed-upon benchmarks, i.e., new job creation and above-average wage requirements. The incentive monies are not paid to the business until the benchmarks have been verified by the DEO. Total awards are 80% funded by the DEO and 20% by a local match. In some instances, the County split the 20% match with the partnering municipality. Upon meeting agreed-upon benchmarks, the DEO would pay 100% of the award amount to the business. The County then paid the DEO for the required match amount. If the business did not fully meet the benchmark, the payment was reduced by a certain percentage. For example, if a business was awarded $50,000 to create 100 new jobs by a certain date but only created 90 new jobs; only 90% of the award was paid to the business. In this example, only $45,000 would be paid. The QTI program was discontinued by the state legislature in 2021. Any business that still had outstanding QTI agreements are still allowed to continue with their agreement until all benchmarks have been met, or their term of the agreement is passed; whichever is sooner.

In 2010, the County Council approved partnerships with the University of Central Florida (UCF) for a business incubator program and a public-private partnership with Team Volusia. Both of these partnerships have continued and have been renewed by the County Council several times. In addition, staff work with all the municipalities within the County, the State, chambers of commerce, Space Florida, and many other organizations.

In 2014, the County was approached by businesses for two separate economic incentives related to the infrastructure for their projects. At the time, there was not an established County-run incentive program. The County Council directed staff to work with the developers for a negotiated agreement and ultimately approved the performance-based incentives. One incentive agreement was for almost $1.7 million to a Trader Joe's grocery distribution center, a project estimated at the time of $80 million. The other agreement was for $20 million for One Daytona, a mixed-use development estimated at the time of $812 million.

In 2015, the County Council held a workshop regarding economic development incentive funding and approved the Special Infrastructure Grant (SIG) program. The SIG program allowed for infrastructure incentives for developers that would otherwise not qualify for other incentive grants. Since 2015 only 1 SIG grant has been awarded. In 2015, Tanger Outlet Mall, an anchor development project, estimated to be a $100 million project, was awarded $2.25 million from the County.

In 2016, Embry Riddle Aeronautical University (ERAU), was awarded a direct incentive of $2.25 million to expand its research park and business incubation center. In 2017, Brown & Brown Insurance Company was awarded a direct incentive of $4.5 million for infrastructure costs related to their new international headquarters building. The project was estimated to be $60-70 million. Both awards were performance-based.

In 2018, the County Council approved the Water Quality Infrastructure Grant (WQIG) program. The WQIG performance-based program provides financial assistance to qualified business entities that have an operational need to improve existing or create new, wastewater systems that serve their enterprises. The business must be located in unincorporated Volusia County. Additionally, recipients must hold a valid contract with the Department of Defense or Homeland Security. Only 1 grant has been awarded under the WQIG program. In 2019, $500,000 was awarded to Sparton to upgrade their 35-year-old wastewater system and increase capacity from 12,000 gallons to 20,000 gallons per day.

In response to the COVID-19 pandemic, the County Council approved the Relaunch Volusia Small Business Grants program in 2020. This program was paid from the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. The program provided up to a $3,000 grant to assist eligible businesses as they re-opened or returned to pre-COVID operating levels.

On March 16, 2021, the Council held a workshop devoted to economic development. The director provided a brief history of the division, the accomplishments, their partnerships, and proposed a "Grow Volusia Jobs Program." This generated much discussion; however, the program was not developed further. Table 1 provides a summary of the division's milestones.

Table 1: Volusia County Economic Development Milestones

Date	Activity
10/1/2000	Economic Development fund created
2001-2020	Partnered with Florida DEO in the QTI grant program
8/5/2010	UCF Incubator partnership formed
11/11/2010	Team Volusia partnership formed
3/13/2014	Trader Joes direct incentive award
4/3/2014	One Daytona direct incentive award
6/4/2015	Special Infrastructure Grant (SIG) program created
7/2/2015	Tanger Outlet SIG award
8/4/2016	Embry Riddle Aeronautical University direct incentive award
10/19/2017	Brown & Brown direct incentive award
12/18/2018	Water Quality Infrastructure Grant (WQIG) program created
5/21/2019	Sparton WQIG award
5/12/2020	Relaunch Volusia Small Business Grants program created
3/16/2021	Economic Development Council workshop held

Scope and Methodologies

On January 19, 2021, County Council approved the 2021 Audit Plan, which included an audit of economic development incentives.

The purpose of the audit was to determine, with a reasonable degree of assurance, if internal controls related to the application, granting, and subsequent tracking of incentive funds are operating effectively and in compliance with regulations and policies.

The audit scope included all economic development incentives awarded by the County Council from January 1, 2014 through December 31, 2021. Throughout 2020 due to the COVID-19 pandemic, the County Council approved a small business program of up to $3,000 which was paid from the Federal CARES Act funds. That program was not included in the scope of this audit.

Specific audit objectives were:

1. To obtain an understanding of internal controls that are significant to the economic development incentive programs.
2. To perform procedures that will provide reasonable assurance of detecting instances of noncompliance with laws, resolutions, and policies passed by the Council and guidelines that have been established relating to the economic development incentive program.
3. To perform procedures that staff monitored the recipient's compliance with the terms and conditions of their incentive awards prior to issuing incentive payments.
4. To perform procedures to evaluate the economy, efficiency, effectiveness, and transparency of the economic development incentive program operations.

Audit procedures to accomplish these objectives included the following:

- Obtained and reviewed resolutions, Federal and State regulations, program guidelines, department policies and procedures, and other relevant documentation pertaining to economic development incentives.
- Reviewed and understood internal controls over economic development incentives.
- Interviewed staff who oversee the projects.
- Reviewed best practices of economic development incentives issued by the Government Finance Officers Association (GFOA).
- Tested incentive agreements to ensure all benchmarks were met and complied with the agreements.
- Analyzed and projected the property tax value of the business pre-incentive and post-incentive to determine the impact to the County's property tax revenues.

Table 2 illustrates the number and types of awards approved from January 1, 2014 through December 31, 2021.

Table 2: Direct, SIG, and WQIG Awards from 2014-2021

Award Type	Business / Brief Description	Amount Awarded by County
Direct	**Trader Joes** Reimbursement of impact fees and creation of at least 400 "new to Florida" jobs for a grocery distribution center, projected at $80 million	$ 1,698,844
Direct	**One Daytona** Infrastructure costs relating to the development of a multi-purpose mixed-used development, projected at $812 million	20,000,000
SIG	**Tanger Outlets** Infrastructure costs relating to a new outlet mall and a shopping center project	2,250,000
Direct	**Embry Riddle Aeronautical University (ERAU)** Infrastructure costs related to their research park and business incubation center	2,250,000
Direct	**Brown & Brown** Infrastructure costs related to their new international headquarters building	4,500,000
WQIG	**Sparton** Upgrade a 35-year old wastewater system and increase capacity from 12,000 to 20,000 gallons per day	500,000

All six of these grants were selected for testing.

During the same time, a total of 26 QTI awards were approved by the County Council. The DEO provides an online portal[1] with detailed information on the awards, their status, job creation requirements, etc. Several of these QTI awards were listed as either inactive or terminated by the DEO. Inactive awards are defined by the DEO as having received one or more payment after meeting a portion of its contract commitments but is ineligible for future payments. Terminated awards are defined as the business not receiving any payments and is ineligible for future payments. The awards selected for testing were judgmentally selected from the years 2017 to 2020. In total, 7 awards were selected for testing, or 27% of awards from 2014-2020.

Table 3 includes the businesses receiving QTI awards, the status of the incentive, the total maximum amount, and the 20% local share amount. The awards selected for testing are identified with an "X."

[1] https://floridajobs.org/office-directory/division-of-strategic-business-development/economic-development-incentives-portal

Table 3: QTI Awards from 2014-2021

Year	Business	Status	Total Maximum Award Amount	20% Local Award Amount	Selected for Testing
2014	Boston Whaler	Complete	$ 138,000	$ 27,600	
2014	Citizens Telecom Services Company	Terminated	417,000	83,400	
2014	DaVita Healthcare Partners	Terminated	650,000	130,000	
2014	Playtex Manufacturing	Terminated	63,000	12,600	
2014	Total Quality Logistics	Active	300,000	60,000	
2015	Citizens Telecom Services Company	Terminated	300,000	60,000	
2015	Mayhew Bestway	Active	105,000	21,000	
2015	RCR	Terminated	153,000	30,600	
2015	Top Build Corp	Active	385,000	77,000	
2016	Advanced Manufacturing Systems	Terminated	36,000	7,200	
2016	Dougherty Manufacturing	Active	360,000	72,000	
2016	Prime Global Group	Inactive	190,000	38,000	
2016	Synergy Billing	Inactive	1,065,000	213,000	
2017	3D Material Technologies	Terminated	180,000	36,000	
2017	B. Braun Medical	Inactive	90,000	18,000	X
2017	Boston Whaler	Active	625,000	125,000	X
2017	Brown & Brown	Active	4,500,000	900,000	X
2017	Jet Helseth Manufacturing	Terminated	85,000	17,000	
2017	Magnolia River Services	Terminated	68,000	13,600	
2017	Security First Managers	Active	990,000	198,000	X
2017	TeleTech Healthcare Solutions	Terminated	180,000	36,000	
2018	B. Braun Medical	Active	500,000	100,000	X
2018	Mystic Powerboats	Active	213,000	42,600	
2018	Seamax, LLC	Terminated	240,000	48,000	
2019	Future Foods Enterprise	Active	150,000	30,000	X
2020	Bimbo QSR US	Terminated	275,000	55,000	X

Evaluation

Based on the results of the audit, the terms and conditions contained in the agreements were met by all of the parties involved. The recipients constructed the infrastructure, buildings, and/or equipment as agreed. County staff performed inspections as laid out in the agreement and paid the incentive award. There were no issues noted with the performance of the incentive agreements.

However, if the County Council decides to continue economic development incentive programs, the County Council and staff should implement established best practices into the programs as recommended in this report. Doing so will further strengthen the benchmarks, monitoring, and transparency of economic development incentives awarded by the County Council.

Summary of Incentives Awarded

A summary of the Direct, SIG, WQIG, and audited QTI incentive projects follows. In all of the incentive awards, the recipient and the County met the terms and conditions of the performance-based agreements.

Trader Joe's Grocery Distribution Center

On March 13, 2014, Council approved a direct incentive agreement to attract a major grocery distribution center, Trader Joe's. Trader Joe's negotiated a letter of intent with Consolidated-Tomoka Land Company to purchase 76 acres in Daytona Beach, adjacent to I-95 for the purpose of constructing a large warehouse, freezer building, and truck maintenance facility. The capital investment was estimated at over $80 million. The project was estimated to create 400 "new to Florida" jobs on-site and 100 additional jobs in the area related to wholesale transportation of goods to/from the facility. To facilitate access to the site and to improve safe access to the state highway system, the County planned to expand the city-maintained Mason Avenue to connect with Dunn Avenue as well as to construct a new intersection signal and an acceleration lane.

The County contributed $558,780 in impact fee reimbursements and $1,140,064 upon issuance of a certificate of occupancy and creation of 400 total direct jobs; for a total of $1,698,844. The County received $1,988,367 from the Florida Department of Transportation (FDOT) in a joint participation agreement related to the infrastructure improvements. The City of Daytona Beach approved $1,591,850 in ad valorem tax abatement that ended in 2020 and $100,000 of water/sewer improvements.

The improvements were completed as agreed, a certificate of occupancy was issued, and the number of direct jobs as of 8/2/2016 was 504, which was more than 100 over the required to be created.

In 2014, prior to the incentive award, the taxable value of the property was $53,269. In 2021, the taxable value was $27.4 million. The County received $179,866 in County property taxes for 2021 versus $402 received in 2014. Appendix 1 (tables 7-9) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

One Daytona

On April 3, 2014, Council approved a direct incentive agreement to partially fund the construction of public improvements, roads, structured parking, and congregation space related to One Daytona. One Daytona is a multi-purpose, mixed-use development in Daytona Beach. Around the same time, the City of Daytona Beach also approved funding of $20 million incentive. The City agreed to pay $2 million after issuance of the construction permit and ad valorem property tax abatement of up to $18 million during years 2016-2046. The planned use of the 189 acre site was broken out as:

- Office: 550,000 square feet
- Retail: 1,485,000 square feet
- Research and development and warehouse: 500,000 square feet
- Two hotels: 660 rooms
- Residential: 1,350 units

The total estimated construction cost of the site was $812 million, including almost $53 million of infrastructure cost. In presentations to Council and files reviewed by the auditor, the developer stated that by year 2045 over 7,200 jobs would be created and have 2,700 tenants living in the residential units. A summary of the job projections, by year, are summarized in table 4:

Table 4: One Daytona Job Projections from 2016 - 2045

	2016	2020	2025	2030	2035	2040	2045
Office	0	893	1,607	1,964	1,964	1,964	1,964
Regional Retail	175	175	175	175	175	175	175
Theater	40	40	40	40	40	40	40
Market/Grocery	135	135	135	135	135	135	135
Inline Retail	945	945	945	945	945	945	945
General Retail	0	625	1,250	1,500	1,875	2,308	2,308
Hotel-Full Service	0	250	400	400	400	400	400
Hotel-Limited Service	78	78	156	156	156	156	156
Industrial R&D	0	500	833	833	833	833	833
Industrial Warehouse	0	150	250	250	250	250	250
Total Employees	**1,373**	**3,791**	**5,791**	**6,398**	**6,773**	**7,206**	**7,206**
Residential (Tenants)	480	2,170	2,700	2,700	2,700	2,700	2,700

The developer and economist at the time used the criteria included in Table 5 to estimate the number of jobs to be created at One Daytona.

Table 5: One Daytona Job Determination by Developer and Economist

Office	280 sq. feet per employee
Regional Retail	400 sq. feet per employee
Theater	1,500 sq. feet per employee
Market/Grocery	400 sq. feet per employee
In-line Retail	400 sq. feet per employee
General Retail	400 sq. feet per employee
Hotel-Full Service	1 employee per room
Hotel-Limited Service	0.6 employee per room
Industrial R&D	300 sq. feet per employee
Industrial Warehouse	1,000 sq. feet per employee
Multi-Family Residential	2.0 persons per household

The agreement stated that 55% of the retail and commercial space be occupied by businesses that did not have locations within the County as of 1/1/2014 (i.e., "new to Volusia"); must feature a national or regional movie theater chain; must feature a major national brand outdoor outfitter anchor tenant; and have no less than 50,000 square feet dedicated for use as a public plaza, parks, and congregation space. The agreement allowed for a one-year extension to meet the requirements.

On 12/29/16, the attorney for One Daytona provided an affidavit and supporting documentation that both a regional movie theater and the Bass Pro Shops had received their certificate of occupancies, and that more than 50,000 square feet of public space had been created per the terms of the agreement.

On 10/10/17, the attorney provided supporting documentation that 67% of the businesses occupying the total available space within One Daytona qualified as "new to Volusia." This exceeded the 55% requirement. A letter sent on 11/8/17 included an affidavit attesting to meeting this requirement and that 24 of the 37 stores qualified as "new to Volusia" or 65%. The terms of the agreement were met by One Daytona and the County made the payments as stipulated.

In order to provide $20 million of incentive monies, the County used $5 million of reserves and borrowed $15 million in a capital improvement revenue note. Staff provided the Council with financing options and status updates from the initial meeting on 3/6/14. The Council approved the debt issuance. The plan was to apply the tax revenues generated by One Daytona to pay the ongoing principal and interest amounts. The note was issued on 9/28/16 for 10 years with a true interest cost of 1.85%. The total interest payments scheduled over the 10 years totaled $1,724,015. In an effort to save interest expense (amounting to $61,677), the County only drew requests to match the two payments to One Daytona. During the years 2017-2019, the County Council lead an initiative to "go to zero" for the County's outstanding debt. On 11/1/18, the County paid off the revenue note from the use of General Fund reserves which reduced future interest payments by approximately $1.1 million.

During the time the County held this debt issue, the County paid $42,038 in bond issuance costs, paid $518,771 in interest costs, and earned $59,017 in investment income. Therefore, the net debt cost to the County for the borrowing totaled $501,792.

In 2014, prior to the incentive award, the taxable value of the property was $35.4 million. In 2021, the taxable value was $132.9 million. The County received $864,152 in county property taxes for 2021 versus $267,719 that was received in 2014. Appendix 1 (tables 10-12) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

Tanger Outlets

On July 2, 2015, Council approved a SIG incentive agreement to partially fund infrastructure costs for a new Tanger Outlet mall next to I-95 in Daytona Beach. Tanger has been the only award under the SIG program, approved by Council the month prior. Consolidated-Tomoka Land Company requested $2.25 million from the County and $2.25 million from the City of Daytona Beach. The Tanger Outlet mall was projected to be a $100 million anchor. The proposed 400,000 square foot outlet mall would be constructed on 39 acres and estimated to bring a wide range of retail businesses that were then not in Volusia County. The outlet mall was projected to bring more than 800 full-time and part-time jobs. At the time, it was recognized there was no impact to the County's overall annual average wage of $33,570.

The entire project site area is approximately 209 acres and also houses the new Tomoka Town Center. The project met the SIG criteria as the plans were defined as "transformational" to the County and the City. The Council defined transformational as a project capable of producing big change or improvement to the area. In 2015, the site was undeveloped and was taxed as agriculture. The project was seen by the Council as a "gateway" into Daytona Beach since it is located on I-95.

Over $120 million was projected in annual sales revenues from the outlet mall. The outlet mall was projected to bring 80-100 individually branded stores to Daytona Beach of which only 18.5% of Tanger's top tenants were located in Daytona Beach. The entire campus, including Tomoka Town Center, would be composed of seven separate components and developed in multiple phases over five years as shown in table 6. When completed, the economist predicted annual sales revenues of $288 million and a taxable value of $151 million.

Table 6: Tanger Outlet and Tomoka Town Center Proposed Projects from 2017-2021

Proposed Projects	Projected Year Complete	Projected Annual Sales When Completed	Projected Taxable Value When Completed	Projected County General Fund Revenue When Completed	Projected City General Fund Revenue When Completed
Outlet Mall	2017	$ 120 M	$ 40 M	$ 275,000	$ 280,000
Wholesale Club	2018	75 M	16 M	110,000	112,000
Retail	2018	33 M	25.7 M	177,000	180,000
Hotel	2020	5 M	6.5 M	44,500	45,300
Multi-Family	2020	-	20.4 M	140,000	142,500
Outparcels	2018	3 M	2.4 M	16,500	16,800
Grocery & Retail	2021	52 M	40 M	275,000	280,000
Total		**$ 288 M**	**$ 151 M**	**$ 1,038,000**	**$ 1,056,600**

The projected public infrastructure cost for the project was $16.3 million. The agreement stated the incentive grant funds would apply to the costs associated with the design, permitting, and construction of roadways, sidewalks, and associated stormwater improvements. The County's award would be split into two: (1) $1.125 million within 30 days providing proof of issuance of permits for civil site construction work and (2) $1.125 million within 30 days of providing the certificates of occupancy. The terms of the agreement included that a minimum of 70% of the businesses associated with Tanger had to be "new to Volusia" businesses and public access must be available to the roads funded in part or in whole by County funds.

On 12/6/16, representatives of the business, through an affidavit, confirmed that 97.7% of actively leased square footage qualified as "new to Volusia" and 92.4% of the tenants qualified as "new to Volusia." The terms of the agreement were met and payment by the County was made.

In 2015, prior to the incentive award, the taxable value of the property (including Tomoka Town Center) was $103,128. In 2021, the taxable value was $174.1 million. The County received $1,137,078 in County property taxes for 2021 versus $779 that was received in 2015. Appendix 1 (tables 13-15) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

Embry-Riddle Aeronautical University (ERAU)

On December 15, 2016, Council approved a direct incentive agreement to partially fund infrastructure costs relating to a research park which included an expanded business incubation center located in Daytona Beach. The research park near the school's campus is located on 90 acres. The research park is to support the endeavors of future partners and tenants. It includes offices, labs, and a hangar space with direct taxiway access to the Daytona Beach International Airport. The research park would include a $10 million wind tunnel facility and would be home to startup companies within Volusia County.

The agreement with ERAU required that before payment be made to ERAU, a certificate of occupancy must be issued, invoices and proof of payment supporting the construction costs must be reviewed by County staff, photographs of the completed infrastructure, and the County Engineer would inspect the facilities to confirm the structures were built as agreed-upon. All supporting documentation was provided to the County as agreed.

In April 2017, the County Engineer conducted an inspection of the project-in-progress and approved $1.5 million to be paid towards the incentive. In September 2018, the County Engineer conducted a final inspection and recommended approval of the remaining $750,000 be paid. All amounts were paid to ERAU per the agreement.

ERAU is a tax-exempt organization and does not pay property taxes. Therefore, an analysis of property taxes was not performed.

Brown & Brown Insurance Company

On October 19, 2017, Council approved a direct incentive agreement to partially fund infrastructure costs relating to the construction of Brown & Brown's international headquarters facility to be located in Daytona Beach. The insurance company, which has been in Daytona Beach since 1939, planned to consolidate offices located throughout Daytona Beach as well as transfer employees located in other states. The plan was for a 10-story building with 175,000 square feet of corporate office space to be built on the site of former car dealerships. The infrastructure costs were estimated to be over $9 million. The County and the City of Daytona Beach agreed to equally share in the costs with each contributing up to $4.5 million. The City agreed to be responsible for managing and coordinating construction to meet the development schedule. An economic impact analysis study was performed. It estimated that approximately 900 employees (625 new employees as well as the existing workforce located in the County) would be located in the building and estimated construction cost at $30 million.

The economic impact analysis study projected a total construction impact at 225 jobs and 753 permanent ongoing direct jobs at an average wage of $43,962. The creation of 1,683 jobs was estimated, which included direct, indirect, and induced jobs[2] relating to the project. Once completed, the project was predicted to have a taxable value of $37.2 million.

At the County Council meeting held on October 5, 2017, the County Council approved participation in the QTI program for Brown & Brown. The total QTI performance-based incentive award was also $4.5 million. With the QTI award, the County agreed to contribute 20%, or $900,000, with the DEO contributing 80%, or $3.6 million. Brown & Brown committed to providing 600 new-to-Florida jobs.

---

[2] The DEO provides the following illustration of direct, indirect, and induced jobs: *Direct* jobs are generated by the direct economic activity of the project. *Indirect* jobs will lead to an increase in production in industries that supply construction material for the construction of a new building. *Induced* jobs are where the construction workers will spend their paychecks in the economy buying groceries and visiting dining and entertainment establishments.

Through the QTI program, Brown & Brown has until the end of 2024 to create all 600 jobs. On 2/16/22, the DEO confirmed that Brown & Brown was scheduled to have created 150 new jobs by the end of 2021 and had created 247 jobs. The County has paid $375,000 to date on this QTI grant.

In the spring of 2021, the County Engineer's staff inspected the site and reviewed supporting invoices and payments related to the project. All of the terms of the agreement were met. The total construction amount was less than the award of $9 million and totaled a little more than $7.022 million. Therefore, the County's share was $3.511 million which was paid in May 2021.

In 2016, prior to the incentive award, the taxable value of the property was $500,102. In 2021, the taxable value was $45.5 million. However, due to the timing of the completion of the project, the taxable value used in 2021 may not include all of the completed construction. According to the Property Appraiser's website in March 2022, the working taxable value for 2022 is $49.8 million (the final taxable value will be known in the summer of 2022). The County received $298,276 in county property taxes for 2021 versus $3,667 that was received in 2016. Appendix 1 (tables 16-18) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

Sparton

On May 21, 2019, Council approved a WQIG incentive agreement with Sparton to partially fund a wastewater system to support their current workforce of more than 600 as well as support their future employment growth. The new system would also improve the water quality in the spring shed management area. The company had a location in DeLeon Springs and in 2020 moved its headquarters from Schaumburg, IL to DeLeon Springs. The project was to replace the 35-year-old wastewater system capacity from 12,000 gallons per day to 20,000 gallons per day.

The WQIG program is limited to businesses that:

- Qualify under Florida statute 288.1045 which requires an entity hold a valid U.S. Department of Defense (DOD) or U.S. Department of Homeland Security (DHS) contract or space flight business contract.
- Derive not less than 60% of its Florida gross receipts from the contracts or subcontracts of DOD or DHS.
- The wastewater system project must be located in unincorporated Volusia County with no practical access to an established wastewater utility.
- The project must be located in an environmentally sensitive area.
- Anticipate the potential loss of existing employment positions that would affect the community on a "county-wide" basis but does not meet the qualifying criteria for traditional incentives.

On July 16, 2020, County staff inspected the project and determined it was built as agreed upon and operating in compliance with environmental regulations. Staff also reviewed supporting invoices and documentation relating to the installation of the system. The County issued a check to Sparton for $500,000.

In 2018, prior to the incentive award, the taxable value of the property was $4.4 million. In 2021, the taxable value was $4.8 million. The County received $59,103 in county property taxes for 2021 versus

$57,684 that was received in 2018. Appendix 1 (tables 19-21) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

B. Braun, 2017 and 2018 QTI Awards

B. Braun Medical, Inc., a manufacturer of infusion therapy and pain management products, has been awarded 3 separate incentive grants through the DEO. These separate grants were related to their expansion and opening of a distribution center in the City of Daytona Beach. Only 2 grants have involved the County: the 2017 QTI grant and the 2018 QTI grant.

On January 19, 2017, Council approved participation in the QTI program for B. Braun for the creation of 30 new-to-Florida jobs at an average wage of 115% of the 2016 incentive wage for Volusia County. The total award was $90,000, of which the County’s 20% match was set for $18,000. 10 new jobs were scheduled to be created by the year 2020, and all 30 jobs were to be created by the year 2021. However, the DEO sent a letter dated 8/12/20 to the company stating that it failed to meet the job requirements and therefore turned the status to “inactive” in the QTI program. The County did not make any payments towards this 2017 award and has since closed the purchase order.

On September 18, 2018, Council approved participation in the QTI program for B. Braun for the creation of 100 new-to-Florida jobs at an average wage of 125% of the 2018 incentive wage for Volusia County. The total award was $500,000, of which the County’s 20% match was set for $100,000. The job creation numbers negotiated with the DEO were for at least 20 new jobs by the end of 2024; 50 jobs by the end of 2025; and all 100 jobs by the end of 2026. Per the QTI program, payments will not be made until the jobs have been created by the years set. The County has an open purchase order for the $100,000 award to encumber the funds until the benchmarks have been met. No payment has been made towards this award.

As part of B. Braun expansion efforts, they purchased parcels next to their location in Daytona Beach. When performing analysis of the properties pre- and post-incentive, all parcels involved were combined to fairly conduct the analysis. In 2018, prior to the incentive awards, the taxable value of the properties involved was $9,476,205. In 2021, the taxable value was $21,049,222. The County received $136,329 in county property taxes for 2021 versus $58,805 received in 2018. Appendix 1 (tables 22-24) provides an analysis of the property taxes pre-incentive, post-incentive and a projection of tax revenues of the project.

Boston Whaler 2017 QTI Award

On March 16, 2017, Council approved participation in the QTI program for Boston Whaler, Inc. for the creation of 125 new-to-Florida jobs at an average wage of 115% of the 2016 incentive wage for Volusia County. The total award was $625,000. The 20% match was split between the County at 6.4% (or $40,000), and the City of Edgewater at 13.6% (or $85,000). Job creation benchmarks were set that 40 jobs be created by 2019, 80 jobs by 2020, and 125 jobs by 2021. The DEO confirmed on 10/22/19 that 205 jobs had been created, far exceeding their job creation schedule. At the same time, the confirmed average annual wage was $39,952. On 10/21/20, the DEO confirmed 253 jobs were created at an average wage of $46,366. The County paid all $40,000 as the DEO confirmed all of the benchmarks had been met.

In 2017, prior to the incentive award, the taxable value was $8,855,198. In 2021, the taxable value was $18,158,642. The County received $119,142 in county property taxes for 2021 versus $64,934 in 2017. Appendix 1 (tables 25-27) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

Security First 2017 QTI Award

On February 16, 2017, Council approved participation in the QTI program for Security First Managers, LLC for the creation of 165 new-to-Florida jobs at an average wage of 150% of the 2016 incentive wage for Volusia County. The total award was $990,000. The 20% match required for the County was set for $198,000. Job creation benchmarks were established that 25 jobs be created by 2017 and 30 jobs be added each year until the end of 2021 where 50 additional jobs be created. This totaled the 165 total new-to-Florida job requirements. Each year the DEO confirmed the number of jobs and each year the jobs created exceeded the benchmarks. The last confirmation performed by the DEO was on 4/16/21 when the total jobs created exceeded the benchmark of 115. 242 jobs were confirmed with an average annual wage of $59,932. The County has paid $79,352 towards the match requirement of $198,000.

In 2016, prior to the incentive award, the taxable value was $53,021. In 2021, the taxable value was $21.7 million. The County received $129,511 in county property taxes for 2021 versus $389 in 2016. Appendix 1 (tables 28-30) provides an analysis of the property taxes pre-incentive, post-incentive, and a projection of tax revenues of the project.

Future Foods 2019 QTI Award

The DEO website listed the Future Foods grant as a Volusia County participation award. However, upon review of the documents supporting the award, it was revealed that the County did not participate in the local match requirement. Instead, the City of Ormond Beach provided the local match. The County was not involved in participating in this award. Therefore, no further work was done on this award.

Bimbo QSR US 2020 QTI Award

On March 3, 2020, Council approved participation in the QTI program for Bimbo QSR, LLC for the creation of 55 new-to-Florida jobs at an average wage of 115% of the 2019 incentive wage for Volusia County. The total award was $275,000. The 20% match required for the County was set for $55,000. At the time of the audit selection, the DEO website listed the award as “active” and was selected for testing. However, upon discussions with County and DEO staff, it was revealed that the company had decided to withdraw from the incentive program. Therefore, the DEO has since updated its website to indicate the status as “terminated.” The County made no payments to the company and the purchase order has been closed. Therefore, no further work was done on this award.

Findings, Concerns, and Recommendations

Findings are defined as frequent or commonly seen observations during an audit. They include critical and major failures in a program where requirements have not been effectively implemented or where there are significant issues.

Concerns are defined as infrequent or isolated observations during an audit. They include minor failures in a program where requirements have been met but opportunities may exist for improvement.

FINDINGS:

1. Best Practices Should Be Included in Future Incentive Agreements

Established best practices regarding economic development incentives were not always incorporated when the County was negotiating through direct awards, or when developing the SIG and the WQIG performance-based programs. Generally, the awards required the recipient to build the agreed-upon infrastructure. The agreements allowed for County staff to perform inspections during construction and at completion to ensure the infrastructure was built as agreed. The agreements allowed for reimbursement of the infrastructure costs up to the awarded amount. Except for Trader Joe's, all of the agreements were on a reimbursement arrangement where the developer or business had to construct the asset prior to receiving County monies. In the case of Trader Joe's, the County paid the contractor to build the infrastructure.

Trader Joe's was required to create 400 jobs upon completion of the distribution center. None of the other direct, SIG, or WQIG agreements contained a job creation requirement. During presentations to the County Council and statements released to the press, the companies declared job creation numbers as an advantage of the incentive.

The agreements did not contain ongoing benchmarks for a certain timeframe after the completion of the project. The terms related to retaining monies until certain phases of the construction were met, i.e., either certain stages of construction or at the completion. The agreements did not contain terms to retain incentive monies for a certain number of years until the job creation benchmarks were met. For example, the QTI program requires job creation benchmarks for a set time, sometimes up to 7 years, before all of the incentive is paid to the business.

The files that staff maintained on the incentive awards did not include evidence that staff performed due diligence on the business prior to recommending approval of the award to the County Council. Examples of typical due diligence may include research to ensure the business is not facing bankruptcy, reviewing audited financial statements for going-concern issues[3], or ensuring there were no legal matters pertaining to the business that may significantly impact its ability to follow through with the project.

---

[3] Going-concern considerations: "Significant information that raises doubt whether a legally separate entity can continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority, or financial review board, or similar actions." Government Accounting Standards Board Codification Sec. 2250.117

There was no documented review that the job creation projections were reasonable. For example, over 7,200 jobs were forecasted to be created by the One Daytona project. Tables 4 and 5 detail the projections included in the proposal to staff and the Council. The terms of the agreement did not require the organization to meet job requirements. As stated previously, the QTI program reduces the incentive payments by the percentage of the benchmark not met.

Staff did not document their analysis that determined whether the project would proceed if the incentive were not provided. The purpose of this analysis is to attempt to determine, to the extent possible, whether and how much incentive is required to entice a business to act in a specific manner, such as relocation to remain in and/or expand in Volusia County. Without conducting such an analysis, the County has limited assurance that financial incentives are effectively inducing business decisions that benefit the County and its residents. A cost-benefit analysis uses various business characteristics, location needs, market realities, and development and relocation costs.

By not performing sufficient analysis, the County is exposed to two substantial risks: (1) the County may be providing incentives to influence business decisions that would have been made without the incentive and (2) the County may be providing more money than needed to incentivize the company to change its course of action. Without conducting such analysis to determine what monetary amount creates an incentive for the business to act, there is no avenue for staff to know how much of a financial incentive it should be offering or whether a financial incentive should be offered at all. This creates a significant risk that the County's costs of providing financial incentives significantly exceed the benefits received.

The One Daytona incentive agreement requires that in the year 2046, a net present value calculation be completed by an independent consultant to compare the amount awarded with the amount realized. Any amount within a 3% variance, is to be reimbursed to the City of Daytona Beach and the County. The files did not include a tickler or reminder flag for staff. Current staff was unaware of this requirement.

The Economic Development Division does not have a written policy and procedures handbook that details the procedures staff must follow. The division experienced staff turnover with the current director being confirmed by the County Council in 2020 just as the pandemic started impacting the United States. When there is turnover and policies and procedures are not documented, there may be issues that staff are unaware of, such as monitoring requirements of award agreements.

Florida statute 125.045(4) requires that the County submit a report to the governing body detailing how County funds were spent and the results of the economic development efforts on behalf of the County. It requires the report be filed with the DEO and must be posted on the county's website. County staff submits the information to the DEO by the required deadline; however, the information is not posted on the County's website as required.

The Government Finance Officers Association (GFOA) has established best practices for economic development policies.[4] GFOA recommends that jurisdictions create a policy on the appropriate parameters for use of economic development incentives. They further recommend that detailed procedures complement the policy to provide guidance on administrative implementation. They suggest, local governments, at a minimum:

- Create goals and measurable objectives to establish context and accountability.
- Clearly define the evaluation process for the purpose of consistency and transparency.
- Align criteria to the goals and objectives of economic development policies.
- Compare the cost of the incentive against the benefits that are expected to be produced.
- Evaluate the impact on the tax base and revenues, including the impact on other jurisdictions.
- Consider the impact of a project on existing businesses so that projects do not shift economic activity from one area of the community to another.
- Determine whether the project would proceed if the incentives were not provided.
- Identify the benefits and costs of financial factors (i.e., additional property tax revenues) and non-financial factors (i.e., environment considerations, impacts on traffic patterns).
- Evaluate the data and assumptions behind the forecasted costs and benefits of projects in order to determine the accuracy and reliability of the forecasts.
- Require specific performance standards that are quantitative and/or include an objective assessment that can determine if the standard is met to assist in gauging the effectiveness of an overall economic development program.
- Create a process for regular monitoring of the agreements and performance of each project.
- Identify the reporting and status update requirements to the County Council.
- Provide communication on the progress of the activities expected to reach the goals, and the extent to which the goal is being achieved to assist elected officials in better understanding the benefits being received from the investment of community resources.

Analyzing and documenting the justification for providing incentives is critical to allow managers, policymakers, and the public to ensure that incentives are distributed appropriately, and are effectively achieving the County's economic development goals.

RECOMMENDATIONS:

A. Develop written economic development policies and procedures to include the aforementioned best practices to mitigate risks associated with future economic development projects. Ensure documentation of analysis is maintained to support the conclusions and recommendations to the County Council.

B. Ensure the annual report is posted on the County's website as required by statute. Revamp the reporting on the website and communication to the County Council to include information on the incentives, benchmarks met, and the impacts the incentive provided to the citizens.

[4] GFOA Best Practices: "Establishing an Economic Development Incentive Policy", "Evaluating and Selecting Economic Development Projects", and "Administering Economic Development Agreements" www.gfoa.org

MANAGEMENT'S RESPONSE:

A. *We agree that there are "best management" practices in the negotiation, development, and implementation of incentive programs, and will create a written policy and procedures document for council consideration. The document may include some or all of the guidance provided by GFOA, as determined applicable to Volusia County.*

As stated in the GFOA white paper, "Establishing an Economic Development Incentive Policy," "…Economic development projects vary considerably, and incentives may need to be evaluated and tailored on a case-by-case basis." For example, there are distinct differences when evaluating programs for a local, established entity that is being incentivized to relocate to another area versus assessing programs to recruit a company that is considering expanding to this area. In both instances, there is an economic impact. However, one provides incremental economic growth, where the other avoids an economic loss. The departure of an existing corporation can be devastating to a community. This is why we research, negotiate, and publicly present all programs to County Council. The County's process of checks and balances considers each program on an individual basis to ensure the best return on investment for the citizenry. Using a one-size-fits-all approach does not work.

Historically, county grants have been infrastructure-related or infrastructure reimbursement programs. The following criteria were considered and discussed, as shown in the council presentations and/or program agreements.

- ***Performance Standards** – All county programs are performance-based. This means that to receive the awarded incentive, the company must have completed specific tasks. The criteria considered when evaluating a program should be both quantitative and qualitative and include:*
    - *Alignment with goals and measurable objectives to establish context and accountability.*
    - *Evaluation process for the purpose of consistency and transparency.*
    - *Benefit/loss analysis (tax revenue, employment, salaries, economic growth, business retention and expansion).*
    - *Impact on existing businesses and residents (infrastructure, traffic, competition).*
    - *Need for incentives.*

- ***Monitoring and Compliance***
    - *Require performance standards that gauge the effectiveness of the program.*
    - *Create a project-specific process for monitoring of the agreements and performance.*
    - *Identify the reporting and status update requirements to the County Council.*
    - *Communicate the progress of the activities and the extent to which the goal is achieved.*

Additionally, while not included in this evaluation, the division of economic development implements best practices in all facets of our day-to-day operations. The management of the County's economic incentive programs is a small fraction of our overall mission. As a standard operating procedure, we have developed and/or collected County Policies and Procedures on inter-division shared drive for the following: Accounting, Emergency Management, Growth Management, Human Resources, Legal, Manuals and Instructions, Meetings & Events, Municipal

Building Permitting, OnBase, Payroll, Prospect Processing, Purchasing, Q Events, Technology, and Travel.

B. *We agree with the recommendation that the annual report should be posted on the county website which may include links to the Florida Department of Economic Opportunity website.*

CONCERNS:

None.

Appendix 1 – Property Tax Analysis and Projections

For the incentive awards, the various ad valorem property taxes were listed by the taxing authority for the year of the incentive award and for the tax year 2021. All amounts were obtained from the websites of the Volusia County Property Appraiser and Volusia County Tax Collector. The Property Appraiser and his staff provided some additional research on specific parcels.

The taxing authority listed as "Volusia County" in the tables includes the authorities set by the County Council and include the General Fund, the Library Fund, the Environmental, Cultural, Historical, and Outdoor (ECHO) Fund, the Volusia Forever Fund, the Mosquito Control Fund, and if appropriate, the Ponce Inlet Port Authority Fund. The "Others" listed in the tables include the St. John's Water Management District, The Florida Inland Navigation District, and the corresponding hospital authority based on the location of the recipient.

Conservative projections were performed to compare the property pre-incentive versus post-incentive for year 5 (year 2026) and year 10 (year 2031). The taxable value was left the same as it was in 2021 for the projections. An increase in millage was set at 1.3%, which was the 3-year average annual change from 2018-2021. The distribution between the taxing authorities remained at the same allocation rate as it was in 2021. The taxable value of the award year was used for the pre-incentive projection.

These projections are meant to serve as simple projections. It does not consider a net present value calculation nor consider the increase in the ongoing cost of services to the property (i.e., public safety, public works, etc.). Additionally, the County does not receive detailed sales tax revenues from retailers; therefore, the analysis only pertains to ad valorem property taxes. Ad valorem property taxes include real property and tangible property. For purposes of this analysis, real property, which includes land and buildings, as well as improvements erected or affixed to the land, was used for the analysis. It did not include tangible property taxes which include office furnishings, equipment, tools, or supplies used in a business for a commercial purpose.

Table 7: Trader Joe's Distribution Center: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2014	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 402	$ 179,866	$ 193,010	$ 206,701	$ 375	$ 402
Volusia Schools	391	159,053	170,303	182,383	331	354
City of Daytona	392	158,159	170,303	182,383	331	354
Others	72	33,000	34,061	36,477	66	71
Total	**$ 1,257**	**$ 530,078**	**$ 567,677**	**$ 607,944**	**$ 1,103**	**$ 1,181**
Millage Rate	23.5904	19.3364	20.7079	22.1768	20.7079	22.1768
Taxable Value	$53,269	$ 27.41 M	$ 27.41 M	$ 27.41 M	$ 53,269	$ 53,269

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $402 versus a projected tax revenue of $206,701 for the year 2031.

Table 8 includes the amount of the awarded incentive, the actual received from 2016-2021 and the projected amount by the year 2031. The City provided a property tax abatement for tax years 2015-2020 which explains the allocation differences between the taxing authorities in the projections. The County's recoupment of the incentive will be made whole by 2025 or within 10 years of the award. By 2031, the County will have received over $1.3 million beyond the incentive given.

Table 8: Trader Joe's Distribution Center: Actual and Projected

	Incentive Awarded	**Received in Taxes 2016-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2016-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 1,698,844	$ 1,065,663	$ (633,181)	$ 1,944,882	$ 3,010,545	$ 1,311,701
City of Daytona	1,691,850	279,508	(1,412,342)	1,716,071	1,995,579	303,729

From 2016-2031, if no incentive had been awarded, the total property tax (including County, City, School, and others) received for all 15 years would be $17,620 versus $8,171,455 with the incentive.

Table 9: Trader Joe's Distribution Center

	Projected As If No Incentive Awarded, Total Taxes Received (2016-2031)	**Projected With Incentive, Total Taxes Received (2016-2031)**
Volusia County	$ 6,655	$ 3,010,545
Volusia Schools	5,937	2,679,600
City of Daytona	3,988	1,995,579
Others	1,040	485,731
Total Taxes	**$ 17,620**	**$ 8,171,455**

Table 10: One Daytona: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2014	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 267,719	$ 864,152	$ 929,844	$ 995,799	$ 315,514	$ 337,894
Volusia Schools	260,218	771,132	820,450	878,646	305,655	327,335
City of Daytona	260,625	759,867	820,450	878,646	305,655	327,335
Others	47,891	158,548	164,091	175,728	59,159	63,355
Total	**$ 836,453**	**$2,553,699**	**$2,734,835**	**$2,928,819**	**$ 985,983**	**$1,055,919**
Millage Rate	23.5904	19.3364	20.5769	22.0364	20.5769	22.0364
Taxable Value	$ 35.40 M	$ 132.91 M	$ 132.91 M	$ 132.91 M	$ 35.40 M	$ 35.40 M

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $337,894 versus a projected tax revenue of $995,799 for the year 2031.

Table 11 includes the amount of the awarded incentive, the actual received from 2015-2021 and the projected amount by the year 2031. As indicated in table 11, the County's recoupment of the incentive will not be recouped by the year 2031. Using the same conservative projections, the County will recoup the investment in the year 2038.

Table 11: One Daytona: Actual and Projected

	Incentive Awarded	**Received in Taxes 2015-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2015-2031**	**By 2031, Estimated Gain (Loss), net Incentive**
Volusia County	$ 20,000,000	$ 3,903,711	$(16,096,289)	$ 9,369,634	$13,273,346	$(6,726,654)
City of Daytona	20,000,000	3,557,233	(16,442,767)	8,267,325	11,824,557	(8,175,443)

From 2016-2031, if no incentive had been awarded, the projected total property tax (including County, City, School, and others) received would be $16,122,771 versus $39,276,875 with the incentive.

Table 12: One Daytona

	Projected As If No Incentive Awarded, Total Taxes Received (2015-2031)	**Projected With Incentive, Total Taxes Received (2015-2031)**
Volusia County	$ 5,159,287	$ 13,273,346
Volusia Schools	4,998,059	11,964,334
City of Daytona	4,998,059	11,824,557
Others	967,366	2,214,638
Total Taxes	**$ 16,122,771**	**$ 39,276,875**

Table 13: Tanger Outlet and Tomoka Town Center: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2015	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 779	$ 1,137,078	$ 1,221,873	$ 1,308,542	$ 905	$ 969
Volusia Schools	756	999,856	1,078,124	1,154,596	877	939
City of Daytona	742	1,010,164	1,078,124	1,154,596	877	939
Others	133	208,623	215,625	230,919	170	182
Total	**$ 2,410**	**$ 3,355,721**	**$ 3,593,746**	**$ 3,848,653**	**$ 2,829**	**$ 3,029**
Millage Rate	23.3715	19.3364	20.6411	22.1052	20.6411	22.1052
Taxable Value	$ 103,128	$ 174.11 M	$ 174.11 M	$ 174.11 M	$ 103,128	$ 103,128

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $969 versus a projected tax revenue of $1,308,542 for the year 2031. It is noted that retail stores are being constructed and not all phases of the Tomoka Town Center are completed.

Table 14 includes the amount of the awarded incentive, the actual received from 2016-2021, and the projected amount by the year 2031. The County's recoupment of the incentive was made by the year 2020. By 2031, the County will have received almost $14 million beyond the incentive given.

Table 14: Tanger Outlet and Tomoka Town Center: Actual and Projected

	Incentive Awarded	**Received in Taxes 2016-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2016-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 2,250,000	$ 3,838,362	$ 1,588,362	$12,312,290	$16,150,651	$ 13,900,651
City of Daytona	2,250,000	3,470,526	1,220,526	10,863,785	14,334,311	12,084,311

From 2016-2031, if no incentive had been awarded, the projected total property tax (including County, City, School, and others) received would be $43,822 versus $47,545,297 with the incentive.

Table 15: Tanger Outlet and Tomoka Town Center

	Projected As If No Incentive Awarded, Total Taxes Received (2016-2031)	**Projected With Incentive, Total Taxes Received (2016-2031)**
Volusia County	$ 14,023	$ 16,150,651
Volusia Schools	13,585	14,327,064
City of Daytona	13,585	14,333,568
Others	2,629	2,734,014
Total Taxes	**$ 43,822**	**$ 47,545,297**

Table 16: Brown & Brown: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2016	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 3,667	$ 298,276	$ 316,826	$ 339,299	$ 3,485	$ 3,732
Volusia Schools	3,425	263,762	287,123	307,490	3,158	3,382
City of Daytona	4,006	307,741	326,727	349,902	3,594	3,849
Others	538	54,726	59,405	63,619	653	700
Total	**$ 11,636**	**$ 924,505**	**$ 990,081**	**$ 1,060,310**	**10,890**	**11,663**
Millage Rate	23.2671	20.3364	21.7788	23.3236	21.7788	23.3236
Taxable Value	$500,102	$ 45.46 M	$ 45.46 M	$ 45.46 M	$ 500,102	$ 500,102

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $3,732 versus a projected tax revenue of $339,299 for the year 2031. It is noted that for tax year 2021, the site was under construction; the final taxable value to be used for tax year 2022 will not be available until later this year.

Table 17 includes the amount of the awarded incentive, the actual received from 2017-2021 and the projected amount by the year 2031. The County's recoupment of the incentive will not be made by the year 2031 due to the additional QTI award of $900,000. Using the same conservative projections, the County will recoup the investment in the year 2034.

Table 17: Brown & Brown: Actual and Projected

	Incentive Awarded	**Received in Taxes 2017-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2017-2031**	**By 2031, Estimated Gain (Loss), net Incentive**
Volusia County	$4,411,040	$ 344,278	$(4,066,762)	$3,192,517	$ 3,536,795	$ (874,245)
City of Daytona	3,511,040	356,451	(3,154,589)	3,292,285	3,648,736	137,696

From 2017-2031, if no incentive had been awarded, the projected total property tax (including County, City, School, and others) received would be $162,218 versus $11,044,486 with the incentive.

Table 18: Brown & Brown

	Projected As If No Incentive Awarded, Total Taxes Received (2017-2031)	**Projected With Incentive, Total Taxes Received (2017-2031)**
Volusia County	$ 52,124	$ 3,536,795
Volusia Schools	47,042	3,198,827
City of Daytona	54,282	3,648,736
Others	8,770	660,128
Total Taxes	**$ 162,218**	**$ 11,044,486**

Table 19: Sparton: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2018	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 57,684	$ 59,103	$ 64,164	$ 68,715	$ 59,148	$ 63,343
Volusia Schools	27,939	27,997	29,536	31,631	27,227	29,158
Others	10,957	8,002	8,148	8,726	7,511	8,044
Total	**$ 96,580**	**$ 95,102**	**$ 101,848**	**$ 109,072**	**$ 93,886**	**$ 100,545**
Millage Rate	21.7121	19.7083	21.1062	22.6033	21.1062	22.6033
Taxable Value	$ 4.45 M	$ 4.83 M	$ 4.83 M	$ 4.83 M	$ 4.45 M	$ 4.45 M

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $63,343 versus a projected tax revenue of $68,715 for the year 2031.

Table 20 includes the amount of the awarded incentive, the actual received from 2019-2021 and the projected amount by the year 2031. The County's recoupment of the incentive will be made whole by the year 2027. By the year 2031, the County will have received $324,108 beyond the incentive given.

Table 20: Sparton: Actual and Projected

	Incentive Awarded	**Received in Taxes 2019-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2019-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 500,000	$ 177,556	$ (322,444)	$ 646,552	$ 824,108	$ 324,108

From 2019-2031, if no incentive had been awarded, the total projected property tax (including County, School, and others) received would be $1,215,633 versus $1,315,410 with the incentive.

Table 21: Sparton

	Projected As If No Incentive Awarded, Total Taxes Received (2019-2031)	**Projected With Incentive, Total Taxes Received (2019-2031)**
Volusia County	$ 762,210	$ 824,108
Volusia Schools	353,413	382,542
Others	100,010	108,760
Total Taxes	**$ 1,215,633**	**$ 1,315,410**

Table 22: B. Braun QTI Incentive 2018: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2018	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 58,805	$ 136,329	$ 142,694	$ 152,815	$ 64,510	$ 69,085
Volusia Schools	54,043	122,128	131,124	140,425	60,600	64,898
City of Daytona	56,005	74,540	80,988	86,733	62,555	66,992
Others	6,330	27,118	30,853	33,041	7,819	8,374
Total	**$ 175,183**	**$ 360,115**	**$ 385,659**	**$ 413,014**	**$ 195,484**	**$ 209,349**
Millage Rate	20.3601	19.3364	18.3218	19.6213	18.3218	19.6213
Taxable Value	$ 9.47 M	$ 21.05 M	$ 21.05 M	$ 21.05 M	$ 9.47 M	$ 9.47 M

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $69,085 versus a projected tax revenue of $152,815 for the year 2031.

Table 23 includes the amount of the awarded incentive, the actual received from 2019-2021 and the projected amount by the year 2031. The County's recoupment of the incentive was made in 2020. As noted in the report, the County has not made a payment on this awarded incentive as the job requirements are not required until the year 2024.

Table 23: B. Braun QTI Incentive 2018: Actual and Projected

	Incentive Awarded – County Share	**Received in Taxes 2019-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2019-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 100,000	$ 394,721	$ 294,721	$ 1,437,862	$ 1,832,583	$ 1,732,583

From 2019-2031, if no incentive had been awarded, the total projected property tax (including County, School, and others) received would be $2,509,994 versus $4,904,441 with the incentive.

Table 24: B. Braun QTI Incentive 2018

	Projected As If No Incentive Awarded, Total Taxes Received (2019-2031)	**Projected With Incentive, Total Taxes Received (2019-2031)**
Volusia County	$ 828,298	$ 1,832,583
Volusia Schools	778,098	1,680,752
City of Daytona	803,198	1,011,881
Others	100,400	379,225
Total Taxes	**$ 2,509,994**	**$ 4,904,441**

Table 25: Boston Whaler QTI Incentive 2017: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2017	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 64,934	$ 119,142	$ 127,593	$ 136,644	$ 65,363	$ 69,999
Volusia Schools	57,736	105,356	112,829	120,833	57,800	61,899
City of Edgewater	62,382	94,560	101,268	108,451	51,877	55,557
Others	14,021	22,851	24,472	26,207	12,536	13,425
Total	**$199,073**	**$ 341,909**	**$ 366,162**	**$ 392,135**	**$ 187,576**	**$ 200,880**
Millage Rate	22.4810	20.5500	20.1646	21.6000	20.1646	21.6000
Taxable Value	$ 8.85 M	$ 18.16 M	$ 18.16 M	$ 18.16 M	$ 8.85 M	$ 8.85 M

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $69,999 versus a projected tax revenue of $136,644 for the year 2031.

Table 26 includes the amount of the awarded incentive, the actual received from 2018-2021 and the projected amount by the year 2031. The County's recoupment of the incentive was made in 2019.

Table 26: Boston Whaler Incentive 2017 QTI: Actual and Projected

	Incentive Awarded – County Share	**Received in Taxes 2018-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2018-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 40,000	$ 378,142	$ 338,142	$ 1,285,703	$ 1,663,845	$ 1,623,845

From 2018-2031, if no incentive had been awarded, the total projected property tax (including County, School, and others) received would be $2,607,016 versus $4,829,230 with the incentive.

Table 27: Boston Whaler Incentive 2017 QTI

	Projected As If No Incentive Awarded, Total Taxes Received (2018-2031)	**Projected With Incentive, Total Taxes Received (2018-2031)**
Volusia County	$ 894,881	$ 1,663,845
Volusia Schools	795,165	1,477,467
City of Edgewater	742,467	1,364,787
Others	174,503	323,131
Total Taxes	**$ 2,607,016**	**$ 4,829,230**

Table 28: Security First QTI Incentive 2017: Pre-Incentive and Post-Incentive Comparison

Taxing Authority	2016	2021	2026 With Incentive (projected)	2031 With Incentive (projected)	2026 Without Incentive (projected)	2031 Without Incentive (projected)
Volusia County	$ 389	$ 129,511	$ 137,640	$ 147,403	$ 445	$ 477
Volusia Schools	363	114,525	122,760	131,468	421	451
Ormond Beach	241	79,564	85,560	91,629	277	296
Others	57	23,762	26,040	27,887	60	64
Total	**$ 1,050**	**$ 347,362**	**$ 372,000**	**$ 398,387**	**$ 1,203**	**$ 1,288**
Millage Rate	19.7937	17.5978	17.1602	18.3774	17.1602	18.3774
Taxable Value	$ 53,021	$ 21.68 M	$ 21.68 M	$ 21.68 M	$ 53,021	$ 53,021

If the incentive had not been awarded, and the property remained as it was pre-incentive, the projected County property tax revenue would be $477 versus a projected tax revenue of $147,403 for the year 2031.

Table 29 includes the amount of the awarded incentive, the actual received from 2017-2021 and the projected amount by the year 2031. The County's recoupment of the incentive was made in 2021.

Table 29: Security First Incentive 2017 QTI: Actual and Projected

	Incentive Awarded – County Share	**Received in Taxes 2017-2021**	**Difference**	**Taxes Projected to be Received 2022-2031**	**Total Projected & Actual 2017-2031**	**By 2031, Estimated Gain, net Incentive**
Volusia County	$ 198,000	$ 273,856	$ 75,856	$ 1,386,941	$ 1,660,797	$ 1,462,797

From 2017-2031, if no incentive had been awarded, the total projected property tax (including County, School, and others) received would be $17,597 versus $4,488,900 with the incentive.

Table 30: Security First Incentive 2017 QTI

	Projected As If No Incentive Awarded, Total Taxes Received (2017-2031)	**Projected With Incentive, Total Taxes Received (2017-2031)**
Volusia County	$ 6,511	$ 1,660,797
Volusia Schools	6,159	1,483,897
City of Ormond Beach	4,047	1,032,336
Others	880	311,870
Total Taxes	**$ 17,597**	**$ 4,488,900**