Tax Increment Financing (TIF) Agreement with Capstan Atlantic

Annual Town Meeting
Article 14
June 8, 2015
Agenda

- What is a TIF and How Does It Impact Wrentham?
- Why is a TIF Good for Wrentham?
- Background – Capstan Atlantic
- Opportunity and Benefits for Wrentham
- Key TIF Agreement Terms
- TIF Mechanics and Impacts
- Next Steps
What is a TIF and How Does It Impact Wrentham?

- **Tax Incentive Financing (TIF)**
  Public financing method that subsidizes redevelopment by incenting companies to invest in capital expansion and new employee growth.

- **Is TIF new?**
  - This economic development vehicle is new to Wrentham, but is not new in the state/region.
  - Approximately 1,600 TIFs authorized throughout Massachusetts since 1994.
  - Four TIFs authorized in the I-495/I-95 region since 2010 (Plainville, Franklin, North Attleboro and Foxboro).

TIFs assist in offsetting the costs of redevelopment
Why is a TIF Good for Wrentham?

- Provides an incentive for Capstan Atlantic to remain in Wrentham.
- Expands the Town’s commercial tax base.
- Keeps Wrentham competitive in the commercial market (Tyco Valve left downtown Wrentham for Mansfield under a TIF).
- Creates 50+ new full-time jobs. Many of these positions will pay a “living wage” (as opposed to retail, which is usually lower paying). Plus, the TIF will ensure the existing 207 full-time jobs remain here.
Background – Capstan Atlantic

- Capstan produces automotive and industrial parts.
- World leader in high volume sintered metal manufacturing.
- Founded in 1965.
- Located at 10 Cushing Drive, Wrentham.
- 207 full-time employees in Wrentham.
- Products are exported out of Massachusetts.
- Capstan needs additional building space.
Opportunity & Benefits for Wrentham

- Capstan is investing $2.8M for 30,000 sf building expansion.
- Existing jobs will remain, plus 50+ new full-time jobs will be created.
- Company is 7th largest tax payer in Wrentham, paying more than $103K per year in property taxes. This amount will not decrease with this proposal.
- Personal Property Taxes and Building Fees - 100% collected.
- Employees patronize local businesses.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Today</th>
<th>Future</th>
<th>Gain</th>
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<tbody>
<tr>
<td>Space Used</td>
<td>100,974 sf</td>
<td>130,854 sf</td>
<td>+30%</td>
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<tr>
<td>F/T Employees</td>
<td>207</td>
<td>257</td>
<td>+24%</td>
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<tr>
<td>Assessed Value</td>
<td>$5,515,700</td>
<td>$6,572,800</td>
<td>+19%</td>
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### Key Terms

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<thead>
<tr>
<th>Capstan Atlantic</th>
<th>Town of Wrentham</th>
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<tr>
<td>Invest $2.8M in building expansion and equipment</td>
<td>$109K in exemptions of property tax increases over ten year period.</td>
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<td>Retain 207 existing permanent full-time jobs and create minimum 50 new full-time jobs over 10 years.</td>
<td>Exemptions spread over 10 years, in accordance with exemption schedule.</td>
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<td>Remain in Wrentham.</td>
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<td>Timely payment of taxes owed to Town.</td>
<td>Year 11 onward, Capstan pays full commercial property tax bill.</td>
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<td>Provide annual reports to Town.</td>
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**Goal:** The combination of the TIF (Town) and ITC (State Investment Tax Credits) should allow the company to create jobs quicker and invest those savings in the company.
# Key Provisions

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<th>Issue</th>
<th>Provision</th>
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<td>Failure to perform</td>
<td>Town options include:</td>
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<td>- Ask State to decertify the agreement.</td>
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<td>- Recover benefits to company.</td>
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<td>- Terminate the agreement.</td>
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TIF Mechanics

1. Property taxes before investment
2. Baseline Growth
3. TIF on some % (5-100) of added value
4. TIF provides access to State Investment Tax Credit Award
5. Post-TIF Taxes

1. Taxes on original valuation.
2. Expected growth in tax, with no investment.
3. Investment raises property value.
4. Added value subject to TIF exemption.
5. Taxes available after TIF.
Estimated TIF Impacts

- Agreement = 11 year term
- Town secures 100% of CML property taxes (blue).
- Town gains growing shares of incremental property taxes as new revenue (red).
- Company gains declining exemption on incremental CML property tax (orange).
- At year 11, agreement ends & Town gains all CML property taxes as revenue.
Next Steps

- Annual Town Meeting Vote
- Assuming ATM approval, submit to State for
  * Approval ("Certification")
  * Eligible for State incentives
- July: TIF Agreement implementation
- 2016: Completion of building expansion