

May 2011

I-Cubed Development Tool Used for Fan Pier Project

Conceived by Boston officials in 2005, first use will be the Fan Pier project in 2011

The Commonwealth's Infrastructure Investment Incentive Program (I-Cubed) will be used for the first time to provide bond funding of \$50M for infrastructure improvements for the Fan Pier project being undertaken in a joint venture with an affiliate of The Fallon Company and Massachusetts Mutual Life Insurance Company.

The Fan Pier project consists of the development of 15 acres of land and will be comprised of more than 3M square feet of office, laboratory, residential, hotel, civic/cultural and ground floor retail and restaurant space and 2,325 parking spaces. Including six acres of water, more than half the site will be open space, including 3¼ acres of parks and a 110 slip marina. The total cost of the project is estimated to exceed \$3B. I-Cubed funds will help mitigate the more expensive construction challenges posed by the harbor site.

The City Council approved the plan on May 25. Next steps will be approval by the state Secretary of Administration and Finance and MassDevelopment which will issue the bonds.

I-Cubed is an economic development tool that ties the Commonwealth's payment of debt service for infrastructure bonds to the increased income tax revenue generated from the creation of new jobs in Massachusetts from the project. This tool is an important alternative to tax incentives tied to foregoing a percentage of local property tax growth for a period of time, and it creates a partnership between the state and local community in planning development incentives.

I-Cubed was conceived by Boston officials in 2005 thinking that it would be well suited for

significant projects that required public infrastructure in such areas as the 100 acres by Fort Point Channel and Fan Pier.

The new jobs needed for I-Cubed will be created by Vertex Pharmaceuticals Inc. which plans to combine offices in 10 different sites in Cambridge into one office-laboratory complex in the Fan Pier project. Vertex will lease two build-to-suit 16-floor buildings totaling 1.1M square feet, interconnected by a two-story bridge. The project will be located on two parcels next to the Federal Courthouse and will cost approximately \$820.1M to build. Vertex currently employs 1,241 workers in Massachusetts, and the company expects to create 202 new jobs before occupying the new space and 298 jobs after occupancy during the TIF term for a total of 500. Construction of the Vertex buildings will create between 1,600 and 2,000 jobs over a 30-month period.

The Vertex complex is estimated to generate \$55M in new property tax revenue during the seven-year term of the TIF plan (FY12-FY18). That total is net of Vertex's request for a TIF tax exemption of \$12M over the first four years of occupancy. Annual taxes are expected to increase to between \$16M and \$17M starting in FY19 after the conclusion of the TIF agreement. Also, linkage fees of \$5M for affordable housing and \$1M for job training will come from this project.

The Research Bureau believes that these two projects are important milestones in the development of the South Boston Waterfront and supported both I-Cubed and the TIF in its Council [testimony](#).