

Devens Economic Analysis Team (“DEAT”)

Minutes of August 14, 2015 Meeting

7:30 AM

Hildreth House

Paul Green, Secretary

Members Present: Paul Green, Noyan Kinayman, Victor Normand, and Christopher Roy.

Members Absent: Steve Finnegan.

Paul Green, Secretary of DEAT, call the meeting to order at 7:48 am.

Old Business

Approval of Minutes

Paul passed out minutes of our meetings of July 10 and 31, 2015. Victor moved to accept them and Noyan seconded the motion. The Committee unanimously approved them.

Annual Report

Victor passed out draft copies of our annual report for 2015, which included multiple exhibits of data concerning property values and tax revenues for the Harvard portion of Devens. He noted that despite the worst economic depression since the Great Depression, the property values at Devens declined less than the overall economy; down 20% versus down 30%. Victor noted that the diversity of the businesses and activities at Devens helped because not all types of businesses were affected in the same manner.

Exhibit A shows the assessed values of property in Harvard, property in the Harvard portion of Devens (“Devens/Harvard”), for the fiscal years 2010 to 2015 (6 years). The combined valuation is over \$1.2B, split about 85-15 between Harvard and Devens/Harvard. Exhibit B shows an income and expense projection for Harvard plus Devens/Harvard using the same methods we have used in previous years. We estimate that the budget shortfall for FY2015 is now under \$500K. Exhibit C lists development sites in Devens/Harvard. There are 11 sites on the market, ranging from 2 acres to 22 acres, for a total of approximately 89 acres. We conservatively estimate the maximum potential property tax revenue for these sites, if fully developed, at well over \$1M per year. Exhibit D lists 11 development sites that are in Harvard, but which for various reasons are not yet on the market. These sites total 148 acres. We conservatively estimate the maximum potential property tax revenue at \$1.5M per year. Exhibit E lists 12 lists already sold sites that have significant unused expansion potential. We conservatively estimate the maximum additional property tax revenue at \$1.4M per year.

Victor noted that the current environmental permit for Devens caps development at 8M sq. ft. Existing development totals 4.5M sq. ft. We estimate that the sum of the remaining potential sq. ft. to be around 4.4M sq. ft., which if all built would slightly exceed the cap. He noted that the 8M sq. ft. goal and associated permit was set 20 years ago, and that the experience over the last 20 years is tracking to the original target.

Victor pointed out that with a projected deficit of under \$500M, and projected tax revenues from actively-marketed development sites, future development sites, and expansion of current sites adding up to \$3.9M, there is no longer any question that Harvard plus Devens/Harvard will be economically viable.

Victor asked each committee member to send him comments and corrections, as well as our thoughts on appropriate conclusions (which he has not yet written).

Paul said he felt this data is an argument for Harvard to get more engaged at Devens; what are our needs, wants and desires?

Victor said that the Master Plan Steering Committee is working on Devens. They have engaged a consultant who is mapping Master Plan elements onto Devens and will also look at economic issues.

Paul asked if we should hold a public hearing this year.

Victor said that he felt such a decision is up to the Board of Selectmen. Victor also noted that our expense budget estimation methodology was general and the data that drives it should be easy to update in future years.

Victor spoke at length about the frequently heard comment that “Harvard has to make up its mind”. Until now, the response has usually been that we don’t have enough information. Now we are starting to settle the economic question. We can see that our property taxes won’t skyrocket if we resume jurisdiction over our historic portion of Devens. The town can turn to posing other questions about Devens. He felt that if Harvard takes on Devens/Harvard, our town government must get more sophisticated. At the same time, we will have the money to pay for the increased work. Some positions and responsibilities that are now run by volunteers will need to be taken over by professionals. One such example might be the scheduling of the athletic fields at Devens; with so many fields, and so many parties using them, it would be quite a task to manage the schedule.

Chris said that he had recently attended a Harvard Law seminar on Community Broadband in Massachusetts. There he learned that several towns are forming new municipal light plants, which will purchase power supply contracts and have the ability to invest in broadband infrastructure. These are called paper light plants because they do not own any facilities. He said that if Harvard had a paper municipal light plant, we could piggyback on the Devens contract and rates.

Victor noted that a discussion of municipal light plans raises the issue of capital equipment, which we have not covered in our reports. The fact is that the Devens capital equipment is new and early in its

lifecycle, so we should have plenty of time to build up reserves that can be used to repair or replace it in future years.

Noyan asked which company owns the utility poles in Harvard.

Paul thought that Verizon owned them.

Chris said that sometimes the poles are jointly owned; when there are two numbers on the pole, the top number shows who owns the pole. When they are jointly owned, the costs are shared 50-50.

Victor noted that Mass Development owns the poles and other capital equipment at Devens.

Chris noted that buying power is a paper transaction and does not require a capital investment. Owning infrastructure does require a capital investment and upkeep.

Paul said that he believed that, if a Town wanted to get into the infrastructure business, it is under no legal obligation to offer to purchase an existing electric infrastructure when they establish their own municipal utility. The Town could build a completely new infrastructure; for example, it could bury utility wires and never install poles.

Chris said that Paul is correct.

Chris pointed out that municipal utilities are not under the statewide net metering cap. They are free to establish their own solar power plans. Historically, some towns (Braintree and Hudson) have owned their own power generation plants. Groveland has built a solar farm big enough to power the whole town. Concord has a net-metering plan for its customers who have purchased solar.

Victor felt that if we can establish a municipal utility at Devens, over time it could establish its credibility and be in a strong position to negotiate to assume responsibility for Harvard as well.

Paul thought that the cost of maintaining the electric infrastructure in Harvard must be pretty high relative to the total revenue. If so, this might be a good argument for convincing National Grid to divest itself of it and pass responsibility to a public utility.

Victor felt that starting up a new public utility would be a much harder sell to town residents than convincing them to move to a different utility. Any large changes like this would need strong public support.

Noyan asked if utilities could purchase insurance to protect their finances in the event of a major catastrophe.

Chris said that such insurance is available. He gave an example of purchasing insurance for a substation to protect against a hit from a tornado.

Chris reported that it takes 3 years to set up a new public utility, including votes in 2 consecutive years in Town Meeting.

Conservation Costs of Operation and Upkeep

No report.

New Business

None.

Select Future Meeting Dates and Locations

The next meeting date was set for Friday, August 21, 2015, at Hildreth House, at 7:30 am.

Adjourn

The meeting adjourned at 9:00 am.