



Local Infrastructure Development Program (Chapter 23-L)

Program

Property owner(s) agree to special assessment on property (or leasehold interests) in order to finance public infrastructure improvements with tax-exempt bonds. Infrastructure improvements can include:

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

Bonds issued by MassDevelopment. Credit on bonds based on project and property owner, *shall not be deemed a debt of the commonwealth or municipality, payable solely as special obligations collected from infrastructure assessments.*

Special Assessments stay in place if the property is sold. Are collected in same manner as property taxes.

Can be standalone or used with District Improvement Financing (DIF). If used together, special assessments may be levied to pay any tax increment shortfall in a given year.

Benefits to landowner: shifts burden of infrastructure to private sector, preserves debt capacity, new source of capital funding, off balance sheet financing, economic development growth (accelerate construction, jobs, taxes, etc.) and fulfillment of public purpose objectives. Municipality is reimbursed for any costs incurred in establishing district and any administrative costs in collecting assessments.

Benefits to city: non-recourse financing, long-term financing, reduces equity/third party borrowing need, tax-exempt interest rates, capitalized interest reserves, no acceleration and no cross-collateralization. Can accelerate/spur economic development project that wouldn't otherwise move forward.

Process

- 1) Developer(s) / Landowner(s) file petition requesting creation of district and municipal approval, and agreeing to special assessments. Petition includes district boundaries, details on public improvements including costs and construction schedule, estimates of other private funding sources, etc.
- 2) Municipality holds public hearing on petition within 120 days of receipt



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- 3) Within 90 days of public hearing, municipality approves petition and improvement plan.
- 4) Assessments are recorded against private property in district in an amount sufficient to pay principal and interest on bonds, administrative costs of administering and collecting assessments, costs of issuance for bonds. Maximum assessment recorded, can be prepaid at any time.
- 5) Underwriter selected for bond issuance
- 6) Bond offering statement and trust documents drafted
- 7) Market Study, Special Assessment Report drafted
- 8) Bonds issued with level debt service and maximum maturity of 25 years

Underwriting Criteria

- Value to Lien
- Financial strength/track record of developer.
- Feasibility/demand of project
- Sources and Uses of funds for project
- Foreclosure procedures of municipality
- Bonds typically issued as non-rated due to development risk