

TMMA Questions:

- 1) Why are we giving Shire a TIF worth more than the minimum necessary for them to qualify for any state tax benefits that may (or may not) be passed by the state legislature?

The Town's negotiation team worked long and hard to reach agreement with Shire. We believe that the TIF offered Shire is the minimum necessary to attract them to Lexington. We know that the minimum TIF was not acceptable to Shire. Lexington benefits significantly from the proposed TIF, an estimated \$68 million revenue over the next 20 years, with a relatively low impact from the development.

The State Economic Assistance Coordinating Council (EACC) must also approve the TIF agreement. The EACC has sent the Town a clear message that its approval would be contingent on a TIF that is commensurate with the amount of real estate development and new jobs Shire is creating.

- 2) Given that Shire has already demonstrated interest in locating in Lexington by establishing a presence at 125 Spring Street, what is the likelihood that they would choose Lexington without a TIF?

Shire wants to keep their R&D function close to Cambridge. They have an established work force. Shire has more options for locating their manufacturing facility. They seek a TIF to offset the high labor and investment costs in MA and Lexington. The BOS see a real advantage in assured development of the entire site. Patriot Partners has been working for 4 years to fill the site and has come up empty handed.

If Shire does not receive a TIF Agreement, the most likely scenario is they will remain in 125 Spring Street and locate in the 300 Patriot Way building. They will *not* build the two *new* buildings (200 and 400 Patriot Way) here in Lexington.

- 3) What is the cost of the TIF in present value terms? (The benefits to Shire are heavily weighted on the front end)

The TIF percentages are larger in the early years of the Agreement because Shire is making a substantial capital investment in the first five years of the TIF term. Much of Shire's investment will be idle until validation and FDA approval are attained.

Over twenty years the Town estimates it will gain \$68 million in property taxes or \$ 39 million in net present value using a 5 percent discount rate. Shire will receive an estimated net tax benefit of \$5 million or \$2.8 million in net present value terms.

- 4) Will this set a precedent for other commercial development to request tax advantages? If not, why not?

No. It is highly unlikely that the Town will have future TIF proposals for development of this magnitude. Further, any further TIF proposal stands on its own and, like this one, will require Town Meeting approval. The Board of Selectmen anticipates adoption of a Tax Increment Financing Guidelines, which will establish the future criteria of Tax Increment Financing assistance.

5) Have there been other TIFs in Massachusetts? If so, how do the terms of this TIF compare with those others?

There have been over 200 TIF agreements granted by Massachusetts's cities and towns.

Sample TIF Percentages*																
YEAR	2000	2002	2003	2004	2004	2006	2006	2006	2006	2006	2006	2007	2007	2007	2007	2007
	Chelmsford	Clinton	Dudley	Clinton	Beverly	Marlborough	Lowell	Hopkinton	Shrewsbury	Walpole	Devens	Bedford	Boston	Lexington		
	Unisphere	Nyro	Gentex Optics	Radius	Agencourt Bioscience	Boston Scientific	Motorola	Stryker	Ch. River Lab.	Bayer Healthcare	Bristol Meyers Squibb	Anika Therapeutics	Winn	Shire HGT		
	\$57m	\$9.1m	\$14.6m	\$1.8m	\$2m	\$250m	\$18m	\$29m	\$140m	\$110m	\$1.1m	\$25m	\$750m	\$300m		
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	100	60	90	80	100	50	50	60	90	5	10	100	25	30	99	95
2	95	60	90	75	100	50	50	60	85	5	10	100	25	30	99	94
3	90	60	60	65	100	50	50	60	80	5	10	100	5	30	99	32
4	85	60	60	55	100	50	50	50	80	5	10	100	5	30	98	52
5	80	60	30	45	100	50	5	50	75	5	10	100	5	30	97	45
6	75	50	30	35	50	50	5	25	65	5	10	100	5	30	96	40
7	70	50	10	30	50	45	50	25	55	5	10	90	5	30	95	40
8	65	50	10	25	50	40	50	25	55	5	10	80	5	30	93	35
9	60	50	10	25	50	35	50	25	45	5	10	70	5	30	91	30
10	55	50	10	25	50	30	50	25	45	5	10	60	5	20	89	25
11	50	10				25	50	5	35	5		50		20	87	20
12	45	10				20	50	5	35	5		45		20	85	15
13	40	10				15	45	5	25	5		40		20	83	10
14	35	5				10	40	5	25	5		35		20	81	10
15	30	5				5	35	5	10	5		30		20	79	10
16	25					5	30	5	10	5		25		20	77	9
17	20						25	5	10	5		20		20	75	6
18	15						20	5	10	5		15		20	60	6
19	10						15	5	10	5		10		20	45	5
20	5						10	5	10	5		5				5

* In 2004 The Statute governing TIF agreement was changed creating the 5% for 5 year minimum. Sample TIFs are either Life Science or a similar private investment.

6) What happens if the Legislature fails to approve state subsidies?

This is a question only Shire can definitely answer. They have indicated to the Town that the Governor's proposed life sciences legislation, in some form, is an important component of their decision to expand their operations in Massachusetts.

7) What subsidies (tax abatements and others) has Shire gotten in other states?

According to a press documents released from Governor Rendell of Pennsylvania in 2004, Shire received a total tax benefit of \$5.2 million. Shire provided 400 jobs and an \$8,000,000 investment. This is 3% of what Shire is proposing to invest in Lexington.

8) If Shire fails to comply with the terms of the TIF agreement, or leaves Lexington before the 20 years are up, and the Town ends the agreement, does the Town recoup any of the exempted taxes? What happens to the \$2.6M for road improvements?

The TIF statute does not include a provision for recouping any of the TIF tax benefits should Shire and/or a successor corporation leaves Lexington. Regarding the \$2.6 million for infrastructure improvements, either the State or Shire is required to provide this funding by 2012. If Shire leaves before this date and the State has not provided this grant funding, then the Town may not receive this funding, but will also not see any related impact on its infrastructure.

9) How do the tax receipts under the TIF agreement compare with what they would be if the property were developed by another company in accordance with the recent CD re-zoning?

Lab/Office space such as Shire is proposing tends to have the highest or near highest assessed valuation of any type of commercial development in Lexington. If the Lexington Technology Park is developed as office space, as is permitted within the zoning, the assessed value will be approximately 60-65 percent of the Shire valuation.

10) What is the status of the Transportation Mitigation payment that Patriot Partners agreed to pay as part of the 2004 CD rezoning? Are the mitigation payments by Shire in addition to those already agreed to by Patriot Partners?

The transportation mitigation payment was allocated in three installments, the timing of which is based on the square footage built at the site. The Town has received a total of \$43,333 of the total commitment of \$100,000 because of the limited leasing of the space. Of the total paid, \$10,000 was paid in advance, at the Town's request, to fund traffic-engineering studies for the Marrett/Spring/Bridge intersection.

The \$2.6 million mitigation payments guarantee agreed to by Shire are in addition to funds offered by Patriot Partners in 2004. Patriot Partners has also agreed to pay the Town an additional \$100,000 to help offset the impact of the TIF agreement.

11) While everyone agrees that traffic improvements are desperately needed in the Lexington Technology Park area, there is very little consensus, even within Lexington, on what these should be. Given the amount of time it has taken in the past to resolve differences on traffic issues (e.g. the reconstruction of Route 2A outside 128, or the never-resolved Bedford Street/Eldred Street intersection) what are the odds that everyone will be able to agree on the Lexington Technology Park mitigation by the deadline of July 2012?

The 2012 deadline is for receipt of the funds not the expenditure. We've agreed on the projects: 1) Intersection improvements at Marrett-Bridge and Spring Streets; 2) Signal improvements at Marrett and Waltham; 3) Sidewalks on Spring Street and Hayden Avenue; and, 4) if funds permit, traffic improvements along the Hayden Avenue corridor. What needs to be done prior to grant application is minimal engineering to obtain reasonable cost estimates

12) Explain the difference between the Connery estimate of assessed value at \$125 per square foot and the current estimate of \$220 per square foot, in view of the fact that some of the old Raytheon property already consisted of expensive semi-conductor processing lab space.

Connery's analysis was based on first class office space, which is assessed at a lower amount (approximately \$125 per square foot) than the lab/office/manufacturing space Shire is proposing (approximately \$220 per square foot). At the time of Raytheon's departure, the assessment was heavily weighted as an office use. The Raytheon property contained mechanical systems that were outdated.

13) Does giving Shire the TIF subsidy give them an unfair advantage over other pharmaceutical companies?

If there were another proposal of the magnitude and advantage to Lexington of the Shire proposal it too would be considered for a TIF.