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.
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.
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:

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