

MINUTES
INDIAN HILL BUILDING PERMIT SUB-COMMITTEE
October 3, 2017

Present: Sub-Committee Members Jack Petropoulos and Becky Pine

Also Present: Indian Hill Representatives, Carole Prest, Lisa Fiorentino, Susan Randazzo

The meeting commenced at 5:05 PM in Susan Randazzo's office at Indian Hill Music.

The purpose of this meeting was to further discuss the issue of the building permit value for the Indian Hill Project. The theme of the meeting was to determine how to determine the value of the project and how to move forward with the potential of an in lieu of tax payment.

Jack Petropoulos began with a restatement of the Town's objectives, and assurance that any discussion of a PILOT was independent of the discussion of a building permit. He assured IHM that a PILOT was their option to provide and the purpose of discussing it in conjunction with the permit was because both parties may find it beneficial to do so in whatever final arrangement was reached.

Carole Prest outlined Indian Hill's perspective on what a permit should cost based on her research of permit costs in other towns and on Groton's permit costs for 3 recent large projects. Her material suggested that the Groton School's recent permit calculated to 1% rather than 1.2% of building value. Mr. Petropoulos and Ms. Pine indicated that they would explore the reason for that, as they assumed that all permits were calculated at 1.2% of project value. Additional discussion focused on Indian Hill's perspective that the project was a Public / Private partnership.

Considerable discussion involved an estimation of total square footage of 160,000+ square feet. IHM assured the town that the building was closer to 120,000 square feet. All parties agreed that the remaining issues were agreeing on a total square footage amount and arriving at a 'per square foot' building cost to which all parties could agree, on the way to establishing a final building value.

Carole Prest indicated that she would send the materials presented at the meeting to Mark. All agreed that the next step was to get the IHM representatives including Mr. Shepherd, together with town representatives to advance the discussion on establishing building cost on which the cost of the building permit would be based.

Meeting adjourned at 6:15 pm.

Respectfully submitted,

Jack Petropoulos
Selectman

indian hill **music**

Presentation to Jack Petropoulos and
Becky Pine
October 3, 2017

Goals For The Negotiation

- **Fair** to Indian Hill Music and **defensible** to residents of the Town of Groton
- Ability to demonstrate that similar metrics have been used as justification for the eventual building permit fee
- Adherence to the wishes of the major donors' wish for anonymity and confidentiality
- Develop a plan to coordinate the different Town departments who seem to be operating independently in their "reasonable" assessments of fees on the project
- Understanding that a start up venture of this type will face many years of deficits before it will breakeven
- Create a new basis for a real partnership, not just lip service, between Indian Hill Music and the Town of Groton

Goal for this meeting

- Understand how other towns and cities in Massachusetts have assessed concert venues of similar size and complexity
- Look at how public/private partnerships for other performing arts centers work in similar towns in MA and elsewhere
- Develop a common understanding of what a reasonable per square foot construction cost is for a project of this scale and type
- Examine recent data on how Groton projects are being assessed
- List the commitments to the Town that Indian Hill Music has already made
- Develop a common understanding of the approach we will take to determine a fair building permit fee

Comparable projects included in this analysis

Groton projects:

Project	Construction Cost	Sq. Footage	Permit fee
Groton School Addition	\$21,272,400	45,000	\$212,737
Groton Inn	\$6,300,000	51,000 inn + 10,000 restaurant	\$75,600
Shirdi Temple	\$6,000,000	40,414	\$72,000

Other MA based performing arts centers:

Center	Location	Sq. Footage
'62 Center for Theatre and Dance	Williamstown, MA	126,000
Hanover Theatre	Worcester, MA	76,000
Cary Hall	Lexington, MA	31,000

Other performing arts centers of similar size and complexity:

Center	Location	Large concert hall	Recital hall
Gallo Center for the Arts	Modesto, CA	1,250	400
California Center for the Arts	Escondido, CA	1,500	400
Green Music Center	Sonoma, CA	1,400	240

Class of '62 Center for Theatre and Dance, Williams College

- Designed by William Rawn Associates
 - Alan Joslin, co-principal architect
- 126,000 sq. ft. mixed use building that includes
 - MainStage Theatre (550 seats)
 - CenterStage “black box” Theatre (200 seats)
 - Adams Memorial Theatre renovation (210 seats)
 - Dance studio
 - Classrooms, faculty offices, stage and performer support spaces (dressing rooms, carpentry and paint shop, costume design and sewing rooms, etc.)
- Cost on record \$34,270,600 (Construction cost = \$272/sq. ft.)
- Permitted in 2003. Opened in 2005.
- **Permit fee charged by the Town of Williamstown was \$239,894**
 - 0.70% of construction cost
 - \$1.90 per sq. ft.
- Using government inflation indices, that project today would be estimated to cost \$43,082,864 in 2017 dollars
 - Estimated permit fee using Williamstown’s 2003 fee schedule would be \$301,546

'62 Center for Theatre and Dance



Town of Williamstown

- Multiple large scale building projects in Williamstown have taken place in the past decade
 - Williams College: '62 Center, new student center, new library, multiple new faculty office and classroom buildings, new science center, etc.
 - Clark Art Institute: Lunder Center at Stone Hill (completed in 2008, 97,700 sq. ft.) and Clark Center (completed in 2014, 42,600 sq. ft.)
- Extremely difficult to establish construction costs on projects as wide ranging as a performing arts center, an art gallery or a science center
- Decision by the Town to simplify commercial building permit fee system
- Today, all commercial projects are billing at \$0.55/ sq. ft.
 - If the '62 Center were permitted today, the permit fee would be \$69,300.

Source: Interview with Jason Hoch, Town Manager, Town of Williamstown, September 29, 2017

Hanover Theatre, Worcester

- Major renovation costing \$32 Million.
- 76,000 sq. ft. (Construction cost = \$421.05 per sq. ft.)
- **Building permit fee was set at \$38,000**
 - 0.12% of construction cost
 - \$0.50 per sq. ft.
- Due to intricacies of financing structure, the new Hanover Theatre operated as a for-profit LLC for the first 7 years, thus making it eligible for city real estate taxes
 - City of Worcester could have charged them \$400K per year.
 - The city instead gave them a TIF* through which they forgave all future tax revenue, worth \$3 million.
- The city also gave them a 10 year agreement to lease parking spaces at the Federal Plaza across the street
 - Cost to Hanover Theatre is \$1/space/day.
 - Annual cost to Hanover Theatre = \$50,000
 - Annual revenue from parking = \$350,000
 - Net contribution from City to Hanover Theatre annually is \$300,000

Hanover Theatre, Worcester

Troy Siebels, President and CEO of the Hanover Theatre

“I think the point was that the city saw that while we had raised the dollars to do the facility restoration, there was a real risk of our new organization not being able to survive given the cost of operating the larger building. The above [concessions] were ways that they could help ensure that we were successful in both the short and long term, so that we could be of real benefit to the city in bringing people and economic activity downtown.”

Cary Hall Renovation, Lexington

- Owned by the Town of Lexington
- Performance venue for the Lexington Symphony
- \$9 million renovation funded mostly by funds from the Community Preservation Act.
- Committee consisting of representatives from the community (including the Chair of the Board of the Lexington Symphony) worked within Town Hall and the community to build support.
- Project was recommended by Selectmen and approved at their Town Meeting with strong support from Lexington residents .
- 31,000 sq. ft.
 - Construction cost per sq. ft. = \$290.32
- **No building permit paid since the building is owned by the Town.**
- Cary Hall is the venue for Lexington Symphony, town meeting, lectures, and performances, managed by Spectacle Management, in a wide range of genres including pop, folk, etc.

Economic Impact on Town of Lexington

- Jonathan McPhee, Lexington Symphony Musical Director
 - “Within two concerts [after the renovation], we had doubled our audience.”
- Peter Lally, president of Spectacle Management
 - Manages non-classical performances under contract with the Town
 - He is quoted as saying that the Town has seen positive impacts on the businesses and has drawn a broader audience.
 - Roughly half of the concert goers come from outside of Lexington; the other half of concert goers live in Lexington.
- Melisa Tintocalis, Director of Economic Development
 - “The service industry in Lexington benefits greatly from the venue.”

Examples of Other Public Private Partnerships

- Gallo Center for the Arts, Modesto, CA
 - Stanislaus County and City of Modesto pledged \$15 M which was later matched by close to \$20M in private funds.
 - City of Modesto funded \$602,000 for curb, gutter and streetscape improvements prior to opening.
- California Center for the Arts, Escondido, CA
 - Built, owned and largely funded by the City of Escondido
 - Additional private support comes from local corporations, foundations and private individuals.
- Green Music Center, Sonoma County
 - Originally the vision of the President of Sonoma State University
 - Located on land owned by Sonoma State
 - Concert halls were largely constructed using private donations
 - University continues to fund key elements of the infrastructure including building maintenance, parking, restaurant, IT, Finance , HR and other back office support

Comparable Performing Arts Centers in MA

Project	Construction Cost	Square Footage	Building Permit fee	Building permit fee as percent of construction cost	Building permit fee as dollar per square feet
Hanover Theatre, Worcester	\$32,000,000	76,000	\$38,000	0.12%	\$.50
'62 Center for Theatre and Dance, Williamstown Old formula	\$34,270,600	126,000	\$239,894	0.70%	\$1.90
'62 Center New formula	\$34,270,600	126,000	\$69,300	0.17%	\$.55
Cary Hall renovation, Lexington	\$9,000,000	31,000	None	None	None

Sources: Troy Siebels, CEO of Hanover Theatre; Jason Hocht, Town Manager, Town of Williamstown; Fred Johnson, Lexington Town resident and former Chair, Board of Directors, Lexington Symphony

Comparative Groton Projects

Project	Construction Cost	Square Footage	Construction cost per sq. ft.	Building Permit fee	Building permit fee as percent of construction cost	Building permit fee as dollar per square feet
Groton School addition	\$21,272,400	45,000	\$472	\$212,737	1.00%	\$4.73
Groton Inn	\$6,300,000	51,000	\$103	\$75,600	1.20%	\$1.48
Shirdi Temple	\$6,000,000	40,414	\$148	\$72,000	1.20%	\$1.78

Note: We reviewed 780 CMR: State Board of Building Regulations and Standards, Section 105 on Permits and Section 109 on Fees. We also reviewed 801 CMR 4.02: Fees for Licenses, Permits and Services to be charged by state agencies. There are no requirements dictated by the State on the building permit fees to be charged by the Town to privately owned projects.

Establishing the Town's current position?

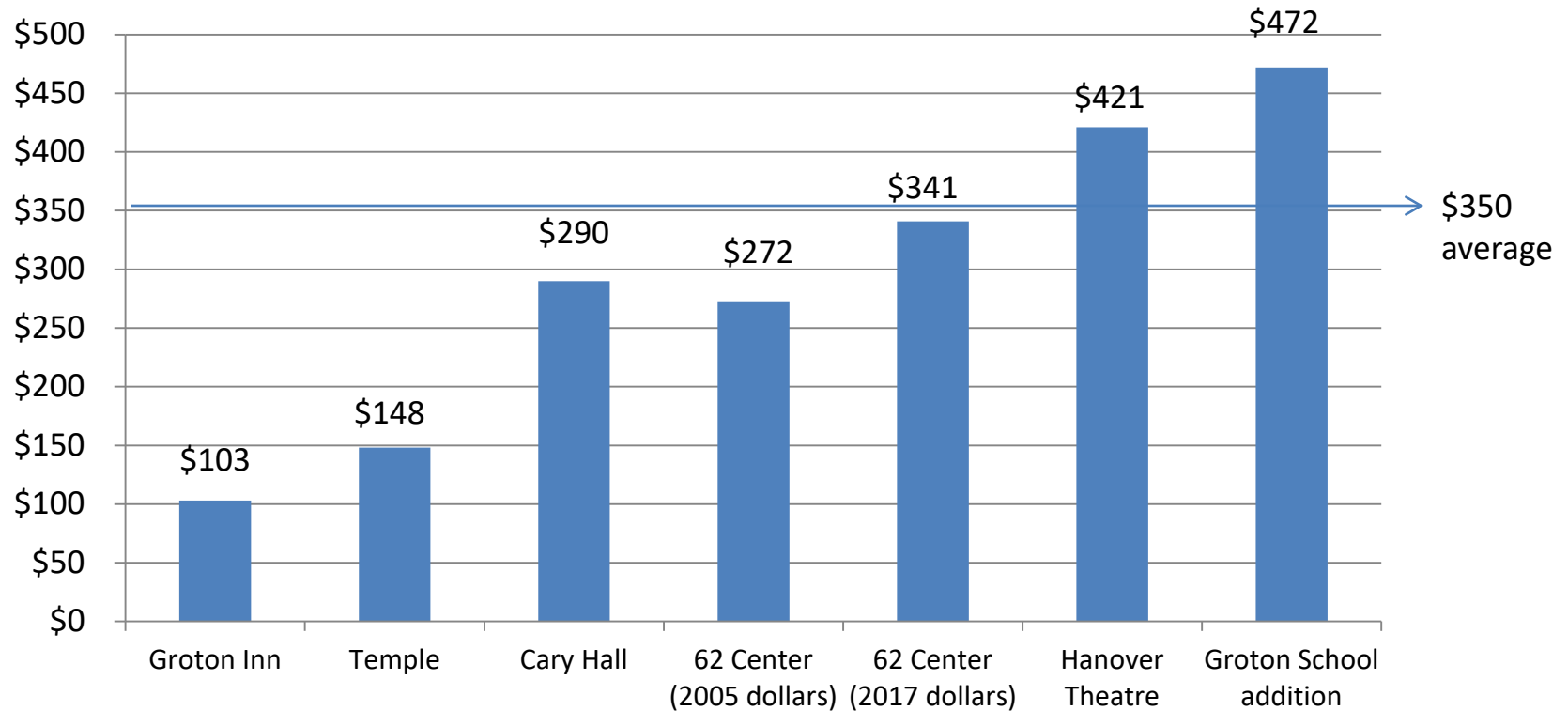
Recent conversations with Mark Haddad and Ed Cataldo suggest that this is the Town's position:

- Assumption that performing arts centers have typical construction costs of \$400 - \$600/sq. ft.
- Since the building also will include classrooms, offices, basement storage, etc., use \$470 as a blended rate.
- $\$470 / \text{sq. ft.} * 120,000 \text{ sq. ft.} = \$56,400,000$
- Estimated permit fee \$720,000

We would propose that a more realistic construction cost estimate is \$42 M given actual construction costs of performing arts centers in MA as determined by other cities and towns during their permitting process.

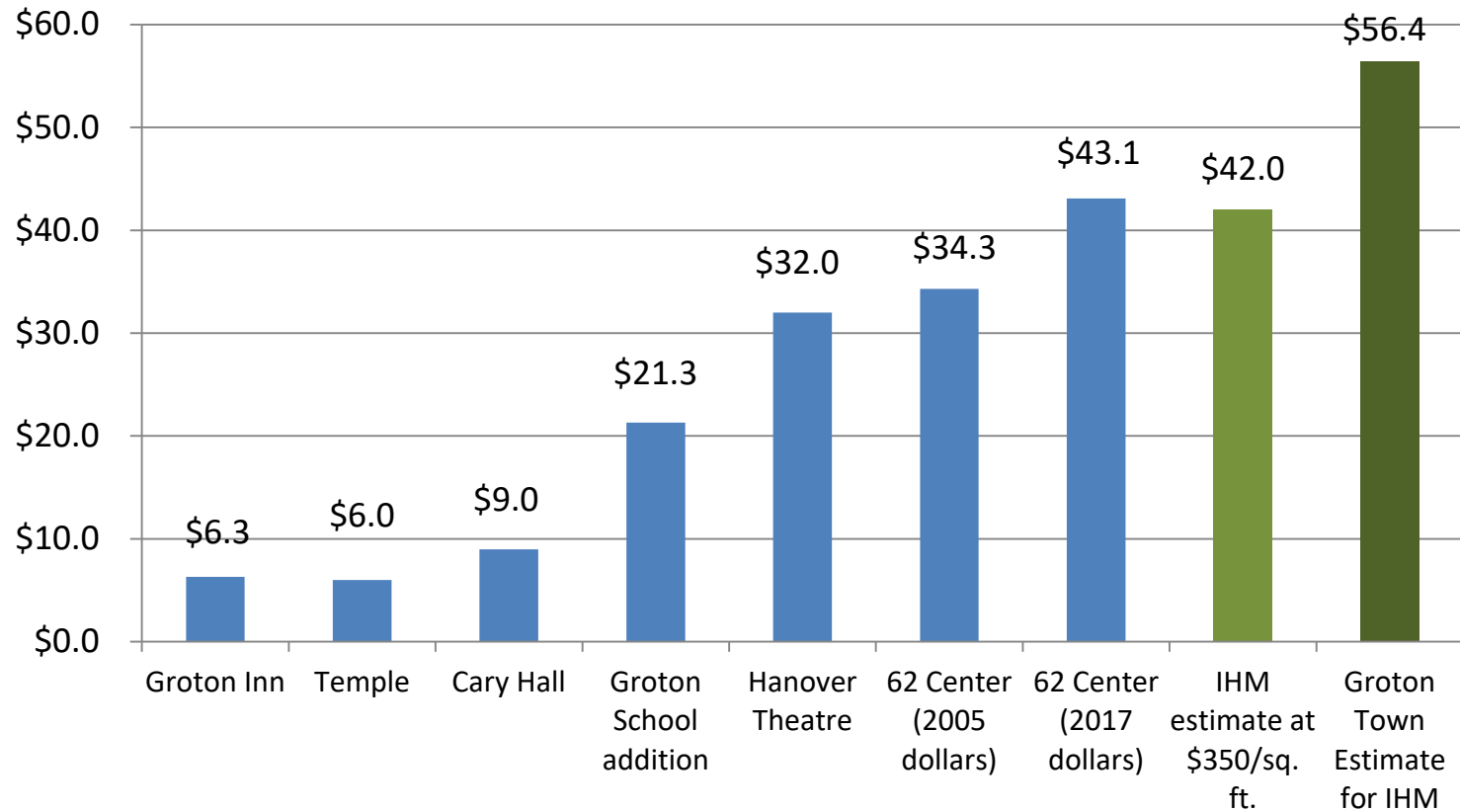
Construction Costs on Comparable Projects

Construction cost per sq. ft.



Construction Cost Comparisons

Construction cost in millions



Note: Groton Town construction cost estimate from Mark Haddad using \$470/sq. ft. assumption

Calculated ranges for permit fees

Calculated ranges for building permit fees using 120,000 sq. ft	Based on \$42 M construction cost	Based on \$56.4 M construction cost
At \$0.50 per sq. ft. (Hanover Theatre rate)	\$ 60,000	\$ 60,000
At \$0.55 per sq. ft. (Class of 62 Center for Theatre and Dance rate)	\$ 66,000	\$ 66,000
At 0.12% of construction costs (Hanover Theatre rate)	\$ 50,400	\$ 67,680
At 0.70% of construction costs ('62 Center rate)	\$ 294,000	\$ 394,800
At \$1.48 per sq.ft. (Groton Inn rate)	\$ 177,600	\$ 177,600
At \$1.78 per sq. ft. (Temple rate)	\$ 213,600	\$ 213,600
At 1.00 % of construction cost (Groton School rate)	\$ 420,000	\$ 564,000
At \$4.73 per sq. ft for permit (Groton School)	\$ 567,600	\$ 567,600
At 1.20% of construction cost (Temple rate)	\$ 504,000	\$ 676,800
At \$1.90 per sq. ft. ('62 Center old formula)	\$ 228,000	\$ 228,000
At .70% of construction cost ('62 Center old formula)	\$ 294,000	\$ 394,800
Average	\$ 261,381	\$ 310,080

At Weighted Average of Recent Groton Projects

Project	Permit fee per sq. ft.
Groton School addition	\$4.73
Groton Inn with restaurant	\$1.24
Groton Inn without restaurant	\$1.48
Temple	\$1.78
Weighted average	\$2.46 - \$2.64 / sq. ft.
Permit fee for 120,000 sq. ft. IHM project using weighted average rates	\$295,200 - \$316,800

At Weighted Average of Recent Groton Projects

Project	Permit fee as percent of estimated building cost
1.0% of \$42 M (Groton School)	\$420,000
1.2% of \$42 M (Groton Inn and Temple)	\$504,000
Permit fee for \$42 M valued IHM project using weighted average rates	\$420,000 - \$504,000

Other fees assessed and commitments already made to the Town by IHM

Fees and commitments	Dollars committed or paid
Initial building permit	\$ 60,000
Road improvements at Prescott Park	\$ 500,000 (estimate)
Sewer tie-in	\$ 135,000
Water tie-in	\$ 60,000
Construction control	\$500,000 - \$600,000
Electrical permit	???
Plumbing permit	???
Total without building permit	\$1,255,000 - \$1,355,000
Final building permit	???
Total cost to IHM for permits, tie-ins, construction control and road improvements	Over \$1.5 million

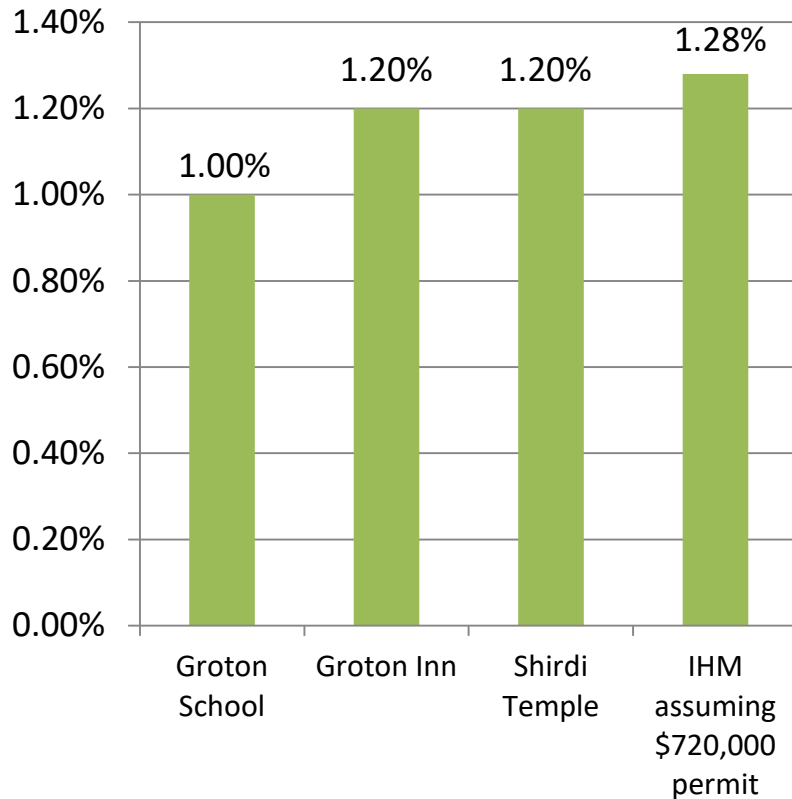
IHM's Position

There is a wide range of defensible permit fees:

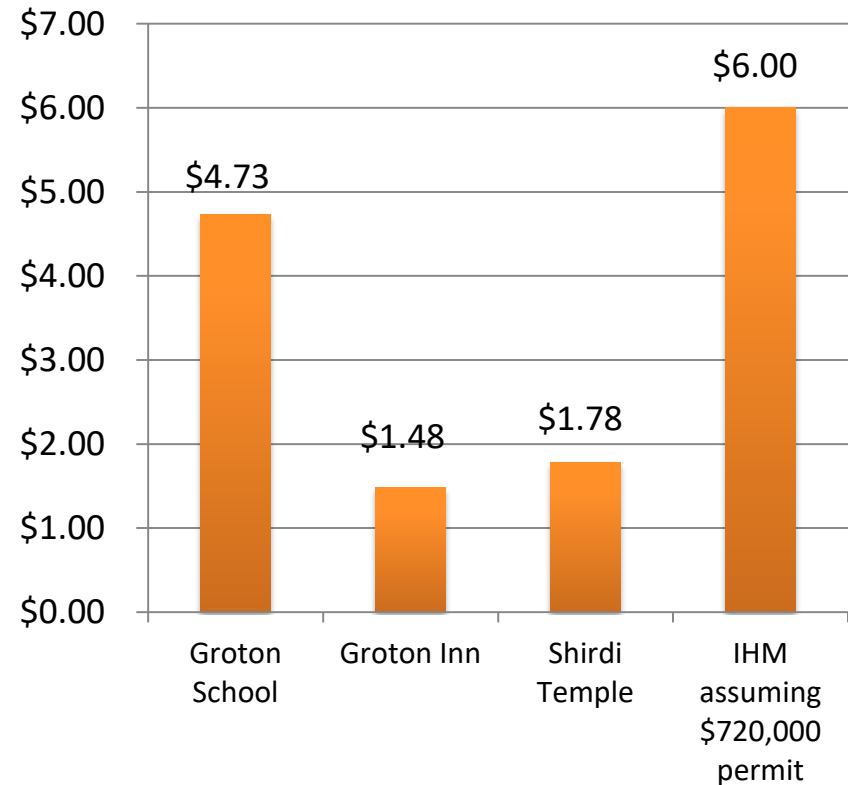
- Realistic construction cost is closer to \$42M than \$56M based on comparable projects in other towns.
- If this were a real public/private partnership, the approaches used in towns and cities like Worcester, Lexington and Williamstown would support permit fees of **under \$70,000**.
- If Groton were to adopt a flat commercial development fee/sq. ft., then a fee of **\$177,600 to \$213,600** could be justified based on comparisons to Groton Inn and Shirdi Temple.
- If we were to use weighted average rates/ sq. ft. for Groton only projects including the Groton School addition, it would suggest fees between **\$295,200 and \$316,800**.
- IHM has already paid **\$60,000** for the initial building permit and is facing significantly more charges as part of the cost of road improvement at Prescott Parks, electric, water, sewer, etc.
- The Town will benefit from increased spending of visitors to Groton in the form of meals, room and sales taxes as Lenox has, attributable to Tanglewood. (See Appendix.)

\$6.00 per sq. ft. is unjustifiable

Percent of construction cost



\$/ sq. ft.



Note: This assumes \$720,000 permit fee and \$56,400,000 construction cost.

Appendix

Gallo Center for the Arts

- \$30 Million. 1,200 seat theatre, 400 seat theatre and art gallery
 - Envisioned as a public private partnership between Stanislaus County, the City of Modesto and Central Valley Center for the Arts, a non-profit.
 - 1999: County and City pledged \$15 M to build the facility
 - 2001: CVCA raised \$10M from the Gallo family, \$5 million from Mary Stuart Rogers Foundation, and \$2.9 million from other donors
 - 2003: City of Modesto approved funding of \$602,00 for curb, gutter and streetscape improvements in 2003
 - 2004: Challenge grant enabled them to secure \$3 Million in additional gifts
 - 2007: Gallo Center for the Arts was opened
- *“The Gallo Center for the Arts project is an extremely creative public private partnership involving community fundraising, a private operator, County land and buildings, shared parking facilities, coordination and cooperation with the downtown Modesto business community, and enhancing the local and regional economy.”*

California Center for the Arts (CCA), Escondido, CA

- CCA is a nonprofit arts foundation owned by the City of Escondido
- 1985: Escondido voters approved the design and construction of a \$73 million arts center as part of an overall redevelopment project built to revitalize the downtown area.
- 1,523 seat concert hall, 404 seat theatre, 17,000 sq. ft. conference center, 9,000 sq. ft. art museum
 - Opened in 1994 at a total cost of \$85 million.
- At the time of its opening in 1994, a press item noted:
 - “From its start..., the center has been planned as a public-private partnership. The city provided land and helped finance the buildings through bond issues and development fees, saving the center from having to do so through the traditional wooing of patrons for its construction and start-up costs.”

Green Music Center, Sonoma, CA

- Originated as the vision of the President of Sonoma State University
- 100,000 sq. ft. facility that houses:
 - Concert hall (1,400 seats) with ability to open to lawn seating of up to 4,000. Opened in 2012
 - Recital hall (240 seats). Opened in 2014
 - Restaurant
 - Classrooms and studios that house the Music Department of Sonoma State.
- Located on land owned by Sonoma State
- Home to Santa Rosa Symphony Orchestra
- Concert halls were largely constructed using private donations from lead donors Donald Green, Sandy Weill, and Jean Schultz.
- University continues to fund key elements of the infrastructure including building maintenance, parking, restaurant, IT, Finance , HR and other back office support.
- All employees are employees of SSU with wages and benefits paid by SSU.

Tanglewood's Impact on Lenox

A study completed in 2017 by Professor Stephen Shepherd of Williams College, commissioned by the BSO, Boston Pops and Tanglewood, identified the economic impact on the Berkshires and Lenox attributable to Tanglewood.

Summary of Results	Economic Benefit
Economic Impact on the Berkshires	~ \$103 Million
Economic Impact on Lenox	~ \$40 Million
Jobs created in Lenox	~ 1,200
Number of days people stay to attend a concert	3.8
% of attendees from outside Berkshire County	84%
% of attendees from outside Massachusetts	50%
Property taxes on second homes in or near Tanglewood	~ \$13 Million

Opportunity for IHM to Create Economic Benefit for the Town of Groton

	Groton	Lenox
Population	10,873	5,432
Area (Sq. Miles)	33.7	21.7
2017 Total Levy	\$30,205,080	\$14,822,046
2017 Tax Rate	\$18.26	\$12.21
2017 Levy % Residential	94.16%	77.30%
2017 Levy % Commercial	3.64%	18.90%
2017 Levy % Industrial	0.84%	0.75%
2016 Excise tax: Meal	\$120,076	\$274,460
2016 Excise Tax: Room	0	\$1,876,615