



City of Venice
Office of the Finance Director

Interoffice Memorandum



TO: Honorable Mayor, City Council Members and
Ed Lavalley, MPA, City Manager

FROM: Jeff Snyder, CPA, Finance Director



DATE: January 6, 2014

SUBJECT: PGT Industries Economic Development Tax Abatement Application

Background:

City Council adopted Ordinance No. 2010-06 which established Article V, Chapter 66, Taxation, of the City of Venice Code of Ordinances, entitled "Economic Development Ad Valorem Tax Exemption" on May 25, 2010 and ratified by the voters on August 24, 2010. This allowed an opportunity for the City to incentivize companies to expand or relocate during the very worst part of the economic recession. The City of Venice had experienced two years of declining property values of more than 29 percent. Currently there are signs of recovery, building is beginning to take off, unemployment is falling, and consumer confidence is strengthening. As I have stated, it takes a government nearly two years after an economic recovery begins to see any appreciable increase in funding necessary to keep up with growth. With this being said, my analysis follows as well as my recommendation for approving this exemption.

On November 13, 2013 representatives from PGT Industries, Inc. (Company) submitted an application to the City of Venice requesting an Economic Development Ad Valorem Tax Exemption (EDAVTE) for the planned expansion of their manufacturing plant. The application indicates that the Company will invest \$3,100,000 in real property improvements and an additional \$4,558,900 in personal property. During calendar year 2014, anticipated completion of the plant expansion is June 1, 2014. This application also indicates that the Company will create 658 permanent employee positions. The average wage for the new-full time laborer employee will be \$20,800 and new full time managers will be \$50,000. The application also states they are 100% committed to local procurement and hiring. The application also states that five percent of their annual sales of \$241 million occur within Metropolitan Statistical Area (MSA) which includes Northport, Bradenton, and Sarasota.

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The Company has requested 100% EDAVTE for 10 years. Based upon the figures provided in the application and the City's current millage rate of 3.1000, a 100% exemption would be \$23,425 for the tax year 2014. The effective date for this EDAVTE will be Fiscal Year 2015. Included with this memo is the property appraiser's analysis with all of the pertinent information.

Ordinance Number 2010-06 establishes the policy guidelines to be used, by City Council, for making its determination as to whether to grant the exemption, and, if granted, the duration and percentage of the exemption, which are as follows:

1. Number of current and projected employees of the business at city location
2. Average wage of employees at city facility
3. Capital investment
4. Innovative/green business
5. Commitment to local procurement
6. Net positive contribution to the local economy

This application was evaluated by staff and taking all of these items into consideration, included in this packet is a worksheet and scoring guidelines. My analysis indicates that the PGT Industries EDAVTE application can be granted up to 75 percent exemption of the assessed value of all qualifying improvements and for a period not to exceed eight years at City Council's discretion.

Legal Review:

The City Attorney's Office has reviewed the draft ordinance and approved as to form.

Requested Action:

PGT Industries, Incorporated is a wonderful company, a fantastic neighbor, and they are greatly appreciated by City Management. I am requesting that the City Council apply the Economic Development Policy Guidelines to the PGT Industries application and grant an Economic Development Ad Valorem Tax Exemption to PGT Industries, and for the maximum eight years and a 55 percent exemption on the taxable portion of the improvements. This would provide PGT Industries a total ad valorem tax exemption of \$103,070 over the life of the exemption while allowing the City to share in this endeavor providing \$84,330 over the life of the exemption, which is sorely needed for operations.

I am also requesting that the City Council approve and adopt on first reading of Ordinance 2014-03, if granting an Economic Development Ad Valorem Tax Exemption to PGT Industries.