



Dear RTM:

A special town meeting is not an event that the Board of Selectmen convenes without giving it great thought.

It certainly requires a compelling event such as the proposed \$300 million expansion of one of Walpole's great, decade's long, corporate partners, Siemens Healthcare Diagnostics Inc. as well as the competitive environment that such a large project creates.

This will be the lone article on the March 7th special town meeting warrant (to be held at the Johnson Middle School).

It is unfortunate but true that the significance of these opportunities create a winner/ loser scenario in a real life dichotomy for many communities across not only America but also the world.

Walpole is competing with other states, not other towns/cities in Massachusetts, for this growth opportunity.

In my 40 years serving the people of Walpole I have experienced ever so many battles that were clearly aimed at hurting the town.

We never envisioned Walpole to become the host community for MWRA sludge dump, regional trash transfer station, high megawatt power plant, outrageous 40b development, propane gas farms, superfund site, any lawful use zoning, and many more.

All were defeated!

On the bright side, I am also pleased to have joined many of you by being involved with the saving of the great Adams Farm area which preserved/conserved hundreds of bio-diverse acres for present / future generations to use, study and enjoy. The Mylod soccer fields kept from development continuously used by thousands of our children...the saving of the Sharon Country

Day Camp (now the Jarvis Farm) for the protection of our aquifer water system as well as the exploration of future recreational opportunities. All make Walpole a better place!

Join with the supermajority (4) of the members of the board of selectman in voting "yes" to assure that this expansion takes place in Walpole.

Join me, our town administrator Jim Johnson and the dedicated members of the tax incremental finance (T.I.F) group (former selectman Al DeNapoli, Economic Development Director Liz Dennehy, Town Appraiser Dennis Flis, Selectman Eric Kraus) in approving and embracing the expansion of a world class global health sciences corporate partner, Siemens Healthcare Diagnostics Inc.

Thankfully the Commonwealth of Massachusetts has enthusiastically joined with us in a tripartite effort to guide this wonderful global opportunity to a successful local conclusion.

You, our legislative deliberative body, Walpole's representative town meeting members, are where the buck stopsit is all up to you!!

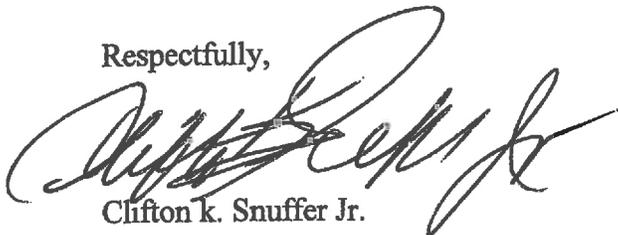
Your positive vote allows for the continuation of Siemens Healthcare Diagnostics Inc.'s growth here in Walpole ...for decades to come.

It can be said with assurance that the early stage diagnostic lifesaving products produced here in the town of Walpole will make us proud to be the host community

Projects of this magnitude remain very fluid...a yes vote from the Town Meeting members will allow our community to move forward in a controlled, positive, future direction.

I ask for your favorable vote!

Respectfully,

A handwritten signature in black ink, appearing to read "Clifton K. Snuffer Jr.", written in a cursive style.

Clifton k. Snuffer Jr.

Chairman

Walpole Board of Selectmen, RTM Precinct #2

Note: the full cost of the March 7th special town meeting are being reimbursed by Siemens

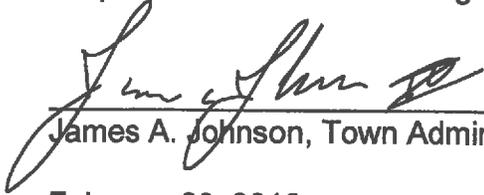


TOWN OF WALPOLE
COMMONWEALTH OF MASSACHUSETTS

Walpole Town Hall
135 School Street
Walpole, MA 02081
Phone (508) 660-7289
Fax (508) 660-7303

To: Representative Town Meeting Members

From:



James A. Johnson, Town Administrator

Date: February 23, 2016

Re: Special Town Meeting Packet

Enclosed please find the materials that will assist you in your preparation for the Special Town Meeting to be held on March 7, 2016 at the Johnson Middle School. As you know, this Special Town Meeting has been called by the Board of Selectmen to consider one article. The proposed article seeks approval from Town Meeting for a Tax Increment Financing ("TIF") Agreement between Siemens Health Care Diagnostics and the Town of Walpole.

I encourage you to visit the Town's website for additional information. As always, please feel free to contact me with any questions you may have in advance of the Town Meeting.

Thank you for your service to the Town of Walpole.

BOARD OF SELECTMEN

Clifton K. Snuffer, Chairman
James Stanton, Vice Chairman
David Salvatore, Clerk
Mark Gallivan
Eric Kraus



TOWN HALL
135 School Street
Walpole, MA 02081
(508) 660-7277
(508) 660-7276
Fax (508) 660-7303

TO: Danielle Sicard
Town Clerk

FROM: Board of Selectmen

RE: Special Town Meeting
March 7, 2016
Article

DATE: February 17, 2016

At their meeting of January 26, 2016 the Board of Selectmen voted 4-0-1 to approve the language of the TIF agreement between the Town of Walpole and Siemens healthcare Diagnostics, Inc. in the form submitted to the Board of Selectmen with any ministerial or clerical revisions recommended by Town Counsel and approved by the Town Administrator.

Please file the attached copy of the TIF Agreement as stipulated in the Article #1 on the Special Town Meeting Warrant.

cb

TAX INCREMENT FINANCING AGREEMENT

BY AND BETWEEN

THE TOWN OF WAPOLE, MASSACHUSETTS

AND

SIEMENS HEALTHCARE DIAGNOSTICS INC.

THIS AGREEMENT is made this ___ day of _____, 2015, by and between the **TOWN OF WALPOLE**, a municipal corporation duly organized under the laws of the Commonwealth of Massachusetts, having a principal place of business at Town Hall, 135 School Street, Walpole, MA 02081 (hereinafter referred to as the "**Town**") and **SIEMENS HEALTHCARE DIAGNOSTICS INC.**, a corporation organized under the laws of the State of California, having a principal place of business at 511 Benedict Avenue, Tarrytown, NY 10591 (hereinafter referred to as the "**Company**") and collectively with Town, the "**Parties**").

RECITALS

A. The Town has been designated as a member of the I-495/95 South Regional Technology Economic Target Area ("**ETA**"), as that term is used in G.L. c.23A, §3D, by the Massachusetts Economic Assistance Coordinating Council ("**EACC**").

B. The Company is planning to (i) renovate and construct improvements within, and to furnish and equip certain portions of, its current facility measuring approximately 180,000 square feet ("**Existing Facility**") designed to facilitate efficiency of operations and/or expanded operations within the Existing Facility, and (ii) construct, furnish and equip expansions of the Existing Facility and two parking garages and certain incidental and supporting facilities on the Property including without limitation ("**Expansion Facilities**" and collectively with the Existing Facility, "**Siemens Facility**"). The Existing Facility is located on the Company's land located at 333 Coney Street, East Walpole, Massachusetts, shown on Walpole's Board of Assessor's Map 29, Lot 69, and Map 28, Lot 186 ("**Property**" and the tax parcel(s) comprising the Property, "**Parcel**"). The undertakings shall hereinafter collectively be referred to as the "**Certified Expansion Project**," which is more particularly defined and described in EXHIBIT A.

C. The Certified Expansion Project, when complete, and at full operational capacity, is expected to create up to 700 permanent, full-time jobs, as well as additional contract employees, temporary employees and/or part-time employees.

D. The Company anticipates that the Certified Expansion Project will represent a total investment of approximately \$300,000,000, including approximately \$230,000,000 for the work necessary to carry out the Certified Expansion Project and approximately \$70,000,000.00 for machinery, equipment and other personal property.

E. The Company anticipates that the Certified Expansion Project will be completed in various stages with completion of all stages on or before December 2026.

F. The Company is seeking a Tax Increment Financing Exemption from the Town in connection with the renovations and improvements to the Siemens Facility in order to enhance the competitive financial viability of the Certified Expansion Project, in accordance with the Massachusetts Economic Development Incentive Program and Chapter 23A of the Massachusetts General Laws.

G. The Town strongly supports increased economic activity at the Property and within the ETA to provide additional jobs for residents of the Town, to expand business activity within the Town, and to further develop a healthy economy and strong tax base.

H. The Certified Expansion Project will further the economic development goals and the criteria established for the ETA.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises of the Parties' contained herein and other good and valuable consideration each to the other, receipt of which is hereby acknowledged, the Parties hereby agree as follows:

I. TAX INCREMENT FINANCING EXEMPTION

The following provisions shall govern the Tax Increment Financing Exemption:

A. Provision and Calculation of the Tax Increment Financing Exemption

1. The Town, acting by and through its Board of Selectmen, as approved by the Town Meeting held on March 7, 2016, hereby enters into this Tax Increment Financing Agreement ("Agreement") with the Company for the Certified Expansion Project.
2. A Tax Increment Financing Exemption ("Exemption") is hereby granted by the Town to the Company, in accordance with Chapter 23A, Section 3E; Chapter 40, Section 59; and Chapter 59, Section 5 of the Massachusetts General Laws. The Exemption shall be for a period of twenty (20) years ("Exemption Period") commencing on July 1, 2017.
3. The amount of the Exemption shall be equal to the Incremental Value multiplied by the applicable Exemption Percentage specified in the chart below. The "Incremental Value" shall be the amount by which the assessed value of the Parcel exceeds the product of the Parcel's assessed value for the last fiscal year before the Parcel became eligible for the Exemption under Chapter 59, Section 5 Clause 51 ("Base Valuation") multiplied by the adjustment factor determined in accordance with 760 CMR 22.05(4). The Exemption shall be calculated in accordance with the terms of this Agreement and remain unchallenged for each applicable fiscal year.

| Year | Exemption Percentage | Year | Exemption Percentage |
|------|----------------------|------|----------------------|
| 2018 | 90% | 2028 | 70% |
| 2019 | 90% | 2029 | 70% |
| 2020 | 90% | 2030 | 70% |
| 2021 | 90% | 2031 | 70% |
| 2022 | 90% | 2032 | 70% |
| 2023 | 80% | 2033 | 60% |
| 2024 | 80% | 2034 | 60% |
| 2025 | 80% | 2035 | 60% |
| 2026 | 80% | 2036 | 60% |
| 2027 | 80% | 2037 | 60% |

The Average Exemption Percentage is 75% which is the average of the Exemption Percentage for each year of the term divided by 20. In the event of a short fall in job creation, the Exemption Percentages above shall be adjusted in accordance with Section I(C)(2) below, and the resulting average shall be the Adjusted Average Exemption.

4. The Property shall become eligible for exemption on the July 1st following the date on which the EACC approves the TIF Plan, as provided in 760 CMR 22.05(4)(d) (“Approval Date”). The exemptions granted pursuant to this Agreement, however, shall not begin when the Property first becomes eligible, but instead shall begin on July 1, 2017 subject to the provisions below. The “Initial Portion of the Term” is defined as calendar year 2016 through and including calendar year 2025, and the “Remaining Portion of the Term” is defined as the remaining years through and including calendar year 2037. In the event EACC approves this Agreement after June 30, 2017, the Exemption Period, and the fiscal years identified in Section I(A)(3) above shall be adjusted automatically (and the Agreement shall be amended accordingly) solely to the extent necessary to comply with the requirement that the Project become eligible for the Exemption on the July 1 following the Approval Date.

B. Company Obligations Under the Tax Increment Financing Exemption

1. Employment

- a. During the Initial Portion of the Term, the Company shall create at the Siemens Facility a total of Four Hundred (400) new positions (“New Positions”) above the current established baseline of Six Hundred and Twenty-Nine (629) positions (“Baseline Positions”). New Positions shall include new, permanent full-time jobs and new full-time contractor positions at the Siemens Facility. To the extent that the Baseline Positions fall below 629, then new positions created at the Siemens Facility shall first be counted towards the Baseline Positions and not as New Positions. Only those positions exceeding the 629 Baseline Positions shall be qualified as New Positions. A job or position shall be deemed full time if the individual filling such job or position is generally required to work the total number of hours per work week which qualify such individual for those benefits that are provided full time positions at the Siemens Facility.

- b. During the Initial Portion of the Term, Company shall operate its business at the Property and maintain the 629 Baseline Positions and create 400 New Positions. During the Remaining Portion of the Term, Company shall continue to operate a business at the Property and to maintain or exceed the 629 Baseline Positions and 400 New Positions for a total of not less than 1,029 full time positions at the Property. In the event the Company fails to meet its obligations specified in Section I(B)(1)(a), then the provisions of Section I(C)(2) shall apply.

2. Investment and Construction

- a. During the Initial Portion of the Term, Company shall make an investment of approximately \$300,000,000 in the Property, of which (i) approximately \$230,000,000 shall be spent in both hard and soft costs for design, engineering, renovation and construction of improvements and expansion of the Siemens Facility including certain incidental and supporting facilities, all on the Property owned by the Company, and (ii) approximately \$70,000,000 shall be used for machinery, equipment and other personal property at such facilities, all as described in detail in the Certified Expansion Project application submitted to the Town.
- b. A description and summary of the Project is attached as Schedule B-2.

3. Payment of Taxes The Company agrees and commits to timely pay all taxes owed to the Town. Nothing in this Agreement or within this paragraph shall limit (i) any rights the Town may have under state and local law with respect to collection of such taxes and any amounts that might lawfully be added thereto as interest or penalties, or (ii) any rights the Company may have under state and local law to contest, among other things, any assessed value of the Siemens Facility or any determination of the Base Valuation or applicable adjustment factor.

- a. *Material Default* In the event that the Company does not tender to the Town all Taxes and Fees owed to the Town within 30 days of the Town's notice to the Company specifying such past due amounts along with any and all late fees, penalties and interest incurred as a result of such late payment (collectively the amounts specified, "Taxes and Fees"), then the Town shall have the right to seek decertification of the Certified Expansion Project.

4. Corporate Citizenship

- a. *Support for Community Projects and Activities* At such reasonable times as requests by the Town are made in writing, the Company shall use good faith commercially reasonable efforts to assist the Town in identifying projects eligible for grants provided by non-profit foundations which are established by Siemens and or its controlled affiliates.
- b. *Local Businesses Utilization* The Company shall use good faith commercially reasonable efforts to include Qualified Local Businesses in the Company's requests for quotations for goods and services to be purchased by the Company for use at the Siemens Facility. A Qualified Local Business shall be defined as businesses located

within Walpole that timely and accurately submits documentation required by the Company to evaluate the potential of that business to become a Siemens business partner.

- c. *Civic Associations* The Company shall maintain membership within one or more civic associations either located in the Town or comprised of a group of neighboring towns including the Town (e.g. the Neponset Valley Chamber of Commerce).
- d. *Local Hiring* The Company shall make good faith efforts to take the following steps to facilitate the opportunity for local residents to apply for New Positions in each case to the extent that the school, agency or job listing site would be likely to include qualified candidates for the open position:
 - i. Provide the Walpole High School student guidance department and the Norfolk County Agricultural High School located in Walpole with a list and description of the types of position openings occurring at the Siemens Facility that would be applicable for students who graduate from such schools who have not yet received a post-secondary degree.
 - ii. Post New Position openings with the Massachusetts Division of Career Services ("MDCS"), and
 - iii. Post New Position openings on internet job boards accessible within the Town of Walpole.
 - iv. Allow the Town to post the link below on the Town of Walpole webpage providing Town residents access to information on job openings at the Siemens Facility and meet with the Town to discuss ways that the Town could coordinate with the MDCS so that the Town could also receive posts of New Positions Openings. http://www.usa.siemens.com/en/jobs_careers.htm
 - v. Attend an introductory meeting with the Local Career Center serving the residents of the Town of Walpole to discuss potential structures and coordination that could provide Town residents additional access to apply for New Position openings. The "Local Career Center" is defined as the One-Stop Career Center (as identified by the Massachusetts Executive Office of Labor and Workforce Development) servicing the Town of Walpole.

The Company shall also use good faith efforts to attend Town Job Fairs that would attract applicants qualified for New Position openings. Town Job Fairs are defined as job fairs hosted by the Town of Walpole for which the Company receives a written invitation in accordance with the notice requirements herein.

5. Reporting The Company shall submit to the Town, through its Town Administrator, to the EACC and the ETA by September 30th in each year in which the Company is eligible for or receiving an exemption, annual reports in the form attached as SCHEDULE 5 ("Annual Report") on job creation, job retention and investments at the Siemens Facility and such other matters required by G.L. c.40, §59(viii). The Annual Report shall include the number

of both New Positions and Baseline Positions as well as any part time jobs created and the number of individuals filling New Positions who are residents of the Town or who resided within the regional ETA. The report shall reflect such information on both an annual and cumulative basis. The report shall also include the capital investment at the Siemens Facility both annually and on a cumulative basis, and the amount of property taxes paid to the Town, both annually and on a cumulative basis.

6. **Garaging** If the Company elects to garage its own vehicles for primary use in conjunction with the Certified Expansion Project, it shall undertake commercially reasonable efforts to locate such vehicles at the Siemens Facility or otherwise in the Town, and shall not seek to locate such vehicles in a different municipality for the purposes of avoiding excise taxes collected by the Town.
7. **Operations** The Company shall not increase the biohazard level at the Siemens Facility as part of the Certified Expansion Project.

C. Events of Default Under the Tax Increment Financing Exemption.

1. **Material Default Defined** A material event of default by the Company shall not be deemed to occur unless the Company has first received reasonably detailed written notice from the Town of such default and has not cured such noticed default within 30 days of receipt of such notice. However, if the default would reasonably take longer than 30 days to cure, then no material default shall be deemed to have occurred if Company commences cure within said 30 days and thereafter diligently pursues such cure to completion.
2. **Shortfall in Job Creation** If the Company fails to create 400 New Positions within the Initial Portion of the Term, then the following provisions will apply:
 - a. "Job Shortfall Percentage" shall be defined as the percentage equal to 100% minus the percentage generated by dividing the number of New Positions created during the Initial Portion of the Term by 400.
 - b. If the Job Shortfall Percentage is between 0% and 10% inclusive ("Allowable Tolerance"), then no penalty shall be applied and such shall not be deemed a material default.
 - c. If the Job Shortfall Percentage is greater than 10%, then the Exemption Percentages for all years going forward shall be reduced until cured within the Allowable Tolerance of Section I(C)(2)(b) above so that the Adjusted Average Exemption will equal 75% reduced by the Job Shortfall Percentage.

The following example is provided for illustration purposes only and assuming no cure:

Jobs Created: 352
Job Shortfall Percentage: 12%
Adjusted Average Exemption: 66% ((75% - (75% x 0.12))
Exemption Percentages Going Forward:

| | | | |
|------|-------|------|-------|
| 2026 | 65.0% | 2032 | 55.0% |
| 2027 | 65.0% | 2033 | 45.0% |
| 2028 | 55.0% | 2034 | 45.0% |
| 2029 | 55.0% | 2035 | 45.0% |
| 2030 | 55.0% | 2036 | 45.0% |
| 2031 | 55.0% | 2037 | 45.0% |

- d. So long as the Job Shortfall Percentage does not exceed 50%, and a minimum of \$150,000,000 is invested at the Siemens Facility within the Initial Portion of the Term, then the Town agrees that it will not pursue a decertification of the Certified Expansion Project. The provisions of this Section I(C)(2) comprise the Town's sole remedies with respect to the Company's failure to create and maintain the required New Positions.
3. **Investment Shortfall** If the Company fails to invest \$300,000,000 at the Facility within the Initial Portion of the Term, then the following shall apply:
- Investment Shortfall Percentage** shall be defined as the percentage equal to 100% minus the percentage generated by dividing of the total investment at the Siemens Facility during the Initial Portion of the Term by \$300,000,000.
 - If the Investment Shortfall Percentage is between 0% and 25% inclusive, then no penalty shall be applied.
 - If the Investment Shortfall Percentage is greater than 25%, then the Exemption Percentages for all years going forward shall, until cured, be equitably reduced in the same manner as for a shortfall in job creation.

II. MASSWORKS FUNDS AND INFRASTRUCTURE IMPROVEMENTS

The following terms shall govern the construction of the Infrastructure Improvements and the MassWorks funding and are included in this Agreement pursuant to G.L. c.40, § 59(v)(c).

A. Company anticipates that the Town will require certain infrastructure improvements as a part of the expansion of the Siemens Facility. A list of the anticipated improvements is provided on SCHEDULE C attached hereto.

B. The Massachusetts Executive Office of Housing and Economic Development ("EOHED") has committed to provide funding for the improvements out of the MassWorks program. The Town shall act in good faith, using commercially reasonable efforts, to enter into an agreement with the EOHED for the MassWorks funding ("MassWorks Contract") and shall construct the improvements identified on SCHEDULE C and such other improvements that it requires as a part of the expansion of the Siemens Facility ("Infrastructure Improvements"). The Town's obligation to construct the Infrastructure Improvements shall be contingent on the Town's receipt of either (i) funding for the Infrastructure Improvements from MassWorks or (ii) reasonable

confirmation from MassWorks, as determined by the Town, that the Town will be reimbursed for the costs of the improvements contemplated herein.

C. Though the Company will not be a party to the MassWorks Contract, the Company acknowledges expansion of the Siemens Facility will be a key contingency for MassWorks funding. The Town will not have the obligation to construct the improvements unless Siemens commences expansion of the Siemens Facility. The Company's pursuit of the Certified Expansion Project is subject to the Town's notification to the Company that the Town has received either MassWorks funding or reasonable confirmation that the Town will be reimbursed by MassWorks for the costs of Infrastructure Improvements.

D. The Company will also cooperate with the Town by providing such job creation information as is reasonably required about the creation of New Positions by the MassWorks Contract.

E. Construction of the Infrastructure Improvements will not be funded through betterments or special assessments or any incremental tax assessments but by MassWorks funds. As such, construction of the Infrastructure Improvements shall not be deemed public construction under G.L. c. 40, §Section 59(ii) but other benefits and responsibilities under G.L. c. 40, §Section 59(v)(c)

III. EXPEDITED PERMITTING AND BUILDING PERMIT FEES

The following terms shall govern the approvals, permitting inspections and issuance of certificates and related fees and charges:

A. **Company Obligations:** The Company assumes the following obligations in consideration of the incentives described in Section III(B) below:

(1) *Provide Traffic Impact Analysis:* The Company shall, at its sole expense, engage an engineering consultant to perform an appropriately comprehensive traffic study, to evaluate the expected traffic impact the Certified Expansion Project could have upon the immediate vicinity within the Town of Walpole, including the expected traffic impact upon the following intersections with Coney Street

- Route 1
- Walpole Mall Driveway Entrance
- I-95 NB On Ramp
- Edge Hill Road/High Plain Street
- Summer Street/Rustic Road,
- Hale Road,
- Sandra Road,
- Joseph Lane, and
- Killeen Road/Park Lane

The Company shall deliver that study to the Town.

(2) *Tender One Time Fee:* The Company shall tender \$250,000 ("Total Fee") to the Town at such time as it first submits the proposed site and construction plans to the Town for formal review and approval .

B. Local Incentive:

1. In consideration of the Company tendering the Total Fee to the Town, the Town agrees, excluding only water and sewer fees which are addressed below, that all other fees, charges, costs that could be charged by the Town related to the planning, permitting, approval, construction, inspection and issuance of certificates in connection with the Certified Expansion Project and/or with the renovation, expansion, and/or construction of the Siemens Facility are hereby deemed satisfied and/or waived. Such waived fees shall include without limitation all fees related to building, electrical and plumbing or site plans.
2. Water and sewer fees shall be determined by the Walpole Sewer and Water Commissioners consistent with their ordinary and usual practices and applicable regulations and shall be paid in the normal course.
3. The Town will provide full support to facilitate expedited permitting for, and approval of, the plans and construction of the Certified Expansion Project, including requiring such full time Town staff with tasks related to the project's permitting and approvals ("Town Staff") to prioritize such related tasks. In order to expedite and resolve permitting, zoning and/or other local code and land use issues, the Town Administrator will facilitate periodic meetings between the Company and the applicable local Town officials to discuss and address any issues associated with the new construction and/or renovations.

IV. Reimbursements of Specified Costs

- A. Within 75 days after approval of this Agreement at a Town Meeting, the Company shall reimburse the Town in an amount up to \$30,000 for the reasonable out of pocket costs the Town incurred (i) in legal expenses related to this Agreement and (ii) for consultant expenses related to development and presentation of an economic impact analysis of this project.
- B. Within 75 days after the Special Town Meeting vote on this Agreement, the Company shall reimburse the Town for the reasonable out of pocket cost of holding a Special Town Meeting up to \$6,100.
- C. The Town may engage an engineering firm to perform a peer review of the traffic impact study to be provided by the Company pursuant to Section III (A) above. Within 75 days after receipt of an invoice including reasonable documentation of the Town's reasonable out of pocket costs for such peer review, the Company shall reimburse the Town for such cost up to \$10,000.
- D. The obligations in this Section IV shall survive the expiration or termination of this Agreement.

V. DESIGNATED CONTRIBUTIONS

The Company understands it is under no legal obligation to pay to the Town fees or costs in connection with the permitting of the Certified Expansion Project other than as specified in Article III above, however, as a part of its desire to reinforce its good relationship with the Town and its residents, as well as independently affirm its status as a good corporate citizen and neighbor, Siemens elects to provide the following designated contributions within the time periods provided below:

- (1) A designated contribution in the amount of \$100,000 to be applied towards the costs of constructing and equipping playing fields within a new Town park to be built near the borderline of the Town of Walpole and the Town of Norfolk on land the Town will acquire from the State prior to December 31, 2017.
- (2) A designated contribution in the amount of \$160,000 to be applied towards the costs of snow removal and handling equipment prior to December 31, 2018.
- (3) A designated contribution in the amount of \$250,000 to be applied towards the cost of a new ladder truck for the Walpole Fire Department prior to December 31, 2018.

VI. GENERAL PROVISIONS

A. Pursuant to 760 CMR 22.05(8)(d), this Agreement shall be binding upon all Parties to it, and be binding upon the Company and its successors and assigns and shall inure to the benefit of successors and other affiliates of the Company so long as the Certified Expansion Project has not been decertified by the EACC. Should this Agreement be assigned, the Company shall provide notice to the Town in accordance with the provisions of Section IV(C).

B. If any provision of this Agreement shall be found invalid for any reason, such invalidity shall be construed as narrowly as possible and the balance of this Agreement shall be deemed to be amended to the minimum extent necessary to provide to the Town and the Company substantially the benefits set forth in this Agreement.

C. All notices permitted or required under the provisions of the Agreement shall be in writing, and shall be sent by registered or certified mail, postage prepaid, or shall be delivered by private express carrier to the addresses listed below or at such other address as may be specified by a party in writing and served upon the other in accordance with this section. All such notices shall be addressed as follows:

If to the Town:
Town Administrator
Walpole Town Hall
135 School Street
Walpole, MA 02081
Fax: (508) 660-7303
Email: jjohnson@walpole-ma.gov

If to the Company:

Siemens Healthcare Diagnostics Inc.,
511 Benedict Ave.
Tarrytown, NY 10591
Attn: Chief Executive Officer, Siemens Healthcare Diagnostics Inc.,

With copies to: Siemens Healthcare Diagnostics Inc.,
511 Benedict Ave.
Tarrytown, NY 10591
Attn: General Counsel

Siemens Healthcare Diagnostics Inc.,
333 Coney Street, East
Walpole, Massachusetts
Attn: Site Head

and

Siemens Healthcare Diagnostics Inc.,
333 Coney Street, East
Walpole, Massachusetts
Attn: Senior Counsel

D. If and to the extent that any party is prevented from performing its obligations hereunder by an event of force majeure, such party shall, except as may otherwise be required by law, be excused from performing hereunder and shall not be liable in damages or otherwise, for so long as the force majeure event shall continue, and the Parties instead shall negotiate in good faith with respect to appropriate modifications to the terms hereof. For purposes of the Agreement, the term force majeure shall mean any supervening cause beyond the reasonable control of the affected party, including without limitation, requirement of statute or regulation; actions of any court, explosion, actions of the elements, war, terrorism, riots, mob violence, actions of regulatory authority, or public authority having jurisdiction; acts of God, fire, earthquake, floods, inability to procure or a general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, actions of labor unions, condemnation, laws or orders of governmental or military authorities, denial of, refusal to grant or appeals of any permit, approval or action of any public or quasi-public authority, official, agency or subdivision and any litigation relating thereto, or any other cause similar to the foregoing, not within the control of such party obligated to perform such obligation.

E. Except to the extent this Agreement provides otherwise, this Agreement may be amended or modified only by a written instrument signed by a duly authorized agent of each Party.

F. The Company may terminate this Agreement without liability for any reason or no reason upon thirty (30) days written notice to the Town, provided that upon termination, the Company

shall have an obligation thereafter to pay personal property and other taxes as otherwise required by law.

G. The Company acknowledges that the Massachusetts Public Records Law, G.L. c.66, §10, G.L. c.4, §7, clause 26th, and 950 CMR 32.00 et seq., governs the retention of this Agreement and all other related materials fitting the description of public records in accordance with G.L. c.4, §7, clause 26th, and therefore that this Agreement and such related materials may constitute public records subject to disclosure under the law.

H. This Agreement is subject to G.L. c.23A, Sections 3A through 3F, inclusive, G.L. c.40, §59, and G.L. c.49, §5, cl.51, and all regulations promulgated thereunder.

I. Nothing in this Agreement shall be construed to prohibit the Company from additional expansion and/or renovation of its physical structures, processes, or product lines as may be allowed under applicable local, state, or federal regulations, by-laws, or statutes.

J. If it is later determined by the Town and the Commonwealth of Massachusetts that the Company is not legally entitled under G.L. c.40, §59(i) to the Exemption provided for herein, then the Town shall issue a tax bill to the Company for the total amount owed under the Massachusetts General Laws. Under such circumstances, neither the Town nor the Company shall waive any other remedies available to them with respect to billing, payment, abatement or collection of such taxes.

K. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts, without regard to conflicts of law. Any and all proceedings or actions relating to subject matter herein shall be brought and maintained in the courts of the Commonwealth, Norfolk County, or the federal district court sitting in the Commonwealth, which shall have exclusive jurisdiction thereof.

[[signatures on the following pages]]

Signed this ____ day of _____, 2016

Town of Walpole, by and through

Its Board of Selectmen

Siemens Healthcare Diagnostics Inc.

By: _____

Name: _____

Title: _____

And by: _____

Name: _____

Title: _____

Exhibit A and Schedule B-2

The Certified Expansion Project is defined as the private construction by the Company of renovations and improvements to the Company's Existing Facility located at 333 Coney Street, East Walpole, Massachusetts, shown on Walpole's Board of Assessor's Map 29, Lot 69, and Map 28, Lot 186, and furnishing and equipping of such renovations and improvements for the purpose of facilitating efficiency of operations and/or expanding operations at the referenced site. The Certified Expansion Project excludes the area currently in existence at the Existing Facility which has been designed to Biosafety Level 3 standards. The Certified Expansion Project would be constructed in various phases with completion occurring on or before December 31, 2025 and include, without limitation, the following types of construction: construction and renovation of office space, lab space, warehouse space including without limitation cold storage warehouse space, cafeteria space, parking areas and garages, common areas and infrastructure, paved areas and landscaping to support the newly constructed and renovated areas. More specifically the first phase of the Certified Expansion Project has been projected to include, without limitation, the following:

| Category | Estimated Square Footage |
|--|--------------------------|
| New Construction: | |
| • Office Space | 135,403 s.f. |
| • Manufacturing / Lab Space | 70,693 s.f. |
| • Warehouse Space | 23,313 s.f. |
| • Mechanical Space (Mech. Penthouses and Server Rooms) | 77,583 s.f. |
| • Cafeteria | 9,700 s.f. |
| • Building Shell (Unfinished) | 90,118 s.f. |
| • Parking Garages | 276,000 s.f. |
| • Support Functions (Locker Facilities, Bathrooms, Stairs, Elevators, Security, Wellness, Fitness, etc.) | 25,890 s.f. |
| Total New Construction: | 708,700 s.f. |
| Demolition and Renovations: | |
| • Demolition (Office, Manufacturing / Lab Space, Warehouse Space, Mechanical Space, Cafeteria Space) | 112,810 s.f. |
| • Renovations to portions of Demolished Space (Offices, Manufacturing / Lab Space, and Mechanical Space) | 77,535 s.f. |

NOTE: There are additional renovations that involve upgrading existing spaces / uses (but do not require demolition and maintain the same use) that are not included in the above s.f. estimates. These renovations are included in the overall investment figure for the Certified Expansion Project.

All estimates provided above are preliminary only and will change as the engineering and architectural plans for the project develop. Also, the aforesaid are all subject to modification as the Certified Expansion Project goes through the permitting process in the Town of Walpole.

Schedule 5

The attached form unless a different and/or updated form is required and/or approved by the EACC and the Massachusetts Office of Business Development, and then such form so required and/or approved



MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT

ECONOMIC DEVELOPMENT LOCAL INCENTIVE ONLY

ANNUAL REPORT

GOVERNOR

This report is provided pursuant to the Tax Increment Financing Agreement dated _____ 2016, between Siemens Healthcare Diagnostics Inc., and the Town of Walpole, Massachusetts ("TIF Agreement"). Capitalize terms shall have the definition provided them in the TIF Agreement, except "Project" shall be a reference to the Certified Expansion Project as such is defined in the TIF Agreement. A reference to the fiscal year shall be a reference to the fiscal year of the Town of Walpole.

1. Project Information

- Business name:
- FEIN number:
- Municipality of Project:
- Date of TIF approval by the EACC:
- Baseline Positions to be retained at Project location:
- New Positions to be created at Project Location by December 31, 2025:

2. Contact Information

- Contact Name:
- Address:
- City and State and Zip Code:
- Telephone Number:
- Email Address:

3. Full-Time Permanent Employment at Project Location

- Total New Positions created through [[]]:
- Total Baseline Positions maintained through [[]]:

4. Investment at Project Location

- Expected investment listed in TIF application:
- Total investment at Project location since TIF approval through [[]]:
- Current construction status: (Please provide information on the status of the project to date and information on construction and purchases in both construction materials and equipment and other fixtures and personal property)

5. Local Incentives

- Duration of TIF Incentive:
- Years remaining in TIF:
- Assessed value of Siemens Facility in prior fiscal year:
- Real property taxes paid on Siemens Facility in prior fiscal year:
- Total real property taxes on Siemens Facility paid since July 1, 2017:
- Real property taxes exempted by 2016 TIF in prior fiscal year:
- Total real property exempted under 2016 since July 1, 2017:



TOWN OF WALPOLE
Commonwealth of Massachusetts

Phone (508) 660-7315 Fax (508) 660-7228

Town Hall
135 School St.
Walpole, MA. 02081

Board of Assessors
John R. Fisher, Chairman
Edward F. O'Neil, Clerk
John O'Connor, Member

February 18, 2016

Dear Town Meeting Representative,

Walpole Town Meeting Representatives are being asked to vote on a Tax Incentive Funding (TIF) agreement for the expansion of the Siemens facility on Coney St on Mar 7, 2016. To aid the RTMs in reaching an informed decision, it was determined that it would be helpful to have impartial information on the potential assessed valuation of the proposed project.

It is the responsibility of the Board of Assessors to develop assessments for purpose of taxation. However given the large scope of this project, lack of comparable properties and buildings within Walpole, and very preliminary information on construction details, it was decided that the best course of action was to retain the services of an experienced, independent appraisal firm to develop a valuation range after the project is complete.

At the recommendation of the Board of Assessors, the Town contracted with John F. Sheehan of Sheehan & Company, a highly experienced appraiser with extensive knowledge of all types of properties in the New England area. Using data from the Eastern Massachusetts area and applying best industry practices, his analysis resulted in a range of potential valuation for purposes of taxation.

His findings and recommendations are contained in the following report.

Respectfully,

Walpole Board of Assessors.

Walpole Board of Assessors
Proposed Siemens Healthcare Expansion
Prospective Property Valuation



Siemens Proposed Development –The Siemens complex located on Coney Street is the subject of a proposed Certified Expansion Project with renovations and improvements to the Company’s Existing Facility. Although there are no architectural drawings or specifications as of this writing, there are preliminary allocations of the space for office uses, manufacturing, laboratories and both cold warehouse, distribution space and a multi-level parking garage. These areas are integrated for a research and manufacturing use for Siemens and are therefore considered as a whole constitutes a *Special Purpose* property.

All estimates are preliminary and will change as the engineering and architectural plans for the project develop. Also, the aforementioned are all subject to modification as the Expansion Project goes through the permitting process.

SHEEHAN & COMPANY

Real Estate Appraisal and Consulting

Valuation Methodology- This special purpose property would have different values depending on the intended use. As proposed as a *Special Purpose* property, it would be viewed as a value-in-use. As viewed from a market and taxation perspective, it would be viewed as a value-in-exchange.

Value in Use vs Value in Exchange: Is the concept that a property may have one value in its use and a significantly different value in exchange (Market Value).

Value in exchange, or market value, reflects the actions of buyers, sellers, and investors in the market and typically represents the primary concern in the appraisal of real property.

The writer assumed that the proposed expansion structures would be very similar to the existing buildings on Coney Street to create a unified whole. The existing buildings are Class -C, Good quality structures and they have a similar assortment of finishes and uses as are proposed for the expansion buildings.

There are only three approaches to value available to the writer. These are the Cost Approach, the Sales Comparison Approach and the Income Approach. All three approaches were used in this analysis.

Cost Approach- There were no plans or building specifications available to the writer. The building class and were quality were based on an extensive tour of the existing facility. The allocation of space was provided by Siemens. The value estimates were derived by an application of The Marshall Valuation Service which is an internationally recognized cost manual that is used by appraisers, architects, insurance companies, banks, assessors and others who need access to reliable building and equipment cost data.

Investors in income-producing properties typically do not factor the cost to build a commercial, industrial, or public utility property, their main concern is the income stream (Rents) that will be generated from property.

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The following chart is the writer's analysis of the proposed complex which is categorized as a Research & Development (Engineering) Property.

COST APPROACH

Proposed Siemens Healthcare Expansion
335 Coney Street
Walpole, Massachusetts

| Description | Area (SF) | Unit Cost | Cost New | Comments |
|---------------------------|----------------|--------------------|---------------------|--|
| Office Space | 135,403 | \$136.77 | \$18,500,000 | Class-C; Good Quality |
| Manuf./Labs | 70,693 | 136.77 | \$9,700,000 | Lab equipment considered "Special Purpos |
| Warehouse/Cold | 23,313 | \$144.47 | \$3,400,000 | Assume chiller/freezer use / 40 feet |
| Building "Shell" | 90,118 | \$87.57 | \$7,900,000 | Estimate at 64% of completion |
| Support Functions | <u>35,590</u> | <u>\$136.77</u> | <u>\$4,900,000</u> | Includes cafeteria, baths, etc. |
| Total Building | 355,117 | \$125.03 (avg.) | \$44,400,000 | |
| Parking Garages | <u>276,000</u> | <u>\$62.78</u> | <u>\$17,300,000</u> | Concrete construction w/ elevators |
| Total Construction | 631,117* | \$97.76 (avg.) | \$61,700,000 | |
| Land Value | 10.0 ac. | \$325,000 | <u>\$3,250,000</u> | |
| Total Development | | | \$64,950,000 | |

| | |
|--------------------------------|---------------------------|
| *Total Building Construction | 631,117 square feet |
| Equipment and Mechanical Space | <u>77,583</u> square feet |
| Total Space Exhibit - A | 708,700 square feet |

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Sales Comparison Approach-This approach is a process in which a value indication is derived by comparing a subject property to properties of similar construction and use that have recently sold. The writer conducted extensive research in Eastern Massachusetts with emphasis on the Interstate highway system (excluding Route 128/I95) to discover sales of large R&D properties comparable to the proposed complex.

The sales in the following chart are large R&D properties that have recently sold. They are leased to an assortment of national and international tenants.

| Building Sales | | | | | | | |
|------------------------|-------------------------------|-----------------------------|--------|-------------|----------------|---------------------|----------------------|
| Siemens Expansion | | | | | | | |
| Walpole, Massachusetts | | | | | | | |
| No. | Location | Lessee | Date | Land ac. | Building SF | Sales Price | Price Per SF |
| 1 | 5 Parkwood Dr. Hopkinton | PerkinElmer | Nov 15 | 19.1 | 185,964 | \$31,150,000 | \$167.51 |
| 2 | 314 Littleton Rd. Westford | Red Hat | Dec-13 | 15.7 | 171,474 | \$44,700,000 | \$260.65 |
| 3 | 9 Technology Dr. Westboro | Bose | Aug-14 | 16.7 | 250,000 | \$45,974,000 | \$184.00 |
| 4 | 550 King Street Littleton | IBM | Aug-15 | 39.8 | 485,503 | \$87,750,000 | \$180.74 |
| 5 | 1 Robbins Rd Westford | Nokia | Jul-15 | 31.8 | 293,376 | \$47,816,433 | \$162.99 |
| 6 | 10 Forge Pkwy Franklin | Thermo Fisher Scientific | Dec-15 | 10.1 | 93,802 | \$13,250,000 | \$141.25 |
| 7 | 300 Apollo Dr. Chelmsford | Axis Communication | Jun-14 | 26.7 | <u>303,715</u> | <u>\$39,400,000</u> | <u>\$129.73</u> |
| | | | | | 1,783,834 | \$310,040,433 | \$173.81 (Mean) |
| | | | | | | | \$167.51 (Median) |

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The selected sales on the preceding page were typically purchases by institutional investors and leased to major credit worthy tenants. The sales included land, building and parking infrastructure. They range in price between \$129.73 and \$260.65. The points of central tendency of these sales was a mean of \$173.81 and a median of \$167.51.

Then, based on this comparative analysis of comparable or reasonably comparable sales, the indicated value range for the proposed expansion of 355,117 square feet of gross building area is between \$59,500,000 and \$61,700,000.

Income Approach-This approach is a set of procedures through which a value indication is derived for income producing property by converting its anticipated future benefits into an indication of present worth or the current property value. The proposed expansion has a rental value exclusive of the specialty improvements and equipment needed by the developer Siemens Healthcare Diagnostics Inc. The net income that the property could generate could be demonstrated by market evidence.

Our research of the market produced the following results which would be comparable to the proposed expansion property for a typical R&D use.

Comparable Rental Rates

| No | Location | Area (sf) | Annual Rental | Rent (sf) | Comments |
|----|--------------------------------|--------------|------------------|--------------|------------------------|
| 1 | 56 Forest Street Marlboro | 50,600 | \$607,200 | \$12.00 | Industrial Park @ I-45 |
| 2 | 257 Simarano Dr. Marlboro | 55,000 | \$822,250 | \$14.95 | Direct Access to I-495 |
| 3 | 260 Cedar Hill St. Marlboro | 51,068 | \$612,816 | \$12.00 | Simarano Ind Park |
| 4 | 239 Littleton Rd. Westford | 60,000 | \$750,000 | \$12.50 | Rte 110; multi-tenant |
| 5 | 10 Micro Dr. Woburn | 90,944 | \$905,000 | \$9.95 | Inferior Location |
| 6 | 200 W. Cummins Woburn | 178,350 | \$2,844,682 | \$15.95 | Rt 128 exposure |

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Analyzing the collected rental data we calculated a median price of \$12.25 psf. The average rental rate from all six properties was \$13.65. Omitting the highest and lowest priced properties, the remaining four properties had a mean of \$12.86. The average price of the omitted Woburn properties was \$12.95. The rental value for the subject appears to be between \$12.00 and \$13.00 per square foot.

| | | |
|-----------------------|----------------|----------------|
| Rental Rate | \$12.00 | \$13.00 |
| Building Area (sf) | <u>355,117</u> | <u>355,117</u> |
| Annual Net Income | \$4,261,404 | \$4,616,521 |
| Capitalization Rate * | 7.15% | 7.15% |
| Indicated Value | \$59,600,000 | \$64,600,000 |

* PriceWaterhouseCoopers / Korpacz

Investors Survey, 4th Quarter 2015

Reconciliation and Value Conclusion-When more than one approach to value is used to estimate the value of a property, it is necessary to reconcile the individual strengths and weaknesses of each approach. In the following paragraph is presented the value indications from each of the three approaches used in this analysis.

| | |
|------------------|-----------------------------|
| Cost Approach | \$64,950,000 |
| Sales Comparison | \$59,500,000 - \$61,700,000 |
| Income Approach | \$59,600,000 - \$64,600,000 |

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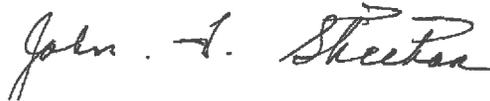
The Cost Approach was based on the latest available cost data. The market approaches were well grounded on recent sales and income and the overall capitalization rate from a recent investment survey. However, the weakness of all three approaches is that they were based on the *Hypothetical Condition* that the proposed expansion is complete and ready for occupancy.

This analysis was based on a concept which was only in its preliminary stages of development. There were no architectural plans provided and the specifications of workmanship and materials have not been drafted. Therefore, the writer concluded the value of the proposed expansion as a range in value rather than a specific value indication.

Our conclusion of value for the proposed expansion of the Siemens Healthcare Diagnostics Inc. property as defined herein is as follows.

\$60,000,000 to \$65,000,000

Respectfully submitted,

A handwritten signature in cursive script that reads "John A. Sheehan".

SHEEHAN & COMPANY

Real Estate Appraisal and Consulting

ADDENDUM

SHEEHAN & COMPANY

Real Estate Appraisal and Consulting

SHEEHAN & COMPANY

Real Estate Appraisal and Consulting

QUALIFICATIONS OF JOHN F. SHEEHAN

During the past thirty five years, Mr. Sheehan has worked in a variety of positions in the banking and real estate industries in Massachusetts and California. His background includes credit evaluation, financial analysis, construction budget and cash flow control responsibilities, leasing of commercial, residential, and industrial properties and the valuation of a wide variety of types of real property.

Sheehan and Company is an individual proprietorship formed in 1980 for the purpose of offering professional real estate valuation and consulting services. These services include market valuations, highest and best use analyses, rental surveys, economic feasibility studies, and land planning.

Appraisal Experience

Mr. Sheehan has been responsible for market value estimates for use in conjunction with property sales, acquisitions, leasing, real estate tax assessment, equalization, mortgage lending, condemnation, and economic feasibility analyses. Many of these assignments involved properties encumbered by long term lease or the valuation of partial interests. A representative list of improved property types which have been appraised includes:

| | |
|-------------------------|---------------------------|
| Residential Properties | Shopping Center |
| Office Buildings | Retail Sales Buildings |
| Night Clubs | Gasoline Service Stations |
| Restaurants | Warehouses |
| Distribution Properties | Manufacturing Facilities |
| Apartment Buildings | Subdivision - Acreage |
| Airplane Hangars | Conservation Land |
| Boat Marinas | |

Partial List of Clients

Mr. Sheehan has appraised real estate for a variety of property owners, investors, attorneys, public and private corporations and Federal, State and Municipal agencies. A representative list of these clients follows:

Financial Institutions

Bank of Canton
Ben Franklin Savings Bank
Canton Cooperative Bank
Citizen's Bank
Dedham Institution for Savings
Marine Midland Bank

Mass. Housing Finance Agency
Needham Cooperative Bank
Norwood Cooperative Bank
Rockland Federal Credit Union
State Street Bank & Trust
Walpole Cooperative Bank

Public Agencies

Army Corps of Engineers
Federal Deposit Insurance Corp.
Haverhill Redevelopment Auth.
Hingham Conservation Comm.
Mass Bay Transportation Auth.

Mass Department of Agriculture
Massport Authority
Medfield Conservation Comm.
National Park Service
Salem Conservation Comm.
Watertown Redevelopment Auth.

Law Firms

Bingham McCutchen, LLP
Connor & Hilliard
Craig & Macauley
Hale & Dorr

Jowdy & Church
Murphy, Lamere & Murphy, P.C.
Nutter, McClennen & Fish
Wiggin & Nourie, P.A.

Corporations

Claremont Development Assoc.
Champion International
Hoyts Cinemas
Mass. Institute of Technology
Niles Company, Inc.

Nimrod Press, Inc.
Oscar Mayer, Inc.
Regal Press, Inc.
Shell Oil Company
Walpole Country Club

Employment History

1977 - 1980: Appraiser and Analyst: Ryan, Elliot Appraisal and Consulting Company, Inc., Boston, Massachusetts. Was responsible for the appraisal of commercial, residential and industrial properties for attorneys, investors, property owners, financial institutions, private corporations and federal, state and municipal agencies.

1970 - 1977: President, Landmark Properties, Walpole, Massachusetts. Activities involved the sales, lease negotiations and appraisal of commercial and industrial properties throughout New England. Primary responsibilities involved supervision of a staff of four who were active in leasing and appraising properties for individual or corporate clients.

1968 - 1970: Budget Analyst and Regional Controller; Cabot, Cabot and Forbes Company, Boston, Massachusetts and Los Angeles, California. Responsibilities included preparations of corporate cash flow and construction budgets as well as taxation and profitability analyses involving seventeen corporate entities.

1965 - 1968: Credit Analyst and Assistant Branch Manager; National Shawmut Bank of Boston. Principle assignment in the branch division involved supervisory, personal credit review and lending functions. As a credit analyst, responsibilities included the credit investigation and analysis of the financial position of the bank's corporate and institutional accounts.

Educational Background

Graduate of Boston College, Chestnut Hill, Massachusetts with a Bachelor of Science Degree in Business Administration.

Attended Suffolk University Law School, Boston, Massachusetts. Courses included Contracts, Torts, Criminal Law and Procedure and Legal Methods.

American Institute of Real Estate Appraisers at the University of San Francisco, the University of Minnesota, Minneapolis, Minnesota and Indiana University, Bloomington, Indiana.

- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Capitalization Theory and Techniques
- Litigation/Condemnation Appraising

Various seminars sponsored by the American Society of Appraisers, Institute of Real Estate Management, the New England Law Institute, the Massachusetts Association of Assessing Officers and the Massachusetts Department of Revenue.

Professional Organizations

American Society of Appraisers
- Past President, Boston Chapter #7

American Arbitration Association
- Arbitrator: Commercial Panel

Expert Testimony

Land Court for Massachusetts

Superior Court for Worcester County

Superior Court for Norfolk County

Superior Court for Middlesex County

Belknap County Superior Court

Licenses

Massachusetts Real Estate Broker
Issued: June 1965 - No. 45702

Certified General Real Estate Appraiser No. 236
Commonwealth of Massachusetts

TECHNICAL MEMORANDUM

TO: Jim Johnson, Town Administrator
Town of Walpole
135 School Street
Walpole, MA 02081

FROM: RKG Associates, Inc.

DATE: February 19, 2016

SUBJECT: Economic Impact Analysis – Siemens Healthcare Diagnostics Inc.

Introduction

RKG Associates (RKG) was retained by the Town of Walpole, Massachusetts, to develop an economic impact analysis related to the proposed expansion of the Siemens Healthcare Diagnostics Inc. (SHDI) facility located in Walpole (Figure 1).¹ Referred to as Project Bluebird (or the Certified Expansion Project), SHDI has proposed an approximate \$300 million investment in renovations, expansion (new facility) and high tech equipment, machinery and fixtures.²



Figure 1 – Aerial view of SHDI - Coney Street – Walpole, MA

¹ Town of Walpole property records identify the current property as map id 29/69 and account #C141409001, with multiple industrial buildings (577,669 GSF – gross square feet), situated on 63.29 acres with an FY 2016 total assessed value of \$54,006,100 – or \$93.50/GSF.

² Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016, specifically states that “the Company anticipates that the Certified Expansion Project will represent a total investment of approximately \$300,000,000, including approximately \$230,000,000 for the work necessary to carry out the Certified Expansion Project and approximately \$70,000,000.00 for machinery, equipment and other personal property.”

As part of the planned investment, SHDI is requesting financial considerations from the Town and the Town has requested an independent analysis of the company's economic "footprint" for its existing and proposed operations. It should also be mentioned that the "Commonwealth of Massachusetts has agreed to an incentive package that totals over \$20,000,000 that consists of Life Science tax credits, road infrastructure improvements and workforce training".³

In total, Project Bluebird includes the development of approximately 708,700 square feet (SF) of new facilities in Walpole, with nearly 39 percent of the proposed development (in terms of SF) as parking garages. Demolition and renovation of existing facilities net to an estimated loss of 35,275 SF, and result in an overall change of 673,425 SF to SHDI facilities in the Town of Walpole.⁴

Table 1 – Project Bluebird – Walpole, MA

| Proposed SHDI Development - Walpole, Massachusetts | Potential Development in Square Feet (SF) - as of January 25, 2016 | % of NEW |
|--|--|---------------|
| Building / Type of Use | | |
| Office Space | 135,403 | 19.1% |
| Manufacturing / Lab Space | 70,693 | 10.0% |
| Warehouse Space | 23,313 | 3.3% |
| Mechanical Space | 77,583 | 10.9% |
| Cafeteria | 9,700 | 1.4% |
| Building Shell | 90,118 | 12.7% |
| Parking Garages | 276,000 | 38.9% |
| Support Functions | 25,890 | 3.7% |
| subtotal New Construction | 708,700 | 100.0% |
| Demolition | (112,810) | |
| Renovations | 77,535 | |
| subtotal Demolition, Renovation | (35,275) | |
| TOTAL SF - all uses | 673,425 | |

Source : SHDI and RKG Associates, Inc.

Summary of Findings

In summary, the proposed SHDI expansion results in a positive stream of revenues for the Town of Walpole (Table 2) primarily from the net property taxes that are generated, both for 400 employees as well as for 700 employees.⁵ These estimates are subject to revision as additional information is obtained.

³ Citing a memorandum posted on the Town's website regarding Siemens expansion information.

⁴ It should be noted that in the *Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards*, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016, it states that the "Company is planning to renovate and construct improvements within, and to furnish and equip certain portions of, its current facility measuring approximately 180,000 square feet." It is unclear how this 180,000 SF is directly reconciled in Project Bluebird as detailed in Table 1.

⁵ SHDI has committed to hiring 400 new employees, although there is the possibility that actual new hires may total 700. As a result, this analysis presents findings reflecting both employment levels.

Table 2 – Summary Findings of Impacts – SHDI Project Bluebird

| Town of Walpole, Massachusetts (2016 \$) | Totals on 400 Employees | Totals on 700 Employees |
|---|------------------------------------|------------------------------------|
| Project Bluebird | | |
| Property Tax | \$1,295,625 | \$1,295,625 |
| less residential service costs | (\$19,118) | (\$33,457) |
| less employment service costs | (\$50,400) | (\$88,200) |
| NET Property Tax | \$1,226,107 | \$1,173,968 |
| NEW Employee spending | | |
| potential for consumer goods and services (weekly) | \$52,000 | \$91,000 |
| potential additional Town local option meals tax (weekly) 1/ | \$75 | \$131 |
| Town Reimbursements | | |
| Economic consultant expenses | \$46,100 | \$46,100 |
| Special Town Meeting | \$30,000 | \$30,000 |
| Traffic impact study | \$6,100 | \$6,100 |
| | \$10,000 | \$10,000 |
| Designated Contributions | | |
| playfields and new Town Park | \$510,000 | \$510,000 |
| snow removal equipment | \$100,000 | \$100,000 |
| new ladder truck (Fire Dept.) | \$160,000 | \$160,000 |
| | \$250,000 | \$250,000 |
| Sociodemographic | | |
| potential NEW households | 15 | 26 |
| potential additional Town real estate property tax 2/ | \$104,280 | \$180,752 |
| potential NEW students | 6 | 11 |
| potential Town excise tax on personal vehicles 3/ | \$6,600 | \$11,440 |

Source : RKG Associates

1/ Assumes \$25/week/employee for meals purchases with 0.75 percent local option meals tax.

2/ Assumes average FY 2016 single family tax of \$6,952 as reported by mass.gov

3/ Assumption of 2.2 vehicles per new household, average value of \$8,000/vehicle and excise tax of \$25 per \$1,000.

- **400 employees** – the estimated fiscal impact on the Town from the additional property taxes generated from Project Bluebird along with other revenues, adjusted for municipal service costs based on potential new households (15) in Walpole and the new 400 employees is nearly \$1.23 million (net) at full build-out and in expressed in constant 2016 dollars.
 - The addition of 400 new employees in Walpole also results in an estimated weekly consumer spending potential of \$52,000 (\$2.7 million annually) for consumer goods and services purchased before, during and after work. A portion of this spending is likely to be captured by local merchants and businesses, including an estimated \$25/week/employee for meals

purchases. The Town of Walpole local option meals tax, from these purchases, would add an approximate \$75± per week (or \$3,900 annually) in sales tax receipts.⁶

- Assuming that the residency distribution of the new SHDI employees mirrors that of the existing SHDI employees, then there may be an addition of 15 new households in Walpole as a result of the expansion. Assuming these new households are single-family units, and paid the Town average FY 2016 tax bill, at \$6,952, this would result in an additional \$104,280 in residential property tax receipts.
- Further, assuming that these new households generate school-age children in a similar proportion to current Walpole households, there could be the addition of six new students into the school system.
- Potential excise taxes from personal vehicles registered in the town could add another \$6,600 (noting that this will decrease annually as a result of vehicle depreciation).
- **700 employees** – the estimated fiscal impact from Project Bluebird with expanded employment is \$1.17 (net) million, adjusted for municipal service costs based on potential new households (26) in Walpole and the new 700 employees.
 - The addition of 700 new employees in Walpole also results in an estimated weekly spending potential of \$91,000 (\$4.7 million annually) for consumer goods and services purchased before, during and after work, a portion of which would be captured by local merchants and businesses. The Town of Walpole local option meals tax, from these purchases, would add an approximate \$131± per week (or \$6,825 annually) in sales tax receipts.
 - Again assuming that the residency distribution of the new SHDI employees mirrors that of the existing SHDI employees, then there may be a minimum of 26 new households in Walpole as a result of the expansion. Assuming these new households are single-family units, and paid the Town average FY 2016 tax bill, at \$6,952, this would result in an additional \$180,752 in residential property tax receipts.
 - Further, assuming that these new households have students in a similar proportion to current Walpole households, there could be the addition of 11 new students into the school system.
 - Potential excise taxes, from personal vehicles could add another \$11,440 (noting that this will decrease annually as a result of vehicle depreciation).

⁶ Numerous studies (including those conducted by the International Council of Shopping Centers or ICSC) indicate that office workers spend as much as \$130± during a workweek for lunch, drinks, dinner, groceries and other retail purchases. Of this total, approximately \$25 is spent for prepared meals.

Other one-time revenues to the Town of Walpole, regardless of the number of new SHDI employees, include a total reimbursement of \$46,100 for identified costs and an additional \$510,000 in designated contributions.⁷

- **Building Permit Fees** – RKG understands that SHDI has offered a payment of \$250,000 for all fees associated with building permits⁸ for Project Bluebird. Typically building permit revenues are offset by the costs incurred by the town in the process for filings, inspections and so on. As such, RKG does not consider the \$250,000 as a revenue stream or net benefit to the Town.

Other local impacts include the presumed ongoing charitable endeavors (both cash and in-kind) on the part of Siemens, which has included an annual scholarship to a graduating senior from the Walpole High School. However, to the extent that these voluntary endeavors will increase as a result of Project Bluebird is unknown.

Table 3 presents the estimated 20-year summary impacts of the property taxes, TIF implications and estimated municipal service costs, noting the following:

- Project Bluebird will be phased in over a five (5) year period, in increments of 20 percent per year. This will impact the percent of the SHDI facility built and assessed.
- Similarly, assuming 20 percent of the 400 employees are hired in year one, then year one employee service costs are based on 80 new employees. New housing is also assumed to be incremental with three (3) units in year one (or 20 percent of 15). These estimates are stepped up accordingly each year until full build-out.
- An annual increase of 2.5 percent is assumed for both property taxes and municipal service costs.

As indicated, under the assumptions and inputs utilized in the analysis, with the TIF agreement in place, the proposed new facilities generate a positive net fiscal impact for each year of the 20-year term, at both the 400 and 700 employee levels.

- The net 20-year fiscal impact, based on 400 employees, is estimated to be slightly more than \$6.6 million.
- The net 20-year fiscal impact, based on 700 employees, is estimated to be slightly less than \$3.8 million.

⁷ As identified in the *Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards*, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016.

⁸ Citing a memorandum posted on the Town's website regarding Siemens expansion information.

Table 3 – Estimated Summary Impacts with TIF Agreement

| Net Impacts (\$000s) | Taxes (pre TIF) | TIF allocation | Taxes (post TIF) | 400 Employees less Service \$ | NET | 700 Employees less Service \$ | NET |
|----------------------|-----------------|----------------|------------------|-------------------------------|----------------|-------------------------------|----------------|
| 2018 | \$259 | 90% | \$26 | (\$14) | \$12 | (\$24) | \$1 |
| 2019 | \$531 | 90% | \$53 | (\$29) | \$24 | (\$50) | \$3 |
| 2020 | \$810 | 90% | \$81 | (\$44) | \$37 | (\$77) | \$4 |
| 2021 | \$1,096 | 90% | \$110 | (\$60) | \$49 | (\$105) | \$4 |
| 2022 | \$1,389 | 90% | \$139 | (\$77) | \$62 | (\$135) | \$4 |
| 2023 | \$1,424 | 80% | \$285 | (\$79) | \$206 | (\$138) | \$146 |
| 2024 | \$1,459 | 80% | \$292 | (\$81) | \$211 | (\$142) | \$150 |
| 2025 | \$1,496 | 80% | \$299 | (\$83) | \$216 | (\$145) | \$154 |
| 2026 | \$1,533 | 80% | \$307 | (\$85) | \$221 | (\$149) | \$158 |
| 2027 | \$1,571 | 80% | \$314 | (\$87) | \$227 | (\$153) | \$162 |
| 2028 | \$1,611 | 70% | \$483 | (\$90) | \$394 | (\$156) | \$327 |
| 2029 | \$1,651 | 70% | \$495 | (\$92) | \$403 | (\$160) | \$335 |
| 2030 | \$1,692 | 70% | \$508 | (\$94) | \$414 | (\$164) | \$343 |
| 2031 | \$1,735 | 70% | \$520 | (\$97) | \$424 | (\$168) | \$352 |
| 2032 | \$1,778 | 70% | \$533 | (\$99) | \$434 | (\$173) | \$361 |
| 2033 | \$1,822 | 60% | \$729 | (\$101) | \$628 | (\$177) | \$552 |
| 2034 | \$1,868 | 60% | \$747 | (\$104) | \$643 | (\$181) | \$566 |
| 2035 | \$1,915 | 60% | \$766 | (\$107) | \$659 | (\$186) | \$580 |
| 2036 | \$1,963 | 60% | \$785 | (\$109) | \$676 | (\$191) | \$594 |
| 2037 | \$2,012 | 60% | \$805 | (\$112) | \$693 | (\$195) | \$609 |
| TOTALS | \$29,614 | | \$8,277 | (\$1,645) | \$6,632 | (\$2,871) | \$3,762 |

Source : Town of Walpole, MA and Sheehan & Company and RKG Associates

Construction Impacts

Conversations with representatives of SHDI indicate that the proposed new construction, renovations and investment are still in their preliminary planning stages and that a more finite breakdown of costs by type of activity or development are premature at this time, pending additional design elements on the part of SHDI.

In light of this, RKG has opted for a broader, generalized overview of potential construction impacts, which may be refined as more current information warrants. To this end, RKG has utilized factors for estimating employment, wages, income and sales tax that are consistent with input and assumptions used in other projects with the Massachusetts Department of Revenue (DoR) and are presented in Table 4.

According to SHDI, at this time the total estimated investment in construction (which excludes the machinery and fixture component of \$70,000) is \$230 million. Typically, estimates of construction employment impacts are measured against the “hard” costs of construction.⁹ In RKG’s experience in other projects, hard costs may account for as much as 85 percent of the construction costs. Applying that factor for Project Bluebird translates to an estimated \$195.5 million in hard costs, with the following estimated impacts:

- The percentage of costs attributable to a labor component is 35 percent (of hard costs), resulting in \$68.4 million in construction related wages.

⁹ The budget for any construction project includes both hard and soft costs. Hard costs represent the moneys spent physically constructing a building. Soft costs go toward such elements as design costs, legal fees and permit processing.

- The average wage for construction workers in the Boston Metro NECTA (New England City and Town Area), of which Walpole is a part, is \$81,701, which results in an estimate of 838 construction workers.
- The DoR applicable tax rate for an income of \$81,701 is 4.32 percent, resulting in an estimate of nearly \$3 million in income tax receipts for the Commonwealth from the construction wages.
- The estimate of materials, as a percent of hard costs, is 31.2 percent in RKG's prior work with DoR. Applying this factor results in nearly \$61 million in materials purchases.

Table 4 – Economic Impacts from SHDI Construction

| Proposed SHDI Development - Walpole, Massachusetts | | Construction Impacts | |
|---|----------------------|-----------------------------|--------------------|
| | | Income Tax | Sales Tax |
| Total Investment in Construction | | | |
| | \$230,000,000 | | |
| Hard Costs at 85% | \$195,500,000 | | |
| Labor and Income | | | |
| % of Investment | 35.00% | \$68,425,000 | |
| Average Wage /1 and FTE | \$81,701 | 838 | |
| Effective Income Tax /2 (EFI) | 4.32% | \$2,955,960 | |
| Materials and Sales | | | |
| % of Investment | 31.20% | | \$60,996,000 |
| % Taxable | 81.10% | | \$49,467,756 |
| Sales Tax | 6.25% | | \$3,091,735 |

Source : SHDI and RKG Associates, Inc.

1/ Average construction wage for Boston Metro NECTA

2/ DoR income tax rate for wage

SHDI indicated¹⁰ that "the Company shall use good faith commercially reasonable efforts to include Qualified Local Businesses in the Company's requests for quotations for goods and services to be purchased by the Company for use at the Siemens Facility." The construction of Project Bluebird represents an opportunity for local construction firms, of which there are estimated to be 124 in Walpole, and local construction laborers, estimated at 675, to be included in the project development (Table 5).

¹⁰ Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016.



Table 5 – Local (Walpole) Construction Firms and Laborers

| Walpole, MA Construction Sector | # of Firms | # of Employees |
|------------------------------------|---------------|-------------------|
| Residential Building Construction | 28 | 54 |
| Nonresidential Building | 3 | 19 |
| Heavy and Civil Engineering | 4 | 38 |
| Building Foundation/Exterior | 10 | 74 |
| Building Equipment Contractors | 37 | 273 |
| Building Finishing Contractors | 15 | 114 |
| Other Specialty Trade Contractors | 27 | 103 |
| TOTAL | 124 | 675 |

Source : MA Labor and Workforce Development and RKG Associates, Inc.

Ongoing Operations Impacts

SHDI in Walpole manufactures medical testing products for the diagnosis, monitoring and management of diseases, whose products include molecular imaging tests, laboratory kits and other medical devices. Information from SHDI indicates that employment at the Walpole facility for 2015 totaled 629 employees, with 81 percent from Massachusetts communities and the remaining 19 percent from outside of the state (Figure 2). Slightly more than one-third of employees are concentrated in a handful of communities, including 23 from Walpole.¹¹

Total employment in Walpole (from the Massachusetts Executive Office of Workforce and Labor Development) is approximately 11,200 persons, indicating that the existing employment at the current SHDI facility comprises approximately 5.6 percent of Walpole’s employment. The reported current employment at SHDI Walpole has an average annual wage (through 2014) of \$73,000, excluding benefits, per information provided by SHDI.

Additionally, SHDI has indicated that the *“Company shall make good faith efforts to...facilitate the opportunity for local residents to apply for New Positions”*.¹²

¹¹ Reflects the number of employees residing in zip code 02801, per records provided by SHDI.

¹² *Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards*, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016.

Estimated Local Tax Impacts

The FY 2016 property taxes for the current SHDI facility are presented first, reflecting information from the Town of Walpole. The estimated assessed valuation¹³ of Project Bluebird, or the Certified Expansion Project are presented next, and adjusted for estimated municipal service costs.

- **Existing SHDI Valuation and Property Taxes** - Table 6 presents the FY 2016 assessed values for the existing SHDI properties in Walpole, and as a percent of a town-wide component. The existing facility contributes almost one-third of the Town's total industrial value and pays industrial real estate property taxes of more than \$1.1 million. The \$1.1 million in property tax receipts from SHDI also account for 1.8 percent of all of the Town real estate property tax receipts (excluding personal property).

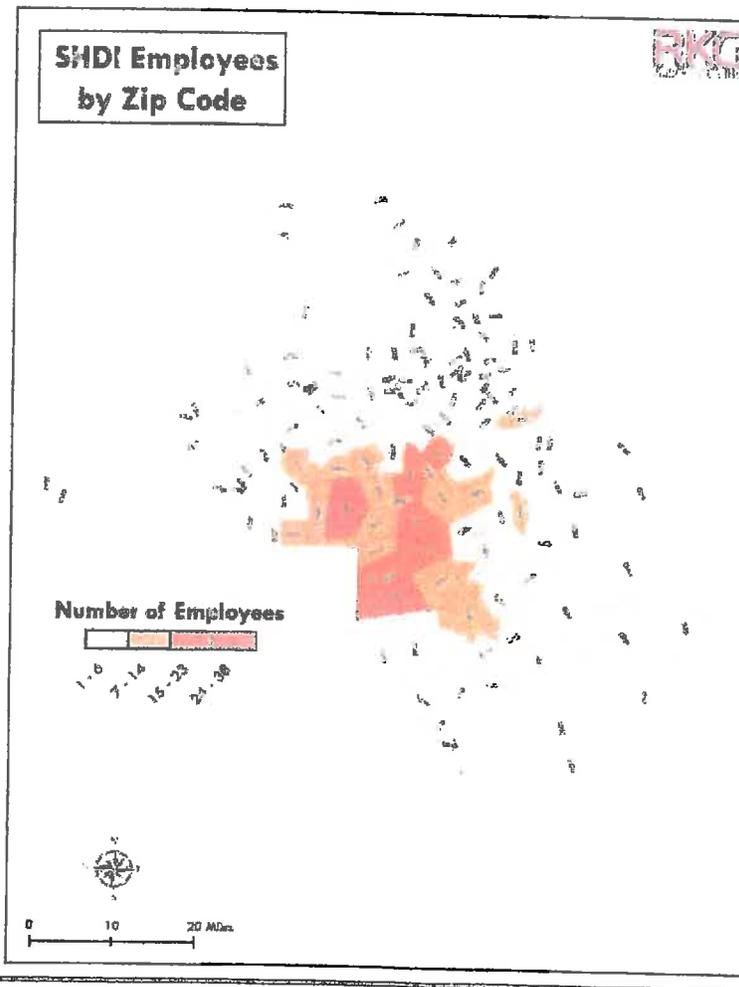


Figure 2 – SHDI Employee Distribution

¹³ The Town of Walpole retained Sheehan & Company to provide an independent estimate of the value of the proposed SHDI expansion, which concluded a value of \$60 million to \$65 million (this report is included at the end of this memorandum).

Table 6 – Assessment and Taxes – FY 2016

| Assessments and Taxes FY 2016 (\$000's) | Real Estate Assessment | Real Estate Taxes /1 |
|--|-----------------------------------|---------------------------------|
| Walpole - Industrial | \$167,708 | \$3,477 |
| SHDI | \$54,006 | \$1,120 |
| SHDI as % of Industrial | 32.20% | 32.20% |
| ALL Walpole (excludes personal) | \$3,856,486 | \$62,126 |
| SHDI as % of ALL Walpole | 1.40% | 1.80% |

Source : RKG Associates, mass.gov and Town of Walpole, MA

/1 Tax rate of \$20.73 per \$1,000

- **The Certified Expansion Project Valuation and Estimated Property Taxes –** Sheehan & Company, an independent Real Estate Appraisal and Consulting firm, has estimated that valuation of Project Bluebird to be \$60 to \$65 million. In this analysis, RKG has opted to utilize the mid-point, of \$62.5 million as the valuation for the SHDI expansion. Applying the current tax rate of \$20.73 per \$1,000 results in estimated property taxes of nearly \$1.3 million, prior to any adjustments.

Adjustments to Property Tax Revenues

Local governments have become increasingly concerned about the impacts of new developments on municipal budgets. Local residents and officials want to know if a proposed development will provide sufficient revenues (i.e., real property tax revenues) to cover the costs of any increases in municipal services. Fiscal impact analysis has been defined as *“a projection of the direct current public costs and revenues associated with residential or nonresidential growth to the local jurisdiction in which the growth is taking place”*¹⁴. The following section presents the inputs, assumptions and overall methodology on which the summary fiscal impacts and conclusions were based. There are several approaches available for determining fiscal impact; all based on the same general assumptions:

- First, current municipal operating costs and revenues are the best basis for determining future costs and revenues.
- Second, the proposed project comes “on line” all at once.

This latter assumption allows a comparison of the financial effect of the entire project on municipal costs and revenues. In reality, many projects are constructed over a period of greater than one year; however, since municipal costs and revenues generally occur in

¹⁴ Robert W. Burchell, et al. *The New Practitioner's Guide to Fiscal Analysis*. Center for Urban Policy Research, Rutgers University, 1985.

equal proportions, this steady-state approach does not detract from the appropriateness or accuracy of this method.

It should also be noted that fiscal impact analysis is only concerned with local public costs and expenditures, and not national or statewide impacts, or impacts on surrounding communities. Fiscal impact analysis, as applied in this memorandum, encompasses the identification and comparison of both municipal service costs related to the project, and the potential public revenues resulting from the development, typically dominated by local property taxes.

RKG reviewed the Town of Walpole budget for Fiscal Year 2015 and allocated selected variable expenditures¹⁵ proportionately to residential and commercial uses,¹⁶ indexing these costs on per household (residential) or per employee (commercial/industrial) basis. The result of this approach indicated an estimated average municipal cost of \$1,307/household and \$126/employee (Table 7).

- **Residential Costs** – It is unknown how many of the potential new SHDI employees may end up residing in Walpole, although SHDI has indicated¹⁷ that good faith efforts will be taken to hire locally. It is also unknown whether new employees will relocate to Walpole for employment. However, assuming that new employees will relocate to Walpole in a percentage similar to the existing locational distribution of SHDI employees, then of the proposed 400 new employees approximately 15 would represent new Walpole residents.

To the extent that more of the 400 employees would desire to live close to work, the potential exists for an increase in new households and a demand for existing or new housing stock. Assuming each of these employees also represents a new Walpole household, the estimated cost of providing services is 15 (households) X \$1,307/household = \$19,120.

IF SHDI were to expand by 700 employees, resulting in an estimated 26 new Walpole households, service costs would be \$33,455.

- **Commercial Costs** - The cost of providing municipal services, as a result of the new employment, is estimated as 400 employees X \$126/employee = \$50,400 (if SHDI

¹⁵ Costs that are typically variable and could fluctuate with an increase (or decrease) in population or in employment, excluded for FY 2015 expenditures for education (the estimated increase in student population is considered to be nominal at an estimated 6 to 11 new students (assuming new enrollment per household mirrors current enrollment per household at 0.42 students); health and human services; culture and recreation; pensions/fringe benefits; and, debt service. RKG also had a conversation with a representative of the Walpole Schools (Office of the Business Administrator) who concurred that the school system has the capacity to absorb an additional 6 to 11 students without incurring additional costs.

¹⁶ The cost allocation reflects a blended average of (1) the number of parcels as a percent of total parcels; and (2) the assessed value as a percent of total assessed value – for residential and commercial/industrial uses. In this analysis the resulting ratios are residential (86.5 percent) and commercial/industrial (10.3 percent).

¹⁷ Proposed TIF Agreement Subject To Approval Of Applicable Siemens Boards, prepared by the law firm of Miller, Canfield, Paddock and Stone, P.L.C. (of Troy, Michigan) and dated January 18, 2016.

grows to 700 employees at the new facility this would result in a municipal service cost of \$88,200.

Table 7 – Estimated Costs of Municipal Services

| Walpole, MA - General Fund Expenditures | | FY 2015 | Residential 86.50% | Com/Ind 10.29% |
|---|--------------------------------|---------------------|-----------------------|--------------------|
| Variable Expenditures | | | | |
| | Police | \$4,742,604 | \$4,102,325 | \$487,954 |
| | Fire | \$3,717,284 | \$3,215,429 | \$382,462 |
| | Public Works | \$5,273,210 | \$4,561,297 | \$542,547 |
| Total | | \$13,733,098 | \$11,879,052 | \$1,412,963 |
| | <i>household/labor factors</i> | | 9,088 | 11,214 |
| Expenditure Metrics | | | | |
| | <i>per household</i> | | \$1,307 | |
| | <i>per employee</i> | | | \$126 |

Source : MA Division of Local Services, Alteryx and RKG Associates, Inc.

As indicated in Table 8, the net estimated fiscal impacts (under the inputs and assumption as previously described) amount to \$1.23 million (at 400 employees) and \$1.17 million (if 700 employees).

Table 8 – Estimated Net Property Taxes

Estimated Net Property Tax Revenues - Project Bluebird - Walpole, MA - SHDI

| | (400 employees) | (700 employees) |
|---------------------------|--------------------|--------------------|
| Property Tax | \$1,295,625 | \$1,295,625 |
| <i>less</i> Service Costs | | |
| residential | (\$19,118) | (\$33,457) |
| employment | (\$50,400) | (\$88,200) |
| NET | \$1,226,107 | \$1,173,968 |

Source : Sheehan & Company and RKG Associates

Charitable and Other

Information provided by SHDI¹⁸ indicates the following charitable contributions and/or local purchasing.

- **Walpole** – donation of \$10,000 to Walpole Fields Project.
- **Walpole** – annual scholarship (\$20,000 since 2009) for graduating senior from Walpole High School.
- **Walpole** – other cash (unspecified amount) and in-kind donations include, but may not necessarily be limited to, Siemens Science Days at Walpole public schools since 2009; donations for new technology at Bird Middle School and the Boyden

¹⁸ From a presentation to the Walpole Board of Selectmen, dated January 5, 2016.

Elementary playground; donations to support such programs as the “Stop Bullying” campaign (Walpole Police Local #115) and the Walpole Friends of Music. RKG assumes that as a corporate citizen of the Town of Walpole, SHDI will continue in its eleemosynary endeavors although no dollar amount can be placed on this continuation or to what extent, if any, these endeavors will be expanded as a result of Project Bluebird.

- **Boston** – donations exceeding \$96,000, since 2011, to the American Cancer Society in their fight against breast cancer.
- **Massachusetts** – donation of \$660 million (cumulative and multiple years) of engineering software to Massachusetts technical schools and colleges.

Representatives of SHDI also indicated that there are several area hotels (all located in Norwood) where they make a concerted effort to direct corporate related stays and vendors. In all instances, Siemens had a negotiated room rate comparing favorably to the average quoted rate. RKG contacted these properties regarding the Siemens impact to their business, and found the following:

- **Marriott Courtyard** – representatives indicated that Siemens related stays were a large part of their business and that as of January 2016 had accounted for 100-room nights.
- **Residence Inn** – representatives indicated that 75 percent of the Siemens personnel staying at the Residence Inn were Marriott rewards members and very loyal to the brand. Further, that cumulatively over 2015, Siemens related stays accounted for an approximate 3,000-room night demand. Projections for 2016 suggest more than 4,000-room nights and more than \$400,000 in revenues.
- **Holiday Inn** – representatives indicated that in negotiating room rates, corporations are rewarded for meeting estimates of room night demand with lower rates. In other words, the wider the variance between an average quoted rate and the corporate negotiated rate, the more contributory the corporation related stays are to the overall business. For this property, the Siemens negotiated rates are typically 20 to 25 percent less than the average rates.
- **Sheraton Four Points** – representatives of the Sheraton Four Points facility indicated that Siemens was among their top five accounts for transient stays, or those individuals staying at their facility typically for one to five nights, while in town on business matters. Further, that Siemens was among their top 20 accounts for corporate group meetings, where an overnight stay may occur, but more typically represents using the Sheraton for on-site meetings and workshops.

While these hotel stays in neighboring communities may not directly benefit Walpole, there is likely some level of spending from the hotel guests, as SHDI representatives or vendors that occurs in Walpole, notably for dining and drinking while otherwise “working” in Walpole.

were 700, then direct state income taxes would total nearly \$2.3 million and indirect taxes would be nearly \$3.7 million.

Table 9 – Estimate of Direct and Indirect/Induced Employment and Impacts

| SHDI Project | Full Time Employment | Average Annual | Total Annual Wages | State Payroll / Income Taxes /3 |
|---------------------------------|-----------------------------|-----------------------|---------------------------|--|
| Economic Impacts | | | | |
| Existing | | | | |
| Direct Impacts | 629 | \$73,000 | \$45,917,000 | \$1,956,064 |
| Indirect Impacts /1, /2 | 1,846 | \$43,283 | \$79,881,805 | \$3,051,485 |
| Proposed - 400 employees | | | | |
| Direct Impacts | 400 | \$77,000 | \$30,800,000 | \$1,312,080 |
| Indirect impacts /1, /2 | 1,174 | \$45,655 | \$53,582,760 | \$2,111,161 |
| Proposed - 700 employees | | | | |
| Direct Impacts | 700 | \$77,000 | \$53,900,000 | \$2,296,140 |
| Indirect Impacts /1, /2 | 2,054 | \$45,655 | \$93,769,830 | \$3,694,531 |

Source : SHDI, RKG Associates and US Department of Commerce RIMS II

/1 Indirect, induced multiplier of 2.9341 for employment - NAICS 334516

/2 Indirect, induced multiplier of 1.7397 for wages - NAICS 334516

/3 MA DoR, Statistics of Income - effective taxes per average wage (2013)

State Excise Tax

SHDI also makes excise tax payments to Massachusetts, averaging nearly \$3.6 million per year over the 2011 to 2014 period (Table 10). These taxes, as reported by SHDI, are paid based on all Siemens United States legal entities, including, but not limited to the Walpole facility.

Table 10 – Excise Tax Payments

| SHDI payment of Massachusetts Excise Tax | Amount |
|---|--------------------|
| 2011 | \$3,459,464 |
| 2012 | \$3,313,939 |
| 2013 | \$4,040,515 |
| 2014 | \$3,407,509 |
| Average | \$3,555,357 |

Source : SHDI and RKG Associates, Inc.



Town of Walpole

Siemens TIF Frequently Asked Questions

1. Question – What is a TIF?

Answer – The acronym TIF is short for Tax Increment Financing. A TIF is authorized by M.G.L. c.40 §59. Under this legislation, landowners may be granted property tax exemptions of up to 100% of the tax increment. Cities and Towns are allowed to enter into a TIF Agreement with a landowner for a maximum term of 20 years. A town must initiate a TIF by a vote of Town Meeting approving the TIF Plan. If Town Meeting approves, the TIF must be in an area approved by the State by the Economic Assistance Coordinating Council (EACC).

2. Question – Has the Town ever approved any other TIFs

Answer – In the Fall of 2006, Town Meeting approved a 10 year TIF agreement for a 115,000 square for renovation on the same property with Bayer Healthcare prior to Siemens acquiring Bayer.

3. Question – Did Siemens meet the terms of 2006 TIF?

Answer – The TIF agreement that was signed went into effect on July 1, 2009. Siemens had 10 years to meet the terms outlined in the TIF agreement. To date Siemens has met or exceeded the obligations under the previous TIF agreement in the following manner:

- The TIF required that Siemens create 70 full time jobs over 10 years. To date 200 full time jobs have been created.
- Donated \$40,000 2007 for community projects.
- Invested \$107,000,000 expansion.
- Local services purchased have increase by 18% year over year since 2012.

4. Question – Will this new TIF be for the entire property?

Answer – No it will only be for the new construction that is set to take place. Siemens will continue to pay taxes the same on the current facility. The TIF agreement that Town meeting is being asked to consider on March 7th will be for new construction only.

5. Question – How much does Siemens pay in taxes now and how much will Siemens pay if the TIF is approved.

Answer – Currently Siemens pays \$1,120,790 per year in taxes. The document included in this packet estimates what the taxes are on the current property over the next 20 years and what the taxes may be on the area of the proposed TIF.

6. Question – Can I see the proposed TIF agreement?

Answer – The TIF Agreement is included in this packet.

7. Question – What Happens if Town Meeting does not approve of the TIF Agreement

Answer – Siemens has made it clear to the Town that if the TIF agreement is not approved by the Town they will not move forward with their proposed expansion project.

The Town welcomes any additional questions that Town Meeting Members may have. If you have any additional questions regarding this matter please feel free to email the Town Administrator directly at jjohnson@walpole-ma.gov.

Tax Information Worksheet for Siemens Expansion Project

Siemens Healthcare Diagnostics Inc.

All Estimates are Preliminary and will Change as the Engineering & Architectural Plans are Developed.

Potential Assessment on Expansion Project Only: \$62,500,000

* Assumes a 2.5% property tax increase each year

** FY 2021 Current TIF Expires

*** Assumes that project will be phased in over multiple years.

Using 5 years @ 20% a year of \$62,500,000 beginning in FY 2018

Current Fiscal Year 2016 Taxes on Existing Facility: \$1,120,790

| Fiscal Year | <u>Current Facility</u> | <u>Expansion Project</u> | <u>TIF Percentage</u> | <u>Expansion Project</u> |
|--|--|-------------------------------|-----------------------|-------------------------------------|
| | FY 2016 Taxes \$1,120,790 2.5% annual increase | No TIF 100% Taxes Taxes | TIF % Exemption | TIF Estimated Taxes Collected |
| FY 2017 | \$1,148,810 | 0 | 0 | 0 |
| FY 2018 | \$1,177,530 | \$259,125 | 90% | \$25,913 |
| FY 2019 | \$1,206,968 | \$531,206 | 90% | \$53,121 |
| FY 2020 | \$1,237,142 | \$810,090 | 90% | \$81,009 |
| FY 2021 ** Current TIF Expires | \$1,314,437 | \$1,095,945 | 90% | \$109,594 |
| FY 2022 | \$1,347,298 | \$1,388,947 | 90% | \$138,895 |
| FY 2023 | \$1,380,980 | \$1,423,670 | 80% | \$284,734 |
| FY 2024 | \$1,415,505 | \$1,459,262 | 80% | \$291,852 |
| FY 2025 | \$1,450,892 | \$1,495,744 | 80% | \$299,149 |
| FY 2026 | \$1,487,165 | \$1,533,137 | 80% | \$306,627 |
| FY 2027 | \$1,524,344 | \$1,571,466 | 80% | \$314,293 |
| FY 2028 | \$1,562,452 | \$1,610,752 | 70% | \$483,226 |
| FY 2029 | \$1,601,514 | \$1,651,021 | 70% | \$495,306 |
| FY 2030 | \$1,641,552 | \$1,692,297 | 70% | \$507,689 |
| FY 2031 | \$1,682,590 | \$1,734,604 | 70% | \$520,381 |
| FY 2032 | \$1,724,655 | \$1,777,969 | 70% | \$533,391 |
| FY 2033 | \$1,767,771 | \$1,822,418 | 60% | \$728,967 |
| FY 2034 | \$1,811,966 | \$1,867,979 | 60% | \$747,192 |
| FY 2035 | \$1,857,265 | \$1,914,678 | 60% | \$765,871 |
| FY 2036 | \$1,903,697 | \$1,962,545 | 60% | \$785,018 |
| FY 2037 | \$1,951,289 | \$2,011,609 | 60% | \$804,644 |
| Estimated Total Taxes Collected | \$31,047,012 | \$29,614,464 | | \$8,276,872 |

