



# USQ Infrastructure & District Improvement Financing (DIF)

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*Financing infrastructure for today's needs and  
tomorrow's progress*

City Staff

November 28, 2017

# Process to date

- Presentations to the Board of Aldermen Finance Committee of the Whole on 10/11 & 10/25
- Presentation slides, supplemental information, and responses to questions posed during meetings are available on the City's public-facing website:

[www.somervillema.gov/usqdif](http://www.somervillema.gov/usqdif)



**Presentations &  
Resources**



**Documents**

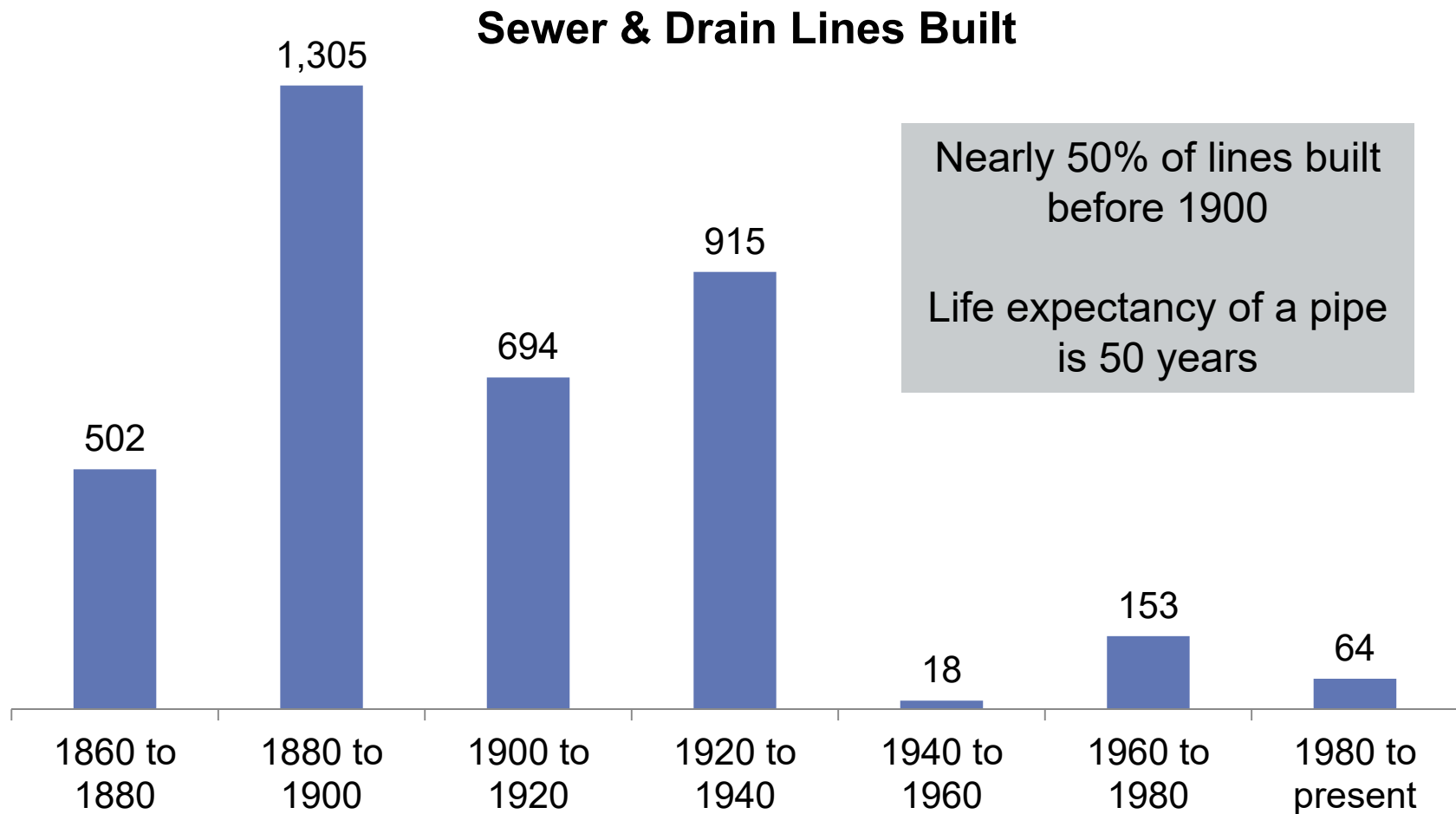


**Secure Documents**

# Somerville has serious infrastructure needs



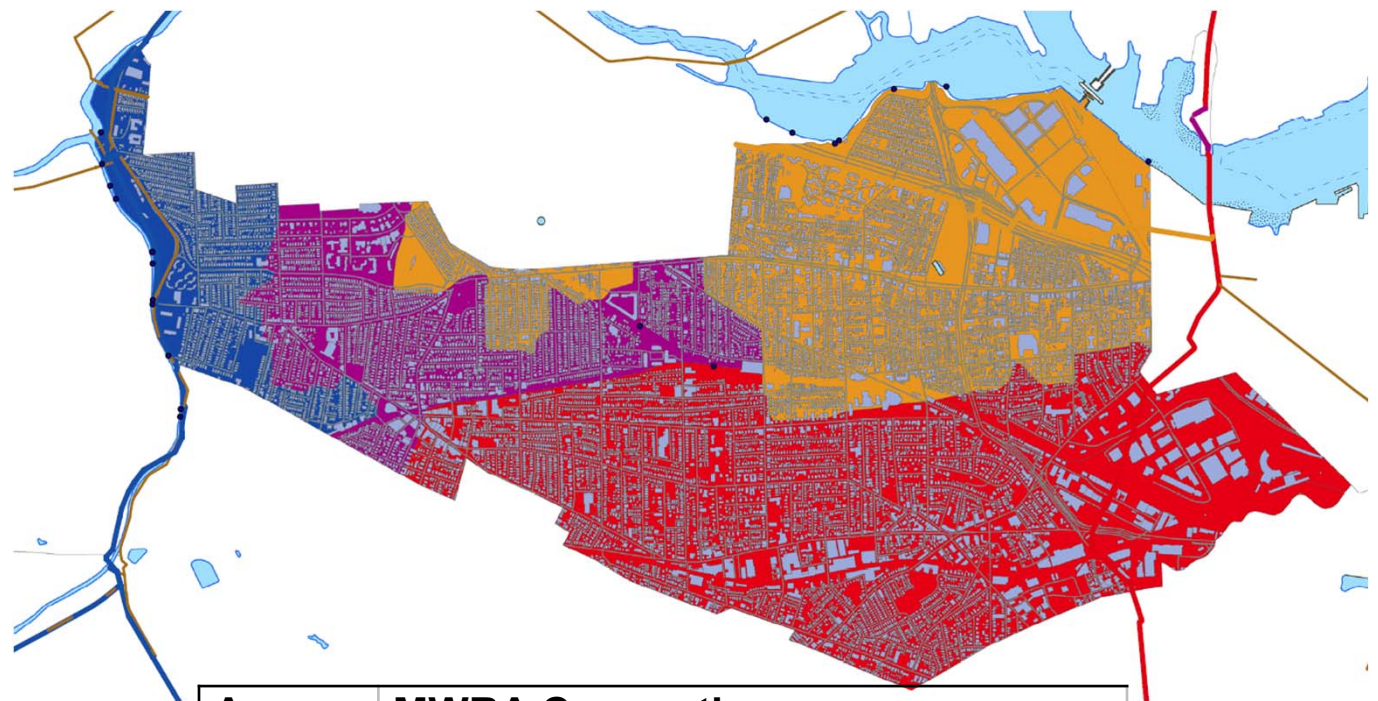
This isn't a surprise: more than half of our system was built **over 100 years ago**



# Union Square is our greatest citywide infrastructure challenge

60% of the City's sanitary flow passes through Union Square to a MWRA-controlled, 140-year-old pipe, meaning **the Union Square infrastructure challenge is a citywide challenge.**

This infrastructure must be improved regardless of plans for development, and will directly benefit at least 60% of the City.



Area	MWRA Connection
Orange	Somerville Marginal Interceptor (SMI)
Blue	Alewife Brook Conduit (ABC)
Red	Cambridge Branch Sewer (CBS)
Purple	Primary to CBS with overflows to ABC

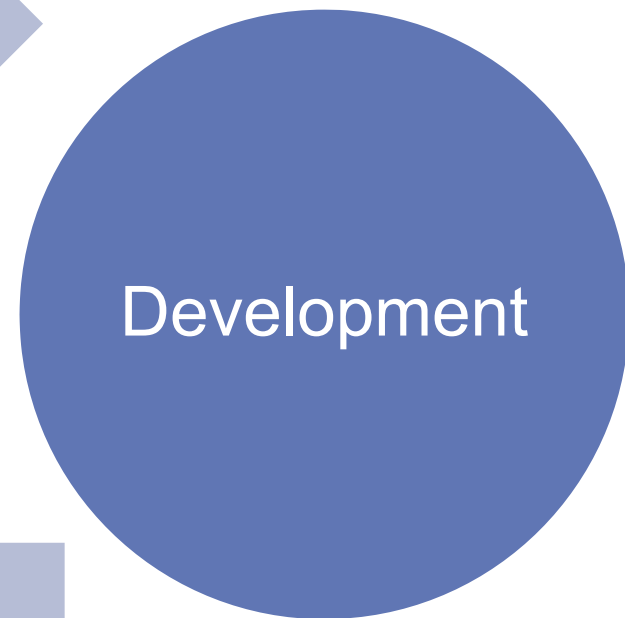
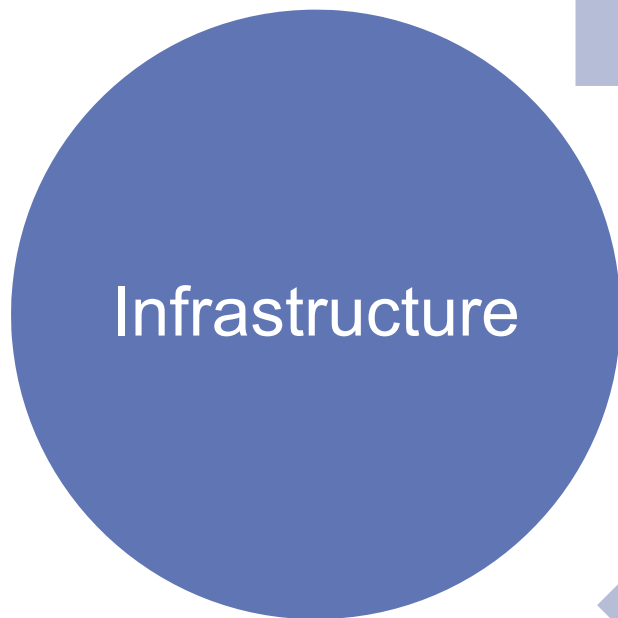


# Infrastructure improvements also unlock development in USQ



# Development will help pay for infrastructure improvements

*Unlocks development through utility and streetscape improvements*

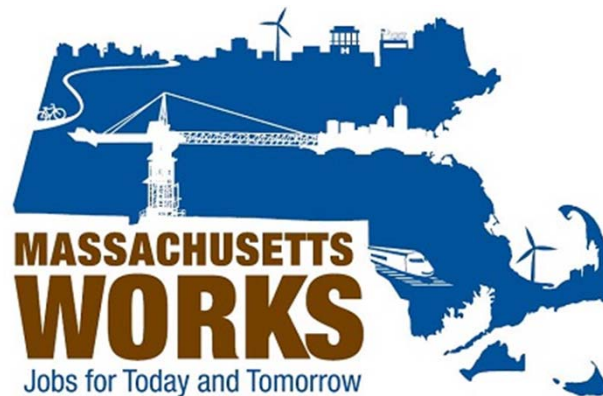


*Generates new revenue to offset borrowing costs*

# Now is the time to act

## *\$13M in MassWorks grant funding at risk*

- \$13M MassWorks grant awarded in 2016 for Union Square infrastructure project
- The City must break ground at the beginning of the 2018 construction season, or we risk forfeiting grant funding
- This means we need Board of Aldermen approvals now to allow time for the procurement process

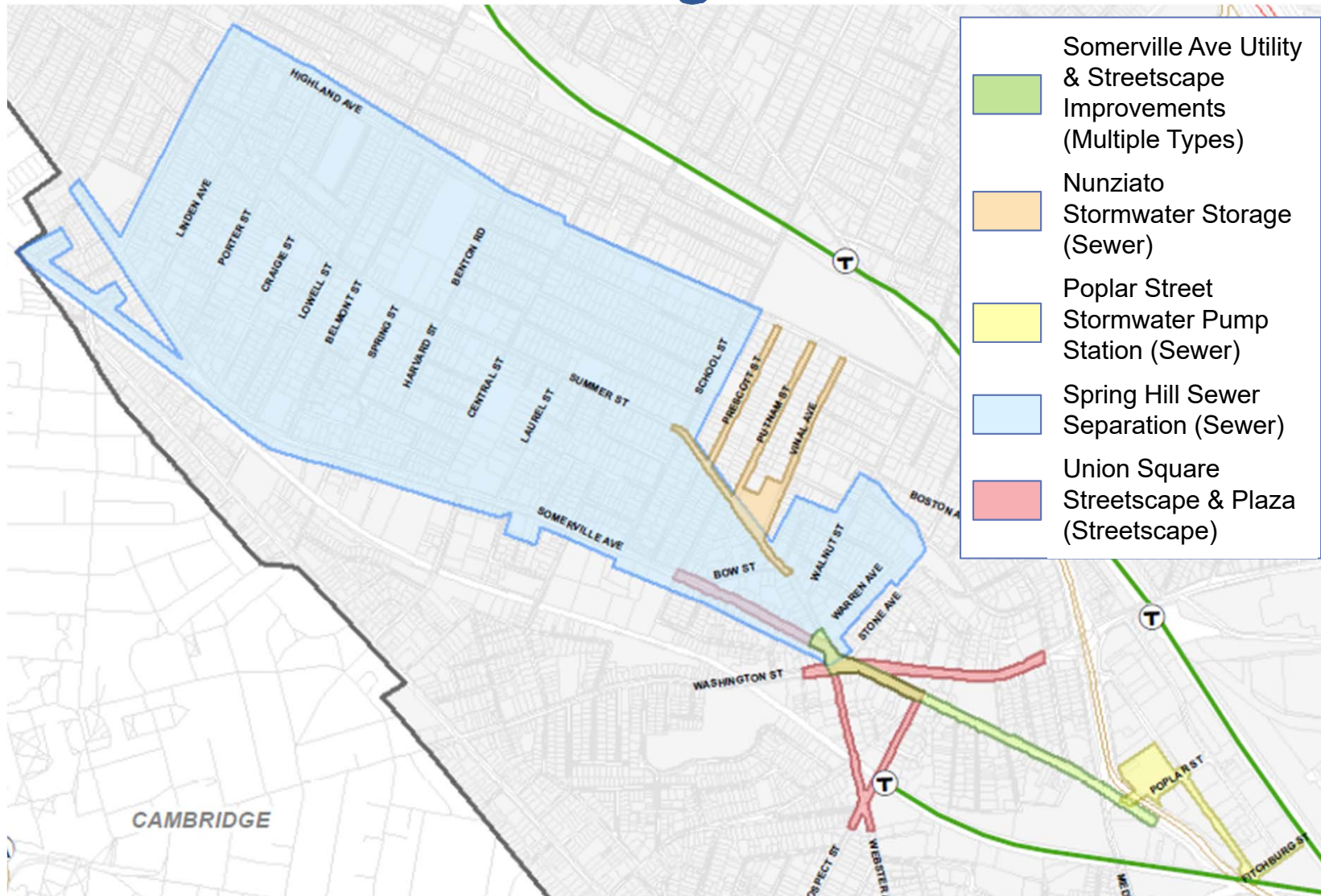




# The regulatory environment is changing – and could force us to act

- MassDEP Infiltration & Inflow program & EPA/MassDEP Combined Sewer Overflow programs require Somerville to act starting in 2018
- If we fail to act, DEP and/or EPA could:
  - **Prescribe our infrastructure improvements for us**
    - → We wouldn't prioritize – the state/federal government would.
  - **Halt development & therefore dramatically limit new tax revenue**
    - → Negatively impacts our ability to pay for the infrastructure that we would be required to undertake.
    - → Also limits development of new housing, jobs, etc.

# We have a comprehensive program to address the USQ neighborhood's needs



# Early delivery schedule for the full USQ infrastructure program

*As represented in the City's CIP*

	Before FY18	FY18				FY19	FY20	FY21	FY22	FY23	FY24
		Q1	Q2	Q3	Q4						
Somerville Ave. Utility & Streetscape Improvements			\$C								
Nunziato Stormwater Storage				\$C							
Poplar St. Stormwater Pump Station			\$D		\$C						
Spring Hill Sewer Separation			\$D			\$C					
Union Square Streetscape & Plaza Improvements					\$D	\$C					

Key:

Design

Construction

\$D = Request to Board of Aldermen for design funding

\$C = Request to Board of Aldermen for construction funding

# Several components of the infrastructure program are currently before the Board of Aldermen

	Before FY18	FY18				FY19	FY20	FY21	FY22	FY23	FY24
		Q1	Q2	Q3	Q4						
Somerville Ave. Utility & Streetscape Improvements			\$C								
Nunziato Stormwater Storage				\$C							
Poplar St. Stormwater Pump Station			\$D		\$C						
Spring Hill Sewer Separation			\$D			\$C					
Union Square Streetscape & Plaza Improvements					\$D	\$C					

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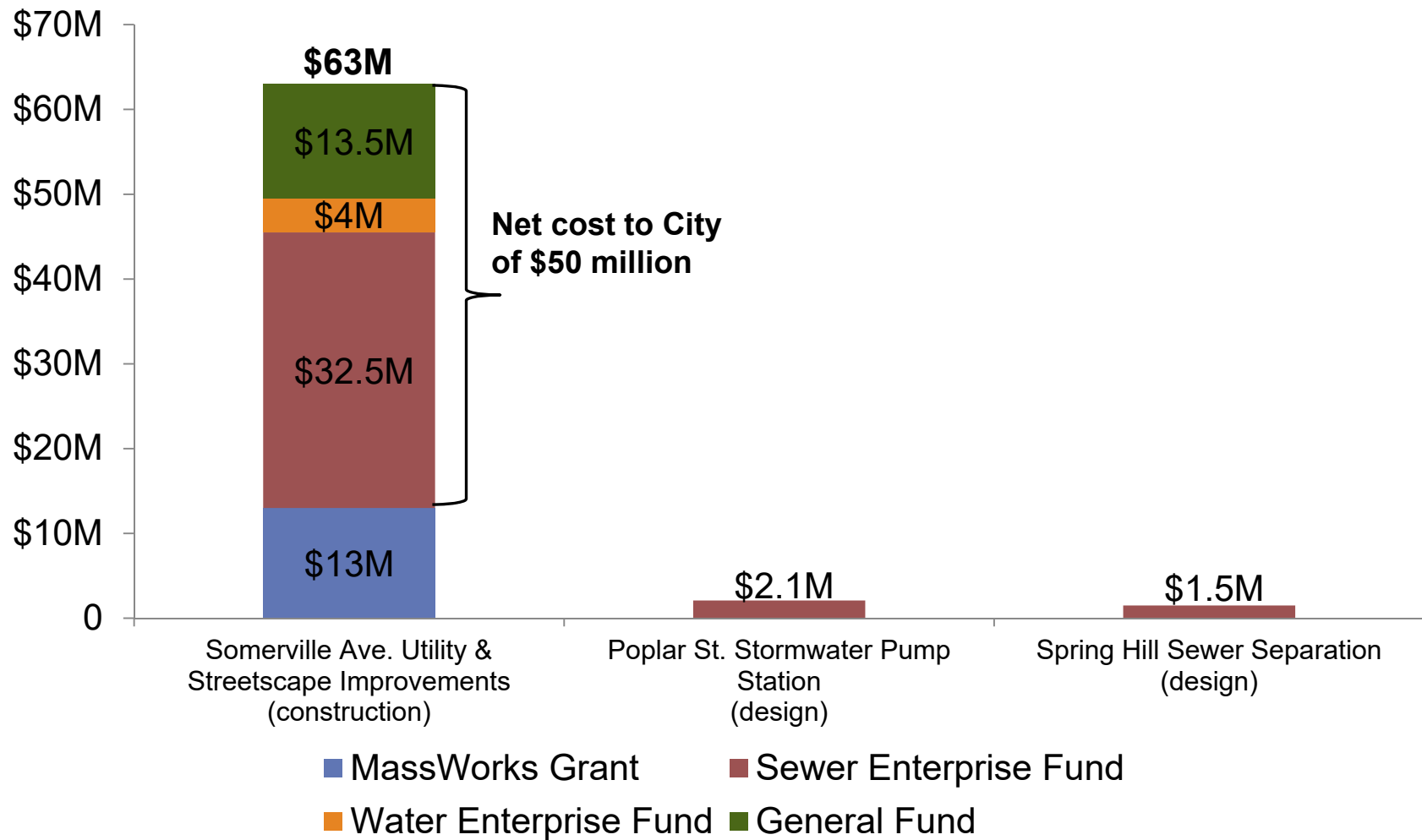
# We have a plan to pay for the cost of the infrastructure program

Project	Estimated Project Cost	Estimated Sources			
		Grant Funding	Sewer Enterprise	Water Enterprise	General Fund
Somerville Ave. Utility & Streetscape Improvements	\$63M	\$13M	\$32.5M	\$4M	\$13.5M
Nunziato Stormwater Storage	\$14.5M		\$14.5M		
Poplar St. Stormwater Pump Station	\$19.5M		\$19.5M		
Spring Hill Sewer Separation	\$13M		\$13M		
USQ Streetscape & Plaza Improvements	\$31.5M				\$31.5M
<b>Total</b>	<b>\$141.5M</b>	<b>\$13M</b>	<b>\$79.5M</b>	<b>\$4M</b>	<b>\$45M</b>

*This is conservative and does not reflect potential grant opportunities, expected developer contributions, use of reserves, or sale of assets.*



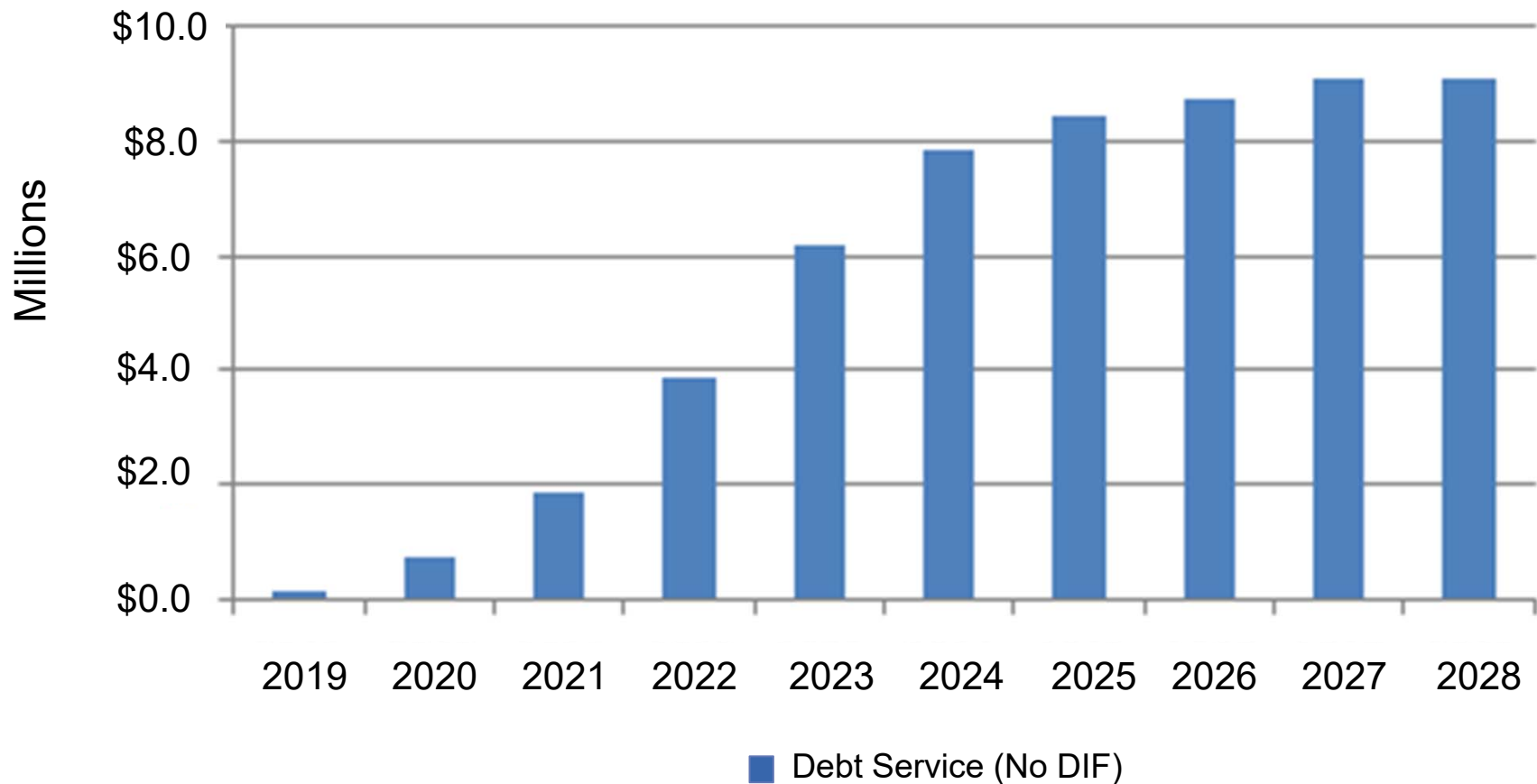
# Funding sources for requests currently before the Board of Aldermen



# DIF is a key part of our financing plan

- DIF = **D**istrict **I**mprovement **F**inancing
- DIF fundamentals
  - ✓ Infrastructure unlocks development, bringing in new tax revenue to offset borrowing costs
  - ✓ DIF makes infrastructure affordable in the short term through better borrowing terms for bond financing
    - By shifting significant borrowing costs out 3 years, it aligns debt service payments with anticipated development tax revenue
    - Debt service for the infrastructure program without DIF is nearly twice as much in the first five years as debt service with DIF

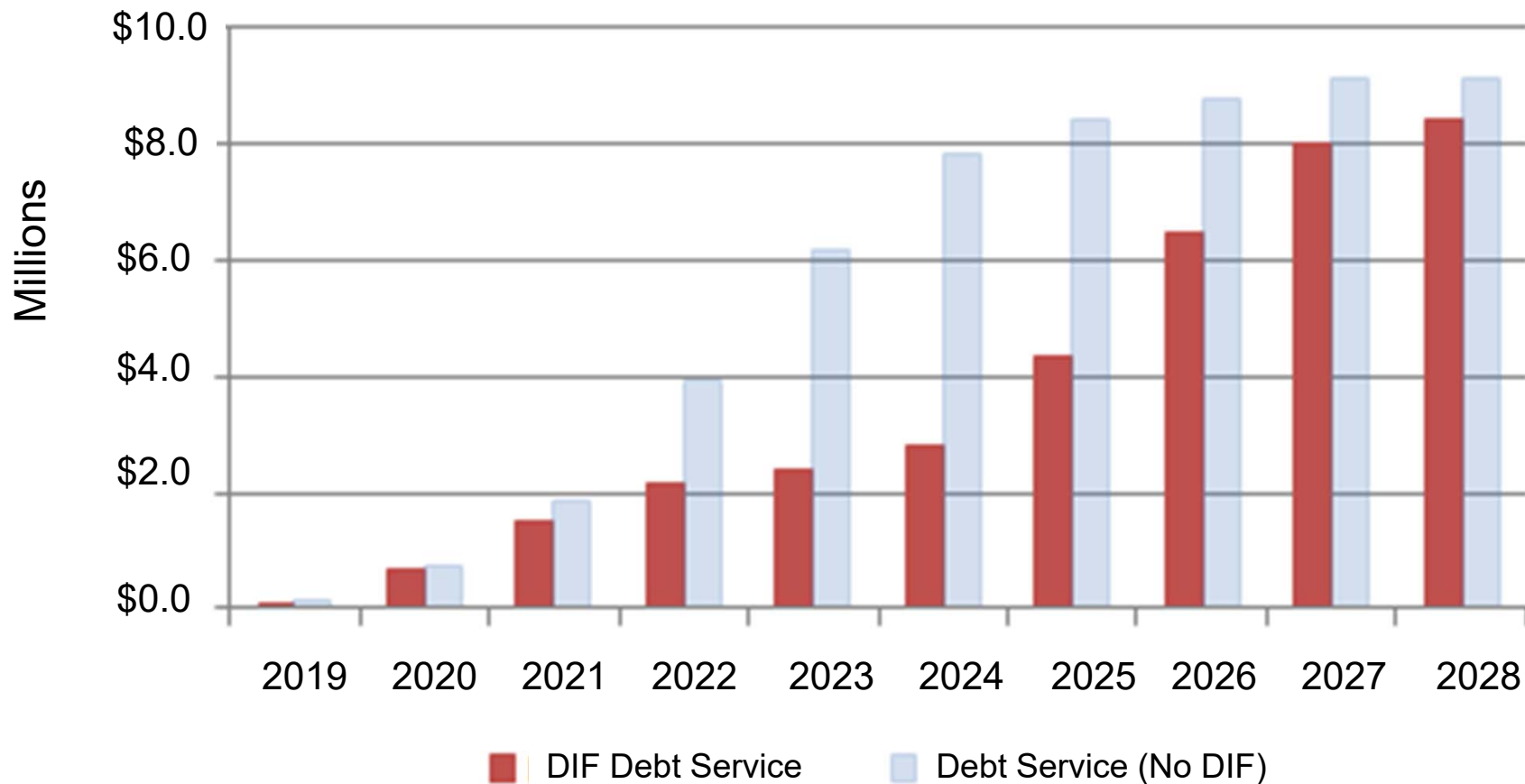
# Standard debt service payment schedule\*



\*First ten years of payments shown.

# DIF reduces our early year payments

*Debt service payment schedule with and without DIF\**



\*First ten years of payments shown.

# Before the Board of Aldermen

MGL Ch. 40Q requirements for using DIF:

1. Development district (submitted on 10/12)
2. Development program (submitted on 10/26)

Infrastructure program requests\*:

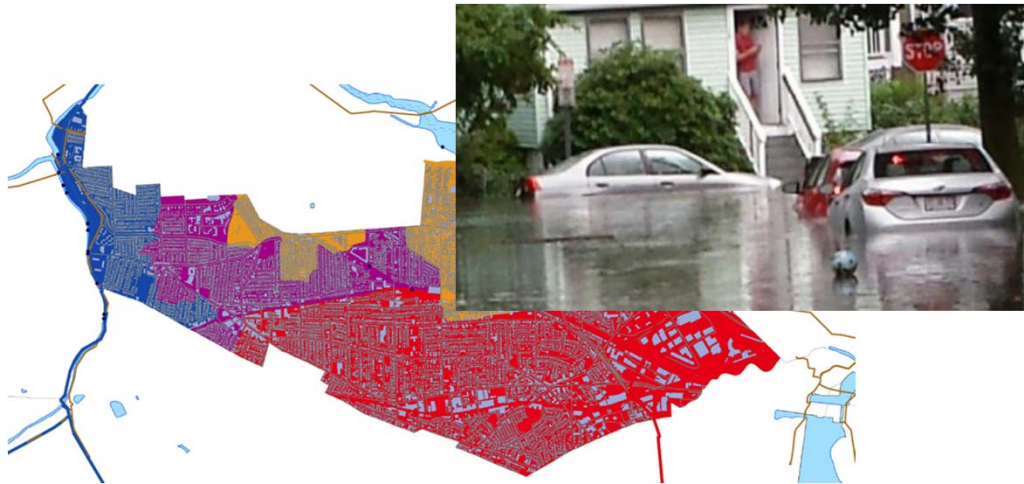
1. Construction funding for Somerville Ave. Utility & Streetscape Improvements: \$63M\*\* (submitted on 10/26)
2. Design funding for Poplar St. Stormwater Pump Station: \$2.1M (submitted on 11/9)
3. Design funding for Spring Hill Sewer Separation: \$1.5M (submitted on 11/9)

*\*Requests for the rest of the components of the infrastructure program will be submitted to the Board of Aldermen for consideration at the appropriate time*

*\*\*Net cost to City is \$50M with \$13M MassWorks grant*



# Without infrastructure investment, we risk:



Public health and safety  
of our residents, potential administrative  
consent order



Our ability to afford GLX  
debt service payments



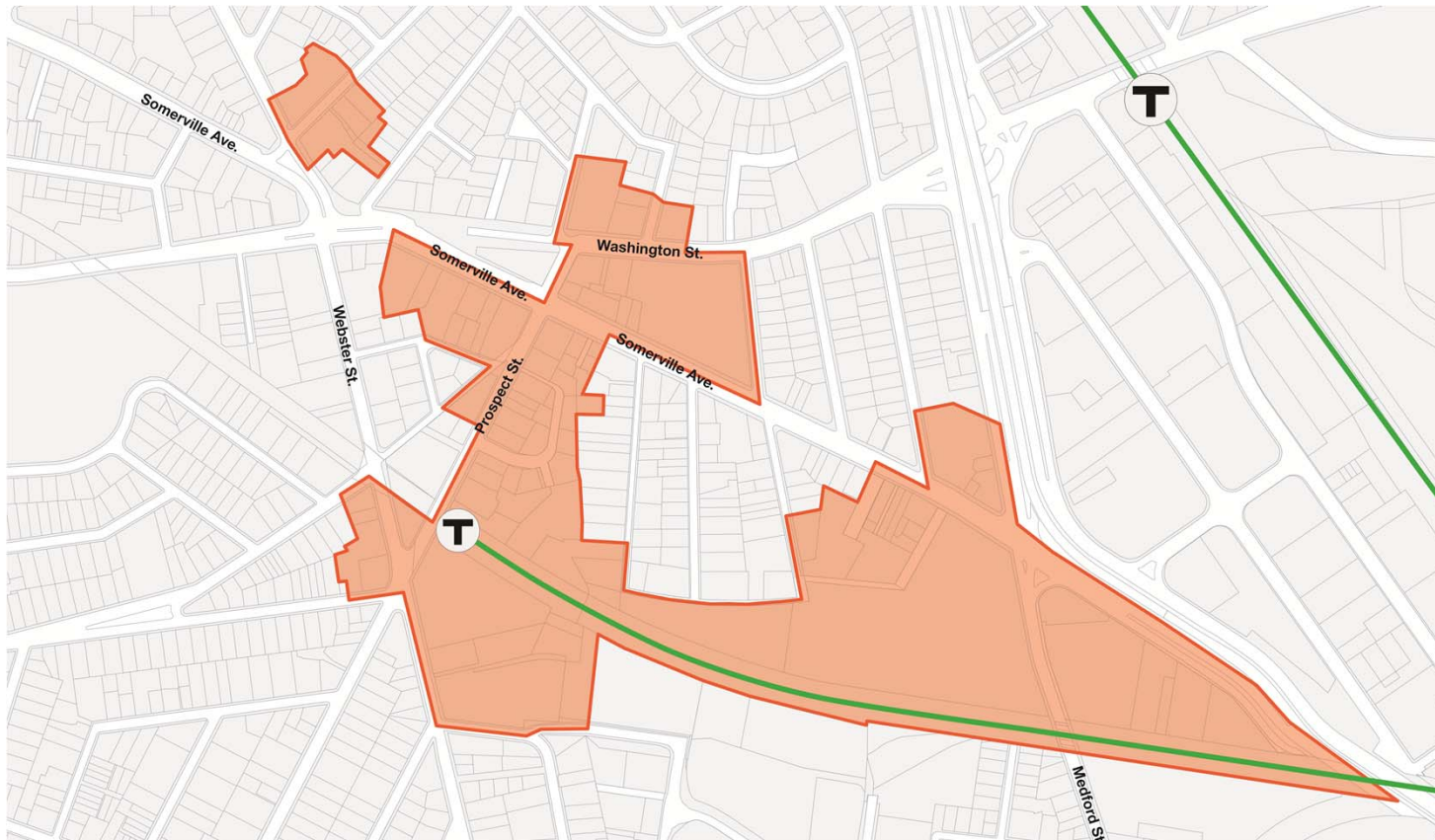
The USQ our community planned for



Thank you

# MGL Ch. 40Q requirements for using DIF

## 1. Establish DIF Development District



**Proposed USQ Development District submitted to Board of Aldermen on 10/12**

# MGL Ch. 40Q for using DIF

## 2a. Establish DIF Development Program: private component

*Proposed private program driven  
by Union Square Neighborhood  
Plan:*

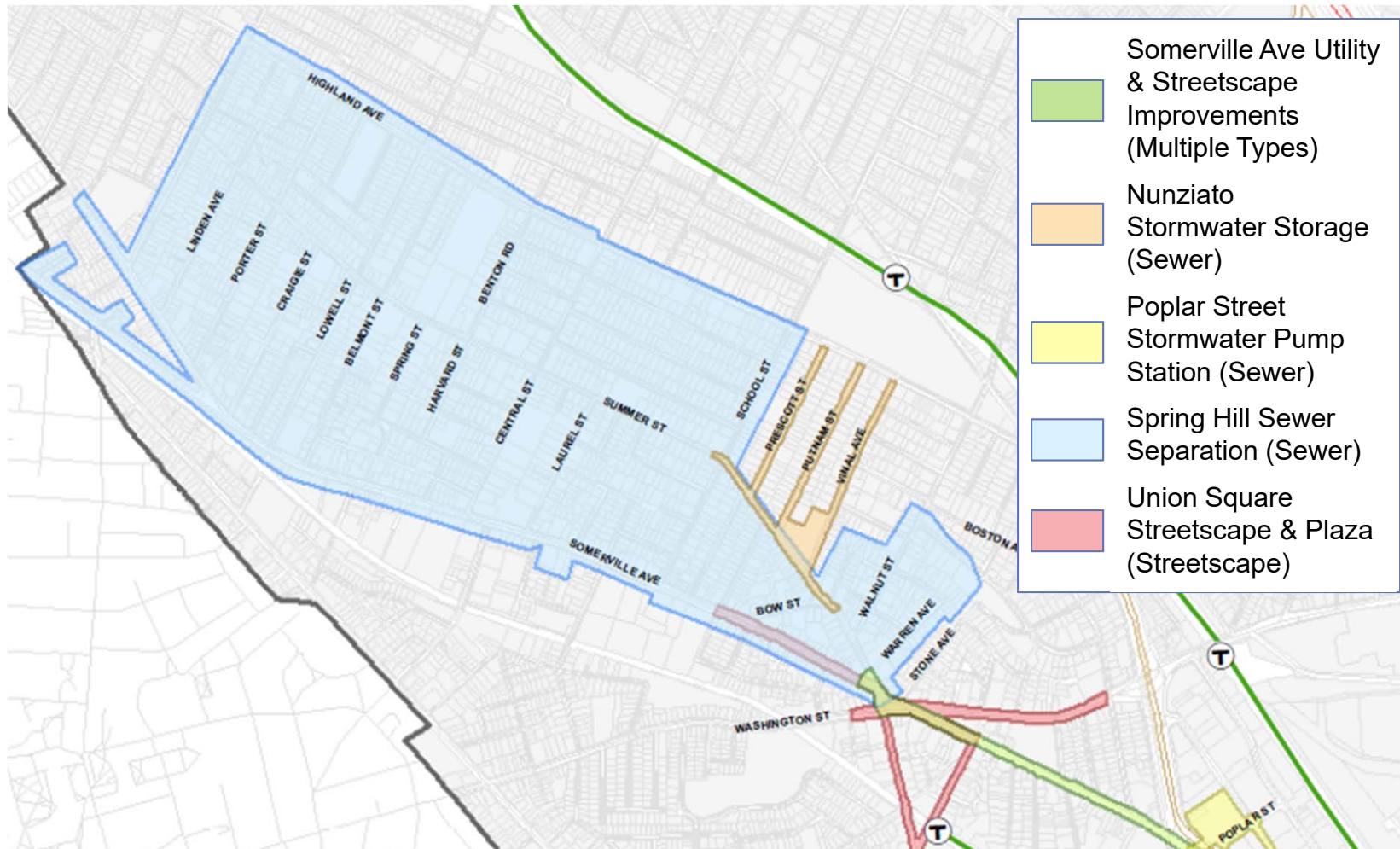
	D Parcels	Union Square East	Grand Junction	Total
<b>Total Development (SF)</b>	<b>2,268,025</b>	<b>1,796,740</b>	<b>392,863</b>	<b>4,457,628</b>
Residential Development (SF)	923,175	636,742	163,091	1,723,008
Housing Units – Market	631	453	124	1,208
Housing Units – Inclusionary	158	113	31	302
Total Commercial Development (SF)	1,344,850	1,159,998	229,772	2,734,620
Office/Lab (SF)	1,097,400	987,726	201,039	2,286,165
Retail (SF)	164,450	172,273	28,733	365,456
Hotel (SF)	83,000	-	-	83,000

**Proposed USQ Development Program submitted to Board of Aldermen on 10/26**



# MGL Ch. 40Q for using DIF

## 2b. Establish DIF Development Program: public component



**Proposed USQ Development Program submitted to Board of Aldermen on 10/26**