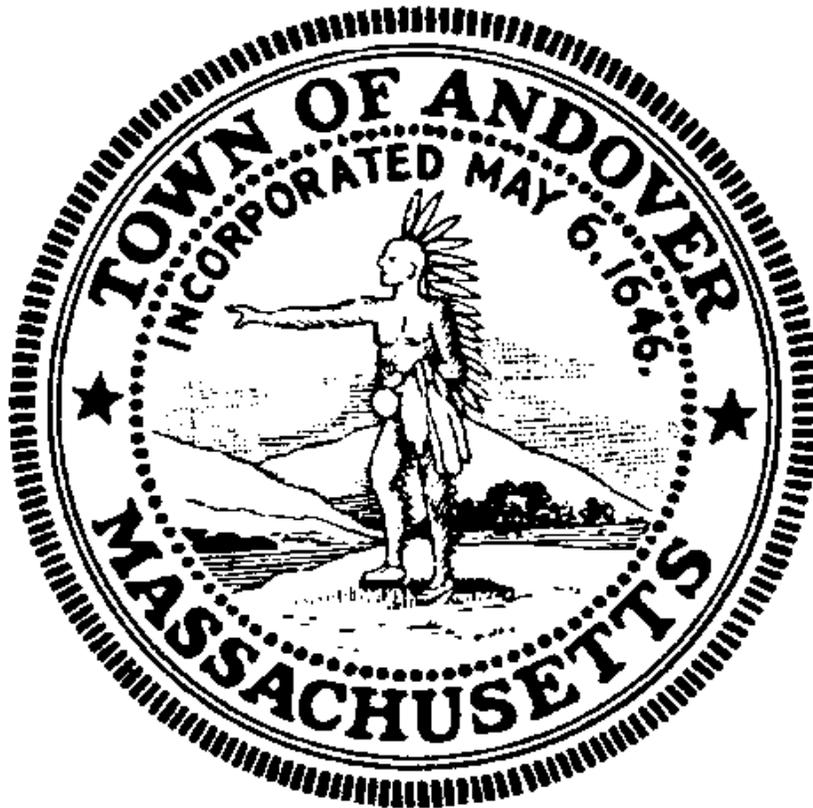


FINANCE COMMITTEE REPORT



**SPECIAL TOWN MEETING
TUESDAY, APRIL 30, 2019**

SPECIAL TOWN MEETING

PLAN TO ARRIVE EARLY (There are other events scheduled on the Andover High School campus this evening)

All Town Meeting attendees must be checked into the meeting in the lobby of the J. Everett Collins Center for the Performing Arts on April 30. Voters must check in at their precinct table. Visit the Town website at www.andoverma.gov and click on "Town Clerk's Office" under the "Departments" tab and click on "Elections" to search for your precinct under the "Precinct Search" tab. To avoid delays at check in, please check your precinct prior to Town Meeting.

Voters: Only voters who registered by the deadline (April 10th) will be allowed to vote at this Town Meeting. Voters will receive a sticker that must be worn in a visible location on their person to vote.

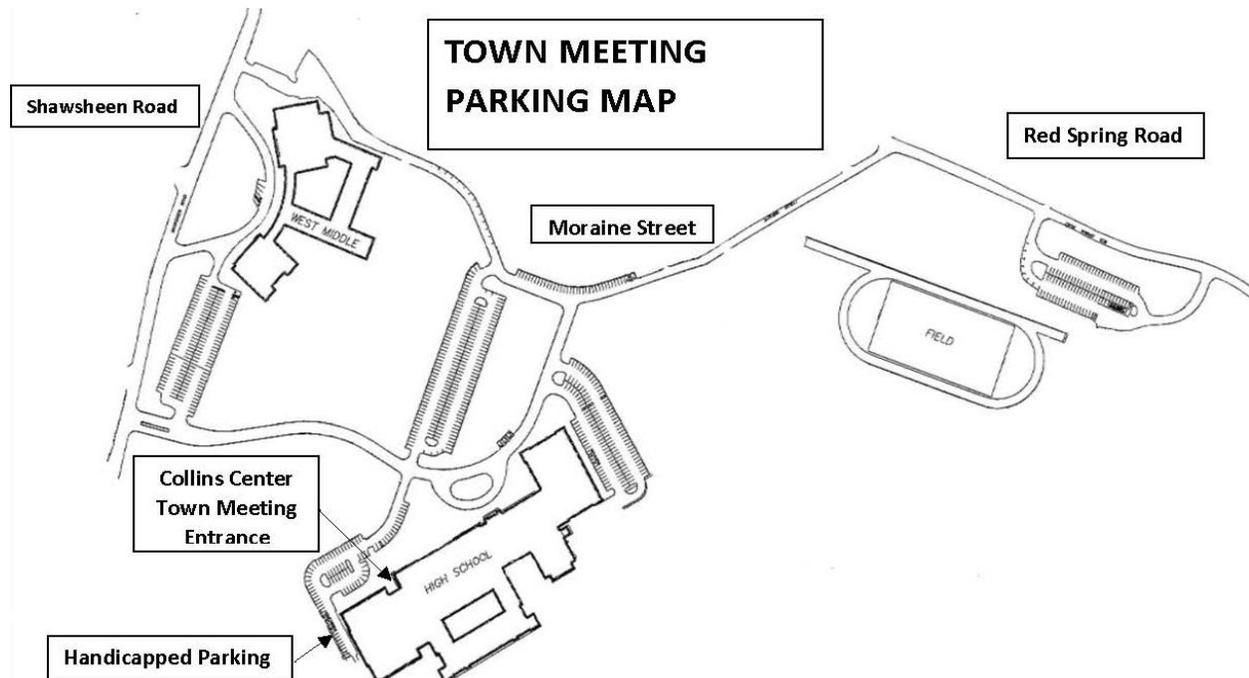
Non-Voters: Non-voters may attend Town Meeting and will be seated in a special section. Non-voters must check in at the Town Clerk's table in the lobby to register before being seated. Please be aware that non-voters will not be seated until after 7:00 P.M. when they are voted admittance by Town Meeting.

Overflow Seating: If meeting attendance exceeds the capacity of the Collins Center, voters and non-voters may be directed to sit in the High School cafeteria. The cafeteria is linked by video and audio feed to the Collins Center. Participants in both areas will be able to speak to the meeting and vote.

Children: Children may enter the meeting as non-voters. *See above.* Parents must attend small children during the meeting and sit with them in the designated non-voter section. Voters (with visible stickers) may vote from the non-voter section. Please notify the section counter if you are a voting member. No children or non-voters may sit in the registered voter sections.

Parking: There are several parking lots available:

1. Collins Center Lot
2. Main Lot at the High School
3. West Middle School Lot
4. Lot beside the Field House
5. Red Spring Road



April 12, 2019

To the Citizens of Andover,

A Special Town “Meeting Within a Meeting” will be held on the second night of the Annual Town Meeting on April 30, 2019. This Special Town Meeting is being held to address matters which arose after the regular Town Meeting Warrant was closed.

Voters will be asked to decide upon two Warrant Articles.

Article 1 asks for approval of a Tax Increment Financing (TIF) Agreement with Vicor Corporation. Approval or disapproval of Article 1 will have a long-term financial impact on tax revenues, and it is the Finance Committee’s responsibility to make sure that voters fully understand the consequences of their vote.

Article 2 asks for the appropriation of the sum of \$50,000 to pay for the costs associated with purchasing ten (10) Automatic External Defibrillators (AEDs) for use at town playing fields. These funds were not included in the Town Manager’s FY2020 Recommended Budget and Financial Plan and, if approved, would require the transfer from available funds and authorize the Board of Selectmen to consider state or federal grants or assistance to help pay for the equipment.

Our report contains information that will help inform you as you vote on these two articles. Please join us at a Special Town Meeting beginning on April 30th at 7:00 P.M. in the J. Everett Collins Center Auditorium at the Andover High School. Annual Town Meeting proceedings will continue upon conclusion of this Special Town Meeting.

The Finance Committee

Eugenie M. Moffitt, Chair
John J. Barry, Jr., Vice-Chair

Linn N. Anderson	Spiro A. Christopoulos	Blackwell O. J. Taylor
Bonita J. Zahorik	Paul F. Russo, Jr.	Paul Monticciolo
	Andrew Betts	

W A R R A N T
THE COMMONWEALTH OF MASSACHUSETTS
ESSEX, SS.

To Either of the Constables of the Town of Andover

Greeting:

In the name of the Commonwealth you are hereby required to notify and warn the Inhabitants of said Town who are qualified to vote in Town Affairs to meet and assemble at the J. Everett Collins Center Auditorium, Andover High School, Shawsheen Road, in said Andover, on

TUESDAY, THE THIRTIETH DAY OF APRIL, 2019

At seven o'clock P.M. to act upon the following articles:

ARTICLE 1	TAX INCREMENT FINANCING AGREEMENT
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To see if the Town will vote to (i) approve a Tax Increment Financing Agreement (hereafter known as the TIF Agreement) with Vicor Corporation for 400 Federal Street, shown on Andover Assessors Map 144 as Parcel 4, in substantially similar form to the TIF Agreement on file with the Andover Town Clerk, which TIF Agreement provides for real estate tax exemptions at the exemption rate schedules set forth therein, and (ii) approve an Economic Development Incentive Program (“EDIP”) Local Incentive Only Application submission to the Massachusetts Economic Assistance Coordinating Council (the “EACC”), and (iii) authorize the Board of Selectmen to execute the TIF Agreement in substantially the same form as on file with the Andover Town Clerk and any documents related thereto, to take any such action as is necessary to obtain approval of the Local Incentive Only Application submission, and to implement the TIF Agreement. The TIF Agreement shall provide that the Town shall provide for an exemption of property taxes or a percentage thereof based on the incremental increase in property value in assessed valuation of the property for a period of not less than five years or more than twenty years in accordance with the requirements of Massachusetts General Laws Chapter 40, Section 59; Chapter 23A, Section 3E and 3F; and the applicable regulations thereunder. In return for such tax benefits, in accordance with the TIF Agreement, Vicor Corporation shall ensure at the above property the location and expansion of uses which increase job creation, provide higher property values, and retain or expand economic development in the Town and the Commonwealth; or take any other action related thereto.

On request of the Town Manager

Vicor Corporation Overview

Vicor Corporation is a leading developer and manufacturer of modular power components for use within the aerospace/defense, communications, computing, industrial, and automobile markets. Key products include AC-DC power converters, DC-DC converters, and complete power systems. AC wall power must be converted to provide stable, precise DC power for use by electronic system components such as chips. Multiple DC levels are typically required in these systems, hence, the need for DC-DC conversion.

Vicor was founded in 1981 with corporate headquarters located at 25 Frontage Road. Their 230,000 square foot manufacturing site is located at 400 Federal Street. A map showing the Federal Street location is found in Figure 1. There are additional locations throughout the United States, Europe, and Asia. As of March 31, 2019 Vicor employed 1,022 people in total. The Andover locations have 771 full-time employees with 569 assigned to manufacturing-related jobs. Net revenues as of December 31, 2018 were approximately \$291,220,000. Vicor (VICR) is listed on the NASDAQ exchange with a market capitalization of approximately \$1.25B as of April 9, 2019.

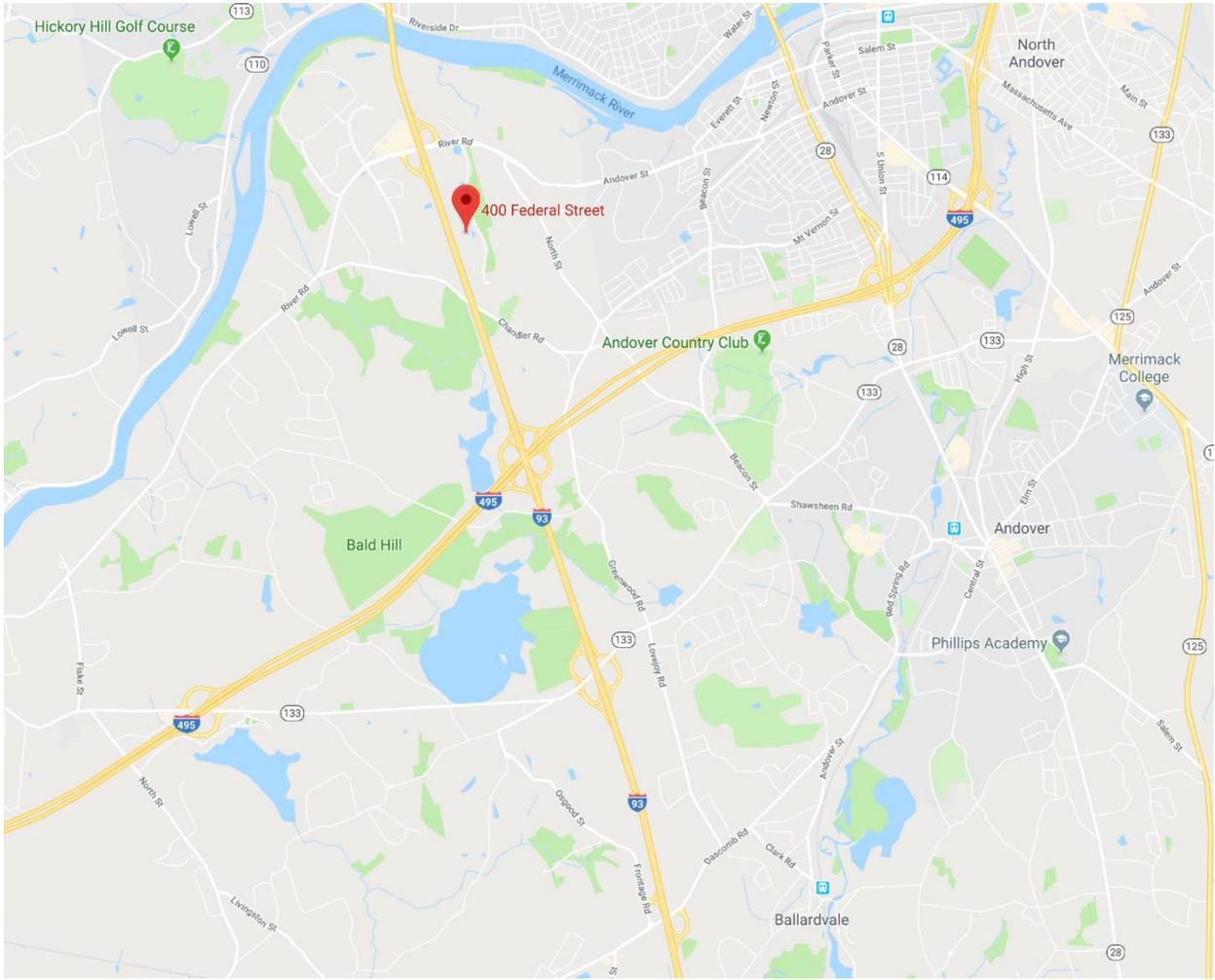


Figure 1: Vicor manufacturing facility location at 400 Federal Street

Proposed Expansion of 400 Federal Street Manufacturing Facilities

Big data analytics and artificial intelligence applications are driving significant growth in the design, development, and deployment of chips and associated circuit boards that accelerate the required computations. For example, graphical processing units (GPUs) used in PCs and game machines are now used extensively within large data centers to train neural networks. Manufacturers of such accelerator systems require power conversion components and systems provided by companies such as Vicor. The company's senior management team has identified this emerging accelerator market as a strong future growth area. As a result, Vicor is evaluating multiple sites within Massachusetts and in New Hampshire to support current and future expanded manufacturing capabilities. On-site expansion at the Federal Street location has been identified as a viable option to meet this need and the to-be-discussed TIF will be a key factor to determine if Vicor will expand at this Andover site.

Vicor is proposing a two-story expansion that would add approximately 87,000 square feet for the manufacture of power conversion products. A conceptual site plan and building design are depicted in Figures 2 and 3, respectively. The project is estimated to cost \$33,500,000 with \$20,500,000 allocated for construction and \$13,000,000 for machinery and equipment. The expansion is expected to provide 40 new permanent full-time manufacturing, engineering, quality control, purchasing and planning positions within five years.

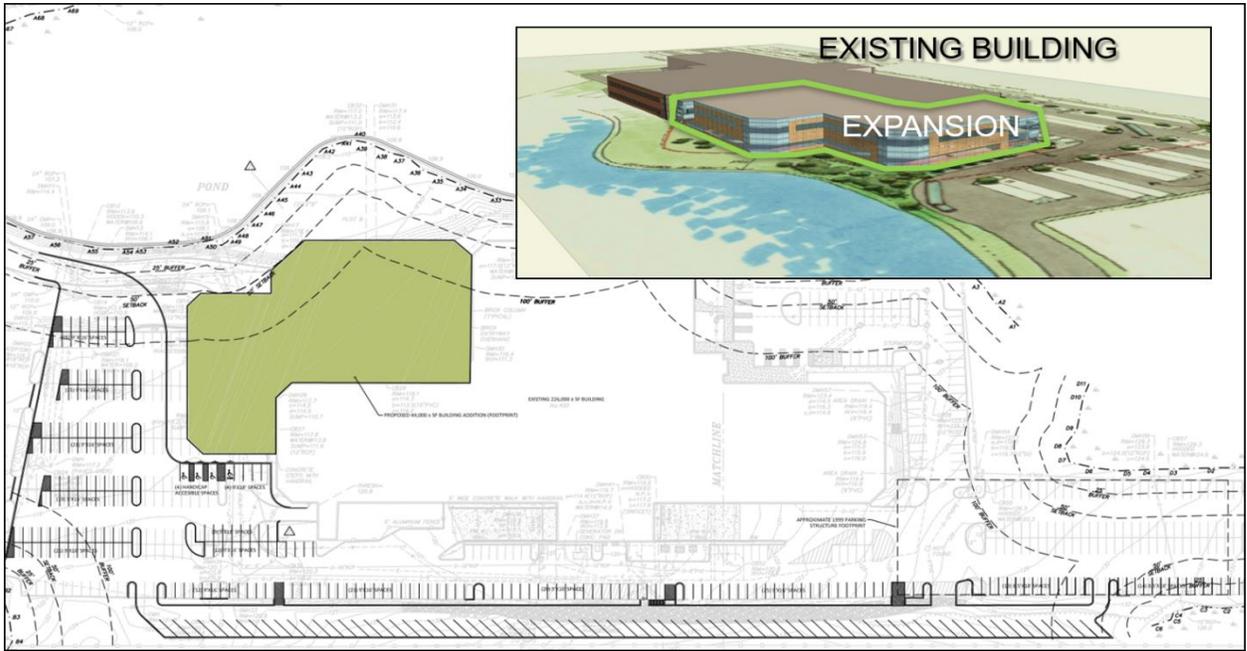


Figure 2: Proposed 400 Federal Street site plan



Figure 3: Proposed 400 Federal Street building design

What is Tax Increment Financing (TIF)?

Tax Increment Financing (TIF) is a part of the Commonwealth's Economic Development Incentive Program (EDIP) and authorized by MGL chapter 40§59 and its implementing regulations 760 CMR 22.01. It evolved from the principle that communities must remain economically robust and competitive in retaining and attracting businesses. A TIF is a useful economic development tool that provides both short- and long-term benefits to the Town, region and the Commonwealth of Massachusetts. There are several different programs available to municipalities.

The specific program proposed in Article 1 is a Local Incentive TIF. State acceptance of an application is required, but in a Local Incentive TIF, the terms of the Agreement are primarily negotiated between a private company and the Town, subject to TIF program criteria.

The Town has completed prior TIF Agreements with Schneider Electric SE and Pfizer Inc. Their TIF Agreement terms are somewhat different than the proposed Vicor TIF Agreement. Historical background material on the two prior TIFs can be found at (www.andoverma.gov/TIFagreements).

TIF Program Criteria

The Local Incentive TIF program has four key criteria: 1) job retention or job creation, 2) private real estate investment that generates new tax revenue in the community, 3) a 5-20-year TIF term, and 4) a 1%-100% annual TIF real estate tax exemption. *The resulting exemption applies only to the incremental increase of the assessed value of the parcel.* The specific criteria values for the Vicor TIF Agreement are found directly after Table 2.

Advantages and Disadvantages of TIF Agreements

The three principal positive aspects of a TIF Agreement are:

1. The Town does not lose any of the current real estate tax revenue at the existing property; therefore, no tax burden is shifted to residential taxpayers.
2. The Town continues to receive 100% of the existing real estate taxes on the base value of the property.
3. The tax incentive is a discount only on a portion of the projected new incremental taxes from the property during the duration of the proposed TIF Agreement.

The Finance Committee has identified one potential negative aspect. Absent a clear policy, a reduction in tax for one company could set a precedent for similar requests in the future. The Finance Committee recommends that Tax Increment Financing Agreements be considered only when the benefits of private investment are expected to exceed any foregone tax revenue.

TIF Agreement Approval Process Steps

Below are the necessary steps in the approval process. Estimated dates specific to the Vicor TIF Agreement are enclosed in parentheses.

1. TIF Proposal terms are agreed to between the Town's TIF team and the Company (April 4, 2019).
2. The Board of Selectmen review and vote to recommend the TIF Agreement Proposal (April 11, 2019).
3. The Finance Committee reviews and votes to recommend the TIF Agreement Proposal (April 9, 2019).
4. The Planning Board reviews and votes to recommend the TIF Agreement Proposal (April 9, 2019).
5. Other cognizant Boards and Committees review and vote to recommend the TIF Agreement Proposal (TBD).

6. Town Meeting votes on the TIF Proposal Agreement and authorizes the Board of Selectmen to execute the Agreement (April 30, 2019).
7. Executed EDIP documents and materials are submitted to the Massachusetts Office of Business Development (May 22, 2019).
8. The State Economic Assistance Coordinating Council votes on the TIF Proposal Agreement (June 19, 2019).

Steps 7 and 8 are dependent upon Town Meeting vote approval.

Tax Increment Financing Agreement for the Parcel Located at 400 Federal St.

The Town of Andover and Vicor Corporation will seek approval of the negotiated TIF Agreement at the Special Town Meeting on April 30, 2019. The TIF Agreement can be found online at Andoverma.gov/VicorTIF.

The Town has completed a formal assessment process to identify the incremental assessed value for the proposed addition at the 400 Federal Street location. The 87,000 square foot expansion will have an assessed value of \$11,711,800. The resulting initial incremental annual tax for this property will be \$322,192. Details can be found below in Table 1 with values associated with the incremental tax denoted in bold font. The base assessed value for this 1980's era building (note the lower per square foot assessed value) would not be impacted by the TIF agreement. The estimated \$11,711,800 incremental assessed value is reflective of the \$33,500,000 investment to be made by Vicor. The resulting Vicor tax structure would be 57% for current property taxes and 43% for the exempted property tax covered under the TIF Agreement.

Current Square Footage	226,276
New Square Footage	87,000
Base Assessed Value	\$15,608,500
Incremental Assessed Value	\$11,711,800
New Market Value	\$27,320,300
Estimated Annual Base Tax Payment	\$429,390
FY2019 Tax Rate per \$1000	\$27.51
Initial Incremental Annual Tax	\$322,192

Table 1: Incremental assessed value and tax for the proposed 400 Federal Street expansion

The TIF Agreement between the Town of Andover and Vicor Corporation will have a duration of 6 years. The incremental property tax relief will follow the schedule shown in Table 2.

Year	Incremental Tax Relief
1	100%
2	90%
3	80%
4	80%
5	75%
6	75%

Table 2: Incremental property tax relief schedule for the 400 Federal Street expansion

The aforementioned TIF Agreement criteria for the Vicor Proposal are: 1) a minimum of 40 new permanent full-time jobs at the 400 Federal Street location with 75 new manufacturing-related jobs in total to be created within the next 10 years; 2) a \$33,500,00 investment by Vicor Corporation; 3) a six-year TIF Agreement duration; and 4) a tax exemption schedule as defined in Table 2.

Other key terms of the proposed TIF Agreement include:

- 1) 100% collection of permitting fees, which are estimated to be \$400,000. The permitting fees are primarily composed of \$267,229 for the building permit (based on an estimated \$20,500,000 construction cost), \$120,253 for electrical, plumbing, and gas permit fees, as well as several smaller permit fees.
- 2) A minimum of 771 jobs to be retained in Andover.

The terms of the agreement have associated clawback provisions to help protect the Town during the duration of the TIF Agreement. In the event that the Town determines that Vicor has not met its obligations as outlined in the TIF agreement, the Town may petition the Economic Assistance Coordinating Council (EACC) for decertification of the project. If the EACC determines that the company has not met its obligations, the Town shall discontinue the tax exemption benefits at the beginning of the next fiscal year. If the company fails to retain at least 95% of the 780 jobs in any year of the agreement, the Town may recapture the value of real estate taxes not paid.

Financial Impact Assessment

Table 3 shows a 10-year projection for tax revenues if the TIF Agreement is approved. The estimated incremental assessed value and the tax rate for the expansion at 400 Federal Street were held constant in this analysis. The maximum amount of the tax exemption Vicor will be allowed is limited to \$1,610,961 (refer to the bottom of Table 3). In addition, conservative estimates of multiple variables were modeled during the negotiation process, and it is possible that the \$1,610,961 exemption will be achieved in less than 6 years. Should this occur, the Agreement will automatically end at the end of the fiscal year in which the limit is reached. Also note that the incremental property tax amount would most likely increase over the 10-year duration through an increased assessment, tax rate, or both. The column labeled “% exempt” shows the tax relief schedule defined in Table 2 with years 7 through 10 having no exemptions. Based on the assumptions defined in Table 3, the proposed expansion would provide an additional \$1,610,959 in tax revenue. The combined base and incremental tax revenues would be \$5,904,859 over a 10-year time period.

Year	Estimated Current Property Tax (Base Only)	Estimated Incremental Assessed Value	Estimated New Incremental Annual Property Tax	% Exempt	Exempted Annual RE Property Taxes	Estimated Incremental Tax Payment w/TIF to Town	Estimated Total RE Taxes to Town (Base + New)
1	429,390	11,711,800	322,192	100%	322,192	0	429,390
2	429,390	11,711,800	322,192	90%	289,973	32,219	461,609
3	429,390	11,711,800	322,192	80%	257,754	64,438	493,828
4	429,390	11,711,800	322,192	80%	257,754	64,438	493,828
5	429,390	11,711,800	322,192	75%	241,644	80,548	509,938
6	429,390	11,711,800	322,192	75%	241,644	80,548	509,938
7	429,390	11,711,800	322,192	0%	0	322,192	751,582
8	429,390	11,711,800	322,192	0%	0	322,192	751,582
9	429,390	11,711,800	322,192	0%	0	322,192	751,582
10	429,390	11,711,800	322,192	0%	0	322,192	751,582
TOTALS	4,293,900		3,221,920		1,610,961	1,610,959	5,904,859

Table 3: 10-year tax revenue projection for the 400 Federal Street expansion

Recommendations

The proposed TIF Agreement between Vicor Corporation and the Town of Andover would be mutually beneficial. Vicor would be able to grow its manufacturing capabilities to meet new market needs, and the Town would gain increased tax revenues and continue its commitment to local businesses. It is important for the Town to continue to work with the business community and encourage new commercial growth, particularly given the long-term financial challenges as highlighted in the Finance Committee’s Annual Town Meeting letter. Vicor has been in Andover for 35 years, has 27 Andover resident employees, its business-related activities (e.g., hotel stays, restaurant usage, etc.) generate approximately \$3,000,000 for the local economy, and the company is willing to make a \$33,500,000 investment at the 400 Federal Street site. The Finance Committee recommends approval of Article 1.

The BOARD OF SELECTMEN voted 5-0 to recommend approval.

The FINANCE COMMITTEE voted 7-0 to recommend approval.

The PLANNING BOARD voted 3-0 to recommend approval.

ARTICLE 2	AUTOMATIC EXTERNAL DEFIBRILLATORS ON TOWN PLAYING FIELDS
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To see if the Town will vote to appropriate the sum of \$50,000 to pay for the cost associated with purchasing 10 AEDs and the related accessories/services/compliance program for the town playing fields and to determine whether this amount shall be raised by transfer from available funds, borrowing or otherwise, and to authorize the Board of Selectmen to apply for and accept any state or federal grant or assistance, or both, that may be available to pay for the above project or take any action related thereto.

On request of Mimi LeBrun and others

The following explanation was submitted by Petitioner: The Andover Heart Safe committee seeks \$50,000 to pay for costs associated with purchasing 10 Automated External Defibrillators (AED’s) and the related accessories/services/compliance program/awareness campaign for the town playing fields. The accessories include a climate-controlled locking storage unit, service plan, replacement parts and signage. This initiative is in the 1st phase which is to provide AED’s to 10 priority fields (heavy use as determined by town facilities). The initial phase allows the Andover Heart Safe committee to provide immediate and necessary public health protection while planning for long-term AED implementation on **ALL** town fields. Many towns throughout Massachusetts have implemented this program through the support of town funding and fundraising. The Andover Heart Safe committee is committed to pursuing all funding options (grants, foundation support and donations) in addition to support provided by the Town of Andover.

The BOARD OF SELECTMEN will make its recommendation at Town Meeting.

The FINANCE COMMITTEE will make its recommendation at Town Meeting.

The PLANNING BOARD will make its recommendation at Town Meeting.

The SCHOOL COMMITTEE will make its recommendation at Town Meeting.

TOWN OF ANDOVER
TOWN MEETING PROCEDURE AT A GLANCE

To do this...	You say this.....	May you Interrupt Speaker?	Must you Be Seconded?	Is the Motion Debatable?	What vote is required?
Request Information	Point of Information	Yes	No	No	No Vote
Complain about noise, sound, general room conditions, etc....	Point of Privilege	Yes	No	No	No vote
Object to procedure or personal affront	Point of order	Yes	No	No	No vote Chair decides
Introduce Business <i>(a primary motion)</i>	I move that.....	No	Yes	Yes	Majority
Ask for a vote count to verify a vote	I call for a standing count...	No	No	No	No Vote
Amend a motion	I move to amend this motion	No	Yes	Yes	Majority
End Debate <i>Can be denied by Moderator at his/her discretion</i>	I move the question	No	Yes	No	2/3 vote
Reconsider something already disposed of	Meeting only reconsiders a vote if an error has occurred				Chair corrects with proper vote
Recess the meeting	I move that we recess until....	No	Yes	No	Majority
Adjourn the meeting	I move we adjourn	No	Yes	No	Majority

**Town of Andover
36 Bartlet Street
Andover, MA 01810**

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**PLEASE BRING THIS REPORT WITH YOU
TO SPECIAL TOWN MEETING**

**TUESDAY, APRIL 30, 2019
7:00 PM**

**J. EVERETT COLLINS CENTER
ANDOVER HIGH SCHOOL AUDITORIUM**