

December 3, 2012
Special Town Meeting
Tax Increment Financing Information

Tax Increment Financing

Tax Increment Financing (TIF) is a mechanism to encourage economic development by temporarily exempting a *portion* of *new* real estate taxes derived from new development. Tax Increment Financing does not allocate existing Town revenue to a private entity, nor does it constitute any type of loan guarantee. Under a TIF Agreement, a company receives an exemption on the incremental increase in the value of the real estate created by the project.

The Town established an Economic Target Area in 2007 known as a “Regional Technology Center.” The purpose of that action was to encourage the expansion of existing or attracting of new high-technology firms. Article 1 of the Special Town Meeting Warrant seeks Town Meeting approval of a TIF Agreement that would provide for the online travel agency TripAdvisor, LLC (“TripAdvisor”) to locate its corporate headquarters in Needham.

Tax Increment Financing Criteria

The Board of Selectmen adopted the following criteria to use in its consideration of requests for tax increment financing:

- The project is of a size, scope, and industry that will expedite the redevelopment of the New England Business Center (i.e. is seen as a “game changer.”)
- The project creates synergy by attracting other high technology firms to locate in the New England Business Center.
- The project will help leverage private and/or State funds for infrastructure or other local improvements.
- The project will facilitate the redevelopment of greyfield or brownfield sites.
- But for the possibility of a TIF Agreement, the opportunity for redevelopment is low.
- The project will promote the utilization and expansion of regional workforce skills, and provide attractive job opportunities for Needham residents.
- The project encourages the development of businesses which will improve the economic viability of other businesses within the proposed area.
- The project will facilitate the reduction of commercial vacancies.
- The TIF Agreement should enable the project to receive State economic development funds.

The recommended project meets most of these criteria. More importantly, this project is seen as a “game changer” – use of the Tax Increment Financing mechanism will help jump start the redevelopment of the New England Business Center contemplated in the 2011 rezoning process. The development is expected to create a campus-like feel, and will provide a sense of address for the surrounding properties. The development will

provide increased visibility to the New England Business Center, and will help attract other technology firms to expand or relocate here. The development will benefit the Town through increased economic development, additional employment opportunities for residents, and a strengthened local tax base.

Key Features of the Proposed Project and Agreements

Key features of the Agreements include the following:

- The project will result in the relocation of TripAdvisor from Newton to a 230,000 square foot facility and accompanying parking structure to be constructed in the New England Business Center on First Avenue. The proposed design contains a campus-style atmosphere with many on-site amenities.
- The project will ensure the retention and relocation of 450 employees to the Needham location, and planned hiring of an additional 250 full-time employees in the five years following the relocation.
- The developer of the property, Normandy Gap-V Development Needham, LLC (“Normandy”) will construct the facility. Project costs are estimated at \$73.6 million for construction and \$12.4 million for land and related costs. TripAdvisor is responsible for \$7.5 million in leasehold improvements and an additional \$7.5 million in personal property investment.
- The Town has entered into separate agreements – referred to as “Host Community Agreements” – with Trip Advisor and Normandy. Provisions in both these agreements and the TIF Agreement protect the Town’s interest in this development. For example, the TIF Agreement provides that 50 jobs must be created per year; otherwise the tax exemption for the following year will be forfeited. In the Host Community Agreement with TripAdvisor, the Company agrees that it will not seek TIF status for any “Phase 2” expansion, and will formulate a system of locally-focused internships and scholarships. The Host Community Agreement with Normandy provides that the Developer will apply for all building permits no later than June 30, 2014, and that it will construct a facility that is LEED Gold certified. The TIF Agreement also provides that Normandy will not seek a tax abatement related to the premises.
- Construction of the project is expected to begin in the summer of 2013. If construction is not complete by January 1, 2017, the TIF agreement will expire.

Impact on Tax Revenue

The TIF Agreement calls for a property tax exemption of 76% per year of the incremental increase in taxes for five years, and an exemption of 1% per year for eight additional years, for a total TIF duration of 13 years. The property is currently assessed at approximately \$6.8 million and is estimated to increase in assessed value to approximately \$29 million at the completion of the project (Phase 1). Under the terms of the TIF Agreement, TripAdvisor will pay approximately \$114,416 in taxes for the first five years of the Agreement, \$471,967 for the following eight years, and \$476,734 thereafter (all expressed in constant dollars assuming the existing tax rate). The Town will realize approximately \$4,347,816 in additional revenue over the 13 year period, as noted on the table below.

Estimated Real Property Tax Impacts (Totals, Years 1 - 13)

Estimated Tax Liability for Redeveloped Property (without TIF Exemption): Years 1 - 13	\$8,105,500
Estimated Baseline Tax Revenue (without Project): Years 1 - 13	\$1,907,958
Estimated Value of TIF Exemption: Years 1 - 13	\$1,849,726
Estimated Incremental Tax Revenue Increase: Years 1 - 13	\$4,347,816

For illustration purposes, estimates are shown in constant dollars using fiscal year 2012 tax rates and do not include increased revenue associated with personal property taxes or hotel and meals excise taxes.

Necessity for a December Special Town Meeting

The scheduling of a Town Meeting at this time is necessary for the development to meet State approval and project deadlines. The TIF Agreement and corresponding incentives provided by the Commonwealth are an important factor in the selection of the Town of Needham for TripAdvisor's headquarters. Both the TIF and any State incentives are subject to the approval of the Commonwealth's Economic Assistance Coordinating Council (EACC) which meets quarterly. A majority vote of Town Meeting is required for approval of any TIF Agreement negotiated by the Town. The early December Special Town Meeting is required to allow the EACC to act on the application at its December meeting. The Board of Selectmen will request approval of an emergency preamble as part of this process.

The Board of Selectmen believes that the proposed agreements offer substantial advantages to the Town and will help the Town achieve long-term development goals. By unanimous vote, the Board request and recommends Town Meeting approval of this Article.

At its meeting on November 28, 2012, the Finance Committee voted unanimously to support this article. Additional information and documents are available at www.needhamma.gov/townmeeting.