

**LINCOLN INSTITUTE OF LAND POLICY  
FISCAL IMPLICATIONS OF PLANNING AND DEVELOPMENT  
Case Study of Maynard, MA**

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## **I. Introduction**

Across the United States, there is an increasing interest on the part of governmental authorities in stimulating public-private partnerships to encourage local economic development. Most often, public authorities will provide such incentives as free land, tax relief, access to low interest bonds or training assistance in exchange for a private company agreeing to locate its operation within the boundaries of a community. While the degree to which both sides participate in such partnerships varies across the country, it is safe to state that the majority of major business location discussions involve some municipal assistance. It is also safe to state that every indication suggests that public-private partnerships will only increase in number and sophistication in the future.

It is this last point that raises some concerns. Too often, particularly in smaller communities without professional resources, agreements are reached without any depth of analysis. Indeed, one frequently hears the phrase, “any job is a good job” or “what is good for the Widget Company can only be good for Middletown”. With such perceptions and attitudes, it is likely that the well being of these communities may not be improved to the degree that is expected. In fact, in some cases, the local investments may result in increased costs. Clearly, careful analysis prior to entering into public-private partnerships is essential.

Beyond this need to have a clear understanding of the costs and benefits, the nation is in a cycle of dramatic job churning. The record turnover of companies on the Fortune 500 list over the last decade is but one illustration of this. Companies now move to a community with the intentions of sinking roots, investing in the community and serving as a good neighbor. However, given the dynamics of a world economy, the propensity of companies to continually seek out lower labor costs and the fact that increasing transportation costs frequently influence profitability, commitment to place is increasing illusive.

The landscape in small towns across America, particularly in the Frost Belt but increasingly in the Sun Belt, is full of buildings that received governmental assistance but, now lay vacant. Consider the 100-year old Hathaway Shirt Mill in Waterville, Maine. Less than ten years ago, its owners received a \$1,500,000 United States Economic Development Administration (EDA)

grant to modernize the facility. A short eight years later, the company laid off 366 employees, closed its facilities and is now making its shirts off-shore. The mill now lies coldly empty in the middle of Waterville.<sup>1</sup> This example shows that it is essential that a community have a thorough understanding of the most important costs and benefits of a public-private investment agreement over time.

This paper intends to make a contribution to that end. While it is not a formal cost-benefit analysis, it is a case study of public-private investment in an old mill complex located in Maynard, Massachusetts, that recently closed and was vacated in 1993. The proportionate fiscal impact analysis in the case study is very basic and “back of the envelope” as opposed to an in-depth case study or other similar methods of analysis.

The case study begins in Section II with an historic overview of the significance of the mill to the Town from its beginning to its most recent closing. Section III discusses the rationale for investors to purchase the mill and their intentions in revitalizing the structures. Section IV describes the public-private agreements that were undertaken. This is followed in Section V by an analysis of the immediate impact of the resulting agreements. Section VI examines the results of the agreements over the past thirteen years. Finally, Section VII provides a set of “lessons learned” that, hopefully, will be beneficial to other communities involved in similar projects.

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<sup>1</sup> John Mullin, Interview with Paul Boghossian, owner of the Hathaway Mill, October 11, 2005. Also see Chuin-Wei Yap, “Area Recovers from Shocks”, [Morning Sentinel](#) (January 11, 2005), p. 1.

## **II. The Town and the Mill (1800s to 1997)**

Maynard, Massachusetts is a small town of 5.7 square miles with a population of 10,000 residents, and is located approximately 25 miles west of Boston.<sup>2</sup> It is surrounded by several of New England's oldest and historic towns including Acton, Concord, Stow and Sudbury. Founded in 1871, it shares little of the history and character of its neighbors. If anything, Maynard was the place where its neighboring citizens placed their economic capital and, only rarely, their social capital. While its neighbors are most commonly described by such terms as rooted, Yankee, historic, classic, quintessential New England and affluent, Maynard could be best described as new, industrial, immigrant and working class. It exhibits many of the attributes that typify New England's mill town characteristics. Indeed, it is a hybrid of the larger Lowell System of mill cities and the smaller Slater System of mill villages.<sup>3</sup>

The ethnic origins of the residents of Maynard have typically reflected the latest group of citizens to venture into the Greater Boston area over time. First settled by Yankee stock, the Town over the decades since the 1840s, has accepted waves of Irish, Polish, Finnish, Russian, Italian and Brazilian immigrants. Not highly educated in comparison with its neighboring towns, the citizens of Maynard tend to be blue collar and technical workers. They live in small houses, many of which were built by the former mill owners, on lots that typically are less than a quarter acre. They have a strong work ethic and like their mill town community. It is not uncommon to note two to three generations of the same family still residing in the Town. There is a great degree of pride among the townspeople concerning the community and a reluctance to accept change.

Beginning in the 1840s through to the present, the Town's economic base has been dominated by what is today a 40-acre, 1.1 million square feet complex of 13 red brick mill buildings.<sup>4</sup> From carpets made in the 1840s to the blankets for Union soldiers during the Civil War followed by flannels in the 1920s, plastics in the 1950s, computers in the 1980s and software companies

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<sup>2</sup> For a history of the Town, see Maynard Historical Committee, History of Maynard, Massachusetts 1871-1971 (Acton: Beacon Press, 1971).

<sup>3</sup> For more on these systems, see Steve Dunwell, Run of the Mill (Boston: Godine Publishers, 1978).

<sup>4</sup> For a history of the mill, see Paul Boothroyd and Lewis Halprin, Assabet Mills, Maynard, Massachusetts (Charleston South Carolina: Arcadia Publishing, 1999).

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**Figures 1 and 2**  
**Location Maps for Maynard, MA**

today, "the mill" (it is always locally referred to as "the mill") has consistently served as a center for the production of goods and services common to companies that fed our nation's manufacturing economy. As John Gertner wrote, "It is not a stretch to say that the mill in Maynard is a microcosm of the U.S. economy<sup>5</sup>".

The mill complex, in a very real physical sense, looms over the Town. While almost all of the residential and commercial buildings are two-stories or less, and overwhelmingly constructed of wood, the mill is five to six stories of red brick. It can be clearly seen from all roads leading into the town center. The mill, speaking through its clock tower and whistle, controlled the pace of the community for the first half of the 20<sup>th</sup> century. And, whether boom or bust, the mill also controlled the prosperity of the community. Locally, one still hears the phrase, "As the mill goes, so goes the Town."



**Figure 3**  
**Location of the Mill in Maynard**

In sum, there is a sense of ambivalence toward the mill on the part of the townspeople. It is clearly a part of their culture and clearly needed in an economic sense. And yet, it is beyond the

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<sup>5</sup> John Gertner, "The History of American Capitalism in a Single Industrial Complex", New York Times (June 8, 2003), Section 6, p. 46.

<sup>8</sup> For more on the role of AWC, see John R. Mullin, "Development of the Assabet Mills in Nineteenth Century Maynard", Historical Journal of Massachusetts (Winter 1992), pp. 64-89.

Town's control. It is operated by outsiders and due to a wrought-iron fence and water bodies, it is an isolated island. It can be a foreboding place.

And yet, the Town seems to be constantly buffeted by the gentlest waves of economic cycles. Growth in the 1840s was followed by bankruptcy in the Panic of 1857; the boom of the Civil War was followed by stagnation and the depression of the 1870s; and stabilization in the 1880s was a prelude to another bankruptcy in the late 1890s. Nowhere can this be better noted than with the mill.

The American Woolen Company (AWC) purchased the mill in 1898 and it became one of the company's key centers of production. Under AWC's operation, it became, for a short while, one of the world's largest woolen manufacturing centers<sup>8</sup>. The company, through aggressive financing and investment, continued to expand over the next twenty-five years until it was a quasi-monopoly, running sixty factories, employing 40,000 workers and earning over \$100 million in profits.

One would have thought that economic security was at hand, but this was not the case. Between 1924 and 1952, there was almost constant economic insecurity at the mill. Slow sales led to layoffs in the mid 1920s. Strikes and lockouts occurred before the Depression of 1929. World War II and the Korean War led to 24/7 operations. Finally, in 1952, with the shrinking market for woolens primarily due to synthetics, modern mills and competition from southern firms, the mill closed and its 2,200 employees were out of work.

Almost immediately, the community leaders of Maynard began to work to revitalize the mill. In June of 1953, the mill was purchased by a group of businessmen who formed a company called Maynard Industries Incorporated, which began to market the facility to growing eastern Massachusetts companies. By 1957, the mill was 90% full. The companies in the mill included production centers for Raytheon (defense materials), Dennison Manufacturing (paper materials), American Can (plastics) and 23 other companies. Between 1957 and 1974, Maynard Industries

Incorporated attracted more than 82 companies to the facility. One of these firms, a newly formed company in 1957 called the Digital Equipment Corporation, leased approximately 8,680 thousand square feet and began its operations.<sup>10</sup>

Beginning in 1957, the Digital Equipment Corporation constantly expanded in the mill until, by 1974, it had virtually leased the entire 1.1 million square feet facility and decided to buy it. The company also purchased a vacant plant and built a new one in other parts of the Town. In 1971, then Massachusetts Governor Frances Sargent declared that the Town of Maynard had become, "The Mini-Computer Capital of the World."<sup>11</sup>

While clearly a booster phrase, there was some truth to the statement. Digital was the largest manufacturer of small computers in existence. Throughout the 1970s and most of the 1980s, Digital's growth was astonishing. By 1988, the company employed more than 124,000 workers worldwide and approximately 4,000 in Maynard alone. At its peak in 1988, Digital's mill was valued at \$32,000,000.

Then, as had happened with the American Woolen Company before it, Digital's peak was followed by its slow collapse. In the late 1980s, the market shifted from mini-computers to home-based, personal computers. Digital missed this shift and very rapidly began to lose market share and profitability. By 1990, it had excess capacity in its modern facilities. As a result, the company closed the mill and began to shut down local operations.<sup>12</sup>

In 1994, Digital sold the mill to a private healthcare company called Franklin Life Care Corporation.<sup>13</sup> The price was \$1.2 million. It was a fire sale; the Town had assessed the value of the mill at \$12.5 million. This newly formed company proposed to create a geriatric center at the mill that would include elderly housing, education facilities, a geriatric medical research center

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<sup>10</sup> This topic is explored in depth in John R. Mullin, Jeanne H. Armstrong and Jean S. Kavenagh, "From Mill Town to Mill Town", Journal of the American Planning Association (Winter, 1986), pp. 47-59.

<sup>11</sup> For an early history of Digital, see Digital Equipment Corporation, Digital's Mill 1847-1977 (Maynard: Digital Equipment Corporation, 1977).

<sup>12</sup> Kimberly Blanton, "Digital Will Shutter 'The Mill'", Boston Globe (April 3, 1993), p. 29.

<sup>13</sup> Aaron Zitner, "Makeover for the Mill: Digital Base to Become Senior Housing", Boston Globe (September 23, 1994), p. 73.

and amenities desired by people aged fifty-five and above. The concept included an "Elder City" of 1,000 residents and 1,000 workers, which it called "Mill Pond Village".

However, it was clearly going to take a long time to make this type of project succeed. Franklin Life Care was under-financed, had limited development experience, and had none of the complex health related permits required by the state in hand. And, unfortunately, Franklin Life Care Corporation never obtained the necessary long term financing to implement the concept and, in effect, "pickled" the mill by providing little more than fire protection, security measures to prevent vandalism and the means to prevent the physical erosion of the buildings. And so, as the Town was in crisis with a non-operating mill back in 1898, it was once again faced with an empty facility and an uncertain future almost 100 years later.

It was at this point that the Town's economic prospects were most bleak. The general New England economy was in the doldrums and the so-called "Massachusetts Miracle" had run its course. The defense dollars that had long fueled Greater Boston's economy were becoming harder to find.

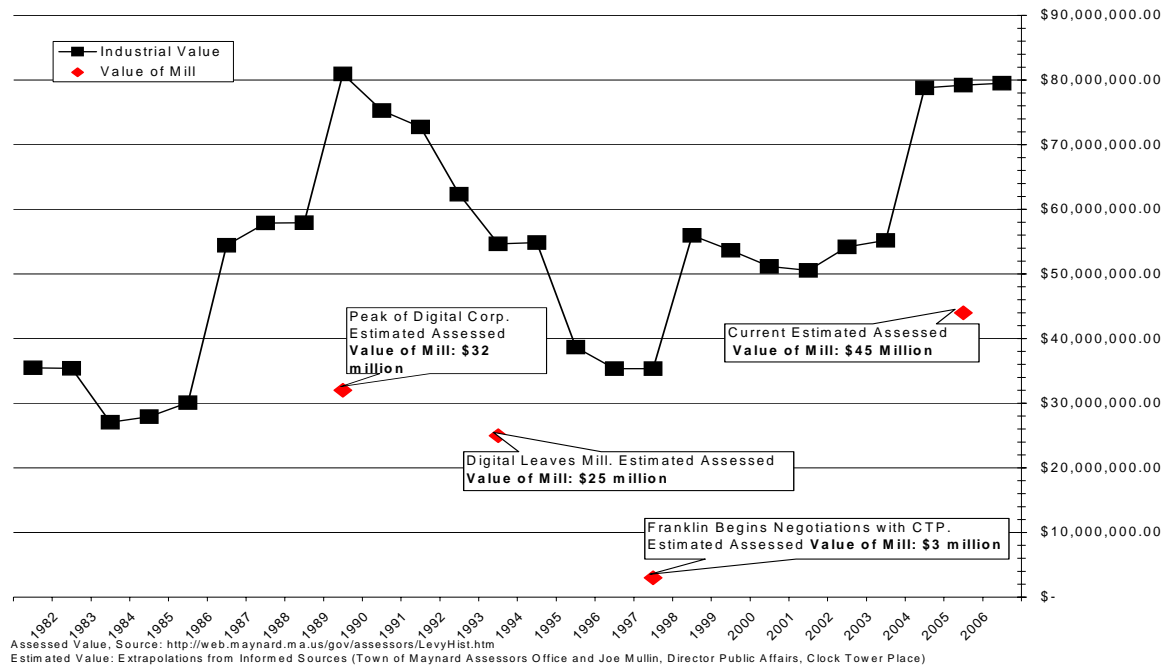
Moreover, comparisons between Silicon Valley and the nearby Route 128 corridor showed the former as the wave of the future and the latter as calcified. In the regional context, Maynard's economy was suffering along with that of most cities and towns in Greater Boston. In a local context, the empty mill loomed forebodingly over a town where it had dominated the economy for 150 years.

During the years that the mill was owned by Franklin Life Care, the Town's economic prospects were clearly adrift as can be noted by the factors listed in the following chart and table. The mill's assessed value and contributions to the property tax coffers had fallen dramatically. Moreover, the value of new construction in the Town had fallen as well.<sup>14</sup> It is only the unemployment rate that improved during this time.

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<sup>14</sup> This information was provided as a result of a request to the Massachusetts Department of Workforce Development, April 7, 2006.

**Figure 4**  
**Tracking the Value of the Mill against Total Assessed Values of Industrial Property**  
**from 1980 to 2006**



The findings, in short, show that while the Town did suffer a loss of revenue, it was not so devastating that it was in financial difficulty. The declining contribution of the mill to the tax base was offset to a degree by increased investment in residential and other commercial/industrial properties, rising residential home values and basic financial management or “belt tightening” by the local government. Despite the declining value of the mill, there was relatively little change in the Town’s commercial tax rate. Between 1993 and 1997, the commercial tax rate only varied from a low of \$26.84 in 1993 to a high of \$30.74 in 1996.<sup>15</sup>

<sup>15</sup> Town of Maynard, Annual Reports 1980-2005 (Maynard, Massachusetts).

**Table 1**  
**Snapshot of the Best and Worst of Times under Digital and Franklin Life**

	<b>UNDER DIGITAL</b>	<b>UNDER FRANKLIN LIFE</b>
<b>Peak Year (Best of Times)</b>	<b>1989</b>	<b>1994</b>
Assessed Value of the Mill	\$32,000,000	\$12,500,000
Peak Property Taxes Paid	\$529,600	\$346,375
Tax Rate per \$1000 at Peak	\$16.55	\$27.71
Percentage of Total Levy at Peak	7%	3.3%
<b>Last Year in Operation (Worst of Times)</b>	<b>1993</b>	<b>1997</b>
Assessed Value	\$25,000,000	3,000,000
Property Taxes Paid	\$671,000	\$92,220
Tax Rate per \$1000	\$26.84	\$30.74
Percentage of Town's Tax Levy	6.7%	0.8%
Value of new Residential Construction	\$8,060,315	\$6,361,200
Value of new Commercial Construction	\$365,090	\$302,750
Value of new Industrial Construction	\$53,100	\$11,800
Unemployment Rate in Massachusetts	7.2%	4.0%
Unemployment Rate in Maynard	6.1%	3.4%
Median value of Home Price in Maynard	\$126,150	\$148,250
Median value of Home Price in Surrounding Communities	\$270,000	\$390,000
Percentage difference in Maynard vs. Surrounding Values	54%	62%

Source: Massachusetts Department of Revenue and Maynard Assessor's Office

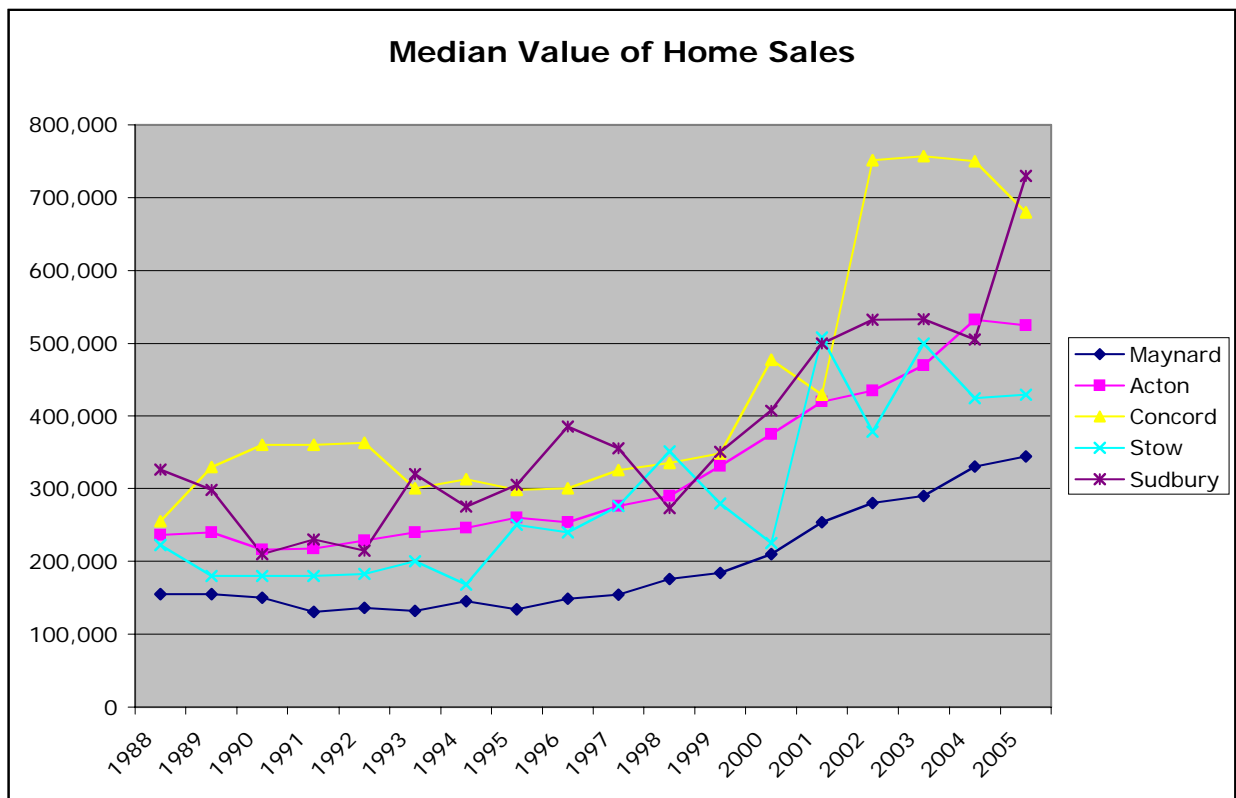
Moreover, while the entire region was in an economic restructuring phase, new jobs were being created and Digital's former employees were highly skilled. Consider that as Digital was laying off workers, Sun Microsystems was dramatically expanding its new operations in nearby Burlington, Massachusetts. It hired so many former Digital workers that it was considered, "the Son of Digital" or "Digital Reincarnated". Despite the changing climate, there was little evidence of high local unemployment. If anything, it improved at a greater rate than the Commonwealth as a whole.<sup>17</sup>

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<sup>17</sup> For more on the transformation, see Peter Temin, editor, Engines of Enterprise: An Economic History of New England (Cambridge: Harvard University Press, 2000).

It is clear that the Town of Maynard would survive the closing of the mill, but it was also clear that in relation to the surrounding communities, it was growing far less rapidly in terms of the value of its residential properties. A quick look at the data in the chart below shows that the gap between Maynard's median value of home sales in 1993 and the highest median value of home sales in the surrounding towns (in the Town of Concord) was \$143,850. Stated alternatively, the median house price in Maynard was approximately 46% less than that found in Concord. Four years later, the gap was \$241,750 or 62% less than that of its neighbor.<sup>18</sup>

**Figure 5**



In a final analysis, at the time of the collapse of the Franklin Life Care project (in the late 1990s), the concern of the Town's leadership was for the long term. The Town of Maynard was on the fringe of Boston's metropolitan area, was not situated directly on the region's two beltways (Route 128 and Interstate 495) and was a difficult commute over local roads. The Town leaders

<sup>18</sup> The Warren Group, Median Value of Home Sales. (<http://ress.thewarrengroup.com/townstats/search.asp>. April 5, 2006. Also see Massachusetts Department of Revenue, Tables 8-10: Equalized Values. (<http://www.dor.state.ma.us/>).

also recognized that there were extensive sleek functional structures available in nearby “bucolic suburban” settings that were far more attractive than a tired looking cluster of 19<sup>th</sup> century buildings in an old mill town. It was a time of much discussion and little optimism.<sup>19</sup>

The Town, however, kept in mind that there were some potential strengths concerning the reuse of the mill. First, the facility was in good shape and the buildings were heated, maintained and protected. In short, any buyer could have the mill be operational quite quickly. Second, the complex was completely fiber optically wired with state of the art and cutting edge telecommunications capability. In an age where one increasingly hears the phrase, "be wired or be gone", this represented a tremendous asset. Third, the complex had no identified environmental problems, which was a rarity in an old mill complex and was another factor that could contribute to the easy occupation of space. Finally, the office real estate market in Greater Boston was recovering in the mid-1990s. If nothing else, this meant that there was some confidence that market forces would lead to reuse of the mill in the same manner as it had in the early to mid 1950's. On the whole, however, the Town was anxious to see action and was willing to sacrifice some short-term interests for long-term gains.

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<sup>19</sup> John Dodge, “A Walk Through the Mill ... and History”. PC Week (February 7, 2000), p.3.

### **III. The Investors (1998 to the Present)**

On January 1, 1998, Franklin Life Care sold the mill to a corporation called the Wellesley/Rosewood Maynard Mills L.P. Henceforth in this paper, this corporation will be called the Wellesley/Rosewood Partnership (WRP). The partners of WRP had extensive experience in putting together complex projects throughout Greater Boston. They believed that they could fill the mill buildings in Maynard with software, office and manufacturing spaces within three years. Their optimism was based on the following three factors:

1. There was extensive need for flexible space in the region;
2. Maynard was at the center of a sub-region in eastern Massachusetts populated by a large technically competent and young workforce; and
3. The price was right.

WRP recognized from the start that it would need a strong team with strengths in financing, marketing, construction/engineering, and government relations to make this redevelopment a success. In terms of financing, WRP explored many opportunities within the United States, but none of the banks based in the United States were willing to take so great a risk. They refused to finance the project without significant collateral and personal property guarantees. So, WRP looked to a foreign bank for assistance.

Japan's Namura Bank proposed a creative financing solution to WRP. The bank agreed to provide phased funding for the project starting with the largest building. Subsequent funding was dependent on the success of the first phase. This allowed the bank to reduce its risk factor substantially. As part of this negotiated financing package, Namura Bank had the right to review (and reject) all leases. With the initial success of the project, the bank provided additional funding, using the first phase as collateral. The fact that WRP received this credit line was important. It meant that the company was not dependent upon immediate cash flow from tenants to make the project work and therefore, it was able to invest in lasting physical improvements necessary to attract tenants to locate in the mill.

With the financing in place, WRP's marketing experts first focused on creating a new image for the mill complex. They realized that neither Maynard nor the mill conveyed the sophisticated "modern", "technical" or "scientific" image common to locations on Route 128, Boston's renowned "high tech" ring road. They also realized that Digital's announced reason for selling the mill was that it was too old, too outmoded and too costly to operate. And, they also knew that the Franklin proposal failed due to a lack of investor confidence. In short, they realized that there was a stigma attached to the mill complex.

To overcome this stigma, the marketing team first endeavored to find a positive physical object at the mill site that could become the symbol of the mill's rebirth. The team quickly settled on the large clock tower that was perched atop one of the mill buildings and which was pictured on the official seal of the Town of Maynard. Thus, the complex became known as Clock Tower Place. (For consistency reasons, we will continue to refer to the complex as "the mill.") To announce this new beginning, the company immediately repaired the clock and repainted it such that it reflected its original Victorian qualities.

In addition to addressing the shortcomings of the mill complex site itself, WRP had to overcome the challenge of meeting the desires of high tech firms. As author Anna Saxanian has noted, the high tech community is a closed group, which tends to cluster. For example, in Greater Boston, seemingly the closer a company is located to the Massachusetts Institute of Technology (MIT - the epicenter of east coast high technology activity), the more interesting the location.<sup>20</sup> Companies also have a propensity to desire sleek, glass framed, single story structures.

Maynard, despite formerly being the world headquarters of Digital, was located 20 miles from Cambridge and its mill complex was hardly sleek. Michael Weinstein of Computerworld called it a "...cruddy old mill," while Jamie Pearson wrote in Digital's own publication, somewhat more complimentary, that it was "idiosyncratic."<sup>21</sup> In fact, Digital's leadership consciously selected

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<sup>20</sup> Annalee Saxanian, Regional Culture and Competition in Silicon Valley and Route 128 (Cambridge: Harvard University Press, 1996).

<sup>21</sup> Weinstein was quoted in Glenn Rifkin and George Hasrar, The Ultimate Entrepreneur: The Story of Ken Olsen and the Digital Equipment Corporation (New York: Contemporary Books, 1988), p. 133. Also see Jamie Parker Pearson, Digital At Work: Snapshots from the First Thirty Five Years (Burlington, Massachusetts: Digital Press, 1992), p. 12.

Maynard because it was different. It was in Maynard that Digital could build its famed culture of intense chaos, internal competence and decision-making consensus, with a hardworking and willing workforce. But Digital was unique and perhaps more importantly, in the last five years of its existence (1993-1998), it was looking further and further away from the mill for its operations.

WRP, upon taking ownership of the mill, endeavored to follow the traditional methods of trying to fill space. It contacted leading realtors, placed advertisements in key journals and "spread the word" to trade groups across Greater Boston. It was quite confident that the space would begin to fill for, almost immediately after it purchased the property, the economy began to revive and prime industrial and office space was again in demand. But, for six months, nothing happened! The marketing team for WRP soon realized that it had to make some extraordinary moves if it was to attract realtor interest. The following two examples are illustrative of their efforts.

The first was the "Case of the Goldfish Bowl." The WRP team called approximately 25 real estate firms and asked them to visit the mill on a Saturday morning in the summer of 1999. In exchange for the visit, one of the 25 realtors would have his/her business card pulled from a goldfish bowl and would be given the free use of a BMW for one year. (The winner later found three tenants for the mill.) The team also agreed at that time that it would provide the use of a free Mercedes, for one year, to any realtor that attracted a tenant renting more than 100,000 square feet of space.

The second example involved negotiations with the EDS Corporation, which was interested in leasing 70,000 square feet of space. EDS had two sticking points: 1) the desire for a free shuttle bus service to and from the Massachusetts Bay Transportation Authority (MBTA) commuter line located six miles away and 2) the cost of relocation. Concerning the bus service, WRP immediately agreed to provide a free scheduled shuttle to and from the commuter line regularly throughout the day and "on demand" service in the interim periods. (The shuttle, on average, attracts approximately 20 passengers per day. Sometimes the psychology of providing a service is more important than its actual use. As one of the owner's noted, "Companies in this neck of the woods have to be assured that even if only one employee needs mass transit, it is available".) In a

sense, the owners became "rain makers." They would take prospective clients through the labyrinth of corridors talking about the value of "connectedness", "funky space" and the ability to endlessly expand in place as the company grew.

The final special marketing attribute that WRP emphasized centered upon the mill's infrastructural capabilities. Water and sewer capabilities in the community were first rate. Electric and gas rates were competitive. In essence, the mill had all the basic attributes required for production. Moreover, it had one additional strength; it was totally fiber-optically wired. Digital, shortly before it left the mill, spent millions of dollars in providing cutting edge broadband service to each building. Thus, the cost of "connecting" to this essential service for new tenants was virtually nil.

### **Figures 6 & 7**

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**Source: Clock Tower Place website <http://www.clocktowerplace.com>**

#### **IV. The Art of the Deal**

Above all, and despite their masterful marketing skills, WRP saw that the Commonwealth of Massachusetts Economic Development Incentive Program (EDIP) was critical. Launched in 1993, the EDIP was intended to stimulate the creation of jobs and new businesses and to help established businesses to expand in targeted areas across the Commonwealth. Maynard was located in one of these areas. The key components of the program included a 5% State Investment Tax Credit, a 10% State Abandoned Building Tax (buildings had to be at least 75% vacant for two years in order to qualify) and Tax Increment Financing (TIF).<sup>22</sup> WRP took advantage of all three of these incentives. Above all, it was the TIF Agreement with the Town of Maynard that had the greatest impact on WRP's success.

It is important to note here that the TIF program in Massachusetts is quite limited. Unlike TIFs in other parts of the country, Massachusetts uses it as a tax abatement. TIF in a national context (outside of Massachusetts) is the term used for what Massachusetts refers to as District Improvement Financing (DIF), where tax increment financing is a method to allocate a portion of the local property taxes for redevelopment purposes.

The TIF Agreement (also referred to as a Tax Abatement), signed in April of 1998, called for the Town of Maynard to forgive taxation on 95% of all investments in improvements for five (5) years and 50% of all investments in improvements for an additional ten (10) years. Critical elements of the TIF Agreement involved the following:

- A base value for the mill was established at \$3,075,000. This was to be adjusted annually by an adjustment factor reflecting increased commercial and industrial property values in Maynard.
- WRP agreed to waive the right to seek an abatement of the assessed base value for the first five (5) years.
- WRP agreed to pay the allocated share of costs assessed to the property levied in connection with any override or debt exclusion vote taken by the Town of Maynard during the duration of the agreement.

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<sup>22</sup> For information on this program, see Massachusetts Office of Business Development (MOBD), Economic Development Incentive Program (Boston: MOBD, 1998).

- The tax abatement applied to the incremental increase in value, beyond the established base value and any inflation adjustment factors deemed appropriate by Massachusetts General Laws (usually 3%).
- The Town of Maynard set the tax rate in any given fiscal year pursuant to statute.
- There was an established investment timeline for improvements (a total of \$35,000,000 within 30 months of signing the agreement) as shown in Table 2 below.

**Table 2  
Investment Timeline**

Phase	Investment	Time Frame	Number of Building to be Renovated
Phase 1	\$17,400,000	Within 18 Months	1
Phase 2	\$5,500,000	Within 18 Months	7
Phase 3	\$7,750,000	Within 30 Months	1
Phase 4	\$4,250,000	Within 30 Months	3

In addition to the main items listed above, there were provisions in the TIF Agreement that required WRP to pay certain negotiated costs and abide by certain Town requirements. WRP agreed to:

- Let the Town of Maynard use the parking lot for a Farmers’ Market for 5 years;
- Make reasonable efforts to purchase goods and services locally and allow Maynard businesses to advertise within the premises through flyers and other promotional materials;
- Make a gift of \$15,000 to the Board of Selectmen such that the funds may be used to provide matching funds for private, state or federal grants; and
- Make an annual gift of \$15,000 (for the term of the TIF agreement) to cover Town costs incurred in connection with community development and planning activities or services.

How did the TIF Agreement impact WRP? The following illustration shows how the development fared with the tax abatement versus how it might have fared without the benefit of the TIF Agreement. Consider the following:

A. 1998 Base Value and Tax Obligation at 1998 Tax Rate =  $\$3,075,000 \times \$30.74/\$1,000 = \$94,525.50$ .

B. Hypothetically increased value from improvements in second year of  $\$23,000,000$ .

1. *Obligation without TIF Agreement:*

a. Base Value of  $\$3,075,000 + 3\%$  inflation =  $\$3,167,250$  multiplied by unchanged tax rate of  $\$30.74/\$1,000 =$  Tax obligation of  $\$97,361.27$

b. Increased Value of  $\$23,000,000$  multiplied by unchanged tax rate of  $\$30.74/\$1,000 =$  Tax obligation of  $\$707,020$

c. Total Tax Obligation without TIF =  $\$97,361.27 + \$707,020 = \$804,381.27$

2. *Obligation under TIF Agreement:*

a. Base Value of  $\$3,075,000 + 3\%$  inflation =  $\$3,167,250$  multiplied by unchanged tax rate of  $\$30.74/\$1,000 =$  Tax obligation of  $\$97,361.27$

b. Increased Value of  $\$23,000,000$  multiplied by abated ratio (100-95%) =  $\$1,150,000$  assessed value. This multiplied by unchanged tax rate of  $\$30.74/\$1,000 =$  Tax obligation of  $\$35,351$

c. Total Tax Obligation with TIF =  $\$97,361.27 + \$35,351 = \$132,712.27$

3. *Savings to Developer/Owner is  $\$804,381.27$  minus  $\$132,712.27 = \$671,669$*

4. *Increased tax revenue for the Town of  $\$35,351$  (in addition to base revenue of  $\$97,361.27$ )*

The value of this agreement to WRP was clear. The savings in property taxes would help WRP to finance improvements to the property as well as provide rental subsidies to tenants. WRP recruited the initial tenants for Clock Tower Place at a rate of  $\$12/\text{square foot}$ . This was a reduction of 30-50% over the market rates of  $\$24/\text{square foot}$  inside the Route 128 ring and  $\$18/\text{square foot}$  closer to the Interstate 495 ring, making this a very attractive proposition.

In addition to the affordable lease rates, the tenants would see substantial savings from fees related to Common Area Maintenance (CAM) rates. On average, CAM rates in the region increased the lease rates by 10-15%. WRP was able to offer CAM rates at a negligible 2%. For example, while the Towns of Acton and Concord offered CAM rates at \$1.50-\$1.80 per square foot, the mill offered rates between \$.09 and \$.20 per square foot, depending on the location within the complex.

WRP would also be able to use the tax break as equity in obtaining bank assistance and it would have guaranteed long-term control on future property tax expenditures. For its part, the Town would receive a slight, but immediate, increase in property taxes. More importantly, the Town could expect the facility to be used, new jobs to be generated and new activity from the employees and clientele of the mill in its downtown. With all this information in hand, the voters at the Town Meeting on April 27, 1998 overwhelmingly approved the TIF Agreement.<sup>23</sup>

With the TIF in hand, the mill began to fill quickly.<sup>24</sup> Between January 1998 and July 2000, WRP leased approximately one million square feet that was occupied by 85 different companies. Monster.com, the nation's leading on-line employee placement company, moved its entire operations to the mill thereby converting a conventional 19<sup>th</sup> century manufacturing building into 21<sup>st</sup> century post-modernist space complete with modular furniture and nap rooms. WRP also attracted a Gold's Gym, a "Corporate Chefs" restaurant capable of serving up to 500 patrons, a travel agency, a printing services company and a full service bank to a central common area in the mill.

In the case of the restaurant, WRP realized that the eatery could not be profitable until the mill had a good tenant base. So, the company was creative. It waived all the restaurant's rental fees for one year based on the philosophy that a good restaurant was better as a draw for tenants than as a profit center for the mill.

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<sup>23</sup> Maynard Town, Maynard Town Warrant: Special Town Meeting Results (April 27, 1998), p. 12.

<sup>24</sup> David Bushnell, "Life After Digital: Maynard Comes Into its Own", Boston Globe (July 13, 2002), Real Estate Section, p. G1.

Concerning start up companies, WRP adopted a philosophy that no company was too small to locate in the mill. As a result, the tenants lease spaces ranging from a high of 100,000 square feet to as small as 200 square feet. Moreover, WRP has noted that 22 companies have been able to expand in place. To date, it has lost only two companies due to an inability to meet their needs.

The entire redevelopment process in the first three years seemed relatively easy. How much of a factor did the TIF play in this process? Could this redevelopment have occurred without the tax abatement? Popular perceptions are that the TIF Agreement was too lenient and the Town was left to deal with increased traffic congestion and service costs and expenditures with negligible increases in revenue.<sup>25</sup> In the following section, the impacts, opportunity costs and financial implications for the Town of Maynard are assessed in an attempt to answer these questions.

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<sup>25</sup> Maureen Costello, "Citizens Protest Zoning Bylaw", Boston Globe (March 4, 2001), Globe West Section, p. 1.

## **V. Analysis & Projection of the Local Fiscal Impacts of the Agreement**

It is important to note here that this is a retrospective assessment. The TIF Agreement has now been in place for eight years. Today, the fiscal impact on the Town is very positive and the mill is a success story. However, in order to assess the TIF Agreement and comment on its merits at the time that it was proposed, we return to the data available in 1997-1998, since this was the basis of the TIF<sup>26</sup>. Later, we will look at the current impacts and compare the ones projected in 1998 to what actually happened on the ground.

This assessment is divided into two distinct parts. The first looks at the basic financial revenue arrangement and its impact on the Town while the second examines the fiscal impact of the development on the Town. The following three assumptions are used in this assessment:

1. The tax rate from 1998 stays constant at \$30.74 per \$1,000 of assessed value;
2. An adjustment rate of 3% per year is applied to all values; and
3. New investment occurred as scheduled: \$23,000,000 by Year 2 and \$35,000,000 by Year 3.

### **A. Financial Revenue Comparison**

The following table compares basic property tax revenue under three scenarios over a 20-year period. The purpose of this assessment is to determine if the projected income stream benefited the Town. The last three columns of the table indicate property tax revenue that could have been projected given the information available in 1998 for:

1. Projected property tax revenue if no new investment or TIF were to occur (Column H);
2. Projected property tax revenue if the development occurred in accordance with the TIF Agreement (Column I); and
3. Projected property tax revenue that might have been realized if the development had occurred in the absence of any tax abatements (Column J).

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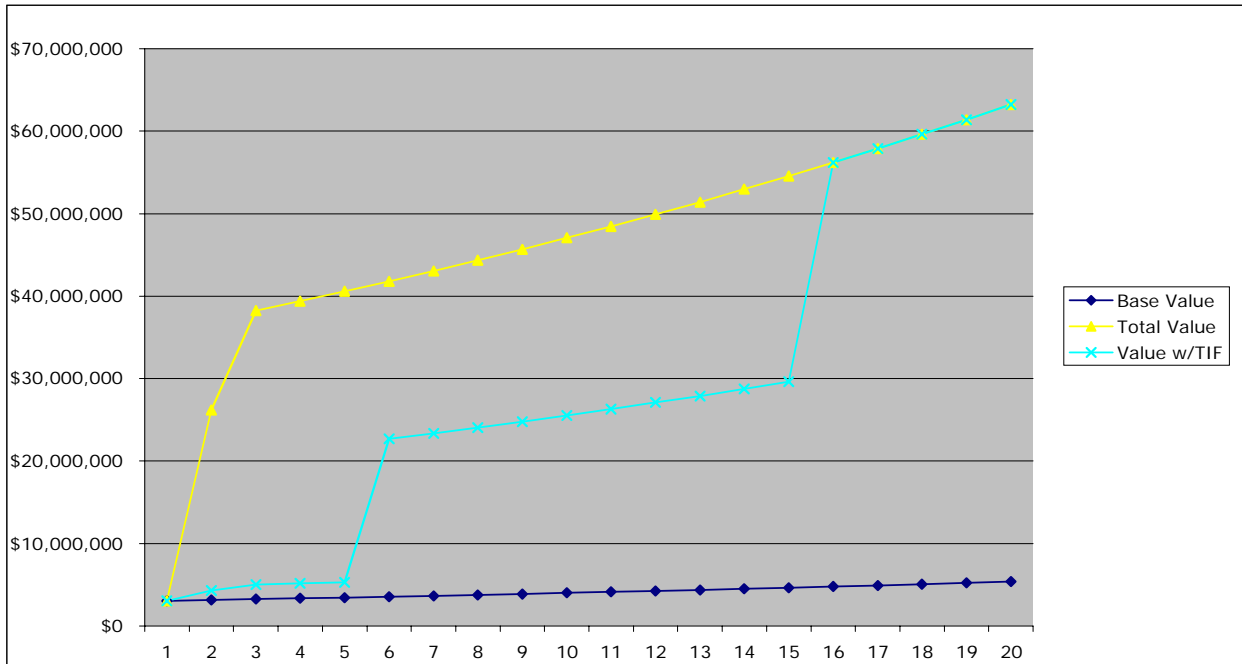
<sup>26</sup> Present value may also be utilized in the calculations enumerated in this Section.

**Table 3  
Values and Property Tax Scenarios**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
<b>Year</b>	<b>Base Value</b>	<b>Added Improvements</b>	<b>Negotiated TIF Abatement</b>	<b>Increased Value With TIF Abatements</b>	<b>Total Value without TIF</b>	<b>Total Value with TIF</b>	<i>Property Taxes with no Development</i>	<i>Property Taxes with TIF</i>	<i>Property Taxes without TIF</i>
1	\$3,075,000	\$0	95%	\$0	\$3,075,000	\$3,075,000	\$94,526	\$94,526	\$94,526
2	\$3,167,250	\$23,000,000	95%	\$1,150,000	\$26,167,250	\$4,317,250	\$97,361	\$132,712	\$804,381
3	\$3,262,268	\$35,000,000	95%	\$1,750,000	\$38,262,268	\$5,012,268	\$100,282	\$154,077	\$1,176,182
4	\$3,360,136	\$36,050,000	95%	\$1,802,500	\$39,410,136	\$5,162,636	\$103,291	\$158,699	\$1,211,468
5	\$3,460,940	\$37,131,500	95%	\$1,856,575	\$40,592,440	\$5,317,515	\$106,389	\$163,460	\$1,247,812
6	\$3,564,768	\$38,245,445	50%	\$19,122,723	\$41,810,213	\$22,687,490	\$109,581	\$697,413	\$1,285,246
7	\$3,671,711	\$39,392,808	50%	\$19,696,404	\$43,064,519	\$23,368,115	\$112,868	\$718,336	\$1,323,803
8	\$3,781,862	\$40,574,593	50%	\$20,287,296	\$44,356,455	\$24,069,158	\$116,254	\$739,886	\$1,363,517
9	\$3,895,318	\$41,791,830	50%	\$20,895,915	\$45,687,148	\$24,791,233	\$119,742	\$762,083	\$1,404,423
10	\$4,012,178	\$43,045,585	50%	\$21,522,793	\$47,057,763	\$25,534,970	\$123,334	\$784,945	\$1,446,556
11	\$4,132,543	\$44,336,953	50%	\$22,168,476	\$48,469,496	\$26,301,019	\$127,034	\$808,493	\$1,489,952
12	\$4,256,519	\$45,667,061	50%	\$22,833,531	\$49,923,581	\$27,090,050	\$130,845	\$832,748	\$1,534,651
13	\$4,384,215	\$47,037,073	50%	\$23,518,537	\$51,421,288	\$27,902,751	\$134,771	\$857,731	\$1,580,690
14	\$4,515,741	\$48,448,185	50%	\$24,224,093	\$52,963,927	\$28,739,834	\$138,814	\$883,462	\$1,628,111
15	\$4,651,213	\$49,901,631	50%	\$24,950,816	\$54,552,844	\$29,602,029	\$142,978	\$909,966	\$1,676,954
16	\$4,790,750	\$51,398,680	0%	\$51,398,680	\$56,189,430	\$56,189,430	\$147,268	\$1,727,263	\$1,727,263
17	\$4,934,472	\$52,940,640	0%	\$52,940,640	\$57,875,113	\$57,875,113	\$151,686	\$1,779,081	\$1,779,081
18	\$5,082,506	\$54,528,860	0%	\$54,528,860	\$59,611,366	\$59,611,366	\$156,236	\$1,832,453	\$1,832,453
19	\$5,234,982	\$56,164,725	0%	\$56,164,725	\$61,399,707	\$61,399,707	\$160,923	\$1,887,427	\$1,887,427
20	\$5,392,031	\$57,849,667	0%	\$57,849,667	\$63,241,698	\$63,241,698	\$165,751	\$1,944,050	\$1,944,050
						<b>TOTAL (NOT PV)</b>	<b>\$2,539,936</b>	<b>\$17,868,813</b>	<b>\$28,438,547</b>

As can be noted from the twenty-year assessment, clearly the Town benefited from the TIF Agreement when compared to the “Base Value - no development” scenario. The base value of the mill with a 3% annual adjustment would increase to \$5,392,031 at the end of 20 years (see Column B). Assuming a constant tax rate, the Town would receive a total of \$2,539,936 in cumulative property taxes over 20 years (see Column H). Contrast this amount to the projected cumulative revenue of \$17,868,813 that the Town could have received in property taxes over 20 years with the TIF Agreement in place (see Column I). Needless to say, the Town would have received substantially more in property taxes had the current development proceeded without any abatement (Column J). The following graph shows projected increases in value for all 3 scenarios.

**Figure 8  
Property Tax Revenue Projected over 20 Years**



The bottom line is that the Town would see increased tax revenue from the then proposed development package but was this enough to base the TIF decision on? What about service costs the Town needed to bear as development increased? The second part of this assessment looks at the primary fiscal impact (both revenues and operating costs) of the development on the Town.

**B. Proportional Valuation Fiscal Assessment Comparison**

To consider costs and revenues, a series of basic proportional valuation fiscal assessments are examined. The first valuation utilizes a base value (no development / no TIF) assessment (see Table 4 below). As expected from a commercial valuation, the fiscal impact for the Town was positive (\$39,446).

**Table 4**  
**The Base Value Fiscal Impact of the Mill based on 1998 Data**

**EXPECTED REVENUE FROM THE MILL**

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**Revenue from Property Taxes the Mill**

Base Assessed Value of the Mill	\$3,075,000.00
<i>multiplied by</i>	
Assessment Ratio	100.00%
<i>equals</i>	
Actual Assessed Value of the Mill	\$3,075,000.00
<i>multiplied by</i>	
Commercial/Industrial Tax Rate /\$1,000	\$30.74
<b>Current Property Tax Revenue</b>	<b>\$94,525.50</b>

**ESTIMATED SERVICE COSTS DUE TO THE MILL**

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**Service Costs Due to Development**

Town expenditures excluding Schools	\$10,207,834.00
<i>multiplied by</i>	
Commercial/Industrial portion of Equalized Value	12.07%
<i>equals</i>	
Service Costs due to Industrial Use	\$1,232,085.56
<i>divided by</i>	
Equalized Value of all Commercial/Industrial Property	\$68,785,307.00
<i>equals</i>	
Service Cost per \$1 in value	\$0.0179
<i>multiplied by</i>	
Base Assessed Value of the Mill	\$3,075,000.00
<b>Town Service Costs for the Mill</b>	<b>\$55,079.54</b>

**NET FISCAL IMPACT FROM THE MILL**

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Total Revenue from the Mill	\$94,525.50
Total Costs due to the Mill	\$55,079.54
<b>Net Fiscal Gain per Year</b>	<b>\$39,445.96</b>

The next step involves projecting the fiscal impact over 20 years based on data available in 1997-1998. This shows what the Town expected to receive in net benefit over a longer timeframe.

This scenario requires the following assumptions:

- Costs and revenues would occur within a constant proportion or ratio during the 20 years;
- Service levels would remain constant during the 20 years;
- Tax rates would remain constant during the 20 years; and
- Property values would increase by an annual adjustment factor of 3%.

Based on information available in 1997-1998, the following data would apply:

• Industrial/Commercial tax rate per \$1,000	\$30.74
• Miscellaneous revenue per \$1 in value for Commercial/Industrial property	\$0.01
• Service cost per \$1 in value for Commercial/Industrial property	\$0.0179
• Commercial/Industrial share of Total Equalized Value	12.07%

The calculations presented in the next two pages show the expected 20 year projections of property tax and miscellaneous revenues; costs that would be borne by Town for increased municipal services as value increased; and the projected net fiscal gain for each of the three scenarios given the information available in 1998. Again, the three scenarios are:

1. Net fiscal impact on the Town if no new investment or TIF were to occur;
2. Net fiscal impact on the Town if the development occurred in accordance with the TIF Agreement; and
3. Net fiscal impact that might have been realized if the development had occurred in absence of any tax abatements.

**Table 5**  
**Cost Projections and Fiscal Implications**

<b>Year</b>	<b>Service Costs</b>	<b>Base Value Impact</b>	<b>Fiscal Impact w/TIF</b>	<b>Fiscal Impact w/o TIF</b>
1	\$55,080	\$39,446	\$39,446	\$39,446
2	\$468,709	\$40,629	(\$153,557)	\$518,112
3	\$685,355	\$41,848	(\$264,511)	\$757,594
4	\$705,916	\$43,104	(\$272,447)	\$780,322
5	\$727,094	\$44,397	(\$280,620)	\$803,731
6	\$748,906	\$45,729	\$240,011	\$827,843
7	\$771,374	\$47,101	\$247,211	\$852,678
8	\$794,515	\$48,514	\$254,627	\$878,259
9	\$818,350	\$49,969	\$262,266	\$904,606
10	\$842,901	\$51,468	\$270,134	\$931,745
11	\$868,188	\$53,012	\$278,238	\$959,697
12	\$894,233	\$54,602	\$286,585	\$988,488
13	\$921,060	\$56,241	\$295,183	\$1,018,143
14	\$948,692	\$57,928	\$304,038	\$1,048,687
15	\$977,153	\$59,666	\$313,159	\$1,080,147
16	\$1,006,468	\$61,456	\$1,112,552	\$1,112,552
17	\$1,036,662	\$63,299	\$1,145,928	\$1,145,928
18	\$1,067,762	\$65,198	\$1,180,306	\$1,180,306
19	\$1,099,794	\$67,154	\$1,215,715	\$1,215,715
20	\$1,132,788	\$69,169	\$1,252,187	\$1,252,187

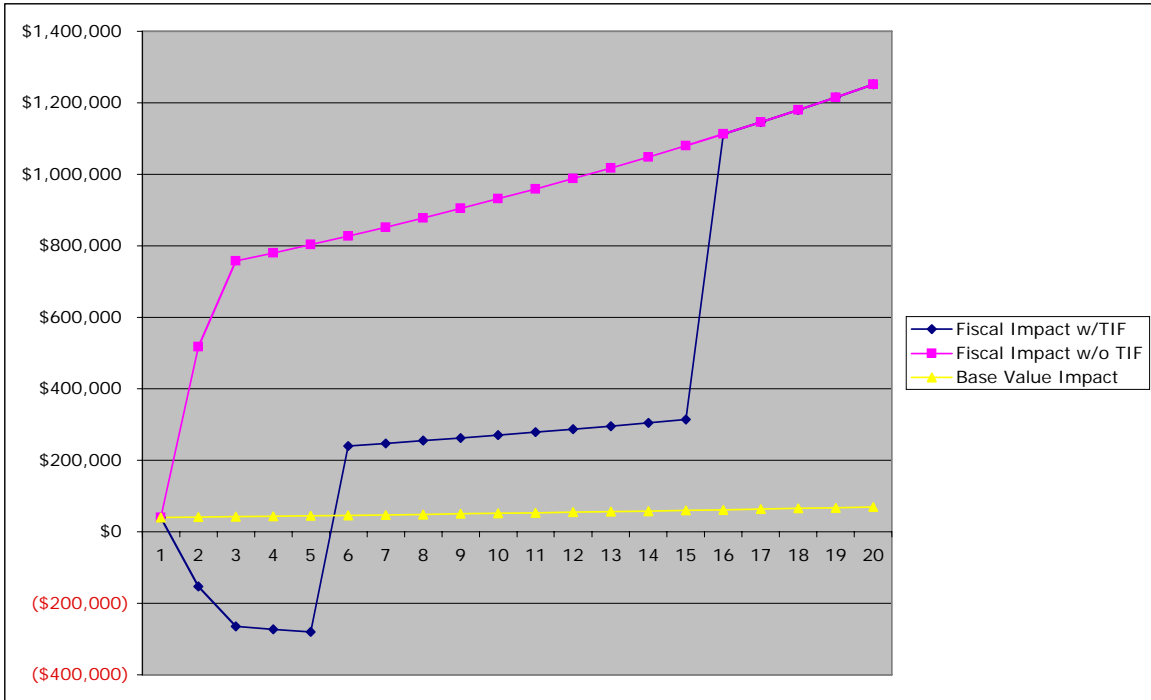
As can be noted from the assessment, the 95% abatement in the first five years cost the Town in services. The increased tax revenue from improvements did not cover the costs associated with providing municipal services for the renovated mill. Once the abatement ratio changed from 95% to 50%, the Town once again began to see a positive fiscal impact.

**Table 6  
Revenue Projections**

<b>Year</b>	<b>Property Tax Revenue on Base Value</b>	<b>Property Tax Revenue with TIF</b>	<b>Property Tax Revenue without TIF</b>	<b>Miscellaneous Revenue from Development (State Aid and Local Receipts)</b>	<b>Total Projected Revenues with TIF</b>	<b>Total Projected Revenues without TIF</b>
1	\$94,526	\$94,526	\$94,526		\$94,526	\$94,526
2	\$97,361	\$132,712	\$804,381	\$182,440	\$315,152	\$986,821
3	\$100,282	\$154,077	\$1,176,182	\$266,767	\$420,844	\$1,442,949
4	\$103,291	\$158,699	\$1,211,468	\$274,770	\$433,470	\$1,486,238
5	\$106,389	\$163,460	\$1,247,812	\$283,013	\$446,474	\$1,530,825
6	\$109,581	\$697,413	\$1,285,246	\$291,504	\$988,917	\$1,576,750
7	\$112,868	\$718,336	\$1,323,803	\$300,249	\$1,018,585	\$1,624,052
8	\$116,254	\$739,886	\$1,363,517	\$309,256	\$1,049,142	\$1,672,774
9	\$119,742	\$762,083	\$1,404,423	\$318,534	\$1,080,616	\$1,722,957
10	\$123,334	\$784,945	\$1,446,556	\$328,090	\$1,113,035	\$1,774,645
11	\$127,034	\$808,493	\$1,489,952	\$337,933	\$1,146,426	\$1,827,885
12	\$130,845	\$832,748	\$1,534,651	\$348,071	\$1,180,819	\$1,882,721
13	\$134,771	\$857,731	\$1,580,690	\$358,513	\$1,216,243	\$1,939,203
14	\$138,814	\$883,462	\$1,628,111	\$369,268	\$1,252,731	\$1,997,379
15	\$142,978	\$909,966	\$1,676,954	\$380,346	\$1,290,312	\$2,057,301
16	\$147,268	\$1,727,263	\$1,727,263	\$391,756	\$2,119,020	\$2,119,020
17	\$151,686	\$1,779,081	\$1,779,081	\$403,509	\$2,182,590	\$2,182,590
18	\$156,236	\$1,832,453	\$1,832,453	\$415,614	\$2,248,068	\$2,248,068
19	\$160,923	\$1,887,427	\$1,887,427	\$428,083	\$2,315,510	\$2,315,510
20	\$165,751	\$1,944,050	\$1,944,050	\$440,925	\$2,384,975	\$2,384,975

The importance of knowing the short and long-term impacts should be noted. In the first five years, the TIF did not prove beneficial to the Town, but it did enable the development to occur and succeed. The longer-term impact clearly shows the benefits of the TIF Agreement. Furthermore, it shows that the Town recaptured the dollars lost in the first five years by Year 9.

**Figure 9**  
**Net Fiscal Impact over 20 Years**



What would have been a more equitable solution from the Town's perspective? The following calculations show the break-even points that the Town might have considered. What would it take for the Town to allow a tax abatement to encourage new development while not incurring any fiscal loss? As we can see, in retrospect, a more equitable tax abatement for the first five years should have been closer to 70% rather than 95%. At 70%, the Town would break even in terms of revenues and costs.

**Table 7**  
**Break Even Abatement Comparison**

	Year 2	Year 3	Year 5
Costs Associated with New Development	\$468,708.98	\$685,355.48	\$748,906.44
Base Value Tax Revenue	\$97,361.27	\$100,282.10	\$109,580.96
Additional Miscellaneous Revenue	\$182,439.81	\$266,767.08	\$291,503.59
Balance Revenue needed for Break Even Abatement	\$188,907.90	\$318,306.30	\$347,821.89
Assessed Value Required for Break Even Abatement	\$6,145,344.95	\$10,354,791.96	\$11,314,960.76
Percent of Total New Value	26.72%	29.59%	29.59%
<b>Break Even Abatement</b>	<b>73.28%</b>	<b>70.41%</b>	<b>70.41%</b>

In essence, when one looks at the fiscal impacts on the Town, for the first five years, it appears that the Town did not get a fair deal. However, after the fifth year, the Town saw a net fiscal gain (revenues > costs). By Year 9, the difference between the net fiscal impact of no new growth and the TIF development is captured.

So, how does this financial impact relate back to the world of planning and policy? The following sections tell the rest of the story.

## **VI. Critical Evaluation of the TIF Agreement**

To evaluate the success or failure of the TIF Agreement for the mill, the results of the TIF are examined from the perspective of the Town of Maynard, the investor (WRP), and planning theory.

### **A. From the Town's Perspective**

Back in the beginning of 1998, the mill posed an economic challenge to the Town of Maynard. The Town leadership knew that Digital viewed the mill as being too expensive to operate and that the Franklin Life proposal had failed. The lost jobs and decline in assessed value of the Digital property were significant, but not devastating. In the short run, the Town had the means to meet its obligations. However, over a longer period, the mill's impact on community services would become severe.

Town pride was also at stake. To live in a community where its most prominent structures, dominating the landscape in any direction, were silent and rotting away day by day was particularly distressing. Thus, from fiscal and community pride perspectives, the Town's leaders knew they had to provide incentives to bring vibrancy back to the complex.

The TIF Agreement with WRP appears to be the appropriate vehicle for providing incentives to revitalize the mill. For the Town of Maynard, the TIF:

- Enabled the Town to collect tax revenues that were well above the amount it would have collected had the mill remained vacant. Please remember that the purchase price of the mill paid by Franklin was \$1.2 million and that vacant mills in Massachusetts are commonly assessed at “scrap value”;
- Reversed the condition in which the owners were headed for bankruptcy and beginning to strip the mill of salvageable material. Instead, there is now a long-term circumstance of financial stability with a fully functional mill complex;
- Stimulated the creation of a thriving mill complex where between 1,500 and 2,000 workers are employed in the companies occupying the space<sup>27</sup>; and
- Stimulated increased activity in downtown Maynard since the employees at the mill complex frequently walk through the nearby downtown and make local purchases.<sup>28</sup> These workers are highly professional, well educated and relatively affluent; in short, they represent an upscale clientele. While their expenditures to date have not been extravagant, the potential is significant.

In addition, several indirect benefits have occurred within the Town that may have been influenced by the TIF Agreement. The Town's tax rate has stabilized and both industrial and residential tax rates have decreased. In addition, while its commercial and industrial property values have continued to increase, their share of equalized value has decreased indicating a strong residential market. Finally, service costs are in check and the municipal budget is balanced.

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<sup>27</sup> Erica Noonan, “Value of Clock Tower Place Soars – Assessment Up More Than Tenfold”, Boston Globe (July 1, 2004), Globe West Section, p. 6.

<sup>28</sup> Maureen Costello, “Guess Who's Coming to Dinner – Customers Flock to Local Eateries”, Boston Globe (March 28, 2004), Globe West Section, p. 1.

The projections over the longer-term seem to be holding up as well. Eight years after the inception of the TIF Agreement, the Town is making a significant net impact gain which is only likely to increase over time. As of May 2005, the Town of Maynard held a Moody's Bond rating of A2, which is the 6<sup>th</sup> highest rating of the ten levels of investment grade bonds and is quite impressive.

In a final analysis, the Town of Maynard has its heart back. The mill stimulated the creation of the Town and sustained it for more than 150 years. Today, because of the actions of the developers and the Town, that heart pumps once again.

However, did the Town sacrifice too much to revive the mill? As a result of the interviews conducted for this case study, it is clear that there is a local perception that the TIF was too lucrative and that, since the Town of Maynard was not suffering from high unemployment in 1997-1998, the return on this investment was too low. At first glance, one can understand this position. WRP moved into town, put up a sign saying, "space available", filled the mill with 70 companies that have unpronounceable names and made millions. ...or so is the perception.

## **B. From the Investor's Perspective**

WRP, on the other hand, would argue differently. WRP would maintain that it followed Digital, which saw the mill as a financial drain, and Franklin Life Care, which could not gain the required financing for its proposal. In effect, WRP had agreed to take on a project that was considered a failure by the two previous owners. With its skills and experience in the revitalization of old buildings, creation of a talented team, timely entrance into the market place, aggressive marketing and pursuit of government grants, WRP stimulated the recovery of the mill.

Prior to investing in the mill, WRP was aware of the economic climate in and around Maynard and was prepared to take advantage of it. Above all, WRP was confident that the space would fill. With this in mind, WRP took three critical steps. First, WRP purchased 51% of Franklin Life Care. This provided Franklin Life Care with the means to meet its financial obligations cleanly

and its owners became minority owners with WRP. The fact that WRP only purchased 51% is significant. It meant that WRP controlled the mill's future without having to purchase it outright.

Second, as previously noted, it was important for the mill to be perceived as being a suitable place to do business. Thus, the company aggressively set out to make the mill attractive. New landscaping was planted as the structures were painted and scrubbed. So, while the outside was grim, the inside was funky.

Third, WRP knew that it would require a TIF Agreement if it was to be competitive. This encouraged the company to become a good corporate citizen. It held open houses, allowed its facilities to be used by the public and donated funds for needed community projects. It also launched a public relations campaign designed to influence the voters on its behalf. It worked! In an often cantankerous Town Meeting, the owners gained the two-thirds majority required to pass such an agreement. This was no easy achievement! The TIF enabled WRP to substantially cut the rental charges for the mill in comparison with Maynard's more affluent neighboring towns and within eighteen months, the mill was once again fully operational.

Clearly, WRP took a calculated risk. Its time, funds and reputation were on the line. In retrospect, if WRP made an error in judgment in terms of the court of popular opinion, it was that the company made the recovery look too easy. The rental agreements were quick, the financing was smooth, the grants were quickly obtained and the mill was filled with little observable effort. In a town that had frequently suffered for economic downturns, the success of WRP was simply too much to bear.

### **C. From a Planning Perspective**

Could this difference of opinion between the Town and the company have been avoided? Perhaps. From a municipal perspective, the absence of a strong vision for the revitalization of the mill, the fact that there was no working master plan and that there was minimal commitment to planning in the community were all shortcomings.

In fact, there was no synoptic planning theory being practiced in the Town, especially with regards to addressing the needs of the mill. There was no formal goal-setting, followed by identification of policy alternatives, evaluation of means against ends, and implementation of policy relative to the mill. The desire of the Town, as in the early 1950s, was simply to help keep the mill running. If, however, the Town had placed the recovery of the mill in a master planning context then the expectations of the townspeople would have been stated, an understanding of its impacts would have been known and the qualitative aspects of its recovery publicly debated—all ahead of the coming of WRP. This is one case where thoughtful planning could have greatly improved town-company relations.

## **VII. Lessons Learned**

The story of Maynard's Mill has much to offer for planners and developers across the United States. The lessons learned from this case study generally fall into two categories: those that are specific to the Maynard Mill TIF Agreement and those that can apply to TIF Agreements and tax abatements in general throughout the country.

### **A. The Maynard Mill TIF Agreement**

The TIF Agreement between the Town of Maynard and WRP resulted in many successful achievements. For example, the TIF Agreement:

- Enabled the investors to hold down property taxes enabled a quick recovery for the mill and to be creative and bold;
- Enabled the investors to gain a long-term credit line by generating guaranteed equity in the mill;
- Enabled the investors to substantially discount the rent charged to their tenants;
- Enabled the investors to invest more than \$35,000,000 into the structures, insuring that the mill was more efficient to operate and matched the needs of modern companies;
- Led to the revitalization of a complex of buildings that was beginning to decay and where the internal infrastructure was being stripped away;
- Resulted in the creation of 1,500-2,000 jobs in the Town of Maynard;

- Contributed to the revival of downtown Maynard;
- Contributed to improvements to the Town's Library, Senior Citizen Program, roads and property needs; and
- Contributed towards stabilizing the Town's tax base for years to come.

In the short-term, perhaps the tax abatement in the TIF Agreement at 95% was too lenient. Fiscal impact assessments show a more viable abatement of 70% would have helped the Town not incur any costs associated with the renovations. The long-term assessment shows that the Town captured any lost revenue by Year 9. In other words, after Year 9, there are no cumulative losses for the Town to report.

After the TIF ends in 2018, the mill will pay its full share of property taxes. In today's market, the mill sale value is in the range of \$100,000,000. With an estimated tax percentage of 2%, the estimated tax payments will be \$2,000,000 (in 2006 dollars).

## **B. TIF Agreements in General**

TIF Agreements represent a means for a developer to lower the risk in a project that is marginal and where banks are reluctant to invest. Understanding these and other public sector subsidies for private development is not always easy. Assessments of short and long-term impacts are important for communities looking to evaluate the cost benefits of subsidies or tax breaks. TIFs that are designed to meet immediate needs, without an understanding of long-term consequences, can lead to problems. Furthermore, an understanding of the long-term financial capabilities of the developers/owners is essential. Planners and communities need to know the following information available tools and impacts on planning and the community before entering into TIF Agreements and other public-private partnerships:

### **1. Available Tools**

- The tax abatement is only one tool among many that can and should be used in the revitalization of old mill complexes. In the Maynard case, the developers also used Public

Works for Economic Development (PWED) grants and Abandoned Building Tax Credits to help prepare their structures for the market. Other states, in addition to the federal government, offer different types of economic development incentives depending on the situation. Communities should learn what types of funding opportunities are available in their state and through the federal government.

- The rules of “negotiated development” differ across the United States. States that grant home rule powers to municipalities are most apt to use this approach. Massachusetts is a home rule state that grants such powers to its municipalities. Communities should learn what the rules of negotiated development are in their state.
- There is little formal guidance for planners and the writers of tax abatement policy concerning the creation of equitable TIFs or tax abatement agreements.

## **2. Planning & Community Impact**

- As partnerships, developments and financing becomes more complicated, professional assistance is required to be effective. Essentially, there are limits to volunteerism.
- The fact that the Town of Maynard took a loss in terms of service costs on the first five years need not have happened. Stated alternatively, towns without professional planning assistance are at a disadvantage.
- Since TIFs are more than subsidies, it is important for communities to understand the impacts of such arrangements and what a TIF means to the community and developer over a period of time.
- TIFs and tax abatements need to be placed in a planning context such that the granting of the tax abatement meets the goals of master plans and/or a community’s vision.
- TIFs and tax abatements have an indirect and induced set of impacts that can include new jobs created, rising residential values and improved commercial growth in nearby centers.
- The Maynard case shows that it is essential that both the developer and the Town realize they are entering into a long-term relationship.
- It is essential that planners understand externalities before considering the granting of Tax Abatements. In the Maynard case, for example, the booming regional market and the fact that the mill is an icon were two very important externalities.

- The Maynard example represents a case where there is a separation between economic and social capital. Investors are willing to place their risk capital in Maynard but not their personal commitment to the Town.
- The Maynard Mill TIF is a good example of phased “approval” development. The bank would not release the mortgage to the investor until certain requirements and rented square footage benchmarks were met. The ability of Japan’s Namura Bank to take calculated risks was essential to this project’s success. The fact that local banks did not participate is disturbing. Planners & communities should meet with representatives of local banks and their state economic development coordinators to discuss the benefits of TIFs.
- Partnership agreements, especially financial ones, should be used as a strategic tool that will have a meaningful impact upon the community as a whole. Off-premise improvements to the community are not uncommon.
- The Maynard case is an illustration where external qualitative considerations are equally important as the qualitative elements: The sense of place is important.
- The Maynard case represents a “happy ending” for the moment. We recommend, from a pedagogical approach, that students should become aware of “failed Tax Abatements”.

After a TIF Agreement has been approved and is in place, planners and communities need to keep in mind the following points:

- The status of TIF Agreements, expectations, results, etc. should be regularly reported back to the community. All parties need to be reminded to be patient since the results take time.
- In order for the planner and the community to understand if a tax abatement is working, it is essential that retrospective and/or ongoing evaluations occur. There is little evidence that shows that this is actually happening in communities where tax abatements have been implemented.
- The use of “average costing” as the means of analysis needs to be undertaken with great care. As new investment occurs, it is likely that source costs would expand beyond a “straight line” projection.

In conclusion, we would like to add that public private partnerships are increasingly important in economic development and planning. This case study illustrates a partnership that goes beyond just dollars and cents. It includes creative marketing, long term planning and educational elements.

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