



CITY OF SOMERVILLE, MASSACHUSETTS

CLERK OF COMMITTEES

December 5, 2017
REPORT OF THE FINANCE COMMITTEE

Attendee Name	Title	Status	Arrived
Tony Lafuente	Chair	Present	
Maryann M. Heuston	Vice Chair	Absent	
Katjana Ballantyne	Ward Seven Alderman	Absent	
Matthew McLaughlin	Ward One Alderman	Present	
William A. White Jr.	Alderman At Large	Present	
Robert J. McWatters	Ward Three Alderman	Present	
Mark Niedergang	Ward Five Alderman	Present	
Lance L. Davis	Ward Six Alderman	Present	
Mary Jo Rossetti	Alderman at Large	Present	
John M. Connolly	Alderman At Large	Present	
Dennis M. Sullivan	Alderman At Large	Present	

Others present: Michael Glavin - OSPCD, Tom Galligani - OSPCD, Brad Rawson - OSPCD, Arn Franzen - Parks & Open Space, Frank Golden - Assessing, Rich Raiche - Engineering, Rob King - Capital Projects, Ed Bean - Finance, Emily Monea - SomerStat, Greg Karczewski - US2, Tim Snyder - Mayor's Office, Annie Connor - Legislative Liaison, Rositha Durham - Clerk of Committees.

The meeting took place in the Aldermanic Chamber and was called to order at 6:00 PM by Chairman Lafuente and adjourned at 8:20 PM.

Approval of the November 13, 2017 Minutes

RESULT:	ACCEPTED
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204438: Requesting an appropriation and authorization to borrow \$63,000,000 in a bond for Somerville Avenue streetscape and utility improvements.

Mr. Galligani spoke about the proposed DIF and noted that this information was previously presented to the Committee. A slide presentation was given that addresses all items on tonight's agenda. All relevant informational material has been posted on the city's website. Mr. Galligani talked about the specific challenges faced in Somerville and told the committee that there is a

\$13 million MassWorks Grant that city would like to take advantage of for the infrastructure project. He explained the purpose of the DIF which allows the city to borrow short term.

There are five items relating to the DIF, as follows:

1. Construction funding for Somerville Avenue Utility & Streetscape Improvements
2. Design funding for Poplar St. Stormwater Pump Station
3. Design funding for Spring Hill Sewer Separation
4. Conservative Analysis
5. New captured increment calculations for D2 & D5.1

Some members of the committee asked about the importance of approving the DIF tonight and also when the city will be requesting funding for the other two phases. Mr. Galligani said this matter will be discussed in detail at the next Finance Committee meeting on December 13th. Further questions were raised by the committee about the approval of the DIF by the last BOA meeting of the year, on December 14th.

Mr. King talked about the schedule for the bid and length of time to advertise, bid, review, select contractor and break ground by March 1st. Alderman McLaughlin and others asked if the city would lose the grant if the DIF was not approved in December and the response was that the city could not get the funds from the state unless the city starts to spend the funds on this project. Mr. Snyder says this is a decision the city will have to make, i.e., whether the funds comes from the state or not. Alderman Niedergang raised concerns about the overall financing and the DIF and asked if the DIF and design funds had to be approved together. Again, the question was asked if the DIF needed to be approved tonight. Mr. Snyder said the design funds are not tied to the DIF and he reiterated that the reason for the DIF is to allow the city to have flexible borrowing terms, only, and it does not obligate the city for future projects.

Mr. Galligani continued the presentation and spoke about conservative analysis using a 2% inflation rate, noting that the historical city-wide average annual inflation rate is 3.6%. Alderman White inquired about the annual basis and how much property taxes and the water and sewer enterprise funds would provide. Mr. Bean answered President White's question and said that the information will go on the city's website and is broken out for the next 30 years. Alderman Niedergang asked about projecting out for the property if it is unknown when the different buildings will be built. Mr. Galligani said the city talked to their partners at US2 to find out what is known and suggested focusing on the projects that may happen in the next 3-5 years. He also spoke about the city expecting to receive an estimated \$9.3 million for the sale of the D2 parcel. Alderman McLaughlin raised a question about the linkage rate which is expected to increase.

There were other discussions about the reserves being drawn down and the funds from MassWorks. Alderman Niedergang asked if the city accounted for potential construction inflation and Mr. King replied that the city has an escalator which could be applied to the mid-point of the construction, (similar to the workings with the new high school construction). Alderman White asked if the \$9.3 million from the sale of D2 will reduce the bond and Mr. Bean said the city has to authorize the full amount of \$63 million but will only borrow \$50 million. Alderman McLaughlin said he feels that the city should receive more funding from the total contribution than the proposed \$11 million (referenced in the presentation on page 17) since the

Union Square property is potentially more like Kendall Square and may have more value than Assembly Square. Mr. Galligani feels the numbers are healthy and provide balance for the city to address concerns for housing development and other items. Alderman Niedergang said he also believes the city should get more for the infrastructure at Union Square than Assembly Square and asked for a comparison between Union Square and Assembly Square.

Mr. Greg Karczewski, President of US2, gave the committee an update on Union Square. The D2 parcel is targeted as the first stage of commercial development. South of the area will have 4125 residential units and parking. The plaza civic space will be triangular with two levels. The Green Line station will have an area for pedestrians, a pathway, restrooms and lounge. The post office project has partnered with US2 for mixed use property. Righthand Robotics is the first commercial property that went from a hand full of employees to approximately 30, now. D2 will be ready in time for the T to arrive in 2021 with a new plaza and facility. US2 has held public meetings and will have designs to review with the Planning Board. Alderman White asked about the financing partners and Mr. Karczewski said that US2 has been partnering with life sciences businesses and with Capital Partners. Alderman White asked what kind of additional funds will be needed for the Union Square streetscape and if an additional bond will be required for US2 to move forward. Alderman Rossetti expressed concern about the zoning overlay that was so important in previous meetings, saying that now, many months later, the board is receiving the same answers but with less enthusiasm. Mr. Karczewski said US2 is in negotiations on this matter. Alderman McLaughlin raised a question about linkage fees, saying he favors a higher rate.

RESULT:	KEPT IN COMMITTEE
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204437: Requesting approval of the proposed Union Square District Improvement Financing Development District.

See discussion of item #204438.

RESULT:	KEPT IN COMMITTEE
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204517: Requesting approval of the proposed Union Square District Improvement Financing (DIF) Development Program.

See discussion of item #204438.

RESULT:	KEPT IN COMMITTEE
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204575: Requesting an appropriation and authorization to borrow \$2,100,000 in a bond to design a Stormwater Pump Station and Force Main on Poplar Street.

See discussion of item #204438.

RESULT:	KEPT IN COMMITTEE
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204576: Requesting an appropriation and authorization to borrow \$1,500,000 in a bond, for the Spring Hill Sewer Separation Project Design Phase.

See discussion of item #204438.

RESULT:

KEPT IN COMMITTEE

Handout:

- USQ Infrastructure and DIF 12-5-17 (with 204437, 204438, 204517, 204575, 204576)