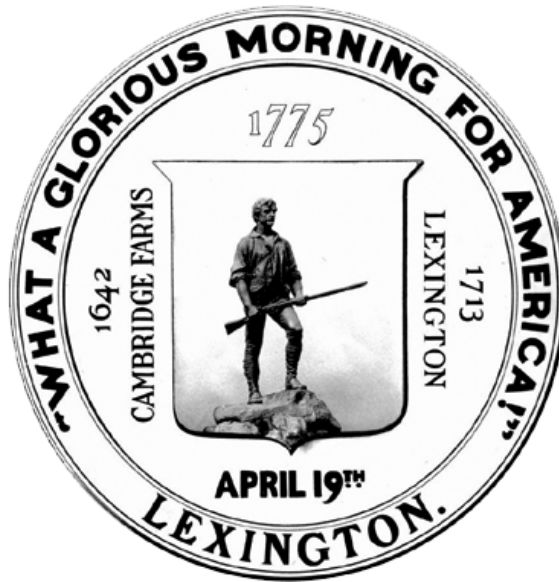


APPROPRIATION COMMITTEE

TOWN OF LEXINGTON



REPORT TO THE

JUNE 2013 SPECIAL TOWN MEETING

Released June 13, 2013

APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • John Bartenstein, Vice Chair/Secretary

Robert N. Addelson (ex-officio; non-voting) • Robert Cohen • Mollie Garberg

Alan Levine • Susan McLeish • Eric Michelson • Richard Neumeier • Jonina Schonfeld

Warrant Article Analysis and Recommendations

This report provides the Appropriation Committee’s analysis of two articles with financial impact in the Warrant for the June 2013 Special Town Meeting.

Article 2: Approve TIF Agreement(s)	Funds Requested	Funding Source	Committee Recommendation
	N/A	N/A	Approve (8-0)

The motion will ask Town Meeting to authorize the Board of Selectmen to adopt a Tax Increment Finance (TIF) Agreement between uniQure, Incorporated and the Town of Lexington. The TIF Agreement would cover the property at 113 Hartwell Avenue, which is owned by King 113 Hartwell Avenue, LLC. The building at this address has a total of 102,000 sq. ft., of which 20,000 sq. ft. is currently occupied by another tenant.

In order to satisfy their manufacturing requirements, uniQure plans to renovate 52,000 sq. ft. of the undeveloped space in the building, which will include raising the roof over a 17,000 sq. ft. section. This would leave 30,000 sq. ft. of the building unoccupied.

The baseline assessment for the 52,000 sq. ft. portion of 113 Hartwell Avenue that uniQure would occupy is \$5,720,000 for FY2014. It is estimated that the assessed value for this portion of the building will be \$10,777,000 after the proposed renovations are completed. Thus, in FY2015, the increment to the baseline assessment would be \$5,057,000. The TIF Agreement would temporarily reduce the property taxes on the increment in the assessed value due to the renovations; it would not reduce the property taxes on the baseline assessed value of the building. uniQure has agreed to “clawback” provisions that would allow the Town to reclaim a portion of the TIF discounts if the company does not occupy the building for the full 10 years of the TIF Agreement.

If the development goes forward, uniQure plans to hire 115 full-time employees with an average salary of \$85,000 per year.

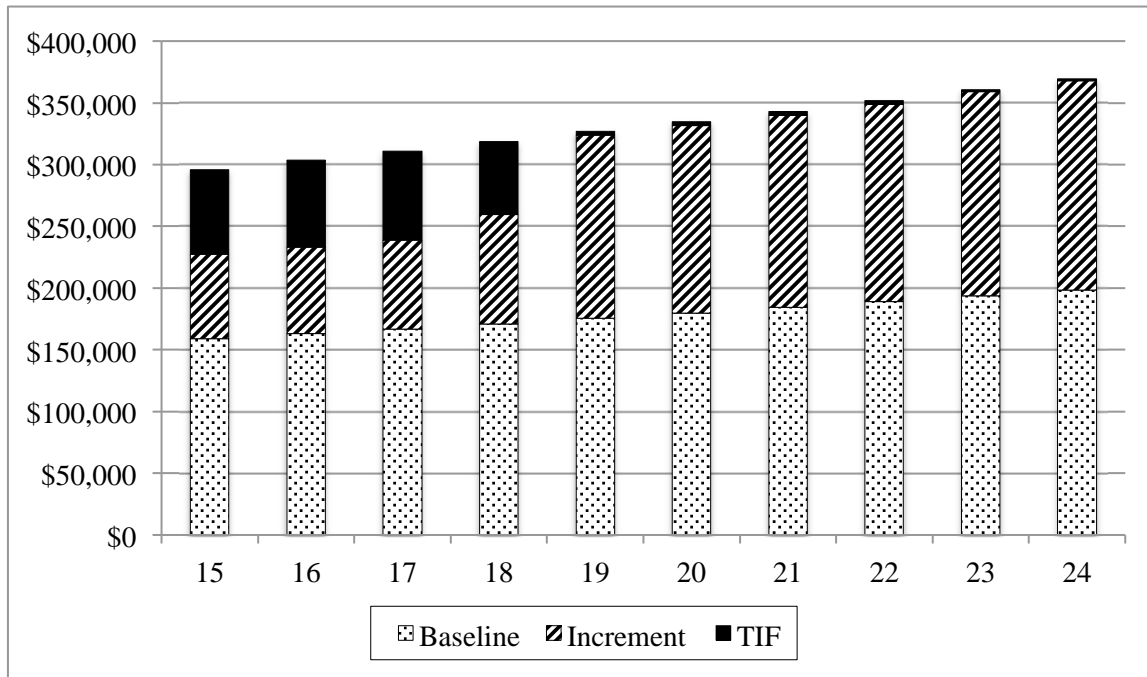
The proposed schedule for the TIF is shown in the following table. The TIF percentages are specified in the TIF agreement, while the dollar values are estimates for purposes of illustration.

uniQure TIF Schedule

Fiscal Year	Tax on Baseline	Full Tax on Increment	TIF %	Net Tax on Increment	Tax Relief to uniQure
2015	\$158,922	\$137,075	50%	\$68,538	\$68,538
2016	\$162,896	\$140,502	50%	\$70,251	\$70,251
2017	\$166,968	\$144,014	50%	\$72,007	\$72,007
2018	\$171,142	\$147,615	40%	\$88,569	\$59,046
2019	\$175,421	\$151,305	2%	\$148,279	\$3,026
2020	\$179,806	\$155,088	2%	\$151,986	\$3,102
2021	\$184,301	\$158,965	2%	\$155,786	\$3,179
2022	\$188,909	\$162,939	2%	\$159,680	\$3,259
2023	\$193,632	\$167,013	1%	\$165,343	\$1,670
2024	\$198,472	\$171,188	1%	\$169,476	\$1,712
Total	\$1,780,469	\$1,535,704	18.61%	\$1,249,915	\$285,790

The estimated tax revenues from the previous table are displayed in the following chart. The Town would receive the revenue indicated by the two lower (Baseline and Increment) segments of each column, and the tax reductions to uniQure are represented by the top (TIF) segments.

Tax Revenue Under the uniQure TIF



Comparison to other TIFs

The timing, location, business plans, and scale of development are different for every situation where a TIF Agreement is proposed. Each TIF Agreement also has a unique schedule of annual tax discounts, and

a duration that can range from 5 to 20 years. This makes it somewhat difficult to compare TIFs directly, but some basic comparisons are possible.

The terms of a TIF are often summarized by two numbers:

- the net discount percentage for tax relief on the increment in assessed value, and
- the number of years over which the tax relief is granted.

Thus, the VistaPrint TIF Agreement granted a 20% reduction over 13 years, and the uniQure TIF would be 18.61% over 10 years, but these numbers alone do not convey the actual magnitude of the TIF. One must also consider the tax revenue that the Town stands to gain as a result of the new development, and the potential tax relief granted under a TIF Agreement. The following table presents all these attributes for the three TIF Agreements that Lexington has considered to date.

TIFs in Lexington

Granted To	Date	Increment in Assessed Value	Duration (years)	Estimated Incremental Tax	Net TIF Discount	Estimated Tax Relief
Shire Human Genetics Therapies	Oct. 2007	\$76,450,000	20	\$37,082,000	21.8%	\$8,084,000
VistaPrint	Nov. 2012	\$22,899,000	13	\$6,018,000	20.0%	\$1,204,000
uniQure		\$5,057,000	10	\$1,535,700	18.6%	\$286,000

The dollar amounts in the previous table are all based on estimates derived at the time the TIF was granted. For Shire Human Genetics Therapies, the actual increment in assessed value as of FY2013 is approximately \$105,000,000. This has resulted in tax revenue to the Town above the original estimate, and corresponding tax relief to Shire.

For VistaPrint, the development required under the TIF Agreement has not occurred.

Conclusion

The TIF Agreement offers a modest reduction in property tax revenue on proposed property improvements as an incentive to uniQure to carry out the improvements and locate its U.S. operations in a part of Lexington that is economically depressed. The Town and our residents would benefit from:

- The availability of new employment opportunities;
- Occupation of vacant building space in an area (Hartwell Avenue) with a vacancy rate that is much higher than the average for the region;
- Modest traffic impact given a low-density development in terms of number of employees;
- An upgrade of the building space from “office” to “lab/office” which is generally assessed at higher rates;
- A resulting increase in property tax revenues; and
- Opportunities for growth in the immediate vicinity of the space used by uniQure, should uniQure need additional space in the future.

The Committee Recommends Approval of this request (8-0)

Article 3: Technical Correction to Article 2 of the March 18, 2013 Special Town Meeting – Land Purchase off Marrett Road	Funds Requested	Funding Source	Committee Recommendation
	\$7,390,000	CPA Debt	
	\$262,500	CPA Cash	
	\$1,085,778	Tax Levy	
	<u>\$2,474,222</u>	Free Cash	
	\$11,212,500		Approve (9-0)

This Article asks Town Meeting to make a technical correction to the motion which authorized the Board of Selectmen to purchase the property commonly referred to as 33 Marrett Road.

The motion under Article 2 of the March 2013 Special Town Meeting specified three sources of funds: CPA Cash (\$262,500), CPA Debt (\$7,390,000), and Tax Levy (\$3,560,000). The \$3,560,000 originally assigned to the Tax Levy should have been subdivided between the Tax Levy and Free Cash.

This motion will reduce the amount raised from the Tax Levy to \$1,085,778 and authorize the use of \$2,474,222 from Free Cash (General Fund unreserved fund balance), as originally intended. Note that this does not change the total amount of the original appropriation, only the breakdown of the funding sources. If this action is not corrected the Town’s FY2014 budget will technically be out of balance, and the Town may be unable to set a tax rate, and thus unable to issue tax bills, until it is corrected.

The Committee recommends approval of this request (9-0).