Tax Increment Financing Proposal

284 Elm Street – Archgrove Hopsitialty Hotel Project

City of Amesbury

October 2014

Mayor Ken Gray

William Scott
Director
Office of Community and Economic Development
City of Amesbury
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Introduction Proposal Purpose

This document provides a detailed overview of the proposal for a Tax Increment Financing Agreement with Archgrove Hospitality for the property at 284 Elm Street. The Commonwealth of Massachusetts requires several individual documents to facilitate approval at the Economic Assistance Coordinating Council. (See Appendix) Those documents are included in the Appendix of this document. Then intent of this document is to create single coordinated overview of the proposal to facilitate an informed process for review and action at the local level. Therefore the possibility of redundancy between the forms required by the Commonwealth of Massachusetts and this proposal is possible.

Section One: The Need for Incentives

1. Mutual Goals

As far back as September 17, 1998 the Town of Amesbury completed the "Economic Diversification Strategy", which was followed by the "2002 Redevelopment Plan - Lower Mill Yard". In 2007 the Golden Triangle study articulated the development potential of properties adjacent to I-495 and I-95. Both the Millyard and the Golden Triangle areas represent development opportunities facing constrained sites. The Golden Triangle is open land that requires roadway improvements, connections to local roads, and mitigation of environmental constraints in order to fully utilize the site. The development constraints, in the Golden Triangle, limit development potential for the highest and best users, and, as a result, development opportunities require more aggressive financial approaches to facilitate economic and job growth.

Those seeking development sites want a location that meets their needs as expressed in a cost effective project with no surprises. Sites with extraordinary costs, such as off-site traffic improvements, brownfields, and environmental constraints, generally do not attract development proposals. While business wants readily developable sites, the City needs businesses that responds to criteria such as: job creation, additional tax revenue, minimal municipal service impacts, and a business mix that meets the needs of the community. These needs, site suitability for the developer, and preferred land use for the City, are not mutually exclusive; in fact, they align well when the correct incentive programs are established.

An incentive package should target the capital needs of a preferred project to tie the incentive to level the playing field to attract uses that the community needs and prefers. Therefore, the program is not an outright subsidy, but rather the incentive program becomes a tool to overcome constrained sites so that the City can attract business and create jobs.

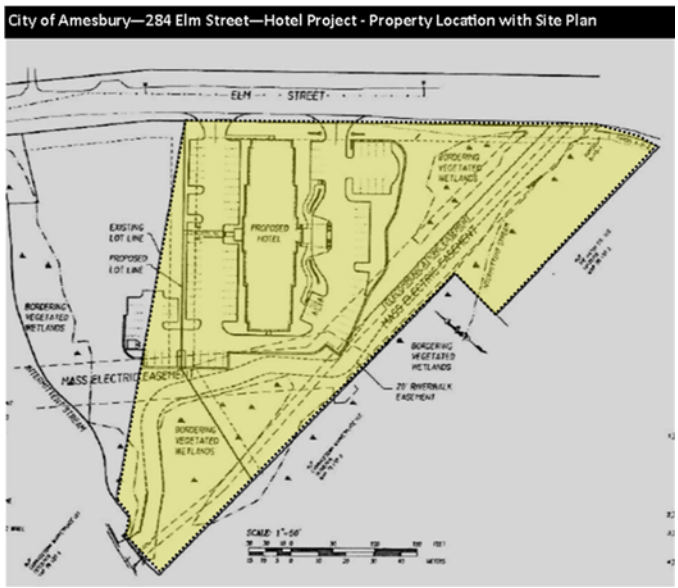
2. Targeting the TIF to Extraordinary Costs

The TIF program is a financial tool that provides a community with a competitive edge to attract business, create investment opportunities and create jobs. The TIF program allows a reduction of taxes for the value of the new development improvement, called the incremental increase, and not for the current values of the property, the base value. The current taxes on the property are not lost, only the taxes on the additional new value are impacted, in this proposal by reallocation

to cover extraordinary development costs. The incremental increase is represented by the improvements made to a property which are necessary to create the economic opportunity. The tax incentive can run for a twenty-year period. This plan advocates that the TIF program be used to relocate a percentage new tax payments to mitigate the additional site costs that are above a typical development of this type. The City advocates that the TIF should be used to make a project work financially, to overcome extraordinary costs and share in the burden and reward. A TIF allows the growth to happen sooner as the incentive changes the physical and therefore financial viability of a site. This places the development in the hands of the City as a partner as favorable opportunities arise.

To create support for a TIF program and incentivize key sites, the city has developed the *Economic Incentive Guidelines March 2014* and received approval in April 2014. The intent of the guidelines is to create an organized, equitable, and rationale process to achieving the economic goals of the City through the EDIP. The following section of this plan outlines the conformance of the proposal with the guidelines.

Section Two: 284 Elm Hotel Project Proposal



Introduction

This section outlines the proposals for use of the TIF program and how that proposal meets the criteria outlined in the Economic Incentives Guidelines adopted by the City. Archgrove Hospitality is planning on developing a Hotel at 284 Elm Street (see adjacent figure). The description of the project and company background is provided below, followed by the comparison of the project with the applicable criteria.

Applicant Business Background and Proposal

Archgrove Hospitality, Inc. is one of the region's leading hospitality companies, owning and operating eight trademarked hotels and inns catering to business and leisure travelers in Connecticut, Maine and New Hampshire. The companies sites include: Hampton Inn and Suites in Tilton, NH, Hampton Inn in Wallingford CT, Holiday Inn Express and Suites in Winsor Locks, CT, Holiday Inn Express and Suites in Smithfield, RI, Holiday Inn Express and Suites in Seabrook, NH, Holiday Inn Express and Suites in Tilton, NH, Holiday Inn Holiday Inn Express and Suites in Freeport, ME and a Holiday Inn Express in Biddeford, ME.

As per the EDIP Letter of Intent and Preliminary Application (see Appendix) Archgrove Hospitality, Inc. is proposing to construct and operate a ninety-two room hotel with meeting space at 284 Elm Street in Amesbury, MA (see Appendix for Site Location). The proposed development would be a trademarked hotel similar to those in our existing portfolio. The hotel, as proposed, would require an investment of in excess of $10.5 million and be approximately fifty-four thousand (54,000) square feet and include the

City of Amesbury—284 Elm Street—Hotel Project - Property Location Photos and Locus Map

ninety-two rooms, a meeting space, gym, breakfast room and indoor pool. The project site at 284 Elm Street has many extraordinary costs and is therefore prohibitive to development. Archgrove Hospitality, Inc. is seeking benefits associated with the Economic Development Incentive Program (EDIP) to help defray these costs and increase the project feasibility.

Project Compliance with Local Criteria

The proposal for a Hotel as outlined by the EDIP Preliminary Application filed October 25, 2014, represents a project which clearly meets the criteria outlined by City of Amesbury Economic Inventive Guidelines March 2014. The following sections represent a review of the proposal as it relates to the City of Amesbury local Certification Criteria.

A. TIF Plan Goals City of Amesbury

The provisions of an inactive to the above project will meet the below goals as excerpted from the City of Amesbury *Economic Incentive Guidelines March 2014* and as more specifically described in the below sections.

- Provide a means to stimulate private capital investment in commercial and industrial properties resulting in a substantive increase in net taxable property value.
- Encourage qualifying existing businesses to expand within the City of Amesbury.
- Attract new businesses that are compatible with the City of Amesbury.
- Foster reconstruction and renovation of vacant or underutilized commercial properties.
- Provide private funds to leverage public improvements that are mutually beneficial and necessary for the City and business community.
- Diversify the tax base and reduce the burden on residential properties.
- Stimulate the creation of jobs paying above the area median income for Amesbury.
- Increase the expediency at which redevelopment occurs by changing the financial options to development in a manner that favorably alters the financial feasibility.

B. Criteria

The following criteria result from the City of Amesbury *Economic Incentive Guidelines March 2014.* This is a review to determine compliance with those incentives.

1. **Job retention and/or creation:** The project will generate fifteen (15) jobs as outlined in the Agreement and the Preliminary application. Under local guidelines that would qualify the project for $750,000 in incentives. The guideline for the local requirement is one job for every $50,000 in tax incentive provided. In all projects the minimum level of jobs created must be consistent with state requirements for Certified Projects. Where extenuating circumstances that benefit the community are clearly evident as determine by the City, the City may waive the above. At 16 jobs, one more than cited in the State applications, the project will be allowed $800,000 incentive. The incentive estimate planned is $805,000 over ten years. The recommendation of this plan is to waive the local requirement due to the following: the nature of the site development costs, the

conservative job estimate of 15 by the applicant which could exceed 17 jobs (allowing an incentive of $850,000), and the more favorable economic ripple impact of a Hotel project.

2. **Business Loss of Opportunity to City:** The applicant has clearly indicated that in the absence of the incentive proposal that they will not proceed with the project. The site has been vacant for over a decade and has not seen a viable proposal other than this developer. As cited from the Preliminary Application: *"The project has many extraordinary costs and is therefore prohibitive to development."*

3. **Company Risk:** The nature of the economy, site, and type of business indicate that the applicant is willing to take reasonable risks to move forward with the project. Inherent in a Hotel site is the occupancy risk associated with a daily tenancy cycle. The lack of tenant commitment introduces substantial risk for hotel investors, given the variable demand for hotel rooms. Taken together, changes in rate and occupancy cause hotel income—and the cash flow—to be quite volatile over the course of a business cycle. This problem is further complicated by the nature of hotel cash flows and their dependence on the cost of wages and supplies, as well as the costs of financing. Hotels' volatility, which is a common measure of risk, gives rise to the perception of hotels as a risky type of investment property. The use of an incentive with a higher percentage in the first five years can provide a measure of fiscal security against risk taken by the developer.

4. **Incentives Limited and Required**: Based on a review with the applicant no other incentives are available within the timeframe of the developers rapid construction schedule , beyond the applicants financing, to address the additional costs associated with the site development.

5. **Offsite Impacts and Mitigation:** The project will not overburden or harm the City's existing infrastructure. The site plan review process addressed issues of infrastructure with the coordination of review through multiple departments. The impacts are therefore known and acceptable. The City is working on a traffic plan for the area which will incorporates this site as more development occurs.

6. **On-Site Impacts Mitigation:** The project will invest in on-site mitigation representing extraordinary costs which are required to overcome development constraints. The applicant has provided (see Appendix) correspondence from the contractor indicating the costs associated with site development that exceed normal project costs. These items are confirmed as required investments to develop the site in accordance with the approved plans.

7. **Project Capacity to Leverage Investments and Economic Development:** The project will create an economic ripple effect as a result of, but not limited to the following:

Direct Impact
Direct impact includes all projected revenues that will be generated from consumers at the new hotel. This will include all room revenues. Direct impact also includes total payroll paid out to employees hired at the hotel as well as all payroll paid out to temporary construction workers who construct the hotel. Archgrove Hospitality, Inc.'s internal marketing analysis anticipates that approximately 70% of the proposed facility's annual revenues will be derived from out-of-state travelers visiting Amesbury and Greater Essex County on leisure, tourism and business travel. Given the proposed site does not contain a full service restaurant local businesses will benefit from visitors.

Fiscal Impact
Fiscal impact refers to all federal, state, and local taxes that will be collected from the development and operations of the new hotel. Taxes include all sales taxes collected in association with the hotel generated revenues, as well as all payroll related taxes collected from full-time hotel employees and temporary construction workers. The City will also collect revenues through lodging taxes. In FY 2014 the revenues to the City from Hotel/Motel taxes for existing facilities was $125,138.00. This will increase given the doubling of rooms within the City.

Indirect Impact
In addition to local governments and hotel owners/employees, contractors and suppliers to a newly developed hotel will also benefit. Indirect impact includes all jobs and income generated by businesses that supply goods and services to the hotel. Examples of businesses that will indirectly benefit from the development of a hotel include suppliers of room related goods (housekeeping supplies, room amenities, etc), telecommunication vendors (internet, cable, etc.), utility companies, food and beverage suppliers, and other hotel related vendors.

Induced Impact
Induced impact refers to economic effects generated when employees (full-time and temporary) and suppliers re-spend their wages on local consumer purchases. For example, an employee may purchase gas for their car on their way home from work.

8. **Project Compatibility with City:** The Planning Board approved the plan review for the project in July 2012. The site is an allowed use for the zoning district. As a negotiated condition of the decision the City will obtain an easement for the regional rail trial thus meeting a valuable objective of the City's overall plan to diversify transportation routes.

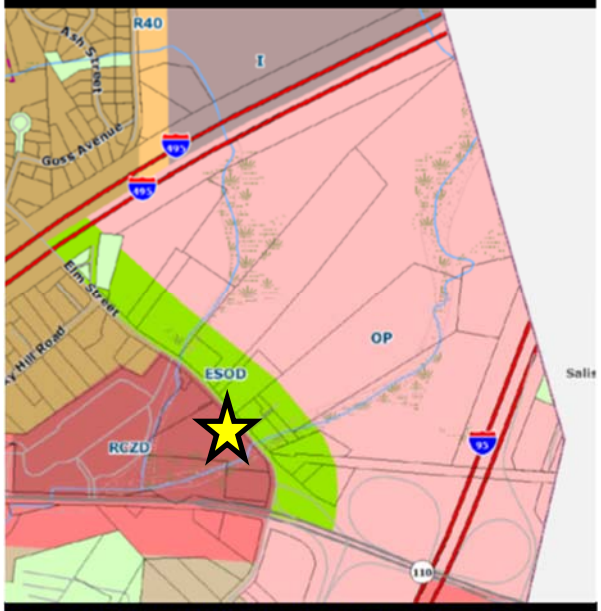
9. **Project Scale and Coordination:** The project will make full use of the applicable site. The City is in the process of coordinating traffic improvements to facilitate additional development within the Elm Street Corridor near route 110. Further the site, as per the Planning Board decision, will provide an easement to facilitate the construction of a segment of a regional bikeway system.

10. **Applicants Readiness and Profile:** Archgrove Hospitality, Inc. is one of the region's leading hospitality companies, owning and operating eight trademarked hotels and inns catering to business and leisure travelers in Connecticut, Maine and New Hampshire. The project has received permits from the Planning Board and Conservations Commission and has already begun the predevelopment process to fulfill the permits. http://www.archgrovehospitality.com/

11. **Use Eligibility:** The City of Amesbury recognizes the relationship between zoning as a means to manage land use, and incentives as a means to then attract preferred uses. The hotel project meets the requirements as a preferred use within the Economic Incentive Guidelines.

12. **Preferred Location:** The City is particularly interested in TIF Agreements that support projects that enhance the locations outlined in the City Incentive Guidelines. The Hotel project is located in the area between interstate routes I-95 and I-495 as shown on the map titled ***Golden Triangle: Preferred Location for an EOA Commercial Zones***, comprised of the zoning districts ESOD and OP, including all properties whether completely or partially in those zones.

Golden Triangle: Preferred Location for an EOA Commercial Zones



Commercially zoned properties in the "OP", "ESOD", and "RCZD" zones, between I 95 and I 495, and north of Route 110.

Section Three: 284 Elm Hotel Project TIF Proposal

Project TIF Rationale

Archgrove Hospitality, Inc. is proposing to construct and operate a ninety-two room hotel with meeting space at 282 Elm Street in Amesbury, MA. The proposed development would be a trademarked hotel similar to those in our existing portfolio. The hotel, as proposed, would be approximately fifty-four thousand (54,000) square feet and include the ninety-two rooms, a meeting space, gym, breakfast room and indoor pool. The project has many extraordinary costs and is therefore prohibitive to development. Archgrove Hospitality, Inc. is seeking benefits associated with the Economic Development Incentive Program (EDIP) to help defray these costs and increase the project feasibility.

The project investment will be in excess of $10.5 million dollars. This investment value could translate into a $7.5 million assessed value. With the current property value for 284 Elm Street at $542,000 the incremental increase for the property is $6.95 million (Assessed Value – Base Value = Increment). The site has constraints that represents over $890,000 in additional development costs (see Appendix for Opechee Letter). Archgrove wishes to achieve a TIF number close to the costs of the constraints while at a minimum obtaining $400,000 of that number within the first five years.

The City through the Office of Community and Economic Development negotiated with the developer running multiple scenarios to achieve a program that addresses multiple objectives. Proposals in five year increments such as 60-30-15 were found to be too long from the City's perspective, not enough incentive in the front end from the developer's perspective. During that process it was determined that both parties required a term shorter than 15 years. The developer wanted more incentive in the first five years during the risk period of the hotel business, and the City viewed the front-loading as positive to get to full value taxation sooner.

Tax Increment Financing Example 10 Years Hotel Site 75 % 35%

		A	B	C	D	E	F	G	
# Yrs.	Year FY	Tax Pre Development	Tax Post Development	Incremental Increase	Tax Reallocation Site Costs	Est Tax added with TIF	A + E Tax w Tif and Pre	Savings Est	
1	2017	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 109,431.95	$ 36,477.32	$ 47,843.06	$ 109,431.95	**First Five**
2	2018	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 109,431.95	$ 36,477.32	$ 47,843.06	$ 109,431.95	$ 109,431.95
3	2019	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 109,431.95	$ 36,477.32	$ 47,843.06	$ 109,431.95	$ 109,431.95
4	2020	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 109,431.95	$ 36,477.32	$ 47,843.06	$ 109,431.95	$ 109,431.95
5	2021	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 109,431.95	$ 36,477.32	$ 47,843.06	$ 109,431.95	$ 109,431.95
6	2022	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 51,068.24	$ 94,841.02	$ 106,206.76	$ 51,068.24	$ 109,431.95
7	2023	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 51,068.24	$ 94,841.02	$ 106,206.76	$ 51,068.24	$ 547,159.73
8	2024	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 51,068.24	$ 94,841.02	$ 106,206.76	$ 51,068.24	**Next Five**
9	2025	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 51,068.24	$ 94,841.02	$ 106,206.76	$ 51,068.24	$ 51,068.24
10	2026	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ 51,068.24	$ 94,841.02	$ 106,206.76	$ 51,068.24	$ 51,068.24
11	2027	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ -	$ 145,909.26	$ 157,275.00	$ -	$ 51,068.24
12	2028	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ -	$ 145,909.26	$ 157,275.00	$ -	$ 51,068.24
13	2029	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ -	$ 145,909.26	$ 157,275.00	$ -	$ 51,068.24
14	2030	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ -	$ 145,909.26	$ 157,275.00	$ -	$ 255,341.21
15	2031	$ 11,365.74	$ 157,275.00	$ 145,909.26	$ -	$ 145,909.26	$ 157,275.00	$ -	
		$ 170,486.10	$ 2,359,125.00	$ 2,188,638.90	$ 802,500.93	$ 1,386,137.97	$ 1,556,624.07	$ 802,500.93	
				(C-A)	C*tax reallocation	(C-D)			
	Tax rate	$ 20.97	$ 20.97						
	Property	*$ 542,000.00*	*$ 7,500,000.00*	$ 0.07	$ 6,958,000.00				
	Tax Bill	$ 11,365.74	$ 157,275.00	7%					
	Tax Incre	100.00%	100.00%						
	Tax reallocation %			1st five	75.00%				
				2nd five	35.00%				

Proposal Incentive Schedule

The above spreadsheet addresses the issues of both the City and the developer. With a 75% incentive in the first five years the developer obtains an estimated $109,431.95 annual incentive which provides the funds necessary to get through the more difficult years of a hotel project. Despite the tax incentive over the first five years the revenue to the City is more than three times the current revenue. Front loading the incentive provides a ten year term shorter than the allowable 20 year. The result is the City is able to get to the full tax value sooner. After the first five years the incentive is lowered by 40%, from 75% to 35% which has far less impact providing a $51,000 incentive. As a result of the 40% reduction in the incentive the revenue impact, $94,000 in year's six to ten, jumps to over eight times the current revenue. At the end of ten years the revenue climbs to the full amount over $145,000. The front loading of the incentive is preferred by the developer and the preference allowed the negotiations to reduce the overall benefit by more than $89,000 less than what was requested by the developer.

Without the incentive over the ten year term of the TIF, assuming the current undeveloped site value, the City would receive $113,657.40, with less than $12,000 per year in revenue. During the same ten year period, with the Hotel investment the City could realize over $656,000 in revenue not including the current taxes for the base. Including current base taxes the City would realize over $770,000. These numbers are dependent on several factors such as existing estimated values.

Outcome and Recommendations

The question is; does the City want $113,000 over ten years (not including rooms tax), or $770,000 over the same period? The primary aspect of the above schedule is the more expeditious arrival at a full tax bill under a ten year approach, and a rapid reduction in the incentive after five years from 75% to 35%. With that advantage the revenue will increase from the current $12,000 in revenue per year, to $36,000 in year one, $94,000 in year six, and over $145,000 in year ten.

The fluctuation in the economy does not provide consistent opportunities for economic development, the lack of development for properties over the past thirty years in the Golden Triangle, (routes I-95, I-495, and State 110) is indicative of the lack of poetical for multiple opportunities. The highly preferred nature of a Hotel use and the need to address site constraints creates a defendable rationale to provide an incentive. Waiting for another project that can fulfill these same outcomes will only serve to annually lose the revenue that can be gained by this proposal.

The recommendation of this proposal is to proceed with the agreement and take action on the applicable steps necessary to facilitate approval of the agreement at the local and State levels.

Appendix E

TIF Agreement Proposal

TAX INCREEMENT FINANCING AGREEMENT
CITY OF AMESBURY, MASSACHUSETTS
and

ARCHGROVE HOSPITALITY

This document and all attachments hereto and incorporated herein, hereinafter referred to as "AGREEMENT" is made this 20th day of November by and between the CITY OF AMESBURY, a municipal corporation duly organized under the laws of the Commonwealth of Massachusetts, having a principal place of business at City Hall, 62 Friend Street, Amesbury, Massachusetts, 01913, acting through the Mayor Ken Gray (hereinafter referred to as "CITY") and Archgrove Hospitality Inc, a New Hampshire corporation with a principal place of business at 75 Tilton Road, Tilton NH, 03276, represented by Director Shailesh Patel CEO (hereinafter referred to as" COMPANY"). The exemptions associated with this AGREEMENT will take effect beginning in the year the COMPANY receives the certificate of occupancy for the COMPANY's proposed expansion.

WHEREAS, the COMPANY wishes to improve and thereby increase the value of the property located at 284 Elm Street, Amesbury, hereafter known as PROPERTY as shown in Attachment "Exhibit A".; and

WHEREAS, pursuant to the City of Amesbury Guidelines for Incentives the CITY is willing to grant a tax concession to off-set the project's site-specific development constraints in return for guarantees by the COMPANY as cited herein; and,

WHEREAS, the COMPANY is seeking a Tax Increment Financing Exemption from the CITY (the "EXEMPTION") in order to enhance the financial viability of the proposed project to be established at the PROPERTY, in accordance with the Massachusetts Economic Development Incentive Program and Chapter 23A of the Massachusetts General Laws;

WHEREAS, the COMPANY by construction, occupancy, and operations of the proposed project will create employment opportunities.

WHEREAS, the proposal by the COMPANY will create additional taxation above the current values of the PROPERTY; and

WHEREAS, the Amesbury City Council voted to adopt the Amesbury Incentive Guidelines, contained in the report titled "The City of Amesbury Economic Incentives Strategy An Approach to Leverage Positive Economic Growth March 2014", as a means to support the use of Tax Increment Financing as a tool to encourage economic development within the Northern Essex Regional Economic Target Area; and

WHEREAS, The COMPANY has taken the initial steps and filed both a letter of interest and EDIP Preliminary Application as provided in "EXHIBIT B"

WHEREAS, the Amesbury City Council resolved on November 18, 2014 to endorse this AGREEMENT, the Economic Opportunity Area Designation, and the Tax Increment Financing Plan, and the authorization to submit to the EACC, as negotiated by the CITY and the COMPANY.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties do mutually agree as follows:

A. **THE COMPANY'S OBLIGATIONS**: The EXEMPTION granted to the COMPANY by the CITY is in consideration the COMPANY'S commitments stated hereafter as follows:

1. The COMPANY shall purchase the property within 90 days of the approval by the EACC, and construct on the PROPERTY a Hotel of approximately 54,000 sq. ft. with a proposed estimated property investment value of $10,593,800 million as further described in the approved Planning Board plans (hereafter the "FACILITY"). The FACILITY shall be located on Assessor's Parcel ID Map 80 Lot 1. For an exact location of the FACILITY, refer to Attachment, "EXHIBIT A."

2. The COMPANY shall create 15 permanent full time within five (5) years from the state incentive award under the Massachusetts Economic Development Incentive Program.

3. Subject to any applicable laws or regulations, and assuming equal qualification, the COMPANY shall use best efforts to afford priority to local contractors, vendors and suppliers, in connection with the construction of the FACILITY.

4. In the form and manner as mutually agreed to by the COMPANY and CITY, the COMPANY shall advertise locally for employment to Amesbury residents and hold a local job fair for the initial project applicants. The COMPANY must illustrate that at least 51% of the jobs must be afforded the opportunity to be filled by City of Amesbury residents with the employer working through established public and quasi-public employment service entities within the City of Amesbury.

5. The COMPANY shall submit annual reports of job creation, retention and new investment at the FACILITY to the State of Massachusetts and Community Development Office, of the City of Amesbury, for which the tax benefits granted herein are enjoyed. Reports shall be submitted in the time frame and with the information as required by the State of Massachusetts and forwarded to the CITY fourteen days prior to such submittal. The annual report shall include:

    a. the number of permanent full time jobs created and the number of people hired from with the ETA for the annual time period and on a cumulative basis;
    b. the value of the improvements invested by the COMPANY in the FACILITY annually on a cumulative basis; and
    c. the number of construction jobs created and the number of residents hired from the ETA during the construction period as applicable.
    d. Other information as maybe required by the Commonwealth of Massachusetts.

6. To pay all real estate taxes and utility fees owed the TOWN relating to the FACILITY in a timely fashion.

7. To comply with any and all local and State permits as required to obtain an eventual occupancy permit. To further continue such compliance as required to sustain occupancy and operations.

8. During the life of the Agreement, if the COMPANY decides to sell the FACILITY or the business or to otherwise transfer control of the FACILITY or business and/or operations thereof, the COMPANY shall give the CITY at least 90 days written notice of said sale or transfer. Said notice shall be given by certified mail, return receipt requested, to the Office of the Mayor, City Hall, 62 Friend Street, Amesbury, Massachusetts, 01913.

9. Additionally the COMPANY shall use its best efforts to give the CITY ninety (90) days prior notice of any corporate decision to (i) change the nature and/or character of their business operations at the FACILITY to one other than the originally proposed herein, or (ii) cease their business operations at the FACILITY.

B. THE CITY'S OBLIGATIONS

1. The CITY shall grant a tax increment financing exemption to the COMPANY in accordance with Massachusetts General Laws, Chapter 23A, Section 3E, Chapter 40, Section 59, and Chapter 59, Section 5. The exemption shall be for the period of ten (10) years (the "EXEMPTION PERIOD"), commencing with Fiscal Year 2017 (which begins July 1, 2016) and ending with Fiscal Year 2026 (which ends June 30, 2025) and shall provide a percentage EXEMPTION from taxation, as described in the table below, on the increased value of the FACILITY resulting from the FACILITY improvements.

2. The agreed base valuation of $542,000 for FY 2015 is establihsed as the assessed value of the FACILITY. The Tax Increment Financing Exemption formula for the FACILITY will be calculated as prescribed by Massachusetts General Laws and regulated by the Department of Revenue, and shall apply to the incremental difference in the above assessed real property tax valuation of the PROPERTY , and its assessed valuation for each of the next ten (10) fiscal years.

3. The Base Valuation is adjusted annually by an adjustment factor which reflects increased commercial and industrial property values within the community, as defined in Massachusetts General Laws. Any increase in the assessed value of the PROPERTY over the Base Valuation, or "increment", attributable to the renovations and/or improvements made in connection with the FACILITY is that amount eligible for exemption from taxation (the "Tax Increment Financing Exemption").

4. The EXEMPTION becomes effective on the July 1st following the both of the following; the date on which the EACC approves the TIF Plan pursuant to which this AGREEMENT is executed, as provided in 760 CMR 22.05 (4)(d), and the issuance of the occupancy permit for the FACILITY use as outlined herein.

5. The CITY finds that the development costs of the site requires a term in excess of five years and hereby affords a term of ten years. The exemption schedule on the value of the FACILITY is as follows: for each of the ten years of this AGREEMENT, the COMPANY will be granted a Real Estate exemption of the approved percentage of the full value of the FACILITY and pay taxes on the non-

exempt value of the FACILITY. In Fiscal Year 2027, the COMPANY will pay taxes on the full value of the FACILITY. The EXEMPTION shall not include Personnel Property taxes. The EXEMPTION shall be calculated and remain unchallenged for each fiscal year as follows:

Fiscal / Month Year	Percent	Fiscal / Month Year	Percent
2017 / July 2016	75%	2022 / July 2021	35%
2018 / July 2017	75%	2023 / July 2022	35%
2019 / July 2018	75%	2024 / July 2023	35%
2020 / July 2019	75%	2025 / July 2024	35%
2021 / July 2020	75%	2026 / July 2025	35%

C. OTHER CONSIDERATIONS

1. If after 30 days written notice to the COMPANY by the CITY, the COMPANY fails to meet the job creation and investment commitments specified herein, or fails to comply with all reporting requirements specified in this agreement, the CITY, acting through its Mayor, may, at its sole discretion, take action to request decertification of the project by the Economic Assistance Coordinating Council (EACC). Upon decertification, the CITY shall discontinue the Tax Increment Financing Exemption benefits described herein, commencing with the fiscal year for which the COMPANY did not meet its commitments. The above is notwithstanding any independent actions by the Commonwealth of Massachusetts as allowed by law.

2. This Tax Increment Financing Agreement shall be binding on all subsequent owners of the property. The CITY reserves the right to review and negotiate the Tax Increment Financing Agreement if the business activity ceases to be fully operational during the life of the Tax Increment Financing Agreement.

3. If the COMPANY decides to expand the FACILITY at any time during the life of the Tax Increment Financing Agreement, the CITY and the COMPANY may renegotiate the Tax Increment Financing Agreement to exempt all or part of the expansion from property taxes. The exact amount of that exemption will be determined at the time of the expansion.

Executed as sealed instrument on the day and year first above written.

CITY OF AMESBURY

_____

Ken Gray, Mayor

Date: _____

COMPANY, INC.

_____

Shailesh Patel, _____

Date: _____

Appendix E

City Council Order Draft

CITY OF AMESBURY
IN THE YEAR TWO THOUSAND FOURTEEN

SPONSORED BY: _____BILL No. ____
Mayor Gray

An Order that the Amesbury City Council hereby takes the following actions as individually cited below for the purpose of collectively approving a Tax Increment Financing incentive for Archgrove Hospitality as described herein and further described in the attachments which are incorporated herein by reference.

Be it Ordained by the City Council of the City of Amesbury, assembled, and by the authority of the same, as follows: that the Amesbury City Council hereby votes to approve and authorize the Mayor to take action on the following: Designation of the 284 Elm Street Economic Opportunity Area, located at 284 Elm Street in Amesbury, Amesbury Assessors Map 80 parcel 1, Essex County Registry of Deeds Book 09703 and Page 0107 comprised of 3.82 acres (hereafter referred to as the PROPERTY), a Tax Increment Financing Zone Application and Tax Increment Financing ("TIF") Plan, a Tax Increment Financing Agreement, by and Between the City of Amesbury and Archgrove Hospitality Inc, a New Hampshire corporation with a principal place of business at 75 Tilton Road, Tilton NH, 03276, represented by Director Shailesh Patel CEO (hereinafter referred to as" COMPANY").

WHEREAS, the COMPANY wishes to improve and thereby increase the value of the property located at 284 Elm Street, Amesbury, hereafter known as PROPERTY as shown in Attachment "Exhibit A".; and

WHEREAS, pursuant to the City of Amesbury Guidelines for Incentives the CITY is willing to grant a tax concession to off-set the project's site-specific development constraints in return for guarantees by the COMPANY as cited herein; and,

WHEREAS, the COMPANY is seeking a Tax Increment Financing Exemption from the CITY through the execution of the agreement as provide in Exhibit B, in order to enhance the financial viability of the proposed project to be established at the PROPERTY, in accordance with the Massachusetts Economic Development Incentive Program and Chapter 23A and Chapter 19 of the Acts of 1993 and 402 CMR 2.00;

WHEREAS, the COMPANY by construction, occupancy, and operations of the proposed project will create employment opportunities.

WHEREAS, the proposal by the COMPANY will create additional taxation above the current values of the PROPERTY; and

WHEREAS, the Amesbury City Council voted to adopt the Amesbury Incentive Guidelines, contained in the report titled "The City of Amesbury Economic Incentives Strategy An Approach to Leverage Positive Economic Growth March 2014", as a means to support the use of Tax Increment Financing as a tool to encourage economic development within the Northern Essex Regional Economic Target Area; and

WHEREAS, The COMPANY has taken the initial steps and filed both a letter of interest and EDIP Preliminary Application as provided in "EXHIBIT C"

NOW, THEREFORE BE IT Ordered by the City Council and the City of Amesbury that:

1. The City Council hereby authorizes the Mayor of the City of Amesbury to file an application and seek approval with the state Economic Assistance Coordinating Council (EACC) to establish an Economic Opportunity Area (EOA) for the PROPERTY, to be known as the 284 Elm Street Economic Opportunity Area;
2. The City Council hereby approves the TAX INCREMENT FINANCING ZONE AND PLAN CITY OF AMESBURY, MASSACHUSETTS and ARCHGROVE HOSPITALITY November 2014 which is attached hereto and incorporated herein by reference.
3. The City Council hereby authorizes and requests the Mayor to execute on behalf of the City a TIF Agreement and submit the TIF Zone and Plan to the EACC for its approval and certification pursuant to 402 CMR 2.18 and 751 CMR 11.06.
4. The City Council hereby designates the area known the PROPERTY as a TIF Zone pursuant to M.G.L. c.40 Sec. 59 and 751 CMR 11.04.
5. The Mayor shall be authorized to submit any and all required materials to the Commonwealth of Massachusetts Economic Assistance Coordinating Council and take such other action and execute any such documents on behalf of the City as may be necessary to carry out this order, the TIF Plan and the TIF Agreement.

First Read: November 5, 2014

Approved: _____

_____ _____

Council Clerk Council Chairman

Date:_____ Approved: _____

Ken Gray
Mayor