

## Brief Overview of Infrastructure Investment Incentive Program (“I-Cubed”) in Somerville

The funding from the state’s I-Cubed program in support of the city and the developer’s efforts at Assembly Row is considered one of the most successful public/private partnerships in the Commonwealth. In accordance with the goals of that partnership, the developer has incurred certain costs that are eligible for reimbursement from the state from the I-Cubed Program. Before the developer can be reimbursed for these costs an amendment to the project’s I-Cubed agreement needs to be approved by the city and the state. By way of background to this requested amendment, the following brief outline has been prepared as requested by the Board of Aldermen’s Finance Committee.

### Executive Summary: Proposed 2<sup>nd</sup> Amendment to Economic Development Proposal/ I Cubed Funding

- **I-Cubed Funding Secured.** In 2011, the Commonwealth, the City and FRIT executed an agreement that secured funding sources for construction of the MBTA Orange Line Station at Assembly Square and public infrastructure improvements to support the mixed-use Assembly Row project. An important part of this funding agreement was a commitment by the Commonwealth to support \$40 million in I-Cubed funding to reimburse public infrastructure costs incurred by FRIT.
- **I-Cubed 1<sup>st</sup> Amendment Approved.** To fund the needed infrastructure improvements, the Commonwealth issued \$10 million in Bond Anticipation Notes, the proceeds of which were used by FRIT to recover cost expended in the construction of these improvements. I Cubed funding was used to bridge a delay in timing between the construction of the infrastructure and the availability of revenues from private development intended to support the debt service on the permanent I-Cubed bonds. An initial amendment to the Assembly Square Economic Development Proposal (“EDP”) for the revised First Bond Phase was approved by the Board of Aldermen in August 2012. The short term Bond Anticipation Notes for the original \$10 million were extended for another two-year term, and then converted to permanent financing on June 4, 2014.
- **Assembly Row Development Phase 1 Substantially Completed.** The anticipated Assembly Row development program as per the EDP is now substantially complete. With Blocks 1, 3 and 4 now operational, those buildings supported in part by the \$10 million in first phase I Cubed funding, will generate over \$650,000 in Annual Net New State Tax Revenues, and has generated more than \$7 million of one-time construction tax revenue for the Commonwealth of Massachusetts.

- **Assembly Row Development Phase 2 In Progress.** Planning for Development Phase 2 is well underway, consisting of Blocks 2, 5a, 6, and 11.

--Block 2 is substantially complete, consisting of 100,000 square feet of speculative office space and 30,000 square feet of retail.

--Block 11, the Partners HealthCare site is now underway, with the project consisting 768,000 square feet of office, 105,000 square feet of retail/commercial and a parking garage.

--Block 6 has received conditional approval to develop 434,000 sq. ft. of rental apartments and 35,000 sq. ft. of retail with construction expected to begin in the first quarter of 2015.

--On Block 5a, FRIT intends to develop a 147-key hotel, 145,000 sq. ft. of for-sale condominiums, and over 23,000 sq. ft. of retail space. Construction on Block 5a is also anticipated to begin in the first quarter of 2015.

- **Phase 2 Public Infrastructure Completed.** The proposed second amendment to the EDP represents the remaining \$30 million draw down of the original I Cubed commitment from the Commonwealth. The Phase 2 Public Infrastructure improvements are already complete.
- **Request for Phase 2 Funding from I-Cubed Ready for Review.** FRIT has previously provided and will be prepared to speak to specific revenue and cost projections for Development Phase 2, including underlying assumptions and methodology. A qualified and independent Consultant's report will be completed following the submittal of this amendment to the Commonwealth in order to verify the analysis completed by FRIT to support the issuance of \$30M in I-Cubed funding.
- **Local Approval for Amendment Requested.** This proposed second amendment to the EDP requires local approval before FRIT can seek reimbursement from the Commonwealth for funds already expended for public infrastructure improvements under I Cubed.