



**Massachusetts Alliance for
Economic Development**

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Expanding in Massachusetts: The Assets in Our Own Backyard

Executive Summary

June 16, 2006

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Executive Summary

“Expanding in Massachusetts: The Assets in Our Own Backyard”

Newton Marriott Hotel, June 16, 2006

Panelists: **Abigail Barrow, Ph.D., Director**
 Massachusetts Technology Transfer Center
 William Hines, President and Chief Executive Officer
 Interprint
 Young Park, President and Chief Executive Officer
 Berkeley Investments
 Una Ryan, Ph.D., President and Chief Executive Officer
 AVANT Immunotherapeutics

Moderator: **Hank Amabile, Senior Vice President**
 Grubb & Ellis

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Remarks by Abigail Barrow, Ph.D., Director, Massachusetts Technology Transfer Center

The Massachusetts Technology Transfer Center, created in the 2003 Economic Stimulus Package, facilitates and accelerates the transfer of technology between research institutions and companies within the Commonwealth of Massachusetts. It provides a tunnel for technology to reach existing companies and aids the formation of new start-up companies. The MTTC clusters expertise and provides collaboration between the institutions and companies within the state.

Dr. Barrow states that one of the goals of the Massachusetts Technology Transfer Center is to support start-ups and provide Entrepreneur Education and Coaching, a service that reaches out to the holders of technologies (often faculty of the educational institutions) and helps them to commercialize their technology, attract investment and/or collaborate with other technologies to provide a product. Dr. Barrow provides an example of a faculty member of an anonymous institution, who was going to sign its technology with a German firm, but instead the MTTC raised interest in the technology within the state. Now because of the work of MTTC a new start-up will be formed in Massachusetts. The MTTC also gives small Technology Assessment Awards and Technology Investigation Awards, funds that help to generate data that show proof of concept, to develop prototypes in early stage tests, and to compare the prototype to existing technologies to discover the competitive advantages.

The MTTC has also created a single website where companies can find technologies in a given area from multiple Massachusetts research institutions (www.masstechportal.org). The site provides a way for institutions and companies to find technologies that either match their own or else blend with them. MTTC program participants range from Senior Lab Directors and tenured faculty members at the Massachusetts Institute of Technology to undergraduate students at Hampshire College.

Each year over \$5.5 billion is invested by the Federal Government to support research in Massachusetts and that money is spent on facilities, equipment, faculty and technical experts and students. Businesses can take advantage of these resources by: licensing the technology developed by institutions, sponsoring research, getting involved in student projects, hiring interns and new employees within the state, and using the equipment in the universities. Universities typically want to work with local companies and the MTTC can unite the two.

Remarks by William Hines, President and Chief Executive Officer, Interprint

“Pittsfield did not want to lose this homegrown and very successful business and truthfully, I didn’t want to leave Pittsfield.”

William Hines speaks about the benefits that Interprint has gained from its location in Pittsfield. These benefits include state and federal grants, work force development programs, and tax incentives. The German company Interprint recruited William Hines to head the U.S. operations and the company started on a micro scale; it rented part of a building in Pittsfield and later expanded and purchased the remainder of the building. Years after this expansion, Interprint purchased a site across town for more expansion capacity. Recently, \$27 million has been invested into the new Pittsfield site. Because of this immense growth and Pittsfield’s designation as an economic target area, Interprint, under the direction of William Hines, has experienced firsthand what it is like to expand in Massachusetts.

Seventy-five acres of local land was donated to the city for potential economic development and 25 of those 78 acres were buildable. The city offered the site to Interprint and issued city secured HUD Grants to extend water and sewer lines 2.5 miles to the site. The balance of the cost to Interprint was less than \$1 million. The city and state designated the site as a certified project of an Economic Opportunity Area within an Economic Target Area. Interprint qualified for Tax Incentive Financing (TIF). In addition Interprint received work force development grants for \$276,000. Four years ago Interprint was awarded a \$246,000, two-year grant under the state’s Workforce Development Initiative.

With the help of City and Federal Grants, Interprint was able to construct an efficient, modern, and technologically advanced facility with an output per working hour that is 10% higher than the next best Interprint facility in the world. And, according to Hines, the company will continue to expand into the next phase with the capability to double or even triple the size of its current new facility.

Some of the benefits of a Pittsfield location are the relative low cost of living, the availability of affordable housing, and the quality of life in the Berkshires. Hines believes that towns like Pittsfield might attract spin-off from R&D firms in the Boston Metro area when companies have the desire to move manufacturing components to lower cost areas.

Hines chose to expand in Pittsfield because of the need to retain the experienced and trained workforce, the city and state financial incentives, and the high quality of the labor pool. But besides these benefits, Hines also identifies the barriers to company growth within the state.

These barriers include: higher fuel costs in the Northeast, the increasing cost of housing and the decline of available affordable housing, higher taxes, the cost and duration of unemployment insurance, and the uncertainty of the state's new universal health plan.

Remarks by Young Park, President and Chief Executive Officer, Berkeley Investments

“[CitySquare] will provide a new importance for commercial development in downtown Worcester as well as a new heart that the city has been yearning for.”

The planning of CitySquare was triggered by the acquiring of the 20.2 acre site of a former urban shopping mall in the heart of Worcester. According to Park it was a good urban design but a grave economic mistake. The CitySquare program, in cooperation with the city and with the vision of Mayor Timothy Murray and Berkeley Investments, sought to reshape the former site. The site will be used for a mixed use development with an emphasis on retail and elderly housing. In particular, there are two buildings that take up 500,000 square feet of the 22 million square foot space that are an attraction for the project. CitySquare is the key for renewing the Worcester downtown. “[CitySquare] will provide a new impetus for commercial development in downtown Worcester as well as a new heart that the city has been yearning for.”

Public subsidies played a huge role in the process and contributed \$94 million to this \$600 million project. According to Park, Berkeley Investments would not have been able to single-handedly fund the project without the aid. The funding provides CitySquare project with a substantial price advantage of 15%.

In discussing why the Worcester location is attractive, Park noted that the Worcester Trade area, which is defined as the area 20 minutes from CitySquare, has a substantial population of educated people and it is retaining those people. There is a great labor pool, it is a cultural city, and there are 30,000 students and 14 universities in the area. It is also one of the only counties to grow in the state this year. There has also been an enormous investment of public dollars, and the public infrastructure of route 290 and Interstate 146 are up-to-date. Worcester is highly underrepresented in retail development and represents an area where there is about 2 million square feet of unmet demand. Park describes the economic climate of Worcester as being a “donut”: a growing county, but with a city that is suffering from a retail standpoint.

Yet there are some challenges that Berkeley Investments faces in Worcester. Those challenges include the 15% increase in construction costs that seem to occur annually and the heavy commercial property tax burden of Worcester compared to suburban locations. The key to Worcester's success, according to Park, is to build on the resources and assets that already exist in Worcester and its surrounding communities, including development from Devens, and taking up joint ventures with the universities in the area.

Una Ryan, Ph.D., President and Chief Executive Officer, AVANT Immunotherapeutics

AVANT Immunotherapeutics is headquartered in Needham, has a research subsidiary in Overland, Missouri, and has a new state-of-the-art multi-product manufacturing facility in Fall River. AVANT has a substantial global reach, recently receiving funding from the Bill Gates Foundation for trials in Bangladesh.

“We were heavily courted by the other states and by other countries who offered us everything from bond issues to matching funds. But in the end we chose Massachusetts.”

AVANT Immunotherapeutics chose Fall River because of the low cost and efficient manufacturing. They were also able to move into the facility quickly. The expansion to Fall River represents the company’s advancement from R&D to manufacturing, therefore it was vital, Dr. Ryan states, to have proximity to the R&D site in Needham. Choosing from sites within a 20 minute radius of Needham, they picked Fall River. But since the new location will only support the demand for clinical trial stages of vaccines, AVANT will look to build a new commercial manufacturing plant on the heels of this expansion.

AVANT, Dr. Ryan notes, has pulled the majority of its workforce from Brown University and from the University of Massachusetts at Dartmouth and New Bedford. Along with an exceptional workforce, Fall River offered a friendly and welcoming environment which facilitated the relocation process. Governor Romney, Mayor Lambert, and Representative Rodrigues all offered support when the company began talking of expansion. Dr. Ryan states that this support was vital to the decision-making process: “We were heavily courted by the other states and by other countries who had offered us everything from bond issues to matching funds. But in the end we chose Massachusetts.”

AVANT received below market loans through MassDevelopment, and Fall River’s Mayor Lambert and the City of Fall River eased the permitting process. But Dr. Ryan also notes that the state of Massachusetts still has a long way to go as far as permitting is concerned.

Dr. Ryan also lists some of the areas besides streamlined permitting that the state should improve upon. The first is the high cost of living. Dr. Ryan also suggested the need for a Southeastern Massachusetts commuter rail and reducing the unemployment insurance tax burden. Furthermore, it would be beneficial and more efficient for New England to lobby as a single entity rather than as single states. This is particularly evident in the Fall River area where the relationship to Rhode Island is beneficial. Lastly, Dr. Ryan asserts her confidence in the state: “I want to make the case that if things aren’t right in Massachusetts, you honestly can make them different.”

Questions

Moderated by Hank Amabile, Senior Vice President, Grubb & Ellis

How do you view the tax environment in Massachusetts compared to other states?

Bill Hines

Two of the states that were recruiting Interprint just a couple of years ago were North Carolina and South Carolina. Not only are their business and commercial tax rates a lot less than ours but also the residential property tax rates are lower as well. I don't have the specifics as far as percentages or numbers but I remember there being a significant difference.

Una Ryan

I think that the term "Taxachusetts" is outmoded and we should stop using it even as a joke. I do think that the unemployment tax is an issue; you get paid more for longer here than any other state. However, there are some good things that people don't know about Massachusetts. One is the Unified Single Sales Tax where companies only pay tax on what they sell in Massachusetts rather than on everything they manufacture in Massachusetts and sell elsewhere. I would not say there is a generalized tax burden but I do think that the unemployment burden is specifically higher here.

Young Park

One of the things we were confronted with was the issue of municipal taxes. Worcester derives so much of its revenue from residential taxes. In order to balance that the city has been forced to maintain a high level of taxes for commercial and industrial uses. That puts Worcester in a very non-competitive position vis-à-vis other communities around 495, as we are trying to attract companies that are relocating toward the central Massachusetts venue escaping the high real estate prices for their employees. The city has been very creative with TIFs and DIF to try to mitigate that problem, but I think that is a major issue that the city is trying to address and it has not been successful in eliminating altogether. There are other issues as well: Worcester is like a donut—you have so little economic activity in the city itself and you have a nine town ring around it. What needs to change is the perception that Worcester is not just a very nice suburban environment but also a nice downtown where people can go and have fun and have a decent meal—that's what we're trying to address in our project.

Young Park, I was really surprised to see the amount of assistance you got in loans and incentives for the development of Worcester and I was curious, how do you think the various money sources influenced the process?

Young Park

The assistance was critical in our willingness to risk private investment dollars. We did not have a commitment from the city to issue the TIF bond and we did not know that the state would step up with the \$25 million subsidy. So we did take a chance when we purchased the property. In retrospect we should have negotiated harder with the city to obtain a commitment on at least the

TIF portion. Without the commitment of both the state and the city we would not have been able to go forward with our project.

Another question for Young Park, how have you worked with the unions during the process of CitySquare?

We have spent a lot of time with the trade unions on our project and we do have an agreement. This is the first time that the unions have agreed to a modification in a major city such as Worcester. The agreement is a fair one. We will use union labor for all infrastructure costs, for all delegated work, and for all major commercial building including the medical building and the office tower. On the other hand we will be able to use open shop contractors for the retail and the housing portion. The concession that we made on the infrastructure as well as the vertical construction would have gone to a union contractor anyway. I think the arrangement that we made was a fair one and one that protects the competitive advantage that we see in this project.

What are some things to consider when attracting entrepreneurs and start-ups?

Abigail Barrow

There are two important things to consider when helping entrepreneurs within the state. One is investment; if there is local investment a company is more likely to stay close to local investors and once those companies establish themselves within the region they are more likely to grow in that region. I have been working with a very good supply of investors here in Massachusetts. Obviously our main competitor is California and in particular Silicon Valley. If we can find investors for early stage companies within the state we are much more likely to grow those companies within the state. We have to make sure we help our early stage companies and entrepreneurs whether they are faculty or student entrepreneurs. The other important factor is good management. Having management talent to aid these start-up companies is really important. And that is an area that I work a lot with—helping them find the early stage management who help them raise the money and aid them through the start-up process. The managers can answer the essential questions: how do I establish manufacturing? Where should I do it? How much money do I need? How do I hire people? If a company gets those two resources within a local area and builds that company around them it is very likely to keep that company within the state as it grows.

Una Ryan

We need to extend and understand the full life cycle of a life sciences company. I think that Massachusetts is very good at spawning babies—we start companies. I do think that we're bad at nurturing companies through until they become tax paying adults. There are only two really successful large biotech companies in this area. So I think that the state needs to recognize that it might keep having start-ups but they will relocate or be acquired by other companies. So you need to think all the way through to profitability, which is what the commonwealth needs.

Have you been able to see any changes within the state in the past few years as far as the improvements they are making to attract companies?

Abigail Barrow

If you look in the Economic Stimulus Package that was passed yesterday there is specific funding to both retain and attract companies to the state. When Procter & Gamble acquired Gillette, the governor's office and Ranch Kimball were very creative. They offered to meet with their Senior Science Executives, bringing them to the state and showing them what we have here in Massachusetts. There were two missions during which they met a lot of company and academic resources. As a result of that there are about a dozen agreements being set up in Ranch Kimball's office to push that program out. I think the door is absolutely opening and I have been able to see a transition in the thought process of the government within the last two years.

Rod Jané (Audience comment), Executive Director, Massachusetts Office of Business Development

Two years ago the Business Resource Team consisted of four economic development partners and today it consists of 24 partners. That Business Resource Team was the primary reason we won the Bristol-Myers Squibb project. It wasn't the workforce or the infrastructure, or the streamlined permitting because those things existed 5 years ago and the workforce certainly was here. We are managing 310 projects in our pipeline and there are lots of big ones like Boston Scientific (1500 jobs in Marlborough), Intel (600 jobs on top of 2,000 existing jobs); and Charles River Laboratories will move to Shrewsbury and add 900 jobs in a new facility. We're being truly aggressive in a way that Massachusetts hasn't been historically. We are considering the fact that we need more troops on the ground so that we can globalize more of these locally: the Economic Stimulus Bill is providing that. Part of the bill includes \$1.5 million for more field personnel for the Massachusetts Office of Business Development to mobilize and coordinate these types of projects. I think we're going in the right direction.

Dr. Ryan, when AVANT located to Fall River, did you encounter any problems with permitting at the municipal level?

People always quote how the municipalities are the problem, for us Fall River was not a problem. The Mayor got everyone together and the deal was done in a week. The problem for us was that we cohabit with the University of Massachusetts and there were two different water streams exiting. It was an environmental issue; at one point it even became an EPA issue and then it got kicked back to the state again. There was a significant delay in the process. We have learned a couple of things from this challenge: next time I wouldn't move into a building without knowing the logistics of the property.

Dr. Ryan, you mentioned a next phase of production and a new plant once GMP gets moving: What is the decision process you will go through in order to decide whether that phase takes place in Massachusetts or somewhere else?

Una Ryan

At first it was very important for our first plant to be near our R&D headquarters and I don't think that anymore. I don't think we're chained to being near Needham. So we could look further. We want to expand a bit in the area where we are now but for the future we're going to put together a plan with everything we need for manufacturing and then we will see what suits it best. There may already be vaccine manufacturing plants up that we could move into in a turn-key situation. But if we were to stay in Massachusetts I really do like the South Coast area so we would try to stay in that part of the country.

Wrap-up:

The purpose of this conference was to consider the advantages and disadvantages of expanding in Massachusetts. We benefited from hearing the perspectives and insights on tax initiatives, grants, work force development, permitting, location, and the resources within Massachusetts. We can take away a notion of what we need to improve on as a state and contemplate what we can do as ambassadors to create a change for the better.

About the Speakers

Abigail Barrow is Director of the Massachusetts Technology Transfer Center (MTTC). The Center was founded in 2003 by Governor Mitt Romney and the Legislature with in order to facilitate and accelerate technology transfer between research institutions and Massachusetts companies, promote collaboration between research institutions and the Commonwealth's technology industry, and assist in the growth of Massachusetts companies. MTTC is housed at the UMass and capitalizes on technology developed at both UMass and at other Massachusetts universities. The MTTC also oversees an online searchable database of licensable technologies from Massachusetts research institutions.

William Hines is President and CEO of *Interprint, Inc.* and is managing director of its parent company Interprint International, which has facilities worldwide. Interprint is an international designer and manufacturer of decorative laminating products for residential and commercial use. Interprint's North American headquarters, located in Pittsfield, were recently enlarged to include a new \$27 million plant. The new plant is the largest private investment in new plant construction in Pittsfield's history and the largest investment project in the history of the Interprint group. Hines also chairs Jobs for Pittsfield and the Pittsfield Economic Development Authority.

Young Park is President and CEO of *Berkeley Investments*, a real estate investment, development, and asset management company based in Boston. The company's assets total 2.3 million square feet of office, R&D, and industrial space throughout the state. The firm currently has active projects in Worcester, Andover and Chelmsford. The Worcester project, CitySquare, will replace the Worcester Common Outlet Mall with a new, mixed-use, urban district that will integrate medical/clinical, office, residential and street-access retail and entertainment uses.

Una Ryan is President and CEO of *AVANT Immunotherapeutics*, a biopharmaceutical company that uses novel applications of immunology to prevent and treat diseases. With its headquarters and R&D operations in Needham, Dr. Ryan led AVANT's expansion of operations to include an 11,800 SF, multi-product, full service, manufacturing facility in the UMass Advanced Technology and Manufacturing Center, located in Fall River. As the first life sciences company in Fall River, AVANT is leading the way for other biotech companies to expand in southeastern Massachusetts. Dr. Ryan is also Chair of the Massachusetts Biotechnology Council.

Hank Amabile is a Senior Vice President with the Boston office of *Grubb & Ellis Company*, a global commercial real estate company with offices in 200 locations and over 9,000 employees. Hank has over 24 years of experience in real estate, specializing in providing customized real estate solutions to major corporations. In his 15 year tenure at Grubb & Ellis, Hank has provided local and national real estate solutions for large corporate clients, including The Gillette Company, Thermo Electron Corporation, Tyco Electronics, Wyeth Bio Pharma and Xerox Corporation.

Sponsors

Berkshire Economic Development Corporation

Formally established in 2005, The Berkshire Economic Development Corporation (BEDC) was formed out of years of collaborative economic development partnerships between private and public entities and leaders including private businesses, municipalities, government agencies, legislators, academia, health care institutions, and not-for-profit organizations. The BEDC is the lead business development organization for Berkshire County and it facilitates, coordinates and leads collaborative countywide economic development efforts to attract and retain high quality employers & employees, strengthen the economy of the Berkshires, and act as a catalyst for new endeavors.

The BEDC provides the infrastructure to help businesses in the Berkshires grow with the support of an active, engaged community. Through collaboration of key partners the BEDC is able to boast smart growth in the region. The BEDC is a single source of regional information and a "one-stop-shop" for business relocation, expansion or start-up.

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Merrimack Valley Economic Development Council

The Merrimack Valley EDC is a private, non-profit organization devoted to advancing the economic interests of the Merrimack Valley region. Their goal is to sustain economic growth and prosperity for every community in the Valley. The Council, co-chaired by Kendall M. Wallace, Publisher of the Lowell Sun, and Irving E. ("Chip") Rogers, III, Publisher of The Eagle Tribune, encourages greater communication and cooperation between the public and private sectors and between communities in the region. By bringing together leaders from communities across the region, the Council provides a valuable forum for sharing information, developing joint strategies to address specific challenges, and ensuring that the interests of the entire Merrimack Valley are advanced effectively.

Companies within the Merrimack Valley include: Smith and Nephew Endoscopy, Gillette, Wyeth, Philips Medical, Joan Fabrics, Avici Systems, Sycamore Networks and Lucent Technologies.

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SouthCoast Development Partnership

The SouthCoast Development Partnership was founded in 1999 as a regional collaborative for the SouthCoast, providing assistance for businesses looking to expand or relocate in the region and promoting tourism and economic development in the communities along I-195 from Seekonk to the Cape Cod Canal. The Partnership coordinates regional resources through public and private leadership and it strives to raise awareness of the region and its extraordinary quality of life, excellent workforce, state of the art facilities and technology based incubators, outstanding industrial parks, and offers for incentive and mezzanine funding programs.

The SouthCoast Development Partnership also promotes the participation of the region's chief executive officers, elected officials, municipalities, chambers of commerce, local economic development agencies, community leaders and the higher education community in programs and activities that stimulate and build sustainable economic development in this region.

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Western Massachusetts Economic Development Council

The Western Massachusetts EDC, founded in 1996, successfully brings together public and private leadership to create a positive environment for economic growth in Western Massachusetts. The region, consisting of the three Pioneer counties of Hampden, Hampshire and Franklin, holds the vast majority of the population, workforce, higher education graduates, attractions and resources of Western Massachusetts.

The EDC is a unique regional collaborative initiative; it is non-governmental, quick and effective. The council, dealing mostly with business retention, business attraction, tourism, technology development, government affairs, and infrastructure, serves as a resource for firms considering the region or for those that are expanding. The EDC unites the region with the common goal of maintaining and creating jobs, attracting new business prospects, and promoting investment and tourism. Throughout its history 5,000 jobs have been created or retained, over \$250 million in private investment has been committed to region, and over \$200 million in state funding has been pledged to support Western Massachusetts' economic development.

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About MAED

The Massachusetts Alliance for Economic Development (MAED), a member of the Massachusetts Business Resource Team, is a private, non-profit partnership of business and government dedicated to fostering economic growth in the Commonwealth. Launched in 1993, the Alliance markets Massachusetts by providing information services to companies seeking to expand within or relocate to Massachusetts.

The Alliance's products and services include a statewide Site Finder Service; the Research & Information Service, providing customized information to support a company's site selection decision; and the Massachusetts Ambassadors program, a private sector leadership corps that helps market Massachusetts as a place to do business. Through these channels, and in conjunction with state and local partners, the Alliance has worked with over 1000 companies including Sun Microsystems, Erie Plastics, Merck, and American Superconductor.