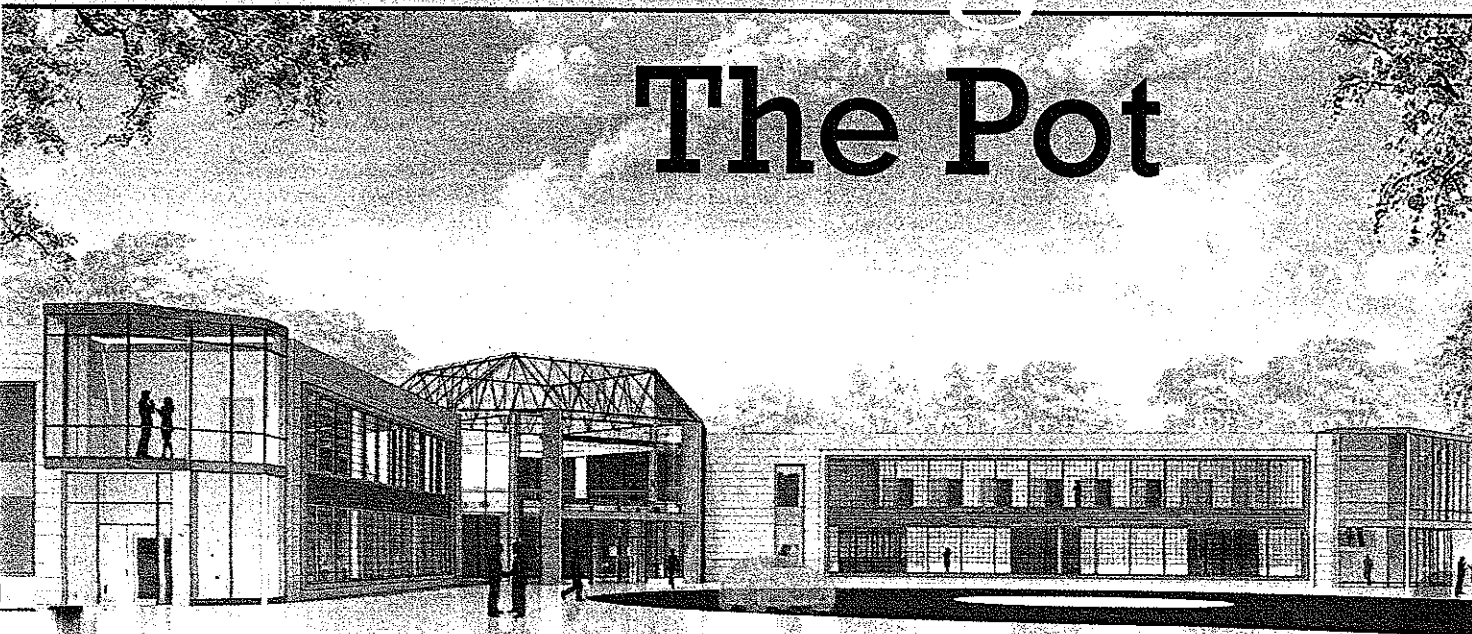


# Sweetening

## The Pot



### FOCUS: 495 South

IMAGE COURTESY HAMILTON STORAGE TECHNOLOGIES

Hamilton Storage Technologies, which has operations in Hopkinton, plans to construct this new facility in Franklin, thanks to some local and state incentives that sweetened the deal for the company.

BY SUSAN SHALHOUB

When Hopkinton-based life sciences company Hamilton Storage Technology outgrew its space, it turned to Franklin. Local officials say the community's work to prepare its Forge Park business district for investments is starting to pay off. And they're hoping for more investments like this in the southern 495 region.

## FORGE PARK

If you take out the guesswork, they will come. At least that's what planning officials hope.

When the Town of Franklin set up Forge Park in 2009-2010 — a development area covering more than 940 acres — it was to lay the groundwork for businesses to set up shop. The 940-acre area — to the west of 495 and bordered by West Central Street, Rte. 140 and Forge Parkway — would automatically qualify its resident businesses for economic incentives and lure growth.

And it worked.

Now, after wrapping up a year of negotiations, Hopkinton-based Hamilton Storage Technologies is moving to a new \$16-million facility at Forge Park. Construction should be complete by late this year.

Bryan W. Taberner, Franklin's director of planning and community development, said tax incentive financing deals — or TIFs — sweeten the pot for companies' willingness to expand in an area. TIFs essentially help businesses finance projects, such as new construction that will create tax revenue for the town. TIFs work by giving businesses incremental breaks on the new taxes that will be paid from an investment. Each year the tax burden for the company increases until it pays the full amount of taxes.

In the current economic climate, a break is what growing businesses can definitely use.

"There are a lot of roadblocks anyway, in construction work," said Matt Hamilton, Hamilton's vice president. "With the town simplifying (this process), it helps."

In Hamilton's case, the town's 10-year TIF will reportedly save Hamilton \$190 million.

The firm — which manufactures data storage systems for life sciences and laboratory companies — plans for its new, 51,000-square-foot facility in Franklin to house its 55 jobs, plus additional positions down the road. Hamilton said the company is specifically looking at adding manufacturing and

R&D jobs.

And local officials are hoping that recent changes in the permitting process for new business investments could lead to more deals like Hamilton's expansion in the community.

### Getting Here From There

The family firm began in Hamilton's grandfather's garage in Whittier, Calif., in the 1950s. It's a privately owned, third-generation company that has seen 20-percent to 25-percent growth each year, Hamilton said.

To better facilitate that growth, the company's vision was to find a new site on this side of the country within the tech belt of the Greater Boston area. Because the firm already had operations in Milford, it was familiar with the southern Interstate 495 region, including Franklin.

"We wanted to stay on the East Coast because of the geography of the marketplace," said Hamilton. "Life science, biotech, pharmaceutical ... the East Coast is a hotbed for that."

Wayland-based R.W. Holmes Realty brokered the deal for the company to expand at Forge Park.

Hamilton admits it was a long process to find the right property, and "we were not the easiest customers." It took about a year and a half of an extensive search to narrow down the sites. Land in Marlborough had also been considered for the relocation, he said.

The Franklin TIF approval evoked a huge sigh of relief for Hamilton.

"We thought we had a tough fight there, with everyone trying to get revenue," he recalls.

### State Helps Pave The Way

The Hamilton Storage TIF deal was one of 14 projects — including the expansion of Classic Envelope in Douglas — approved by the state's Economic Assistance Coordinating Council in December.

The projects were all part of the Economic Development Incentive Program (EDIP), a business tax credit plan sponsored by the state and executed by

local communities. The state approves various TIFs from around the state during its regular meetings. During its December meetings the Economic Assistance Coordinating Council (EACC), which runs the TIF program, approved 14 projects from across the state that could create 700 new jobs and retain 2,900 more. Since 2009, the EDIP has grown to approve 81 projects, including 44 last year.

These strategic, sustainable efforts are part of a bigger picture that will give Massachusetts an edge after the effects of the recession recede, state Housing and Economic Development Secretary Greg Bialecki said in a press release.

"These targeted investments are consistent with that goal and part of an overall economic development strategy designed to continue to help Massachusetts continue to recover faster and stronger than most of the nation and position our businesses and cities and towns for long-term growth and prosperity," he said.

As far as MetroWest goes, the region continues to remain steady in its TIF applications. Annamaria Kersten, director of the EDIP for the state Office of Business Development, said the area submitted 12 requests in 2010 and 2011, a pace she calls in line with other areas of the state.

Growth-seeking manufacturers like Hamilton are in an especially good position, said Brenda Reynolds, the EDIP program manager. "The state gives certain benefits just for being in the manufacturing business," she said, such as a 3-percent investment tax credit on certain machines used in the course of manufacturing.

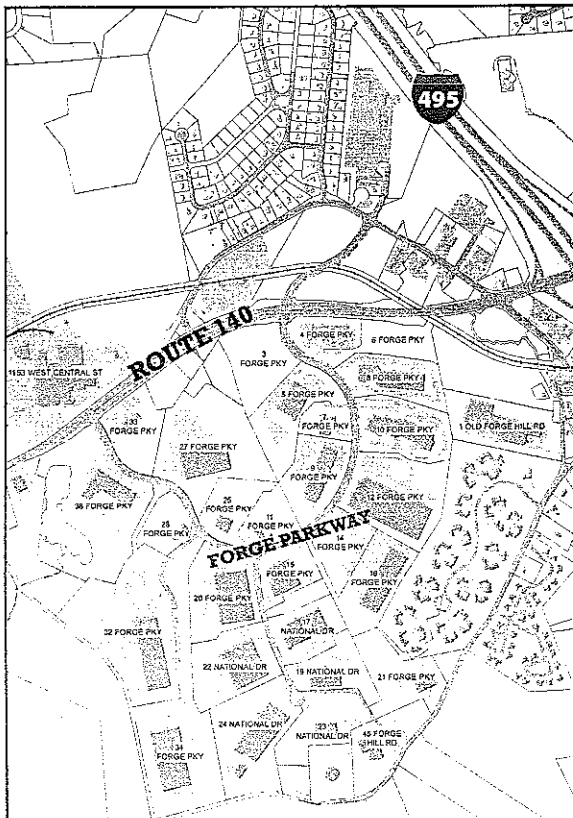
Though rare, TIFs can be up to 20 years in duration, Reynolds said. And, she said, they are up for grabs.

"If (businesses) are creating jobs, we'd definitely love to speak with them," said Kersten.

### Uncertainty Persists

However, Taberner, from the town, pointed out

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## Forging Ahead

Forge Parkway in Franklin is already home to some of the region's largest companies, including Cisco, Thermo Fisher Scientific and Echo Therapeutics. It's getting even bigger with the addition of Hamilton Storage Technologies. Local officials hope there are more investments to come. Here's a list of businesses on Forge Parkway.

3 Forge Parkway	Hamilton Storage Technologies	20 Forge Parkway	General Cable
4 Forge Parkway	Residence Inn by Marriott	21 National Drive	TruGreen/ChenLawn
5 Forge Parkway	Ferguson, J.D. Daddario	22 National Drive	QinetiQ
7 Forge Parkway	Happy Tails Doggy Daycare - coming soon	23 National Drive	JEM Electronics; NMT Inc.
8 Forge Parkway	AIR Inc. QinetiQ Newport HNEA	24 National Drive	Vacumet Corp.
9 Forge Parkway	Tegra Medical	25 Forge Parkway	Berry Plastics Covalence Specialty Adhesives
10 Forge Parkway	Echo Therapeutics Sontra Medical Division PLC Medical Systems Thermo Fisher Scientific Fisher Bio Services	27 Forge Parkway	Thermo Fisher Scientific
11 Forge Parkway	Eastern Propane Gas	28 Forge Parkway	John Donovan Planners Arthosurface Recourse Communications
12 Forge Parkway	Kneinet Nagel The Taylor Group	32 Forge Parkway	Sleepy's
15 Forge Parkway	QinetiQ	33 Forge Parkway	MIAA, MSSAA
16 Forge Parkway	Speedline Technology, MPM Corp	34 Forge Parkway	Pierce Aluminum
17 National Drive	Kellogs	38 Forge Parkway	Dynisco Cisco Systems
19 National Drive	Rainbow Movers		

Source: Town of Franklin

## FORGE PARK

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that TIFs do not allow communities to rest on their laurels, by any means. Though home to businesses such as Cisco Systems, Berry Plastics, Sleepy's, Pierce Aluminum and others, Forge Park is not full, and even if it were, things can change quickly, he said.

"EMC has been here quite a while, but at the same time, Putnam Investments pulled out a few years ago," he said. "(Economic development) is a continuous thing — even when a building is filled up, you don't know how long it's going to stay that way," he noted.

Taberner said more tenants like Hamilton are needed.

There is always vacant space in town, he said. Using the as an example, tenants willing to retrofit or put work into existing buildings are especially crucial.

For example, Taberner said, 22 Forge Park, which BJ's Wholesale Club used as a warehouse and distribution center until it outgrew the space, sat empty for many years. It's now being used by QinetiQ, located at 15 Forge Pkwy., temporarily, for assembly purposes.

es. But Taberner was told the building needs serious investment by a tenant, and one willing to do so and create jobs would be TIF eligible.

"There's never been a time there's been less than a million square feet of space available," he said of Franklin as a whole.

Ultimately, a way to protect the area against an industry downfall — such as what some financial service firms experienced in recent years — is to diversify.

### Looking Ahead

Taberner said that while the town is looking to lease to any firms in Forge Park or other buildings in town to round out its economic base, high-tech companies that can produce good-paying jobs are a priority. Niche industries such as medical device or data storage are also key. Well-educated workforces can help lure high-tech firms to Franklin, he said, but the town also has to sell itself to companies looking to locate here as well.

The town itself is also buoyed, by a 2010 Massachusetts Biotechnology Council Gold BioReady certification, solidifying its commitment to the industry. It was an upgrade from its bronze certification it earned in 2008.

"We know that Franklin is well-positioned for additional growth in this sector," said Robert K. Coughlin in a statement at that time, president and CEO of Massachusetts Biotechnology Council.

The town has also grown its biotechnology overlay district, which provides a smoother permitting process for biotech businesses that are looking to expand in the community. The district now has 28 acres in or directly adjacent to Forge Park, in addition to other parcels in town. Local officials hope that a greater degree of certainty around being able to receive the necessary permits to cite a facility in the town could make the area an attractive locale for biotech companies.

Not to mention the fact that Franklin has a lot to offer as far as attracting a dynamic workforce, including public transportation, in the form of the commuter rail. Officials are hoping Franklin and the Forge Park area can become a hub for businesses to locate in the southern 495 area.

"There's convenient commuting for employees, the majority of which live in Greater Boston," Taberner said. He also cited the Forge Park area's hotels and restaurants. "We want to lure good talent to the organization ... it's a competitive marketplace, we have to stand out." ■

## MONSTER

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allows businesses to manage their resume databases.

Janesky similarly lauded the "significant" size of the company's database, and the investment in technology that has "made the search process better over time."

And overall, there have been small gains as the economy has steadied in recent months. As Arthur pointed out, weekly job postings are up 25 percent year over year for the company.

"The market is good — it's not great," he said. "We are in a recovery. Growth is going to continue for some time."

And while there's been good growth at Dice Holdings, Careerbuilder, and especially LinkedIn, "Monster has not been seeing it as much," he said.

But it has been seeing some.

In 2010, the company's revenues were \$914 million, and it suffered a loss of \$32.3 million. By contrast, in 2011, it pulled in revenues of \$1.04 billion, swinging to a net income of \$53.8 million.

Still, that pales with one of its best years, 2007, when its revenues were \$1.35 billion — a 21 percent increase over 2006 — and its net income was \$146 million.

Arthur explained that the company has two different growth trajectories: The U.S. market and its international market. In the second half of 2011, the U.S. business slowed, while its international business, by contrast, was up 30 percent through the first nine months of 2011.

But with the European markets now slowing, that could further cramp success in 2012, Arthur said. Similarly, Monster has been hampered a bit by its relationship with the federal government, which makes up 10 percent of its U.S. business.

Future growth, analysts agreed, will be contingent on a turnaround in Europe, as well as an employment recovery in the states — not to mention Monster's ability to compete on a number of levels with a number of rivals.

"The market for online job boards is not going to be as strong in the future as it was in the past," said Janesky. "The more Monster can show that using them has a better return, that's what will serve them best." ■

## SHADOW

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While foreclosures overall were down about 30 percent statewide in 2011, petitions in the fourth quarter were up 38 percent compared to the same quarter in 2010, pointing to the notion that there could be a part of the residential market that's in the shadows.

In the MetroWest commercial market, shadow inventory is estimated to make up less than 5 percent, said Tim Van Noord, a commercial real estate researcher for Boston-based Grubb & Ellis. But, by its nature, shadow inventory is difficult to track.

To get a sense of just how prevalent shadow inventory is in the market, Van Noord instead looks at sublease activity, when tenants rent their space to other companies. The difference between sublease space and shadow space is that subleases are being actively marketed for rental, whereas shadow space may not be.

Van Noord estimates that shadow space makes up about 2 percent of the MetroWest market. Compared to vacancy rates in the 20 percent range, it's relatively small, he noted. But, there could be some factors driving it.

For example, during the recent economic slowdown, businesses may have cut back on employees with the expectation they would rehire them at some point, so they wanted to hold on to their empty space in case the company needed it again in the future.

Concurrently, more workers are telecommuting, which could potentially reducing the demand for commercial real estate space, Van Noord suggested.

The net impact of shadow space can be seen as both a positive and a negative. On the one hand, the inventory can drive down asking rents for landlords. Typically when a company looks to sublease its space, it will offer to do so at depressed prices, lower than what the original tenant rented the space for. If a company can get a sublease space at below-market asking rents, other landlords may be forced to drop their prices to better compete.

But not all landlords see the shadow space as a problem.

### On The Bright Side

Marc Verreault, a principal at Carruth Capital, said shadow space can actually be a good thing for commercial real estate landlords. In a way, when there is shadow commercial real estate space, the landlord is collecting rent on an empty building. It allows the landlord to take his or her time to find a tenant. This can be a win-win: If the landlord finds a new tenant, then he'll have a new long-term customer. If he doesn't, he'll still collect rent from the original tenant who holds the lease.

"Still, I'd rather have the building occupied," Verreault admits.

Shadow space and subleases also allow commercial real estate brokers to get creative with their properties. For example, companies like EMC that hold shadow space might have an incentive to find a new tenant so it can get out of the terms of the lease.

In some instances, Verreault said, the company renting the shadow space may even offer to subsidize the rent to a new sublease tenant as a way to get out of the lease commitment.

Shadow space on the residential real estate side can be good and bad as well. On the one hand, shadow space could be a looming foreclosure. On the other hand, Zide said, it can be better for a home to be occupied and sitting in the shadows with a homeowner in it. It will be better maintained compared to a foreclosed property, which can become abandoned and be a blight in the neighborhood.

Overall, though, Zide said shadow space just hasn't been a big deal in MetroWest, given the strength of the area's real estate market.

MetroWest is largely made up of affluent homes that have been impacted less by foreclosures compared to lower-market homes.

Market statistics back up the point: According to online real estate tracking firm Zillow.com, the percentage of home sales that have been foreclosed on in Middlesex County is lower than the state and Worcester County averages by about half.

So, while shadow inventory is not a major driver in the real estate market, it can, and does have an effect. ■