



CITY OF SOMERVILLE, MASSACHUSETTS
MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT
JOSEPH A. CURTATONE
MAYOR

MICHAEL F. GLAVIN
EXECUTIVE DIRECTOR

MEMORANDUM

To: Mayor Joseph A. Curtatone

From: Thomas F. Galligani, Jr., Director of Economic Development

CC: Michael F. Glavin, OSPCD Executive Director
Ed Bean, Finance Director

RE: PROPOSED UNION SQUARE DISTRICT IMPROVEMENT FINANCING (DIF) DEVELOPMENT PROGRAM

Date: October 26, 2017

City staff has identified District Improvement Financing (DIF), authorized under M.G.L. Chapter 40Q, as an effective tool to provide the City with enhanced borrowing terms to implement needed infrastructure investments in Union Square. These investments will address long-needed improvements to city infrastructure that serves over 60% of Somerville residents and unlock the development potential of Union Square, generating a new stream of tax revenue that can in turn be used to help pay the debt service for the infrastructure improvements.

To adopt the use of District Improvement Financing for these infrastructure improvements, the City, through the Board of Aldermen, must approve a Development District and a Development Program as defined in M.G.L. Chapter 40Q. This memo proposes the USQ Development Program, which outlines a set of public and private investments within the proposed USQ Development District, which was submitted to the Board of Aldermen for consideration on October 12, 2017.

USQ Development Program

M.G.L. Chapter 40Q requires the following information be included in a development program proposal:

1. Financial Plan

Defined by M.G.L. Chapter 40Q, as “a statement of the costs and sources of revenue required to accomplish the development programs which shall include:

- (1) cost estimates for the development program;
- (2) the amount of indebtedness to be incurred; and
- (3) sources of anticipated capital.”

Tables 1 and 2 summarize this information.

Table 1. Union Square Infrastructure Projects: Estimated Project Costs & Funding Sources

Project Name	Type of Work	Project Cost Estimate	Funding Sources			
			Grant	Sewer Enterprise	Water Enterprise	General Fund
Somerville Ave. Utility & Streetscape Improvements	Water	\$8,500,000	\$4,530,000		\$3,970,000	
	Sewer	\$40,910,000	\$8,470,000	\$32,440,000		
	Streetscape	\$13,600,000				\$13,600,000
	<i>Subtotal</i>	<i>\$63,010,000</i>	<i>\$13,000,000</i>	<i>\$32,440,000</i>	<i>\$3,970,000</i>	<i>\$13,600,000</i>
Nunziato Stormwater Storage	Sewer	\$14,560,000		\$14,560,000		
Poplar St. Stormwater Pump Station	Sewer	\$19,600,000		\$19,600,000		
Spring Hill Sewer Separation	Sewer	\$13,000,000		\$13,000,000		
USQ Streetscape & Plaza Improvements	Streetscape	\$31,300,000				\$31,300,000
USQ Total		\$141,470,000	\$13,000,000	\$79,600,000	\$3,970,000	\$44,900,000

Table 2. Union Square Infrastructure Projects: Estimated Borrowing Costs & Funding Sources

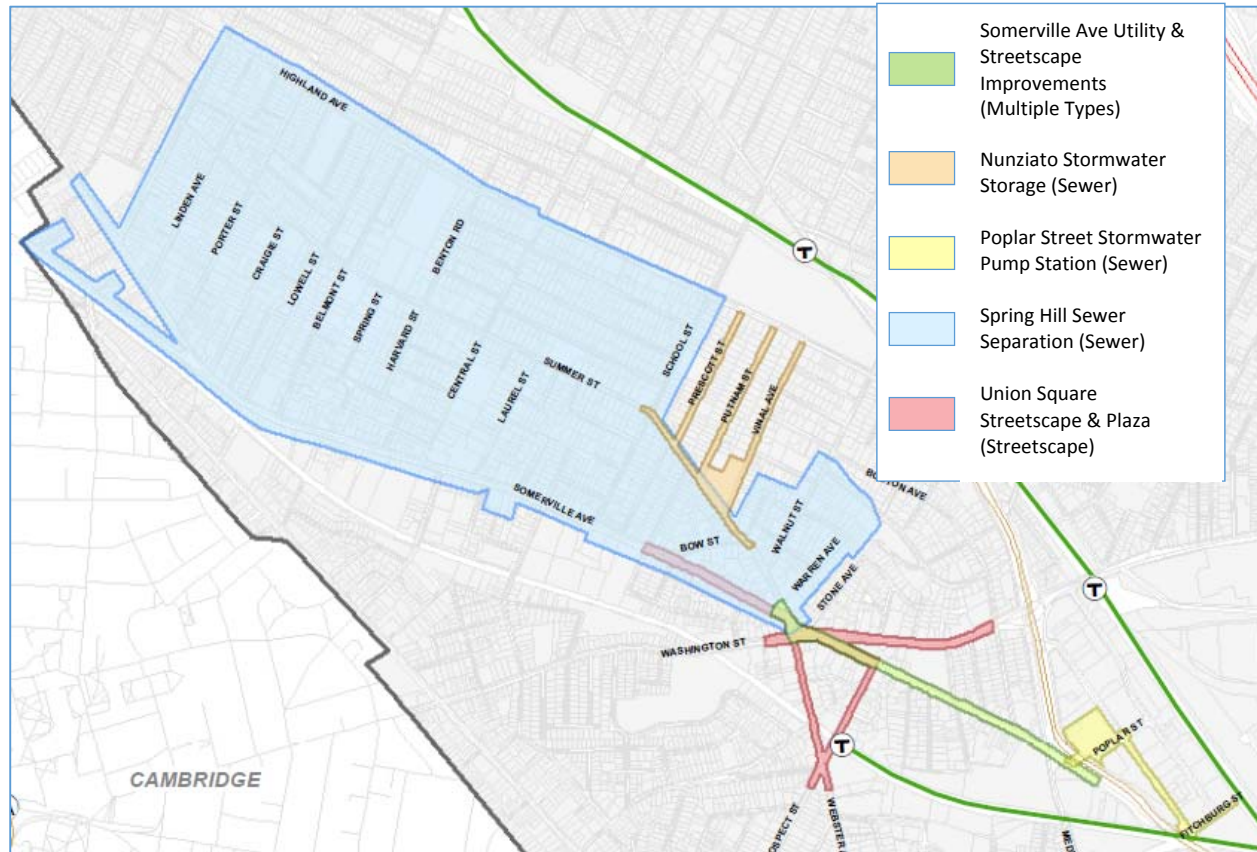
Project Name	Type of Work	Borrowing Cost Estimate	Funding Sources		
			Sewer Enterprise	Water Enterprise	General Fund
Somerville Ave. Utility & Streetscape Improvements	Water	\$7,415,150		\$7,415,150	
	Sewer	\$60,744,600	\$60,744,600		
	Streetscape	\$25,432,800			\$25,432,800
	<i>Subtotal</i>	<i>\$93,592,550</i>	<i>\$60,744,600</i>	<i>\$7,415,150</i>	<i>\$25,432,800</i>
Nunziato Stormwater Storage	Sewer	\$27,286,600	\$27,286,600		
Poplar St. Stormwater Pump Station	Sewer	\$36,688,850	\$36,688,850		
Spring Hill Sewer Separation	Sewer	\$24,339,000	\$24,339,000		
USQ Streetscape & Plaza Improvements	Streetscape	\$58,566,650			\$58,566,650
USQ Total		\$240,473,650	\$149,059,050	\$7,415,150	\$83,999,450

These estimates are conservative and do not reflect additional grant opportunities, expected developer contributions, use of reserves, or sale of assets.

2. A complete list of public facilities to be constructed

City staff proposes an infrastructure program consisting of five projects to be financed through the Union Square DIF. Figure 1 illustrates the boundaries of each of these projects.

Figure 1. Union Square Infrastructure Program Projects



Somerville Ave. Utility & Streetscape Improvements

Illustrated in green on Figure 1, the Somerville Ave. Utility & Streetscape Improvements Project improves all subsurface utilities and redefines the streetscape of Somerville Ave from Bow Street to McGrath Highway. The result of these upgrades will reduce storm damage and create sustainable water and sewer distribution for future generations. In the past, this project has been referred to as USQ Phase 1, CP2/3, Lower Somerville Avenue Drain, and other similar names. The project includes improvements to water, sewer and streetscape, so costs for each of those categories are often reported separately and linked to their corresponding funding source (Water Enterprise Fund, Sewer Enterprise Fund, and General Fund, respectively).

The project includes the creation of a new stormwater box culvert, with the capacity to handle 800,000 gallons of rain or melting snow at a time as well as in-place structural reinforcement of 144-year-old, 6-foot diameter brick combined sewer that drains 60-percent of the city and the 116-year-old, 3-foot diameter brick sanitary sewer that serves much of the Union Square area, thereby reducing the risk of failure for these crucial components of our system. The project also includes replacement of additional localized sanitary sewer and water mains that are well past their anticipated service life. The project will improve safety and traffic flow for all transit modes and incorporates pervious sidewalks and cycle tracks, improved Green Stormwater Infrastructure, and better tree planting details that will improve water quality, provide more resilient landscaping, and reduce the likelihood of future tree replacement.

Nunziato Stormwater Storage

Illustrated in orange on Figure 1, the Nunziato Stormwater Storage Project provides a 1.6 million gallon stormwater storage tank beneath Nunziato Field and improves surface drainage on surrounding roads, including Summer Street, Vinal Avenue, Putnam Street and Prescott Street. In the past, this project has been referred to as Nunziato Sewer.

Poplar Street Stormwater Pump Station

Illustrated in yellow on Figure 1, the Poplar Street Stormwater Pump Station Project fundamentally changes the way in which the city can manage the drainage system for 60 percent of Somerville by creating the new opportunity to discharge stormwater to the MBTA drainage system. In the past, this project has been referred to as the Redbridge Pump Station, the GLX Stormwater Pump Station, the MBTA Connection, and other similar combinations.

The ability to connect up to 50 million gallons per day of stormwater to the MBTA system was negotiated as a condition of the city's financial contribution to the GLX project. Since that time, the City has successfully negotiated the details of a system with the MBTA that maximizes the volume of stormwater sent to the Charles River instead of the capacity-limited MWRA wastewater collection system. Rather than ceasing pumping based on theoretical storms as initially assumed, we will monitor water elevations in the MBTA's system and ramp-down our pumping only when flood elevations start to threaten the railroad tracks. This means that we can move more total volume out of our land-locked system, thereby both reducing flooding and creating capacity in our system for new flows.

Spring Hill Sewer Separation

The Spring Hill Sewer Separation Project includes a number of targeted improvements to the combined sewer system at various locations within the blue boundary illustrated on Figure 1 to optimize the use of that MBTA stormwater connection.

The next step in realizing the full potential of the Poplar Street Stormwater Pump Station is targeted sewer separation in the greater Spring Hill area. As discussed at the April 2017 infrastructure presentation to the Board, the Poplar Street Stormwater Pump Station and Somerville Ave. Utility & Streetscape Improvements projects work together with the previously completed drain work on western Somerville Avenue between Union and Porter Squares, and with the Cedar Street sewer separation work currently under construction to form a new trunk line for stormwater to exit Somerville. Unfortunately, both of those projects were designed before the Poplar Street project was conceived, and assumed everything would re-combine at the MWRA connection. Therefore, those projects allowed a few combined sewer connections to those parts of the new drain system. We cannot allow combined sewage to go to Poplar Street; consequently, we need to do some upstream work to correctly route flows between our MWRA and MBTA systems. We have completed investigations and hydraulic modeling to determine how to accomplish that goal. The Spring Hill Sewer Separation Project realizes additional benefits from the projects on western Somerville Avenue and Cedar Street by completing separation in those areas and taking advantage of the Union Square and Poplar Street projects to send additional stormwater to the Charles River rather than the MWRA.

Once all four of the subsurface infrastructure projects are complete (Somerville Ave. Utility & Streetscape Improvements, Nunziato Stormwater Storage, Poplar Street Pump Station, and Spring Hill Sewer Separation), the city will have the central trunk of a separated stormwater system. In addition to reducing existing flooding, this new system will provide the foundation for additional sewer separation, which will be vital to enabling the development of the transformational area envisioned by the Union Square neighborhood plan. Whether administered at the state level by MEPA or at the local level through our Inflow / Infiltration (I/I) policy, developers will need to offset their new sanitary flows by removing 4 times as much stormwater from our system. The Assembly Square developer accomplished that goal by doing work in the Assembly Square project area and the Ten Hills area, largely because the

immediately adjacent Mystic River could accept the stormwater. In Union Square, the Millers River no longer exists to accept stormwater, but this trunk line and pump station will serve that purpose. As US2 and other developers move forward, additional sewer separation can be performed in the greater Spring Hill area thereby further reducing flooding in Union Square and combined sewer overflows (CSOs) in the MWRA system.

Union Square Streetscape and Plaza Improvements

Illustrated in red on Figure 1, the Union Square Streetscape and Plaza Improvements Project is intended to implement the adopted Neighborhood Plan by prioritizing pedestrian, transit and bicycle modes of travel in and around Union Square while still managing appropriate motor vehicle activity. In the past, this project has been referred to as Union Square Phase 2, CP5/6, Union Square West, and other similar names. The project scope assumes a full redesign and reconstruction of the Union Square Plaza, construction of the Bow Street “shared street” condition illustrated in the Neighborhood Plan, and two-way vehicular traffic patterns on Somerville Avenue between Bow Street / Carlton Street and Bow Street / Warren Avenue. A major reconfiguration of the Somerville Avenue / Washington Street / Webster Avenue intersection also is included. Other improvements include full-depth reconstruction and ADA-compliant sidewalks on Webster Avenue and Prospect Street.

3. The use of private property

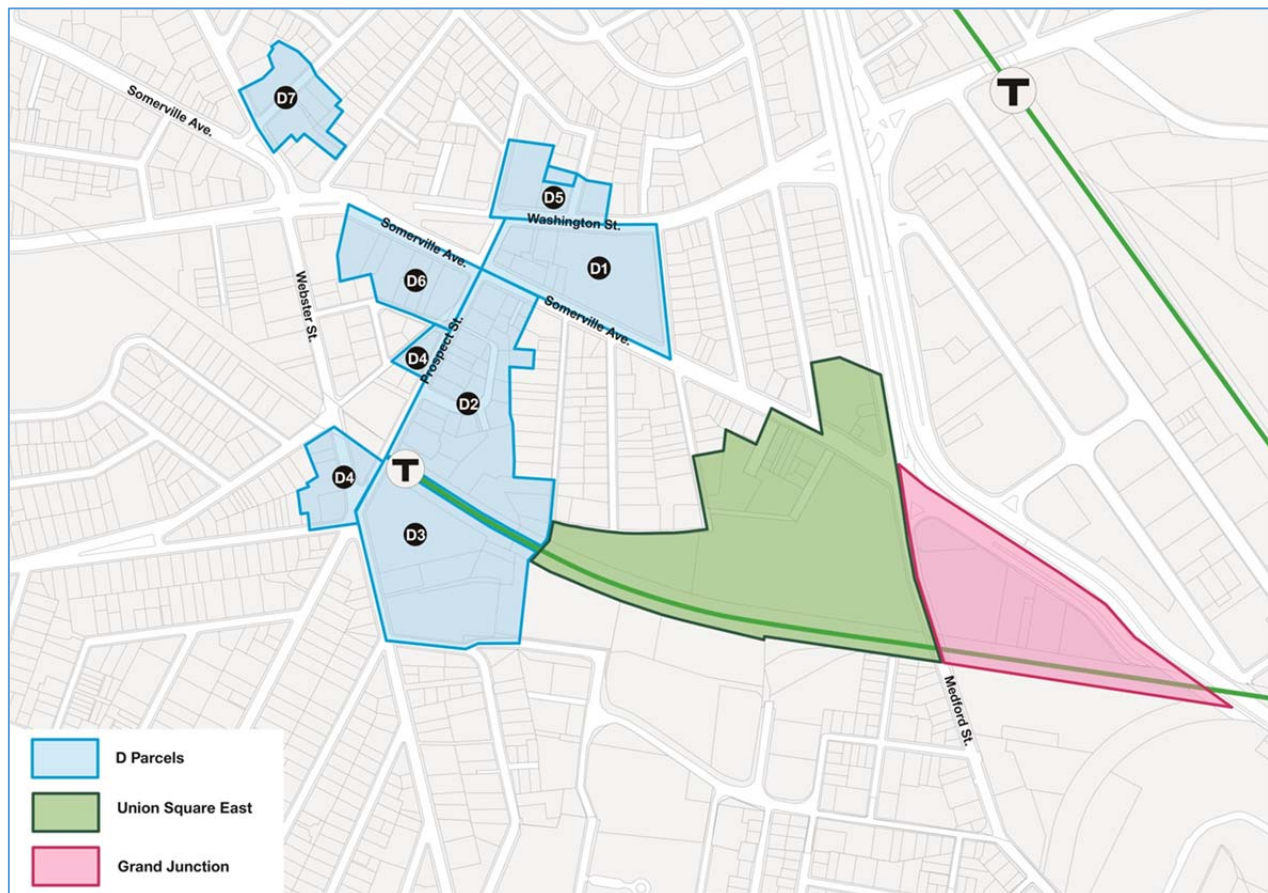
The City anticipates that over 4.45 million square feet of new commercial and residential development will occur on private property located within the USQ Development District. The Union Square Neighborhood Plan articulates a vision of establishing Union Square as a transit-oriented, 18-hour, mixed-used urban employment center. Transformational development is anticipated in three distinct sub-areas within the USQ Development District:

- **D Parcels:** There are seven development parcels, or D Parcels, in the heart of Union Square and on the western end of the USQ Development District. These parcels are all acquisition parcels outlined in the Union Square Urban Revitalization Plan. These parcels are subject to a Master Land Development Agreement signed between the Somerville Redevelopment Authority and Union Square Station Associates, LLC (US2). When built, the private development on the D Parcels will include 2.3 million square feet of new development. Approximately 1.1 million square feet will be commercial spaces that will generate over 5,300 permanent jobs. These work spaces will serve lab, office, retail, arts and creative enterprise and hotel uses that will establish Union Square as an employment center and offer a range of opportunities to local residents. Private development will also facilitate the creation of significant open and civic spaces, as prescribed by zoning. All of this development will be anchored by a new Green Line station located on Prospect Street.
- **Union Square East:** This commercial area is roughly bounded by the Green Line tracks to the south, Medford Street to the east, and along Somerville Ave. It is currently home to a large neighborhood shopping center anchored by Target. A portion of the area includes a collection of commercial businesses located on the north side of Somerville Ave. It is anticipated that this area will be redeveloped by the private sector over time as leases expire and land values rise. The area holds the potential for supporting 1.7 million square feet of development, including over 900,000 square feet of commercial development and 566 units of housing
- **Grand Junction:** The area of Grand Junction included in the proposed Development District – which is only a portion of the Grand Junction neighborhood – is currently home to a large vacant lot and a glass company. The triangle-shaped area is bounded by McGrath Highway to the northeast, Medford Street to the west, and the GLX tracks to the south. Almost 400,000 square feet of development is envisioned, almost 60% of which will be commercial.

Table 3. Proposed Private Development Program

	Total Commercial SF	Office/Lab Building SF	Retail Building SF	Hotel Room Key	Total Residential SF	Market Rate Residential Units	Inclusionary Zoning Affordable Residential Units
D Parcels	1,344,850	1,097,400	164,450	175	923,175	631	158
Union Square East	1,159,998	987,726	172,273	0	636,742	453	113
Grand Junction*	229,772	201,039	28,733	0	163,091	124	31
Total	2,734,620	2,286,165	365,456	175	1,723,008	1,208	302

*The area of Grand Junction included in the Development District is only a portion of the Grand Junction neighborhood.

Figure 2. Union Square Development District with Sub-districts

4. Plans for the relocation of persons displaced by the development activities

The investments outlined in the Union Square Development Program will not displace people. However, some of the private development activity contemplated within the USQ Development District is part of an approved urban renewal plan. The proposed Union Square Development District completely encompasses the boundaries of the acquisition parcels outlined in the Union Square Urban Revitalization Plan Area. The Union Square Urban Revitalization Plan was approved in 2012 by the Somerville Redevelopment Authority, the City of Somerville, and the Commonwealth of Massachusetts Department of Housing and Community Development under M.G.L. Chapter 121B.

The Plan includes the acquisition and redevelopment of seven separate development parcels (known as the D Parcels) within the core of Union Square. M.G.L. Chapter 79A and 760 CMR 27.00 require that assistance and benefits be provided to residents and businesses who are displaced because of a real estate acquisition by a public entity, or a private entity using public funds, regardless of whether the real property is acquired by eminent domain or negotiated sale. An experienced relocation consultant has been procured by OSPCD to undertake a relocation plan and provide relocation services. The Plan estimated that the total costs of relocation would be \$5.3 million.

Relocations costs associated with the Union Square Urban Revitalization Plan have been and will be funded from other City sources and will not be funded by the proceeds of the District Improvement Financings Plan.

5. Plans, if any, for the development of housing, both affordable and market rate

Development with a residential component within the proposed Development District is anticipated to consist of over 1,200 new units of market rate housing. New housing units will bring more variety to the existing housing stock which is primarily wood frame one-, two-, and three-family housing units because it will be in mid- and high-rise mixed-use buildings. Roughly 400 units of housing will be built immediately adjacent to the Green Line Extension on the D2 parcel, which is currently owned by the Somerville Redevelopment Authority (SRA). The intent is to sell the parcel to Union Square Station Associates (US2) to develop in accordance with the neighborhood plan. In June of 2017, the Board of Aldermen passed zoning that matches the potential outlined in the neighborhood plan. US2 is currently in the permitting phase of the project. There are six other development blocks named in the Union Square Revitalization plan as well as other private property owners that will contribute to the future of market rate housing development in Union Square.

Development with a residential component within the proposed Development District will be subject to the City's inclusionary housing requirements. Pursuant to article 6.7.6.D.a of the Union Square Zoning, the delivery and phasing of these units will be determined as individual buildings are built out. The affordable units will be provided in accordance with the requirements of Section 13 of the Somerville Zoning Ordinance.

Twenty percent of the anticipated housing units will be permanently affordable units. These units will be provided across the three income tiers designated in the affordable housing ordinance. All of the affordable units will be provided within the Development District. Approximately fifteen percent of all affordable housing units will be 3-bedroom units to accommodate larger households and families.

6. The proposed regulations and facilities to improve transportation

Existing regulations to improve transportation include SomerVision, the Union Square Neighborhood Plan, the Union Square Revitalization Plan, the Union Square Overlay District (USOD) Zoning, the Complete Streets Ordinance (City of Somerville Ordinance Article VII), and the Traffic Calming Ordinance (City of Somerville Ordinance Article XIV).

The transportation facilities and resources within the District will be greatly enhanced as part of the Development Program, which includes the development of a new streets, alleys, sidewalks, and pedestrian and bicycle infrastructure. Proposed public facilities to improve transportation include Somerville Avenue Streetscape and Utility Improvements and Union Square Streetscape and Plaza Improvements. Somerville Avenue Streetscape and Utility Improvements will improve mobility and safety for all travel modes by providing 12-foot wide sidewalks, curb extensions and shortened crosswalks, in-lane accessible bus stops, protected bicycle facilities that serve all ages and all abilities, and pedestrian-scale street lighting. Union Square Streetscape and Plaza Improvements will improve mobility and safety for all travel modes by providing for widened sidewalks, accessible curb ramps, curb extensions and shortened crosswalks, protected bicycle facilities, and slower-speed roadway and

intersection geometries. Certain one-way street segments will be converted to two-way traffic patterns, and major horizontal speed control devices will be installed to promote a more livable and humane Union Square Plaza.

7. The proposed operation of the district after the planned capital improvements are completed

The City of Somerville will continue to maintain the roadway, streetscape, open space, and public water and sewer systems in the Union Square Development District.

8. The duration of the program which shall not exceed the longer of: (i) 30 years from the date of designation of the district; or (ii) 30 years from project stabilization, as defined in the development program

The duration of the program will be 30 years from the date of designation of the District.

Invested Revenue District Development Program

As discussed in the Union Square Development District proposal submitted to the Board of Aldermen on October 12, the district will be an invested revenue district, which allows – but does not require – the City to retain all or part of the captured increment of the district for the purpose of financing our proposed infrastructure program.

M.G.L. Chapter 40Q requires the following information be included in a proposal for an invested revenue district development program:

1. Estimates of tax revenue to be derived from the invested revenue district

See Table 4 below.

2. A projection of the tax revenues to be derived from the invested revenue district in the absence of a development program

See Table 4 below.

3. A statement as to whether the issuance of bonds contemplated pursuant to this chapter (40Q) shall be general or special obligation bonds

The bonds issued to fund the infrastructure projects discussed above will be general obligation bonds.

4. The percentage of the tax increment to be applied to the development program and resulting tax increments in each year of the program

The captured increment will flow to the General Fund. It will be used as needed to pay the debt service for any streetscape infrastructure project components that must be paid out of the General Fund. Debt service for water and sewer project components will be paid out of the Water Enterprise Fund and Sewer Enterprise Fund, respectively. A portion of the captured increment could ultimately flow to the Water and Sewer Enterprise Funds if needed through a General Fund subsidy with approval from the Board of Aldermen.

5. The statement of the estimated impact of tax increment financing on all taxing jurisdictions in which the district is located

The use of tax increment financing through the Union Square DIF will not impact any other taxing jurisdictions.

Table 4. Projected Taxes Generated & Captured Increment in Union Square Development District, with and without Development Program

Year	With Development Program				Without Development Program		
	Commercial Taxes Generated	Residential Taxes Generated	Total Taxes Generated	Captured Increment in Tax Dollars	Commercial Taxes Generated	Residential Taxes Generated	Total Taxes Generated
2017	\$1,012,897	\$18,164	\$1,031,061		\$1,012,897	\$18,164	\$1,031,061
2018	\$1,033,155	\$18,527	\$1,051,682	\$19,590	\$1,033,155	\$18,527	\$1,051,682
2019	\$1,139,420	\$9,482	\$1,148,902	\$111,949	\$1,053,818	\$18,897	\$1,072,716
2020	\$1,820,864	\$581,368	\$2,402,232	\$1,302,613	\$1,074,895	\$19,275	\$1,094,170
2021	\$3,427,404	\$1,145,327	\$4,572,731	\$3,364,587	\$1,096,393	\$19,661	\$1,116,053
2022	\$5,060,339	\$1,168,234	\$6,228,573	\$4,937,637	\$1,118,320	\$20,054	\$1,138,374
2023	\$7,148,690	\$1,432,965	\$8,581,655	\$7,173,065	\$1,140,687	\$20,455	\$1,161,142
2024	\$8,723,209	\$1,698,164	\$10,421,373	\$8,920,796	\$1,163,501	\$20,864	\$1,184,365
2025	\$10,300,003	\$1,963,839	\$12,263,842	\$10,671,143	\$1,186,771	\$21,282	\$1,208,052
2026	\$11,879,118	\$2,230,001	\$14,109,119	\$12,424,155	\$1,210,506	\$21,707	\$1,232,213
2027	\$14,329,299	\$2,646,333	\$16,975,632	\$15,147,343	\$1,234,716	\$22,141	\$1,256,857
2028	\$15,661,892	\$2,892,161	\$18,554,053	\$16,646,843	\$1,259,410	\$22,584	\$1,281,994
2029	\$16,999,437	\$3,138,884	\$20,138,322	\$18,151,898	\$1,284,599	\$23,036	\$1,307,634
2030	\$18,342,033	\$3,386,522	\$21,728,555	\$19,662,619	\$1,310,291	\$23,497	\$1,333,787
2031	\$19,689,780	\$3,635,091	\$23,324,871	\$21,179,120	\$1,336,496	\$23,966	\$1,360,463
2032	\$21,042,782	\$3,884,612	\$24,927,394	\$22,701,516	\$1,363,226	\$24,446	\$1,387,672
2033	\$22,228,092	\$4,094,018	\$26,322,111	\$24,026,497	\$1,390,491	\$24,935	\$1,415,425
2034	\$23,419,735	\$4,304,619	\$27,724,355	\$25,358,629	\$1,418,301	\$25,433	\$1,443,734
2035	\$24,617,837	\$4,516,439	\$29,134,276	\$26,698,054	\$1,446,667	\$25,942	\$1,472,609
2036	\$25,822,527	\$4,729,501	\$30,552,028	\$28,044,919	\$1,475,600	\$26,461	\$1,502,061
2037	\$27,033,937	\$4,943,832	\$31,977,768	\$29,399,372	\$1,505,112	\$26,990	\$1,532,102
2038	\$28,252,200	\$5,159,455	\$33,411,655	\$30,761,565	\$1,535,214	\$27,530	\$1,562,744
2039	\$29,477,456	\$5,376,397	\$34,853,853	\$32,131,652	\$1,565,918	\$28,080	\$1,593,999
2040	\$30,709,842	\$5,594,685	\$36,304,527	\$33,509,793	\$1,597,237	\$28,642	\$1,625,879
2041	\$31,949,502	\$5,814,345	\$37,763,847	\$34,896,147	\$1,629,182	\$29,215	\$1,658,397
2042	\$32,588,492	\$5,930,632	\$38,519,124	\$35,613,660	\$1,661,765	\$29,799	\$1,691,564
2043	\$33,240,262	\$6,049,244	\$39,289,506	\$36,345,523	\$1,695,001	\$30,395	\$1,725,396
2044	\$33,905,067	\$6,170,229	\$40,075,296	\$37,092,024	\$1,728,901	\$31,003	\$1,759,904
2045	\$34,583,168	\$6,293,634	\$40,876,802	\$37,853,454	\$1,763,479	\$31,623	\$1,795,102
2046	\$35,274,832	\$6,419,506	\$41,694,338	\$38,630,114	\$1,798,748	\$32,256	\$1,831,004
Total	\$570,713,272	\$105,246,210	\$675,959,482	\$612,776,276	\$41,091,294	\$736,861	\$41,828,155

Source: RKG Associates & City of Somerville Assessing Department