



Town of Wilmington

Finance Committee

Meeting Minutes

Thursday, February 8, 2018

Finance Committee Chairman, Theresa M. Manganelli, called the meeting to order at 7:00 pm in Town Hall, Room 9. Members present were John F. Doherty, Jonathan Eaton, Marianne Gallezzo, Michele Kincaid, Bernard P. Nally, and Kevin Stokes. Excused: Neal Couture and Leigh Martinson.

PRESENT IN INTEREST: Jeffrey Hull, Town Manager and Denise Casey, Assistant Town Manager.

ANALOG DEVICES

PRESENT IN INTEREST: Lynn Tokarczyk, Government Incentives Consultant at Business Development Strategies, Inc. and Mike Errera, Vice President, Supply Chain Planning and Logistics at Analog Devices.

Ms. Tokarczyk thanked the Finance Committee for their interest in meeting with Analog Devices to review the company's Tax Increment Financing (TIF) proposal. She stated that she feels there is a mutual interest in keeping the company in Wilmington and looks forward to working with representatives of the Town.

Ms. Tokarczyk explained her experience and history of working on TIFs and explained the criteria a company must meet to qualify for an incentive. Eligibility requirements focus on growth sector companies, like manufacturing and life science companies, who tend to have a more educated work force. Current requirements include: job retention, job creation, and private investment, which is defined as bringing new tax revenue to the municipality. It is anticipated 50 additional jobs will be created.

Ms. Tokarczyk reviewed the timeline of events, by hopefully gaining approval of the Board of the Selectmen in March, approval of residents at Town Meeting in May, so the plan can be approved by the state at its review panel in June. She stated that Analog Devices is interested in hosting informational sessions with residents to educate them on the TIF proposal and having the Town's TIF Team and Finance Committee come and tour the facility.

Ms. Tokarczyk stated that there have been no formal discussions yet with the Town's TIF Team, however assessors, plan to visit next week to do an inspection.

Ms. Manganelli asked at what point a TIF becomes effective in the construction process. Ms. Tokarczyk stated that it is when the building is complete, assessed, and occupied. Mr. Errera noted that there are separate buildings planned that will open in stages. Construction on both buildings will commence at the same time, however, it is a shorter timeline to complete construction and occupy the "hub" building, which will function as a community center for employees, by spring of 2019. The office/lab building is estimated to be ready for occupancy by spring 2020. The parking garage has the shortest time frame for construction and will need to be completed prior to the new office/lab building.

Mr. Doherty asked what the timeline is for renovations to the existing building. Mr. Errera stated that the existing buildings are currently full. The new space would have to be available to temporarily relocate employees during renovations. Four floors in existing buildings are scheduled to be renovated beginning spring 2020 when the new construction is complete.

Mr. Doherty asked how the renovation creates new jobs. Mr. Errera stated that the update will enable the space to be better utilized to accommodate 10-15% more people.

Mr. Doherty asked about the retention of jobs with employees relocating from Chelmsford and Norwood. Ms. Tocarzyk stated the retention is for 600 jobs from other sites, plus the 1,600 jobs already in Wilmington. Mr. Errera stated there are approximately 300 employees in Norwood. Certain functions will have to move to Wilmington. The company would still keep a small presence south of Boston, but all other corporate functions would move to Wilmington.

Ms. Manganelli asked if more jobs would open up should entry-level administrative employees not want to move. Mr. Errera stated that there may be certain functions with employees late in their career who would prefer to work remotely. As those employees retire, those jobs would then be relocated to Wilmington. With the relocation, there may some amount of turnover. The company will work with employees on the transition, and over time employees may either decide the commute is acceptable, relocate closer to Wilmington, or resign.

Ms. Tokarczyk noted that the company is looking to recruit from the millennial crop of engineers who want to be able to live, work and play in a collaborative environment. Mr. Errera noted that the company's location near the train is suitable because young professionals tend to live in the city and do not own a car. Employees could commute via mass transit and the company would offer shuttles to and from the train station.

Ms. Manganelli asked whether special tax assessments still exist. Ms. Tokarczyk stated that there are two programs a municipality can offer. One is a TIF, the other is a special tax assessment. With a TIF, the municipality does not lose money on current taxes, it only applies to the assessed value of the new buildings. A special tax assessment is a statutory exemption that applies to 100% of the value.

Mr. Nally asked about the length of time applied to a TIF and whether there is a minimum figure for which a TIF can be granted. Ms. Tokarczyk stated that it is a minimum of five years and a maximum of twenty years. There is a minimum tax break of 1% and a maximum of 100%. There is no minimum on the value of a building.

Mr. Eaton noted the updated proposal received on February 2nd listed the estimated assessed value at \$40.1 million, while the original proposal received on January 26th listed the estimated assessed value at \$48.8 million and asked what had changed. Ms. Tokarczyk stated that the company was still working on its capital expenditure plan and that the square footage had changed. Mr. Errera noted that in that time, the company had met with Karen Rassias, Principal Assessor, and Mike Tarello of Vision, who gave them a better understanding on value of components added. The company is working with an architect, and with the Town for permitting. They hope to begin construction by the end of the summer. Mr. Eaton asked when the company plans to have their construction plan completed. Mr. Errera stated that it should be done by May.

Mr. Doherty asked if Analog Devices plans to do a traffic survey and what they anticipate the impact that more vehicles may have. He noted the anticipated re-opening of the New Boston Street bridge in Woburn, and current infrastructure challenges like the condition of Woburn Street, the intersection at Eames Street, and the congestion at the intersection at Lowell Street and Woburn Street. Mr. Errera stated that the company had done a commute study for their employees, but not a traffic study. He noted that the company had purchased a parcel of land which connects the campus to Industrial Way with the intention of building a point of egress to try to divert some traffic away from Woburn Street. Ms. Gallezzo asked if Valerie Gingrich, Director of Planning and Conservation, had asked the company to perform a traffic study. Mr. Errera stated that she had not.

Ms. Manganelli asked what is meant by “other properties estimated real estate taxes to Town” in the proposal. Mr. Errera stated that Analog Devices owns a total of four parcels: 804 Woburn Street, One Analog Way (linking 804 Woburn Street to Industrial Way), 829 Woburn Street, and 843 Woburn Street. One Analog Way and 843 Woburn Street are vacant parcels on which the company pays taxes. There are currently no plans to build on the vacant parcels. Ms. Manganelli asked whether the company would be paying any personal property tax. Ms. Tokarczyk stated that because is registered as a manufacturing company with the Department of Revenue, it is exempt from personal property tax.

Ms. Manganelli asked if the TIF would stay with the physical site if the company decides to leave before the TIF expires, and if a company taking over the property would be subject to the same criteria. Ms. Tokarczyk confirmed that the TIF would stay and a new company would have to follow the same restrictions. She noted there are TIF agreements which specify that the TIF is decertified if the requesting company vacates the property.

Mr. Doherty asked if the TIF for the renovated property would become effective at the completion of the renovations, or the completion of the new buildings. Ms. Tokarczyk stated that it would go into effect when the renovations are complete, and the space is occupied. The TIF also will not go into effect on the new buildings until they are occupied.

Mr. Hull noted a concern of the Town as construction commences and progresses, even though a structure is not complete, it still has an added assessed value. When it is assessed, it is valued at 100%. However, the TIF is not yet in effect and the assessed value is added as new growth to the Town’s revenue. It expands the amount of taxes the Town is able to assess. The added value can be levied the following year. However, when the TIF goes into effect at 95% reduction, the Town may lose revenue and force other taxpayers to make up the difference in value. During negotiations, the Town will look at possibly looking at implementing the TIF at the onset of construction, as opposed to waiting for occupancy. Ms. Tokarczyk noted that the program is flexible and has seen TIF agreements start at year one at 95% of partial construction.

Mr. Errera provided an overview of features that will be included in the new building including a fitness center and a cafeteria. Operation of the fitness center and cafeteria will be contractually outsourced. Kevin Caira of Woburn Street asked if many employees would continue to go out to area restaurants for lunch. Mr. Errera stated there will always be some people who go out for lunch. Visitors would likely be taken to area establishments, and internal meetings would likely be catered by local vendors.

Mr. Eaton noted that comparable TIFs from neighboring communities do not exceed fifteen-year terms, and the percentages proposed by Analog Devices seem aggressive. He stated that he believes changes need to be made to the terms and schedule if residents are asked to accept the TIF at Town Meeting. Mr. Errera expressed his understanding and explained that the tax rate is higher in Wilmington compared to other communities in which the company operates, and that it is trying to defray that increase as long as possible as a result of consolidating in Wilmington.

Mr. Eaton expressed his concern of the short time frame the Town was provided to make its decision. Mr. Stokes asked who at Analog Devices is involved in the discussions and what the turnaround time would be. Mr. Errera stated that he, General Counsel, and the CFO will make the decision with the CEO and Senior Vice President of Global Operations ultimately agreeing to any decision. It will not need to be approved by the company's board of directors.

Mr. Stokes asked what happens if another community offers a more favorable proposal before this proposal goes to Town Meeting. Mr. Errera stated that the company is not in talks with Chelmsford, though the community did reach out. The company prefers Wilmington, as they already have the presence and the land. If the company and the Town reach an agreement, they will move forward with the plan.

Mr. Hull stated that he was frustrated with the timing as the Town received notice of the proposal on January 23rd. It would have been helpful to begin conversations back in October or November to prevent the added stress to the Town's current workload. The Town is being asked to make a consequential decision in such a brief time frame, as deadlines are firm and the Town Meeting Warrant needs to be signed on March 12th. A solution is to draft an article to enable the issue to be considered at Town Meeting. If granted, this would be the first TIF accepted by the Town and there is concern it could set a precedent for other companies to request a TIF. Mr. Errera expressed appreciation for Mr. Hull's concerns, apologized for the timing, and stated that the company has experienced a significant amount of growth recently and now have an urgency to accommodate such growth. Mr. Hull stated that he does consider this an important issue, and that he was advised by Peter Milano, of the Massachusetts Office of Business Development, to not make a hasty decision in a condensed time frame. He stated that he is not opposed, but wants to be comfortable with the commitment.

Mr. Doherty asked if the company and the Town reach an agreement, whether the state has the ability to turn the TIF down. Ms. Tokarczyk stated that the state must approve it and that the approval is really more administrative.

Mr. Errera and Ms. Tokarczyk thanked the Committee for meeting with them and expressed their appreciation to the Town and stated that they believe an agreement will be mutually beneficial.

Following the discussion with the representatives from Analog Devices, the Committee continued discussions on their impressions.

The Committee expressed concerns with the length of the terms and the significant discount proposed in the first five years. Ms. Kincaid noted that if the discount starts at 100% in the first two years, Mr. Hull's concern of added value will not be affected.

Ms. Manganelli read an email from Mr. Couture in which he expressed similar concerns stating that he found the discount rates too high and the terms too long, though he does not know what they should be. He expressed concern that only 56 of the 1,600 employees are Wilmington residents and asked if there is a way to incentivize the company to employ more Wilmington residents. Mr. Nally stated that cannot be required.

Ms. Manganelli stated that Analog Devices has been a good neighbor and good corporate citizen for forty years and noted reasons it would be beneficial for the company to stay including: increased uses to small businesses in Town, donations to schools and the community, and it could stimulate mixed use development on Woburn Street. She expressed concern if the company leaves, as Textron is also largely vacant, it could further distress the area.

The Committee discussed traffic and infrastructure concerns, but agreed that a TIF would mutually benefit both the Town and the company provided both parties can come to an agreement on the term and rates.

At the conclusion of the discussion, and there being no further business to come before the Committee, a motion was made by Ms. Gallezzo, seconded by Mr. Stokes, and by the affirmative vote of all, it was

VOTED: That the Finance Committee adjourn.

Meeting adjourned at 9:22pm.

Respectfully submitted,

Recording Secretary