



The Commonwealth of Massachusetts
Office of the Inspector General

GREGORY W. SULLIVAN
INSPECTOR GENERAL

JOHN W. MCCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

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Economic Assistance Coordinating Council
Massachusetts Office of Business Development
One Ashburton Place, Suite 2101
Boston, MA 02108

Dear EACC Member,

I am writing to you regarding the proposed Tax Increment Financing Project Plan and Agreement under consideration by the Economic Assistance Coordinating Council for the Columbus Center project, a large-scale development of the air rights over four parcels of the Massachusetts Turnpike in Boston.

Plans call for building more than one million square feet of residential, hotel and commercial floor space on decks straddling the highway and rail lines separating Back Bay and Bay Village from the South End.

The scope of this project – a 35-story hotel and condominium tower, two lower-rise residential buildings, and garage space for 915 cars – was finalized in 2003. At that time, representatives of the developer as well as an independent consultant working for the Boston Redevelopment Authority said the huge scale of development was justified as the minimum necessary to make the project economically feasible. Several less massive alternatives were evaluated and reported to be \$25 million to \$75 million short of feasibility.

Throughout the two-year process, feasibility was defined in relation to “estimated rates of return needed to meet capital market requirements” – with an 18 percent return assumed to be the threshold minimum to secure private financing. Notably, the evaluation of the project’s economics did not include consideration of any public subsidies (other than a \$0 land cost in some alternatives) in determining the minimum scope of a feasible project. This was because representatives of the developer stated there would be no public subsidies, according to citizens and public officials present at hearings.

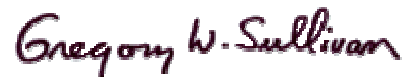
Since 2003, while the scope of the project has not materially changed, the developer's plans for financing it have. The developer has sought a range of public subsidies, including New Markets Tax Credits, low-interest government-backed loans, and Community Development Action Grants – without any reduction in the size of the complex.

Recently, the Legislature rejected a \$4.3 million grant to subsidize the development. That action shows the Legislature's intent about the suitability of using taxpayer's money to underwrite this project.

As you know, the Economic Development Incentive Program is exclusively for projects that cannot be developed through the "ordinary operations of private enterprise." Clearly this project was designed to be developed through the ordinary operations of private enterprise. The developer sought and received rights to a large project with the understanding that it would be privately financed. An independent consultant who had access to proprietary financial data of the developer found that this project could be privately financed without public subsidies or public assistance.

Given that the Economic Assistance Coordinating Council has had the Columbus Center's application for less than a week and that this project currently does not appear to meet the criteria for an Economic Development Incentive Program tax break, I urge you to delay action on this matter until a more detailed review can be completed and legislative leaders are consulted regarding the state tax credits that will accrue to the project once approved.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, flowing style.

Gregory W. Sullivan
Inspector General