

May 1, 2017
Executive Session
8:00 PM

Present: Selectmen, Richard Kuklewicz, Michael Nelson, Chris Boutwell, Town Administrator Steve Ellis

Executive Session under G.L. c. 30A, §21 (a)(6) to consider the purchase, exchange, lease or value of real property: JaDuke Center for the Performing Arts Economic Development Incentive Program Consideration

Ellis: I'd like to provide a little context. Frank was strongly opposed to granting a TIF partly due to some issues of principle in relation to this not being a manufacturing establishment. Walter and I have done a fair amount of investigations, speaking with MOBD and FRCOG, trying to understand or learn as much as we can about the process. What is clear is that this Economic Development Incentive Program for local incentives is no longer exclusively focused on manufacturing. When JaDuke first came in, the first thing that I wanted to do was look at what the quality of jobs are relative to previous employers. With the Australis application eight years ago, there were eight jobs, three or four of those were about \$22,000/year jobs, three or four of those were about \$25,000/year, and one of them was a very good job. We did not approve a TIF on the basis of them being traditionally higher pay manufacturing jobs per se, which doesn't say that they weren't a great benefit to the community. JaDuke has been bouncing back and forth about what they're promising and what they're not promising in terms of the jobs. When we first met with them, it looked like it was about eight jobs, primarily classroom teachers in early education, but also a program director. They're adding preschool classroom space as well as a huge 500-seat auditorium.

Kuklewicz: Their preschool is really what generates their cash, and they're hoping to build the entertainment piece big enough to at least sustain it. They want to build a theater, a really production-quality stage set-up with the height and the utilities needed to move elaborate sets around and so forth.

Ellis: They came in with some suggestions of very generous TIFs that I don't think we would be in a position to match based on policy or preference that they received from Greenfield. I've provided you their initial filing, their letter of intent, which is insufficient in its detail and quality. The next document outlines the process. There is an EDIP application that they have to complete to MOBD and to the Town. If we are going to have two weeks of active negotiation with them, we need some concrete things to work with. They were very responsive once I gave them a stronger outline. In here, they have a TIF information sheet, which is their synopsis of the project. One of the changes with TIF reporting now is that monitoring is left a little less to the Town, there is a formal report that they need to get to the State on an ongoing basis if they're awarded the TIF. The last item that I've included is a couple of scenarios that we can consider tonight in terms of possible TIF arrangements. There are some factual statements here about square footage of the building that they're putting on. The number of jobs vary because we got very late notice of some changes in the TIF information document that JaDuke put together for us. I think it makes some sense before we get into a lot of the details to test the Board's willingness and interest to entertain a TIF agreement for this particular use. Walter has suggested to me that they have right of first refusal on development of an immediately adjacent parcel, a two-acre parcel which would end up being overflow parking and a playground. The addition's value is approximately \$1.8 million, which is a significant addition to the property and would greatly increase their property tax owed on an annual basis.

Kuklewicz: It's hard to say what the impact of having the families that bring preschool kids to town really is on the Town. There's an influx of students, which means there are parents driving into town who maybe stop at Scotty's or Cumberland Farms or whatever. Looking at nighttime performances, some of the restaurants in Town can tag on with package deals that could bring folks into their businesses.

Ellis shared a hard copy of the preliminary site plan, pointing out the new lot, the existing building, the existing parking, and the large building to be built which would include additional classrooms, the 500-seat auditorium with a separate entrance, restrooms, tiered seating, the stage, dressing rooms, etc.

Ellis: Selling drops to others is a big part of their business presently. Their hope is to attract some fairly noteworthy acts over time. They will not be serving alcohol. They also are expecting to do some teacher professional development.

Kuklewicz: Waynelovich described state-of-the-art LED lighting and all that. What he's talking about doing is not what the Shea has evolved into.

Ellis: Personally, I don't see the value of walking away from it. In our TIF policy, which really is embedded in a letter from the Town of Montague Accounting Department, this would be Type C. We can't exceed 25% for more than ten years. Although I think I see that the intent is not more than 25 in any given year, you could also interpret this as potentially 25% of the total taxes to be abated over ten years. We know that JaDuke is about to pay off its present mortgage, so they're taking on the next phase only as they have a certain amount of resources to cover a new investment, and they would prefer a stacked increment that starts higher. Recently he said that another community offered beginning at 90%, dwindling to 0% over ten years. The Australis model basically provided 15% of the value over ten years when that was granted, for creating about eight jobs. That was really our starting place. It's not as rich as our policy could allow, which would be 25% a year over ten years, and we could talk about if we wanted to start higher and go lower over a shorter period of time. There are two different sides to this. One is the employment impact, and there's no State standard to what that employment impact must be. When we saw that they might only offer a couple of jobs, we looked at it and said, "You know what? It's still with good cross-marketing. And looking at economic multipliers, it could still be valuable." We decided to prepare for your consideration Proposal 3 and 4 in this document. This is fairly similar in scope to what Australis was offering in terms of the employment, which now is eight full-time lead preschool teachers, one full-time theater director, part-time performing arts instructors, stage managers, educators for teacher development, and a custodian. We saw that the range of exempted taxes versus total taxes ranged from 14% to 18% of the total value of taxes that could be collected over a ten-year period. Fifteen percent would then be on the generally conservative side. It would mimic most closely what Australis received on the theory that it is most similar to that in terms of its job creation. I think the hard questions we need to ask them next week is, "This has changed a lot. You started out by talking about eight full-time preschool lead teachers. Then you went to something that didn't make any of those guarantees, now you're back here. What's it really going to be?"

Kuklewicz: I think we should be as reasonable as we can. I don't think 15% is unreasonable in a sliding scale of giving him a little more in the first couple of years, that averages to 15%.

Ellis: Proposal 1 and 2 are different ways of getting to 15% of ten years' worth of taxes. Proposal 2 would fit much better with what they're looking for. It says any existing business expansion will be considered for a TIF not to exceed 25% for a period of not less than five and not more than ten years. This overall doesn't exceed 25% and the Board could vote to interpret the policy that way, or make revisions to the policy to allow for that. This policy reflects the old goals and objectives of the Executive Office of Economic Affairs' original intent, which was to attract business from outside of the State and/or keep it in the State. The big thing here is that this policy seems to have been developed by the TIF team, not by the Board of Selectmen at that time. We look at the Board of Selectmen as being the decision-makers around this and would decide whether to approve this pending Town Meeting adoption. Our job as the TIF Policy Committee should be to make recommendations to you about possible modifications to a policy and/or recommendations for a TIF. The committee felt pretty comfortable with Australis Proposal 1, that model, that it's 15% overall, and it's consistent with historical precedent. We can use that as something of a shield quite frankly in our conversation.

Kuklewicz: So maybe what we need to do is have a line drawn of where we would feel comfortable. To me, there is benefit to the other businesses in Town, but certainly not as much as creating 30 to 70 jobs.

Ellis: My thought is you've got to make them work to convince you that the jobs are real. What might this mean in terms of business impact? I think that as a matter of negotiations, what I would encourage is Step 1/Question 1: Do we want to entertain giving a TIF? "Make us believe in what you have." Step 2, talk about in terms of "We primarily think of this as something that focuses on well-paying manufacturing jobs.

We're talking 60 or 80 jobs that Judd Wire created, getting 18% or less over a ten-year period. So thinking about this, we're talking now about 10% over ten years or a 15% as maybe what you might consider a reasonable range." Make it feel like winning is 15%. If you feel like you want to go to 18% or 20%, I'm not going to get in the way of that. I do worry about public perception and reaction to a huge giveaway.

Kuklewicz: We have to sell this to Town Meeting too. So what they're saying here is that JaDuke would generate \$451,000 of revenue, and that the 15% we would abate them is \$68,000 worth of taxes.

Ellis: The person we spoke with at FRCOG says that what most developers are most concerned with is less the tax rate and more whether the appropriate services are available and it's truly developable land.

Kuklewicz: I think there's more of an impact on infrastructure and Town services. If they have a performance that fills a 500-seat theater on Friday night, that's a lot of traffic coming out of Industrial Boulevard. It would be a busy 30-40 minutes that would require a cop. If they are able to utilize the facility for 50 % of the weekends throughout the year, that's an impact on public services. We have to be careful that they're paying their fair share to get the public services.

Ellis: I think the biggest thing here is we also don't need to leave with a decision next week. I would like to know how the Board would like to conduct the conversation. My personal strategy would be to make them feel they've made progress. They've convinced the Board that may have some people that are really supportive in heart, but need to be convinced that this is the kind of thing we want a TIF for. We would have to adopt a policy. Right now you have policy and precedent to sort of stand behind if you want to hold firm. We can talk about some of the gritty details and they may threaten to go elsewhere, and you have to decide whether you're comfortable with that.

Kuklewicz: My guess is they're going to want as much as we'll give them, but they wouldn't be here if there was a better alternative for them. Six months ago, they said, "We're going to go to Greenfield because they got a sweeter deal and a better plan." Now they're not. I think they've done a lot of exploration.

Nelson makes a motion that the Board enter negotiations for a TIF agreement with JaDuke for up to 20% of a TIF, but negotiating 10% to 15% as an ideal TIF rate, up to ten years. Boutwell seconded, unanimously approved. Nelson - Aye, Boutwell - Aye, Kuklewicz - Aye

Nelson makes a motion to leave Executive Session. Boutwell seconded, unanimously approved. Nelson - Aye, Boutwell - Aye, Kuklewicz - Aye

Nelson makes a motion to adjourn. Boutwell seconded, unanimously approved. Nelson - Aye, Boutwell - Aye, Kuklewicz - Aye

Approved:

Boutwell

Kuklewicz

Nelson

Release to the Public:

Yes

Not Yet

4/2/18 Date

Date Released to the Public:

4/3/18