

May 16, 2017  
Executive Session  
8:17 PM

**Present:** Selectpersons Rich Kuklewicz, Michael Nelson, Christopher Boutwell, Town Administrator Steven Ellis, and Executive Assistant Wendy Bogusz.

**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**

**Handouts:**

- Ja'Duke Center for the Performing Arts TIF Information, Submitted by Ja'Duke on April 29, 2017 (Exhibit 1)
- Framework for a Tax Increment Financing (TIF) Agreement to Support Expansion of Ja'Duke Facilities, May 10, 2017
- Ja'Duke Inc. TIF Scenarios, Rev Date May 16, 2017

We had a discussion with Ja'Duke about TIF's and Past TIFS. We proposed 15% over 10 years. They weren't impressed with our offer.

- Their main point is that they have a unique asset. They say Greenfield will give them 50%
- There are a lot of assumptions built into their numbers
- Kuklewicz thinks we will get push back from Town Meeting since 18% has been the most generous offer we have done for a business. Suggests instead of large TIF would it make sense to have a discussion on the sale of land?
- Ellis told Abrahamson that at some point they need to have a discussion regarding exactly whose interests he's representing.
- Nelson feels we should shoot for the historical max of 18% but is okay going to 20%
- Kuklewicz wants to set up another meeting offering 18%, holding 20% in the pocket. The land beside them will be tough to sell to anyone other than Ja'Duke. Nick has made it clear he will not be coming before the Town for a liquor license, it will be a family venue.
- Brief discussion about Shea may want a TIF. Kuklewicz feels Ja'Duke and Shea are different types of venues. It is possible JaDuke will draw away from the Shea as they will be state of the art.
- It appears the real push is to get the most percentage in the first 2 – 3 years. We could adjust the latter years to make it come out to 18.
- They offer premium daycare that has a strong arts push and integration. For them, it's a feeder into their programs

*Nelson makes the motion to adjourn the executive session at 8:50 PM. Seconded by Boutwell, approved unanimously. Boutwell – Aye, Nelson- Aye, Kuklewicz – Aye*

*Nelson makes the motion to adjourn the meeting at 8:50 PM. Seconded by Boutwell, approved unanimously. Boutwell – Aye, Nelson – 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

## Ja'Duke Center for the Performing Arts

### TIF information

Submitted by Ja'Duke on April 29, 2017

#### 1) Brief Synopsis of Project

-Currently own 8500 s/f educational facility which includes: 4 preschool classrooms/performing arts studios, professional set design workshop, 100 seat black box theater. Also, an additional 4500 s/f of storage on the second level of current building.

-Expansion plans are to purchase two acres of adjacent land and build a 20,000 s/f educational facility. This new building will include: 4 preschool classrooms/performing arts studios, 500 seat theater with lobby, and additional parking.

-Construction to begin Spring 2018 pending TIF approval and financing.

-New programs and business to include:

- \*4 Preschool classrooms
- \*Expansion of performing arts education
- \*Educational credits for teachers and professionals (CEU's)
- \*Promotion and Performances of regional artists
- \*Theater rental to community for events and performances
- \*Theater rental to corporate venues
- \*Expansion of current Ja'Duke performance season
- \*Performances and enrichment curriculum for schools (PYP)
- \*Professional recording studio space
- \*Expansion of drop and set rental marketing

-The new building will attract up to: 40 preschool students/families per day, 50 additional performing arts students per year, 100,000 performance tickets sold over ten-year period (100,000 patrons of the arts coming to turners), 100 educators and professionals attending workshops per year

#### 2) Current Employment

- Full Time Preschool Director (1) - \$40,000-\$50,000/year
- Full Time Preschool Lead Teachers (8) - \$25,000-\$35,000/year
- Part Time Preschool Teachers (4) - \$12-\$14/hour
- Part Time Performing Arts Instructors (5) - \$20-\$25/hour
- Full Time Scene Shop Artists & Set Transporters (2) - \$27,000-\$33,000/year
- Part Time Set Construction (1) - \$15,000-\$20,000/year

### 3) New Employment

- Full Time Preschool Lead Teacher (8) - \$25,000-\$35,000/year
- Full Time Theater Director/Theatrical Drops Manager (1) - \$40,000-\$50,000
- Part Time Performing Arts Instructors (2) - \$20-\$25/hour
- Part Time Stage Managers (2) - \$20-\$25/hour
- Part Time Arts educators for teacher development (2) - \$25-\$30/hour
- Part Time Custodial Staff (1) - \$12-15/hour

### 4) Non-Employment Impacts

#### Section 1: Broad Spectrum

-According to *National Arts Marketing Project*, an average arts attendee spends \$24.60 per event, not including the cost of admission. This can include purchases at restaurants, shops, fuel, etc.

-After a study conducted by Joshua Guetzkow entitled "*How The Arts Impacts Communities*" he comes to the following conclusions.

Theater impacts communities by:

- Creating a venue that draws people together who would otherwise not be engaged in constructive social activity.
- Fostering trust between participants and thereby increasing their generalized trust of others
- Providing an experience of collective efficacy and civic engagement, which spurs participants to further collective action
- Arts events may be a source of pride for residents (participants and nonparticipants alike) in their community, increasing their sense of connection to that community.
- Providing an experience for participants to learn technical and interpersonal skills important for collective organizing
- Increasing the scope of individuals' social networks

-Studies from the *Arts Education Partnership* link involvement in the arts to better child development and higher student achievement in the following areas

- \*Higher Academic Achievement
- \*Confidence & Self Preservation
- \*A Medium for Self Expression
- \*Problem Solving & Preservation
- \*Empathy & Compassion

-Joshua Guetzkow, mentioned above, continued his work by assessing the beneficial impact of arts on the economy. He concluded:

• The arts attract visitors (art as 'export' industry): Tourists visit a community primarily in order to attend an arts event (alternatively, tourists may prolong a trip in order to attend an arts event). They will spend directly on the arts event and may also shop, eat at a local restaurant and/or stay at a hotel in the community. To the extent that these tourist dollars are spent by the arts organization – as well as the stores, restaurants and hotels – on local goods and services, the dollars brought in to the community for an arts event will have indirect multiplier effects on the local economy.<sup>7</sup>

• The arts attract residents and businesses: The density of arts organizations and prevalence of arts events may play a role in attracting residents and businesses to (re)locate to a community by improving its image and making it more appealing. This is especially true for attracting highly skilled, high-wage residents, who will have a larger economic impact than less-skilled people. Businesses, especially those that employ highly trained mobile personnel, may consider the presence of art venues when making (re)location decisions (Cwi 1980b: 18-19). The presence of the arts (i.e., improved image of an area) may work to enhance the impact of tax incentives for business location decisions (Costello 1998: 147-9). High concentrations of artists and/or high-skilled workers may produce agglomeration effects, where businesses (especially those in the fast-growing 'creative industries' (Walesh 2001)) are drawn to an area because of the availability of creative talent and/or high-skilled workers, and vice versa.

• The arts attract investments: By improving a community's image, people may feel more confident about investing in that community. So for example, people might be 7

An indirect multiplier is based on the idea that a portion of each dollar spent on some good or service is then used by the recipient to pay for more goods and services. To the extent that the money circulates within a community (e.g., a city), it 'multiplies' within that community. So for example, if you spend \$20 on a ticket to a play, the playhouse turns around and spends \$15 of that for set design supplies from local markets. The employees also spend locally some portion of their income that is derived from that \$15 to pay for more goods and services; and the stores from which they bought supplies in turn use some of that money to pay their workers and buy more supplies, and so on. This 'multiplies' the value of the initial \$20. <sup>8</sup> more likely to buy property in an area that they feel is "up-and-coming" because of the presence of the arts. Or, banks may be more likely to lend to businesses in areas perceived as more secure and stable, and so on.

## Section 2: Specific Benefits

- Ja'Duke partnering with area restaurants and business by offering specials and sales.
- Ja'Duke guarantees a full page in each program devoted to advertising local business and special events for FREE for the length of the TIF.
- Achievement of a broader reach of performing arts education and increased benefit of extra-curricular activity to the residents of Montague and beyond.

## Potential Theater Performances

- Ja'Duke Fall Musical – Tickets \$15 & \$12 – 800 Total Attendance
- Ja'Duke Holiday Spectacular – Tickets \$15 & \$12 – 1400 Total Attendance

- Ja'Duke Winter Musical - Tickets \$15 & \$12 – 800 Total Attendance
- Ja'Duke Studio Musical - Tickets \$15 & \$12 – 1400 Total Attendance
- Ja'Duke Summer Showcase - Tickets \$15 & \$12 – 1400 Total Attendance
- Ja'Duke Summer Show - Tickets \$15 & \$12 – 800 Total Attendance
- 6 Community Rentals per year (Non-Ja'Duke) – Minimum \$12 – 800 Total Attendance
- 2 Plays per year - \$15 & \$12 – 500 Total Attendance
- 4 regional acts per year - \$20 – 800 Total Attendance
- 8 Summer Workshop Performances – FREE – 800 Total Attendance
- Ja'Duke Preschool Graduation – FREE – 400 Total Attendance
- Performance for Young People programing - \$10 & \$8 – 300 Total Attendance

Total potential per year: 10,200 tickets

10,200 tickets \* \$13 (Average ticket price) = \$132,600 gross/year

\$132,600 \* \$24.60 (average spent beyond admission) = \$3,261,960 gross/year\*

\*Financial benefit and Impact to community per year beyond ticket admission

Total potential 10 year: 102,000

102,000 tickets \* \$13 (Average ticket price) = \$1,326,000 gross/10 year

\$1,326,000 \* \$24.60 (average spent beyond admission) = \$32,619,600 gross/10 years\*

\*Financial benefit and Impact to community per 10 years beyond ticket admission

# Framework for a Tax Increment Financing (TIF) Agreement

## To Support Expansion of Ja'Duke Facilities

May 10, 2017

### Context

Ja'Duke requests a Local-Only Incentive Tax Increment Financing (TIF) agreement under the Commonwealth of Massachusetts' Economic Development Incentive Program (EDIP). The Montague TIF team met on four occasions to consider and develop a response to that request, as follow. This Framework for a TIF agreement does not constitute a contract or obligation on behalf of the Town of Montague.

### Overview of Proposed Project (as presented by Ja'Duke)

Ja'Duke currently owns and operates an 8,500 s/f educational facility which includes: 4 preschool classrooms/performing arts studios, professional set design workshop, 100-seat black box theater. It also features an additional 4500 s/f of storage on the second level of current building.

Expansion plans are to purchase two acres of adjacent land and build a 20,000 s/f educational facility. This new building will include: 4 preschool classrooms/performing arts studios, a 500 seat theater with lobby, and additional parking. Construction to begin Spring 2018 pending TIF approval and financing.

### New Investment and Employment Summary

New programs and business will include:

- 4 new preschool classrooms
- Expansion of performing arts education program
- Educational credits for teachers and professionals (CEU's)
- Promotion and Performances of regional artists
- Theater rental to community for events and performances
- Theater rental to corporate venues
- Expansion of current Ja'Duke performance season
- Performances and enrichment curriculum for schools (PYP)
- Professional recording studio space
- Expansion of drop and set rental marketing

The new building will attract up to: 40 preschool students/families per day; 50 additional performing arts students per year; 100,000 performance tickets sold over ten-year period (100,000 patrons of the arts coming to turners); and 100 educators and professionals attending workshops per year.

New employment will include:

- Full Time Preschool Lead Teachers (8) - \$25,000-\$35,000/year
- Full Time Theater Director/Theatrical Drops Manager (1) - \$40,000-\$50,000
- 
- Part Time Performing Arts Instructors (2) - \$20-\$25/hour
- Part Time Stage Managers (2) - \$20-\$25/hour
- Part Time Arts educators for teacher development (2) - \$25-\$30/hour
- Part Time Custodial Staff (1) - \$12-15/hour

**Economics of the Proposed Project (as understood by Montague)**

Ja'Duke Inc.'s current structure is located 110 Industrial Park Boulevard and measures 10,588 s/f. Its current assessed value is \$449,800.00 and their annual taxes total \$10,605.99. Ja'Duke's expansion is expected to cost \$1.8M. Using the current tax rate, new taxes generated on this \$1.8M investment would be an additional \$45,162.00 annually.

Ja'Duke's expansion will carry modest employment benefits relative to past TIFs in terms of the quantity and quality of positions created, and a phased approach to job creation may be expected as they establish the theater and new classroom capacity. They would prefer the greatest incentives be loaded at the front of the agreement.

There are likely secondary benefits associated with the project as this venue may attract local and regional audiences to its location, with some portion of these visitors potentially patronizing downtown restaurants and shops. Ja'Duke expects to sell just over 10,000 event tickets annually and suggests \$24.60 will be spent per paid admission, which would project to \$3.2 M in local sales per year. While the committee does not view this as a realistic projection, it does see the potential for modest impacts on a downtown area that is in reasonable proximity to the venue, particularly if cross-marketing is robust.

Note that Montague's understands that Ja'Duke is applying for a "local incentive only," as the project would not meet state requirements for additional state incentives.

**Agreement Terms for the Local-Only TIF Incentive**

Modeled on past agreements, but with a more generous view based on potential secondary benefits, Montague's TIF team proposes a ten-year agreement on the expansion worth a projected \$67,743. This agreement begins with a 25% exemption in years 1 and 2, 15% in years 3-6, and 10% in years 7-10. This results in a 15% total exemption over a ten-year period. The incentive would apply to real property value resulting from the expansion only and does not include personal property. Estimated annual and total exempted values are described in the table below. Final figures would be based upon actual ongoing assessed value over the life of the agreement.

Year	Exemption	Estimated Value	23%	20%	18%
1	25%	\$11,290.50	50	40	}
2	25%	\$11,290.50	50	40	
3	15%	\$6,774.30	30	30	
4	15%	\$6,774.30	30	30	
5	15%	\$6,774.30	25	25	
6	15%	\$6,774.30	25	25	
7	10%	\$4,516.20	5	5	
8	10%	\$4,516.20	5	5	
9	10%	\$4,516.20	5	5	
10	10%	\$4,516.20	5	5	
Total		\$67,743.00			20%

Unlike past Montague TIF agreements, in recognition of the challenge of ramping up the business that will enliven the new facility, we recommend a phased approach to employment requirements, as follows:

- Two new FTE teachers by the end of Year 1
- Four total new FTE teachers by the end of Year 2
- Six total new FTE teachers and the new Theater Director by the end of Year 3
- Eight total new FTE teachers and continuation of the Theater Director by the end of Year 4

Note that the new positions are in addition to maintenance of existing staff levels. The Town would like additional information regarding the benefits associated with these positions. The Town will not require Ja'Duke to identify and report on part-time positions described in its proposal, but would like additional information regarding the project number of work hours per month for each type.

### Reporting and Contingencies

The Commonwealth of Massachusetts mandates annual reporting for all TIF agreements including local-only incentives under the EDIP program. By agreement, Ja'Duke would notify the Town of Montague when these reports are filed and provide a copy of that report at the time of filing. Typically, failure to meet agreed upon employment and other goals may lead to de-certification of an agreement by the state. Recognizing the unique benefits that may arise from this project and in the interest in supporting success of the business, in the event that employment goals are not, Montague agrees to an alternative approach before considering decertification.

Specifically, the agreement would include a contingency that would reduce the value of the tax exemption to 10% of the value of the assessed real property over the ten-year TIF term (or any remaining part of it). This would be accomplished through a reduction of the schedule of exemption by five percentage points in each of the remaining years. For example, the exemption for Year 1 would be reduced from 25% to 20%. This level of reduction would carry forward each year until employment goals are met. When met, exemptions would revert to the original schedule, though previous years' assessments would remain at their adjusted levels (e.g., in Year 1, 20%).



# JaDuke Inc. TIF Scenarios

Rev Date May 16, 2017

Assumed value of expansion	\$1,800,000
Assumed tax rate	\$25.09
Annual tax on expansion	\$45,162
Ten-year value	\$451,620

Original Offer		
Year		Estimated annual tax exempted
1	25%	\$11,290.50
2	25%	\$11,290.50
3	15%	\$6,774.30
4	15%	\$6,774.30
5	15%	\$6,774.30
6	15%	\$6,774.30
7	10%	\$4,516.20
8	10%	\$4,516.20
9	10%	\$4,516.20
10	10%	\$4,516.20
	<b>15%</b>	<b>\$67,743.00</b>

Abramson Suggestion (23%)		
Year		Estimated annual tax exempted
1	50%	\$22,581.00
2	50%	\$22,581.00
3	30%	\$13,548.60
4	30%	\$13,548.60
5	25%	\$11,290.50
6	25%	\$11,290.50
7	5%	\$2,258.10
8	5%	\$2,258.10
9	5%	\$2,258.10
10	5%	\$2,258.10
	<b>23%</b>	<b>\$103,872.60</b>

Board Indication (20%)		
Year		Estimated annual tax exempted
1	40%	\$18,064.80
2	40%	\$18,064.80
3	30%	\$13,548.60
4	30%	\$13,548.60
5	20%	\$9,032.40
6	20%	\$9,032.40
7	5%	\$2,258.10
8	5%	\$2,258.10
9	5%	\$2,258.10
10	5%	\$2,258.10
	<b>20%</b>	<b>\$90,324.00</b>

Historical Max (18%)		
Year		Estimated annual tax exempted
1	40%	\$18,064.80
2	30%	\$13,548.60
3	30%	\$13,548.60
4	20%	\$9,032.40
5	20%	\$9,032.40
6	20%	\$9,032.40
7	5%	\$2,258.10
8	5%	\$2,258.10
9	5%	\$2,258.10
10	5%	\$2,258.10
	<b>18%</b>	<b>\$81,291.60</b>

- Move to present 18% on the offer
- First need to determine price of the land.