

**SEMINOLE COUNTY GOVERNMENT  
AGENDA MEMORANDUM**

**SUBJECT:** Economic Incentives for Priority Healthcare Corporation (PHCC)

**DEPARTMENT:** Economic Development **DIVISION:** Economic Development

**AUTHORIZED BY:** Sally Sherman **CONTACT:** William J. McDermott EXT. 7132

<b>Agenda Date</b> 3/9/04 <b>Regular</b> <input checked="" type="checkbox"/> <b>Consent</b> <input type="checkbox"/> <b>Work Session</b> <input type="checkbox"/> <b>Briefing</b> <input type="checkbox"/> <b>Public Hearing – 1:30</b> <input type="checkbox"/> <b>Public Hearing – 7:00</b> <input type="checkbox"/>
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**MOTION/RECOMMENDATION:**





Staff recommends adoption of a resolution recognizing Priority Healthcare Corporation as a "Qualified Targeted Industry" (QTI).

**BACKGROUND:**

Currently headquartered in Lake Mary Technology Park, PHCC is a national specialty pharmacy and distributor that provides biopharmaceuticals, therapies, and related treatment programs and services to people with chronic disease. With anticipated revenues in 2003 are \$1.4 billion, Forbes Magazine ranked PHCC as one of the "200 Best Small Companies" in the nation. They currently employ 377 people at the facility in Lake Mary. PHCC will be adding 456 new jobs over a five year period paying an average salary of \$50,322.00/yr (or 150% of the county's average wage) by the end of 2009. With the additional jobs, PHCC will have a total of 833 employees.

The space to accommodate the increase in the number of jobs will be accomplished by expanding within the existing space. The proposal is to add an additional 55,000 sq ft to the current 67,000 sq ft they occupy bringing the total to 122,000 sq ft of space, most of which will be renovated to accommodate the expansion.

The Board of County Commissioners is being asked to consider a Qualified Target Industry Incentive (QTI) Award for PHCC. The total QTI award from the state is \$1,824,000. In accordance with the QTI program, local governments are required to provide a 20% match. The project is currently located within the City of Lake Mary. The match has historically been split by the impacted jurisdictions. Therefore, Seminole County and the City of Lake Mary will each be subject to half of the \$364,800. The County's portion of \$182,400.00 represents 1/2 of the required local 20% match. The other 1/2 of the local match will come from the City of Lake Mary.

<b>Reviewed by:</b> <b>Co Atty:</b>  <b>DFS:</b>  <b>Other:</b> <b>DCM:</b>  <b>CM:</b>   <b>File No. RED01</b>
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Based on discussions with PHCC, they are also considering constructing, in Seminole County, a new facility in the future. In the event the project is constructed outside the City limits of Lake Mary, the attached resolution (Exhibit A) makes provision that the County will assume responsibility for the remaining QTI payments from that date forward. The phased payment schedule for the next eight years is shown in attached (Exhibit B) "Local Financial Support Template Calculation of Phased QTI Refunds." If, for example, PHCC moves to a new facility outside the City of Lake Mary at the conclusion of the 5 years, the remaining QTI payments for year 6 through 8 would be assumed by the County. In effect, that would add an additional \$64,900 to the County's obligation.

The return on investment (Exhibit C) is calculated at 3.3 years for all taxes countywide. Due to a 5 year job phase in schedule, the refund will be remitted over a 9 year period, not exceeding \$38,800 in any given year. According to the Institute on Taxation and Economic Policy individuals in Florida earning \$50,000 in 2003 pay an average of 8% of their salary to sales, excise and property taxes. ( $\$4000 \times 456 = \$1.8$  million) Additionally, the Florida Department of Revenue reports that individuals typically spend 50 to 55% of their personal income to buy taxable goods. ( $\$50,000 \times 50\% = \$25,000 \times 456 = \$11.4$  million in goods purchased). Attached is a summary of QTI projects previously approved by Seminole County involving leased space. (Exhibit D)

The project is consistent with stated economic development priorities of Seminole County in several respects;

- The project retains a headquarters company.
- The job creation is consistent with the development of high value added job opportunities within the county as stated in the JGI Ordinance, Section 1, (b).
- The project location and industry sector is consistent with the stated objectives of Seminole County's Economic Development Strategy, and the Metro Orlando EDC and Enterprise Florida Economic Development goals.

Attachment: QTI Resolution (A)  
Calculation of Local Phased QTI Refunds (B)  
Return on Investment Summary (C)  
QTI (Leased Space Projects) (D)

**Exhibit A**  
**QUALIFIED TARGET INDUSTRY**  
**TAX REFUND PROGRAM**

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION BY THE GOVERNING BOARD OF SEMINOLE COUNTY, FLORIDA FINDING THAT PRIORITY HEALTHCARE CORPORATION, BE APPROVED AS A QUALIFIED APPLICANT PURSUANT TO S.288.106, FLORIDA STATUTES; AND PROVIDING AN APPROPRIATION OF \$182,400.00 AS LOCAL PARTICIPATION IN THE QUALIFIED TARGET INDUSTRY TAX REFUND PROGRAM FOR FISCAL YEAR(S) 2005/06 THROUGH 2012/13, AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNING BOARD OF SEMINOLE COUNTY, FLORIDA as follows:

**WHEREAS**, the business under consideration is a national specialty pharmacy and distributor, *specifically, PRIORITY HEALTHCARE CORPORATION*; and

**WHEREAS**, *Priority Healthcare Corporation* is located at 250 Technology Park, Suite 124 Lake Mary, FL 32746; and

**WHEREAS**, *PRIORITY HEALTHCARE CORPORATION* intends to expand their current existing operations from 67,000 sq ft to 122,000 sq ft and invest \$3 million in renovations and new equipment in addition to \$12 million in new software. The company plans to lease the new space for 7 – 10 years. If at the conclusion of their lease period, PHCC decides to relocate or build a new facility outside the City of Lake Mary corporate boundaries before the final QTI award has been distributed, Seminole County agrees to assume responsibility to payout the remainder of the local match including the City of Lake Mary portion; and

**WHEREAS**, *Priority Healthcare Corporation* will conservatively create 456 jobs, more than doubling their workforce, over a five year period beginning in 2005. These jobs will be professional and very specialized with an average salary of \$50,322; and

**WHEREAS**, It is acknowledged that local participation, of which Seminole County will provide 50% and the City of Lake Mary will provide 50% for a combined total of not to exceed \$364,800.00, is required and understood;

**NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF SEMINOLE COUNTY, FLORIDA** that the Board hereby recommends **PRIORITY HEALTHCARE CORPORATION** be approved as a Qualified Target Industry Business pursuant to S.288-106, Florida Statutes.

**BE IT FURTHER RESOLVED** that the necessary commitment of local financial support for the Qualified Target industry Business for the Qualified Target Industry Tax Refund Program exists in an amount not to exceed \$364,800.00, that this amount will be paid to the Florida Economic Development Trust Fund as required, in accordance with the Office of Tourism, Trade and Economic Development guidelines, with the stipulation that these funds are intended to represent the "local participation" pursuant to S. 288-106, Florida Statutes.

This resolution shall take effect immediately upon its adoption.

**DULY ADOPTED BY THE GOVERNING BOARD OF SEMINOLE COUNTY, FLORIDA THIS 9th DAY OF MARCH, 2004.**

**ATTEST:**

**BOARD OF COUNTY COMMISSIONERS  
SEMINOLE COUNTY, FLORIDA**

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Clerk**

**STAMP AND SIGNATURE OF NOTARY**

**Local Financial Support / Exhibit B  
Calculation of Phased QTI Refunds**

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total Jobs
Jobs	68	78	89	103	118	0	456
	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011 12/31/2012

**Potential QTI Local Financial Support (LFS)**

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9
Phase 1	13,600	13,600	13,600	13,600					
Phase 2		15,600	15,600	15,600	15,600				
Phase 3			17,800	17,800	17,800	17,800			
Phase 4				20,600	20,600	20,600	20,600		
Phase 5					23,600	23,600	23,600	23,600	
Phase 6						-	-	-	-
<b>Local:</b>	13,600	29,200	47,000	67,600	77,600	62,000	44,200	23,600	-
<b>1/2 local</b>	6,800	14,600	23,500	33,800	38,800	31,000	22,100	11,800	
<b>Total QTI LFS: \$</b>		<b>364,800</b>		<b>182,400</b>					

<b>Exhibit C</b>		
<b>Name of Company</b>	<b>Priority Healthcare Corp</b>	
<b>Taxable Value/Capital Investment</b>		\$3,000,000
<b>Company Information:</b>	HQ & Distribution	
<b>Proposed Location:</b>	City of Lake Mary	
<b>Incentive Award (QTI) (1/2 of 20% match)</b>		\$ 182,400
<b>Taxing Entities (Ad Valorem):</b>	<b>Rate</b>	<b>Tax (\$)</b>
Countywide/General Fund	0.0047179	\$ 14,154
Countywide/Transportation	0.0002810	\$ 843
Countywide/Debt Service	0.000191	\$ 573
St. Johns River Water Management District	0.0004620	\$ 1,386
School Board	0.0087360	\$ 26,208
Lake Mary	0.0039998	\$ 11,999
Total		<u>\$ 55,163</u>
NOTE: An additional \$12 million is being invested in a major software upgrade.		



<b>County Only</b>	<b>Return of Ad Valorem</b>
Seminole County/General Fund Only	12.9 Years
Seminole County/All BCC Millages	11.7 Years



<b>All countywide</b>	<b>Return of Ad Valorem</b>
Countywide	3.3 Years

**PREVIOUS SEMINOLE COUNTY QTI PROJECTS INVOLVING LEASED SPACE / Exhibit D**

Company	QTI Award Amount	County Support	Direct # Jobs	Cost Per Job	Avg. Wage	Capital Investment
ABB Power T&D Company, Inc.	\$95,000.00	\$19,000.00	25	\$760.00	\$35,000.00	\$6,000,000.00
Mitsubishi Power Systems, Inc.	\$580,000.00	\$116,000.00	116	\$1,000.00	\$87,847.00	\$4,000,000.00
Priority Healthcare Corp. (split w/ City of Lake Mary*)	\$1,824,000.00	\$182,400.00	456	\$400.00	\$50,322.00	\$3,000,000.00

\*partnership indicates the County portion reduced to 10% of the overall award