



# **Economic Development Incentive Program (EDIP) Webinar**

**Massachusetts Office of Business Development**

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November 18, 2020



# Welcome to the Webinar

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## Commonwealth of Massachusetts

Executive Office of Housing & Economic Development

Charles D. Baker, Governor | Karyn E. Polito, Lt. Governor | Mike Kennealy, Secretary

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During the presentation, if you have questions please utilize the “chat” function (see picture of icon below) and enter them at any time during the presentation. We will allow time for a Q&A period at the end of the presentation to address your questions directly. **Please note:** this meeting  is being recorded.

Specific questions that may relate only to your community or particular project, should be sent via email. MOBD contact information is found at the end of this presentation. This PowerPoint presentation will be emailed to everyone who registered for this webinar as soon as it concludes.



# Massachusetts Office of Business Development (MOBD)

## Mission

- Facilitate access to resources
- Promote job growth and job retention
- Stimulate private investments
- Help businesses thrive in Massachusetts

## Regions:



# Kick-starting growth through incentives, grants, capital financing and more.....

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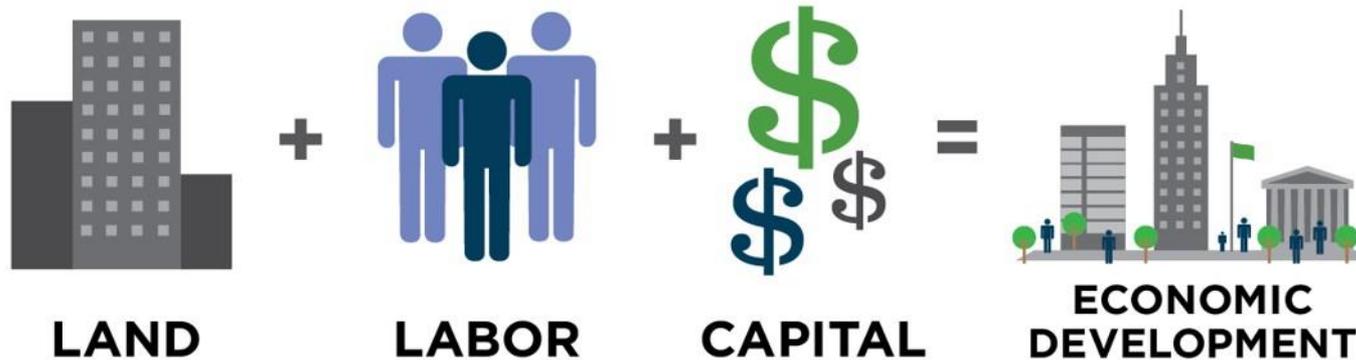


- Economic Development Incentive Program (EDIP)
- Covid-19 Business Resource Liaison
- State Trade Expansion Program (STEP) Export Grants
- Life Sciences Tax Incentive Program
- Workforce Development & Training
- Site Selection
- Business Planning
- Financing Partnerships
- International Trade Investments
- Infrastructure Support
- Industry Expertise
- Innovation & Technical Assistance
- Start-up Assistance
- Permitting & Regulatory Assistance



# Economic Development Incentive Program - EDIP

- Designed to foster job creation and stimulate business growth
- Companies may receive state tax credits and local property tax incentives in exchange for job creation, job retention and private investment commitments.



**Involve MOBD regional director from the start!**



# Factors EACC\* Board Considers

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## Does a “But For” Exist?

“But for” these EDIP tax credit incentives, the project would not occur?

### “But For” Considerations:

- Is property already purchased?
- Is lease already signed?
- Has news article appeared on front page of local paper?
- Has a groundbreaking ceremony been held?
- Is equipment already placed on order?
- Has a public announcement been made?
- Has construction begun?

**All indications the project will likely proceed without incentives**

\*EACC is the Economic Assistance Coordinating Council, the Board that approves EDIP projects.



# Regional Director will ask whether.....

- **Municipality will be awarding TIF or STA**
- **The company has Massachusetts state tax liability today**
  - If not, are they in business outside of MA?
  - Pre-revenue companies are not a good fit
- **The company will be creating net new jobs to Massachusetts**
- **The company has sales today or they sell outside Massachusetts**
- **Are they a manufacturer?**
  - If so might make sense to use classified manufacturers investment tax credit





# For EDIP Projects Advancing Forward

- EDIP Review Team screens preliminary applications
- Decisions made as to which projects progress forward to next stage for state tax credits
- Selected projects receive a supplemental application



COMMONWEALTH OF MASSACHUSETTS  
ECONOMIC ASSISTANCE COORDINATING COUNCIL  
MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT

**Economic Development Incentive Program (EDIP)  
SUPPLEMENTAL APPLICATION**

A complete application with all required attachments must be submitted in electronic form to your MOBD Regional Director by 5:00 P.M. on the [application deadline date](#). A hardcopy with original signatures and attachments must be postmarked no later than 1 day after the submission deadline and mailed to: EDIP Manager, MOBD, 136 Blackstone Street, 5<sup>th</sup> Floor, Boston, MA 02109. Applications that are incomplete or submitted after the deadline will not be considered at the scheduled Economic Assistance Coordinating Council (EACC) meeting, without exception.

For assistance with this application please work with your MOBD Regional Director, local municipal officials and refer to the [EDIP Guidelines](#) and [402 CMR 2.00](#).

PART I. APPLICANT OVERVIEW			
1. COMPANY INFORMATION			
Company Name:	Street Address:		
Project Location Address:	City:	MA	Zip Code:
Company Headquarters Location:	City:	State:	
FEIN # (Federal Employer Identification Number):			
DUA # (Dept. of Unemployment Assistance Number):			
2. COMPANY CONTACT			
Executive Officer/Company Designee:	Full Name:	Title:	
Contact (if different from above):	Full Name:	Title:	
Contact Address:	Street Address:		
	City:	State:	Zip Code:
Telephone Number			
Email Address:			

Economic Development Incentive Program Supplemental Application 1



# EACC Board Criteria Considerations for Awards

- Municipal support in form of TIF or STA
- Number of jobs to be created
- Timing of the job creation
- Size of capital investment
- Wages of jobs to be created
- Healthcare? 401K, IRA, pension?
- Level of out-of-state sales
- Industry
- Community Profile
- Competitiveness of situation
- MA HQ? US HQ? Divisional HQ?
- Commitment to local procurement





# Local-Only Incentives Application

- For projects ineligible or uninterested in tax credits, but seeking local property tax relief
- Applications due at same time supplemental applications are due
- Projects receiving tax credits do not complete this application; following slides discuss types of local tax relief that may be available.



COMMONWEALTH OF MASSACHUSETTS  
ECONOMIC ASSISTANCE COORDINATING COUNCIL  
MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT

**Economic Development Incentive Program (EDIP)  
LOCAL INCENTIVE-ONLY APPLICATION**

A complete application with all required attachments must be submitted in electronic form to your MOBD Regional Director by 5:00 P.M. on the [application deadline date](#). A hardcopy with original signatures and attachments must be postmarked no later than 1 day after the submission deadline and mailed to: EDIP Manager, MOBD, 136 Blackstone Street, 5<sup>th</sup> Floor, Boston, MA 02109. **Applications that are incomplete or submitted after the deadline will not be considered at the scheduled EACC meeting, without exception.**

For assistance with this application please work with your MOBD Regional Director, local municipal officials and refer to the [EDIP Guidelines](#) and [402 CMR 2.00](#).

PART I. COMPANY OVERVIEW				
1. COMPANY INFORMATION				
Company Name:				
Project Location Address:	Street Address:			
	City:		MA	Zip Code: <input type="text"/>
FEIN # (Federal Employer Identification Number):	#			
DUA # (Dept. of Unemployment Assistance Number):	#			
2. COMPANY CONTACT				
Executive Officer/ Company Designee:	Full Name:		Title:	
	Contact (if different from above)	Full Name:	Title:	
Contact Address:	Street Address:			
	City:		State:	Zip Code: <input type="text"/>
Telephone Number:	XXX-XXX-XXXX			
Email Address:				
3. COMPANY DESCRIPTION & HISTORY				
Please provide a brief description and history of the company.				

Economic Development Incentive Program Local Incentive Only Application 1



# Local Incentives: Tax Increment Financing (TIF)

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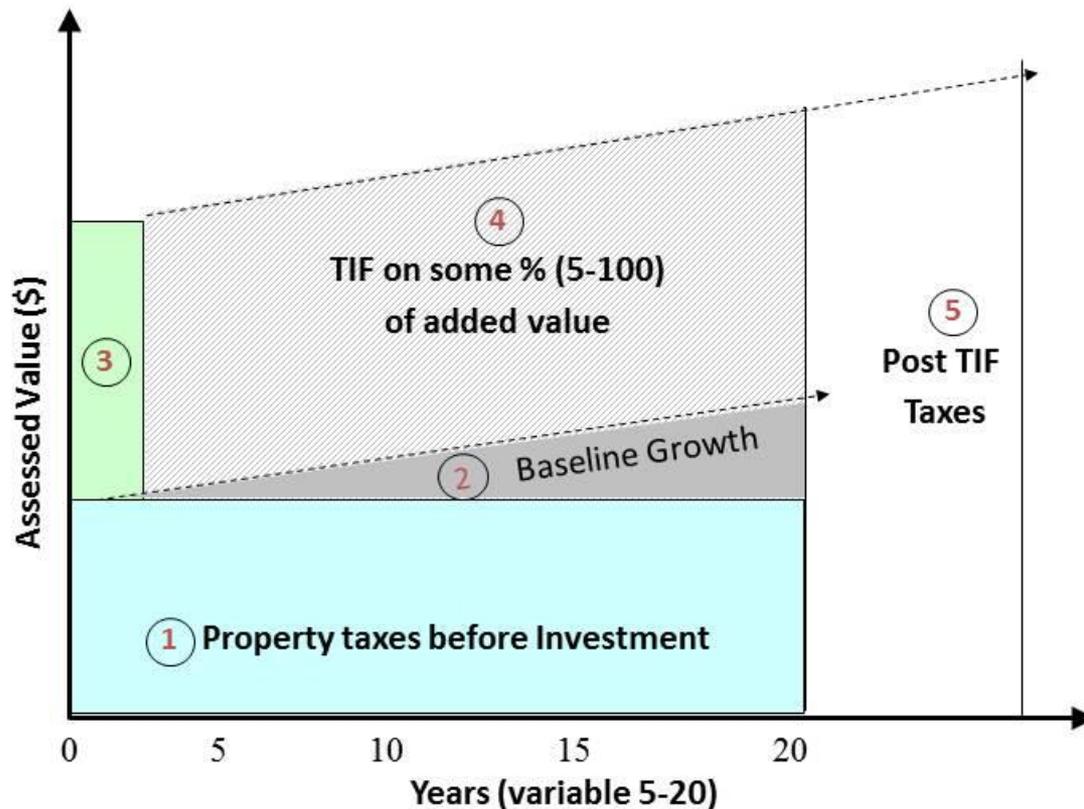
**Tax Increment Financing (TIF) is a negotiated Agreement between business and host municipality. The percentage exemption applies to the incremental increase of assessed value of the parcel and the agreement may include exemptions on personal property tax. Per M.G.L. 40 § 59:**

- TIFs have a 5 year minimum, 20 year maximum or anything in between;
- Business pays full tax rate on the “base value”;
- Exemption from property taxation on all or part of the increased value accrued as a result of development (the “increment”);
- Percentage of exemption (for incremental real and personal property tax value) may range from 5% to 100%;



# Local Incentives: Tax Increment Financing (TIF)

## Tax Increment Financing (TIF) Agreement Mechanics



- 1 Taxes on original property valuation
- 2 Expected growth in tax, with no investment
- 3 Amount investment raises property value
- 4 Added value subject to TIF Agreement Exemption
- 5 Company pays taxes on full assessed value of property upon TIF expiration



# Local Incentives: Tax Increment Financing (TIF) Valuation

EDIP Local Incentive Only Application Exhibit 1: Local Incentive Valuation

FY	Municipal Tax Rate Per Thousand	Incremental Assessed Value	Projected Annual RE Property Tax Bill for Incremental Assessed Value	TIF/STA Yearly Exemption %	Exempted Annual RE Property Taxes	Exempted Annual Personal Property Taxes	Total Yearly Value of Local Tax Incentives
2022	\$39.07	\$250,000.00	\$9,767.50	90%	\$8,790.75	\$0.00	\$8,790.75
2023	\$39.07	\$250,000.00	\$9,767.50	80%	\$7,814.00	\$0.00	\$7,814.00
2024	\$39.07	\$250,000.00	\$9,767.50	70%	\$6,837.25	\$0.00	\$6,837.25
2025	\$39.07	\$250,000.00	\$9,767.50	60%	\$5,860.50	\$0.00	\$5,860.50
2026	\$39.07	\$250,000.00	\$9,767.50	50%	\$4,883.75	\$0.00	\$4,883.75
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
Enter Year	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00	\$0.00
				TOTALS	\$34,186.25	\$0.00	\$34,186.25

The Municipality (Assessor) determines the Incremental assessed value (which is the difference between current and new after real-estate improvements). It then decides what percent of that difference it is willing to forgive. TIF's may be for as little as 5% for 5 years or 100% for 20 years.



# Local Incentives: Tax Increment Financing (TIF) Valuation

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- Total Yearly Value of Local Tax Incentives minus PILOT = \_\_\_\_\_

## A PILOT means: *Payment in Lieu of Taxes*

- The TIF Valuation spreadsheet has you subtract anything else required by the municipality from the business from the total value of the TIF
- Examples include: fire engine, annual donations to the library, annual donation of some amount to the municipal economic development fund, etc.
- EACC Board wants to see some “*skin in the game*” from the municipality



# Local Incentives: Special Tax Assessment (STA)

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- **STAs are a negotiated Agreement between business and host municipality that applies to entire assessed value of a parcel, not just the increment.**
  - Current, as well as future local tax revenues are exempted.
- **Unlike TIF Agreements, no Personal Property Taxes may be exempted under an STA Agreement**
- **STAs have 5-year minimum and 20-year maximum terms and must minimally comply with the following 5-year schedule:**
  - Year One: not less than 50% of total property taxes exempted
  - Year Two: not less than 25% of total property taxes exempted
  - Year Three: not less than 25% of total property taxes exempted
  - Year Four: not less than 5% of total property taxes exempted
  - Year Five: not less than 5% of total property taxes exempted

**May elect to exempt a greater percentage (not less) in any given year; may not elect to go less than 5 years in length.**



# Local Incentives: All TIFs and STAs Must.....

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- Must be approved by City Council or Town Meeting
- Must come to EACC Board for final approval
- Cannot be changed or amended without going through the same “approval process”
- Amendments must come back to EACC Board for final approval
- EACC Board meets 4 times per year: March, June, September, December
- Do not want projects coming to EACC Board before the municipal vote

A large graphic of the word "Vote" in a bold, blue, serif font. The letter "V" is significantly larger and colored red, with a jagged, sawtooth-like top edge.



# What is a Tax Credit vs. a Tax Deduction?

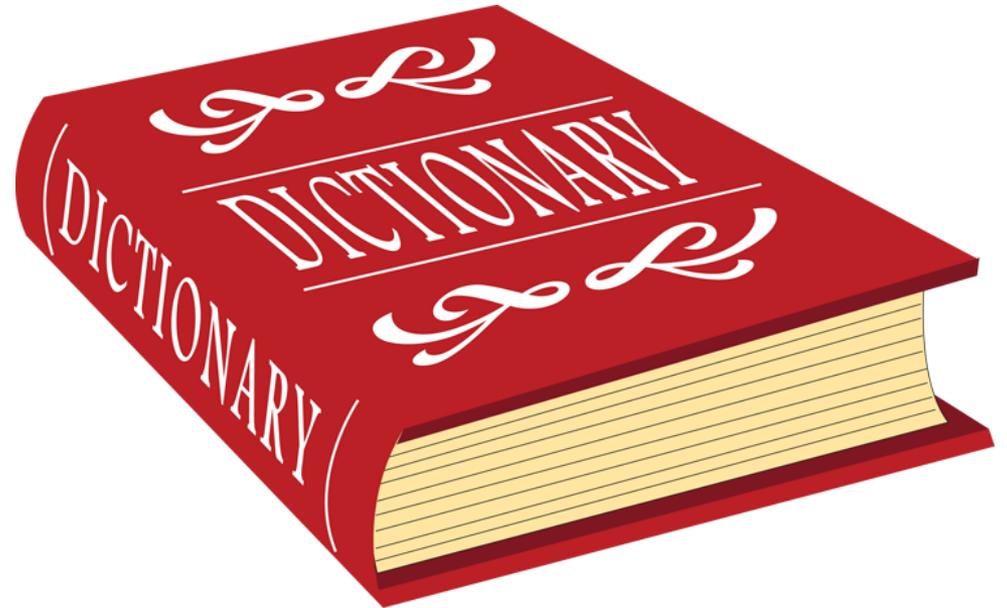
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**Tax Credit:**

*Lowers the Tax Bill*

**Tax Deduction:**

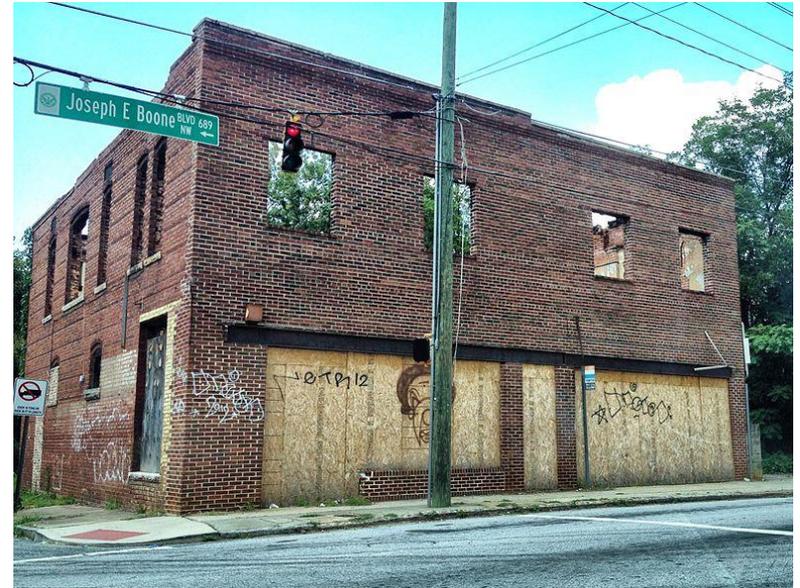
*Reduces an amount off  
the taxable income*





# 10% Abandoned Building Renovation Deduction

- A one-time deduction (not a credit) taken for the costs of renovating an abandoned building
- EACC definition of abandoned building: at least 75% or more vacant for the **preceding** two years
- Cannot tear down the building and replace
- MUST be part of a *Certified Project*
- DOR letter ruling: costs do not include purchase price of building or land







# Vacant Downtown Storefront Initiative

## Step 1 – Vacant Storefront District

- Municipality applies to EACC to designate a defined downtown or other commercial area, as a **“Vacant Storefront District”**
- Identify vacant storefronts that have been vacant for 1 year or longer
- Discuss their municipal match  
(i.e. CDBG funds, forgivable loans, façade improvements, BID matches, MassDev TDI funds, permit fees exemptions, municipal utility breaks, etc. – List not all inclusive)
- Municipality must create a district prior and receive certification BEFORE any business may apply to qualify as a project





# Vacant Downtown Storefront Initiative

## Step 2 – Vacant Storefront Project

- Businesses locating in an identified first-floor vacant storefront within a **Vacant Storefront District** apply to Commonwealth for tax credits
- A **Vacant Storefront Project** *may* receive refundable tax credits *up to* **\$10,000**
- Preference given to projects that generate pedestrian traffic or complement existing businesses in district that achieve stated municipal goals





# EDIP Wrap-Up

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## Contact local MOBD regional director:

- They can guide a business through the process
- Can help “pre-qualify” a project
- Can help company determine whether EDIP tax credits or if other programs may be more advantageous
- Help improve project application
- Help a business with next steps and paperwork
- Know the deadlines, program nuances, eligibility requirements and the municipalities’ historic use of EDIP
- Help to set realistic company expectations



# MOBD Contacts

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