

Andover's Plan for Economic Development

2010 Annual Town Meeting [PHASE 1] - Economic Target Area (ETA) approved

- Andover / Tewksbury

2011/2012 Activities

- **Town of Andover, Schneider Electric & Massachusetts discuss Tax Incentive Financing (TIF) opportunities**
- **TIF Sub-Committee created:**
 - Paul Materazzo - Planning Director
 - Donna Walsh - Finance Director
 - David Billard - Assessor
 - Joan Duff - Planning Board
 - Joanne Marden - Finance Committee
 - Brian Major - Board of Selectmen
- **TIF proposal structured**
- **Warrant Article created**

2012 Annual Town Meeting [PHASE 2] - Schneider Electric proposal considered

- **Board of Selectmen – TIF contract agreement**
- **Commonwealth of Massachusetts – TIF contract approval authorized**

Following 2010's ETA approval, TIF with Schneider will enable economic growth

Schneider Electric Tax Incentive Financing Proposal

Who is Schneider Electric?

An international company specializing in energy management focused on making energy safe, reliable, efficient, productive and green.

Schneider offers integrated solutions across multiple market segments, including leading positions in:

- Utilities and Infrastructures
- Industries and Machine Manufacturers
- Non-residential Buildings
- Data Centers & Networks
- Residential

<http://www.schneider-electric.com>

Schneider is a Global Specialist in Energy Management

What is a TIF and how does it impact Andover?

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 Andover
- Approximately 1,800 TIFs authorized throughout Massachusetts since 1993
- Approximately 65 TIFs authorized throughout the Merrimack Valley

TIF Warrant Article

Enables the Board of Selectmen to negotiate a favorable TIF agreement with Schneider Electric (future proposals must be subsequently approved by Town Meeting and the Board of Selectmen)

This agreement must be subsequently approved by the state

TIFs assist in offsetting the costs of redevelopment

Terms of the Schneider Electric TIF proposal

TIF Agreement Proposal Terms:

- Applies only to Schneider Electric at 800 Federal Street
- 5 year TIF agreement
- Incremental property tax relief (100% in years 1-3; 65% in years 4-5)
- Personal Property Taxes - 100% collected
- Building Fees - 100% collected
- \$20M minimum investment during life of TIF
- 800 Federal Street increased from 160K ft² to ~220 ft²
- 65 jobs retained in Andover
- 525 jobs relocated to Andover
- 75 additional jobs created in Andover over life of TIF

TIFs assist in offsetting the costs of redevelopment

Where is 800 Federal Street?



Current Situation

- Valuation = \$8M
- Property Tax = \$185K
- Years Vacant = 7
- Square Footage = 160K
- Employees = 65*

Future Situation

- Valuation = \$20M
- Property Tax = \$470K
- Square Footage = 220K
- Employees = 665

* Schneider currently has 65 employees in Andover

Where is 800 Federal Street?

River Road

Interstate 93



Property Tax Change Example

Andover's Tax Incentive Financing (TIF) Proposed Agreement with Schneider Electric (800 Federal Street)

FY	Exemption %	800 Federal Street Valuation	TIF \$	Pre-TIF Andover Tax	Andover Incremental Tax/Fees	Total
2013	0	8,000,000	0	185,000	500,000	\$685,000
2014	100	20,000,000	280,000	185,000	0	\$185,000
2015	100	20,000,000	280,000	185,000	0	\$185,000
2016	100	20,000,000	280,000	185,000	0	\$185,000
2017	65	20,000,000	180,000	185,000	100,000	\$285,000
2018	65	20,000,000	180,000	185,000	100,000	\$285,000
2019	0	20,000,000	0	185,000	285,000	\$470,000

5 year TIF benefit to Schneider = \$1,200,000
10 year TIF benefit to Andover = \$1,600,000

TIF will encourage the redevelopment of 800 Federal Street that has been vacant for 7 years