



Testimony of the Boston Municipal Research Bureau Before the

City Council's Committee on Economic Development & Planning

May 28, 2008

Regarding: Docket #0585. Message and order approving the City of Boston's application to the Massachusetts Economic Assistance Coordinating Council for Certified Project Status of the JP Morgan project and for approval to enter into a Tax Increment Financing Agreement (TIF) regarding real estate taxes with JP Morgan Chase Bank.

Please accept this as the written testimony of the Boston Municipal Research Bureau regarding Docket #0585. The Research Bureau supports the City's approval of this TIF agreement. However, we do have concerns about the approval process. Additionally, we believe the City should be very judicious in its utilization of TIF agreements and should establish formal policy guidelines regarding adoption of any future TIF agreements. The Research Bureau does support the TIF agreement with JP Morgan now before your committee. However, there are a few recommendations for your consideration:

- 1. TIF agreements are complicated plans requiring a determination of whether the public benefits to Boston are worth the loss of a share of property tax growth for a period of time. Today's hearing was announced on May 19, giving the public only six business days to examine this complex issue and respond. The Research Bureau feels that more time would be beneficial to this process. One reason for raising this issue is that it appears that after the City Council approves this TIF agreement, the next step is for the agreement to be approved by Massachusetts Economic Assistance Coordinating Council (MEACC) at its scheduled meeting on June 25, 2008, almost a full month after the Council's hearing date.
- 2. JP Morgan's agreement to submit an annual report does not define "City". We recommend that the agreement be modified to stipulate that the report be submitted to the City Clerk for the City Council. Since the City Council must approve the TIF for the agreement to be approved by the Commonwealth, the City Council should receive the annual report as well as the Mayor and BRA.
- 3. Future proposals for a TIF agreement should be evaluated in the context of formal policy guidelines established by the City. TIF agreements should be considered judiciously in light of the City's high reliance on the property tax and flat growth in state aid. The suggestion for policy guidelines has been made previously and the Bureau endorses it. The Menino Administration has established policies regarding debt service as a percent of

total operational spending, the size of the GAAP and statutory undesignated reserves before appropriation of budgetary fund balance resources are permitted. For the same reason, the Administration should develop a general TIF policy before another agreement is requested. Each TIF proposal has its own unique characteristics so a TIF policy cannot be too structured but general guidelines can be developed to ensure that basic requirements are met by each new plan.

- 4. Support for this project recognizes that the 451 D Street building has had a difficult lease history. The history of the building shows that the building was built in 1910, renovated in 1999 and sold in 2000. However, in 2004 the building was given back to the lender and was not sold until 2006. Currently, 220,000 square feet of the building's space is vacant which represents about 47% of the total building. With an initial lease of 103,000 square feet, JP Morgan would occupy 47% of the current vacant space and 22% of the total building. Less vacancy and more jobs would be beneficial to the local community.
- 5. The location of JP Morgan in the South Boston waterfront could also attract other financial service companies to the area which has been a goal of business and city leaders. Boston has a strong financial sector in the City and favorable lease and ownership options on the waterfront could cause the financial industry to expand in Boston.
- 6. As a clerical matter, the various documents presented to the City Council seem to be applying different square footage figures and Site percentages to the building. The difference will not affect the benefits of the agreement but during or after the hearing, these discrepancies should be clarified.

Thank you. For more information or if you have questions regarding this testimony, please contact the Research Bureau at 617-227-1900.