

Devens Economic Analysis Team (“DEAT”)

Minutes of September 18, 2015 Meeting

8:00 AM

Hildreth House

Paul Green, Secretary

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

Members Absent: None.

Guest: Lucy Wallace

Victor Normand, Chairman of DEAT, call the meeting to order at 8:10am.

Old Business

Approval of Minutes

Minutes for the April 24th and September 11th meetings were reviewed, corrected and approved. Steve Finnegan moved to approve the minutes and Chris Roy 2nd the motion. The vote was unanimous.

Annual Report

Victor distributed copies of the revised, draft final report and the committee reviewed it.

The report now includes information from the Bristol Myers Squibb (BMS) Tax Increment Financing (TIF) agreement as Exhibit F. Victor said that, as far as he is aware, there are only a few other TIFs still in force, and they are close to ending. Paul said that he has asked MassDevelopment for copies of them.

Victor noted that Bristol Myers has plans for 3 phases of construction, and they are still in Phase 1.

During the general discussion, Victor noted that Devens and Harvard have similar residential tax rates (Harvard for 2015 is \$17.79; Devens for 2015 is \$16.71). Harvard has the same rate for both residential and commercial; Devens has a split rate, and their commercial rate is \$22.60. Victor pointed out that towns don't directly set the rate; it is a function of the budget and the assessed values. The state then certifies it. Devens is a special case; MassDevelopment does set the rate directly. MassDevelopment has used the Devens residential tax rate as an incentive by keeping it slightly below surrounding towns.

Victor said that while RKG Associates was still working on the Harvard Master Plan update, they used two different models to estimate the costs of running Devens as an additional to Harvard; one estimate came out slightly higher than our model; the other estimate came out slightly lower. So he feels that our model is sufficiently accurate for current purposes.

We then discussed the exhibits that are part of the report. Exhibit A shows the assessed values of properties in Harvard, the Harvard portion of Devens, and the combination of both areas. Exhibit B

shows the actual municipal budget for Harvard, the estimated budget for the Harvard portion of Devens, and the combination of both. Since FY2010, the shortfall has dropped from \$1.5M to under \$500K. Exhibit C shows the sites that are ready for development and currently for sale. Exhibit D shows the sites that are not yet for sale. Exhibit E shows the already-sold sites that have further expansion possibilities. Exhibit F shows the schedule for the TIF granted to Bristol Myers Squibb (BMS).

Victor noted that despite the recession, the assessed values of Harvard and Harvard/Devens properties have been fairly stable, with the economic recession the primary driver for a slight decline from FY2010 to FY2014, followed by an increase in FY2015. It took 2-3 years for the recession to affect valuations. He also noted that assessed values are designed to change slowly. Assessments for fiscal year X, ending in June of year X, are usually set in the fall of year X-1 (based on property values as of January of year X-1). In other words, property values as of January 2015 are used during 2015, along with the FY2016 expenses approved by the 2015 Annual Town Meeting, along with estimates of state aid for FY2016, to set the FY2016 tax rate. Until the tax rate is certified, part way through FY2016, the town mails out estimated bills. After the state certifies the tax rate, the town sends out bills for the exact amount.

Victor then explained how the TIF works. The assessors determine the valuation of the property, and then discount it according to the schedule in the TIF. This discounted value becomes the basis for taxation. This year, the full BMS valuation was \$86M; the schedule shows a 90% reduction in assessments, so they paid taxes only on \$8.6M.

The committee discussed the effect of the year-over-year increases in property taxes paid by BMS, per the schedule in their TIF, and the effect of future land sales and subsequent development. The consensus of our committee is that the Harvard portion of Devens will become economically viable within a few years. The exact dates is difficult to project, as it depends upon factors such as infrastructure completion, land sales, construction activities, and the impact of the overall economy, as well as the accuracy of our expense model.

We also discussed various specific areas of the report, and the proposed conclusions, and Victor agreed to produce a revised copy for our next meeting.

New Business

None.

Select Future Meeting Dates and Locations

The next meeting was set for Friday, September 25, 2015, at Hildreth House, at 8:00 am.

Adjourn

The meeting adjourned at 8:55 am.