

new Replacement

Meeting Date
9/01/15



AGENDA	
Section	Unfinished Bus.
Item No.	V A

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	APPROVAL OF NBEDZ GRANT AGREEMENT FOR PROJECT EAGLE
DEPT/OFFICE:	MANAGEMENT SERVICES & COMMUNITY SERVICES/COUNTY MANAGER'S OFFICE

Requested Action:
 The North Brevard Economic Development Zone (NBEDZ) requests that the Board of County Commissioners approve a Grant Award Agreement in an amount of \$2,500,000 as an economic development incentive for Project Eagle.

Summary Explanation & Background:

Resolution number 2015-056 regarding a NBEDZ grant incentive for Project Eagle was adopted by the Board of County Commissioners on April 28, 2015. The completed agreement must now be approved by the Board of County Commissioners.

Project Eagle is a qualified target industry sector business as defined by F.S. 288.106. Project Eagle will involve the construction of a facility to be used for the design and manufacture of a high-tech product.

Project Eagle plans to create 150 jobs, with an average wage of approximately \$48,000 each, and invest approximately \$3,500,000 in new capital investments.

Under a signed NDA, NBEDZ board members and County Commissioners will be offered detailed briefings on this agreement.

Fiscal Impact: Grant proceeds would come from the North Brevard Economic Development Zone (NBEDZ).

EDC Contact: GWeiner@SpaceCoastEDC.org, 321-638-2000
 Staff Contact: Troy.Post@brevardcounty.us, 321-264-6750

Clerk to the Board instruction: Need the agreement approved ASAP.

Exhibits Attached: N/A

Contract /Agreement (If attached): Reviewed by County Attorney		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
County Manager		Department Director / Extension					
Stockton Whitten							



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
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September 2, 2015

MEMORANDUM

TO: Stockton Whitten, County Manager

RE: Item V.A., Approval of North Brevard Economic Development Zone (NBEDZ) Grant Agreement for Project Eagle

The Board of County Commissioners, in regular session on September 1, 2015, approved Grant Award Agreement in the amount of \$2,500,000 as an economic development incentive for Project Eagle.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

✓ Tammy Etheridge, Deputy Clerk

/kg

cc: NBEDZ Executive Director

VERBATIM TRANSCRIPT ON ITEM V.A., SEPTEMBER 1, 2015

Fisher: The North Brevard Economic Development Zone for Project Eagle. Mr. Whitten, how would you like to introduce this?

Whitten: Mr. Post is going to give you brief overviews of V.A. and V.B.

Fisher: Okay, Mr. Post.

Post: Well, thank you very much, Commissioner. My name is Troy Post. I'm with the North Brevard Economic Development Zone. We have before you today two projects, Project Eagle and Project Panther, and we brought the agreements for the Commission to concur the decision of the Zone Board of Directors. Last Friday before a called meeting of the Zone Board of Directors, they approved the agreements for both of these projects. So, under the authorizing Ordinance that established the Zone, we have to bring those projects to your attention for concurrence since the dollar amount will exceed half a million dollars in both of these projects for the incentive packages. Just to make a couple of comments before we turn it back over to the Chair, both of these projects came before the County Commission last spring after having gone before the Zone Board of Directors. The incentives were approved during that period of time. The offer was made on both incentive packages to the two companies over the summer. They verbally accepted. They are now making plans to try to implement their projects. Where we are now is with the agreements to put into writing the terms and conditions under which those incentives will be provided to the companies. I'd like to give a personal note of thanks to several groups who really helped us a lot with this process. Certainly the EDC, the Economic Development Commission, has been very instrumental in helping us structure a lot of these deals, has been very engaged, and the community of Brevard County, and certainly the northern part of the County, we really appreciate their efforts. Also on the Project Panther deal, we really have a lot of thanks to the Space Florida Entity. I do not know if Keeven Williams is here or someone from Space Florida, but we really appreciate everything they have done to help us on that particular deal; and certainly I'd also like to thank the State of Florida as well. The State of Florida through some of their assistance programs has been able to assist with both of these deals as well. We do appreciate Governor Scott's office and everything that Enterprise Florida does for us; and a personal note of thanks to Mr. Knox who's helped us as legal counsel in crafting a lot of these agreements. You know, every deal is different. Every deal is unique. When it comes down to trying to put into writing the incentives after a process of negotiation where you're have the negotiation that goes between the parties that giving the incentives and the party that's receiving the incentives, it's very important to try to develop agreements that are very fair to both parties. We feel like the process went very well for us. We feel like the agreements that we had the chance to go over with the Commissioners one-by-one in briefings. We felt like it covered the things that we need to have in these agreements. There are performance measures for how the money will be provided to the company. There are also claw back provisions. Claw back is a term that is used in economic development which basically allows us to seek reimbursement or remedy to get monies back to us if the companies do not do what they intend to do. So, we feel the agreements are fair and are good agreements; and we certainly

appreciate the time that the Commissioners gave us to allow us to do those one-on-one briefings so that we could familiarize yourself with the different details for both of these projects. So, at this point I'll turn it back over to the Chair for comment.

Fisher: Okay, thank you. We have several cards on it. We're going to start, and each speaker will have five minutes. We will start with Mark Mikolajczyk. Good morning sir, and everybody I think knows the drill. You state your name and address for the record.

Mikolajczyk: Okay, Mark Mikolajczyk, and everybody has a hard time with that.

Fisher: M and M I thought of this, right?

Mikolajczyk: Good morning Commissioners. Again, my name is Mark Mikolajczyk. I live at 389 Montecino Drive, Satellite Beach; and I'm here on behalf of the Economic Development Commission of the Space Coast, I'm the immediate past Chair of the organization. And our board itself is in agreement with this Project Eagle, which is the one I believe we're addressing right now, and it's the kind of entity with Embraer bringing their LCD technology here. We've seen the benefits of Embraer for our community, what it's done for the area, and the jobs it's created. So we're encouraged about them building this new facility and this new technology, bringing it to our area. As you all know it's 150 new jobs, \$48,000 average wage, and making a \$3.5 million capital investment in the Spacecoast Commerce Park up in Titusville. So we do encourage your support of the NBEDZ agreement. We think this makes great sense for the community, and thank you Mr. Post for your kind words about the EDC, the folks there at the EDC do work hard to bring good jobs and good investments to our community. So thank you.

Fisher: Thank you. Lynda Weatherman. Good morning.

Weatherman: Good morning. Lynda Weatherman, President of the Economic Development Commission of Florida's Space Coast. I want to thank the County Commission for creating the North Brevard Economic Development Zone. It was something that was needed in an unusual time where we have to have unusual response. It was a bold move, and a bold move should result in bold results, and I think these two projects represent that. I think the Zone, I believe strongly, that this Zone is even more critical now. If you see what's happening, it's very counter intuitive, where in the State of Florida where we've been wildly successful, I've been in this business over 30 years, wildly successful. We're now having to fight, as well as economic development organizations, with our Legislation about creating the closing fund that we need. The Governor just said two weeks ago if you saw him when he was in Punta Verde with the EFI board how its, you know, we've got to have, we have more deal flow than we have incentive money and this is what it takes; and so, I personally as a professional thank you for having the Zone and congratulate you for being so foresighted in doing that. So, as I said earlier, this Zone was a bold move should result in bold results, and I think these two projects represent that. This is why. Not only is it just the jobs and the capital investment, but if you look at the two jobs, the first one, if you look at Project Panther, we're shifting the paradigm; and there are communities that

spend all kinds of money, all kinds of ads, all kinds of incentives, and never can get to that shift, because it's difficult, it's very hard. But we will be manufacturing launch-related vehicles outside of the fence that's never been done before. Look what we're doing in North Brevard, adding the manufacturing element but adding to what I consider sophistication in the structural change of the economic base. You can't those in two projects. So, I want you to look if you can beyond the jobs, because those are important. Capital investment and wages are important, but think about what we're doing as a community really changing structural economic base of our community, and it takes something like the Zone, sophisticated tooling that we have in Space Florida to roll up Enterprise Florida and everybody because this isn't happening by one organization alone. And I want to thank again Troy for working with us so closely on there. So, again, I encourage your support of this and thank you for your visions.

Infantini: I have a question.

Fisher: Commissioner Infantini had a question for you.

Infantini: Did you see the financial statements of this company?

Weatherman: Troy can answer those questions and she will have Greg working that Project, directly.

Infantini: Okay, because if if we haven't seen financial statements to reflect how profitable the company is, that that's what I'm trying to get to the bottom line is. How much past net income does the company have to generate this type of support? And so, that is my question to you is how much net income does this company have?

Weatherman: I'll turn it to Troy or Greg, but again, that's if I could add that's why you have claw backs in there. And this is... go ahead, I'm sorry.

Post: As it relates to Project Eagle. And I should mention, too, I didn't mention this earlier but both of these Projects are still bound by a non-disclosure agreement. We have to respect the confidentiality of information, so we do have information that we cannot provide to the general public. That will become part of the public record, per State law at a time in the future, but at the moment we cannot get into details publicly. But, having said that, I will tell you that we did receive financials on the Project Eagle Company and I did have a chance to go through those. The Project Panther Company is a closely held entity, its not publicly traded. We have relied heavily upon our partners, the State of Florida, Enterprise Florida, Space Florida which have gone through a vetting process. It is important to mention, and I do not believe this violates the NDA when I say this because this is one of the conditions that both the Zone and the Commission had last spring when the provision of the assistance was given to Project Panther, that our money does not go in until the certificate of occupancy is issued on the building to be built out at Exploration Park, so money will be invested, a building will be built, there will be evidence of that clearly when the building is finished so that type of financial analysis, we really relied upon the State to help us with given the fact, that our entry into the Project won't come until we reach that benchmark, and that is the completion of the building.

Infantini: But my question still remains, is if you are going to be giving away up-front money to a business has it proven a return on investment to, I realize its closely held but closely held businesses either make money or don't make money. How much revenue, net income has... not revenue. How much net income has this Company made to justify our \$8 million investment? Because, before the County is permitted to make any investment of your funds, the taxpayer's dollars there's all kinds of rules that have to be AA or AAA rated, and so I would like to know what is the rating of this Company, by any organization Moody, Standard and Poor that would justify an \$8 million capital, cash up-front payment. Not tax abatement, because I know, Commissioner Smith said, you know, the voters voted for tax abatements. This is not a tax abatement. This is money being given before any property taxes are generated and plus, I believe the property is going in where no taxes will be generated, after its in. It will not generate tax revenue whatsoever, so that's a high threshold.

Post: And again, we feel confident based upon our discussions and analysis with the State of Florida and Enterprise Florida, Space Florida, that we feel the Company is financially stable, and can justify the support that is being provided.

Infantini: So you haven't see any net income numbers though?

Post: Then again, I do not want to do anything that would violate the NDA so I cannot disclose those kinds of things.

Infantini: That. That will not violate the NDA. That is just saying whether or not you viewed financial statements that support, and how much is the net income.

Post: Again. We feel . . .

Infantini: What would be the return?

Post: . . . we feel comfortable with what the State has been able to to assure us of.

Infantini: Okay.

Fisher: Thank you.

Infantini: So we have not seen one. Thank you.

Fisher: Okay. Questions only for Mr. Weiner, or would you?

Weiner: Good morning.

Fisher: Good morning sir.

Weiner: I just want to briefly make a couple of comments on both projects. As Lynda said a moment ago, you know, Project Panther is a transformational kind of project. You know, we're doing everything from conceiving the vehicle to launching, retrieving it, and refurbishing it. It's a big step, not just for North Brevard, but for the County. To sort of answer your question somewhat indirectly, Project Panther is a pre-revenue company. That's not a secret.

Project Panther also will put in \$140 to \$160 million of the company's own money. That will be in the ground before there is any financial risk to the Zone. So, they are, you know, a company that's doing some great things. There's lots of companies that don't generate net income that succeed, and quite frankly, lots of companies that generate net income for a long, long time that fail. So, we hope that you'll support these two. I want to take just one quick minute and say as I said at the Zone meeting, no question that neither of these deals happen without your foresight in creation of the Zone; but I think what sometimes gets overlooked is just how supportive the State has been to our own efforts to help ourselves. You know, Governor Scott a couple of weeks ago at the EFI board meeting and since then has made some comments about the challenges that he faces in getting the State's economic development tool kit funded, and that's really an important part, because this is clearly a team effort. The State has been very aggressive, very supportive in both projects, and without that even with the Zone we might not be here today. So we want to thank Governor Scott and Enterprise Florida for their support on this project.

Smith: Mr. Weiner, can you tell me what the gross investment is going to be by Project Panther? You said that the company is going to invest \$160 million of their own money, and they're asking for us to give them \$8 million back. So, but that money doesn't, that money isn't given to them up front, is that correct?

Weiner: Well, money never really passes into their hands. Without, as Troy said, there's, you've been apprised of the details, but . . .

Smith: That's why I'm asking these questions. I want the public to hear this.

Weiner: I'll answer as best I can. The \$8 million never goes from anybody to the company directly. The \$8 million is to defer the cost of roughly an eleven and a half million dollar site preparation to build the building. So, before any concrete is laid, we'll be in for \$8 million, they'll be in for \$4; but before there's any financial obligation to the Zone, any financial obligation whatsoever, there will be a building with a cost in excess of \$200 million that will be there. Once there is a certificate of occupancy, then the financial obligation is created. That number, by the way, does not represent the total investment in the project. I think it's \$35, \$40 million that will be invested in the launch pad 36C, but that's not the building and we have no claim on that; and if the project, to your question, I think it drives Commissioner Infantini's question, you know, what recourse do we have if this does not work? We have structured into this agreement, not only responsibility from the company, but have back stopped that with the owner of this asset will ultimately not be the company it will be Space Florida, which is not breaking confidentiality because you know it will not generate taxes. But the fact of the matter is, in the event of the worst case scenario, there is a method of recourse on that \$200 million plus investment; and I can tell you if you build a building of \$200 million, and two or three years you have to sell it, it's still going to worth a third under the worst case scenario, and in that case, the Zone will get all of its money back. So, it's pretty well protected. It's not riskless but it's a very business-like deal.

Fisher: Thank you Mr. Weiner. Mayor Jim Tulley. Good morning sir.

Tulley: Good morning, Mr. Chairman, Commissioners. Sometimes I think that we have to be willing to invest in ourselves in order to prosper, and has been pointed out by Mr. Post and Mr. Weiner, even our Governor recognizes that; and I too would like to personally thank him for the support that he has provided on these projects and others like them. And notice I used the word 'invest', and we can talk about the transformational paradigm shifts and all of those things that Ms. Weatherman talked about, they are important no doubt; but I think in terms of investment, the two most important questions you have to ask yourselves are what is the return and what is the risk? There has to be a return in order for something like this to work; and I think if you take a conservative approach to the return, even if you look at only the direct wages and the amount of new dollars from outside the area that these projects bring into North Brevard, they far exceed the amount of dollars you're asking us to commit to the project. So in my mind the return to our taxpayers is more than sufficient. Risk is a little bit more subjective. Your concept of risk may be a little bit different than mine so I will defer to your judgment of that. Please ask tough questions about the risk, that's important also. But based on everything I've read, the return to the taxpayers is more than sufficient. The risk is acceptable. As part of this, the last time I support it today, and I hope you will also. Thank you for your time and consideration.

Fisher: Thank you sir. Mr. Robert Jordan.

Jordan: Good morning.

Fisher: Good morning.

Jordan: Mr. Chairman, Board Members, County Manager, and County Attorney, I appreciate the time that you give me to speak on behalf of the North Brevard Economic Development Board. I live at 1750 Lakeside Drive, and am the Secretary/Treasurer for the NBEDZ. As you know, you've voted to award grants to two different distinct companies, one known as Project Panther the other known as Project Eagle. I request that you approve the incentive agreement for both of these companies because it's the right thing to do. The Zone Board were thoroughly briefed on the grants and the safeguards that are put in place to ensure taxpayer monies are not utilized in a way that would not give us exactly what we're looking for, that being jobs, high paying jobs, and hundreds of jobs. I agree there are risks involved in these deals, but we have mitigated these risks in such a way that we believe that going forward, with your approval, if anything happens, which I don't believe it will, we'll be able to re-coup most of our funds. Of course, you have been hit with those who do not like the idea that we're granting incentives, but please remember the race is not always won by the swiftest. The battle is not always won by the strongest. Prosperity does not always belong to those who are the wisest, and wealth does not always belong to those who are the most discerning. Nor does success always come to those with the most knowledge for time and chance may overcome them all. A great example about time from a very wise and intelligent inventor, Thomas Edison, and his philosophy about his many attempts to create the light bulb, he said, "I have not failed, I've just found 10,000 ways that don't work." Our history will be the most, the best indicator of how well we can fare with challenges, especially economic challenges. Unfortunately, when we review the past, we tend to focus

on the negative and rarely look for the opportunities to grow in such events. Now is our chance. Most of us have at least a few instances of success in our past and we can reflect on these times as good evidence of how we acted upon our beliefs. Certainly want to thank the Governor and his staff for his support. He's been a cheerleader for North Brevard, been a cheerleader for Brevard County, and he's done a great job. Please vote in the affirmative for these grants and let's get more of our citizen's back to work and back to living and not just surviving. Thank you very much for listening.

Infantini: Yes, just a comment. The speakers have referred to invest and that the company itself is going to be putting up a whole bunch of money and that they wouldn't just be doing this; but look at Salandra. All we do is refer back to Embraer, well Embraer has already been paid twice to stay here and reinvest in Brevard County. So, what I keep saying is if it's taxpayer dollars, we shouldn't be taking a risk with taxpayer dollars. We take a risk with our own money. I don't take a risk with somebody else's money, with my children's college fund. I wouldn't take a risk with that. This is the taxpayer's dollars, and some people may even want to go back to those same taxpayer's and ask them to pay an extra half penny sales tax to help pay for roads when we're throwing money away at companies before they've even shown and turned a profit. So, if this is such a good profitable business, then I can't say if this is Blue Origin, I don't know, but I know the newspaper has reported that it is Blue Origin, and that it is, and the owner, founder of Amazon is coming forward to bring this property to us, business to us. I'm really stumbling here, sorry about that. If it's so darned profitable, why isn't Amazon getting behind this company and investing in it, because Amazon is doing a great job. So why not leave speculation and risk in investment up to stockholders rather than taxpayers. I don't want the taxpayer's money to be speculating, and you've said it was a good return, what is the return?

Jordan: The return is pretty simple, you know, I would say to you . . .

Infantini: 300 jobs?

Jordan: Is that not a lot of jobs? If you were out of a job and there was one, I would think you would take it.

Infantini: But there are jobs out there, and we're very close to full employment. Back when we started the North Brevard Economic Zone we were at eleven and a half, twelve percent unemployment. Now we're at half that number. At what point are we going to stop throwing money at this? Money doesn't create jobs, people do, and how many people have started businesses in the last six years that are employing thousands of people here in Brevard County. They don't need taxpayer dollars. I just disagree. That's all.

Jordan: Thank you.

Fisher: Okay, that was our last card on V.A.

Smith: Can I just make a point?

Fisher: Yes.

Smith: If you have a company that is going to come in here and produce \$14 million in wages, even if that property that their building is on doesn't yield any property taxes, that \$14 million that those people are earning is going to go where? It's going to buy houses, it's going to buy cars, it's going to buy food, it's going to buy gadgets at Best Buy, it's going to be pumping an awful lot of money into the economy, and we're asking to put up \$8 million after they have invested 200 plus million dollars. I don't see the risk here, and I think it's a great deal for the County.

Fisher: Okay. Commissioner Barfield, on V.A., I see you light on sir.

Barfield: You know, I have to look at the business case on each one of these, but first the competitiveness of the country as far as bringing in companies, we compete against everybody. Every state you can think of, and we've been very fortunate because we have a good economic development plan and how we operate in this County. And, you know, when you look at the business case, on the Project Eagle, first off it's not some company that's a fly-by-night company, it's someone we really are pleased to have here. So, you're looking at the business case, say it's, do the calculations at \$7.2 million a year in salary coming in. You put that ten times that, that's \$72 million directly going into our economy, and that doesn't count all the side notes like Commissioner Smith was talking about. That's real dollars. Then you add the \$3.5 million they're putting in the facility. All of that over time and legacy for \$2.5 million, I would take that investment any day. And so with that, Mr. Chairman, I would make a motion we accept this agreement with Project Eagle.

Fisher: Okay, got a motion by Commissioner Barfield. Got a second?

Smith: Second.

Fisher: Okay, second by Commissioner Smith. Any further discussion? Commissioner Infantini. Is that an old light? Okay, great. All in favor say Aye.

Fisher, Barfield, Smith, Anderson: Aye.

Fisher: All opposed?

Infantini: Nay.

Fisher: It approves 4:1.