



## **CITY OF SALEM, MASSACHUSETTS**

Kimberley Driscoll  
Mayor

Office of the Mayor

August 4, 2021

Honorable Salem City Council  
Salem City Hall  
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

The enclosed Order authorizes a Tax Increment Finance (TIF) agreement with Tropical Products for their planned relocation and expansion project on Highland Avenue.

Tropical Products anticipates that as a result of their project they will create 123 new, fulltime jobs. In addition to the new jobs, Tropical Products is proposing other community benefits from their project, including:

- Installation of rooftop solar panels that are projected to supply the full amount of energy necessary to operate the new facility.
- Use of the new building's cafeteria space for small community and neighborhood meetings.
- Targeting new hires from demographics that traditionally have difficulty finding employment, including veterans, individuals living with disabilities, homeless persons, and formerly incarcerated individuals.

As you know, a TIF provides a short-term reduction in the tax liability for a commercial property on the value of new growth or improvements made. The company continues to be responsible for the entire base amount of their tax bill and, over a period of time – in this case, five years – the tax liability for the new value is gradually added until the owner is paying the full amount.

The current base tax bill for the project property is \$76,377 per year and the anticipated final tax bill, at the end of the TIF is \$234,600 per year. The proposed TIF scales the tax bill upward in 20% increments each year for five years, resulting in a total exempted tax amount of \$474,669.

Year (after C.O.)	Exemption of New Value	Base Tax	Taxes Paid Per TIF	Exempted Taxes
1	100%	\$76,377	\$76,377	\$158,223
2	80%	\$76,377	\$108,022	\$126,578
3	60%	\$76,377	\$139,666	\$94,934
4	40%	\$76,377	\$171,311	\$63,289
5	20%	\$76,377	\$202,955	\$31,645
6	0%	\$76,377	\$234,600	\$0

If the proposed project did not proceed, the City would be collecting approximately \$458,262 in property tax revenues over six years ( $\$76,377 \times 6 = \$458,262$ ) on this site, assuming no one else came on board to invest/redevelop the site and there was not a large increase in vacant land values. Assuming the project moves forward as anticipated, even with the proposed exemptions, we would collect approximately \$932,931 over six years – an increase of \$474,669 over the current base property taxes (in addition to the increased jobs benefit to our community).

Tropical Products is a sizable and established employer in our community. During the COVID-19 pandemic they were an exceptional partner in our response efforts, manufacturing and donating a very large volume of sanitizer to Salem Public Schools, municipal offices, the Salem Police Department, and the Salem Fire Department. We are so pleased that they want to remain and grow here in Salem and welcome the opportunity to work with them in making that expansion possible.

To meet the state's filing deadlines for the TIF and maintain their own construction schedule, which aims to commence early in the 2022 construction season, we are requesting the City Council take a vote on the enclosed Order no later than your September 9, 2021 meeting.

I wholeheartedly recommend adoption of the enclosed Order and invite you to contact Tom Daniel with any questions.

With best regards,



Kimberley Driscoll  
Mayor  
City of Salem



# CITY OF SALEM

In City Council, August 4, 2021

## RESOLUTION

**WHEREAS**, Tropical Products, Inc. (hereinafter “Tropical Products”) wishes to purchase the properties at 2, 3-5, 6, 10 Cedar Road and 355, 373 Highland Avenue, Salem, MA, (herein after “the Properties”) known as the Assessor’s Parcels ID as follows

Address	Parcel Number
2 Cedar Road	07-0057-0
3 Cedar Road	07-0047-0
5 Cedar Road	07-0048-0
6 Cedar Road	07-0056-0
10 Cedar Road	07-0055-0
355 Highland Avenue	07-0046-0
373 Highland Avenue	07-0058-0

and

**WHEREAS**, Tropical Products intends to construct an estimated +/- 100,000 square foot industrial/manufacturing building to accommodate current business activities, to increase its production capacity, and to create new employment opportunities for local workers (hereinafter “the Project”); and

**WHEREAS**, the City of Salem (hereafter “CITY”) is willing to grant tax concessions in return for a guarantee of the purchase of the Properties and realization of the Project;

**NOW, THEREFORE, BE IT RESOLVED** that the Salem City Council hereby

- Endorses the use of Tax Increment Financing as a tool to encourage economic development at the Properties, and;
- provides for a tax exemption at the Properties for a period of five (5) years, beginning the first full fiscal tax year after Certificate of Occupancy is issued for the new building at the Properties in accordance with the schedule below:

Term	Exemption %
1	100%
2	80%
3	60%
4	40%
5	20%

Said exemption being in accordance with M.G.L. Chapter 23A, Section 3E and Chapter 40, Section 59.

**BE IT FURTHER RESOLVED** that the Mayor is hereby authorized, on behalf of the City, to enter into a Tax Increment Financing Agreement, a copy of which is attached hereto, with Tropical Products, Inc.

**BE IT FURTHER RESOLVED** that the City of Salem is hereby authorized to submit an application to The Economic Assistance Coordinating Council (EACC) for approval of the Tax Increment Financing Agreement.

TAX INCREMENT FINANCING AGREEMENT

(Alternatively, the "Agreement")

BETWEEN

THE CITY OF SALEM

(Alternatively, the "City")

AND

TROPICAL PRODUCTS, INC.

(Alternatively, the "Company")

This agreement is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 2021 by and between the City and the Company.

WHEREAS the Company is a Massachusetts corporation having its principal office at 220 Highland Avenue, Salem, Massachusetts 01970 and is authorized to do business in Massachusetts; and

WHEREAS the City is a Massachusetts municipal corporation acting through its Mayor and City Council, having its principal office at 93 Washington Street, Salem, Massachusetts 01970; and

WHEREAS the Company will be purchasing property at 2, 3-5, 6, 10 Cedar Road and 355, 373 Highland Avenue, Salem, Massachusetts, 01970 (hereinafter referred collectively as the "Property"), which Property is shown on the map attached to this agreement as Exhibit A; and

WHEREAS the Company intends to construct an estimated +/- 100,000 square foot industrial/manufacturing building to accommodate the Company's current business activities, to increase its production capacity, and to create new employment opportunities for local workers (herein after the "Project"); and

WHEREAS the Project investment at the Property is an estimated \$19 million, including \$3 million to purchase the land, \$13 million for construction costs, \$1,750,00 for soft costs, and \$1,250,000 for machinery and equipment; and

WHEREAS the Company plans to retain 10 full-time jobs and create 123 new, permanent, full-time jobs at the Property within a five (5) year period; and

WHEREAS the City strongly supports increased economic development to provide additional jobs, expand business within Salem, and to develop a healthy economy and stronger tax base; and

WHEREAS, on \_\_\_\_\_, 2021, the Salem City Council voted to recommend approval of this Agreement.

NOW THEREFORE, in consideration of the mutual promises of the parties contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**A. THE CITY'S OBLIGATIONS**

1. A Tax Increment Financing ("TIF") exemption (the "Exemption") is hereby granted to the Company by the City in accordance with Massachusetts General Laws Chapter 23A, Section 3A to 3F; Chapter 40, section 59; and Chapter 59, Section 5, Clause 51, and the applicable regulations thereunder. The Exemption for real estate taxes shall be for a period of five (5) years (the "Exemption Term"), commencing in the fiscal year for which the City has increased the assessed value at the Property to the full assessed value of the Project at the Property (the first day of such fiscal year in which said full assessed valuation occurs is hereinafter referred to as the "State Date", which date shall be no earlier than the first day of the fiscal year following the date a certificate of occupancy has been issued to allow the Company to use and occupy the Project); and shall provide an exemption from real estate taxation of

the new incremental value of the property resulting from the Project, as determined by the City assessor, as follows:

Year	Exemption Percentage
Year 1	100%
Year 2	80%
Year 3	60%
Year 4	40%
Year 5	20%
Year 6	0%

2. The anticipated base assessed valuation of the Property, pursuant to this Agreement shall be \$2,767,000.
3. The base assessed valuation shall be adjusted annually by an adjustment factor which reflects increased commercial and industrial property values within the community, as provided in Massachusetts General laws Chapter 40, Section 59.
4. The increased value or “increment” created by improvements to the Property will be the amount eligible for exemption from taxation, in accordance with the Exemption applicable to each year in the schedule in Section A.1, hereof.
5. The Company is a registered manufacturer by the Massachusetts Department of Revenue and is exempt from paying municipal personal property taxes.

#### **B. THE COMPANY’S OBLIGATIONS**

1. The Company shall construct an estimated +/- 100,000 square foot structure on the Property for its manufacturing operations.
2. The Project investment at the Property shall be an estimated \$19 million, including \$3 million to purchase the land, \$13 million for construction costs, \$1,750,00 for soft costs, and \$1,250,000 for machinery and equipment; and
3. The Company shall retain 10 full-time jobs in the City, and create 123 new, permanent, full-time jobs at the Property within a five (5) year period. The Company will target new hires from demographics that traditionally have difficulty finding employment, including but not limited to veterans, disabled people, homeless, and formerly incarcerated people.
4. The Company’s job retention and creation plans are outlined in the Employment & Job Creation section of the EDIP Application to be submitted to the State in connection with the request for the TIF Exemption.
5. In addition to the Property improvements and job retention and creation, the Company shall provide the following community benefits:
  - a. Renewable Energy Generation: The Company shall install solar panels on the roof of the new building, which will supply solar energy to the power grid.
  - b. Community Meeting Space: The Company will make available its cafeteria space for community meetings. The cafeteria is anticipated to hold up to sixty (60) people and can be available after-hours Monday through Thursday evenings.
  - c. Employee Training Opportunities: In addition to the retained and new employment opportunities, the Company will offer a comprehensive training program that allows existing and new employees the opportunity to progress and develop into supervisory positions.

6. The Company shall submit an annual report pursuant to Massachusetts General Laws Chapter 23A, Section 3F to the Massachusetts Economic Assistance Coordinating Council (“EACC”) through the Commonwealth’s online portal for each year of the Application designation. The annual report shall include the number of jobs retained and created, and the value of the Property capital investments and other related items with respect to the Property annually and on a cumulative basis. The Company shall also submit a report as required by Massachusetts General Laws Chapter 40, Section 59(viii) to the City and the EACC.
7. The Company plans to use reasonable efforts, to the extent permitted by law and assuming equal qualifications, to give priority to qualified Salem residents in its hiring of new employees for the Project.
8. The Company plans to use reasonable efforts, to the extent permitted by law and assuming equal qualifications, to give priority to qualified local vendors for the Project.
9. If the Company fails to meet the obligations specified in Section B.1 through B.6 above, the City, acting by and through its Mayor and City Council, may take action to notify the EACC and/or request the EACC to revoke approval of this Agreement. Upon the EACC revocation of its approval of this Agreement, the City shall discontinue the Tax Increment Financing benefits provided to the Company commencing with the first fiscal year in which the Project is decertified, or if such benefits have already been received by the Company for the fiscal year in which the Project has been decertified, commencing as of the fiscal year immediately following that fiscal year.
10. Prior to taking any action to request revocation of this Agreement by the EACC pursuant to Paragraph B.8, the City shall give written notice of the alleged material default to the Company and provide the Company an opportunity to meet with Salem officials having the relevant authority under this Agreement to discuss a remedy for the alleged default. The Company shall have sixty (60) days from the receipt of such written notice to respond to the City regarding any alleged default and one hundred twenty (120) days from the receipt of such written notice to remedy such alleged default, or, with respect to alleged defaults which by mutual agreement of the Parties cannot be remedied within such one-hundred-twenty (120) day period, within such additional period of time as is required to reasonably remedy such alleged default, provided the Company exercises due diligence in the remedying of such alleged default.
11. If the Company plans to move from the Property during the Exemption Term, the Company shall give the city thirty (30) days advance written notice, to the attention of its Mayor and City Council.

### **C. OTHER CONSIDERATIONS**

1. Pursuant to Massachusetts General Laws Chapter 40, Section 59 (v), this Agreement shall be binding upon the Company, its successors and assigns and subsequent owners of the Property.
2. The matters described above as obligations of the Company are only conditions to the eligibility for tax exemptions under this Agreement and do not create any other enforceable obligation or covenants of the Company. The City’s sole remedy for failure by the Company to satisfy any of its respective obligations and conditions are set forth in Paragraphs B.9 through B.11 of this Agreement.
3. This Agreement is subject to Massachusetts General Laws Chapter 23A, Section 3A to 3F, Chapter 40, Section 59, and Chapter 59, Section 5, Clause 51, and the applicable regulations thereunder.
4. Should any provision of this Agreement be declared or determined by a court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms, and provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of the Agreement.

5. The time within which the Company shall be required to perform any of the respective acts or obligations under the Agreement shall be extended to the extent that the performance of such acts or obligations shall be delayed by a Force Majeure Event and only for so long as said Force Majeure Event has continued. A Force Majeure Event means any supervening events or occurrences, such as acts of God, earthquakes, fire, acts of terrorism, pandemic, war, labor disputes, delays or restrictions by government bodies, or other causes that are beyond the reasonable control of the Company.
6. This Agreement is subject for approval by the EACC pursuant to Section 3E of Chapter 23A and the applicable regulations thereunder and this Agreement cannot be modified unless approved by the EACC.
7. Each person executing this Agreement represents and warrants that he or she has been duly authorized to execute and deliver this Agreement by the entity for which he, she, or they is signing, and this Agreement is the valid and binding agreement of such entity, enforceable in accordance with its terms.
8. This Agreement may be executed in separate counterparts, each of which when so executed shall be an original; but all of such counterparts shall together constitute but one and the same instrument.

**Signatures Follow on Next Page**



**WITNESSETH** the execution and delivery of this Agreement by the City and the Company, as an instrument under seal, as of the date first above written.

**AGREED TO:**

**Tropical Products, Inc.**

**City of Salem**

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Name: Edward Berman  
President

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Name: Kimberley Driscoll  
Mayor

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Date of Signature

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Date of Signature

**Exhibit A**  
**Property Map**

Address	Parcel Number
2 Cedar Road	07-0057-0
3 Cedar Road	07-0047-0
5 Cedar Road	07-0048-0
6 Cedar Road	07-0056-0
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