

## **FLORIDA ECONOMIC DEVELOPMENT FINANCING AND INCENTIVES APPLICABLE TO AEROSPACE COMPANIES**

*Prepared by Space Florida, June 2013*

### **SPACE FLORIDA FINANCING AND INFRASTRUCTURE ASSISTANCE**

The Florida Legislature has equipped Space Florida with unique tools to diversify and expand commercial aerospace in the state. Listed immediately below are the tools that are unique to Space Florida and the aerospace industry:

- **Conduit Financing** – Recognized in its enabling statute, Space Florida (and its predecessor organizations) has completed a number of transactions involving significant capital investment using this financing technique. Space Florida acts as a financing conduit by creating a Special Purpose Entity (SPE) that holds title to the assets financed (authority for creation of such entities is found at Chapter 331.310(1)(d) Florida Statutes). The SPE holds title to the assets, thus allowing the company benefiting from the financing to keep the assets off balance sheet, while still realizing the tax benefits of depreciation, as well as exemption from most Florida state and local taxes. The availability and cost of financing is determined by the credit of the company utilizing the assets; neither Space Florida nor the State of Florida provides a credit guarantee (Space Florida may secure an equity contribution in some cases). Likewise, repayment is the responsibility of the company utilizing the assets. Based on past experience lenders typically will look for recourse to a cash flow(s) as well as securing liens against the assets financed (commercial) and/or assignment of right of use (federal facilities). To date, Space Florida and its predecessor organizations have facilitated over \$480M in conduit debt financing to help deliver critical infrastructure and equipment to industry partners.
- **Space Florida Financing Fund** – Space Florida was appropriated \$7 million for FY 2014 to support financing of facilities and machinery & equipment for aerospace companies that are expanding or creating new operations in Florida. Space Florida maintains strong working relationships with a number of commercial banks; in a typical transaction Space Florida will provide an upfront contribution of approximately 20-25% of the overall financing need from the Fund, with the balance financed through a commercial bank. If desired, Space Florida will work with the benefiting company to attempt to obtain operating lease treatment under SFAS 13 for the assets financed.
- **Space Florida Spaceports Infrastructure Funding** – Space Florida receives an annual allocation of funding from the Florida Department of Transportation to support infrastructure rehabilitation and development within the designated Florida Spaceport Territory (currently NASA/Kennedy Space Center, Cape Canaveral Air Force Station, and Cecil Field Spaceport). Space Florida issues an annual Call for Projects every April, with written applications due in early June. Funding is capped at \$5 million per project; beginning in FY 2014 Spaceports Funding must be matched on a dollar-for-dollar basis with funding from a non-State of Florida source. Space Florida received \$20 million in FY 2014 for Spaceports Infrastructure Funding.
- **Space Business Incentives Act** – Businesses that perform a wide range of space industry activities, include design and manufacture of space craft, payload processing services, launch services, re-entry services, and space tourism vehicle manufacturers, are eligible. In order to qualify, the company must create or retain 35 jobs, and invest a minimum of \$15 million in infrastructure development, during the three year period commencing July 1, 2011 and ending

June 30, 2014. Qualifying businesses can sell Florida net operating losses (NOLs) generated during this period for cash, up to a limit of \$2.5 million; and can receive a non-refundable Florida Corporate Income Tax Credit of up to 50% of liability, capped at \$1 million per company. Credits may not be claimed until 2015.

## **TARGETED INDUSTRY INCENTIVES ADMINISTERED BY ENTERPRISE FLORIDA**

In addition to Space Florida's programs, which are specific to aerospace companies, the State of Florida provides a number of programs that assist companies in Florida's target industries (including aviation, defense, and aerospace). Application for these incentives is administered by Enterprise Florida (EFI), which functions as a public-private economic development partnership. Space Florida maintains a close working relationship with EFI and can assist aerospace companies in qualifying for the following target industry incentives:

- **Capital Investment Tax Credit (CITC)** – The CITC is used to attract and grow capital-intensive industries in Florida. It is an annual credit (up to 20 years) against the corporate income tax. Eligible projects are those in designated targeted industries that also create a minimum of 100 jobs and invest at least \$25 million in eligible capital costs (which include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations). The amount of the annual credit is determined based on the level of investment and the project's Florida corporate income tax liability for the 20 years following commencement of operations.
- **Qualified Defense and Space Contractor Tax Refund (QDSC)** – Qualified defense and space contractors creating new (or retaining current jobs by consolidating contracts or subcontracts), acquiring new contracts, or converting contracts to commercial production, may receive tax refunds of \$3,000 per net new Florida full-time equivalent job created or retained (\$6,000 in an Enterprise Zone or rural county). For businesses paying 150 percent of the average annual wage, add \$1,000 per job and \$2,000 per job paying 200 percent of the average annual salary. Past experience indicates that this program is best suited for most aerospace companies.
- **Qualified Target Industry Tax Refund (QTI)** – The Qualified Target Industry Tax Refund incentivizes new or expanding businesses (and corporate headquarters) that create high wage jobs in targeted high value-added industries. This incentive includes refunds on corporate income, sales, ad valorem, intangible personal property, insurance premiums, and certain other taxes. Pre-approved applicants who create jobs in Florida receive tax refunds of \$3,000 per net new Florida full-time equivalent job created and \$6,000 in an Enterprise Zone or rural county. For businesses paying 150 percent of the average annual wage, add \$1,000 per job and \$2,000 per job for businesses paying 200 percent of the average annual salary.
- **Quick Action Closing Fund (QACF)** – QACF serves as a deal closing fund to enable Florida to win competitive relocation and expansion projects. Funding for this grant program is highly competitive; projects must have a positive economic benefit ratio of at least 5 to 1, pay at least 125 percent of the average annual area wide or state wide wage, and be supported by the local community in which the project is to be located. QACF grant awards may be used for a wide range of expenses related to a relocation or expansion project.
- **High Impact Performance Incentive (HIPI) Grant** – Companies within a Target Industry that commit to investing a cumulative \$50 million and creating 50 new jobs in Florida within a three period, and research and development facilities that commit to investing a cumulative \$25 million

and 25 new jobs in Florida within a three year period, may qualify for a HIPI grant. The specific grant amount is negotiated with EFI. HIPI functions as a performance based grant, i.e., funds are not disbursed to the company until the Department of Economic Opportunity verifies that contracted performance measures (e.g., investment, job creation, average annual wages) have been met.

- Economic Development Transportation Fund – The Economic Development Transportation Fund, or "Road Fund," is an incentive designed to alleviate transportation problems that adversely impact a specific business' location or expansion decision. The award amount is based on the number of new and retained jobs and the eligible transportation project costs, up to \$3 million. The award is made to the local government on behalf of a specific business for improvements such as access roads and new highway interchanges. The funded improvements must be public infrastructure (i.e. must benefit more than one entity).

## **WORKFORCE TRAINING INCENTIVES**

In coordination with Workforce Florida, Space Florida can assist your business in qualifying for the following workforce training incentives:

- Incumbent Worker Training Program (IWT) – The Incumbent Worker Training Program assists existing Florida businesses seeking to provide their employees with the training necessary to keep Florida's workforce competitive in a global economy. The program is available to Florida businesses in operation for at least one year prior to application and requiring skills upgrade training for existing employees. Priority is given to businesses in targeted industries, Enterprise Zones, HUB Zones, Inner City Distressed areas, Rural Counties/areas, and Brownfield areas.
- Quick Response Training Program (QRT) – The QRT Program is an employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses training for expansion. A state educational facility - community college, area technical center, school district or university - is available to assist with application and program development or delivery. The educational facility will also serve as fiscal agent for the project. The business may use in-house training, outside vendor training programs, or the local educational entity to provide training. Reimbursable training expenses include: instructors and trainers' wages, curriculum development, textbooks and manuals. This program is customized, flexible, and responsive to individual company needs.
- Department of Labor Training Grant – The U.S. Department of Labor awarded a National Emergency Grant to aid businesses in hiring and training transitioning aerospace workers displaced from specific companies significantly affected by changes to the space program at NASA-Kennedy Space Center. This special On-The-Job (OJT) program can help make it possible from \$15 million grant for retraining approximately 3,200 shuttle workers. This retraining would be very beneficial to companies relocating to Florida and seeking a highly skilled workforce that could be retrained for specific jobs at a commercial facility. The "national emergency grant" was awarded to the Brevard Workforce Development Board with whom Space Florida has an excellent working relationship.

**For additional information, please contact Space Florida VP Business Development Bernie McShea at 321-730-5301 ext. 254 or [bmcshea@spaceflorida.gov](mailto:bmcshea@spaceflorida.gov)**