

Liberty Mutual Tax Increment Financing Request Q&A

What is Tax Increment Financing (TIF)?

A TIF is a negotiated property tax agreement authorized through the state Economic Development Incentive Program (EDIP). The EDIP is a three way partnership program between the state, municipalities, and employers. Under a TIF, the city provides a property tax exemption on a portion of the new real estate tax revenue generated by the project. The state then provides an Economic Opportunity Area Credit (EOA Credit) on the qualifying investment. In order to receive these state and local benefits, the business must commit to capital investment and to creating new jobs. No public borrowing or appropriation is involved in a TIF.

Who qualifies for a TIF?

Growing businesses may be eligible for a TIF, provided that the project results in increased employment and significant capital investment. To be approved, the project must be located in an Economic Opportunity Area (EOA) within an Economic Target Area (ETA) and be approved by the City Council and state Economic Assistance Coordinating Council (EACC). The City of Boston was approved as an Economic Target Area in 1994.

What does Liberty Mutual do?

Liberty Mutual is a diversified global insurer and one of the largest property and casualty insurers in the United States. Liberty Mutual has approximately 2,500 employees in Boston, which is its headquarters. Liberty Mutual employs more than 45,000 people in more than 900 offices worldwide. Liberty Mutual ranks 86th on the Fortune 500 list of largest corporations in the United States based upon 2008 revenues. Currently, Liberty Mutual is the only Fortune 100 company headquartered in Boston.

Where is Liberty Mutual located in Boston?

Liberty Mutual's headquarters is located in the Back Bay neighborhood. It occupies several buildings located in close proximity at 175 Berkeley Street, 330 Stuart Street, 75 Arlington Street, and 10 and 30 St. James Avenue.

What are Liberty Mutual's future plans?

Liberty Mutual acquired the Salvation Army building at 147 Berkeley Street on July 1, 2009 and the Benjamin Franklin Smith building at 147 Columbus Avenue on September 1, 2009. Liberty Mutual plans to replace both newly acquired buildings with a new structure to house its expansion. Initially, it will lease 25% of the building but ultimately Liberty Mutual will occupy 100% of the new building. The project will be subject to Article 80 review.

What are the benefits for Boston?

Liberty Mutual estimates it will invest up to \$300 million for a new 580,000 square foot building in addition to capital improvements to the rest of its campus. Liberty Mutual currently has 2,474 employees in its Boston offices. As part of the TIF agreement, Liberty Mutual has agreed to provide at least 600 new jobs over the 20 year life of the TIF. By Liberty Mutual's estimates, approximately 23% of its existing staff lives in Boston and it anticipates maintaining at least that ratio. The City would benefit from these increased job opportunities and the jobs created

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indirectly from the expansion. If approved, the City will also benefit from a linkage payment. Furthermore, the city will enjoy increased property tax revenue due to the development of the Salvation Army building and Benjamin Franklin Smith building sites. Lastly, the project would create approximately 500 construction jobs.

What benefit does a TIF provide for Liberty Mutual?

If Liberty Mutual's project is approved as a Certified Project, the TIF agreement will provide a present value tax benefit estimated to be \$16 million. In addition, Liberty Mutual will seek an Economic Opportunity Area (EOA) credit from the state on its planned \$300 million investment. The present value of the EOA Credit is comparable to the value of the proposed TIF.

What is the targeted timeline for this project if the City approved the TIF?

- 2010 – Design Approvals, Permitting, Ground Breaking
- 2011 – Demolition, Excavation, Foundation, Parking Garage, Frame & Core
- 2012 – Frame & Core, Façade, Mechanical-Electrical-Plumbing, Interior Finishes
- 2013 – Interior Finishes, Landscaping, Commissioning, Move in
- 2013 – Start-up, Stabilized Operation.

What will the City receive in real estate taxes from this project?

The city will receive approximately \$50.7 million in net present value real estate tax revenues during the life of the TIF agreement.

Is the State assisting Liberty Mutual also?

The state has been working with Liberty Mutual through the Executive Office of Housing and Economic Development. If a TIF Agreement is approved by the City Council, the state has agreed to provide an Economic Opportunity Area Credit (EOA Credit) that is comparable to the TIF provided by the City of Boston.

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TIF General Representation:

