



**CITY OF SOMERVILLE, MASSACHUSETTS**  
**Office of Strategic Planning and Community Development**  
JOSEPH A. CURTATONE, MAYOR

**Office of the Executive Director**

**MEMORANDUM**

**TO:** Joseph A. Curtatone, Mayor

**FROM:** Monica R. Lamboy, Executive Director *ML*

**DATE:** March 10, 2011

**SUBJECT:** Assembly Row DIF: Tri-Party Assembly Row Public Funding Agreement

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The Office of Strategic Planning and Community Development (OSPCD) respectfully requests that you forward the attached agreement between Federal Realty Investment Trust and its subsidiary entities owning Assembly Row as tenants in common, the Commonwealth of Massachusetts, and the City of Somerville (the "Tri-Party Agreement") to the Board of Aldermen for review and discussion.

**BACKGROUND**

During the past few months, the State, the City, and the Developer have been working assiduously to develop a plan for funding the Orange Line station at Assembly Square and the Assembly Row infrastructure. This funding is critical because the MBTA is ready to bid the Orange Line station project in the spring of 2011 but only if state financing is in place. At the same time, the Developer is ready to permit and commence construction on three tax-generating development blocks, but only if there is funding in place to reimburse the developer for \$25 million in Assembly Row infrastructure.

**SUMMARY OF AGREEMENT**

The Commonwealth has committed \$18.0 million in state grants (and up to \$2.86 million in additional state grants, if needed) for design and construction of the MBTA Station plus over \$5 million awarded to the Commonwealth in a federal multi-modal funding. The Developer will fund its \$15.0 million obligation for the T-Station.

The City has committed to request the Board of Aldermen to authorize general obligation bonds generating net proceeds of at least \$25 million to be disbursed late in 2011 in the following tranches: a \$12 million tranche (for Assembly Square Drive and associated intersections) and \$3

million tranche (for the stormwater outfall) [which may be combined into one tranche of \$15 million if the improvements are completed at the same time]; and third tranche of \$10 million to be disbursed upon completion of Development Blocks 1, 2, and 3 and infrastructure as specified in the Agreement. If the Developer fails to complete Development Blocks 1, 2, and 3 by spring of 2013, the Developer is obligated to reimburse the City for funds disbursed, up to \$15 million. This obligation is secured by the guarantee of Federal Realty Investment Trust.

The Agreement provides if the federal funding for the T-station which is currently on hold and not expected to be appropriated is, in fact made available at a later date, those funds will be used, first to fund project construction cost overruns directly related to the Assembly Square Orange Line station and then one-half of the remaining funds will be used to reimburse the City up to \$12 million.

Finally, the Tri-Party Agreement allows the Developer to capture any remaining I-Cubed funds for which the developer can demonstrate both eligible costs and a state tax revenue stream justifying I-Cubed bonds.

#### **RECOMMENDATION**

It is recommended that the Board of Aldermen accept this report transmitting the Tri-Party Assembly Row Public Funding Agreement