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Big Dig becoming a Big Deal: Now, and in coming years, the Seaport will be at the hub of The Hub

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The Big Dig is starting to produce bigger returns.

Long criticized because it cost \$15 billion and took 14 years to complete, it's greatest economic benefit may turn out to be the access provided to the next area of significant new development, the Boston Seaport Innovation District.

Now, and in coming years, the Seaport will be at the hub of The Hub. The feel of a real estate turnaround is in the air this spring as Vertex Pharmaceuticals Inc. proceeds with its move into the district after signing a \$1.1 billion lease.

Projects of that magnitude will bring people into the city, and that has already led to the announcement of other new projects, including Seaport Square, a 23-acre mixed use project with 6.3 million s/f of residential, retail, office, hotel, civic and cultural space. Waterside Place and a project called 319A Rear will add more than 300 apartments, along with retail space, and a 120-room extended stay hotel has been announced for 368 Congress St.

Make Tax Planning Part of the Strategy

For projects to be profitable for developers, many factors come into play. There is still plenty of open and underused space made ripe for development by continuing low interest rates and favorable tax treatments. So it is important to note that smart tax planning should be part of the equation. For example:

- * Most of the property in the area was built before 1936, making existing properties eligible for a 10% rehabilitation tax credit.
- * Much of it is also historic, which has the potential to qualify for a 20% state and federal tax credit. (Property in a historical district, however, is subject to close oversight by the Boston Landmarks Commission. The commission is in place to preserve historic property and is not going to make compromises, so some may favor renovating non-historic property.)
- * Seaport District projects may opt to take advantage of Section 179D, which gives taxpayers who own or lease commercial buildings an incentive to be energy efficient. Tax deductions of up to \$1.80 a s/f are available through 2013 for designs that reduce total annual energy and power costs by 50%, and that meet Standard 90.1-2001 of the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE).

The 50% is split between interior lighting, HVAC and the building envelope. This year, the percentage attributable to interior lighting increased from 20% to 25%, while the percentage for HVAC has dropped from 20% to 15%. The percentage for the building envelope remains at 10%.

Both new buildings and retrofit projects are eligible for full or partial deductions. Partial deductions of up to 60 cents per s/f can be taken for measures affecting the building envelope, lighting, or heating and cooling systems if they improve energy efficiency, but fail to meet the 50% savings requirement.

Looking to the Future

Of course, the Seaport area is not without its unique hurdles and considerations. For one thing, traffic flow may present a problem as there are only two main streets-Summer St. and Congress St. So cross streets will need to be planned and developed.

Another challenge will be providing affordable housing. As the Seaport District develops into an area where people can live, work and play, it needs to appeal to younger workers and recent college graduates to keep it vital. For that to happen, the right mix of smaller, less expensive units will have to co-exist with larger more expensive housing units.

In the end, it looks as though the Seaport District is sure to transform the city and possibly create a new Boston. We may not want to be reminded that it took 14 years to complete the Big Dig, but in some respects it now has us looking forward to the next 14 years and beyond.

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