

TOWN OF ACTON

Memo

To: Board of Selectmen
From: Steven L. Ledoux, Town Manager 
Date: October 16, 2015
Re: **AES and Tax Incentives**

Over the past two months, the Town has been working with Associated Environmental Systems of Ayer about a possible relocation of their operations to 8 Post Office Square.

AES designs, engineers, and manufactures test chambers that are used to test a variety of goods and products at various levels of temperature. They currently employ 55 and plan to expand the work force to 120 in 2016.

The project has been reviewed by Planning Staff and has been determined to be in compliance with zoning. In addition, because the location is within Zone 2 of the Conant Well, both the health and Planning department have reviewed the Material Safety data Sheets of chemicals used by AES and have determined that none of the materials used have been deemed highly toxic under Federal and State regulations.

AES informed the Town on September 14th of their intent to apply for the Massachusetts Economic Development Incentive Program (EDIP) and to receive some form of tax incentives from the Town as currently allowed under the EDIP.

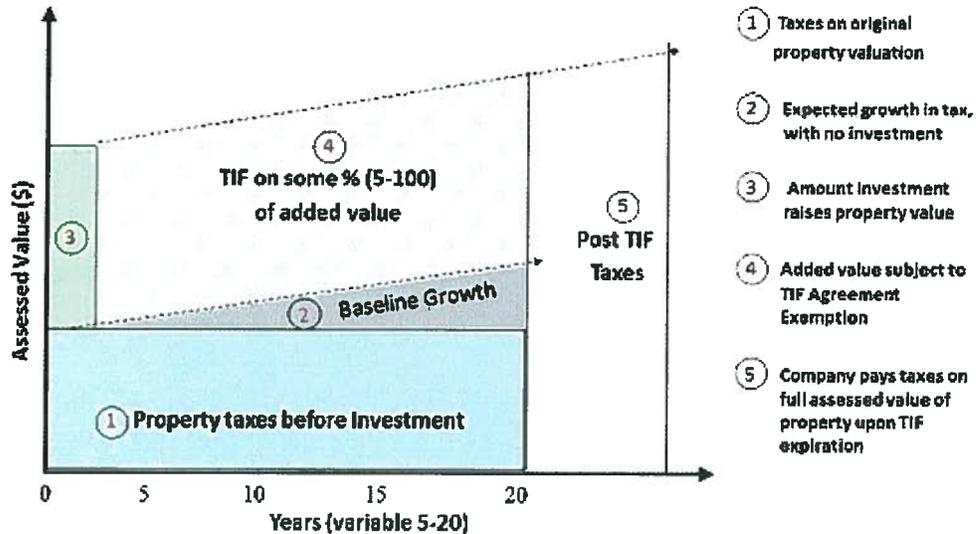
ECONOMIC DEVELOPMENT PROGRAM

The goals of the EDIP programs are to foster job creation, manufacturing job retention, and private investment commitments. There are 2 programs available through the state that are negotiated and administered at the local level. One is a TIF (Tax Increment Financing) agreement and the second is a STA (Special Tax Assessment) agreement. Eligibility requirements for both programs are the same. A company entering into one of these programs would agree to the following; retain their current level of employees in addition to some level of job creation (at discretion of municipality); and also agree to making a significant capital investment that increases the assessed value of the real property. Any industry requirements are at the discretion of the municipality. A TIF or a STA must be approved by town meeting or city council prior to review by the Economic Assistance Coordinating Council (EACC). The EACC processes the applications and is responsible for administering the EDIP programs. Duration of each program is similar in that a TIF can be structured for a time period of 5-20 years, and a STA can be structured for 5 years or more.

TIF Agreement

In a TIF agreement the company pays taxes on the initial assessed value prior to any increases in assessed value due to investment monies. The increase in value would qualify for a TIF (tax abatement) anywhere from 5 to 100%, depending on the specifics of the agreement with the municipality. The chart below illustrates how the TIF works

Tax Increment Financing (TIF) Agreement Mechanics



Massachusetts Office of Business Development

STA Agreement

In a STA agreement a local real estate property tax exemption is negotiated and executed between a host municipality and an expanding or relocating company. A STA exempts a percentage of the total property tax liability of the real property of a parcel. In the first year of a STA there is a full tax abatement on the property. In years 2 – 5 (or more) the tax abatement percentage is negotiated using the parameters in the chart below.

Per M.G.L. 23A § 3E, Special Tax Assessments:

Have a minimum duration of 5 years and are structured with the following exemption schedule:

Year of Agreement	Tax Assessment
Year 1	100% tax abatement on the real property of the parcel
Year 2	75-100% tax abatement on the real property of the parcel
Year 3	50-100% tax abatement on the real property of the parcel
Year 4	25-100% tax abatement on the real property of the parcel
Year 5- onward (as negotiated)	0-100% tax abatement on the real property of the parcel

As both programs require approval at the local level, here are some scenarios where a TIF or STA may garner support:

- State/municipal land going into private development - A company purchases a piece of land (with or without structures) that was previously exempt from taxes. Money spent on renovation/new construction qualifies as additional capital investment
- New construction – An existing company builds a new (additional) building. The costs of the new building qualifies as additional capital investment

The EACC processes the applications for the EDIP programs. They meet three times a year to review applications. A preliminary application is submitted to the MOBD regional director (with deadlines in July, October, and January each year). The actual application is due about a month later, and the EACC meets about a month after that to process the applications. Approvals by town meeting or city council must occur prior to submission of the applications. Due to multiple steps required in the application process, the DOR recommends that a representative of the company contact the MOBD regional director as early as possible to discuss project eligibility and receive guidance on the required municipal processes. Here is a link to the Local Incentive process <http://www.mass.gov/hed/economic/eohed/bd/econ-development/application/app-process/>

Additional miscellaneous information:

Provided that new jobs are created the state may provide tax credits to a company with a TIF or STA. The credit would be on depreciable assets with a shelf life of 4 years or more. The credit would be 0-10% of the asset value. There are also personal property tax exemptions available as a local option.

Exemption administration - For both TIFs and STAs the tax committed should be based on the value of the parcel after allowing for the exemption, rather than the parcel's full and fair

cash value. There should not ordinarily be an abatement or charge against the overlay account because of these exemptions.

AES SPECIAL TAX ASSESSMENT PROPOSAL

AES has submitted a preliminary application to the Massachusetts Economic Assistance Coordinating Council. (See attached) The following is the proposed Special Tax Assessment discussed at a meeting with AES and the Town on October 16th.

Estimated property tax = \$50,000

Year of Agreement	Tax Assessment
Year 1	100% tax abatement = \$50,000
Year 2	75% tax abatement on the real property of the parcel = \$37,500
Year 3	50% tax abatement on the real property of the parcel = \$25,000
Year 4	25% tax abatement on the real property of the parcel = \$12,500
Year 5	0% tax abatement on the real property of the parcel

Total savings = \$125,000 (Constant dollars, does not take into account changes in property values)

If the Board agrees with this plan, it would be appropriate to place it on the Special Town Meeting warrant as such a special assessment requires Town meeting approval.

The main question is what the Town gets for the \$125,000? In my view, the Town gets the following:

- 125 jobs brought to Acton
- A vacant building is put back into use
- AES will lease approximately 20,00 SF of office space to other, generating more jobs)
- A potential of reimbursement from MOBD for some of STA.



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**Economic Development Incentive Program (EDIP)
 PRELIMINARY APPLICATION**

The following information is required by the Massachusetts Office of Business Development (MOBD) and the Economic Assistance Coordinating Council (EACC) to make a preliminary determination on the eligibility of a project under the Economic Development Incentive Program. This application must be returned in electronic form to your MOBD Regional Director and a hardcopy with original signature(s) mailed to: EDIP Manager, MOBD, 10 Park Plaza, Suite 3730, Boston, MA 02116. Please refer to the EDIP Guidelines, www.mass.gov/hed/edip and your MOBD Regional Director for assistance with this application.

PART I. COMPANY OVERVIEW

1. COMPANY INFORMATION

Company Name:	Associated Environmental Systems Inc.			
Project Location Address:	Street Address:	31 Willow Road		
	City:	Ayer	MA	Zip Code: 01720
Company Headquarters Location:	City:	Ayer	State:	MA
FEIN (Federal Employer Identification Number):	04-2540299			
DUA # (Dept. of Unemployment Assistance #):	09623020			
Type of Organization:	(a) Type of Organization: Corporation			
Company's Taxable Year End:	December 31st			
NAICS Code:	334516			
Is the applicant classified as a MA Department of Revenue Manufacturer?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			
Company's outside of Massachusetts sales as a percentage of total sales: (a) currently (b) projected upon completion of proposed project:	(a) Current Outside of MA sales as of 12/31/2014: 95% (b) Projected Outside of MA sales upon completion of project: 95% Additional Information (if necessary):			

2. COMPANY CONTACT

Executive Officer/ Company Designee:	Full Name:	Beran Peter	Title:	C.E.O.
	Full Name:	Richard Ellert	Title:	C.O.O.
Contact Address:	Street Address:	31 Willow Road		
	City:	Ayer	State:	MA Zip Code: 01720

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Telephone Number:	978-772-0022 x8258
Email Address:	richard.ellert@associatedenvironmentalsystems.com

3. COMPANY DESCRIPTION & HISTORY

Please provide a brief description and history of the company.

Since 1959, Associated Environmental Systems has designed, manufactured, and supported standard and custom test chambers that meet our customers' most demanding requirements. Our products vary in size from small bench top test chambers to very large walk-in or drive in environmental rooms. AES robust test chambers simulate hot and cold temperature extremes and variations, humidity and moisture conditions, salt spray and thermal shock. While some companies rely on test labs to perform their testing, many companies realize the benefits of performing their own testing in-house. These benefits include: the flexibility to test according to their own schedule - even when it changes, the ability to optimize the type of testing that works best for them, and substantial time and cost savings.

Over the years we have built a very large and loyal customer base spanning the fields of aerospace, pharmacology, electronics, automotive, semiconductors, computers and many more different industries worldwide. Associated Environmental Systems mission has always been to provide consumers with high quality environmental test chambers that allow for independent, efficient, accurate, and controlled product testing.

PART II. ECONOMIC DEVELOPMENT PROJECT

1. PROPOSED BUSINESS EXPANSION PROJECT

(a) Please provide a description of the proposed expansion project.

In recent years, the demand for Environmental Testing Chambers has exploded and, as a US based manufacturer with Service teams in key markets, AES is uniquely positioned to take advantage of this growing demand. We have recently been awarded the status of Preferred Vendor with some of the world's most influential companies, most of them based in the California Silicon Valley.

We are intending to consolidate our two existing facilities located in Ayer, MA and allow for expansion related to our continued growth and increased demand for environmental chambers. The intent is to double our existing manufacturing space and increase our office, R&D and showroom space by 200%.

(b) Does the current public infrastructure meet the proposed certified project's needs? If no, please explain.

Yes No

If no, please explain:

2. PROJECT TIMELINE

(a) Please indicate the date a Letter of Intent was sent to the municipality and cc: MOBD Regional Director:	(b) Date the applicant expects to begin the project:	(c) Date the applicant expects to complete the project:	(d) Date the applicant expects to open the facility:
9/21/2015	10/16/2015	2/15/2016	2/15/2016

Additional Information (if necessary) on Project Timeline:

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3. INVESTMENT BREAKDOWN

Please provide a breakdown of the expected investment required and associated costs.

Land: \$825,000
 Construction: \$1,625,000
 Machinery & Equipment: \$250,000
Refitting, alterations and move: \$350,000
 Total Projected Investment: **\$3,100,000**

Additional Information (if necessary) on Investment: We are planning to purchase a property which includes land and an industrial building of 70,000 sq/ft. This facility was previously used by a pump manufacturer until they transferred out of state at the end of 2014. The facility is in very good condition and will allow us to move in, following minimal internal transformation. The total property size is 4.4 Acres and is adjacent to a US Postal center. The property has plenty of paved parking which will largely accommodate our current and planned staff's parking needs.

4. MASSACHUSETTS EMPLOYMENT

(a) Is the applicant new to Massachusetts?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
(i) If no, where are the existing Massachusetts facilities?	Ayer, MA	N/A <input type="checkbox"/>
(ii) If no, what is the applicant's full-time, permanent employment in Massachusetts (total of all MA facilities)?	55 full-time permanent MA employees as of 9/30/2015	N/A <input type="checkbox"/>
(b) Will the proposed economic development project require and/or trigger the closing or consolidation of any Massachusetts facilities or the elimination of any other jobs currently in Massachusetts? If yes, please give location of facility and explain.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If yes, please explain: We are currently operating one wholly owned facility (17,000 sq/ft) and one rented facility (8,000 sq/ft), both located in Ayer, MA. The wholly owned building is being sold to a new industrial operator, while the rented facility's current lease expires in Dec 2015. The intent is not only to consolidate but also expand our manufacturing and operating capabilities, going from 25,000 sq/ft to 50,000 sq/ft This development will NOT result in any job loss, in fact, it will provide for jobs creation.	

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5. PROJECT LOCATION EMPLOYMENT

Please indicate the number of:

(a) Full-Time Permanent Jobs to be Created (net new to facility and Massachusetts):	(b) Full-Time Permanent Employment to be Retained (number of employees currently at the Project Location, if any):	(c) Full-time Permanent Employees to be transferred from other Massachusetts Locations to Project Location (if any):	(d) Total Full-Time Permanent Existing Jobs to be Retained at Project Location (Sum of questions 5b. and 5c.):
70	0	55	55

Additional Information (if necessary) on Project Location Employment:

(e) What action will the applicant take to recruit employees from among residents of the municipality and/or Economic Target Area?

We are very focused on growing our business and hiring locally to support the area economically. Aside from attending local state run job fairs, we are connected with area trade schools and colleges to give graduating students the opportunity to train and develop on our team. Jobs are currently posted on career networking sites and we are planning to include local resources such as the Acton Patch to reach more people in town. We will also be hosting on site interview days once we have settled into the new facility. These open houses will allow people to tour our facility and have an onsite interview with the hiring team immediately. As we further grow and develop new platforms we will be able to continue to hire for a wide range of positions including part-time, full time, and internships. We are excited at the prospect of being a part of the Acton Community and are eager to get involved in local Community events.

(f) Will the project result in significant spin off economic benefit and support Massachusetts based suppliers and contractors? Please explain.

We are in the process of transforming our company, adopting Lean Six Sigma principles. The overarching principle is the process of One Piece Flow and Just In Time manufacturing. As a result, having suppliers and vendors that are close to our manufacturing facility is critical. AES operates under a stated goal to procure at least 90% of its supplies and services in the United States and more specifically locally whenever possible. Year to date 2015, 59.5% of our vendor spend is in Massachusetts, 99.8% in the US and 0.2% in China. 100% of our production takes place in Massachusetts.

6. FACILITY

(a) Will the applicant own or lease/rent the facility where the business expansion/relocation will occur?	Lease <input type="checkbox"/> Own <input checked="" type="checkbox"/>	
(i) If leasing/renting, identify the developer/landlord and state who will be the taxpayer of record for purpose of paying local real estate taxes?		N/A <input checked="" type="checkbox"/>
(ii) If owning, will the applicants fully occupy the space?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
(iii) If the applicant will not fully occupy the space, does it intend to lease/rent the remaining space? If yes, to whom (if known)?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If yes, to whom? We intend to rent app. 20,000 sq/ft (out of 70,000 sq/ft total) to a third party, not yet identified. This space is located on the second floor of the building and is set-up as office space.	N/A <input type="checkbox"/>

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(b) Is the site of the facility a 43D Preferred Development Site? If yes, name site.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If yes, name site:	N/A <input type="checkbox"/>
(c) Does the proposed expansion project involve the renovation and reuse of an abandoned building?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
(i) If yes or unsure, how long has the building been vacant or unused (if known, state date)	months Vacant since: <i>Select mm/dd/yyyy</i>	N/A <input checked="" type="checkbox"/>
(ii) If yes, during the period of time that the building has been vacant or unused, what percentage of the building was vacant and unused? If the percentage varied during this time period, provide information for each change in the percent of vacant space and the applicable time period.	% vacant Details:	N/A <input checked="" type="checkbox"/>
7. INCENTIVES & FINANCING		
(a) Please indicate which incentives the applicant is seeking in relation to the expansion project.	State Investment Tax Credit	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Local Real Estate Tax Incentive	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	State Abandoned Building Renovation Deduction	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
(b) Is the applicant seeking tax incentives from the Massachusetts Life Science Center? If yes, please explain as this may affect the potential EDIP benefits.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If, yes please explain:	
(c) Please provide detailed information on any other sources of public or quasi-public funding that has been received or will be sought to contribute towards the financing of the proposed expansion.	N/A	
(d) Has the applicant previously been approved as a "Certified Project" by the Economic Assistance Coordinating Council (EACC)?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
If yes, what is the Project (i) name; (ii) municipality; (iii) approval date?	(i) Project Name: (ii) Project Municipality: (iii) Project Approval Date: <i>Select mm/dd/yyyy</i>	N/A <input checked="" type="checkbox"/>
(e) Please indicate whether the applicant has utilized other sources of public or quasi-public funding in	<i>Select Funding Source</i>	N/A <input checked="" type="checkbox"/>
	<i>Select Funding Source</i>	N/A <input checked="" type="checkbox"/>

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the past. If applicable, please explain specific uses of funding and amount. If other, please give details on the funding source.	<i>Select Funding Source</i>	N/A <input checked="" type="checkbox"/>
	If applicable or other, please explain:	N/A <input checked="" type="checkbox"/>

PART III. LABOR AFFIRMATION

1. CERTIFICATION OF STATE & FEDERAL EMPLOYMENT LAWS

- As an applicant requesting Certified Project approval, Associated Environmental Systems Inc., affirms (check box) that this business will not unlawfully misclassify workers as self-employed or as independent contractors, and certifies compliance with applicable state and federal employment laws and regulations, including but not limited to minimum wages, unemployment insurance, workers' compensation, child labor, and the Massachusetts Health Care Reform Law, Chapter 58 of the Acts of 2006, as amended.
- As an applicant requesting Certified Project approval, Associated Environmental Systems Inc., affirms (check box) that this business will not knowingly employ developers, subcontractors, or other third parties that unlawfully misclassify workers as self-employed or as independent contractors, or that fail to comply with applicable state and federal employment laws and regulations, including but not limited to minimum wages, unemployment insurance, workers' compensation, child labor, and the Massachusetts Health Care Reform Law, Chapter 58 of the Acts of 2006, as amended.

2. COMPANY DISCLOSURE

Within the past five years, has the applicant or any of its officers, directors, employees, agents, or subcontractors of which the applicant has knowledge, been the subject of (if yes, please provide details):

(a) an indictment, judgment, conviction, or grant of immunity, including pending actions, for any business-related conduct constituting a crime under state or federal law;	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Details:
(b) a government suspension or debarment, rejection of any bid or disapproval of any proposed contract subcontract, including pending actions, for lack of responsibility, denial or revocation of prequalification or a voluntary exclusion agreement; or	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Details:
(c) any governmental determination of a violation of any public works law or regulation, or labor law or regulation or any OSHA violation deemed "serious or willful?"	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Details:

IV. AUTHORIZATION & CERTIFICATIONS

1. CERTIFICATE OF GOOD STANDING

Provide proof of good tax standing in the Commonwealth of Massachusetts via a Massachusetts Department of Revenue Certificate of Good Standing for each of the businesses intending to take advantage of the state tax incentives.

*Applications will not advance to the supplemental round until a Certificate of Good Standing is received. The certificate must be dated within 6 months of the anticipated EACC meeting that the project is coming forth for review.

To obtain a Certificate of Good Standing visit:

<https://wfb.dor.state.ma.us/webfile/Certificate/Public/WebForms/Welcome.aspx>

Attached

**Date of DOR
Application for
Certificate of Good
Standing: *Select
mm/dd/yyyy***

Notes:

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2. COMPLIANCE WITH MASSACHUSETTS OBLIGATIONS

The following section will be sent to The Commonwealth of Massachusetts' Joint Task Force on the Underground Economy and Employee Misclassification which will certify that the applicant is in compliance with its obligations to the state of Massachusetts. The Joint Task Force will contact the applicant directly if there is an outstanding issue.

Legal Business Name:	Associated Environmental Systems Inc.				
Doing Business As:	Associated Environmental Systems Inc.				
Primary Business Address:	Address:	31 Willow Road			
	City:	Ayer	State:	MA	ZipCode: 01432
FEIN (Federal Employer Identification Number):	04-2540299				
DUA # (Dept. of Unemployment Assistance #):	09623020				
Type of Organization:	Corporation				
Total Number of MA Employees:	55				
List Address(es) of other Business Locations in MA:	11 Westford Road, Ayer, MA 01432				

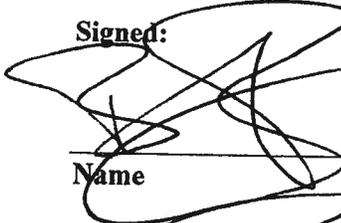
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3. APPLICATION AUTHORIZATION, CERTIFICATION & ACKNOWLEDGEMENT

I/We, Beran Peter, C.E.O. (names and titles) of the applicant business applying for "Certified Project" status from the Commonwealth of Massachusetts, Economic Assistance Coordinating Council hereby certify that I/we have been authorized to file this application and to provide the information within and accompanying this application and that the information provided herein is true and complete and that it reflects the applicant's intentions for investment, job creation and sales to the best of my/our knowledge after having conducted reasonable inquiry. I/We understand that the information provided with this application will be relied upon by the Commonwealth in deciding whether to approve "Certified Project" status and that the Commonwealth reserves the right to take action against the applicant or any other beneficiary of the Certified Project if the Commonwealth discovers that the applicant intentionally provided misleading, inaccurate, or false information. I/We make this certification under the pains and penalties of perjury.

The signatories also hereby acknowledge that, under the Public Records law of the Commonwealth of Massachusetts, this application and all documents submitted in support thereof are public records under the provisions of Massachusetts G. L., Ch. 4, sec. 7 (26).

Signed:

	C.E.O.	October 12, 2015
Name	Title	Date
	C.O.O.	October 12, 2015
Name	Title	Date