

Boston Women in Public Finance

Public Private Partnerships

March 30, 2016



Way to grow.

MassDevelopment

- Works with businesses, non-profits, financial institutions, and communities to **stimulate economic growth** throughout Massachusetts.
- Promotes capital investment and economic development **by providing financing and real estate development solutions.**
- In FY15, MassDevelopment financed or managed projects generating investment of more than **\$2.5 billion** in the Massachusetts economy.
- These projects are projected to create more than **6,100** jobs and build or rehabilitate more than **2,000** residential housing units.



MassDevelopment - Real Estate Development Capabilities

- **Manage Development Projects Statewide**

- Surplus or Underperforming Government Properties
- Urban Brownfields/Downtown Sites

- **Planning and Development Assistance to Communities**

Direct technical assistance and workshops to help municipalities think strategically about repositioning properties or districts to facilitate revitalization and redevelopment

- Predevelopment Feasibility: market, physical, permitting
- District planning and site planning
- ULI TAPS
- TA Connect Workshops
- Developer Tours

Public Private Partnerships – Real Estate Development

- **Plan and develop blighted properties** to a level that the private sector becomes interested in further investment and development. Can include asset management of certain properties:

- Devens Redevelopment
- 100 Cambridge Street, Boston
- 1550 Main Street, Springfield
- Myles Standish Industrial Park, Taunton
- Northampton State Hospital
- Belchertown State Hospital

Sometimes includes creation of special purpose or nonprofit entities to own and manage projects

- **Transformative Development Initiative**

In the Gateway Cities, set up ten strategic districts for targeted redevelopment with a focus on public/private partnership and community engagement to stimulate growth.

Case Study: 1550 Main Street, Springfield

MassDevelopment helped to facilitate a national panel of experts from the Urban Land Institute **to create a strategy** for the revitalization of Springfield.

Working with the City, the GSA and Baystate Medical Center, MassDevelopment **structured a purchase and pre-leasing** of this building located in the heart of downtown that was about to be vacated.

Conducted \$11 million of renovations and improvements

to the building's public spaces and circulation as well as dramatic redesign of the entrance that helped to create a welcoming A-class office building and an open public plaza.

Part of the strategy to **revitalize the downtown area** and secure its place as a vibrant urban center for the region that will be a vital support for the livelihood of the city's neighborhoods.



Case Study: Myles Standish Industrial Park, Taunton

In 2011, MassDevelopment and the Taunton Development Corporation **together formed a 501(c)(3) non-profit corporation** to plan and redevelop contaminated and abandoned former state hospital site.

As property was adjacent to Myles Standish Industrial Park, it was planned as **an addition to the industrial park.**

Demolition and site remediation were required and in 2012, **private development began.** When completed, this expansion will create an additional **1.9 million sq. ft. of development.**

A District Improvement Financing (**DIF**) district was **created to fund needed infrastructure** including demolition and remediation.



MassDevelopment - Financing Capabilities

Providing businesses, non-profits and governmental entities with cost-effective financing.

- **Tax-exempt (or taxable) bond** financing for:
 - 501(c)3 nonprofit real estate and equipment
 - Affordable rental housing; assisted living and long-term care facilities
 - Public infrastructure projects
 - Manufacturing facilities and equipment
 - Municipal and governmental projects
 - Solid waste recovery and recycling projects

FY 2015 - 85 issues for a total of \$2.5 billion

- **Loans and Loan Guarantees** for:
 - Real estate, equipment, term working capital

FY 2015 - 99 transactions for a total of \$43.2 million

Public Private Partnerships – Financing

- Works with private, nonprofit and governmental borrowers to finance **specialized projects**:
 - 100 Cambridge Street, Boston
 - Myles Standish Industrial Park, Taunton
 - UMass Building Authority
- **Infrastructure financing** to provide the necessary infrastructure to ensure further development will move forward and stimulates new growth that would not otherwise occur.
- Financing **environmental assessment and remediation**, and predevelopment soft costs

Public Private Partnerships

Infrastructure Bond Financing Programs:

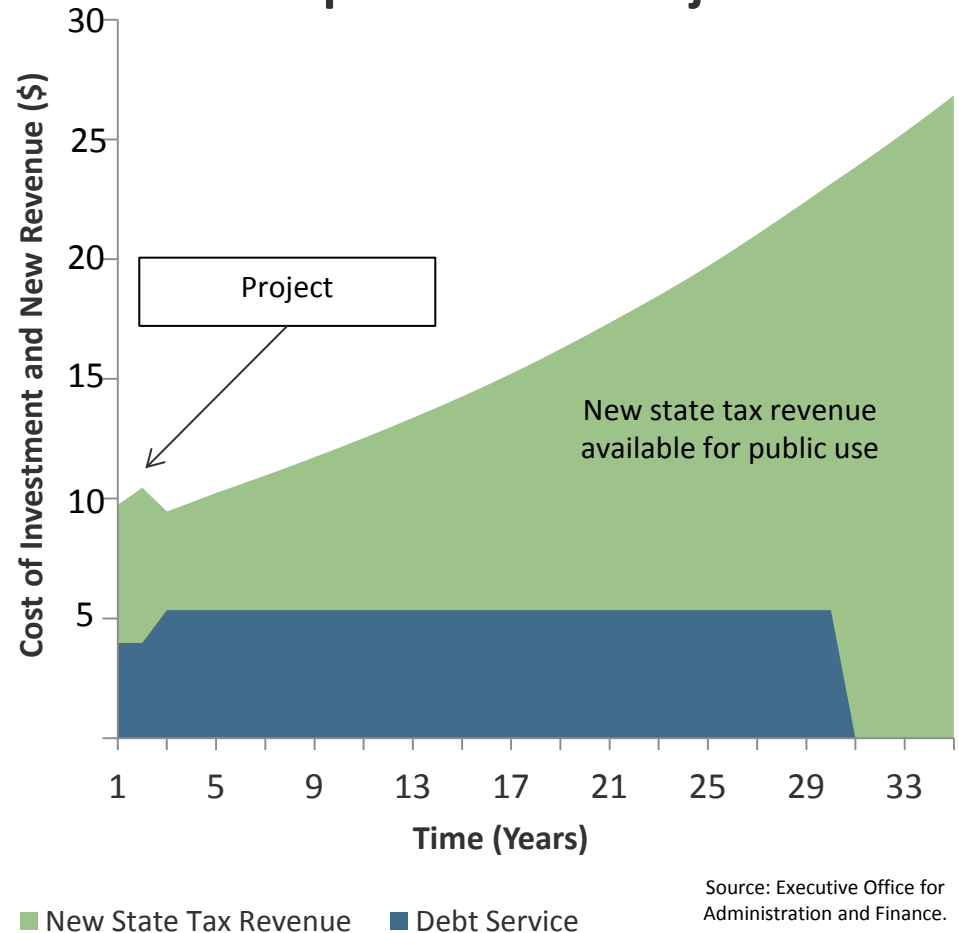
- Infrastructure Investment Incentives Act (“I-Cubed”)
 - Projects with **new annual state tax revenues** greater than debt service. Project must be financially feasible.
- District Improvement Financing (“DIF”)
 - Uses **future, incremental property tax revenues** from **new growth** in a District benefiting from the infrastructure investment. Bonds may be issued with or without a general obligation pledge from the municipality.
- Local Infrastructure Development Program (“23-L”)
 - Property Owner(s) can finance public infrastructure improvements. Debt Service **paid through special assessments on property**, which stay in place if the property is sold, shifting burden to **private sector**.
- All programs create a District and pay for public infrastructure through **issuance of tax-exempt or taxable bonds**.



I-Cubed Program Background

- Created to spur **economic development and job growth**.
- Finances **public infrastructure improvements** necessary to support major private development if new state tax revenues will support debt service.
- New state tax revenues** are primarily from taxes on employment, sales and construction.

Example I-Cubed Project



I-Cubed Approval Criteria

Applications must show that:

- **But-For:** The Project would not happen or achieve the contemplated level of development, jobs, or other economic activity without support from I-Cubed.
- **1.5x Debt Service Coverage:** The projected annual new state tax revenues will be a minimum of 1.5 times the debt service on I-Cubed bonds.
- **Feasibility:** The Project must be financially feasible and the developer must demonstrate that it has sufficient resources or financing commitments to carry out the project.
- Projects in economically distressed municipalities are prioritized.

I-Cubed Program Bond Information

- **Issuer:** Massachusetts Development Finance Agency
- **Credit:** Commonwealth Contract Assistance, a general obligation of the Commonwealth for which its full faith and credit is pledged.
- **Credit rating:** Same as the Commonwealth (Aa1/AA+ by Moody's/Fitch)
- **Issue size:** Usually \$50 million or less
- **Program:** Authorized to issue up to \$600 million in bonds.

I-Cubed Program Information

- I-Cubed bonds **issued to date**, including:

<u>Date of Issuance</u>	<u>Name of Project</u>	<u>Amount (millions)</u>
April 8, 2014	Fan Pier (Boston)	\$34.6
June 4, 2014	Assembly Row (Somerville)	\$ 9.3*
September 30, 2014	Chestnut Hill Square (Newton)	\$ 8.9
September 1, 2015	Boston Landing (Boston)	\$32.4
September 10, 2015	Van Ness Development (Boston)	\$10.0
December 17, 2015	University Station (Westwood)	\$ 9.0

- \$100 million** of new projects have received preliminary approval.
- Anticipated **\$75 million+** to be issued in 2016.

* Notes issued in 2012.

I-Cubed Deals Under Consideration

- \$40 million **Quincy Center**, Quincy
- \$25 million **NorthPoint**, Cambridge
- \$25 million **athenahealth**, Watertown
- \$30 million **Boston Garden**, Boston

Case Study: Fan Pier (Vertex)

\$34.6 million Massachusetts Development Finance Agency Special Obligation Bonds (Commonwealth Contract Assistance) Series 2014A

Fan Pier is a \$3 billion development project which, at full build out, will consist of more than 3 million square feet of office, laboratory, residential, retail, restaurants, cafes, hotel, cultural space and 2,325 parking spaces. I-Cubed bonds financed \$34.6 million in infrastructure improvements including parking.



Case Study: Boston Landing, Brighton/Allston

\$32.4 million Massachusetts Development Finance Agency Special Obligation Bonds (Commonwealth Contract Assistance) Series 2015A

The Boston Landing development includes a new approximately 250,000 sq. ft. worldwide headquarters for New Balance in the Allston/Brighton area of Boston, an approximately 145,000 sq. ft. office building (former headquarters), approximately 26,000 sq. ft. retail and restaurant space, a parking garage addition, and 1.4 acres of public space. The I-Cubed bonds financed \$32.4 million in infrastructure improvements including a commuter rail station.



Case Study: University Station

\$9.0 million Massachusetts Development Finance Agency Special Obligation Bonds (Commonwealth Contract Assistance) Series 2015C

The University Station project, an underutilized 130-acre site at the intersection of I-95 and I-93 in Westwood, has transformed an aging industrial park into a vibrant mixed-use neighborhood. Project includes retail and restaurant uses including Wegmans and Target and 350 residential units. I-Cubed bonds financed \$9.0 million in infrastructure improvements.





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