

Executive Summary

This is an amendment to the Assembly Row (formerly “Assembly on the Mystic”) Economic Development Proposal (“EDP”), dated October 27, 2009, for the revised Development Phase 1 in the City of Somerville, MA.

Following approval of the original EDP and execution of the Infrastructure Development Assistance Agreement¹ (“IDAA”), the Commonwealth issued \$10 million in Bond Anticipation Notes (“BANs”), underwritten by JP Morgan Chase Bank in May 2010. The proceeds of the short-term bonds were conveyed to FR Sturtevant Street, LLC, a subsidiary of Federal Realty Investment Trust (“the Developer”) to support the construction of Public Infrastructure Improvements, which had already been constructed. The short-term financing bridged a delay in timing between construction of infrastructure and the commencement of private development needed to support the debt service on the permanent I-Cubed bonds. In anticipation of the BANs converting to permanent financing, the Developer is submitting this Amendment to demonstrate that Annual Net New Tax Revenues will support the debt service on the \$10 million of I-Cubed bonds. When fully operational in 2014, Development Phase 1 will generate approximately \$950,000 in Annual Net New State Tax Revenues and more than \$5 million of one-time construction tax revenue for the Commonwealth of Massachusetts. Annual debt service for a 30-year general obligation bond at an assumed interest rate of 5% is estimated at \$647,068. Required annual debt service coverage at 1.5x is approximately \$970,000.

Development Phase 1 comprises Blocks 1, 2, 3, and 4 at Assembly Row and Block 10 on the existing Assembly Square Marketplace, and consists of more than 320,000 sq. ft. of retail, including a 12-screen cinema to be operated by AMC Entertainment, Inc., 168,000 sq. ft. of value retail shopping, and 90,000 sq. ft. of restaurants, entertainment, and service-oriented uses². In addition, Street Retail, Inc., a subsidiary of the Developer, has executed ground leases with AvalonBay Communities, Inc., to design and build approximately 400,000 sq. ft. of multi-family residential on Blocks 1 and 4, and is close to finalizing a deal on Block 2 for approximately 103,000 sq. ft. of multi-family residential³. Construction is underway on Blocks 1, 3, 4, and 10. Construction on Block 2 is anticipated to begin in early 2013.

The Phase 1 Public Infrastructure improvements that commenced after the approval of the original EDP are almost complete. The projected cost of Phase 1 Public Infrastructure Improvements is more than \$57 million. Sources of funding for Phase 1 will include more than \$17 million in private investment, plus the following targeted public investments: \$12 million from the 2009 American Recovery and Reinvestment Act (federal stimulus); a \$2 million Growth District Initiative grant from the Commonwealth; \$15 million in District Improvement Financing through the City of Somerville; and \$10

¹ Refer to **Appendix G: Infrastructure Development Assistance Agreement (IDAA) and First Amendment to IDAA**, Section 2.03, for more information on the BANs.

² For purposes of this Amendment, Developer is calculating sq. ft. based on Gross Leasable Area (GLA), the area that will produce Net New Tax Revenues to the Commonwealth, and may be less than the overall retail area approved in local permits.

³ Local approvals for Block 2 are pending, and assumptions are based on preliminary design only.

million in permanent I-Cubed financing to be issued in November 2012⁴. In addition, the Developer has invested \$15 million into the MBTA Orange Line Station, matched by more than \$38 million in federal and state funding.

This Amendment provides specific revenue (**Items 9 to 11**) and cost (**Item 6**) projections for Development Phase 1, including underlying assumptions and methodology. An Independent Consultant Report revising the original Independent Consultant Report, dated July 20, 2009 (**Appendix C**), confirms the ability of the First Phase to anchor the development and support the initial I-Cubed funding. In addition, this Amendment provides detailed projections of the revised Phase 1 Program (**Item 5**) and supporting timelines for relevant development milestones (**Item 7**).

In April 2011, the Commonwealth, the City and the Developer (and applicable subsidiaries and affiliates of the Developer) executed a Public Funding Agreement⁵ that secured funding sources for construction of the MBTA Orange Line Station at Assembly Square. Integral to that agreement was a commitment by the Commonwealth to increase the amount of I-Cubed funding available for the Project from \$50 million to \$58 million. The overall Assembly Row development program that was articulated in the EDP has not changed. Project phasing has changed, and as a consequence, the Developer intends to move forward with the revised First Bond Phase of \$10 million. Additional development will be driven by market demand, and further analysis to support the remaining \$48 million will be provided in future amendment(s).

The completion of Development Phase 1 of Assembly Row will serve as the gateway to successful implementation of the full buildout of the Future Phases within the Economic Development District. In addition to signifying the revitalization of a long under-utilized industrial site along the Mystic River, Development Phase 1 will serve as a platform in which to attract future investment into the District, and create the vibrant, 24-hour mixed-use neighborhood that was originally envisioned.

⁴ These figures do not include approximately \$100 million in private infrastructure development costs incurred by the Developer that are ineligible for Public Funding.

⁵ Refer to **Appendix H: Assembly Square Public Funding Agreement, April 2011**.

Item 1 – Federal Realty Investment Trust

Legal name, contact information, personnel, description, and relevant experience of the Developer.

Primary Contact Information

Name: Donald T. Briggs
Title: Senior Vice President, Development
Address: Federal Realty Investment Trust
5 Middlesex Avenue, Suite 401
Somerville, MA 02145
Phone: (617) 684-1500
Fax: (617) 623-3601
Email: dbriggs@federalrealty.com

Personnel

Donald T. Briggs

Senior Vice President, Development

Jeffrey S. Berkes

Executive Vice President, Chief Investment Officer

*Remove **Robert J. Walsh** information from this section.*

David Webster

Director of Development

Michael J. Bucher

Development Financial Analyst

Item 2.

References and the contact information of other government officials, if any, with whom the Developer has dealt in connection with similar development projects.

No change.

Item 3.

If the Economic Development Proposal is expected to be owned or carried out by more than one Developer, items 1 and 2 above for each Developer and an explanation of their relationship, their respective ownership interests and their respective roles in carrying out the Economic Development Proposal.

The following wholly-owned subsidiaries of Federal Realty Investment Trust should be included in the Economic Development Proposal:

- FR Sturtevant Street, LLC
- Street Retail Inc., (SRI)
- SRI Assembly Row B2, LLC
- SRI Assembly Row B3, LLC
- SRI Assembly Row B5, LLC
- SRI Assembly Row B6, LLC
- SRI Assembly Row B7, LLC
- SRI Assembly Row B8, LLC
- SRI Assembly Row B9, LLC

Item 4.

Boundaries of the proposed Economic Development District, including:

- (a) A textual description of the boundaries and a map showing boundaries;

No change.

(b) Identification of the existing parcels of real property located within the proposed district;

The ownership and control status of the parcels of real property within the proposed Economic Development District is included in **Table 4(b): Parcel Ownership and Control**.

Table 4(b): Parcel Ownership and Control				
Owner/Parcel Name and Owner's Business Address	Address	Deed Reference (all in the Middlesex South Registry of Deeds)	Lot # and Plan¹	Federal Realty Relationship and Site Control
FR Assembly Square, LLC – Assembly Square Marketplace 1626 East Jefferson Street Rockville, MD20852	133 Middlesex Avenue	Deed dated March 3, 2005 filed as Doc. 1366597 and recorded at Bk. 44736 Pg. 139. See Notice of Voluntary Withdrawal from Registration filed as Doc. 1536789 and recorded at Bk. 54972 Pg. 66	Parcels 22 & 23, Lots B-1A and B-2A on Plan # 812 of 2011.	FR Assembly Square, LLC is a wholly owned subsidiary of Federal Realty Investment Trust.
FR Sturtevant Street, LLC, Street Retail Inc., SRI Assembly Row B2, LLC, SRI Assembly Row B3, LLC, SRI Assembly Row B5, LLC, SRI Assembly Row B6, LLC, SRI Assembly Row B7, LLC, SRI Assembly Row B8, LLC, SRI Assembly Row B9, LLC, as tenants in common. 1626 East Jefferson Street Rockville, MD20852		Deed dated July 5, 2010 recorded at Bk. 54960, page 476 and Confirmatory Deed at Bk. 55630 Pg. 131. Deed of Commonwealth of Massachusetts dated 12/27/11 at Bk. 58177 Pg. 255 (Parcels 13 & 14 on Plan #811 of 2011) Deed of FR Assembly Square dated 12/5/2011 at Bk. 58025 Pg. 91 (Parcel 24 on Plan # 812 of 2011) Deed of 99 Foley Street, LLC to TIC dated 9/15/2010 at Bk. 55394, Pg. 470 (no plan – APN 99-A-10) ² . Deed of IKEA Property, Inc. dated 12/9/2011 at Bk. 58140, Pg. 367 (Parcel 11B on Plan # 867 of 2011 <i>w/ use restrictions for public transportation.</i>)	Parcels 26, 29, 30, 31, 32, 33, 34 & 35 on Plan # 880 of 2011; Lots 2C, 2D, 2E, 4C and 5A on Plan # 447 of 2009; and Parcel 11B on Plan 867 of 2011 (<i>use restrictions</i>).	FR Sturtevant Street, LLC, Street Retail Inc., SRI Assembly Row B2, LLC, SRI Assembly Row B3, LLC, SRI Assembly Row B5, LLC, SRI Assembly Row B6, LLC, SRI Assembly Row B7, LLC, SRI Assembly Row B8, LLC and SRI Assembly Row B9, LLC are wholly owned subsidiaries of Federal Realty Investment Trust.
Street Retail Inc. 1626 East Jefferson Street		Deed dated December 27, 2011, recorded with said Deeds at Bk. 58177 Pg. 298.	Parcel 27 on Plan # 880 of	Street Retail Inc. is a wholly owned subsidiary of

¹ Descriptions in this column reflect current configuration of the property standing in the name of the listed owner.

² Now part of Parcels 31, 32, 33 and 34

Table 4(b): Parcel Ownership and Control

Owner/Parcel Name and Owner's Business Address	Address	Deed Reference (all in the Middlesex South Registry of Deeds)	Lot # and Plan¹	Federal Realty Relationship and Site Control
Rockville, MD20852			2011	Federal Realty Investment Trust.
Street Retail Inc. 1626 East Jefferson Street Rockville, MD20852		Deed dated December 27, 2011, recorded with said Deeds at Bk. 58177 Pg. 303.	Parcel 28 on Plan # 880 of 2011	Street Retail Inc. is a wholly owned subsidiary of Federal Realty Investment Trust.
IKEA Property, Inc. – Inland Parcel 420 Alan Wood Road Conshohocken, PA19428		Deed dated 10/16/2009 in Bk. 53688 Pg. 391	Parcel 11 on plan 670 of 2009 and Parcels 2B, 3B, 4B, and 6B on plan 447 of 2009.	
Commonwealth of Massachusetts, acting by and through the Commissioner of its Division of Capital Asset Management and Maintenance (“DCAM”), on behalf of and in consultation with its Department of Conservation and Recreation (“DCR”) One Ashburton Place Boston, MA 02108		Deed dated 12/27/2011 in Bk. 58177 Pg. 265	Parcels 15, 17 and 19 on Plan # 813 of 2011 and Parcel 25 on Plan # 812 of 2011	
Commonwealth of Massachusetts, acting by and through its Metropolitan District Commission (now		Order of Taking dated 12/20/1962 in Bk. 10189 Pg. 593	Parcel 12 on Plan # 811 of 2011	

Land ownership in the proposed Economic Development District is also illustrated on the corresponding **Map 4(b): Parcel Ownership and Control, Federal Realty, Map 4(b)(1): Parcel Ownership and Control,**

IKEA, and **Maps 4(b)(2) – 4(b)(4)** that identify the locations of former and current Commonwealth-owned Parcels.

(c) Identification of the current Owner of each parcel, and, to the extent any of the parcels are not currently owned by the Developer, evidence that the Developer has a reasonable expectation of acquiring the parcels not currently owned by the Developer and the expected cost of acquiring these parcels;

The Developer and IKEA Property Inc. own the majority of the land within the Economic Development District. The Commonwealth of Massachusetts owns land within the District that will be improved with public infrastructure and a park.

In the original EDP, the Developer had entered into a binding executed purchase and sale agreement for the acquisition of 85 Foley Street (“Green Cab”). That transaction is now closed.

Additionally, two other properties within the Economic Development District, Central Steel and the boat storage site, were not under the Developer’s control as of the original EDP. Central Steel was acquired on September 15, 2010, and the boat storage site was acquired on December 27, 2011.

(d) Identification of the proposed Assessment Parcels upon which the different Project Components will be developed;

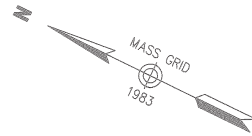
A detailed description of each Project Component and its respective Commercial and/or Residential Components in Development Phase 1 is included in **Item 5(a)** and **Table 5(a)(1): Project Component Summary**.

(e) Identification of the proposed Public Infrastructure Improvements.

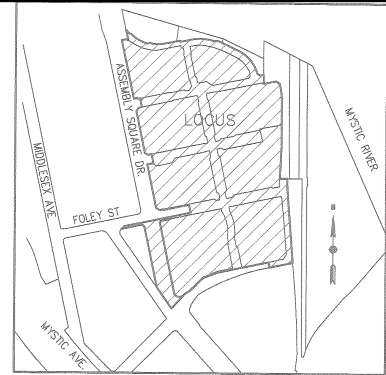
No change.

Map 4(b): Parcel Ownership and Control, Federal Realty

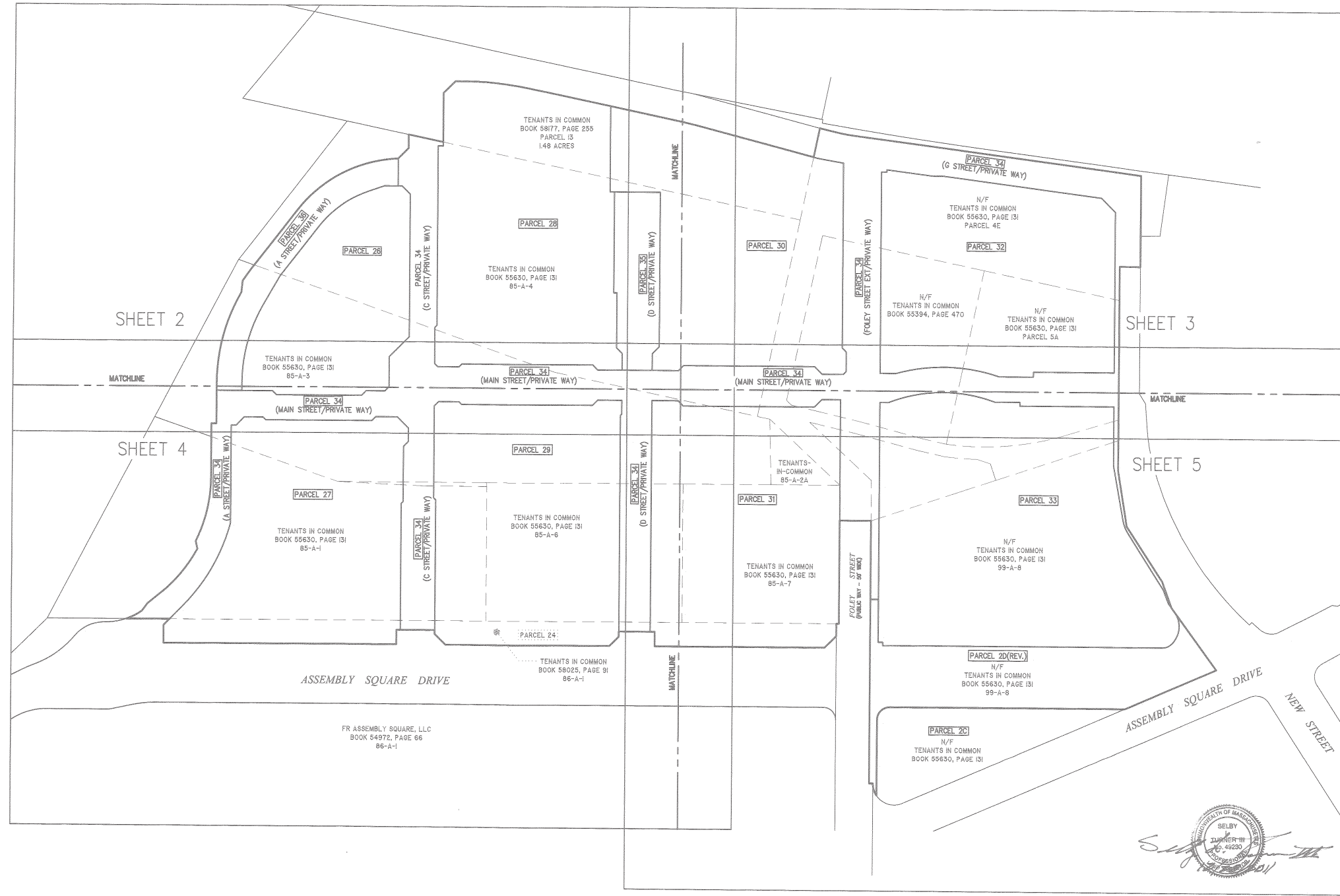
Register of Deeds
Southern District
Cambridge, Massachusetts
Plan No. 880 of 20
Rec'd 12-20 20
at 3:32 P.M.
Attest
Luca C. Rivera
Register



RESERVED FOR REGISTRY USE ONLY



LOCUS (NOT TO SCALE)



SUBDIVISION
PLAN OF LAND
IN
SOMERVILLE
MASSACHUSETTS

PREPARED FOR: STREET RETAIL, INC.
PREPARED BY: Vanasse Hangen Brustlin, Inc.
Transportation, Land Development &
Environmental Services
101 Walnut Street, P.O. Box 9151
Watertown, MA 02471-9151
(617) 924-1770

SHEET 1 OF 5 DATE: NOVEMBER 18, 2011

Plan # 880-15 of 2011 12-28-2011 3:32 P.M.

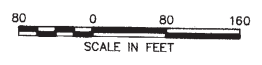
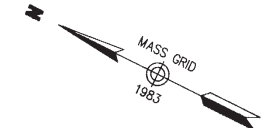
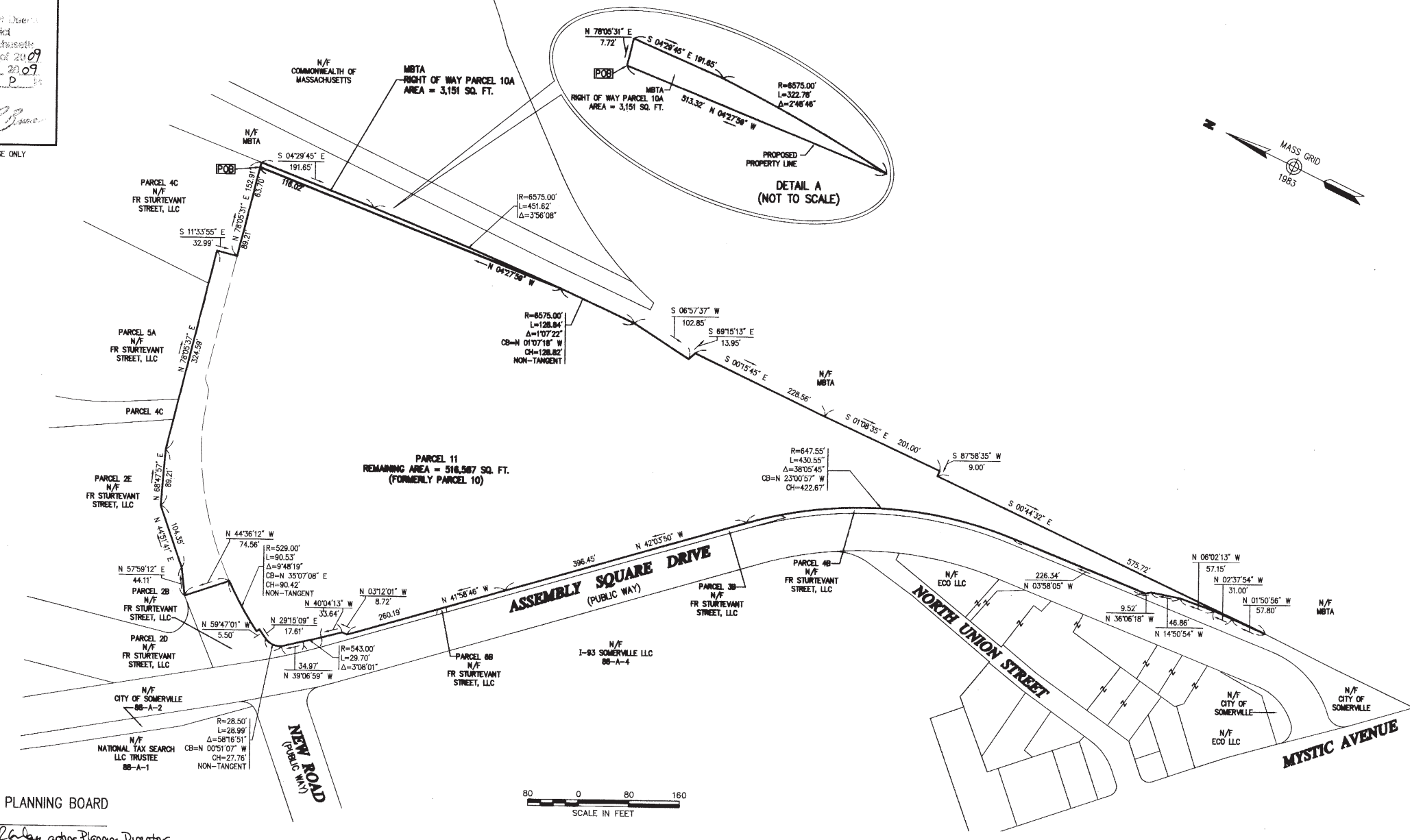
880-15

Map 4(b)(1): Parcel Ownership and Control, IKEA

Massachusetts Registry of Deeds
 Southern District
 Cambridge, Massachusetts
 Plan No. 670 of 2009
 Rec'd. 10-05-2009
 at 12:57 PM
 Attest
[Signature]
 Registrar

VHIB
 Vanasse Hangen Brustlin, Inc.
 101 Walnut Street, P.O. Box 9151
 Watertown, Massachusetts 02472
 617 924 1770 • FAX 617 924 2286

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SOMERVILLE PLANNING BOARD

 DATE: 10-1-09

Plan References

- 1) PLAN ENTITLED "SUBDIVISION PLAN OF LAND IN SOMERVILLE, MA," SCALE 1"=80', DATED OCTOBER 22, 2007, PREPARED BY VANASSE HANGEN BRUSTLIN, INC., PLAN 447 OF 2009, SHEET 5 OF 5
- 2) PLAN ENTITLED "CONSOLIDATION PLAN OF LAND IN SOMERVILLE, MA," SCALE 1"=80', NOVEMBER 14, 2008, PREPARED BY VANASSE HANGEN BRUSTLIN, INC., PLAN 447 OF 2009, SHEET 2 OF 5
- 3) PLAN ENTITLED "SUBDIVISION PLAN OF LAND IN SOMERVILLE MA," SCALE 1"=80', NOVEMBER 17, 2008, PREPARED BY VANASSE HANGEN BRUSTLIN, INC., PLAN 447 OF 2009, SHEET 1 OF 5

Certification

I HEREBY CERTIFY THAT THIS PLAN WAS PREPARED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE REGISTERS OF DEEDS OF THE COMMONWEALTH OF MASSACHUSETTS.

9-30-09
 DATE



[Signature]
 PROFESSIONAL LAND SURVEYOR

SUBDIVISION PLAN OF LAND
 IN
SOMERVILLE
 MASSACHUSETTS

PREPARED FOR: FR STURTEVANT STREET, LLC
 PREPARED BY: Vanasse Hangen Brustlin, Inc.
 Transportation, Land Development &
 Environmental Services
 101 Walnut Street, P.O. Box 9151
 Watertown, MA 02471-9151
 (617) 924-1770
 SCALE: 1 INCH = 80 FEET DATE: JANUARY 27, 2009

12:57 pm

10:5:09

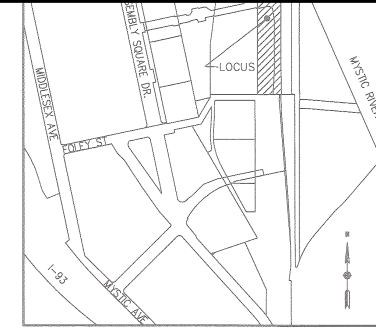
PL: 670

Map 4(b)(2): Parcel Ownership and Control, Commonwealth of MA

Middlesex Registry of Deeds
Southern District
Cambridge, Massachusetts
Plan No. 811 of 2011
Rec'd 12-05-2011
at 11:43 A.M.



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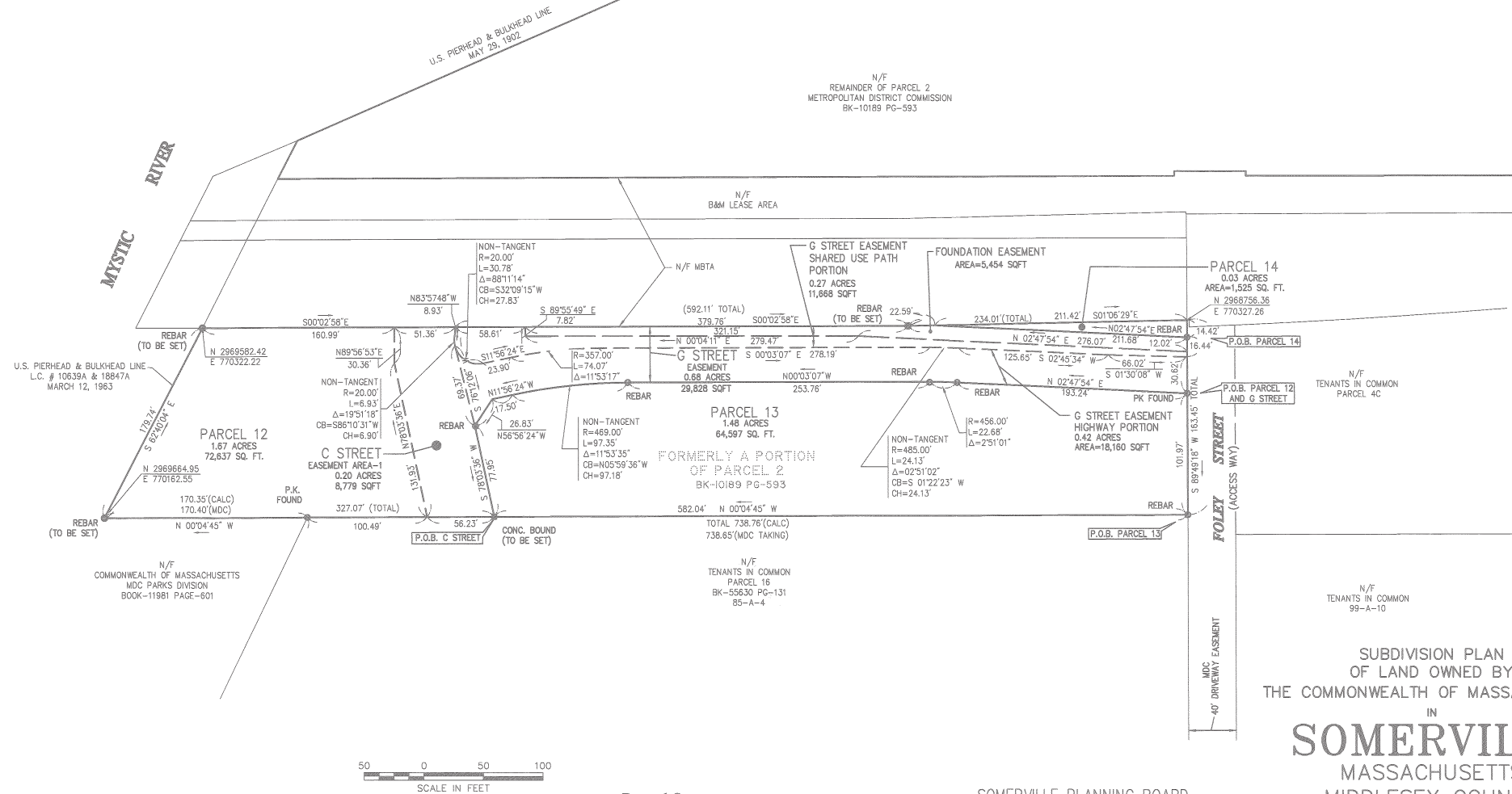
PL # 811 12-05-2011 11:43 A.M.

Plan References

- 1) PLAN ENTITLED "PROPOSED LAND TRANSFER, METROPOLITAN DISTRICT COMMISSION TO THE MASSACHUSETTS BAY TRANSPORTATION AUTHORITY", SCALE 1"=80'; DATED OCTOBER 17, 1985, REVISED APRIL 6, 1987 PREPARED BY HOWARD NEEDLES TAMMEN & BERGENDOFF.
- 2) PLAN ENTITLED "COMMONWEALTH OF MASSACHUSETTS, METROPOLITAN DISTRICT COMMISSION, PARKS DIVISION, MYSTIC RIVER BASIN ELEVATION CONTROL PROJECT, SOMERVILLE, PLAN OF TAKINGS AND EASEMENTS", DATED DECEMBER 12, 1962, REVISED DECEMBER 19, 1962, PREPARED BY BENJAMIN W. FINK, DIRECTOR OF PARK ENGINEERING, RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 1744 OF 1962.
- 3) PLAN ENTITLED "LAND IN SOMERVILLE, MASS., BOSTON AND MAINE RAILROAD TO THOMAS M. DISILVA", SCALE 1"=50'; DATED MARCH 1961 RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 1512 OF 1961.
- 4) PLAN ENTITLED "LAND IN SOMERVILLE, MASS., BOSTON AND MAINE RAILROAD TO FIRST NATIONAL STORES INC.", SCALE 1"=100'; DATED MAY 1942 PREPARED BY J.P. CRONIN, ENGINEER OF DESIGN, RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 74 OF 1943.
- 5) PLAN ENTITLED "COMMONWEALTH OF MASSACHUSETTS, METROPOLITAN DISTRICT COMMISSION, PARKS DIVISION, MYSTIC RIVER BASIN ELEVATION CONTROL PROJECT, SOMERVILLE, PLAN OF CONVEYANCE TO BOSTON AND MAINE RAILROAD", DATED MARCH 12 1963, REVISED MARCH 29, 1963, PREPARED BY BENJAMIN W. FINK, DIRECTOR OF PARK ENGINEERING, RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 703 OF 1963.
- 6) PLAN ENTITLED "COMMONWEALTH OF MASSACHUSETTS, METROPOLITAN DISTRICT COMMISSION, PARKS DIVISION, SOMERVILLE MARGINAL CONDUIT PROJECT, SOMERVILLE, MASS., PLAN OF LAND TAKING", SCALE 1"=100'; DATED DECEMBER 9, 1970, PREPARED BY NEW ENGLAND SURVEY SERVICE INC. RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 312 OF 1971
- 7) LAND COURT CASE #18847A
- 8) PLAN ENTITLED "COMMONWEALTH OF MASSACHUSETTS, METROPOLITAN DISTRICT COMMISSION, PARKS DIVISION, MYSTIC RIVER BASIN CONTROL PROJECT, SOMERVILLE, PLAN OF TAKING FROM MIDDLESEX NORTHERN CORPORATION", SCALE 1"=40'; DATED FEBRUARY 26, 1963, REVISED MARCH 27, 1963, PREPARED BY BENJAMIN W. FINK, DIRECTOR OF PARK ENGINEERING, REGISTERED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 398 OF 1963.
- 9) MASSACHUSETTS BAY TRANSPORTATION AUTHORITY, HAYMARKET - NORTH EXTENSION, CONTRACT NO. HN-300, BOSTON & MAINE CORPORATION, METROPOLITAN DISTRICT COMMISSION & COMM. OF MASS. - LAND TAKINGS, PLAN NO. M-9-22860 THRU M-9-22862, DATED JULY 22, 1969, RECORDED WITH MIDDLESEX REGISTRY OF DEEDS, SOUTH DISTRICT, PLAN NUMBER 231 OF 1974.

General Notes

- 1) THE PROPERTY LINES SHOWN WERE DETERMINED BY ACTUAL FIELD SURVEY CONDUCTED IN APRIL 2004 AND NOVEMBER 2006 AND FROM PLANS AND DEEDS OF RECORD.
- 2) THE PURPOSE OF THIS PLAN IS TO DIVIDE THE WESTERLY REMAINDER OF PARCEL 2 INTO PARCELS 12, 13 AND 14, AS WELL AS CREATING PERMANENT HIGHWAY EASEMENTS FOR C STREET AND G STREET AND A PERMANENT FOUNDATION EASEMENT.



Certification

I HEREBY CERTIFY THAT THE STATE OWNED LAND SHOWN AS PARCEL 13, 1.48 ACRES, PARCEL 14 .035 ACRES, G STREET EASEMENT 29,828 SQ. FT., AND C STREET EASEMENT 0.20 ACRES ON THIS PLAN IS WHOLLY WITHIN THE BOUNDARIES OF THE LAND DESCRIBED IN THE ORDER OF TAKING BY THE METROPOLITAN DISTRICT COMMISSION DATED DECEMBER 20, 1962 AND RECORDED IN BOOK 10189 PAGE 593.

DATE May 24, 2011 Russell J. Conquest
PROFESSIONAL LAND SURVEYOR



Record Owner

PARCEL 2
METROPOLITAN DISTRICT COMMISSION
BK. 10189 PG. 593

Certification

I HEREBY CERTIFY THAT THIS PLAN WAS PREPARED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE REGISTERS OF DEEDS OF THE COMMONWEALTH OF MASSACHUSETTS.

DATE May 24, 2011 Russell J. Conquest
PROFESSIONAL LAND SURVEYOR



SOMERVILLE PLANNING BOARD

Don Rubin
George Franklin, Director of Planning
Agreed to split Parcel 12, 13, 14
re minor PUD amendment
Case # PB 2006-59-MA3, 06/2011
DATE: June 15, 2011

SUBDIVISION PLAN OF LAND OWNED BY THE COMMONWEALTH OF MASSACHUSETTS IN SOMERVILLE MASSACHUSETTS MIDDLESEX COUNTY

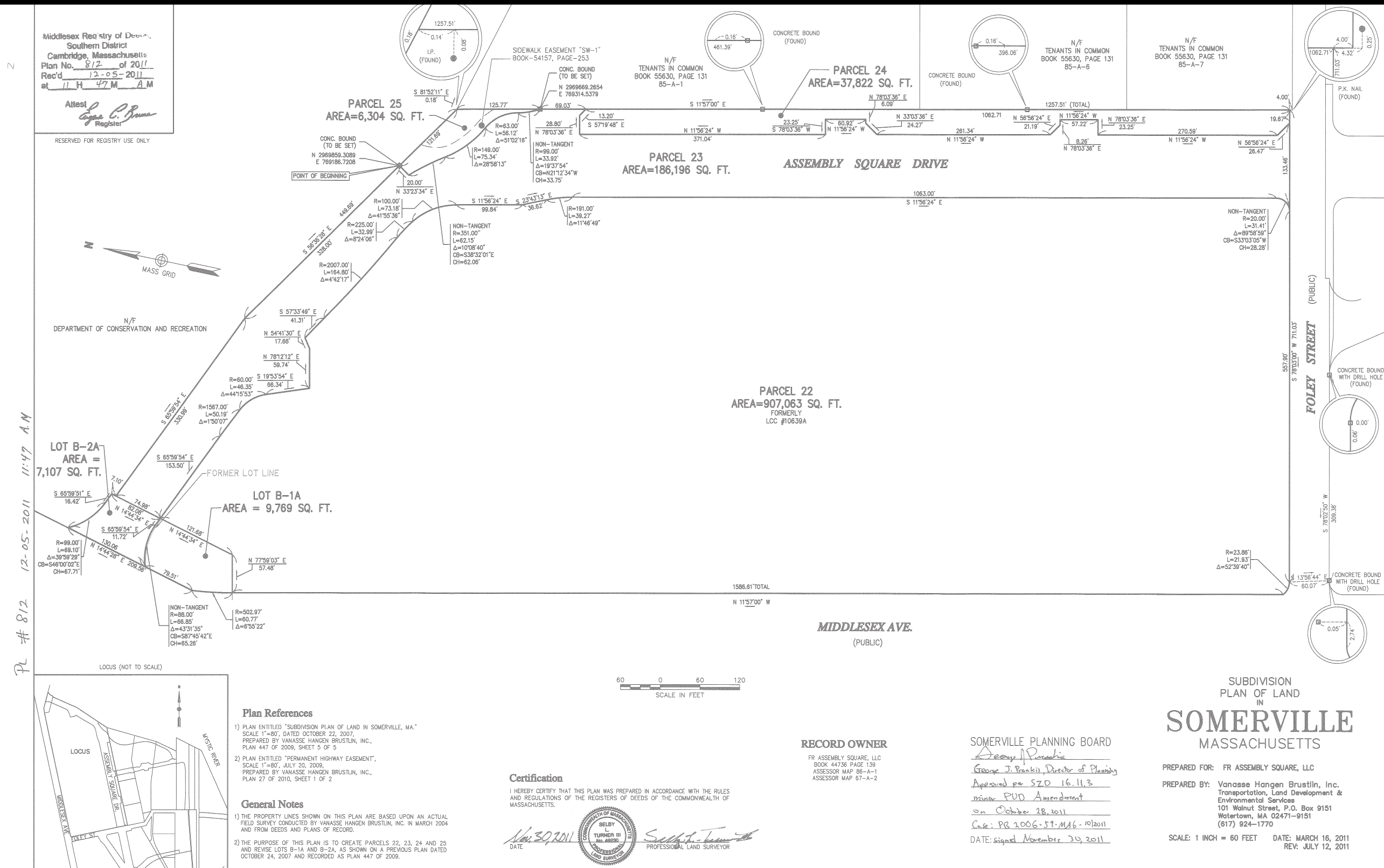
PREPARED FOR: THE DIVISION OF CAPITAL ASSET
MANAGEMENT & MAINTENANCE
ON BEHALF OF THE DEPARTMENT OF
CONSERVATION AND RECREATION

PREPARED BY: Vanasse Hangen Brustlin, Inc.
Transportation, Land Development &
Environmental Services
101 Walnut Street, P.O. Box 9151
Watertown, MA 02471-9151
(617) 924-1770

SCALE: 1 INCH = 50 FEET DATE: SEPTEMBER 27, 2010
REV. MARCH 16, 2011

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Map 4(b)(3): Parcel Ownership and Control, Commonwealth of MA



812

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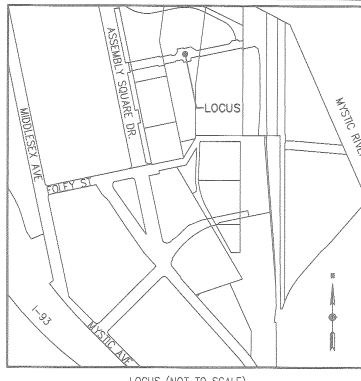
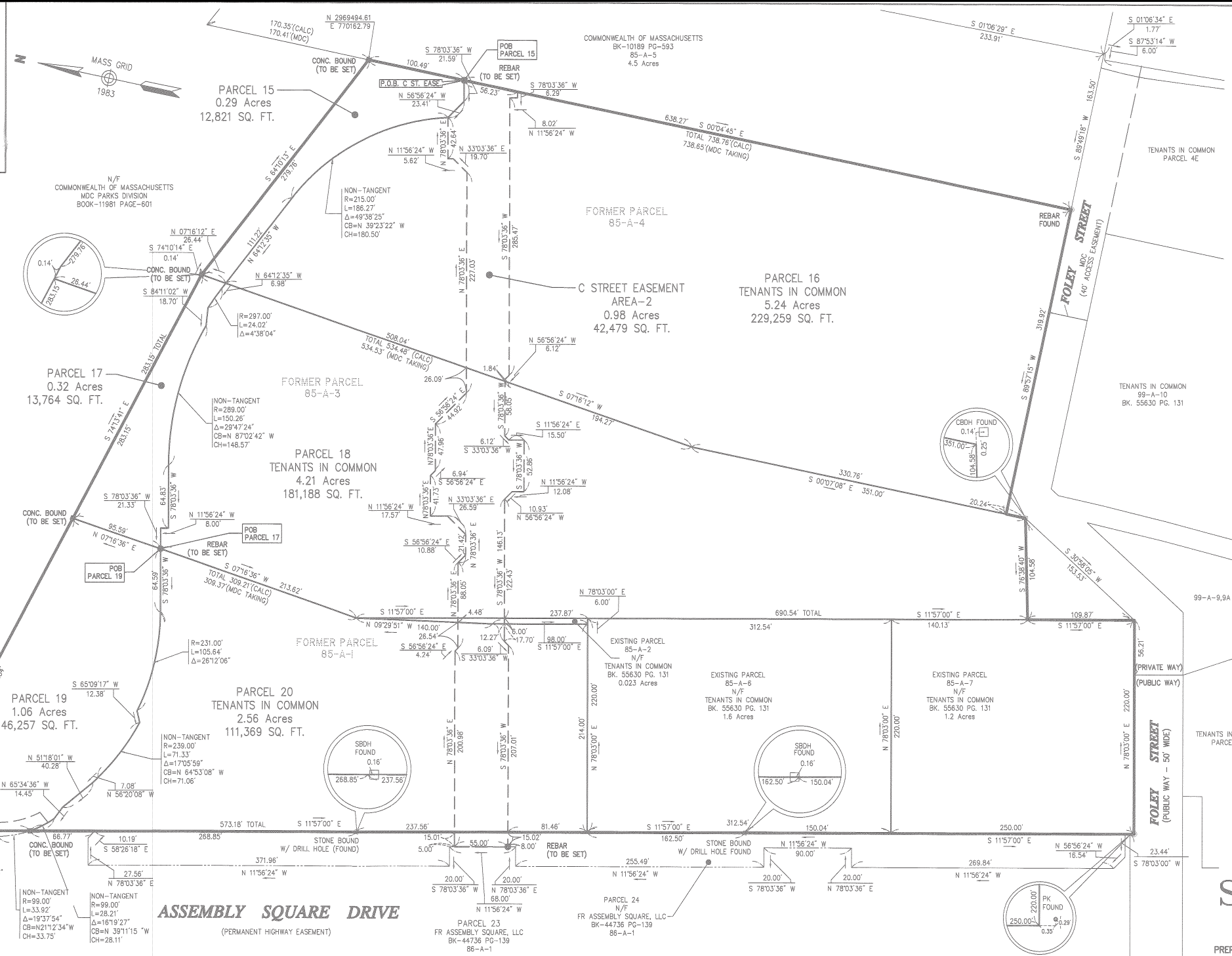
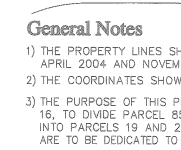
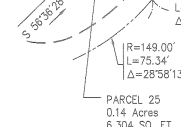
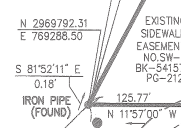
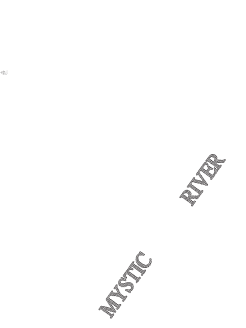
Map 4(b)(4): Parcel Ownership and Control, Commonwealth of MA

Middlesex Registry of Deeds
Southern District
Cambridge, Massachusetts
Plan No. 813 of 2011
Rec'd 12-05-2011
at 11:50 A.M.

Attest
Luca C. Basso
Register

RESERVED FOR REGISTRY USE ONLY

N/F
COMMONWEALTH OF MASSACHUSETTS
MDC PARKS DIVISION
BOOK-11981 PAGE-601



SOMERVILLE PLANNING BOARD
George J. Proakis, Director of Planning
Approved to create lots 15, 16, 17, 18, 19 & 20
per minor RUP Amendment
case # PB 2006-59-MA2-06/2011
DATE: June 15, 2011

Record Owner
EXISTING PARCEL 85-A-4
TENANTS IN COMMON
BK. 55630 PG. 131
EXISTING PARCEL 85-A-3
TENANTS IN COMMON
BK. 55630 PG. 131
EXISTING PARCEL 85-A-1
TENANTS IN COMMON
BK. 55630 PG. 131

SUBDIVISION PLAN OF LAND IN SOMERVILLE MASSACHUSETTS

PREPARED FOR: TENANTS IN COMMON
PREPARED BY: Vanasse Hangen Brustlin, Inc.
Transportation, Land Development &
Environmental Services
101 Walnut Street, P.O. Box 9151
Watertown, MA 02471-9151
(617) 924-1770

SCALE: 1 INCH = 50 FEET DATE: SEPTEMBER 24, 2010
REV. MARCH 16, 2011

General Notes

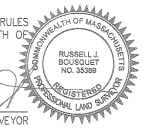
- 1) THE PROPERTY LINES SHOWN WERE DETERMINED BY ACTUAL FIELD SURVEY CONDUCTED IN APRIL 2004 AND NOVEMBER 2006 AND FROM PLANS AND DEEDS OF RECORD.
- 2) THE COORDINATES SHOWN ON THIS PLAN ARE BASED ON NAD 1983 MASS GRID.
- 3) THE PURPOSE OF THIS PLAN IS TO DIVIDE EXISTING PARCEL 85-A-4 INTO PARCELS 15 AND 16, TO DIVIDE PARCEL 85-A-3 INTO PARCELS 17 AND 18, AND TO DIVIDE PARCEL 85-A-1 INTO PARCELS 19 AND 20, AND TO CREATE C STREET EASEMENT. PARCELS 15, 17, AND 19 ARE TO BE DEDICATED TO THE COMMONWEALTH OF MASSACHUSETTS AS FUTURE DCR PARKLAND.



Certification

I HEREBY CERTIFY THAT THIS PLAN WAS PREPARED IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE REGISTERS OF DEEDS OF THE COMMONWEALTH OF MASSACHUSETTS.

May 13, 2011
Professional Land Surveyor



Item 5.

Description of the Revised Economic Development Project Phase 1, including:

(a) Each building, facility or other improvement to be constructed on each Project Component;

Assembly Row Phase 1 is the first Phase of a transit-oriented, mixed-use development which, at full buildout, will consist of approximately 2,100 residential units, 1.78 million sq. ft. of office and 835,000 sq. ft. of retail space (including restaurants and cinema), and a 160-200-room hotel. Although this amendment is specific to the First Development Phase, the master plan set forth in the original EDP has not changed.

The first phase of the project, consisting of four buildings on Blocks 1 through 4, is located between A Street (to the north) and D Street (to the South), and Assembly Square Drive (to the West) and G Street (to the East)³. A fifth building, Block 10, is a 4,400 sq. ft. pad site on the existing Assembly Square Marketplace. Structured parking will be located in Blocks 1, 2, and 4, and additional temporary surface parking will be located on future development Blocks 5 and 6.

A detailed description of each Project Component in Phase 1 is included in **Table 5(a)(1): Project Component Summary**.⁴ **Map 5(a)(1): Description of Economic Development Project Phase 1** illustrates the projected build condition upon completion of Development Phase 1 and **Map 5(a)(2): Description of Proposed Economic Development Project** illustrates the full master plan. A summary of each building program and development milestones is included in **Table 5(a)(2): Project Phasing Plan**.

The following **Table 5(a): Total Square Footage per Use in Each Development Phase** illustrates the allocation of land uses in Development Phase 1.

	Residential	Retail	Office	Cinema	Hotel	TOTALS
Block 1	179,334	66,551	-	-	-	245,885
Block 2 ⁵	103,000	27,276	-	-	-	130,276
Block 3	-	119,879	-	62,617	-	182,496
Block 4	202,581	42,196	-	-	-	244,777
Block 10	-	4,400	-	-	-	4,400
TOTALS	484,915	260,302	-	62,617	-	

³ Street names subject to change pending formal review by the City of Somerville.

⁴ Each building proposed to be acquired, constructed, rehabilitated or otherwise improved within the Economic Development District shall constitute a separate Project Component.

⁵ A Special Permit is required for Block 2, and assumptions are based on preliminary design only, pending approval by the Somerville Planning Board.

The analysis and projections included in this Amendment to the EDP correspond to the phasing outlined above. The proposed phasing of Project Components and Proposed Infrastructure Improvements is coordinated, such that when taking into account construction period revenues, New State Tax Revenues resulting from contributing Project Components are projected to provide Debt Service coverage sufficient to achieve 1.5x or greater for the \$10M I-Cubed Bonds proposed for issuance in November 2012.

In Summary:

- Upon occupancy, based on projections included in the Independent Consultant Report, New State Tax Revenues resulting from Development Phase 1 are projected to achieve the required 1.5x Debt Service Coverage for the revised **First Bond Phase**. The First Bond Phase will support Public Infrastructure Improvements that coincide with the development of Phase 1 Commercial Components in Development Phase 1.
- New State Tax Revenues resulting from development of Commercial Components in Development Phase 2, combined with New State Tax Revenues resulting from Development Phase 1 that exceed debt service payments for the First Bond Phase Infrastructure, are projected to achieve and surpass the required 1.5x Debt Service Coverage for the **Second Bond Phase**.
- The full buildout program in the proposed Economic Development District is projected to generate substantial New State Tax Revenues to the Commonwealth over and above the Debt Service obligations proposed herein.

The specific revenue and cost projections, including underlying assumptions and methodology, are detailed in the pages that follow:

Table 5(a) (1): Project Component Summary

DEVELOPMENT PHASE	Project Component	Use	Commercial Components	Summary
Phase 1	1	Mixed-use Residential and Retail	1	Building 1 is a 245,855 sf mixed-use building, including Residential uses above street level Retail, to be built by AvalonBay. The Project Component consists of one Residential Component and one Commercial Component . The Residential Component is 195 Housing Units in 179,334 sf, comprising 37% of the total Residential development program for Development Phase 1. The Commercial Component is 66,551 sf of Retail, comprising 25.5% of the Retail program in Development Phase 1. Upon substantial completion of the Retail improvements, a leasehold condominium is formed and the Developer purchases the ground floor Retail space.
	3	Mixed-use Retail and Cinema	2	Building 3 is a 182,496 sf mixed-use building, including Retail uses and a Cinema, to be built by the Developer. The Project Component consists of two Commercial Components . One Commercial Component is 119,879 sf of Retail, comprising 46.1% of the Retail program in Development Phase 1. The second Commercial Component is a 62,617 sf Cinema, comprising 100% of the total Cinema development program for Development Phase 1, and for the District.
	4	Mixed-use Residential and Retail	1	Building 4 is a 244,777 sf mixed-use building, including Residential uses above street level Retail, to be built by AvalonBay. The Project Component consists of one Residential Component and one Commercial Component . The Residential Component is 253 Housing Units in 202,581 sf, comprising 41.8% of the total Residential development program for Development Phase 1. The Commercial Component is 42,196 sf of Retail, comprising 16.2% of the Retail program in Development Phase 1. Upon substantial completion of the Retail improvements, a leasehold condominium is formed and the Developer purchases the ground floor Retail space.
	10	Restaurant Pad	1	Building 10 is a 4,400 sf restaurant pad in the existing Assembly Square Marketplace and consisting of one Commercial Component to be built by the Developer . The Commercial Component is two quick-service restaurants, comprising of 1.7% of the Retail program in Development Phase 1.
	2	Mixed-use Residential and Retail	1	Building 2 is a 130,276 sf mixed-use building, including Residential uses above street level Retail. The Project Component consists of one Residential Component and one Commercial Component . The Residential Component is 120 Housing Units in 103,000 sf, comprising 21.2% of the total Residential development program for Development Phase 1A. The Commercial Component is 27,276 sf of Retail, comprising 10.5% of the Retail program in Development Phase 1. Upon substantial completion of the Retail improvements, a leasehold condominium is formed and the Developer purchases the ground floor Retail space. These estimates are based upon preliminary designs only, and subject to approval by the Somerville Planning Board.

LEGEND

- Cinema
- Residential
- Parking
- Office
- Retail
- Loading

Map 5(a)(1): Description of Economic Development Project Phase 1

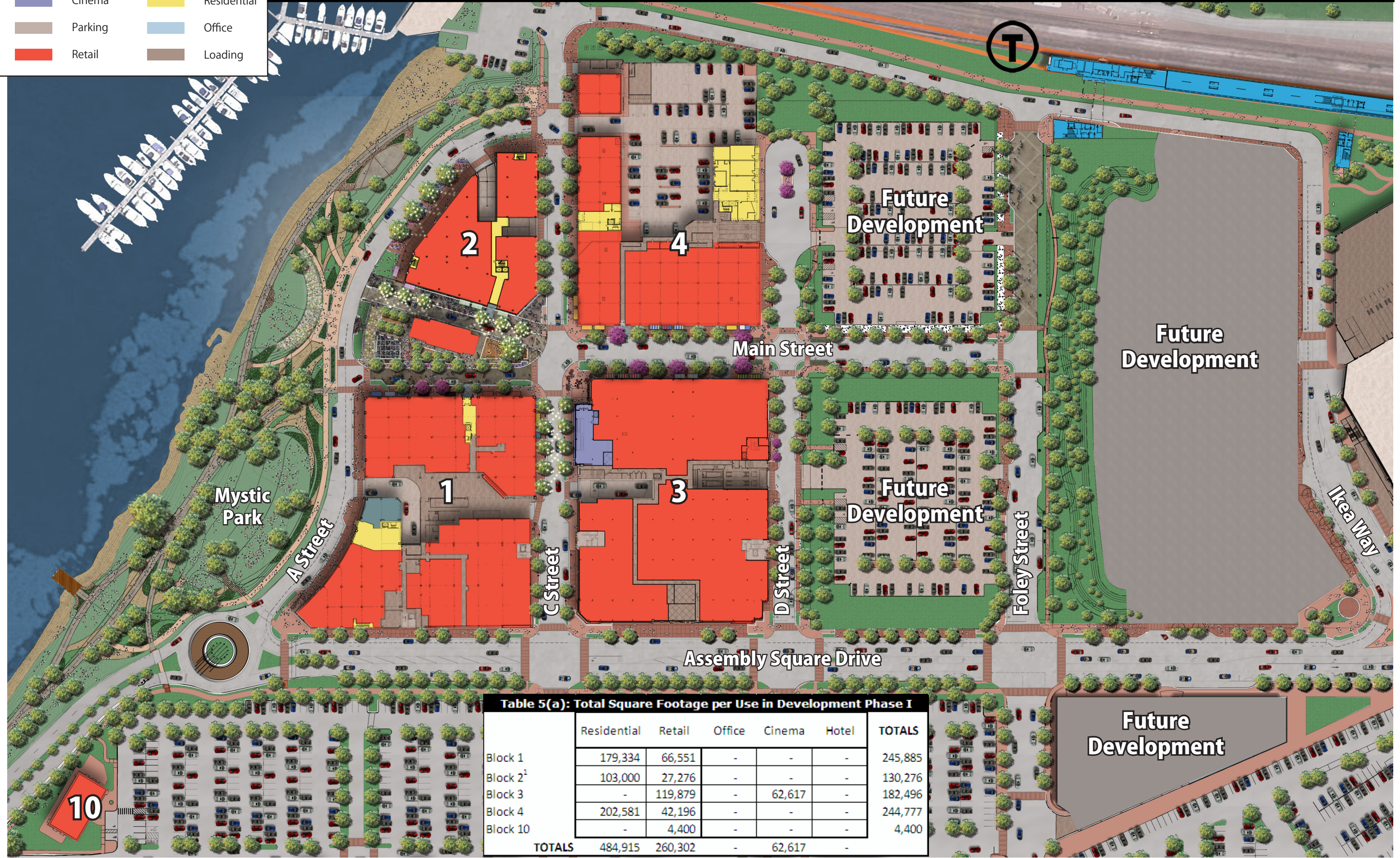








Table 5(a): Total Square Footage per Use in Development Phase I

	Residential	Retail	Office	Cinema	Hotel	TOTALS
Block 1	179,334	66,551	-	-	-	245,885
Block 2 ¹	103,000	27,276	-	-	-	130,276
Block 3	-	119,879	-	62,617	-	182,496
Block 4	202,581	42,196	-	-	-	244,777
Block 10	-	4,400	-	-	-	4,400
TOTALS	484,915	260,302	-	62,617	-	

Phase 1 Street Level Plan



LEGEND

	Cinema		Residential
	Parking		Office
	Retail		Loading

Map 5(a)(2): Description of Proposed Economic Development Project









Entitlements				
Square Feet			Rooms	
Retail	Office	IKEA	Residential	Hotel
512,000	1,750,000	340,000	2,100	200

Street Level Plan



LEGEND

- | | | | |
|--|---------|---|-------------|
|  | Cinema |  | Residential |
|  | Parking |  | Office |
|  | Retail |  | Loading |



Upper Level Plan

Table 5(a)(2): Project Phasing Plan - Phase I

Square Footage by Use (sf)

DEV. PHASE	Project Component	Component Type	Use	Residential	Retail	Office	Cinema	Hotel	Construction Start	#months construction	Construction Complete	# months absorption	Stabilization ¹
1	1	residential	rental	179,334					March-12	21	December-13	6.0	June-14
1	1	commercial	retail		66,551				March-12	21	December-13	4.0	April-14
1	3	commercial	retail		119,879				March-12	21	December-13	4.0	April-14
1	3	commercial	cinema				62,617		March-12	19	October-13	6.0	April-14
1	4	residential	rental	202,581					May-12	21	February-14	12.0	February-15
1	4	commercial	retail		42,196				May-12	19	December-13	4.0	April-14
1	2	residential ²	rental	103,000					January-13	20	September-14	9.0	June-15
1	2	commercial	retail		27,276				January-13	17	June-14	4.0	October-14
1	10	commercial	retail		4,400				March-12	4	July-12	6.0	January-13
		Phase I Total		484,915	260,302	-	62,617	-					

¹ The fiscal year of occupancy for each Project Component, at which point projected New State Tax Revenues are projected to accrue, is the fiscal year of Stabilization for each Project Component. To be conservative, revenues for Project Components with projected Stabilization dates in the second half of a given fiscal year are not projected to accrue until the subsequent fiscal year.

² A Special Permit is required for Block 2, and assumptions are based on preliminary design only, pending approval by the Somerville Planning Board.

(b) The square footage of each building to be used as a commercial facility, and the expected allocation of the square footage among different types of commercial activity, and descriptions of the expected specific commercial uses of this square footage;

The proposed Development Phase 1 will encompass a broad range of commercial uses. Upon achieving stabilized occupancy of Development Phase 1 as proposed herein, the Project will comprise approximately:

Use	Size (sf)	% by Use
Cinema ⁶	62,617	
Outlet retail	168,082	65%
Restaurant	54,053	21%
Other Entertainment	21,258	8%
Service	16,909	6%
	<u>322,919</u>	<u>100%</u>

The following **Table 5(b): Commercial Components** summarizes the Project’s anticipated allocation of commercial space as Commercial Components among its various Project Components in Phase 1:

Table 5(b): Commercial Components Phase I

Development Phase	Bldg	Commercial Uses: Square Feet			
		Retail	Office	Cinema	Hotel
1	1	66,551			
1	3	119,879		62,617	
1	4	42,196			
1	2	27,276			
1	10	4,400			
Totals		260,302	-	62,617	-

All of these Commercial Components are envisioned as multi-tenant developments as outlined in **Table 5(a)(1): Project Component Summary**. Specific businesses and business classifications cannot be identified at this time, except for the Cinema, which will be a 62,617 sq. ft., 12-screen theater, to be operated by AMC Entertainment, Inc.

⁶ Cinema tax revenues calculated separately because state sales tax applies only to purchases of food at theaters' concessions stands.

(d) Public Infrastructure Improvements;
Eligible cost estimates for the revised First Bond Phase Public Infrastructure Improvements are summarized in the table below:

Cost Estimates of Public Infrastructure Improvements

\$57,379,635

A statement of sources and uses of funds with a detailed breakdown of Public Infrastructure Costs is included in **Item 6**.

All Cost Estimates exclude design and construction costs for the MBTA Orange Line station, which are treated separately for the purposes of this analysis.

Item 6.

A detailed itemization of:

- (a) The projected cost of each Project Component in Development Phase 1 and the expected sources of financing available to fund such costs. The itemization shall include financial statements or written financing commitments demonstrating that expected sources of financing are available for the project, or include a detailed explanation of the reasons any such financing sources have not yet been secured and the basis for believing they will be secured prior to the Secretary's approval of this amendment to the Economic Development Proposal.

The *actual budgeted* costs and financing sources, where available, for each Project Component are included in **Table 6(a): Estimated Project Component Costs**. Summary costs are highlighted as follows:

- Blocks 1 & 4 Residential Construction Cost:	\$61.4 million
- Blocks 1, 3, 4 & 10 Retail Construction Cost:	\$94.8 million
- Cinema Construction Cost:	\$12.8 million
- Block 2 Residential Construction Cost ⁷ :	\$17.5 million
- Block 2 Retail Construction Cost ⁸ :	\$9.3 million
- Total Construction Cost:	\$195.8 million⁹

Federal Realty's investment is backed by the Trust's balance sheet. As of June 11, 2012, Federal Realty had a total market capitalization of \$6.2 billion. Federal Realty's portfolio (excluding joint venture properties) contains approximately 19.2 million square feet located primarily in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California. In addition, the Trust has an ownership interest in approximately 1.0 million square feet of retail space through a joint venture in which the Trust has a 30% interest. Our operating portfolio (excluding joint venture properties) was 93.8% leased to national, regional, and local retailers as of March 31, 2012, with no single tenant accounting for more than approximately 2.5% of annualized base rent. Federal Realty has paid quarterly dividends to its shareholders continuously since its founding in 1962, and has increased its dividend rate for 44 consecutive years, the longest record in the REIT industry. Federal Realty is an S&P MidCap 400 company and its shares are traded on the NYSE under the symbol FRT. For more information, please visit www.federalrealty.com. A copy of Federal Realty's 2011 Annual Report is included as **Appendix E**.

⁷ Estimates based on preliminary design that is subject to approval by the Somerville Planning Board.

⁸ Estimates based on preliminary design that is subject to approval by the Somerville Planning Board.

⁹ Figures based on actual budgets derived from 95% construction documents or better, except for Development Phase 1B.

In the original Economic Development Proposal, dated October 27, 2009, the Developer stated that it “expects to market the investment opportunity to potential capital partners in 2010 with the expectation of securing one or more capital partner(s) and construction financing prior to the issuance of the Second Bond Issuance and commencement of Development Phase 1A.” As of December 27, 2011, Street Retail, Inc., a subsidiary of the Developer, entered into ground leases with AvalonBay Communities, Inc. (AVB), to design and build the residential components and the core and shell of the ground-floor retail improvements of Blocks 1 and 4. Upon substantial completion of the retail improvements, a leasehold condominium will be created and the Developer will purchase the ground-floor retail space. Additionally, the Developer is in discussions with AVB to enter into another ground lease for the residential component of Block 2.

As of June 11, 2012, AVB has begun construction on Development Parcels 1 and 4, and a summary of their development milestones is also included in **Table 5(a)(2): Project Phasing Plan**.

As of June 11, 2012, AvalonBay Communities had a total market capitalization of \$13.2 billion. AvalonBay Communities, Inc. is a real estate investment trust focused on developing, redeveloping, acquiring and managing high-quality apartment communities in high barrier-to-entry markets of the United States. These markets are in the Northeast, Mid-Atlantic, Midwest, Pacific Northwest, Northern California and Southern California regions of the country. As of March 31, 2012, AvalonBay owned or held an interest in 199 apartment communities containing 59,090 apartment homes in ten states and the District of Columbia, of which 20 communities were under construction and 10 communities were under reconstruction. For more information, please visit www.avalonbay.com.

Table 6(a): Estimated Project Component Costs

Square Footage by Use									
DEV. PHASE	Project Component	Component Type	Use	Residential	Retail	Office	Cinema	Hotel	Construction Cost ¹
1	1	residential	rental	179,334	-	-	-	-	\$ 30,444,377
1	1	commercial	retail	-	66,551	-	-	-	\$ 19,502,938
1	3	commercial	retail	-	119,879	-	-	-	\$ 61,144,957
1	3	commercial	cinema	-	-	-	62,617	-	\$ 12,787,500
1	4	residential	rental	202,581	-	-	-	-	\$ 30,922,941
1	4	commercial	retail	-	42,196	-	-	-	\$ 12,365,644
1	2	residential	rental	103,000	-	-	-	-	\$ 17,485,646
1	2	commercial	retail	-	27,276	-	-	-	\$ 9,323,581
1	10	commercial	retail	-	4,400	-	-	-	\$ 1,809,838
<i>Phase Sub-Total</i>				484,915	260,302	-	62,617	-	\$ 195,787,422

¹ The construction costs included in Table 6(a) above are consistent with the per square foot construction costs included in Appendix 2 of the Consultant Report dated July 20, 2009.

(b) The projected costs of each Public Infrastructure Improvement and the expected sources of financing available to fund such costs, including any funding being requested under St. 2006, c. 293 §§ 5 – 12, as amended by St. 2008, c. 129. The itemization shall include financial statements or written financing commitments demonstrating that expected sources of financing are available for the project, or include a detailed explanation of the reasons any such financing sources have not yet been secured and the basis for believing they will be secured prior to the Secretary’s approval of this amendment to the Economic Development Proposal.

Projected Public Infrastructure Improvement Costs

The I-Cubed Statute and Regulations set out costs that are eligible for financing pursuant to the Program. Eligible cost estimates and funding sources for both the First Bond Phase and Second Bond Phase Public Infrastructure Improvements, respectively, are summarized below in **Table 6(b): Summary of Public Infrastructure Sources and Uses**.

Table 6(b): Summary of Public Infrastructure Sources and Uses				
<u>Uses</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Total*</u>
Public Infrastructure Costs	\$ 57,379,635	\$ 43,157,294	\$ 9,299,572	\$ 109,836,502
<u>Sources</u>				
ARRA (federal stimulus)	\$ 12,000,000	\$ -	\$ -	\$ 12,000,000
Growth District Initiative	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
I-Cubed	\$ 10,000,000	\$ 22,000,000	\$ 8,000,000	\$ 40,000,000
DIF (City of Somerville)	\$ 15,000,000	\$ 10,000,000	\$ -	\$ 25,000,000
Brownfield Tax Credit ¹	\$ 700,000			\$ 700,000
Private Investment ²	\$ 17,679,635	\$ 11,157,294	\$ 1,299,572	\$ 30,136,502
<i>The information included in Table 6(b) is a summary only. Refer to Table 6(b)(3) for cost breakdown within each phase.</i>				
¹ Brownfield Tax Credit includes costs incurred for qualifying development parcels and is not exclusive to any one phase.				
² Excludes Developer's \$15M investment for MBTA Orange Line station and approx. \$100M in other private infrastructure development costs.				

More detailed information regarding the I-Cubed eligible costs, funding sources and construction timing is included in **Table 6(b)(3): Sources and Uses of Public Infrastructure Funding**.

Expected Sources of Financing for Public Infrastructure Improvements

Based on the Preliminary Approvals and the Independent Consultant Report, when taking into account construction period revenues, eligible New State Tax Revenues corresponding to Development Phase 1 are projected to adequately cover the 1.5x Debt Service Ratio required for Bond Phase 1. The associated revenue projections, as corroborated by the Independent Consultant, are included in **Item 11** of this Proposal.

In addition to the Developer's \$15 million investment matched by over \$38 million of federal and state funding for the MBTA Orange Line Station, the Project Phase 1 will include an anticipated \$17.7 million in private investment plus the following targeted public investments: \$12 million from the 2009 American Recovery and Reinvestment Act (Federal Stimulus); a \$2 million Growth Districts Initiative grant¹⁰; an approximately \$700K tax credit from the Massachusetts Brownfield Credit for Rehabilitation of Contaminated Property¹¹; a \$15 million District Improvement Financing grant; and \$10 million in I-Cubed funding that has received approval, for a total of \$57.4 million.

Private financing for Public Infrastructure Improvements not proposed for I-Cubed financing is secured through commitments from the Developer. Federal Realty's Board of Trustees has approved an aggregate investment of \$140 million for Project infrastructure, which includes costs for land acquisition, funding for the new MBTA Orange Line Station, and costs for constructing the initial phase of Public Infrastructure Improvements for the Project.

¹⁰ The July 20, 2009 Preliminary Approval of the Secretary specifically waives the restriction on other funding sources outlined in 801 CMR 51.03(4) to the extent that it applies to the Federal Stimulus funding and the Growth District grant.

¹¹As of June 11, 2012, the Developer is waiting on confirmation from the Executive Office for Administration and Finance that it will be approved to seek an additional source of funding through the Massachusetts Brownfield Credit for Rehabilitation of Contaminated Property.

Item 7.

A detailed timeline for approval and completion of the amendment to the Economic Development Project for Phase 1, including:

(a) The expected date of municipal approval:

The original Economic Development Proposal was submitted to the Secretary on October 27, 2009, and was approved by the Secretary, the Department and the Commissioner, the Somerville Board of Alderman, as well as by an Independent Consultant retained by the Secretary. This amended proposal has been provided to demonstrate that Phase 1 of the Development Project satisfies the conditions of the I-Cubed Program, and will support the \$10 million permanent bond issuance to refinance the Bond Anticipation Notes issued on March 1, 2010 and extended on May 1, 2012 for a six-month period.

(b) The expected date of final approval by the Secretary and the Agency;

It is anticipated that the City of Somerville's approval of this Amendment to the EDP will be obtained by the end of August, 2012. The Developer expects to receive Final Approval by the Commonwealth prior to the permanent bond issuance on November 1, 2012.

(c) The expected dates of commencement of construction and completion of each Project Component and the fiscal year Project Cost cash flows for each Project Component;

Construction is underway on Development Phase 1 of Assembly Row, starting with Blocks 1, 3, and 10 in March 2012, and Block 4 in June 2012. The start of construction for Block 2 is expected to be in January, 2013. The anticipated dates of construction start, construction completion, and project stabilization for each Project Component in Development Phase 1 are included in **Table 7(c)(1): Projected Dates of Construction Start and Completion for Each Project Component**.

The information in these tables will be updated as needed for contributing Project Components prior to the Second Bond Phase.

Table 7(c)(1): Projected Dates of Construction Start and Completion for each Project Component

DEV. PHASE	Project Component	Use	Construction Start	#months construction	Construction Complete	# months absorption	Stabilization	Construction Complete (FY)	Stabilization (FY) ¹
1	1	residential	March-12	21	December-13	6.0	June-14	2013	2014
1	1	retail	March-12	21	December-13	4.0	April-14	2013	2014
1	3	retail	March-12	21	December-13	4.0	April-14	2013	2014
1	3	cinema	March-12	19	October-13	6.0	April-14	2013	2014
1	4	residential	June-12	21	March-14	12.0	March-15	2014	2015
1	4	retail	June-12	19	January-14	4.0	May-14	2014	2014
1	2	residential	January-13	20	September-14	9.0	June-15	2014	2015
1	2	retail	January-13	17	June-14	4.0	October-14	2014	2015
1	10	retail	March-12	4	July-12	6.0	January-13	2012	2013

¹ The fiscal year of occupancy for each Project Component, at which point projected New State Tax Revenues are projected to accrue, is the fiscal year of Stabilization for each Project Component. To be conservative, revenues for Project Components with projected Stabilization dates in the second half of a given fiscal year are not projected to accrue until the subsequent fiscal year.

Item 8.

Written evidence that the Economic Development Project would not happen or would not achieve the level of development, jobs or other economic activity contemplated by the Economic Development Proposal without the Public Infrastructure Improvements and without the financing of all or a portion of the Cost of such Public Infrastructure Improvements under St. 2006, c. 293 §§ 5 – 12, as amended by St. 2008, c. 129.

No change.

Item 9.

For each Project Component, the total number of jobs expected to be supported in each industry expected to be located at the Project Component and the expected average wage for each job in each such industry, the total retail sales activity by dollar volume and the total number of construction jobs expected to be supported at each Project Component and for the Public Infrastructure Improvements, the expected average wage for each construction job and the amount expected to be spent for the purchase of construction related materials in the Commonwealth for each Project Component and the Public Infrastructure Improvements, all with reference to recent government or industry sources used as the basis for the projections or to the actual experience, estimate or commitment of expected tenants or Owner of the Project Component.

Revised First Bond Phase

The Independent Consultant Report summarizes the projections included in this amendment to the Economic Development Proposal for the revised Development Phase 1 as follows:

“It is the opinion of the consultant that development feasibility remains high, as evidenced by the funding of the proposed Orange Line MBTA stop, as well as the financing of multiple projects... The retail concept proposed by Federal Realty Investment Trust (FRIT) has significant merit and can anchor the overall proposed development.”

The Independent Consultant Report includes a review of FRIT projections for the revised Bond Phase 1, including employment, wage and sales projections. The report indicates a projection of Net New State Tax Revenues of “\$962,230 a year due to the economic impact of Assembly Row’s first four retail buildings, including a new cinema¹²,” which is slightly higher than the approximately \$950 thousand projected by the developer.

Summary projections of jobs, wages, average compensation, retail sales and associated revenues for all Commercial Components in the Economic Development Project Phase 1 are included in **Table 9(a): Summary Projections of Jobs, Compensation and Sales.**

The following underlying assumptions have been made and are consistent with the Independent Consultant Report:

1. An average vacancy rate of 5%
2. Estimates based on when all phases of the project are completed and fully operational.

¹² Based on an 85% displacement factor approved in the original Economic Development Proposal dated October 27, 2009.

3. A 6.25% sales tax rate.
4. 20% of Retail development program revenue projections are exempt from the 2% MBTA and School Building Authority dedicated tax due to sales of meals or concessions.
5. Cinema revenues of \$10 million in first full-year sales, with 25% estimated to come from the sale of concessions¹³.
6. A 5.3% income tax rate.
7. An 85% displacement factor.

Construction Impacts

The Independent Consultant Report also projects “\$4,200,093 of one-time state tax revenues from the construction of public infrastructure and the four proposed retail buildings” in addition to ongoing New State Revenues described elsewhere for Development Phase 1. This differs from the Developer’s estimate by \$866,192, largely due to a discrepancy in the allowance of one-time state tax revenues from the construction of the MBTA Orange Line Station. The Developer argues that one-time state tax revenue from the construction of the MBTA Orange Line Station should be applicable because the transit station project would not otherwise occur without development of the Project and direct funding by the Developer. The Developer’s estimate, including one-time state tax revenues from the construction for the “T” station, is \$5,066,285¹⁴. **Table 9(b): Construction-Derived New State Tax Revenues** summarizes the Developer’s projections.

In addition, the following provision of Chapter 293 of the Acts of 2006, as amended by Chapter 129 of the Acts of 2008 is currently pending approval by the Commonwealth and, if approved, the Developer will seek reimbursement for funds related to construction-period revenues, provided revised Development Phase 1 is covering the debt service:

“Section 12B. Notwithstanding any other provision of this act, new revenue and new state tax revenues may, respectively, and to the extent and in the manner approved by the secretary with consideration of economic conditions and the characteristics of the project, include revenue and state tax revenue attributable to construction-related activity and purchases in connection with an economic development project, and all calculations of any matter under the act, including, without limitation, calculation of infrastructure assessments and shortfalls, shall reflect such inclusion in the manner approved by the secretary. The commissioner shall certify the

¹³ Cinema revenue projections provided by AMC Entertainment, Inc. in e-mail dated June 5, 2012.

¹⁴ Developer’s construction revenue estimate provided in section 4 of the Consultant Memo dated September 15, 2010.

amount of new state tax revenues attributable to such construction-related activity and purchases in the manner and at the times specified in the secretary's certification of the economic development project. “

It is understood that the Final Approval of the Secretary will rely on the certifications of revenue projections in the Certificate of the Commissioner based on an updated Independent Consultant Analysis.

Table 9(a): Summary Projections of Jobs, Compensation and Sales

	Independent Consultant Report dated June 20, 2009 ¹	Revised First Bond Phase
Total Retail Square Feet	435,236	322,919
Full- and part-time jobs	1,263	782
Total employee compensation	\$ 33,223,215	\$ 20,147,752
Average compensation ²	\$ 26,305	\$ 25,748
Displacement factor ³	85%	85%
Retail/Hotel Sales ⁴	\$ 179,100,000	\$ 109,614,504
Total annual Income Tax Revenues ⁵		\$ 160,175
Total annual Sales Tax Revenues		\$ 774,907
Annual Net New Revenues		\$ 935,081

¹ Projections excerpted from the Independent Consultant Report (pg. 71) dated July 20, 2009 which was included in the original Economic Development Proposal

² Income projections excerpted from revised Independent Consultant report.

³ Displacement Factors as determined by ANF based on the Independent Consultant Report.

⁴ Sales are pro-rated base on the Independent Consultant Report for the revised Phase I square feet. Sales also include an estimated \$2.5M for cinema concessions (not included in the original consultant report).

⁵ See **Exhibit 11(c)**

Retail Assumptions:

All financial figures in 2012 dollars

Average vacancy rate of 5%

Estimates when all phases of the project are completed and fully operational

Estimates are exclusive of Dedicated Revenues (amounting to 40% of Retail), and net of any revenue realized by the Commonwealth from commercial activity or jobs located in the Economic Development District in the previous year, as detailed in Item 17.

Based on use of new 6.25% sales tax rate

Table 9(b): Construction-Derived New State Tax Revenues

Fiscal Year	New Available Construction Revenues ¹	
	First Bond Phase ²	
FY09	\$	127
FY10	\$	540
FY11	\$	835
FY12	\$	1,656
FY13	\$	1,569
FY14	\$	340
FY15	\$	-
FY16	\$	-
FY17	\$	-
FY18	\$	-
FY19	\$	-
TOTAL	\$	5,066

¹ Construction Revenues provided in Section 4 of the Consultant Memo from Angus Jennings dated September 15, 2010. Revenues in inflation-adjusted \$000s.

² Contributing revenues include First Bond Phase Public Infrastructure, MBTA Orange Line Station, and Development Phase 1.

Item 10.

The Developer's estimate of the appropriate Displacement Factors for each Project Component, together with any data or explanation the Developer can offer to support such estimate.

All State Tax Revenues identified in this Proposal generated from business and development activity in the Economic Development District will be multiplied by the appropriate displacement factor in order to calculate the estimated Net New State Revenues resulting from the business and development activity.

The displacement factor approved by the Department of Revenue to be used in the Certification of Annual New State Tax Revenue resulting from new jobs, wages and various types of business and development activity in the District will be as follows:

1. The Displacement Factor for retail, excluding IKEA, shall be 85%, which is consistent with the displacement factor approved in the original Economic Development Proposal, dated October 27, 2009.

If in the future the Developer, the City and the Secretary mutually agree that economic conditions or circumstances justify changing any such displacement factors for purposes of calculating projected or actual Net New Revenues, the parties may amend the displacement factors in accordance with the terms for amendment to the IDAA.

Any amendment of the displacement factors shall only be taken into account for purposes of calculating New State Tax Revenues on or after the effective date of such amendment.

Item 11.

For each Project Component and based on 801 CMR 51.00, the DOR Guidance, the Commitments, and the Developer's estimate of the appropriate Displacement Factors for each Project Component, estimates of total state tax revenues, New Revenues and New State Tax Revenues to be generated from each Project Component of the Economic Development Project Phase 1. For the purposes of these estimates, the Developer shall state the assumptions it is making with respect to the extent to which any portion of any Project Component for which the Developer does not yet have a Commitment will be leased or purchased by an entity that will or will not be relocating to the Economic Development District from elsewhere in the Commonwealth.

This section includes estimates of New State Tax Revenues to be generated from each Project Component of the Economic Development Project Phase 1.

As required by I-Cubed Program regulations, the estimates of New State Tax Revenues are:

- Net of any revenue realized by the Commonwealth from commercial activity or jobs located in the Economic Development District in the previous year¹⁵;
- Exclusive of Dedicated Revenues;
- Adjusted by the appropriate displacement factors summarized in **Item 10**.

Estimates of New State Sales Tax Revenues include those New Revenues projected to result from sales tax paid on the purchase of electrical and gas usage by Occupied Commercial Components. The projections of New State Sales Tax revenues are included in **Table 11(a): Annual New State Sales Tax Revenues from Utility Usage by Commercial Components**.

Revised First Bond Phase

The sum of New State Sales Tax Revenues and New State income Tax Revenues result in the projections of Total New State Tax Revenues for the revised First Bond Phase shown in **Table 11(c): Displaced, Dedicated and New State Tax Revenues per Commercial Component**.

The financial analysis in this Proposal, and confirmed in the revised Independent Consultant Report, indicates the projected New State Tax Revenues from Commercial Components identified for the revised First Bond Phase are adequate to underwrite the \$10 million in I-Cubed bonds. Each such Commercial Component shall become an Assessment Parcel and, when occupied and generating New State Tax Revenues, shall become an Occupied Project Component as provided herein and in the IDAA (**Appendix G**).

¹⁵ Which does not affect the right to use surpluses from prior years to cover shortfalls in a current year as provided in Section 4.03(c) of the Infrastructure Development Assistance Agreement.

Table 11(a): Annual New State Sales Tax Revenues from Utility Usage by Commercial Components

BOND PHASE	Project Component	Use	Annual Usage		Estimated Sales Tax (\$000s)		SUB-TOTAL	Displ. Factor	TOTAL ¹
			Electric (kWH)	Gas Load (dTH)	Electric	Gas Load			
1	1	retail	2,056,426	2,668	\$19	\$2	\$21	85%	\$ 3
1	3	retail w/cinema	5,639,126	7,316	\$53	\$5	\$57	85%	\$ 9
1	4	retail	1,303,856	1,692	\$12	\$1	\$13	85%	\$ 2
1	2	retail	842,828	1,093	\$8	\$1	\$9	85%	\$ 1
1	10	retail	135,960	176	\$1	\$0	\$1	85%	\$ 0.2
Total									\$ 15

Note: Revenues are in 2009 \$s, not adjusted for inflation.

¹ Source: Electrical usage analysis completed by SourceOne on behalf of the Developer.

Table 11(c): Displaced, Dedicated and New State Tax Revenues per Commercial Component

BOND PHASE	Project Component	Use	Income Tax Revenue ¹			Sales Tax Revenue ¹				Utility Revenues ³	Total New State Tax Revenues	% of Debt Service by Component ⁴
			Income Tax Revenue	Displaced Income Tax Revenue	Net Income Tax Revenue	Sales Tax Revenue ²	Displaced Sales Tax Revenue	Dedicated Sales Tax Revenue	Net Sales Tax Revenue			
1	1	retail	220	(187)	\$ 33	1,712	(1,455)	\$ (66)	\$ 191	\$ 3	\$ 227	23%
1	3	retail w/cinema	603	(513)	\$ 91	3,239	(2,753)	\$ (118)	\$ 368	\$ 9	\$ 467	48%
1	4	retail	140	(119)	\$ 21	1,085	(922)	\$ (42)	\$ 121	\$ 2	\$ 144	15%
1	2	retail	90	(77)	\$ 14	702	(596)	\$ (27)	\$ 78	\$ 1	\$ 93	10%
1	10	retail	15	(12)	\$ 2	113	(96)	\$ -	\$ 17	\$ 0.2	\$ 19	2%
TOTAL			1,068	(908)	160	6,851	(5,823)	\$ (253)	\$ 775	\$ 15	\$ 950	

¹ Source: Independent Consultant Analysis. Amounts reflect projections during first year of Project Component occupancy. Revenues in 2008 \$000s.

² Assumes annual cinema concession sales of \$2.5M

³ See **Table 11(a)**.

⁴ In the event that Total New State Tax Revenues do not meet the required debt service coverage ratio, one-time Construction tax revenues will be used to offset the difference.

Item 12.

Projected Debt Service schedule for financing of the Public Infrastructure Improvements, both in the aggregate and segregated by allocable Project Component, which is structured based on the following assumptions and parameters:

- (a) The total principal amount shall be equal to the portion of the Cost of the Public Infrastructure Improvement requested to be funded under St. 2006, c. 293 §§ 5 – 12, as amended by St. 2008, c. 129, plus estimated costs of issuance of the Bonds equal to 3% of said amount;

The total principal amount proposed to be funded for the revised First Bond Phase is \$10,000,000 plus estimated costs of issuance of the Bonds not to exceed \$300,000 or 3% of said amount.

As summarized in **Item 5**, the revised **First Bond Phase** will support Public Infrastructure Improvements associated with Development Phase 1. These costs have already been incurred, and supporting documentation filed with the Commonwealth as **Exhibit H: Payment Request No. 1** to the **Infrastructure Development Assistance Agreement (IDAA)** on May 11, 2010. To the extent that these costs overlap with costs used to support the Massachusetts Brownfield Credit for Rehabilitation of Contaminated Property (pending approval), Federal Realty Investment Trust will revise these costs prior to the approval of this amendment to the Economic Development Proposal. Revised costs will be subject to the approval of an Independent Construction Agent.

Debt amortization terms are summarized below and in **Table 12(d)(1): Debt Amortization for the Revised First Bond Phase**.

- Principal amount – \$10,000,000
- Term – 30 years
- Annual Interest Rate – 5.00%
- Interest Only Period – 20 months
- Annual Payment - \$647,068
- Required Debt Service Coverage -- \$970,602.

Table 12(d)(1): Debt Amortization - First Bond Phase (30 Years)

First Bond Issue anticipated in or approx. October 2012

		Annual Calculation
Inputs		
Loan		10,000,000
Number of years		30
Annual Interest Rate		5.00%
Future Value		0
Interest Only Period		20 months
Calculated Amounts		
Number of Periods (semi-annual)		60
Will calculate the following payment		
Pmt	\$323,533.96	
Semi-Annual Payment		323,534
	D.S.C.	3.235%
Principal Amount		10,000,000
Other		0
	Total Principal	10,000,000
	Total Interest	\$10,168,278
Semi-Annual Payment:		323,534
Annual Payment		647,068
Add'l Bond issuance costs @ up to	3%	300,000

Items 13-27.

No changes.

Appendix A: Amendments to the Assembly Square Development Covenant

Appendix B: Preliminary Approvals Received from the Commonwealth

No Changes

Appendix C: Revised Independent Consultant Report

To be provided.

Appendix D: Electrical and Gas Usage Analysis Completed by SourceOne

No Changes.

Appendix E: Federal Realty Investment Trust 2011 Annual Report

Appendix F: Certified Copies of Board of Aldermen votes and Associated Materials

No Changes.

Appendix G: Infrastructure Development Assistance Agreement (IDAA) and First Amendment to IDAA

Appendix H: Assembly Square Public Funding Agreement, April 2011