

AGENDA ITEM SUMMARY

LEXINGTON BOARD OF SELECTMEN MEETING

DATE:

June 10, 2013

PRESENTER:

Carl F. Valente
Melisa Tintocalis

ITEM NUMBER:

I.3

SUBJECT:

uniQure TIF Agreement/Approve Economic Opportunity Area for 113 Hartwell Ave.

EXECUTIVE SUMMARY:

1. The TIF negotiating team will share the tentative TIF agreement reached with uniQure.
2. As part of the TIF process, the Board of Selectmen must designate the Economic Opportunity Area (EOA) that would be the locus of the TIF. The EOA application is attached. The proposed vote establishing the EOA is being reviewed by Town Counsel.

FINANCIAL IMPACT:

NA

RECOMMENDATION / SUGGESTED MOTION:

See attached draft motions

STAFF FOLLOW-UP:

TMO and Economic Development Office

UniQure: Tax Increment Financing

PROJECTION OF TAX REVENUES RESULTING FROM THE DEVELOPMENT OF 52,000 SQUARE FEET AT 113 HARTWELL AVE. - 10 YEAR TERM

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) | (L) | (M) |
|--|---------------------|------------------|--|---|---|-----------------------------------|--|---------------------------|-------|--------------------------|--|---------------------------|
| | Assumed Tax Rate | Base Inflator | Base Value of 20,000 SF (Current Use- lab/office) | Base Value of 30,096 SF (Current Use- shell and core) | Base Value of 52,000 SF (Current Use- shell and core) | Improved Value of 52,000 SF | Assessed Value of Increment for 52,000 SF | Tax Value of Increment | TIF % | Tax Relief to UniQure | Net Tax Paid to Town from UniQure Development | Total Tax Paid to Town |
| FY14 | \$ 27.11 | | \$ 3,800,000 | \$ 2,859,120 | \$ 5,720,000 | \$ 10,920,000 | \$ 5,057,000 | \$ 137,075 | 50% | \$ 68,538 | \$ 68,538 | \$ 335,548 |
| FY15 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 5,863,000 | \$ 11,193,000 | \$ 5,183,425 | \$ 140,502 | 50% | \$ 70,251 | \$ 70,251 | \$ 407,962 |
| FY16 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,009,575 | \$ 11,472,825 | \$ 5,313,011 | \$ 144,014 | 50% | \$ 72,007 | \$ 72,007 | \$ 413,649 |
| FY17 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,159,814 | \$ 11,759,646 | \$ 5,445,836 | \$ 147,615 | 40% | \$ 59,046 | \$ 88,569 | \$ 419,477 |
| FY18 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,313,810 | \$ 12,053,637 | \$ 5,581,982 | \$ 151,305 | 2% | \$ 3,026 | \$ 148,279 | \$ 440,213 |
| FY19 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,471,655 | \$ 12,354,978 | \$ 5,721,531 | \$ 155,088 | 2% | \$ 3,102 | \$ 151,986 | \$ 504,202 |
| FY20 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,633,446 | \$ 12,663,852 | \$ 5,864,570 | \$ 158,965 | 2% | \$ 3,179 | \$ 155,786 | \$ 512,294 |
| FY21 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,799,283 | \$ 12,980,448 | \$ 6,011,184 | \$ 162,939 | 2% | \$ 3,259 | \$ 159,680 | \$ 520,589 |
| FY22 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 6,969,265 | \$ 13,304,960 | \$ 6,161,463 | \$ 167,013 | 1% | \$ 1,670 | \$ 165,343 | \$ 529,091 |
| FY23 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 7,143,496 | \$ 13,637,584 | \$ 6,315,500 | \$ 171,188 | 1% | \$ 1,712 | \$ 169,476 | \$ 539,476 |
| FY24 | \$ 27.11 | 2.5% | \$ 3,800,000 | \$ 2,859,120 | \$ 7,322,084 | \$ 13,970,168 | \$ 6,471,037 | \$ 175,903 | 1% | \$ 1,754 | \$ 174,230 | \$ 548,451 |
| | | | | | | | \$ 56,655,502 | \$ 1,535,704 | | \$ 285,790 | \$ 1,249,914 | \$ 5,170,953 |
| Ratio of Tax Relief (Col.K) to Tax on Assessed Value of Increment Subject to TIF (Col.H) | | | | | | | | | | | | 18.6% |

Board of Selectmen Votes - DRAFT

Motion to approve the 113 Hartwell Avenue Economic Opportunity Area (EOA), pursuant to MGL c. 23A, Section 3E, and approve the submission of an application for approval of the 113 Hartwell Avenue EOA to the Massachusetts Economic Assistance Coordinating Council (EACC).

Motion to recommend that Town Meeting approve a proposed Tax Increment Financing (TIF) Plan, pursuant to MGL c. 40, Section 59, authorize the Selectmen to execute a TIF Agreement among uniQure, Inc, King, LLC, and the Town of Lexington, as contained in the TIF Plan, for property located at 113 Hartwell Avenue and authorize the submission of the TIF Plan and Agreement for approval to the EACC.

Motion to recommend that Town Meeting approve the acceptance of the proposed Certified Project application by uniQure, LLC, Incorporated pursuant to MGL c. 23A, Section 3F and 402 C.M.R. 2.00, and authorize the submission of same for approval to the EACC.

THE MASSACHUSETTS ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

**APPLICATION FOR DESIGNATION AS A
SITE SPECIFIC ECONOMIC OPPORTUNITY AREA**

**UNIQUE, INC.
113 HARTWELL AVE.
LEXINGTON, MA 02420**

**WITHIN THE
LEXINGTON, MASSACHUSETTS ETA**

June – 2013
Proposed by the
Town of Lexington

The Massachusetts Economic Development Incentive Program

APPLICATION FOR DESIGNATION OF ECONOMIC OPPORTUNITY AREA(S)

PART A: Applicant Information

1. Please check one:

☒ This is an application for designation of a new EOA within a previously approved ETA.

☐ This is a request to amend an EOA previously approved by the EACC.

2. Community submitting this application: Town of Lexington (the "Town")

Name of proposed EOA(s):

Site-Specific uniQure/113 Hartwell Economic Opportunity Area

PART B: MANDATORY REQUIREMENTS FOR THE PROPOSED EOA

1. Location of Proposed EOA(s):

Provide a detailed map of each proposed EOA, indicating the existing streets, highways, waterways, natural boundaries, and other physical features, along with a legally binding written description of the EOA boundaries (with parcel numbers if appropriate). If the written description is longer than one paragraph, please submit on 3 1/2" computer disk.

The EOA consists of the land shown on Lexington Assessors' Map 74, Lots 8A owned by King LLC at 113 Hartwell Avenue in Lexington, MA. The parcel contains 435,600 square feet (10 acres) of land in Lexington and is zoned 3450 for Office/Lab/Medical use. The parcel includes a +/-103,000 square foot building. The EOA boundaries and photographs of the property are attached hereto.

2. Description of EOA(s):

Describe why each proposed EOA was chosen for designation. Include a brief, descriptive narrative of each area which helps to explain the particular situations, issues, or reasons why EOA designation is requested.

The Site-Specific uniQure/113 Hartwell EOA consists of approximately 10 acres located at 113 Hartwell Avenue, Lexington, MA. The property contains a +/-103,000 square foot facility on property zoned 3450 for Office/Lab/Medical.

The proposed EOA is chosen for designation under the broad definition of "Decadent Area" in 402 CMR 2.03. Specifically, the proposed EOA meets the "Decadent Area" definition and criteria as "an area existing of building(s) which are obsolete because of a substantial change in

business or economic conditions.” 113 Hartwell was constructed in 1967 as an office and manufacturing facility with an assembly floor. As it stands, the building will require significant renovations and retrofitting to be suited for 21st century Life Sciences manufacturing capabilities. Following the departure of Instrumentation Laboratories, Inc., the building has been all or mostly vacant since July, 2009 (Quinterox, Inc. has occupied approximately 20,000 square feet for eighteen months). EOA designation will stimulate a more than \$20 million investment – including approximately \$15 million in real property improvements - to the facility.

EOA designation will advance the town’s goal of developing and attracting increased Life Sciences activity with new jobs and thus diversify the town’s tax base. The proposed EOA is in response to uniQure Inc.’s intention to invest \$15M in real property improvements and \$5M-\$6M in equipment investment to make 55,000 square feet at 113 Hartwell a state-of-the-art Life Sciences manufacturing facility. The proposed EOA will result in the creation of approximately 115 new-full time positions associated with Life Sciences manufacturing to support uniQure’s production of Glybera, the first gene therapy approved in the Western world.

3. **Basis for EOA Designation:** Check the applicable category or categories (see definitions in attachment at back of application) for each proposed EOA:

☐ The area proposed for designation as an EOA is a "blighted open area."

☒ The area proposed for designation as an EOA is a "decadent area."

☐ The area proposed for designation as an EOA is a "substandard area."

☐ The area proposed for designation as an EOA has experienced a plant closing or permanent layoffs resulting in a cumulative job loss of 2,000 or more full-time employees within the four years prior to the date of filing this application.

4. **Effective Time Period for EOA Designation:** How long do you propose to maintain the EOA designation? The EOA designation may remain in effect for a minimum of five (5) years and a maximum of twenty (20) years.

The length of the proposed Site Specific uniQure/113 Hartwell EOA will be for ten (10) years, commencing upon uniQure’s receipt of a Certificate of Occupancy following building renovations.

5. **Local Criteria for Designation of EOAs:** Describe how each proposed EOA meets your criteria for designation of EOAs, as specified in your application for designation of the ETA.

The proposed EOA will diversify Lexington’s economic tax base, create new employment opportunities, stimulate the economy of the Lexington ETA, increase the development potential of the 113 Hartwell facility and convert an under-utilized property into a state-of-the-art Life Sciences manufacturing facility. Lexington’s designation as an Economic Target Area (ETA) was a driving force behind uniQure’s decision to make their first North American facility investment in town.

6. **Economic Development Goals:** Describe the economic development goals for each proposed EOA during the first five years of EOA designation.

The Town would expect that in the first five years this EOA will attract at least one new business, creating approximately 115 full-time jobs associated with Life Sciences manufacturing with an average wage of \$85,000, and stimulate a private investment of more than \$20M, including approximately \$15M in real property renovations. This is expected to increase the taxable real estate and approximately double (from approximately \$108 to \$210-\$220) the per-square-foot real estate value of uniQure's 55,000 square feet.

7. Local Services: Describe the manner and extent to which the municipality intends to provide for an increase in the efficiency of the delivery of local services within the proposed EOA(s) (i.e. streamlining permit application and approval procedures, increasing the level of services to meet new demand, changing management structure for service delivery).

Sewer, water, gas, electric, telephone and cable utilities are located within the area.

8. Compliance with Community Reinvestment Act: Include a copy of a municipal plan or policy, if any exists, which links the municipality's choice of banking institutions to the bank's compliance with the requirements of the Community Reinvestment Act.

Either: See attached.

Or: Lexington does not have a policy or plan regarding the Community Reinvestment Act.

9. Project Approval:

(a) Identify the municipal official or group/board which shall be authorized to review project proposals for and on behalf of the municipality.

The Lexington's Board of Selectmen, with the guidance of the Lexington Tax Increment Financing (TIF) Committee is authorized to review project proposals, including Tax Increment Financing (TIF) Agreements and terms, on behalf of the municipality. The Lexington TIF Committee and uniQure have engaged in multiple TIF discussions on behalf of the Board of Selectmen over the previous six weeks. Authorization for the Board of Selectmen to enter into a TIF agreement with uniQure and submit an EOA application on behalf of the Town is scheduled for Town Meeting on June 17, 2013.

(b) Indicate the standards and procedures for review of project proposals, including the application procedures, the timeframe for review and determination, and the criteria and process for approval of project proposals. **If you intend to use supplemental application material (i.e. municipal cover letter with instructions, job commitment signoff sheet, supplemental questions to be required by the municipality, etc.), it must be mentioned here and must be approved by the Economic Assistance Coordinating Council (EACC). Please attach (if appropriate).**

See above. Following Town Meeting approval, uniQure shall present a TIF-only application to the EACC. uniQure is solely seeking benefits – and approvals – associated with Tax Increment Financing (TIF) (and the benefit of the Commonwealth's Abandoned Building Tax Deduction), and no state tax credit associated with the EDIP-ITC. Therefore, the project does not require the Preliminary and Supplementary Economic Development Incentive Program (EDIP) applications associated with the EDIP. Businesses seeking designation as a certified project within a proposed EOA will be required to submit a Letter of Intent, TIF Agreement, TIF Plan

as well as a Preliminary and Supplemental Certified Project Application. For local incentives only, a TIF-Only application is sufficient. The criteria for approval of project proposals shall be consistent with the goals enumerated in the original Lexington ETA application.

10. Intent of Businesses to Locate in EOA:

Identify the names and the nature of businesses, if any, that have indicated an intention to locate or expand in the proposed EOA(s). If possible, include letters of intent from the businesses, outlining the number of jobs that would likely be created and providing a timetable for development of the projects.

uniQure, Inc. intends to expand into +/- 55,000 square feet at 113 Hartwell Avenue, Lexington, MA at this site-specific EOA. This Business is expected to hire 115 full-time employees with an average wage of \$85,000 per year to support their Life Sciences manufacturing operations. uniQure is expected to make an investment of approximately \$15M in real property and \$5M-\$6M in equipment to support this project. Facility renovations could begin as early as Q3, 2013, with operations to commence in Q2, 2014. This investment and job creation will be associated with this project shall result in an expected doubling in taxable real estate value of the 55,000 square feet at 113 Hartwell Avenue. See attached Letter of Intent (LOI).

ATTACHMENT

DEFINITIONS, as specified in 402 CMR 2.03:

Blighted Open Area - a predominantly open area which is detrimental to the safety, health, welfare or sound growth of a community and which is predominantly open because it is unduly costly to develop it soundly through the ordinary operations of private enterprise. Factors which might make an area unduly expensive to develop include, but are not limited to, existence of hazardous materials or other contaminants; existence of ledge, rock, unsuitable soil, or other physical conditions; need for unduly expensive excavation, fill or grading; need for unduly expensive foundations or retaining walls, need for unduly expensive waterproofing, drainage or flood prevention measures; need for unduly expensive measures to protect adjacent areas and the water tables therein; need for unduly expensive measures incident to building around or over rights-of-way through the area; existence of obsolete, inappropriate or otherwise faulty platting or subdividing; deterioration of site improvements or facilities; division of the area rights-of-way; diversity of ownership; inadequate transportation facilities; inadequate utility systems; tax and special assessment delinquencies; a substantial change in business or economic conditions or practices; an abandonment or cessation of work begun on improvements; any combination of the above; or any other condition or conditions which are detrimental to the safety, health, or sound growth of a community.

Decadent Area - an area which is detrimental to safety, health, welfare or sound growth of a community because of the existence of buildings which are out of repair, physically deteriorated, unfit for human habitation, obsolete, or in need of major maintenance or repair; or because much of the real estate in recent years has been sold or taken for non-payment of taxes or upon foreclosure of mortgages; or because buildings have been torn down and not replaced and in which under existing conditions it is improbable that the buildings will be replaced; or because of a substantial change in business or economic conditions; or because of inadequate light, air, or open space; or because of excessive land coverage; or because diversity of ownership, irregular lot sizes, or obsolete street patterns make it improbable that the area will be redeveloped by the ordinary operations of private enterprise; or by reason of any combination of the foregoing conditions.

Substandard Area - an area wherein dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, welfare or sound growth of a community.