

Acquisition by Dover of the 46 Springdale Property

Warrant Article Recommendations
for Special Town Meeting

Dover Warrant Committee

BOS Open Hearing

September 3, 2014

Should the Town Acquire the 46 Springdale Property?

- The Warrant Committee has performed extensive due diligence relating to the possible acquisition of the 46 Springdale property. It has reviewed and analyzed the reports and other information relating to 46 Springdale and has had conversations with the Town's Administrator, Treasurer and financial advisors.
- The Warrant Committee has endeavored to explore the *pros and cons* of all aspects of such an acquisition.
- However, particular focus has been on the likely ***financial impacts*** to the Town (detailed in later slides), both, if the property is **not** acquired by the town and if it **is**. It is this analysis on which the Warrant Committee recommendations are, primarily, based.

Should the Town Acquire the 46 Springdale Property?

Expected Outcomes if Town Does Not Acquire Property

- Property most likely will be developed by Northland Residential Company
 - 40+ 2-3 bedroom condominiums
 - 2-3 condos per building
 - 25% units “affordable”
 - 75% units priced > \$1 million
 - 22 foot wide roadway entrance
 - Cul de sac arrangement
 - Tax abatement of \$69,500 re-paid to Town

Expected Outcomes if Town Does Acquire Property

- Dover will have control of large tract of property near the center of town
 - Town incurs \$5.5 million of debt, at least initially
 - Town must decide on how to use or dispose of the property

Should the Town Acquire the 46 Springdale Property?

Warrant Committee Considerations

- The Warrant Article (#1) provides for the Special Town Meeting vote on the acquisition. The financing of the acquisition by the Town will be presented as a ballot item on November 4. The ballot item will **determine whether or not to approve a debt exclusion.**
- The ultimate usage or disposition, either whole or partial, of the property if the Town acquires it has not yet been determined.
- It is expected that the ultimate financing of the property by the Town will reflect its use or disposition. For now, the WC has assumed a *conservative case* in which the property is not re-sold.
- This should not be construed as a recommendation by the WC as to the use or ultimate disposition of the property.

Should the Town Acquire the 46 Springdale Property?

- If purchased by Town:
 - **Cost to Taxpayers**
 - Initial cost to carry a \$5.5 million Bond Anticipation Note (BAN) at 0.345% interest rate (\$19k per year, interest only, taxable and non-taxable portions) is an estimated \$7.30 per year for a median house (\$833k)
 - Assuming that the Town “bonds” the full amount and the ad hoc committee determines the best use of land is to leave it as open space (the most conservative case), with today’s interest rates, it would cost the median household an estimated \$145 per year for 20-years (including interest, taxable and non-taxable and repayment of principal)
 - The ultimate **revenue** impact to the Town to depend on disposition and use
 - **Effect on credit rating**
 - None, Town’s debt rating is not expected to be affected
 - **Effect on future capacity to borrow**
 - Town’s debt capacity not expected to be materially affected
 - Town can borrow up to \$50 million given current property values and NOT affect its credit rating (Town debt as of June 30, 2014 is \$8.58 million)

Should the Town Acquire the 46 Springdale Property?

- If not purchased by Town and Northland 40B project is fully developed:
 - Likely Effect on Town Services (expenses)
 - **Police**
 - None/marginal
 - **Fire**
 - None/marginal
 - **Schools**
 - Unclear: potentially marginal to significant. The cost to add **marginal** additional regular education students is minimal given current school enrollment and staffing
 - However, **unpredictable** Out of District Special Education costs
 - **Water**
 - Sufficient well capacity available from Colonial Water Company

Should the Town Acquire the 46 Springdale Property?

- If not purchased by Town and Northland 40B project is fully developed:

(continued)

- Likely Effect on Town Finances (revenues)

- **Taxes**

- Ultimately 40+ units would be built. But this happens over time (phased-in over a period of at least several years)
 - An unofficial estimate of associated annual tax revenues to the Town could be \$350k annually, phased-in over, perhaps, ten years or more

Article 1: Purchase of 46 Springdale Property

- The WC analysis assumes
 - Town acquires the property
 - Town finances the entire \$5.5 million purchase through the use of BANs for two years
 - After two years, the BANs borrowing rolls into issuance of a 20-year General Obligation Bond

Article 1: Purchase of 46 Springdale Property

- The Warrant Committee recommends the ***affirmative*** vote for **Article 1**, the purchase of the 46 Springdale property by the Town

Article 2: Funding of Ad-Hoc Committee to study the Future Uses of the 46 Springdale Property

- The Warrant Committee recommends the ***affirmative*** vote on **Article 2**, the funding in the amount of \$25,000 for an ad-hoc committee to study potential uses of the 46 Springdale property

Conclusion

- Recommendation Rationale:
 - Financial aspects
 - *Likely* limited downside to the Town, financially
 - Property acquisition will not negatively impact the Town's ability to responsibly finance potential future capital needs and repairs to maintain infrastructure at the Schools and other Town properties
 - Non-financial aspects
 - Preserves flexibility over use of highly-visible property near Town center
 - Gives Town more time to consider and plan the use of the property at a moderate cost