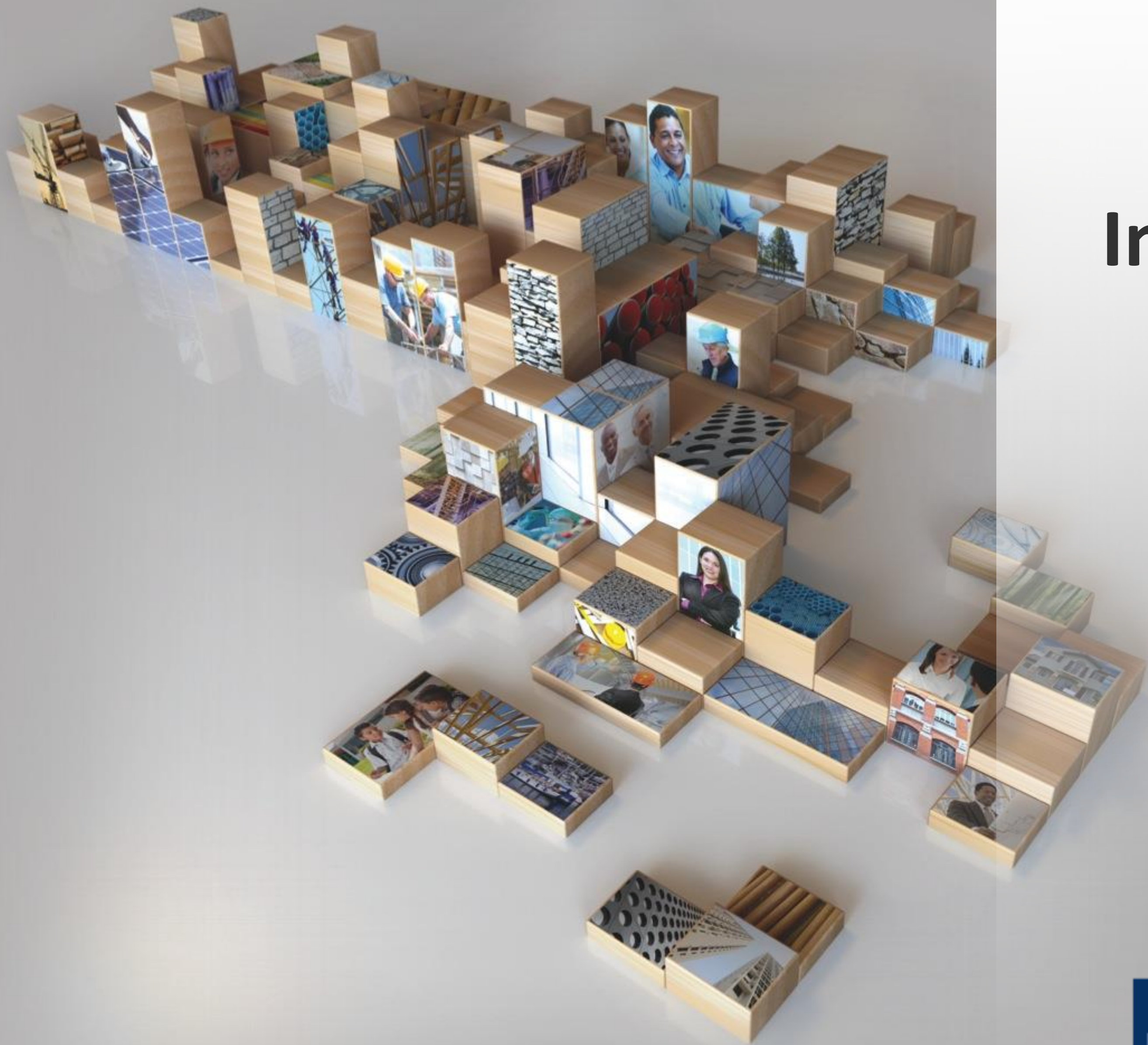


Infrastructure Financing Programs

January 2016

MassDevelopment

Way to grow.

MassDevelopment

- Works with businesses, nonprofits, financial institutions, and communities to **stimulate economic growth** throughout Massachusetts.

- Promotes capital investment and economic development **by providing financing and development solutions**.

- In FY15, MassDevelopment financed or managed projects generating investment of more than **$2.5 billion** in the Massachusetts economy.

- These projects are projected to create more than **6,100** jobs and build or rehabilitate more than **2,000** residential housing units.

Infrastructure Needs*

- Overall, **America's infrastructure receives a D+ rating** from the American Society of Civil Engineers.
- MA Highway system includes **9,500 lane miles of roadway, 5,000 bridges, 65 lane miles of tunnels, and 1,500 traffic signals**, much of which is approaching or has surpassed its useful life.
- **Fifth largest mass transit system** in the nation. **Oldest subway system** in the nation and its infrastructure is difficult and expensive to maintain. Backlog of approximately $3 billion of projects.
- $10.2 billion **funding gap for drinking water**, $11.2 billion **gap for clean water (i.e. wastewater)** projects, and potential $18 billion **gap to address stormwater concerns** and comply with proposed federal stormwater regulations for the Commonwealth over the next 20 years.

*American Society of Civil Engineers' 2013 Report Card on America's Infrastructure

Why is Infrastructure Financing Important?

- **Advance economic development or redevelopment** projects that otherwise **may not move forward** in today's economy, often earlier and at a higher level
- **Attract economic development** prospects by having infrastructure financing plan in place
- **Preserve and strengthen tax base**
- **Create** jobs, **enhanc**e transportation services, **improve** housing supply, etc.
- **Achieve** desired or statutory economic development **goals**

What Types of Infrastructure Can Be Funded?

- Roadways and intersections
- Transportation facilities such as train stations, bus depots, etc., as well as parking garages
- Seawalls, docks, wharves, bridges, culverts, tunnels
- Streetscape, sidewalks, electric lines, street lights
- Parks, playgrounds and recreational facilities
- Brownfields mitigation
- Water & waste water facilities and related lines
- Soft and financing costs (engineering, architectural, etc.)
- Varies slightly by program
- **Infrastructure must benefit the district and must be owned or conveyed to a public entity to be eligible for tax exemption.**

Infrastructure Bond Financing Programs

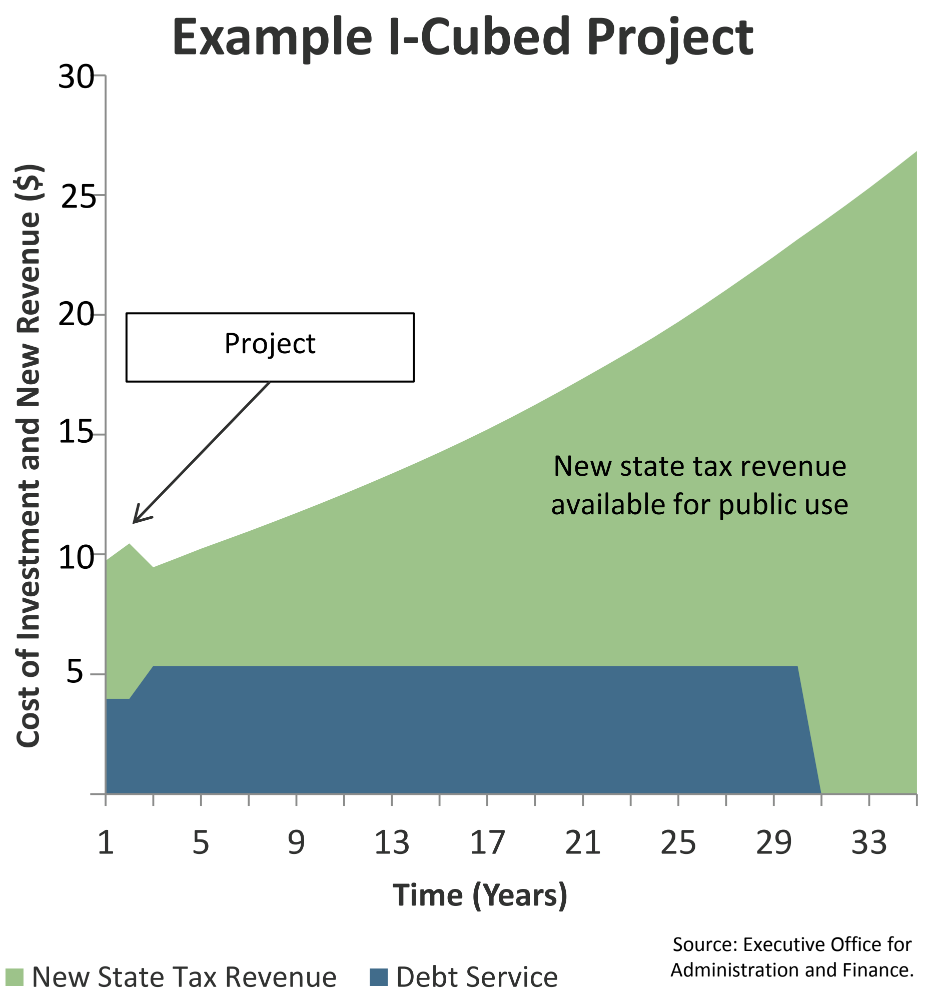
- Infrastructure Investment Incentives Act (“I-Cubed”)
- District Improvement Financing (“DIF”)
- Local Infrastructure Development Program (“23-L”)
  - **All programs** create a district and pay for public infrastructure through taxes
  - All programs **can be used independently or in combination** to meet a project’s financing needs.
  - All programs **allow for issuance of tax-exempt** bonds to fund infrastructure

Infrastructure Investment Incentives Act ("I-Cubed")

- **Legislation passed** in 2006 and was amended in 2008 and 2012.
- **Commonwealth issues bonds** to finance public infrastructure to support major development projects if a project creates sufficient new state tax revenues.
- **Cost and risk sharing agreement** between Commonwealth, municipality and a private developer.
- **$600 million total investment state-wide** with a maximum of 8 projects per community.
- Designed for **larger development projects** with public infrastructure costs between **$5 and $50 million that can be applied for in phases**.

I-Cubed Program Background

- Created to spur **economic development and job growth**.
- Finances **public infrastructure improvements** necessary to support major private development if new state tax revenues will support debt service.
- **New state tax revenues** are primarily from taxes on retail sales and employment.



Source: Executive Office for Administration and Finance.

I-Cubed Approval Criteria

Applications must show that:

- **But-For:** The Project would not happen or achieve the contemplated level of development, jobs, or other economic activity without support from I-Cubed.

- **1.5x Debt Service Coverage:** The projected annual new state tax revenues will be a minimum of 1.5 times the debt service on I-Cubed bonds.

- **Feasibility:** The Project must be financially feasible and the developer must demonstrate that it has sufficient resources or financing commitments to carry out the project.

- Projects in **economically distressed municipalities** are prioritized.

I-Cubed Example: Fan Pier, Boston

A $3 Billion development project which, at full build out, will consist of more than 3 million square feet of office, laboratory, residential, retail, restaurants, cafes, hotel, cultural space and 2,325 parking spaces. I-Cubed bonds financed $34.6 Million in infrastructure improvements. *Developer: The Fallon Company*

I-Cubed Example: Assembly Row, Somerville

A $1.5 billion redevelopment of a 66.5 acre, underutilized and neglected industrial site transformed into a new mixed-use urban, transit-oriented neighborhood with approx. 2,100 residential units, approx. 1.8 million sq. ft. of office space and approx. 835 thousand sq. ft. of retail space, and a 147 room hotel. I-Cubed bonds financed $10 million in infrastructure improvements for Phase 1 of the project (completed), and are expected to finance an additional $30 million for Phase 2 (in progress). *Developer: Federal Realty Investment Trust*

I-Cubed Example: Boston Landing, Brighton/Allston

The Boston Landing development site is approximately 15 acres in the Allston-Brighton area of Boston. $32.4 million of I-Cubed bonds financed infrastructure improvements including a commuter rail station to support a mixed-use development which includes an approximately 250,000 sq. ft. new worldwide headquarters for New Balance, an approximately 145,000 sq. ft. office building, approximately 26,000 sq. ft. retail and restaurant space, an approximately 90,700 sq. ft. parking garage addition, and 1.4 acres of public space.

I-Cubed Example: University Station, Westwood

The University Station project, an underutilized 130-acre site at the intersection of I-95 and I-93 in Westwood, has transformed an aging industrial park into a vibrant mixed-use neighborhood known as Westwood Marketplace. The $10 million I-Cubed bonds helped support the infrastructure needs of this project which includes retail and restaurant uses including Wegmans and Target and 350 residential units.

I-Cubed Deals In Progress

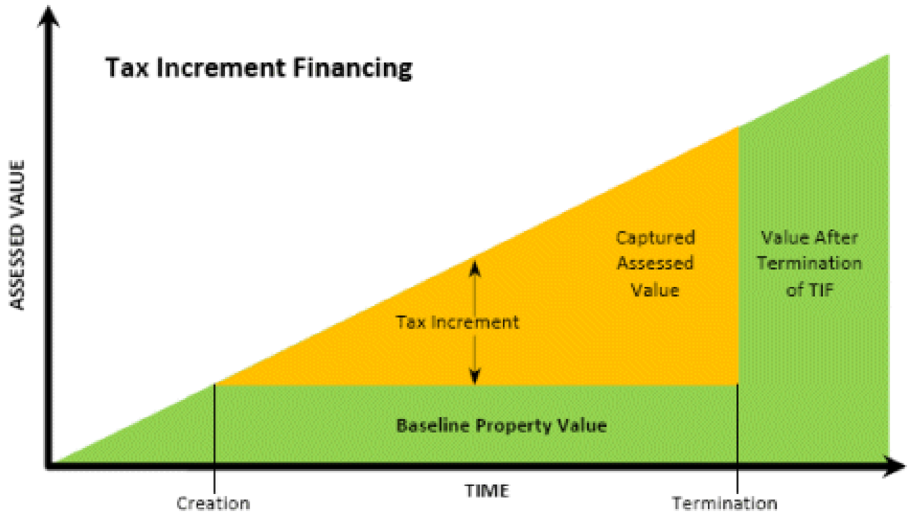
- $40 million Quincy Center, Quincy
- $25 million NorthPoint, Cambridge
- $25 million athenahealth, Watertown
- $30 million Boston Garden, Boston

District Improvement Financing (“DIF”)

- **Uses future, incremental property tax revenues** collected from a predefined geographic area to pay infrastructure project costs either up front through bond or pay as you go annually.

- Incremental property taxes are **from new growth in a district** that will benefit from infrastructure investment.

- Bonds may be issued **with or without a general obligation pledge from the municipality.**



DIF Standard Process

- **Municipality creates District** and holds local public hearings and obtains local approvals. **Requires Town meeting or City Council approval.**

- District approval has 2 parts; a setting of **baseline assessments and a financing plan**.

- Municipality can set a District without the financing plan if a municipality wishes to obtain recognition of a district to set the tax level. **It never has to approve a financing plan if it elects "pay as you go".** If borrowing, a financial plan can be approved at the same time or subsequently.

DIF Benefits

- Borrowing is **not included in municipality's debt limits**.
- Municipality has **flexibility to segregate debt service from general funds** and employ debt structures that would not otherwise be available as financing terms are negotiable.
- **No new taxes are levied** because the District and the DIF does not reduce or redirect existing property tax revenues.

DIF -- Examples

- City of Springfield – **District around Smith & Wesson plant**. Targeted known development to upgrade an area.
- City of Worcester - Issued several bonds to revitalize the **City's downtown**.
- City of Somerville – Issued bonds in combination with I-Cubed. See Previous **Assembly Row** slide.
- City of Taunton – Set a District encompassing the **industrial park and the old state hospital site**. State hospital to be demolished and land converted into an extension of the industrial park. Bonds to be issued.

Local Infrastructure Development Program ("23-L")

- **Property owner(s)** can **finance public infrastructure improvements** with tax-exempt bonds
- **Credit** on bonds **based on property owner and/or credit enhancement** from developer or locality
- Bonds issued by MassDevelopment and **debt service paid through special assessments** on property
- Special Assessments **stay in place if the property is sold**
- **Shifts burden** for infrastructure **to private sector**, landowner consent needed

23-L Standard Process

- **Developer(s)/Landowner(s) file petition** requesting municipal approval **to create district** and special assessments. Includes:
  - District boundaries
  - Details on public improvements
  - Costs and construction schedule
  - Estimates of other private funding sources
- Within 120 days of filing, **municipality holds public hearing**
- Within 90 days following hearing, **municipality responds to petition and improvement plan**

Local Infrastructure Development Program (“23-L”)

- **Developer(s)/Landowner(s) proposes** to district and requests municipal approval.
- **Can be standalone or used with DIF.** If used together, special assessments may be levied to pay any tax increment shortfall in a given year.
- **Private sector benefits** include **non-recourse financing, long-term financing, reduces equity/third party borrowing need**, 100% debt financing, **tax-exempt** interest rates, interest reserves, no acceleration and no cross-collateralization.
- **Public sector benefits** include **shifting burden** of infrastructure **to private sector**, preserves debt capacity, **new source of capital** funding, off balance sheet financing and **economic development** growth (jobs, taxes, etc.)

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