

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE REPORT

MONDAY, JUNE 27, 2011

Present: Ald. Gentile (Chairman), Ciccone, Salvucci, and Danberg

Absent: Ald. Linsky, Rice, Fuller, and Freedman

Also present: Ald. Hess-Mahan and Yates

City personnel present: Brian Lever (Preservation Planner), John Lojack (Commissioner of Inspectional Services), Marie Lawlor (Assistant City Solicitor), Jennifer Molinsky (Chief Planner for Long Term Planning), Stephanie Gilman (Commissioner of Public Buildings), Arthur Cabral (Budget and Project Specialist, Public Buildings Department), Sandra Guryan, (Assistant Superintendent of Business and Finance; School Department), Maureen Lemieux (Chief Financial Officer), and David Wilkinson (Comptroller)

#185-11 HIS HONOR THE MAYOR requesting that the Board of Aldermen accept and authorize the expenditure of fifteen thousand dollars (\$15,000) from the Massachusetts Historical Commission as part of a 50% match of a reimbursable grant to fund the creation of an updated design guidelines booklet for historic buildings and districts. [05-31-11 @ 2:17 PM]

ACTION: **APPROVED 3-1 (Salvucci opposed)**

NOTE: The above item was held on June 13, 2011 for additional information on the grant and the matching funds that are being provided by the Community Preservation Act Fund. Brian Lever, Preservation Planner, provided the Committee with a memo detailing the acceptance and expenditure of the grant funds and the administrative funding commitment from the Community Preservation Committee for the matching funds. The grant funds and the matching funds will be used to fund the creation of a design guidelines booklet for historic districts and buildings. The booklet will be available on the City's website, at the library, and the Newton History Museum.

The City's Preservation Planners will work with a consultant to create the booklet. The booklet will simplify the review process for historic buildings by providing information on preservation to the property owner before they apply for review by one of the City's historic district commissions. The booklet will also provide information on how to maintain a historic home.

The cost of the creation and publication of the booklet is estimated to be \$30,000. It is customary for cities with a large number of historic homes and districts to provide this type of resource to property owners. In addition, the booklet will provide information relevant to the architectural history of different neighborhoods in Newton. Several members of the City's Historic District Commissions were there to support the creation of the booklet. Ald. Danberg moved approval, which carried by a vote of three in favor and one opposed. Ald. Salvucci stated that he is opposed to the item because he feels that the Community Preservation Act funds could be better spent elsewhere. It is his belief that the booklet only provides information to owners of historic properties and not all citizens.

REFERRED TO ZONING AND PLANNING AND FINANCE COMMITTEES

#95-11 ALD. HESS-MAHAN proposing an ordinance requiring that a notice of conversion to condominium ownership be filed with the Inspectional Services Department and that the property be inspected to determine compliance with all applicable provisions of the state and local codes, ordinances and the rules and regulations of all appropriate regulatory agencies. [03-24-11 @ 9:30AM]
ZAP APPROVED 7-0 on 06/13/11

ACTION: **HELD 4-0**

NOTE: Docket Items #95-11 and #102-11 were approved by the Zoning and Planning Committee unanimously at their June 13, 2011 meeting. The Committee discussed both items jointly. Ald. Hess-Mahan informed the Committee that the items propose creating an ordinance to require City notification and inspection of condominium conversions and the establishment of fees for the inspection of the conversion and fines for the violation of the ordinance.

The City's zoning ordinances currently do not require notification to the City of a condominium conversion. The proposed ordinance would ensure that converted condominiums are compliant with building code and zoning ordinances and that the City has a record of the condominium conversion. In addition, it would address the illegal conversion of accessory apartments into condominiums. Currently, the zoning ordinances allow for accessory apartments through a review of accessory apartment petition or special permit. There is a requirement that the property owner retain ownership of both dwellings. Requiring notification of condominium conversion will discourage the illegal separation of ownership between the main dwelling and the accessory unit. Ald. Hess-Mahan added that special permits for accessory apartments would now contain language stating that there shall be no sale of the accessory apartment as a condominium. The special permits are filed with the Registry of Deeds and are part of the property record, which will ensure that title examiners and attorneys are aware of the stipulation at the time of a property sale.

The proposed fee for the condominium conversion inspection would be \$100 per unit, which would cover the administrative costs of the inspection. The proposed fine for violation of the ordinance would be up to \$300 per day until in compliance. Each unreported converted condominium unit would be considered a separate violation. The Inspectional Services Department will provide education around the new fee and fine before the implementation of the new ordinance.

The draft language states that the owner who created the condominium(s) will notify the City within 48 hours of recording the master deed at the Registry of Deeds and file a copy of the master deed and each unit deed with the Inspectional Services Department.

The Committee was concerned that the proposed ordinance could create potential delays in the sale of converted condominiums if code violations were found. It was suggested the draft language be amended to require earlier notification of the conversion. Assistant City Solicitor Marie Lawlor will rework the language of the draft ordinance. Ald. Danberg moved hold on the item until the amended draft language is available, which carried unanimously.

REFERRED TO ZONING AND PLANNING AND FINANCE COMMITTEES

#102-11 ALD. HESS-MAHAN, JOHNSON, COMMISSIONER LOJEK, AND CANDACE HAVENS requesting an amendment to Chapter 17 to establish a fee for filing a notice of condo conversion. [03-29-11 @ 4:55PM]
ZAP APPROVED 7-0 on 06/13/11

ACTION: **HELD 4-0**

NOTE: See above note as the items were discussed in conjunction.

REFERRED TO PROG & SERV, PUBLIC FACIL. AND FINANCE COMMITTEES

#367-10 HIS HONOR THE MAYOR requesting authorization to appropriate an amount not to exceed five million dollars (\$5,000,000) from bonded indebtedness for the following:

(B) installation of up to six modular classrooms at five elementary schools as well as the addition of permanent classrooms and renovations to the core of F.A. Day Middle School. [11/29/10 @ 3:23 PM]

367-10(B) WAS SPLIT INTO B1 AND B2

367-10(B2) – \$4,001,625 for renovations to the core of F.A. Day Middle School and sprinkler systems

PROGRAMS & SERVICES HELD 6-0 on 06/22/11

PUBLIC FACILITIES HELD 6-0 on 06/22/11

ACTION: **HELD 4-0**

367-10(B1) - \$923,375 for installation of one modular classroom at Burr Elementary School, one modular classroom at Horace-Mann Elementary School, and two modular classrooms at Zervas Elementary School

PROGRAMS & SERVICES APPROVED 4-0-2 (Linsky and Sangiolo abstaining) on 06/22/11

PUBLIC FACILITIES APPROVED 7-0 on 06/22/11

ACTION: **APPROVED 4-0**

NOTE: The request is to provide funding for the purchase and installation of four modular classrooms at three elementary schools. The attached letter dated June 22, 2011, details the funding request for \$923,375. During the Programs & Services and Public Facilities Committees discussion of the item, there was concern that the modular classrooms would not be of the same quality as the modular classrooms at Oak Hill Middle School. In addition, two of the proposed modular classrooms would be of a higher quality than the two modular classrooms proposed for Zervas Elementary School. To address the disparity between the modular classrooms the Programs & Services and Public Facilities Committees approved a resolution to ask the Mayor to increase the funding by \$87,500 to provide additional funding for the modular classrooms to provide parity between the modular classrooms.

Public Buildings Commissioner Stephanie Kane Gilman, Chief Financial Officer Maureen Lemieux, and members of the School Committee met regarding the bid documents for the modular classrooms. It was determined that the bid documents would be the same for all four modular classrooms. The bid documents (attached) contain a base bid for modular classrooms that are 3-years old or newer that meet all the current codes and two alternates with two levels of green features. Bid Alternate #1 is for new units that meet the “stretch code” and the Oak Hill modular base bid from 2010. It is expected that the City will choose the modular

classrooms bid with all of the Bid Alternate #1 options. The cost of the Bid Alternate #1 is \$923,375, as requested by the Mayor. Bid Alternate #2 provides for modular classrooms that meet the “stretch code”, the Oak Hill 2010 base bid, and additional green features. The additional cost for the Alternate #2 options is an additional \$91,875.

Ms. Lemieux added that there is some question of whether any of the modular classrooms would benefit from the additional green features included in Bid Alternate #2 for daylight harvesting. In all instances, the modular classrooms are attached to the school building, which significantly reduces the available daylight that can be harvested. The Executive Department is happy to comply with the request for additional funding but believes that Bid Alternate #1 that requires no extra funding is the most sensible choice. It does not make sense to do Bid Alternate #2 if the City does not reap all the benefits. School Committee Member Kurt Kusiak is happy with both bid alternates but feels that the School Department gets more value out of Bid Alternate #1. Assistant School Superintendent Sandra Guryan pointed out that the original bid language allowed variables between modular classrooms and the new language creates parity between all four modular classrooms.

Ald. Danberg moved approval of the \$923,375 for the four modular classrooms, which carried unanimously. The Committee felt that they did not need to include the resolution offered by the Programs & Services Committee and the Public Facilities Committee, because the disparity between the modular classrooms has been addressed. Depending on the bid prices, the City will include green alternates in the modular classrooms that are part of Bid Alternate #2. Ald. Gentile requested that the Public Buildings Department provide the specifications for the modular classrooms. Public Buildings Commissioner Stephanie Kane Gilman agreed to provide them. The Executive Department will consult with the Board of Aldermen when the bids are received for the modular classrooms to determine which alternates to include.

#214-10(5) HIS HONOR THE MAYOR requesting the approval of the Economic Development Proposal for the Chestnut Hill Square Project and authorization of the final joint City of Newton and New England Development Corporation application for funding through the Infrastructure Investment Incentive Program (I-Cubed) of the Economic Development Proposal once the developer has received preliminary approval and settled all outstanding issues. [06/13/11 @ 6:05 PM]

ACTION: **HELD 4-0**

NOTE: Chairman Gentile explained that the purpose of the initial discussion on the Infrastructure Investment Incentive Program (I-Cubed) is to provide information on the program. The I-Cubed Program is a public infrastructure funding mechanism created by the State to fund infrastructure improvements for economic development projects. The State issues bonds to a developer to fund the improvements to support new job growth and economic development. The I-Cubed program is essentially a financial arrangement between the State, the developer, and the municipality where the development is occurring. The project must be approved by the municipality, the Secretary of Administration and Finance and MassDevelopment and meet criteria for projected sales and income tax revenues that exceed the debt service on the bonds by a factor of at least 1.5. During construction of the development, the debt service would be paid by the developer and once the development is occupied and generating tax revenue the debt service will be paid by the State. If there is a shortfall in the tax revenues generated by the

project, the municipality reimburses the State for that amount. The intent of the I-cubed Program is to fund the costs of public infrastructure improvements through new state tax revenues generated by economic development projects.

The Mayor is requesting Board of Aldermen approval of the Economic Development Proposal for the Chestnut Hill Square Project and authorization of the final joint City of Newton and New England Development Corporation application for funding through the I-Cubed Program. Douglass Karp and William Cronin, Jr. of New England Development and Sarah Lempke and John Twohig of Goulston and Storrs provided an overview of the proposal. The I-Cubed Program bond funds will be used to provide a number of transportation improvements on Route 9 and the surrounding area. The Chestnut Hill Square Project is meets all of the criteria for the I-Cubed Program and all outstanding legal issues have been settled. A Notice of Voluntary Dismissal by WMACH, LLC and Mayflower Atrium, LLC is attached. The Chestnut Hill Square Project will not go forward with the funding from the I-Cubed Program. The cost of the infrastructure improvements make it unfeasible for New England Development to go forward without the funding. The developer has established a municipal liquidity reserve fund that contains two years of debt service payments as protection of a revenue shortfall. The developer is required to replenish funds removed from the liquidity reserve. The Chestnut Hill Square Project has had an independent peer review to ensure that all projected state tax revenues are realistic. There are a number of safeguards for the City of Newton that are detailed in the attached informational packet.

The Committee held the item for further discussion and asked that the Executive Department check with Moody's Investor Services and First Southwest to determine if there is any impact on the City's bond rating of bonding capacity if the City agrees to enter into an agreement with New England Development for the I-Cubed Program.

The Committee adjourned at 9:10 p.m. and all other items before the Committee were held without discussion. Draft Board Orders for the above items are attached.

Respectfully submitted,

Leonard J. Gentile, Chairman

CITY OF NEWTON
IN BOARD OF ALDERMEN

, 2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the authorization to expend a grant by the by the Planning Department as part of a 50% match of a reimbursable grant in the amount of fifteen thousand dollars (\$15,000) from the Massachusetts Historical Commission to be used for the creation of a design guidelines booklet for historic buildings and districts be and is hereby approved.

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

City of Newton



Setti D. Warren
Mayor

PUBLIC BUILDINGS DEPARTMENT

Stephanie Kane Gilman, Commissioner

Telephone (617) 796-1600

FAX (617) 796-1601

TTY: (617) 796-1089

52 ELLIOT STREET

NEWTON HIGHLANDS, MA 02461-1605

June 22, 2011

The Honorable Setti D. Warren
Mayor, City of Newton
1000 Commonwealth Avenue
Newton Centre, MA 02459

AMENDED REQUEST

RE: Funding Request for (4) Modular Classrooms for Three Elementary Schools,
Docket Item # 367-10(B)

Dear Mayor Warren:

The Public Buildings Department on behalf of the School Department, is requesting the sum of \$923,375 to cover the cost of the remaining design, construction and installation of four modular classrooms at three elementary schools. The estimate is based upon an average of \$214,595 per classroom. The elementary schools to receive modular classrooms are Burr (1), Horace-Mann (1) and Zervas (2). These modular classrooms are planned to be in place for Fall 2011.

The breakdown of the estimate is as follows:

Construction and Installation	\$695,000
Green Features	87,500
To Address Storm Water Issues	35,000
5% Contingency	40,875
Design (includes sprinkler design)	<u>140,000</u>
Sub Total:	\$998,375
Less Original Schematic Design Funding	<u>- \$ 75,000</u>
Funding Request	\$923,375

Please do not hesitate to contact me should you have any questions regarding this request.

Sincerely,

Stephanie Kane Gilman
Commissioner of Public Buildings

SKG:dla

CC: David Fleishman, Superintendent of Schools
Sandy Guryan, Assistant Superintendent Business/Finance
Maureen Lemieux, Chief Financial Officer
Robert Rooney, Chief Operating Officer

**Design and Installation of (4) four ModularClassrooms @ (3) Threse Schools - Estimated Cost
(Zervas (2), Horace Mann & Burr Schools)**

6/27/2011

#367-10(B)

Base Bid		Alternate #1 (New units meeting stretch code and the Oak Hill modular base bid from 2010)		Alternate #2 (New units meeting stretch code, Oak Hill 2010 base bid plus all alternates from the bid)	
Modulars (4)	142,500 \$	142,500 \$	142,500 \$	142,500 \$	570,000
Storm Water Mitigation	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	35,000
Site Work	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	75,000
Utilities	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	50,000
Unit Upgrades	\$ -	\$ 87,500	\$ 87,500	\$ 175,000.00	175,000.00
SUBTOTAL	\$ 730,000	\$ 817,500	\$ 817,500	\$ 905,000	\$ 905,000
5% Contingency	\$ 36,500	\$ 40,875	\$ 40,875	\$ 45,250	45,250
Construction	\$ 766,500	\$ 858,375	\$ 858,375	\$ 950,250	\$ 950,250
Design Fee	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000
Modulars	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	90,000
Sprinkler System	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	50,000
Project Total	\$ 906,500 *	\$ 998,375 *	\$ 998,375 *	\$ 1,090,250 *	\$ 1,090,250 *
Less Original Schematic Design Appropriation	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)
Additional Funding Request	\$ 831,500	\$ 923,375	\$ 923,375	\$ 1,015,250	\$ 1,015,250

* does not include FFE & Technology

DRAFT BOARD ORDER #367-10(B1)
ELEMENTARY SCHOOL MODULAR CLASSROOMS

ORDERED:

That for the purpose of paying costs of design, purchasing and installing one modular classroom at Burr Elementary School; one modular classroom at Horace-Mann Elementary School; and two modular classrooms at Zervas Elementary School, and all other costs associated therewith, there be and hereby is appropriated and authorized to be borrowed under and pursuant to Chapter 44 Sections 7(9) and 7 (22) of the General Laws, as amended and supplemented, or pursuant to any other enabling authority, the sum of Nine Hundred and Twenty Three Thousand, Three Hundred and Seventy Five Dollars (\$923,375).

Chestnut Hill Square
I-Cubed Application
Frequently Asked Questions

1. *What is the timing? When will the I-Cubed proposal be before the Aldermen?*
A&F (Administration and Finance, the State Agency which administers the State's finances) and its consultant are currently reviewing our Preliminary Economic Development Proposal ("PEDP"). We anticipate receiving preliminary approval from A&F in 4-8 weeks and then will appear before the Aldermen shortly thereafter. We hope to receive a vote of approval from the Aldermen in August. A two-thirds vote of the Aldermen is required.
2. *Who issues the bonds?*
Massachusetts Development Financing Agency ("Mass Development") issues the bonds on behalf of the Commonwealth.
3. *Do the bonds impact the City's bonding ability or credit status?*
Mass Development, the state agency that will issue these bonds, has indicated that the bond issuance does not impact a municipality's bonding ability or credit status.
4. *Does this impact property taxes?*
No, I-Cubed has no impact on local property taxes. I-Cubed approval does not impact local property taxes and in fact contains a restriction that a project not benefit from a local property tax exemption in the form of a Tax Increment Financing ("TIF") Agreement. The land owner will continue to pay local property taxes at full assessment.
5. *How does the "State" pay the bonds?*
The debt service on the bonds is repaid by the Commonwealth. The Commonwealth reviews the amount of state tax revenue it has received as the result of the project (e.g. wage, sales and meals taxes) and uses those funds to pay back the debt service on the bonds. In the event there is a "shortfall", i.e. that the revenues created are not sufficient to pay the debt service on the bonds, the developer agrees to pay the shortfall amount. If there is a surplus the bonds are paid off sooner.
6. *What are the proposed infrastructure improvements to be funded by the I-Cubed bonds?*
The applicant is seeking approval for the financing of \$15,000,000 to cover infrastructure improvements required to support the Project and needed along the Route 9 corridor. These improvements are centered on roadway improvements to Route 9, Hammond Pond Parkway and local City of Newton roadways. All of the improvements have been reviewed by the City and established as a regional need.
7. *Will the Project go forward without the I-Cubed?*
No. The high infrastructure costs associated with the Project make it impractical for the Project to go forward without I-Cubed funding.

8. *What are the expected State tax revenues?*
The applicant estimates that the project will create over \$2,000,000 a year in net new state tax revenue, well in excess of the approximately \$1,000,000 required to cover the debt service on the bonds on an annual basis.
9. *Who verifies the filings by NED? What agencies approve?*
The Commonwealth's department of Administration & Finance will review and approve the proposal, along with input from Mass Development, who will issue the bonds, and the Department of Revenue, who will be required to certify the estimates of the amount of taxes likely to be created by the Project.
10. *Will the bonds be issued without the leases and financing in place?*
No. Final approval will not be given, and bonds will not be issued, until the applicant can show a certain level of leasing and financing in place, giving the Commonwealth comfort that the Project will proceed and create the revenues anticipated.
11. *When are the bonds anticipated to be paid off?*
The Project is anticipated to create a significant amount of revenue for the Commonwealth, which revenue will exceed the debt service on the bonds to such a degree that the bonds will be paid off in approximately 14 years (well in advance of the 30 year term). Even if our revenue projections were overstated by more than 50%, the bonds would be repaid within 23 years.
12. *What are the job benefits of the Project?*
The Project is anticipated to create approximately 500 short-term construction jobs and approximately 525 long-term permanent jobs at a variety of wage and skill levels, bringing significant amounts of new wage tax revenue to the Commonwealth.
13. *What is the Infrastructure Development Assistance Agreement?*
The Commonwealth, the City and the project owner will enter into what's called and Infrastructure Development Assistance Agreement ("IDAA") detailing many of the safeguards discussed above, including the ability to lien property and the landowner's commitment to pay debt service in the unlikely event of a shortfall.
14. *Can the City lien the property if there is, in the unlikely event, an assessment by the State?*
Yes, the City may lien the property in the unlikely event there is a shortfall and the debt service is not paid by the developer. In addition, there is an approximately \$2,000,000 "reserve account" funded by the Developer representing the debt service required for 2 years of debt service payments.
15. *Does the City assessment on the Project have priority over the financing?*
Yes. A municipal lien to cover a debt service shortfall will have first position priority over project financing.

16. *Explain why the City should undertake even minimal risk?*

As indicated above, this Project cannot go forward without I-Cubed funding because of the high costs of the infrastructure required. Not only will the City benefit from the construction of this much-needed regional transportation infrastructure, but the Project will bring a large number of permanent and construction jobs and will transform an underutilized site into a site which brings significant revenue to the City of Newton as well, estimated at over \$1,300,000 per year.

17. *Has this ever been done before?*

Yes. To date, one I-Cubed project has been approved in the City of Somerville for Assembly on the Mystic. We understand that numerous other projects are pending approval now, including in the City of Boston.

18. *Simply, what are the “benefits” and what are the “risks” to the City?*

The benefits are the needed transportation improvements, increased local property tax revenue and jobs created; the risks are the obligation to pay the debt service on the bonds in the unlikely event that all built-in safeguards fail.

19. *How does NED make this “risk-free” to the City?*

While there is no way to make this absolutely risk-free to the City, the applicant has agreed to put into place a number and wide variety of safeguards designed to make it unlikely that the City will have any obligation under the bonds. These include a liquidity reserve in the amount of two times the debt service (approximately \$2,000,000) and the developer agreeing to fund the shortfall. Further, because of the significant amount of revenue expected to be created (resulting in an approximately 2.0 debt service coverage ratio) and the surplus generated therefrom, it is likely that the bonds will be repaid in 14 years, well in advance of the 30 year time frame indicated by the statute.

20. *What if the State approves something other than \$15,000,000 in bond financing?*

We have included in the power point a projection of debt service coverage if the state only approved \$10,000,000 in funding. As is clear from the chart, even in the instance where the state applies a higher displacement factor (resulting in less net new revenue) and agrees to fund only \$10,000,000, the Project generates more than adequate revenue to cover the debt service on the bonds and the bonds will be repaid in 22 years.

21. *Will the current status of the Atrium, effect the Project? Security?*

No. The Applicant understands that the owners of the Atrium are taking this opportunity to refocus and reinvigorate this asset and does not believe that these changes are reflective of any uncertainties or undesirability in the marketplace. With regard to the protections afforded to the City of Newton in the very unlikely event of a failure of this project, the City does have the power to lien the property to recover the shortfall and could draw on a liquidity reserve, required to be maintained, at all times, by the applicant in an amount equal to two times the debt service on the bonds.

22. *What is the status of the appeal of the Special Permit?*

The appeal of the Special Permit has been settled and the case is being dismissed.

CHESTNUT HILL SQUARE

Boylston Street □ Newton, MA

NewEngland
DEVELOPMENT
One Wells Avenue Newton, Massachusetts

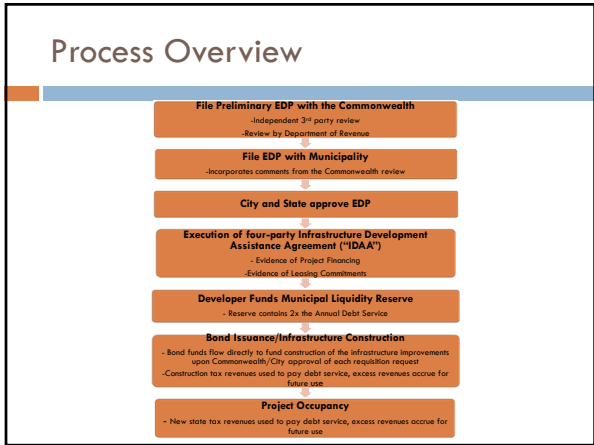
Infrastructure Investment
Incentive Program (“I-Cubed”)

I-Cubed Background

- Public Infrastructure Funding Mechanism
 - Infrastructure bond program established by the Commonwealth to fund streets, sidewalks, water and wastewater systems, drainage systems, parks, and transportation improvements
 - State issues bonds and the bond proceeds fund public infrastructure that will generate economic development
 - Project enabled by the public infrastructure investment generates new state tax revenues to pay debt service on the bonds
 - Project sales and income tax revenues must exceed the projected debt service on the bonds by a factor of at least 1.5

I-Cubed Process

- > Economic Development Proposal ("EDP")
 - > Informal consultation between Developer and the Executive Office of Administration and Finance
 - > Preliminary EDP submitted to the State for peer review and comment (coordination with municipality)
 - > Preliminary approval by Secretary with comments
 - > Revised EDP submitted to municipality for review, hearing and approval by legislative body
 - > Final EDP submitted by the municipality and the developer to the Secretary for approval
 - > Negotiation and Execution of Infrastructure Development Assistance Agreement
 - > Bond Issuance



Proposed Project



Proposed Development Program

Use	Size (in Gross Leasable Area)
Retail/Restaurant	85,000 SF
Grocery	47,000 SF
Health Club	28,000 SF
Medical Office	58,000 SF
Total	218,000 SF
Residential	Up to 100 Units

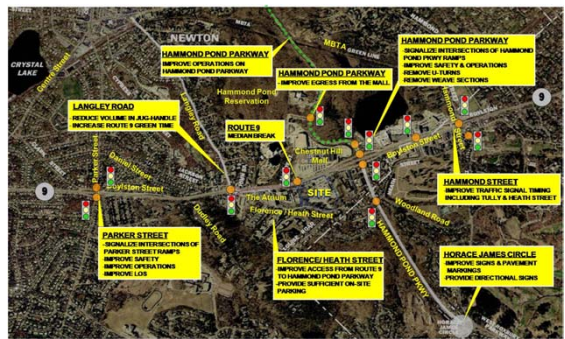
Chestnut Hill Square Qualifications

I-Cubed Regulatory Compliance

- This Project is financially feasible, backed by New England Development, which has extensive experience in this type of development and who has a long-standing and proven track record of investing in infrastructure and communities;
- The Project is consistent with Commonwealth's Sustainable Development Principles by redeveloping a previously existing, degraded site;
- Project seeks to resolve previously identified, high-priority regional infrastructure issues for the Commonwealth, along Route 9 corridor;
- The entire Project is anticipated to create approximately 500 short-term construction and over 525 long-term permanent jobs at a variety of wage and skill levels;
- Project brings a significant amount of net new revenue to the Commonwealth in the form of income and sales tax receipts, totaling over \$2,100,000 on a recurring, annual basis (excluding approximately \$545,000 in sales tax revenue for MBTA and education); and
- Annual Net New State Tax Revenues are anticipated to exceed by at least 1.5 times the projected debt service on the bonds.

What will the I-Cubed funds be used for?

Planned Traffic Improvements



Transportation Benefits

- > Implementation of high-priority regional transportation improvements
- > Route 9 travel time reductions
- > Dramatically improve Langley Road Jug-handle operations
- > Improve egress from The Mall at Chestnut Hill
- > Reduce cut-through traffic on Hammond St. and Florence St. by decreasing travel times along Route 9 and Hammond Pond Parkway
- > Pedestrian improvements along Route 9 and Hammond Pond Parkway
- > Safety improvements at the Parker Street and Hammond Pond Parkway interchanges and at Horace James Circle

Application Review and Program Implementation

Municipality Safeguards

- > Thorough application review/pre-approval process by the Commonwealth
 - > Independent peer review
 - > Department of Revenue must approve revenue projections
- > Execution of Infrastructure Development Assistance Agreement prior to bond issuance
- > Compliance with IDAA will be required by the Project lender
- > Evidence of financing and leasing commitments required prior to bond issuance
- > Developer establishes a "Municipal Liquidity Reserve" fund as a protection for unlikely revenue shortfall
 - > Developer required to replenish funds drawn from the liquidity reserve
- > Bond funds flow directly to fund construction of the infrastructure improvements upon approval of each requisition request by Commonwealth and City
- > Debt service is paid with new state tax revenues
- > Tax revenues in excess of debt service payments accrue for future use
- > City has the right to lien and assess property in the unlikely event the debt service is not paid
- > In the unlikely event a lien is placed on the property, it will take priority over other security interests

Municipality Safeguards (Continued)

- > Bonds are issued by Mass Development, not the City of Newton
- > Bonds are backed by the full faith and credit of the Commonwealth; no impact on City bonding capacity
- > Under the anticipated revenue projection scenario, bonds will be paid in 14 years – any minimal risk will be eliminated in 13 years; even if our revenue projections were off by 50%, bonds will be paid in 23 years.
- > Under the increased displacement/ reduced bond amount projection, bonds will be paid within 22 years
- > City receives needed transportation and water improvements
- > Transportation improvements have been needed for 20 years as outlined in the CTPS Study
- > In approximately 10 years, the City will have received new local tax revenues generated by the Project in excess of bond value

Anticipated Scenario

Developer & City's obligation expires once total new state tax revenues exceed Bond principal and interest – approximately 14 years

Year	Net Tax Revenue	Debt Service	Remaining Debt Service Obligation	Accrued Surplus	Liquidity Reserve
1	Construction period	\$772,500 (interest paid by NED)	\$30,418,823	\$0	\$2,062,416
2	Construction period	\$772,500 (interest paid by NED)	\$29,646,323	\$0	\$2,062,416
3	\$3,342,883 (incl. const. period revenues)	\$1,031,208	\$28,873,823	\$2,311,675	\$2,062,416
4	\$3,407,226 (incl. const. period revenues)	\$1,031,208	\$27,842,615	\$4,687,693	\$2,062,416
5	\$2,275,384	\$1,031,208	\$26,811,407	\$5,931,869	\$2,062,416
6	\$2,343,646	\$1,031,208	\$25,780,199	\$7,244,307	\$2,062,416
7	\$2,413,955	\$1,031,208	\$24,748,991	\$8,627,054	\$2,062,416
8	\$2,486,374	\$1,031,208	\$23,717,783	\$10,082,220	\$2,062,416
9	\$2,560,965	\$1,031,208	\$22,686,575	\$11,611,977	\$2,062,416
10	\$2,637,794	\$1,031,208	\$21,655,367	\$13,218,563	\$2,062,416
11	\$2,716,928	\$1,031,208	\$20,624,159	\$14,894,283	\$2,062,416
12	\$2,798,436	\$1,031,208	\$19,592,951	\$16,661,511	\$2,062,416
13	\$2,882,389	\$1,031,208	\$18,561,743	\$18,512,692	\$2,062,416
14	\$2,968,861	\$1,031,208	\$17,530,535	\$20,450,345	\$2,062,416

Reduced Revenue Scenario

Assuming a 50% reduction in anticipated tax revenue and denial of request to have construction period revenues applied to debt service payments - Developer & City's obligation expires in approximately 23 years

Year	Net Tax Revenue	Debt Service	Remaining Debt Service Obligation	Accrued Surplus	Liquidity Reserve
1	Construction Period	\$772,500 (int. by NED)	\$30,418,823	\$0	\$2,062,416
2	Construction Period	\$772,500 (int. by NED)	\$30,418,823	\$0	\$2,062,416
3	\$1,671,442 (incl. 50% const. rev.)	\$1,031,208	\$29,387,615	\$460,234	\$2,062,416
4	\$1,703,613 (incl. 50% const. rev.)	\$1,031,208	\$28,356,407	\$1,312,359	\$2,062,416
5	\$1,737,692	\$1,031,208	\$27,325,199	\$1,415,123	\$2,062,416
6	\$1,773,822	\$1,031,208	\$26,293,991	\$1,559,738	\$2,062,416
7	\$1,206,978	\$1,031,208	\$25,262,783	\$1,735,508	\$2,062,416
8	\$1,243,187	\$1,031,208	\$24,231,575	\$1,947,487	\$2,062,416
9	\$1,280,483	\$1,031,208	\$23,200,367	\$2,196,762	\$2,062,416
10	\$1,318,897	\$1,031,208	\$22,169,159	\$2,484,631	\$2,062,416
11	\$1,358,444	\$1,031,208	\$21,137,951	\$2,811,707	\$2,062,416
12	\$1,399,218	\$1,031,208	\$20,106,743	\$3,179,717	\$2,062,416
13	\$1,441,195	\$1,031,208	\$19,075,535	\$3,587,719	\$2,062,416
14	\$1,484,431	\$1,031,208	\$18,044,327	\$4,000,942	\$2,062,416
15	\$1,528,963	\$1,031,208	\$17,013,119	\$4,498,697	\$2,062,416
16	\$1,574,832	\$1,031,208	\$15,981,911	\$5,042,321	\$2,062,416
17	\$1,622,077	\$1,031,208	\$14,950,703	\$5,631,190	\$2,062,416
18	\$1,670,740	\$1,031,208	\$13,919,495	\$6,277,722	\$2,062,416
19	\$1,720,862	\$1,031,208	\$12,888,287	\$6,982,374	\$2,062,416
20	\$1,772,488	\$1,031,208	\$11,857,079	\$7,756,656	\$2,062,416
21	\$1,825,662	\$1,031,208	\$10,825,871	\$8,608,110	\$2,062,416
22	\$1,880,432	\$1,031,208	\$9,794,663	\$9,547,334	\$2,062,416
23	\$1,936,845	\$1,031,208	\$8,763,455	\$10,583,971	\$2,062,416

Increased Displacement/Reduced Bond Amount Scenario
 Assuming a \$10 million I-Cubed grant, a 70% displacement for medical office income tax revenue, and an 80% displacement for retail sales tax and retail income tax revenue - Developer & City's obligation expires in approximately 22 years.

Year	Net Tax Revenue	Debt Service	Remaining Debt Service Obligation	Accrued Surplus	Liquidity Reserves
1	Construction period	\$110,000 (interest paid by HD)	\$20,279,215	\$0	\$1,030,000
2	Construction period	\$115,000 (interest paid by HD)	\$19,764,215	\$0	\$1,030,000
3	\$1,377,798 (incl. const. period revenue)	\$487,472	\$19,249,215	\$690,326	\$1,030,000
4	\$1,398,638 (incl. const. period revenue)	\$487,472	\$18,561,243	\$1,401,492	\$1,030,000
5	\$736,989	\$487,472	\$17,874,271	\$1,451,009	\$1,030,000
6	\$739,099	\$487,472	\$17,186,799	\$1,522,636	\$1,030,000
7	\$781,872	\$487,472	\$16,499,327	\$1,617,035	\$1,030,000
8	\$801,508	\$487,472	\$15,811,855	\$1,734,892	\$1,030,000
9	\$829,488	\$487,472	\$15,124,383	\$1,876,907	\$1,030,000
10	\$854,272	\$487,472	\$14,436,911	\$2,044,808	\$1,030,000
11	\$880,004	\$487,472	\$13,749,439	\$2,238,340	\$1,030,000
12	\$906,404	\$487,472	\$13,061,967	\$2,455,271	\$1,030,000
13	\$933,596	\$487,472	\$12,374,495	\$2,701,395	\$1,030,000
14	\$961,604	\$487,472	\$11,687,023	\$2,975,327	\$1,030,000
15	\$990,462	\$487,472	\$10,999,551	\$3,278,107	\$1,030,000
16	\$1,020,145	\$487,472	\$10,312,079	\$3,611,100	\$1,030,000
17	\$1,050,770	\$487,472	\$9,624,607	\$3,974,499	\$1,030,000
18	\$1,082,293	\$487,472	\$8,937,135	\$4,369,330	\$1,030,000
19	\$1,114,762	\$487,472	\$8,249,663	\$4,796,610	\$1,030,000
20	\$1,148,205	\$487,472	\$7,562,191	\$5,257,344	\$1,030,000
21	\$1,182,651	\$487,472	\$6,874,719	\$5,752,523	\$1,030,000
22	\$1,218,131	\$487,472	\$6,187,247	\$6,283,182	\$1,030,000

Anticipated Timeline

Timeline

- > Preliminary EDP application: January 2011
- > Preliminary EDP approval: July 2011
- > EDP Updates: June 2011
- > City Approval of EDP: August 2011
- > Final EDP Approval: Sept./Oct. 2011
- > Bond Issuance: November 2011
