

DesignWerkes Inc Manufacturing Company Economic Incentive Proposal

An Approach to
Leverage Positive Growth



Mayor Ken Gray

William Scott, Director OCED
City of Amesbury
Office of Community
and Economic Development

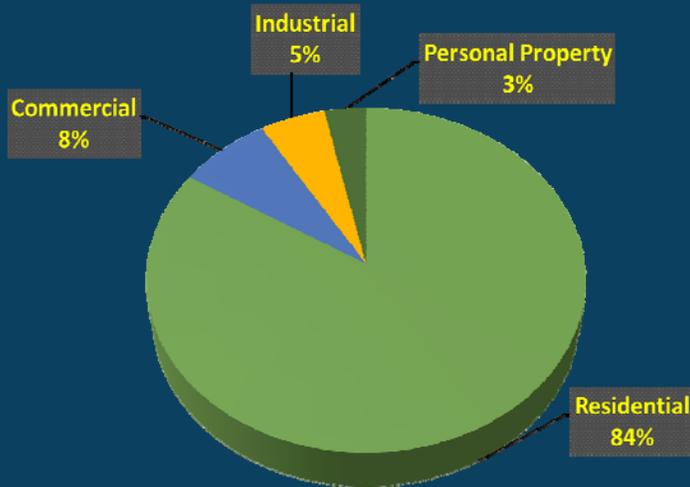


Economic Incentives: An Approach to Leverage Positive Growth

The Council Packet

- *Introductory letter from the Mayor*
- *Order to take steps required of TIF Approval*
- *Attachments for Order*
- *Introduction Letter from Community Development Director*
- *Preliminary Application EDIP*
- *Attachments to support above report*

Economic Incentives: An Approach to Leverage Positive Growth



A limited and costly mix

What is the issue we want to address; lack of tax diversity

2011 Assessed Values

Need to diversify the City's land use to create a broader tax base share the burden with new economic growth.

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DesignWerkes Inc. Amesbury Mass.

Designwerkes was founded in Amesbury Massachusetts in 1995 as a plain paper product design firm. Over the past twenty years the company has evolved into a complete product design and manufacturing company. Designwerkes ability to design and develop products to meet customer specifications is our major strength. This coupled with our state of the art manufacturing capabilities, is how Designwerkes is able to provide single source solutions to our customers. Designwerkes serves customers in the Transportation, Aerospace, Medical and Commercial industries.



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2 Industrial Way - DesignWerkes- The Project

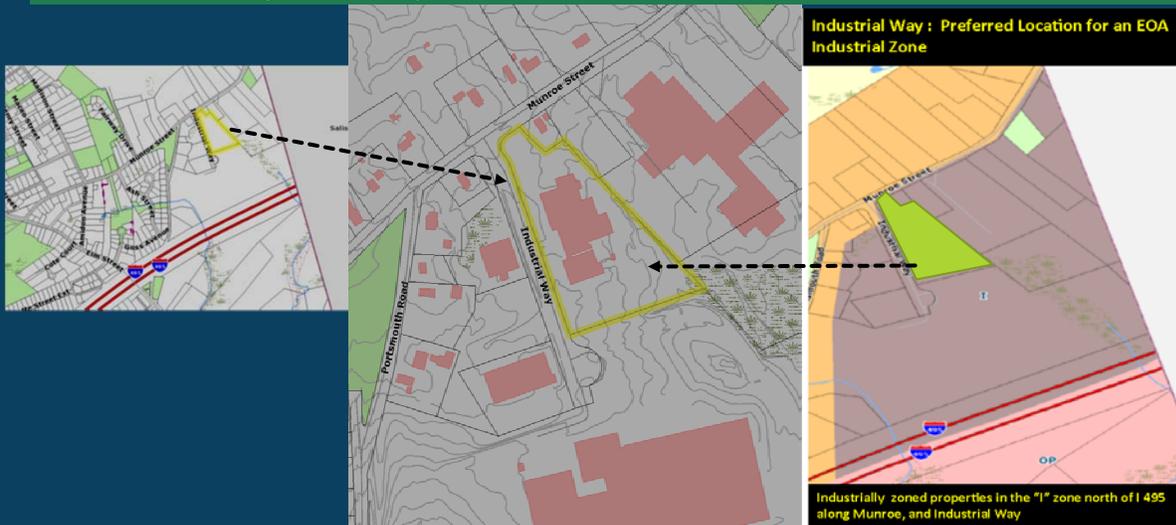
- Relocation and expansion of the business from 12,000 square feet of leased space, opening new space for growing companies in Amesbury.
- Acquisition of a currently dilapidated vacant building of over 40,000 square feet at 2 Industrial Way.
- Renovation of the building and expansion of production lines to include new equipment.
- Purchase of several new pieces of US made equipment totaling, \$803,775.
- Expansion by 15 additional employees over five years.
- The retention of the business and 25 employees in Amesbury.



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2 Industrial Way- The Project - Site



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2 Industrial Way- The Project - Site



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2 Industrial Way- The Project - Site



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2 Industrial Way– The Project - Site



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2 Industrial Way – The AEIC Guidelines Criteria

1. **Job Retention or Creation:** 15 Jobs
2. **Business Loss of Opportunity:** No TIF No Project the project requires an incentive to overcome the renovations to dilapidated building.
3. **Company Community Risk:** Inherent in a manufacturing use the business has other choices to sustain workforce, other sites, municipalities and even States. The incentive retains the business, facilitates growth, and creates jobs.
4. **Limited Incentives:** No other program to address these circumstances.
5. **Offsite Impacts:** Limited impacts to municipal infrastructure. Exiting building
6. **Capacity to Leverage other investments:**
 - **Direct Impact:** New higher paying jobs.
 - **Fiscal Impact:** State, local taxes. 99% of product sold to out-of-state companies.
 - **Indirect Impact:** Contractors and suppliers.
 - **Induced Impact:** Spending by employees in local economy.
7. **Compatibility with City:** In an industrial area, existing building, only building permit, no wetlands, site plan.
8. **Scale and Coordination:** Makes full use of the site. Leasing 8,000 sq ft of 44,000 to another company, new space.
9. **Readiness to Proceed:** Start construction Fall 2015 complete by June 2016.
10. **Use Eligibility:** Allowable for a TIF under guidelines.
11. **Location:** Located within a preferred location.

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2 Industrial Way- The Cost Constraints

Abandoned Building Requiring Work to Meet Codes *Construction Requirements to Address Constraints*

- Repairs to roof
 - Replacement of roof sections
 - Repair floors from prior equipment
 - Repair vestibule where interior wall is exposed to outside
 - Replacement of sprinkler systems from frozen pipes
 - Repair of facility from water damage.
 - Replacement of HVAC
 - Creation of additional production lines with new equipment
- **Additional Costs \$400,000**
not including land purchase

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2 Industrial Way- The Background for the TIF

- The project investment will be in excess of \$1,200,000 dollars.
- This investment value could translate into a \$2.25 million assessed value.
- The incremental increase is \$1,400,000 from a projected present value of \$850,000.
- The site has constraints that represents over \$400,000 in additional development costs.
- The City wants a shorter term than 15 years.
- The company more incentive in the first five years.
- The City viewed the front-loading as positive to get to full value taxation sooner.

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2 Industrial Way- The TIF Schedule

# Yrs.	Year	A		B		C		D		E		F		G	
		Tax Pre Development	Tax Post Development	Tax Post Development	Incremental Increase	Tax Reallocation To Capital Plan Cost	Est Tax added with TIF	A + E	Tax w Tif and Pre	Savings Est					
1	2016	\$ 17,459.00	\$ 47,182.50	\$ 29,723.50	\$ 22,292.63	\$ 7,430.88	\$ 24,889.88	\$ 22,292.63							
2	2017	\$ 17,895.48	\$ 48,362.06	\$ 30,466.59	\$ 22,849.94	\$ 7,616.65	\$ 25,512.12	\$ 22,849.94							
3	2018	\$ 18,342.86	\$ 49,571.11	\$ 31,228.25	\$ 23,421.19	\$ 7,807.06	\$ 26,149.92	\$ 23,421.19							
4	2019	\$ 18,801.43	\$ 50,810.39	\$ 32,008.96	\$ 24,006.72	\$ 8,002.24	\$ 26,803.67	\$ 24,006.72							
5	2020	\$ 19,271.47	\$ 52,080.65	\$ 32,809.18	\$ 24,606.89	\$ 8,202.30	\$ 27,473.76	\$ 24,606.89							
6	2021	\$ 19,753.26	\$ 53,382.67	\$ 33,629.41	\$ 11,770.29	\$ 21,859.12	\$ 41,612.37	\$ 11,770.29							
7	2022	\$ 20,247.09	\$ 54,717.23	\$ 34,470.15	\$ 12,064.55	\$ 22,405.60	\$ 42,652.68	\$ 12,064.55							
8	2023	\$ 20,753.26	\$ 56,085.17	\$ 35,331.90	\$ 12,366.17	\$ 22,965.74	\$ 43,719.00	\$ 12,366.17							
9	2024	\$ 21,272.10	\$ 57,487.29	\$ 36,215.20	\$ 12,675.32	\$ 23,539.88	\$ 44,811.98	\$ 12,675.32							
10	2025	\$ 21,803.90	\$ 58,924.48	\$ 37,120.58	\$ 12,992.20	\$ 24,128.38	\$ 45,932.27	\$ 12,992.20							
11	2026	\$ 22,349.00	\$ 60,397.59	\$ 38,048.59	\$ 3,804.86	\$ 34,243.73	\$ 56,592.73	\$ 3,804.86							
12	2027	\$ 22,907.72	\$ 61,907.53	\$ 38,999.81	\$ 3,899.98	\$ 35,099.83	\$ 58,007.55	\$ 3,899.98							
13	2028	\$ 23,480.41	\$ 63,455.22	\$ 39,974.80	\$ 3,997.48	\$ 35,977.32	\$ 59,457.74	\$ 3,997.48							
14	2029	\$ 24,067.42	\$ 65,041.60	\$ 40,974.17	\$ 4,097.42	\$ 36,876.76	\$ 60,944.18	\$ 4,097.42							
15	2030	\$ 24,669.11	\$ 66,667.64	\$ 41,998.53	\$ 4,199.85	\$ 37,798.67	\$ 62,467.78	\$ 4,199.85							
		\$ 313,073.51	\$ 846,073.13	\$ 532,999.62	\$ 199,045.48	\$ 333,954.14	\$ 647,027.65	\$ 199,045.48							
				(C-A)	(C*tax reallocation)	(C-D)									

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2 Industrial Way- The TIF

- With a **75% incentive in the first five years** the developer obtains an estimated **\$23,435 average annual incentive** which provides the funds necessary to get through the more difficult years of the project. The City would receive **\$26,000 average annual tax**.
- Front loading the incentive provides a **fifteen 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%, and then again to 10% which has far less impact.
- As a result of the 40% reduction in the incentive the **TIF Impact is, \$12,000 average savings to the development in year's six to ten**, and then down to **\$4,000 average savings over the last five years**.
- The City would receive **over \$43,750 average in years six to ten**, and then **\$68,860 average in years ten to fifteen**. After year 15 and with no TIF the value climbs to \$66,000
- With the proposed values, and considering the TIF incentives the value to the City is **\$647,027 and a total savings of \$199,045.48 to the company**.
- In twenty years with no TIF from year 15 to 20, the value increases to **\$972,017**.
- The amount provided by the City is less than half of the install constraint investment.

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2 Industrial Way- The TIF Bird in the hand...

- **Business retention** is as crucial as new business attraction.
- Manufacturing jobs, **higher pay, training** and increased disposable income.
- The company **hires and trains** to move people through the company.
- Manufacturing companies move within the **sphere of the company employee base**.
- This could be a 20 mile radius.
- **Location factors**; Site availability, access to highways, building costs, taxes, sewer, water, and other factors determine location.
- DesignWerkes has made a **20 year commitment to the City** and has found a site that meets many of the criteria.
- There are other sites with favorable conditions.
- DesignWerkes: move fills a vacant site, and opens up an incubator site.

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2 Industrial Way- The TIF No Action vs Action

No Action: Without the incentive over the 15 year term of the TIF, assuming the dilapidated site value, the City would receive **\$313,000**. **The building would continue to deteriorate and loose value.**

Action TIF and Project: During the same 15 year period, with the new investment the City could realize over **\$647,027 in revenue**. These numbers are dependent on several factors such as existing estimated values. The building will be fully occupied and repaired increasing the value.

**Business Retention, better taxes,
positive economic impact,
proven business growth**

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2 Industrial Way- The Schedule

1. July 27th EDIP Preliminary App due.
2. July 28th City Council and Finance Committee
3. Week of August 2nd AEIC and Ordinance
4. Week of August 2nd Site Visit to DesignWerkes
5. August 17: Council Packet for Hearing
6. August 25th Council Hearing
7. August 28th Final Application to State for EDIP
8. September 23rd EDIP Hearing
9. October 30th Finalize TIF
10. January 1, 2016 Occupancy Permit for Phase One production line
11. June 30th 2016 Phase two complete move into building.