

USQ Infrastructure & District Improvement Financing (DIF)

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

City Staff & US2
December 5, 2017

Agenda

1. Recap
2. Early USQ Financial Analysis
3. US2 Discusses Implementation

Recap

Process to date

- Presentations to the Board of Aldermen Finance Committee of the Whole on 10/11 & 10/25
- Public hearing on 11/28
- Presentation slides, supplemental information, and responses to questions posed during meetings are available on the City's public-facing website:

www.somervillema.gov/usqdif



**Presentations &
Resources**



Documents

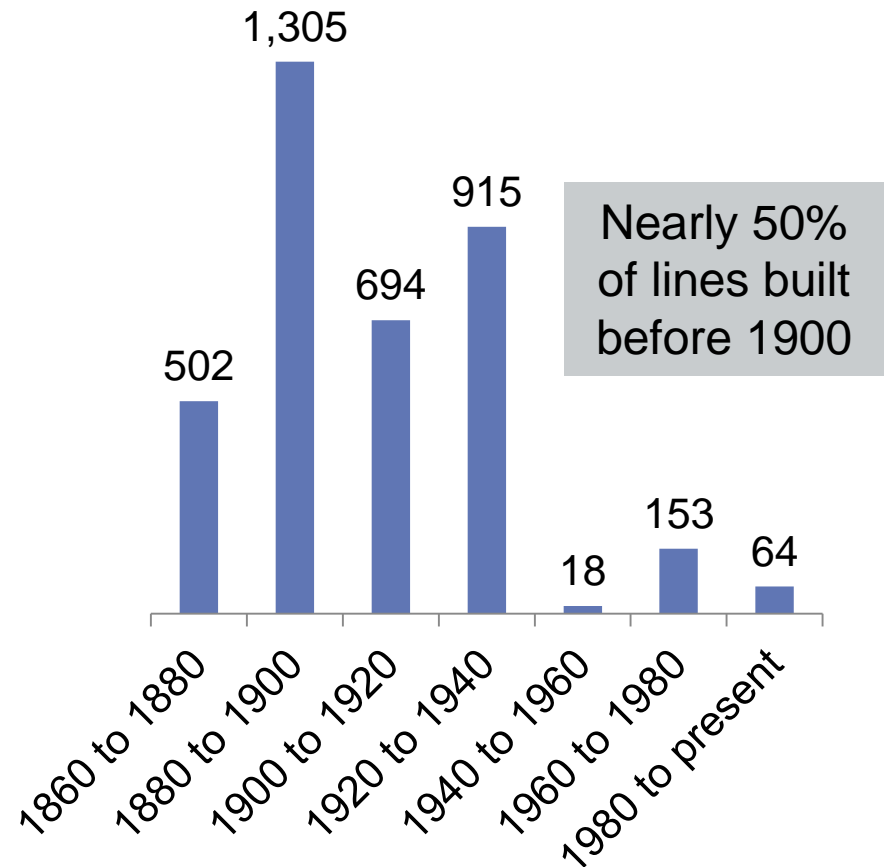


Secure Documents

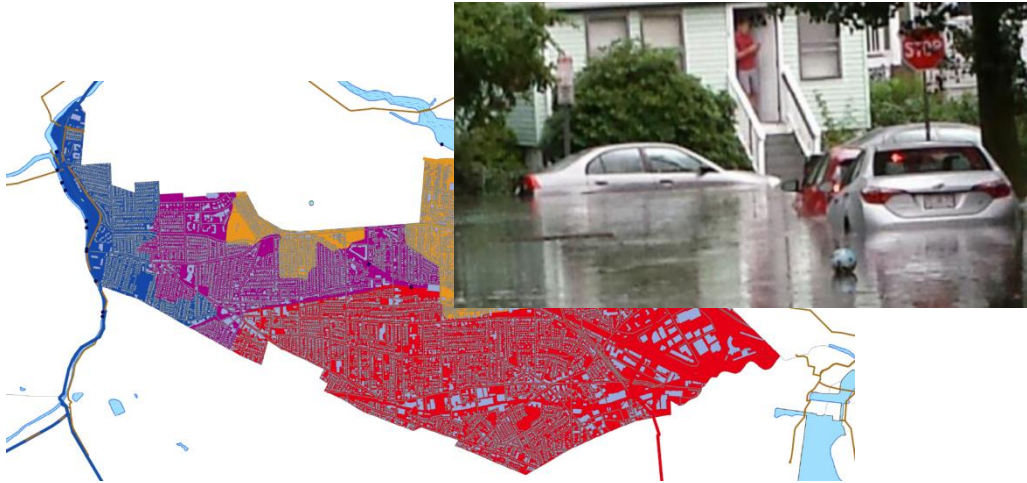
Somerville has serious infrastructure needs



Sewer & Drain Lines Built



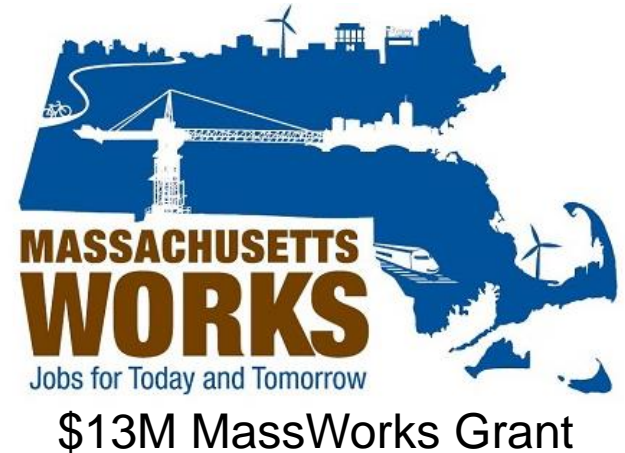
Without infrastructure investment, we risk:



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



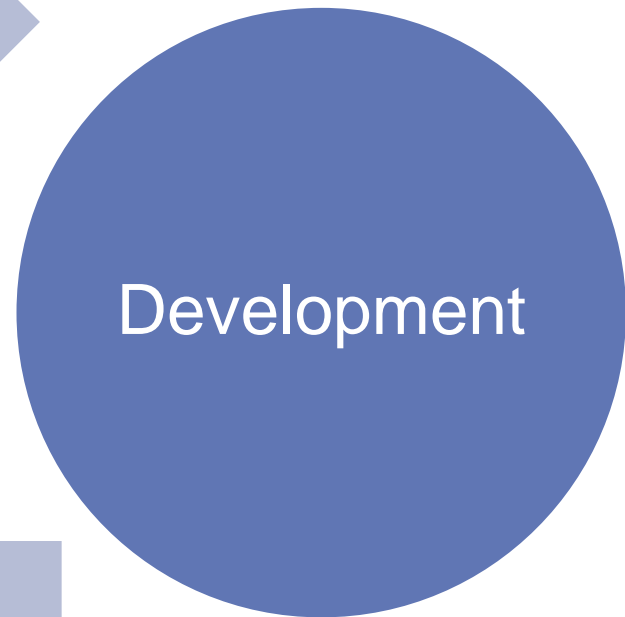
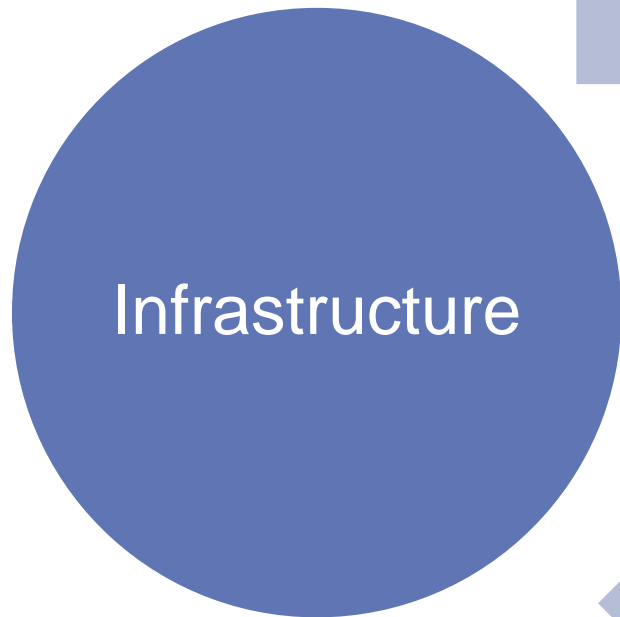
Our ability to afford GLX
debt service payments



The USQ our community planned for

Development will help pay for infrastructure improvements

Unlocks development through utility and streetscape improvements



Generates new revenue to offset borrowing costs

DIF is a key part of our infrastructure 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

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*

Early Union Square Financial Analysis

Early Union Square Financial Analysis

Goal: Compare debt service for infrastructure requests currently before the BOA with captured increment for early USQ development

Infrastructure program requests currently before the BOA:

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)

Early USQ development: D2 & D5.1 (Phase 1 in CDSP)

Key Elements of Financial Analysis

1. Conservative Analysis:

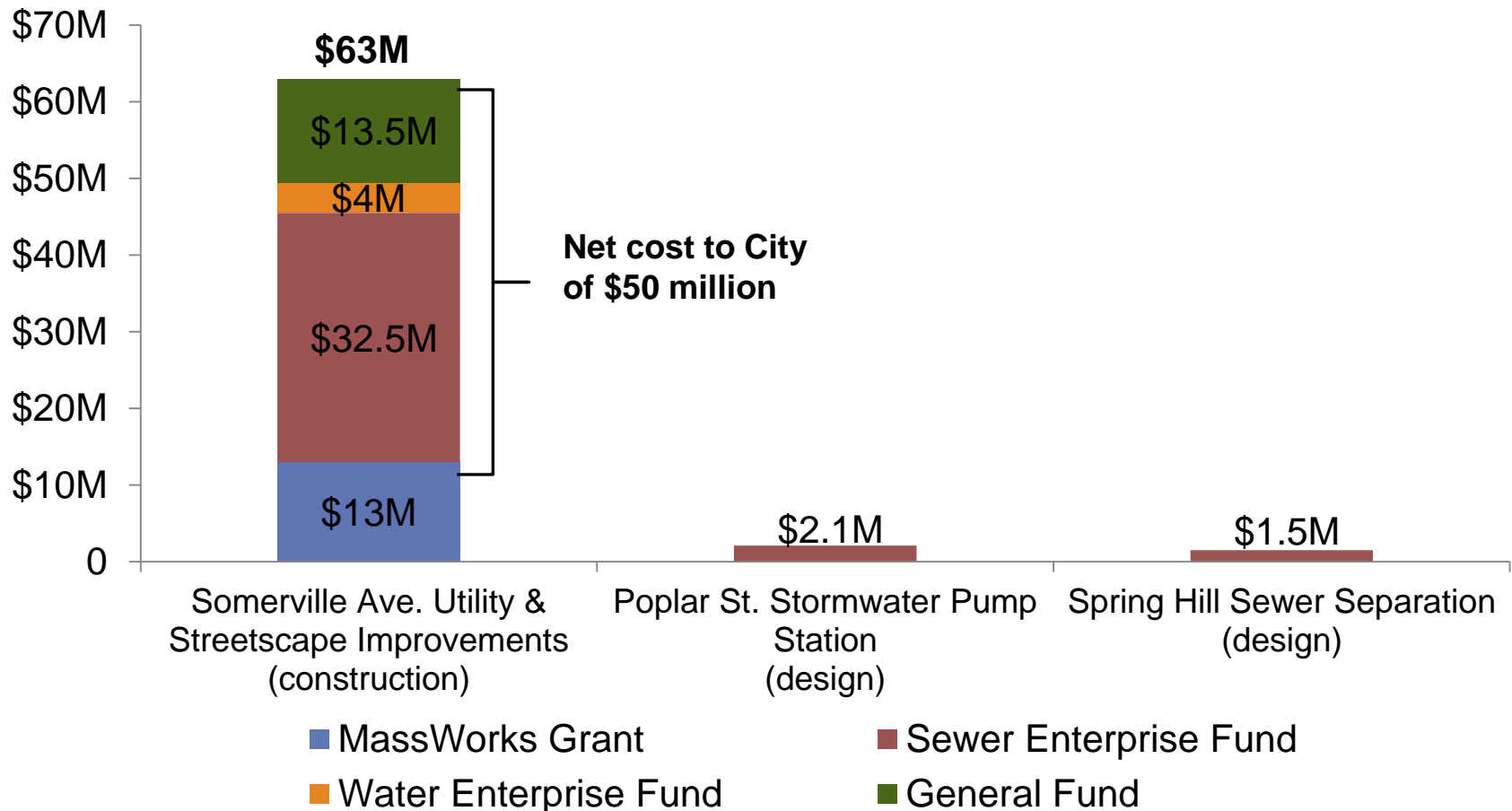
- Captured increment calculations use 2% inflation rate
 - Citywide historic average annual inflation rate is 3.6%
- Debt service estimates use 5% long-term interest rate
 - Interest rate on most recent bond issuance was 2.5%

2. New captured increment calculations for D2 & D5.1 by City staff:

- a. Revised development program to match US2's CDSP application
- b. D5.1 development program has not changed, but start of development has been pushed out two years

Funding sources for requests currently before the Board of Aldermen

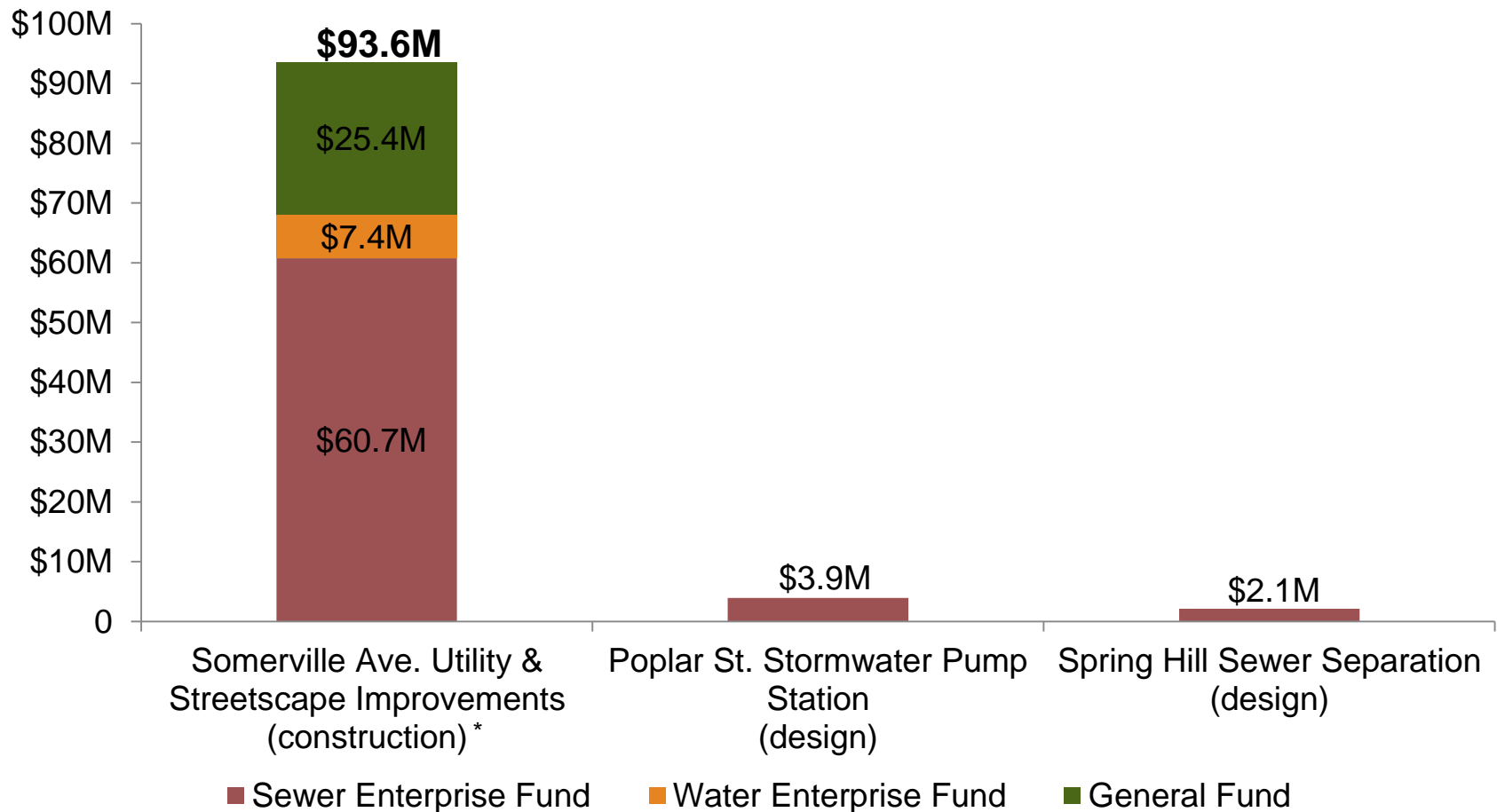
Project Costs*



*The bond authorization amount is the project cost

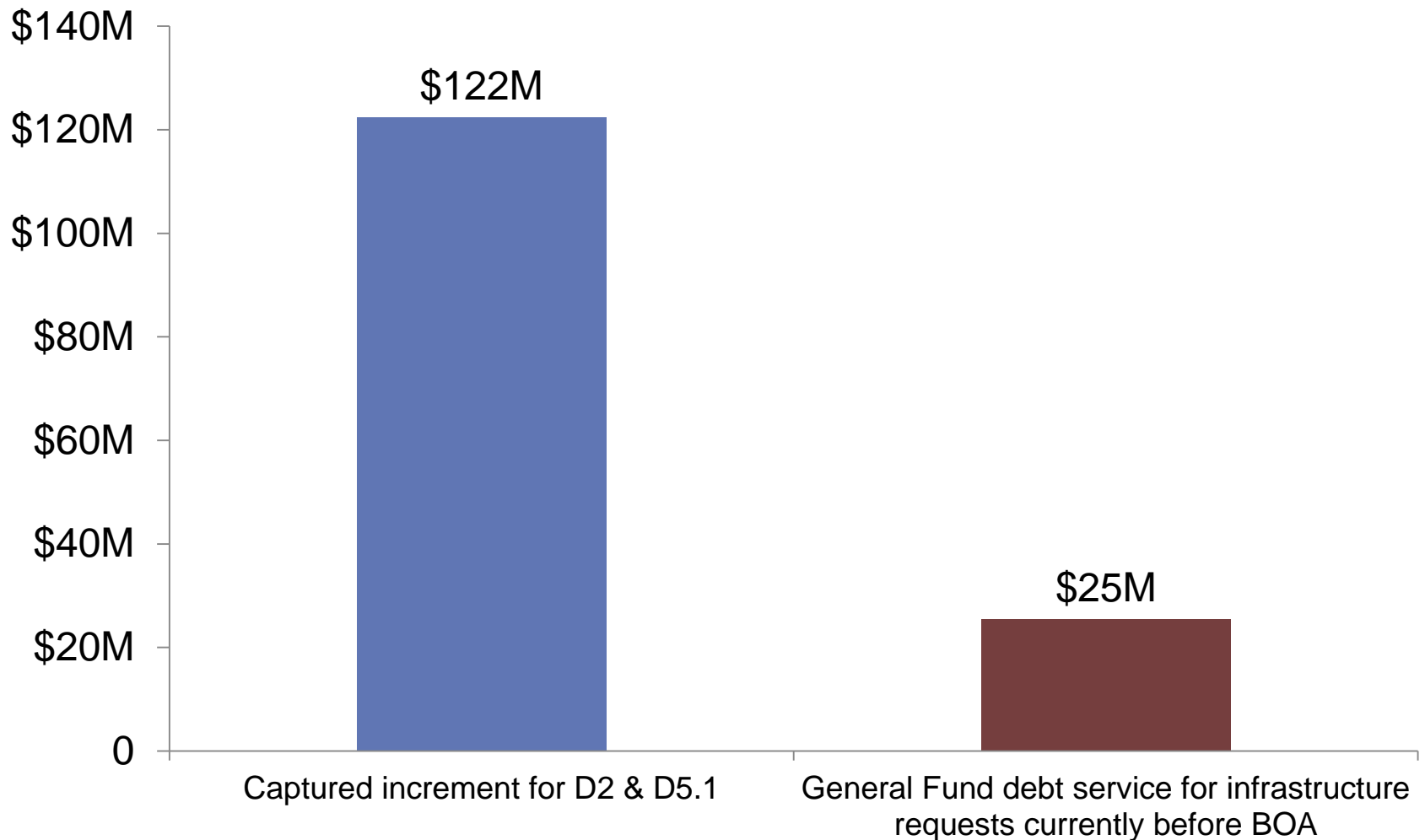
General Fund bears only 26% of total debt service

Debt Service Costs*

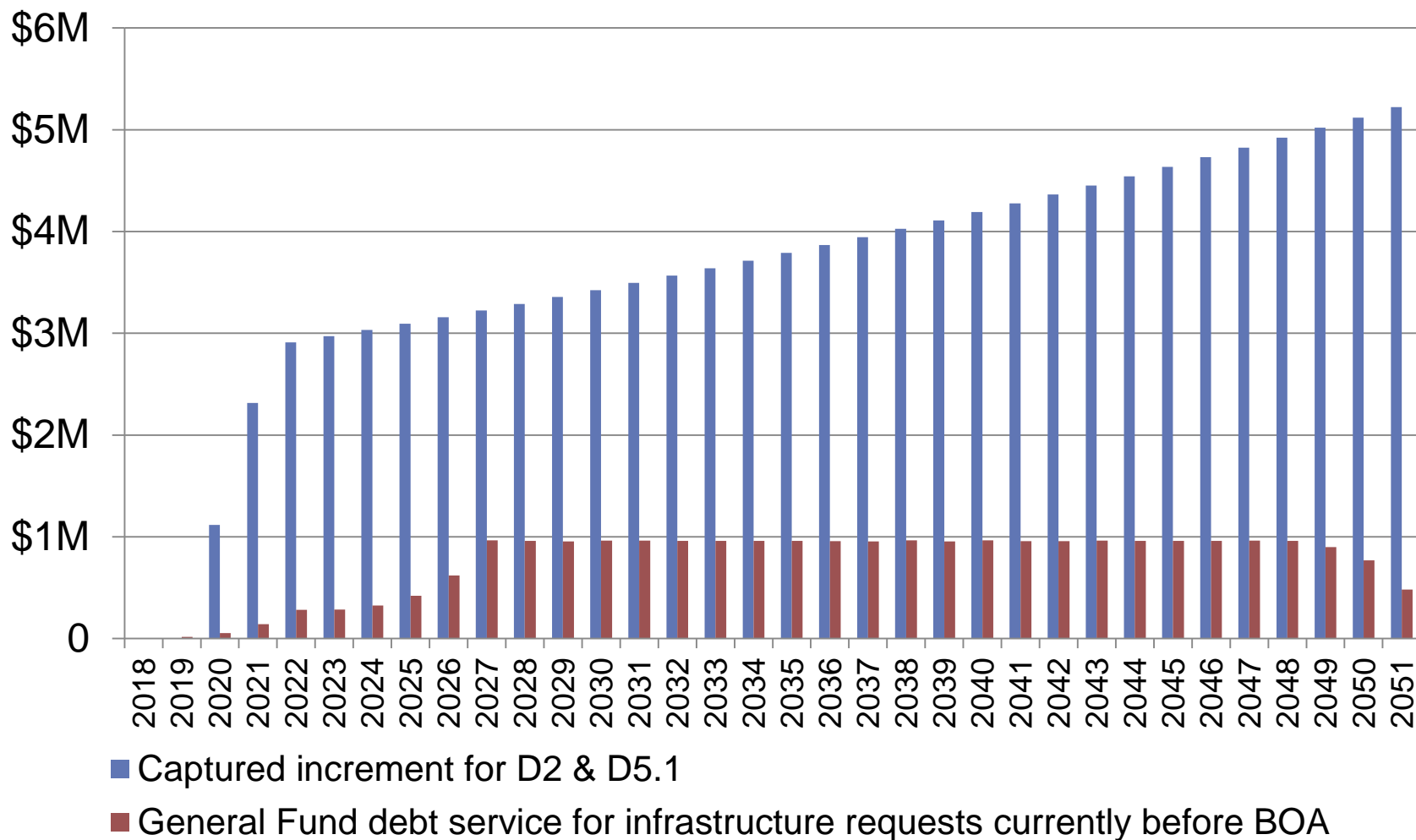


*Notes: Debt service = principal + interest. Debt service for Somerville Ave. is net of MassWorks grant

Captured increment from just D2 and D5.1 is nearly
5 times greater than General Fund debt service



Captured increment is greater than General Fund debt service every year



Estimated Developer Contributions

	D2 & D5.1
Permits & Fees	
Housing Linkage Fee	\$860,050
Jobs Linkage Fee	\$224,000
Building Permit + CO Fees	\$4,602,000
Inflow & Infiltration Fee	\$1,388,595
Covenant Contributions	
GLX	\$1,574,400
Infrastructure	\$1,312,000
Community Benefits	\$1,049,600
Future Phase	\$74,000
Total Contributions	\$11,084,645

- In addition, the City will receive an estimated \$9.3M for the sale of D2

Estimated Developer Contributions

