

Florida Brownfield Voluntary Cleanup Tax Credits (aka the “VCTC’s”)


Justin Gordon, Managing Director
Fallbrook Tax Credits



Jeff Jacobson, President
Clocktower Tax Credits



About Me: Justin Gordon

- ▶ 12th year with  FALLBROOK TAX CREDITS
 - ▶ Monetize and finance state and federal tax credits
 - ▶ Florida Brownfield Association member for 9 years
 - ▶ Since 2012:
 - ▶ Transferred over \$700,000,000; Closed 3,000+ transactions in more than 30 states
 - ▶ Over 50 per year in Florida alone
- ▶ 25+ years of financial industry experience
 - ▶ Options trader (coffee, sugar, cotton, cocoa, wood pulp) and broker (natural gas)
 - ▶ Wealth management/financial planning (Series 7 and 63 licensed)
- ▶ From New York
- ▶ Go Gators! 1997 University of Florida Graduate
 - ▶ Florida is my 2nd home
 - ▶ Currently in Los Angeles, California
 - ▶ MBA in Finance from Pepperdine University

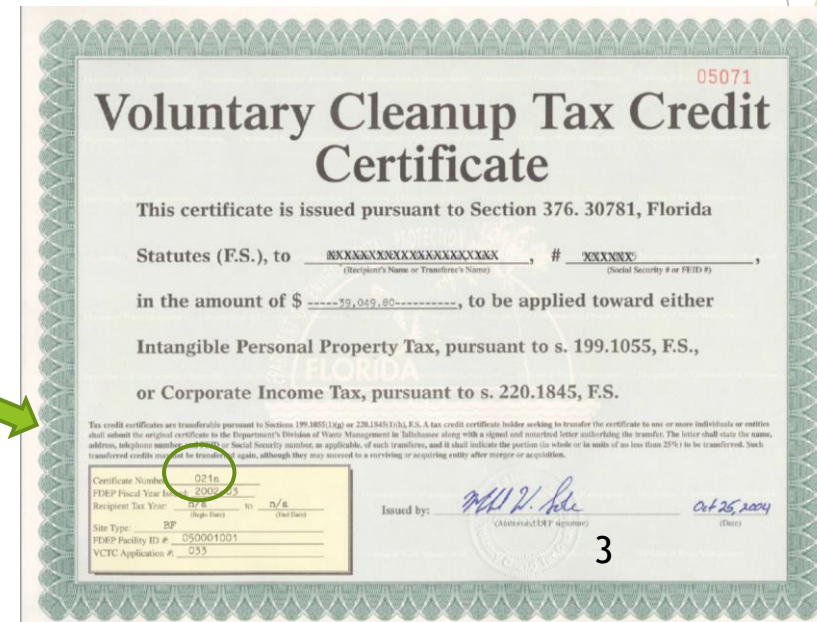


Clocktower Tax Credits, LLC

Jeff Jacobson, President



- ▶ National Broker of State and Federal Tax Credits
 - ▶ Servicing the Real Estate, Renewable Energy, Film and Digital Media industries
 - ▶ Relationships with Fortune 500 Corporations, Banks, and Insurance Companies
- ▶ 30 years working exclusively in the Tax Credits
- ▶ 20 Years brokering Florida VCTCs
 - ▶ First transaction with 2001 Certificates
 - ▶ Certificate #21!
- ▶ Offices in Boston, New York and Naples
 - ▶ Home in Naples - Not flooded or damaged!
 - ▶ FBA Member, Board of Directors



Florida VCTC Program Highlights

- ▶ Program inception: 1998
 - ▶ The Florida VCTC program is one of the most successful, and generous cleanup programs nationwide
- ▶ The program is Administered by the Florida Department of Environmental Protection ("FDEP")
- ▶ Recipients receive a tax credit amount equal to the lesser of 50% or \$500,000 of the voluntary cleanup expenditures of a project
- ▶ Amounts:
 - ▶ Program Cap = \$10,000,000/year (increased at times to clear out the backlog)
 - ▶ Awards capped at \$500,000 annually per site per year, plus 25% of total cleanup costs up to \$500,000 in final year of cleanup
- ▶ Offsets corporate income tax liability
- ▶ TRAN\$FERABLE → You can \$ell them!

Tax Credit Overview

“Tax Credits 101”

- ▶ What is a tax credit?
 - ▶ A tax credit is dollar-for-dollar reduction in amount of income tax owed
- ▶ Why do we have tax credits?
 - ▶ Exist to incentivize activities that congress, and states find beneficial to economic development or social welfare
- ▶ What is a tran\$ferable tax credit?
 - ▶ The VCTC be sold/transferred to a 3rd party
- ▶ Why do government bodies allow for the transfer of certain credits?
 - ▶ Encourage firms to participate in the development and/or project activities
 - ▶ Help to limit government funding
 - ▶ Allow nonprofit and startup companies to participate in activities
 - ▶ Socioeconomic impact - companies can receive favorable publicity

Tax Credit Universe

<u>Federal</u>	<u>State</u>
Credits Based on Core Business:	
<ul style="list-style-type: none">▪ Earned Income▪ Child Care▪ Research & Development	<ul style="list-style-type: none">▪ Job Creation▪ Payroll▪ Research & Development
Investment Based Credits: Available Through a Broker	
<ul style="list-style-type: none">▪ Affordable Housing▪ Historic Redevelopment▪ Economic Development	<ul style="list-style-type: none">▪ Affordable Housing▪ Historic Redevelopment▪ Economic Development▪ Film & Media Production▪ BROWNFIELDS/CLEANUP

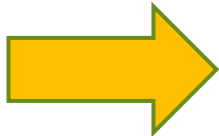
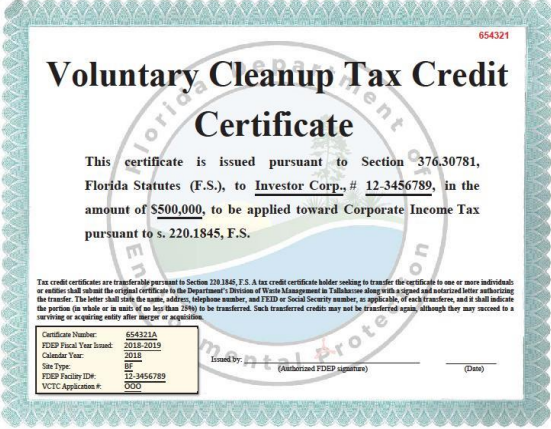
Why would you sell or buy a tax credit?

- ▶ Why sell?
 - ▶ Project owner cannot utilize the credit
 - ▶ Source of capital for project owner
- ▶ Who buys VCTC's and Why?
 - ▶ Corporations and demand is **HIGH!**
 - ▶ Save money on state tax liability
 - ▶ Manage effective tax rate
 - ▶ Improve cash flow
 - ▶ Socioeconomic benefit
 - ▶ Enhance corporate image
 - ▶ Support social initiatives

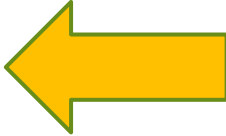
Integral Parties to a Florida VCTC \$ale

- ▶ Tax Credit Awardee (entity that generates the credit)
 - ▶ Real Estate Developers
 - ▶ Municipalities
 - ▶ Non-profits
 - ▶ Corporations (Publix)
- ▶ Trusted Environmental Consultants & Attorneys
- ▶ Tax Credit Broker
 - ▶ Act as a placement agent
 - ▶ Works with your team/advisors
 - ▶ Prepares documents and agreements
 - ▶ Facilitates the VCTC transfer with FDEP
- ▶ Purchaser/Investor
 - ▶ The end user of the tax credit

Florida VCTC Sale Cycle



Experienced
Tax Credit Broker



Elements of Florida VCTC \$ale/Transfer

- ▶ When do you start the process?
 - ▶ It is up to you!
 - ▶ Prior to issuance vs. at issuance
 - ▶ Payment upon transfer
- ▶ The credit can be sold in full or in amounts no less than 25%
- ▶ Due Diligence
 - ▶ FDEP approval Letter
 - ▶ Application with Technical and CPA certification
- ▶ Pricing Factors
 - ▶ Timing
 - ▶ Tax credit volume
 - ▶ Supply and Demand
 - ▶ COVID?

Robust Transferable State Brownfield Tax Credit Programs

State	Program-Credit Amt	Eligible Sites	Automatic vs. Cap	Variations/details
Florida	<u>VCTC</u> *50% for site rehabilitation - \$500,000 per year *25% bonus upon completion - \$500,000 max 1X *50% of solid waste removal costs - max \$500,000 1X	Designated brownfield areas subject to Brownfield Site Rehab. Agreements (BSRA) or dry-cleaning sites	Cap of \$10 million/yr.	*Add'l 25% if project is affordable housing/healthcare facility
Iowa	<u>Brownfields/Grayfields Tax Credit</u> *Grayfields site: 12-15% of costs *Brownfield site: 24-30% of costs	Grayfield: Improvements min 25 yrs old: 30% if vacant; decreased in value by 25%; vacant or parking lot	Cap of \$5 million/yr.	Higher percentages are for sites that meet green building standards
Massachusetts	<u>Brownfields Tax Credit</u> 25% -50% of site assessment and cleanup	Economically distressed area; costs exceed 15% of assessed value	Automatic	The higher 50% credit is for full cleanups - no use restrictions
Less Robust Programs	Illinois, Indiana, Kentucky,	Missouri, New York		11

Suggestions for Enhancement to the VCTC program

- ▶ More funding
 - ▶ \$\$\$\$
- ▶ Transferee utilization
 - ▶ Offset premium tax liability and/or sales/use tax
 - ▶ Legislative/DOR involvement
- ▶ Rolling issuance/release of credits by FDEP
 - ▶ Not just July/August
- ▶ Pair with Federal incentives
 - ▶ Affordable housing
 - ▶ Historic tax credits

Recent Improvement to the Program

- ▶ Florida Single Audit Act
 - ▶ “VCTC was determined to be ‘state financial assistance’ within the meaning of the FSAA”
- ▶ Why did the FSAA apply to Buyers of the VCTC?
 - ▶ “In the event that the recipient expends a total amount of state financial assistance equal to or in excess of \$750,000 in any fiscal year of such recipient, the recipient must have a State single or project-specific audit for such fiscal year...”
 - ▶ Original limit was \$250,000, then raised to \$500,000, then again to \$750,000.
- ▶ Discouraged a number of Buyers from participating
 - ▶ Determination by the Bureau of Auditing, FL Dept. of Financial Services
 - ▶ “The audit would apply to where the project costs are incurred and not in the secondary market for the buying and selling of credits.”
- ▶ No longer an issue; DEP has stopped providing FSAA info and request to Buyers.

Questions

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