



nerej

Growing businesses unlock value and save with government incentives

September 12, 2013 - Financial Digest

When ground is broken on the new, estimated 290,000 s/f Needham headquarters of TripAdvisor, the event will be a game-changer for the town of and the region. The presence of the world's largest travel site in the Center 128 "work & play technology park" is expected to transform this formerly underutilized property into a powerhouse competitor among the new suburban technology parks popping up around the Rte. 128 beltway.

The TripAdvisor project will benefit from a multi-million dollar package of government incentives secured for them with assistance from Business Development Strategies, Inc. (BDS). Yet many thriving Mass. businesses remain unaware of the valuable state and local government incentives that can help them save thousands - even millions - of dollars while expanding real estate and creating new jobs.

Government incentive packages are available to companies whose plans include a variety of growth opportunities, such as: an on-site facility expansion; the purchase of new machinery and equipment; the lease or purchase of a new facility; the hiring of additional employees; or searching for that ideal parcel of land. In 2012, more than 40 growing companies received state approval for renovation and construction projects across the Commonwealth. Among these projects are TripAdvisor's upcoming relocation and expansion, facilitated by an estimated \$2.75 incentives package. As a result, the company plans to retain 450 full-time jobs and create 250 full-time new jobs.

L. Knife & Son Inc.'s recent purchase and renovation of an abandoned, industrial building for a new office, training center, and temperature-controlled distribution center in Everett was facilitated by a \$1.7 million package of incentives identified and negotiated by BDS. As a result, L. Knife plans to retain 82 full-time jobs and create 20 full-time jobs.

The multi-million dollar package of incentives secured by BDS for the expansion of the world headquarters of IPG Photonics Corp., the world's leading manufacturer of high performance fiber lasers and amplifiers, will allow the company to remain an economic engine of the state's manufacturing sector and a key contributor to the state's economic growth. IPG Photonics plans to retain 600 full-time jobs and create 175 full-time jobs as a result of its expansion in Oxford.

Statutory changes to the Mass. Economic Development Incentive Program (EDIP) signed into law in December 2009 and effective January 1, 2010 significantly expanded the eligibility requirements for companies seeking government incentives. Designed to foster job creation and business growth, the new reforms grant greater flexibility to the Economic Assistance Coordinating Council (EACC) in awarding tax incentives. As a result, businesses that are planning to conduct a site search or real estate expansion in Mass. will want to consider whether they meet the following criteria:

* Does the company plan to expand in an Economic Target Area (ETA)? To apply for and receive state and local incentives, a company must be located in one of the state's 210 ETAs. Eligibility is

based on state statutory criteria. Under the statutory changes enacted in 2010, incentives are also available in non-ETAs for projects that meet specific criteria.

* Does the company generate sales outside of Massachusetts? In accordance with the 2010 reforms, businesses must generate substantial sales outside of Mass. in order to be eligible for state and local tax incentives.

* Does the company plan to make a real estate investment? Tax incentives may be available if the company plans to renovate a leased or purchased building or construct a new facility.

* Does the company plan to create new jobs with its expansion? Businesses planning to expand and create new jobs may be designated as "Certified Projects." This designation allows companies to access a variety of incentives such as:

- State EDIP Investment Tax Credit (ITC) for qualifying depreciable assets capped at \$25 million annually under the new statutory changes;

- State 10% Abandoned Building Tax Deduction for costs associated with renovating an abandoned building at least 75% vacant for two years;

- Tax Increment Financing (TIF) provides a negotiated local property tax exemption up to 20 years based on the increased value of the project property due to new construction or other significant improvements;

- Personal Property Tax Exemption, a negotiated local personal property tax exemption up to 20 years with all TIFs, or

- Special Tax Assessment (STA), a negotiated local property tax exemption up to 20 years on the total base value of the project property.

Once the available incentives have been identified, the company must receive approval from various municipal boards, the city council or town meeting, and eventually, the state. Strong negotiating skills and the ability to present the project at numerous community sessions are essential to a positive outcome.

Due to the complexity of the process, many companies rely on the expertise of a government incentives consultant to navigate the maze of government regulations, negotiate state and local packages, and shepherd their applications from inception to approval.

Lynn Tokarczyk is president of Business Development Strategies, Inc., Medway, MA.

Celebrating 10 years of success in 2013, BDS has grown into a leading government incentives consulting firm in Massachusetts. BDS helps expanding companies identify, negotiate and secure government incentives for real estate expansion projects that create and retain jobs, and enhance the state and local economy. Providing a full range of services in real estate assessments, resident outreach, government incentives tax law, and more, BDS helps clients save cash and expand.