

HB 935

Freeport Exemption

Presented by:

Al Nash

July 27, 2016



Targeted Industry

HB 935 – Freeport Exemption was designed to reduce the inventory tax liability for e-Commerce fulfillment centers.

National View

- The e-Commerce industry itself is already mammoth sized and growing quickly.
- National sales were over 92.8 billion in January (2016) and grew by 15.1% in the first quarter of this year.
- Projections by Forrester Research Inc. show that online retail sales will have grown by 57% by the year 2018, since 2013.
- It is estimated that there are 175 million mobile shoppers in the United States, which is an increase of 184% since 2012 (previously was 95 million mobile shoppers).

Local Industry

- Fulton County's strategic placement in the center of populous, metro Atlanta offers numerous opportunities for it to become a hub for e-Commerce within the state and region.
- Walmart.com and Amazon.com recently opened facilities in Fulton County
- These companies are attracted to the county based on the
 - proximity to air, road, and rail transport systems;
 - an affordable labor force; and
 - population density.

As an incentive, national and regional competitors offer tax breaks on inventory

Industry Needs

Fulfillment centers are high-tech facilities with a large employee base.

- E-commerce fulfillment centers **employ, on average, 300+ workers** to manage the technology systems as well as pick and pack products for shipment
- Technology systems are designed to receive orders and efficiently store and move products across large spaces
- Building sizes range from 500k to 1m SF with a percentage of space to store goods and the remaining space to serve as the fulfillment center
- The storage facility houses goods similar to a big box retail store
- E-Commerce fulfillment centers have **no retail sales on site**



How does Georgia & Fulton County compete?

The State of Georgia has recognized the importance of creating a special incentive to **attract and retain** e-Commerce fulfillment centers.

During the 2015-2016 session of the General Assembly, the **legislature approved HB 935** which will **go into effect on July 1, 2016**.

- With the approved legislation, a standard approach for categorizing fulfillment centers is provided along with allowable ad valorem tax exemptions.
- **Local governments can provide a 20%, 40%, 60%, 80%, or 100% tax exemption for goods stored at e-Commerce fulfillment centers.**

HB 935 **amends the existing Freeport Exemption law to add certain fulfillment centers as an allowable category.**

Fulfillment centers are described as:

- a location in Georgia which is used to pack, ship, store, or otherwise process tangible personal property sold by electronic, Internet, telephonic, or other remote means; and
- provided that such a business location does not allow customers to purchase or receive goods onsite at such business location.

The law states that local governments must adopt HB 935 through a referendum.

Fiscal Impact

Scenario: A new e-Commerce fulfillment center will open in Fulton County creating 400 permanent, full-time jobs and investing \$108m in the facility.

Real Property (estimated)

Facility Size - 1m SF

Assessed Value = \$8m

Real Property Taxes = \$235,585

Personal Property (estimated)

Inventory = \$63m

Freeport Inventory = \$10m

Assessed Value (Inventory) = \$28m

Assessed Value (Freeport) = \$4M

Personal Property Taxes:

Inventory \$860,499

Freeport \$(115,073)

Total Property Taxes = \$745,425

The attraction of an e-Commerce Fulfillment Center may generate a Total Fiscal Impact of \$981,010.

Economic Impact

Through the attraction of an e-Commerce fulfillment center there will be a **significant economic impact to the region.**

Wages

The employment of 400 persons and operation of the facility will have direct (employed at facility), indirect (employment generated by company-related expenses), and induced (employee spending) effects.

Impact Type	Employment	Labor Income
Direct Effect	400	\$ 22,428,402
Indirect Effect	87	\$ 5,947,166
Induced Effect	97	\$ 6,124,504
Total Effect	584	\$ 34,500,072

Investments

The company will invest in the purchase and improvement of a building or will build to suit. This investment is estimated at \$108m.

The sum of total wages and investment may generate an economic impact of \$144m for the region.

Recommendation & Next Steps

Select Fulton recommends that Fulton County adopts HB 935 via referendum in November 2016.

Benefits

- Significant fiscal and economic impacts that supersede the value of Freeport Exemption
- Fulton County will be positioned to attract more e-Commerce fulfillment centers
- Industry employment represents a mix of low-skilled and high-skilled jobs
- E-Commerce fulfillment centers complement the existing industry mix and leverage Fulton County assets
 - Diverse, capable workforce
 - Extensive logistics network
 - High density metro region

Next Steps

- Approval of Resolution for Referendum – August 3rd
- Deadline for Referendum Announcement – August 10th
- Referendum – November 2016