

Town Of Douglas

**A Review of the Town's
Proposed Tax Incentive
Financing (TIF) Agreement With
American Pro Wind, LLC**

**Presented To The Douglas
Finance Committee
November 10, 2009**

Topics For Review Tonight

- **Introduction**
- **Tax Increment Financing (TIF)**
- **Current TIF Target Property Status**
- **American Pro Wind (APW) Proposal**
- **Town of Douglas/APW TIF To Date**
- **Future Activity Before TIF Is Certain**
 - **Town of Douglas**
 - **American Pro Wind**
- **Review of Revenue Increase Via TIF**
- **Questions And Answers**
- **Thank You**

Introduction To FAA

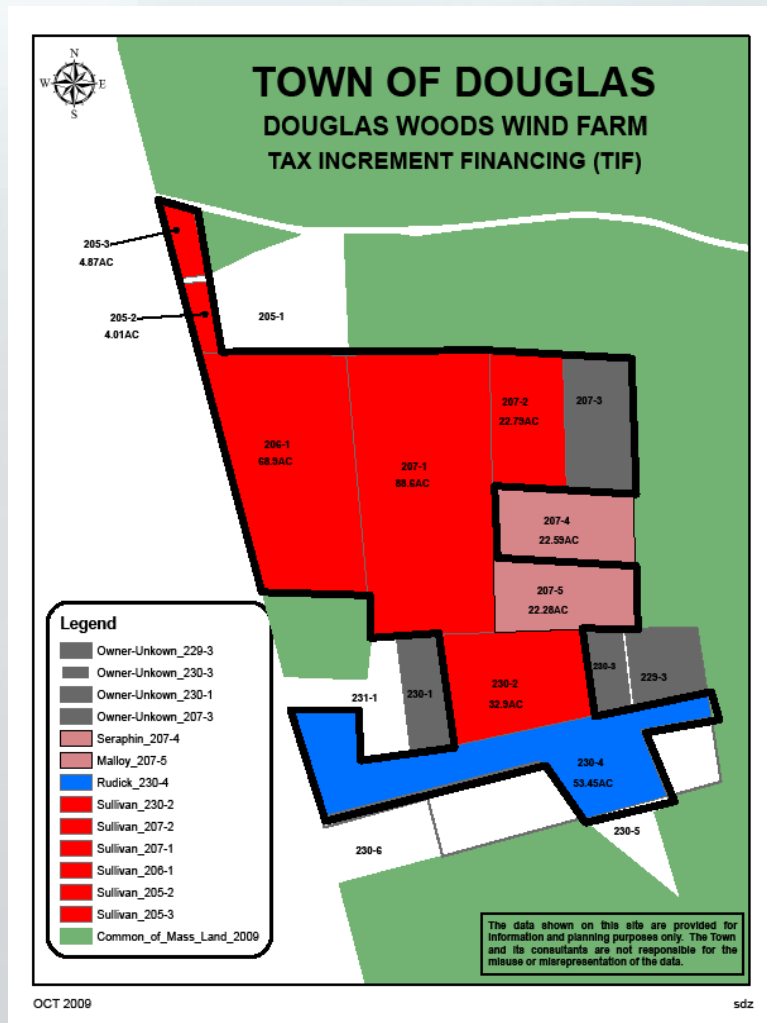
- **Financial Advisory Associates, Inc.**
 - Incorporated in 1994
 - Provides Municipal Financial Services
 - Based In Massachusetts for Over 15 Years
 - Five Employees – Two Sub-Contractors
 - Generally Serve 15 to 25 Active Clients
 - Michael Daley, MBA
 - President of Company
 - Retired – 30 Years Municipal Experience
 - Previously Served in Douglas As Acting TA
 - Active in Electric Industry Deregulation
 - Previous Negotiations With Power Providers
 - Previous Experience With PILOTS and TIFS

Tax Increment Financing

- **Allowed Under MGL Ch 40, §59**
 - Three Exist In Douglas Now
- **Requires:**
 - Negotiated Agreement (Town/Owner)
 - 5 Year Minimum – 20 Year Maximum
 - Business Pays All Taxes on Base Value
 - New Investment Is Exempt From Taxes
 - Exemption can be 5% to 100%
 - All Personal Property Is Exempt
 - **Must:**
 - Be In Economic Target Area (ETA)
 - Be In Economic Opportunity Area (EOA)

Current Proposed TIF Property Status

- South of Route 16
- On Webster Line
- Abuts State Forest
- Multiple Owners
- Some Parcels Have No Owner of Record
- Limited Development Potential
- No Infrastructure
- Generates About \$22,000 of RE Taxes
- State Has Interest For Forest Expansion



Current Proposed TIF Property Status

- **7 Parcels Under Agreement With APW**
 - 2 Owners (Options w/P&S Pending/P&S)
 - 275+ Acres (Red/Blue)
 - Value/Taxes
 - 2009 = \$1,808,600 x \$10.82 = \$19,569
 - 2010 = \$1,637,200 x \$11.78 = \$19,286
- **2 Parcels In Negotiation With APW**
 - 2 Owners (P&S Pending)
 - 44+ Acres (Pink)
 - Value/Taxes
 - 2009 = \$259,500 x \$10.82 = \$2,808
 - 2010 = \$233,500 x \$11.78 = \$2,751

American Pro Wind, LLC Proposal

- **APW Plans To:**
 - **Acquire in Excess of 320 Acres of Land In Douglas For Upwards of \$4,300,000**
 - **Permit and License A Commercial Wind Farm Consisting Of 13 Turbines For Upwards of \$3,200,000**
 - **Construct Up To 13 Towers Each 100 Meters Tall Topped With a 2 Megawatt Turbine and A 50 Meter Blade For Over \$49,000,000**
 - **Increase Taxable Property Values By Upwards of \$51,000,000**

American Pro Wind, LLC Proposal

- **APW Also Plans To:**
 - **Create 3 Full Time Jobs**
 - **Seek Further Development Of The Property For Other Green Energy Uses**
 - **Explore And Consider Alternative Land Use And Ownership Options With The Commonwealth of Massachusetts**
 - **Explore And Consider Owners Unknown Land Use and Ownership Options With The Town Of Douglas**
 - **Facilitate Educational Options And Opportunities With Town School Dept**

Town Of Douglas/APW TIF Work To Date

- **APW Sought And Acquired A Height Variance Via The Douglas Zoning Board Of Appeals**
- **APW Sought And Acquired Conceptual TIF Support From The Douglas Economic Development Commission**
- **APW Entered Into Formal TIF Negotiations With The Douglas Board Of Selectmen (BOS)**
- **APW Completed TIF Agreement Negotiation With BOS**

Town Of Douglas/APW TIF Work To Date

- **The Draft TIF Agreement Calls For:**
 - **An 18 Year Term with Option for 17 Years**
 - **A 100% Real Estate Tax Exemption For Up To 18 Years**
 - **A 100% Personal Property Tax Exemption For Up To 18 Years**
 - **A 15 Year Schedule of Fixed Annual Payments In Lieu Of Taxes (PILOT) To The Town Totaling About \$2,400,000**
 - **Up To 3 Years of Construction Period PILOT Payments Based On Value**
 - **Annual Reporting to the Town By APW**

Town Of Douglas/APW TIF Work To Date

- **The Draft TIF Agreement Calls For:**
 - **A Re-opener Clause If APW Enters Into A Land Transfer With The Commonwealth**
 - **A Re-opener Clause If APW Undertakes Any Other Development On The Property Beyond The 13 Turbine Wind Farm**
 - **A Requirement That APW Provide The Douglas School Department With Educational Opportunities**
 - **A Requirement That APW Underwrite Up To \$15,000 of The Town's FY 2010 TIF Related Expenses Via A Gift**

Town Of Douglas Future TIF Activity

- **In November The Town Meeting Must Establish A New Economic Opportunity Area (EOA) That Includes The Targeted Parcels**
- **In November The Town Meeting Must Authorize The Selectboard To Enter Into A TIF Agreement With APW**
- **If Town Meeting Acts Favorably on Above, The Current TIF Agreement Must Be Completed and Signed By Company, Owners and Douglas BOS**

Town Of Douglas Future TIF Activity

- **The Final TIF Agreement Signed By All Parties Must Then Be Approved by The Commonwealth of Massachusetts (Est. 12/10)**
- **The TIF Agreement Will Commence In The Fiscal Year Beginning After The Year That the Project achieves the state's approval (Est. 2011)**
- **The TIF Agreement Is Estimated to Be Completed Locally in November 2009**

APW Future TIF Activity

- **APW Must Get P&S's From Owners**
- **The November Town Meeting Must Approve The Last Warrant Article**
- **The Current TIF Agreement Draft Must Be Executed With The Owners and the Douglas BOS**
- **The Signed TIF Agreement Must Be Approved By the Commonwealth of Massachusetts**
- **Favorable Wind Conditions Must Exist On The Site (Testing Ends in June 2010)**

APW Future TIF Activity

- Favorably Priced Renewable Energy Contracts Must Be Awarded TO APW
- Federal And State Grants Must Be Awarded To APW
- Bank Financing Must Be Approved (Loan Application Begins After Wind Testing Ends in June 2010)
- Loan Award is Estimated In Nov 2010
- APW Must Purchase the Land (Closing is Estimated for 2011)
- APW Must Build and Have The Facility Operable By December 2012

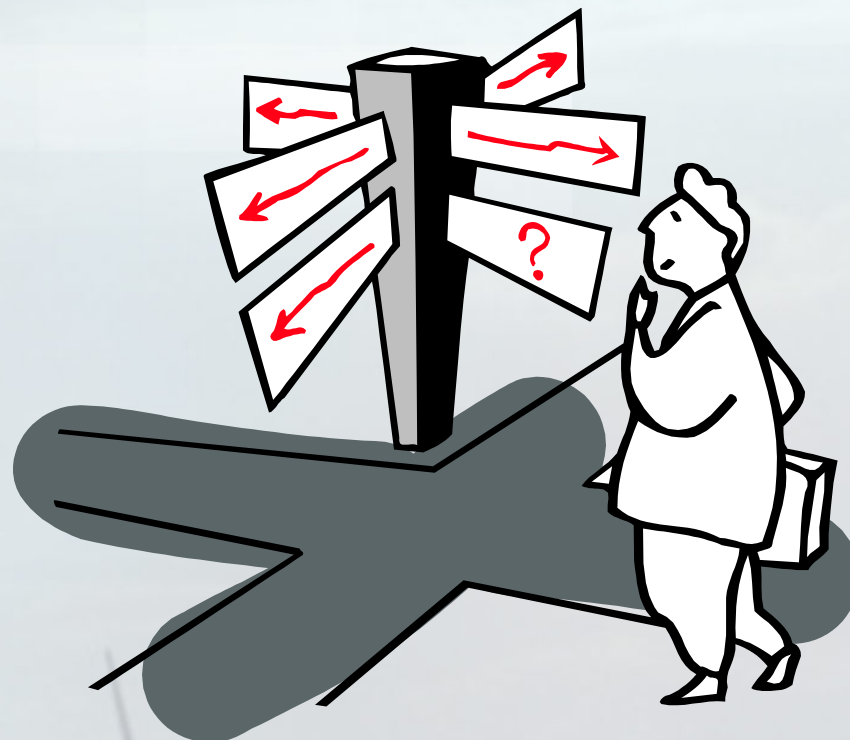
TIF Revenue Increase = 612% - 862%

- **Estimated TIF Plan = Tax + Gift + PILOT Payments (20 Years)**
 - FAA 17 Yr TIF Model = \$ 3,795,000
 - FAA 18 Yr TIF Model = \$ 3,535,000
- **Estimated Full Value Tax =**
 - **No Development (20 Years)**
 - \$22,000 x 20 Yrs = \$ 440,000
 - FAA High Model = \$ 577,000
 - **Full Development (20 Years)**
 - FAA Low Model = \$ 9,000,000
 - FAA High Model = \$13,000,000
 - Discount Range = 58% to 73%

Proposed TIF Fixed Payment Schedule

Year	Amount		Year	Amount
1	\$151,120		9	\$160,800
2	\$152,150		10	\$162,260
3	\$153,250		11	\$162,740
4	\$154,365		12	\$163,230
5	\$155,540		13	\$163,740
6	\$156,775		14	\$164,255
7	\$158,060		15	\$164,790
8	\$159,400		Total	\$2,382,475

Questions & Answers



Thank You For Your Time and Attention

**THANK
YOU**