



Boston City Council

Notice of Public Hearing

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May 9, 2011

BOSTON, MA

The Boston City Council's Committee on Economic Development and Planning will hold a public hearing on Friday, May 20, 2011 at 10:00 A.M. in the Christopher Iannella Chamber on the fifth floor of Boston City Hall.

The subject of the hearing is:

Docket # 0595 – Message and order approving the City of Boston's application to the Massachusetts Economic Assistance Coordinating Council for Certified Project Status of the Fan Pier development to be located at 50 Northern Avenue and 11 Fan Pier Boulevard (a portion of the City of Boston Assessing Parcel 06/020675/021), in the South Boston Waterfront neighborhood, and for the approval of a Tax Increment Financing Plan, including a Tax Increment Financing Agreement regarding real estate taxes between the City and Vertex and the owner of the land.

Docket # 0641 - Message and order for local municipal approval of the application of Fan Pier Development LLC relating to the Fan Pier Economic Development Project (the "Fan Pier EDP") under the Commonwealth's "I-Cubed" Program.

These matters were sponsored by Mayor Menino and referred to the committee on May 4, 2011.

Members of the public are cordially invited to attend and testify. If you have not testified at a Council hearing before, please arrive (5) minutes before the call of the hearing to sign up and become familiar with the hearing format, testimony locations and sound system. Please bring fifteen (15) copies of any written documentation you wish to present at the hearing. If you know of others who may be interested in this hearing, kindly notify them.

Written comments may be made part of the record and available to all Councilors by sending them by fax or mail to arrive before the hearing, please use the address below.

For the Committee:

Bill Linchan, Chair
Committee on Economic Development and Planning

A TRUE COPY

ROSARIA SALERNO
CITY CLERK

WHEREAS, the City's obligation to provide Local Infrastructure Development Assistance will be a general obligation of the City secured by infrastructure assessments on the Assessment Parcels and by a Municipal Liquidity Reserve created by the City for each Assessment Parcel to be funded by moneys or a letter of credit to be provided by the owner of each Assessment Parcel in an amount equal to twice the maximum amount of debt service payable on the I-Cubed Bonds in any year; and

WHEREAS, prior to the Secretary's final approval of the Fan Pier Economic Development Proposal, the Mayor and the City Council, following a public hearing, must approve the Fan Pier Economic Development Proposal, acknowledging the financial obligation of the City for Local Infrastructure Development Assistance, and approve the creation of the Municipal Liquidity Reserves and the acquisition or acceptance by the City of such property interests in the Fan Pier Public Infrastructure Improvements as may be required under the I-Cubed Program;

Now, Therefore, Be It **ORDERED**:

1. That the Fan Pier Economic Development Proposal, and the provision of Local Infrastructure Development Assistance as provided therein, is hereby approved with such additions, deletions and other amendments thereto, other than an increase in the principal amount of I-Cubed Bonds for which the City is obligated to provide Local Infrastructure Development Assistance, as shall be approved by the Mayor and the Collector-Treasurer at or prior to the execution and delivery by the City of the Infrastructure Development Assistance Agreement for the Fan Pier Economic Development Project.
2. That the creation by the City of a Municipal Liquidity Reserve for each Assessment Parcel to be funded by moneys or a letter of credit to be provided by the owner of each Assessment Parcel is hereby approved.
3. That the acquisition or acceptance by the City of such property interests in the Fan Pier Public Infrastructure Improvements that are financed by MassDevelopment as may be required under the I-Cubed Program is hereby approved.

In City Council MAY 25 2011
Passed, yes 12, nays 0.

Rosaria Salerno City Clerk

Approved JUN 02 2011

Thomas M. Menino Mayor

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.

William F. Sinnott
WILLIAM F. SINNOTT
CORPORATION COUNSEL

ANC TRUE COPY

Rosaria Salerno
ROSARIA SALERNO
CITY CLERK



Boston City Council
Committee on Economic Development and Planning
Bill Linehan, Chair

May 25, 2011

Dear Councillors:

The Committee on Economic Development and Planning held a hearing on Friday, May 20, 2011 to take testimony and consider:

Docket # 0595 – Message and order approving the City of Boston's application to the Massachusetts Economic Assistance Coordinating Council for Certified Project Status of the Fan Pier Development to be located at 50 Northern Avenue and 11 Fan Pier Boulevard (a portion of the City of Boston Assessing Parcel 06/020675/021), in the South Boston Waterfront neighborhood, and for the approval of a Tax Increment Financing Plan, including a Tax Increment Financing Agreement regarding real estate taxes between the City and Vertex and the owner of the land.

Docket # 0641 – Message and order for local municipal approval of the application of the application of Fan Pier Development LLC relating to the Fan Pier Economic Development Project (the "Fan Pier EDP") under the Commonwealth's "I-Cubed" Program.

These matters were sponsored by Mayor Menino and referred to the committee on May 4, 2011.

Extensive testimony in support of the above mentioned dockets was taken from the following individuals: Ron Rakow [Commissioner of Assessing – City of Boston], Kairos Shen [Director of Planning – Boston Redevelopment Authority], Joe Fallon [President / CEO – The Fallon Company], Al Vaz [Senior VP – Corporate Real Estate Development – Vertex Pharmaceuticals], Jim Rooney [Executive Director – Massachusetts Convention Center Authority], Lowell Richards [Chief Development Officer – Massachusetts Port Authority], Sam Tyler [President – Boston Municipal Research Bureau], Hon. Martin Walsh [Secretary/Treasurer – Boston Buildings Trades Council] and Jim Klocke [Executive VP – Greater Boston Chamber of Commerce] in which each outlined with specificity the importance of the passage of these two orders.

As reported, Vertex Pharmaceuticals is a publicly traded global biotechnology company that aims to discover, develop and commercialize innovative therapies for people with serious diseases and has requested a Tax Increment Financing ("TIF") agreement in order to expand and relocate its headquarters and research and development facilities from Cambridge to a consolidated location in Boston.

In addition, to the 1,241 jobs being relocated to Boston and the creation of 500 new jobs in Boston by 2015 - the Vertex project will also generate between 1,600 and 2,000 construction jobs during the construction period estimated to last approximately 30 months. Construction is anticipated to start in June 2011.

Other public benefits from the Vertex project will include contributions to the City's Neighborhood Housing Trust in the amount of approximately \$5,014,355 and to the City's Neighborhood Jobs Creation Trust in the amount of approximately \$99,560.

The "TIF" will benefit only Vertex and not the developers of Fan Pier. The total value of the TIF savings over the seven (7) year term of the TIF Agreement is approximately 12 million dollars.

The city will receive approximately \$55 million dollars in new real estate tax revenues during the life/term of the TIF agreement.

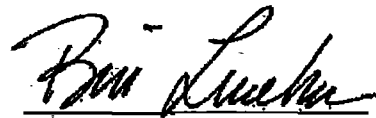
I have attached for your review and consideration an outline of the - Vertex Pharmaceuticals - "Fact Sheet".

Through a separate approval process, The Fan Pier Development LLC is also seeking \$50 million dollars in public infrastructure financing through the "Commonwealth's Infrastructure Investment Incentive Program" for the Fan Pier project, through the ICUBED program.

In part, ICUBED is an economic development tool that ties the Commonwealth's payment of debt service for infrastructure bonds with the increased income tax revenue generated from the creation of new jobs to the state from the development.

Also, infrastructure support is needed to help mitigate the more expensive construction challenges posed by this site.

Based on information presented at the hearing and have considered the same, I respectfully recommend that these matters ought to pass.



Bill Linehan, Chair
Committee on Economic Development
and Planning

Vertex Pharmaceuticals Incorporated
FACT SHEET

- Request:** Vertex Pharmaceuticals Incorporated ("Vertex") requests a Tax Increment Financing ("TIF") agreement in order to expand and relocate its headquarters from Cambridge to a consolidated location in Boston.
- Vertex needs a centralized campus to relocate its headquarters and other operations as well as to provide more space for future growth.
- Vertex plans to lease space at the Fan Pier development in South Boston. Such expansion and relocation to Boston will result in significant costs, including its need to continue paying rent in some of its current facilities under existing leases even after moving and its plans to make sizeable investments in equipment and tenant improvements at the new location.
- Site:** A portion of the Fan Pier development located in two new buildings with addresses of 50 Northern Avenue and 11 Fan Pier Boulevard in the South Boston Waterfront neighborhood totalling approximately 1.07 million square feet.
- Investment:** Vertex has signed a letter of intent to lease two to be constructed buildings described above, subject to Vertex obtaining approval from the U.S. Food and Drug Administration on their telaprevir new drug application. Under the leases, Vertex will be responsible for all real estate taxes associated with its leased space. The projected development cost for the project, including the construction of the two buildings, tenant improvements for Vertex and associated infrastructure improvements is over \$800 million.
- Jobs:** Successful completion of the Vertex Project will permit Vertex to retain 1,241 permanent jobs within Boston and create approximately 500 new jobs by 2015. Of these new jobs, approximately 202 will be created in anticipation of Vertex's occupancy of its new facilities at the Fan Pier development and approximately 298 will be created after occupancy.
- Current Sites:** Vertex is currently located in 10 locations in Cambridge, Massachusetts as well as other sites in the United States, United Kingdom and Canada.
- TIF Agreement:** The TIF Agreement is completed in substantial final form. Under the leases and the TIF Agreement, Vertex is responsible with all real estate taxes associated with its leased space. The TIF will benefit only Vertex and not the developers of Fan Pier. The total value of the the TIF savings over the 7 year term of the TIF Agreement is approximately \$12 million.
- State Contribution:** \$10 million of anticipated Life Sciences Tax Incentives, subject to annual application.
- Additional Info:** The Vertex Project will be a catalyst for significant development and investment at the Fan Pier development, currently occupied largely by a surface parking lot, which will in turn be a catalyst for other proposed projects in the South Boston Innovation District.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

May 3, 2011

To the City Council

Dear Councilors:

I transmit herewith for your approval the following order for local municipal approval of the application of Fan Pier Development LLC relating to the Fan Pier Economic Development Project (the "Fan Pier EDP") under the Commonwealth's "I-Cubed" Program. Upon final acceptance of this application by the Commonwealth's Secretary of Administration and Finance, the Fan Pier EDP shall be eligible for financing by MassDevelopment of up to fifty million dollars of on-site public infrastructure improvements. The financing will be secured by the credit of the Commonwealth and supported by state income tax growth resulting from the Fan Pier EDP and by assessments on property within the Fan Pier Development.

The Fan Pier EDP benefits the state and local economy. The immediate plans are for construction to begin in 2011 on Parcels A and B of two build-to-suit buildings totaling over one million square feet, to be leased to Vertex Pharmaceuticals, Incorporated as its new corporate headquarters. The development is expected to provide office and research space for Vertex's current state job base of 1,241 employees as well as near-term expansion of another 500 employees.

The long-term plan of the 21-acre Fan Pier site, spanning nine city blocks, upon full build-out, totals three million square feet of space for office, research, residential, retail, restaurants, parking, hotel, and civic and cultural space. In addition to making possible the construction of Parcels A and B, the investment in public infrastructure financed through the I-Cubed Program will lay the foundation for these future investments.

Approval of this order, conditioned upon the final approval of the developer's Fan Pier EDP I-Cubed application by the state, acknowledges: 1) that the City shall have a contingent financial obligation for Local Infrastructure Development Assistance as defined by the I-Cubed Program; 2) that no further City zoning changes are required to accommodate the Fan Pier EDP; 3) that the City shall create Municipal Liquidity Reserves to be funded by cash or letters of credit provided by the owners of the two buildings to be leased to Vertex; and, 4) that the City will acquire or accept certain property rights in the financed public infrastructure improvements as provided in the application and the I-Cubed Program.

The I-Cubed Program is a collaborative effort between municipal and state government. Approval of the attached order would be the first step necessary for the Fan Pier I-Cubed Application to proceed. Further steps require a preliminary and final approval by the Secretary of Administration and Finance, based upon financial and economic review and analysis. I urge your Honorable Body to approve this order at the earliest possible date.

Sincerely,



Thomas M. Menino
Mayor

ACCELED

CLUSTER

CHAND

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 01-11-2011 BY 60322 UCBAW/STP

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CITY OF BOSTON

IN CITY COUNCIL

WHEREAS, Sections 5 through 12A, inclusive, of Chapter 293 of the Acts of 2006, as amended (the "I-Cubed Act,"), and Chapter 51.00 of Title 801 of the Code of Massachusetts Regulations (the "Regulations" and, collectively with the I-Cubed Act, the "I-Cubed Program," with all undefined terms used in this Order having the meaning given such terms in the I-Cubed Act and the Regulations) authorize The Commonwealth of Massachusetts (the "Commonwealth"), acting by and through the Secretary of the Executive Office for Administration and Finance (the "Secretary"), the Massachusetts Development Finance Agency ("MassDevelopment") and the City to assist in the financing of public infrastructure improvements for Economic Development Projects in the City; and

WHEREAS, Fan Pier Development LLC (the "Developer") has filed a Preliminary Economic Development Proposal (the "Fan Pier Economic Development Proposal") with the Secretary, the City and MassDevelopment for the designation of the Fan Pier Development in South Boston as an Economic Development District and an Economic Development Project (the "Fan Pier Economic Development Project") under the I-Cubed Program; and

WHEREAS, the Fan Pier Economic Development Project will be comprised of over 3 million square feet of commercial, residential, civic and cultural facilities, including the construction of two office and research buildings (the "Project Components") to serve as the new headquarters of Vertex Pharmaceuticals Incorporated ("Vertex") and the construction of public infrastructure improvements identified in the Economic Development Proposal (the "Fan Pier Public Infrastructure Improvements") necessary or desirable for the development of the Fan Pier Economic Development Project; and

WHEREAS, no zoning changes are required to accommodate the Fan Pier Economic Development Proposal; and

WHEREAS, if the Fan Pier Economic Development Proposal is approved by the City and the Secretary, MassDevelopment will be authorized to finance up to \$50 million of costs of Fan Pier Public Infrastructure Improvements following the completion of the Project Components by the Developer and occupancy by Vertex through the issuance of bonds ("I-Cubed Bonds") payable from State Infrastructure Development Assistance from the Commonwealth that is supported by New State Tax Revenues resulting from Eligible New Jobs created and to be created by Vertex in the Commonwealth; and

WHEREAS, if the New State Tax Revenues resulting from Eligible New Jobs created and to be created by Vertex are less than the debt service payable in any year on the I-Cubed Bonds, the City will be required to provide Local Infrastructure Development Assistance to satisfy any Shortfall in accordance with an Infrastructure Development Assistance Agreement for the Fan Pier Economic Development Project among the Commonwealth, the City, MassDevelopment, the Developer and the owners of the real property on which the Project Components are constructed (the "Assessment Parcels"); and