

Edward M. Augustus, Jr.
City Manager



CITY OF WORCESTER

August 17, 2018

Mr. Denis Dowdle, Principal
Madison Downtown Holdings, LLC
667 Boylston Street Suite 201
Boston, MA 02116

Re: Letter of Intent/Expression of Objectives
Green Island Redevelopment Project

Dear Mr. Dowdle:

This Letter of Intent (“**Letter**”) is written to reflect the shared objectives and understandings of Madison Downtown Holdings, LLC (“**Madison**”) and the City of Worcester (the “**City**”, together with Madison, the “**Parties**”) concerning the redevelopment of approximately 17.5 acres of land in and around Madison Street in Worcester (the “**Site**”) as shown (together with other properties) on Exhibit A. The Site is a part of the Downtown Urban Revitalization Area (“**Area**”), which was the subject of the Downtown Urban Revitalization Plan (the “**Plan**”) that was adopted by the Worcester Redevelopment Authority (“**WRA**”) and approved by the City and the Commonwealth of Massachusetts in 2016. Working cooperatively, Madison and the City have outlined a redevelopment project for the Site (the “**Project**”, as detailed in this Letter) in a manner that is consistent with the objectives expressed in the Plan.

As detailed in the Plan, the City’s overall goal for the Area is to create an environment that has a strong identity and sense of place within downtown Worcester, and to identify buildings and sites that provide primary transformation opportunities for institutional, housing, commercial, and entertainment/cultural uses, and the infrastructure improvements needed to support those uses. The Plan embraces, and seeks to build upon, the area’s historic legacy by focusing on development projects that:

- Act as a catalyst for private investment;
- Create temporary employment opportunities during construction, then sustainable and permanent jobs in a wide variety of fields;
- Provide a wide range of leasable space options for new and existing local businesses and institutions;
- Provide amenities and interesting programming which will encourage repeat visits to downtown by area residents and students;

- Provide opportunities for market rate housing in the downtown area;
- Return vacant and underutilized land to the City's tax rolls;
- Providing adequate and strategically located fee-based parking facilities; and
- Improve retention of college graduates in the area.

Each of these objectives (collectively, the "**Goals**") will inform our joint approach to the Project consistent with this Letter. The Parties acknowledge that important aspects of the Project are conceptual, and that the further definition of the elements of the Project could affect the Parties' positions regarding the Project, so it is premature to attempt to develop a complete or definitive statement of all the terms and conditions of any agreement between them regarding the Project. The negotiation of terms and conditions satisfactory to the Parties will continue as the planning of the Project proceeds and before a legally binding agreement is completed. This Letter is intended to be non-binding and to serve as a guideline for the negotiations necessary to finalize an agreement between the Parties with respect to the Project (the "**Development Agreement**") which the Parties agree to use their respective commercially reasonable efforts to complete as soon as reasonably practicable or in alignment with a mutually agreeable milestone.

1. The Site

The Site is currently owned in fee by Wyman Gordon Company and its affiliates (collectively, "**Wyman Gordon**"). A portion of the Site consists of approximately six (6) acres of land on the north side of Madison Street ("**WG North**") which, along with seven (7) additional parcels (the "**Additional Parcels**"), are shown on Exhibit A. Madison has executed a Purchase and Sale Agreement dated May 24, 2018 to purchase the Site (the "**Purchase Agreement**") and is currently undertaking due diligence in accordance with that agreement. At the end of the due diligence period, assuming that Madison does not elect to terminate the transaction, Madison intends to purchase the Site from Wyman Gordon on or about the closing date set forth in the Purchase Agreement, being in the Fall of 2018.

In addition to the Site, Madison has proposed to make good faith efforts to enter into binding agreements to acquire the Additional Parcels, subject to more detailed discussion with the City pertaining to the timing of such acquisition and the cost and condition of the Additional Parcels; provided, however, the Parties agree there is no expectation that Madison will acquire the Additional Parcels and convey same to the City prior to reaching an agreement on the exchange of additional land and rights in land located north of Madison Street (the "**Additional Land Exchange**"), which shall be detailed in the Development Agreement. The Parties are currently engaged in a master planning effort for the Site and the Additional Parcels (the "**Master Plan**"), which they each agree to continue and support as they work toward the Development Agreement.

2. The Development Project

Madison has proposed to undertake the redevelopment of the portion of the Site on the southerly side of Madison Street and north of WG North (inclusive of portions of the Additional Parcels) as shown on Exhibit A (the “**Development Site**”) in general accordance with the program and the schedule outlined on Exhibit B (the “**Development Project**”) as same may be revised by Madison from time to time; provided, however, that Parties acknowledge that, while Exhibit B represents a reasonable expectation of the scope and timing of the Development Project, it is subject to market forces and general economic conditions; and, provided further, that Madison shall not modify the Development Project without the prior approval of the City which approval shall not be unreasonably withheld, delayed or conditioned.

3. The Ballpark Project

In cooperation with the Commonwealth, the City is working with the owners of the Pawtucket Red Sox (the “**Club**”) to bring the Club to Worcester. As a part of that effort, the City and the Club are in discussions about the development of a municipally owned baseball park on a portion of the Site comprised of a portion of WG North and a portion of the Additional Parcels as shown on Exhibit A (the “**Ballpark Site**”) in general accordance with the program and schedule outlined on Exhibit B (the “**Ballpark Development Project**”).

4. The Parking Garage

As part of its overall strategy relating to the off street parking supply in Worcester and in an effort to support the Ballpark Project and the Development Project, the City has proposed to develop and lease to Madison (the “**Garage Lease**”) a 350 space parking garage within the Development Site (the “**Parking Garage Site**”) in general accordance with the program and schedule outlined on Exhibit B (the “**Parking Garage**”). As noted in Exhibit B, the Parking Garage and the Garage Lease are anticipated to include approximately 30,000 SF of cold retail space.

The Parking Garage shall be developed in accordance with the Master Plan and will be designed by Madison in cooperation with, and subject to the approval of, the City. Details pertaining to the extent of design to be provided by Madison shall be set forth in the Development Agreement. The Parking Garage shall be constructed by the City in cooperation with, and subject to the approval of, Madison so that it will serve as the foundation base for two buildings that are included as a part of the Development Project. Given the integrated nature of the Development Project and the Parking Garage, the Parties agree to consider whether it is in their collective best interest for Madison to build the Parking Garage as the City’s agent (with funding to be provided by the City) as a part of the negotiation of the Development Agreement, subject to compliance with applicable law.

Taken together, the Development Project, the Ballpark Project and the Parking Garage make up the Project. The Parties agree to use their reasonable efforts to continue to pursue and develop their respective portions of the Project in every respect.

5. Amendment to the Plan; Additional Development Parcels; Other Potential Actions

In order to pursue the Project, the City has proposed, and is working with the WRA to adopt, an amendment to the Plan, which is proposed to include the expansion of the Area so as to include property east of Washington Street and north of Madison Street as shown on Exhibit A, and potentially other parcels. The City may elect to acquire some or all of the Additional Parcels on its own account or through its nominee in conjunction with implementation of the Project.

In addition to the amendment to the Plan, the City, either on its own account or with the assistance of one or more third parties, may pursue additional public actions related to the Project, including, without limitation, the creation of an invested revenue district in accordance with the requirements of Mass. Gen. L. c. 40Q to complement the actions contemplated in the Plan. Madison agrees to reasonably cooperate with the City, the WRA and the City's third parties in the pursuit of such actions.

6. Proposed Land Transfers

Subject to the satisfaction of the obligations set forth in this Letter in a non-binding manner as may be modified by the Parties and subject to the specific obligations, terms and conditions satisfactory to the Parties, the Parties anticipate the execution of a Development Agreement providing for the following transfer of land and interests in land:

- a. Madison shall convey to the City: (i) the WG North portion of the Ballpark Site; and (ii) the Parking Garage Site, subject to appropriate and necessary reserved air rights and reserved or reciprocal easement rights as necessary to support the Development Project and the Parking Garage; it being anticipated that Madison will construct and own two (2) buildings upon the Parking Garage;
- b. Madison shall convey such portions of the Development Site and the Additional Parcels as may be desired by the City and are acceptable to Madison for the construction, maintenance and operation of public ways and public spaces, each to be constructed and maintained by the City;
- c. The Parties shall complete the Additional Land Exchange as shall be agreed to in the Development Agreement; and
- d. The Parties shall execute the Garage Lease. Final terms of the Garage Lease shall be negotiated by the Parties, but shall: (i) be for a term of not less than twenty (20) years plus extensions available to Madison and acceptable to the City for up to one hundred (100) additional years; (ii) include an obligation by Madison to pay annual rent to the City of \$250,000.00 for the first five (5) years of the term, plus: (a) annual increases after the fifth year of the term equal to 2% per year ; and (b) a contribution by the Parties to appropriate capital reserve accounts to be funded through a parking surcharge in an amount agreed to by the Parties; (iii) permit the City to use the interior of the Parking Garage for advertising reasonably acceptable to Madison and to retain the revenue from such advertising; and (iv) include a provision requiring Madison to permit the Club to use the Parking Garage on terms to be agreed between Madison and the Club.

7. Conditions on Land Transfer

The proposed land transfers set forth in paragraph 6 above shall be detailed in the Development Agreement and shall be subject to the following provisions, which, to the extent required by applicable law, shall be further subject to the approval of the Worcester City Council:

- a. A Tax Increment Financing Agreement relative to the hotel to be constructed as part of the portion of the Development Project on the southerly side of Madison Street creating an exemption from real estate taxes due at a rate of forty (40%) percent for the first five (5) years and thirty-five (35%) percent for years six (6) through ten (10);
- b. A Tax Increment Exemption Agreement relative to the apartment component of Phase 1 of the Development Project creating an exemption from real estate taxes due at a rate of fifteen (15%) percent for the first five (5) years, twenty (20%) percent for years six (6) through ten (10), and twenty-five (25%) percent for years eleven (11) through fifteen (15);
- c. A Tax Increment Financing Agreement relative to the hotel to be constructed as part of the Development Project on the north side of Madison Street creating an exemption from real estate taxes due at a rate of twenty (20%) percent for twenty (20) years;
- d. A binding commitment of State Tax Credits pursuant to the Housing Development Incentive Program (“**HDIP**”) relative to the housing component of the Development Project of not less than Two Million Five Hundred Thousand (\$2,500,000) Dollars;
- e. On the condition that significant portions of the Phase 1 portions of the Development Project are ready for occupancy on a schedule generally consistent with Exhibit B as will be more fully developed by the Parties, an agreement acceptable to the Parties with respect to: (a) an extension of the Tax Increment Exemption Agreement described in Section 7(b) above for the apartment component of Phase 2 of the Development Project; and (b) a Tax Increment Exemption Agreement and/or Tax Increment Financing Agreement for future phases of the Development Project in an amount consistent with or greater than Phase 1; provided, however, that the Development Agreement shall acknowledge that Developer’s compliance with the schedule requirements to be agreed upon shall be extended to accommodate delays caused by the failure to complete the Parking Garage;
- f. An agreement between the Parties regarding the Additional Land Exchange, which shall detail the exchange of land and rights in land relating to the use of WG North, the Additional Parcels, land owned by the City located north of Madison Street that may be needed for the Development Project, and circulation needs of the Parties and the Club with respect to the Project. Such agreement shall address the apportionment,

as between the Parties, of the costs and responsibility related to the following issues, without limitation: (a) the value of the portion of WG North that is not within the Ballpark Site; (b) the acquisition, management, demolition of improvements on, and proposed transfer of, the Additional Parcels; (c) the conveyance of such portions of public ways and the so-called General Pickett Lot to Madison that may be necessary for the Development Project or access to the Development Project;

- g. The City's commitment to support Madison's request for additional HDIP funding for the housing component of future phases of the Development Project;
- h. An agreement approved by the Massachusetts Department of Environmental Protection allowing the transfer by the City of certain suitable material between WG North and the Development Site as may be necessary to support the Project, including, without limitation, the placement by the City of such fill from WG North and, subject to applicable procurement requirements, other locations, as requested by Madison to reasonably accommodate Madison's plans to construct a surface parking lot, and Madison's commitment to cooperate with the transfer of such material;
- i. An agreement that the initial construction of the Development Project shall be exempt from the first \$2,000,000 in building permit, water and sewer connection fees generally assessed by the City;
- j. Cooperation by the City to permanently and irrevocably abandon those streets and/or unused utility and infrastructure easements necessary to complete the Development Project as approved by the City;
- k. An agreement with respect to the provisions of mutually acceptable zoning, whether by means of an overlay district or otherwise, relative to redevelopment of the Site that would permit the completion of the Development Project;
- l. The City's agreement to undertake the infrastructure and other public improvements in and around the Site, including the reconstruction of Lamartine Street, the design and construction of Lamartine Street Extension, and the Washington Street reconstruction (Lamartine to Madison) (the "**Phase I Improvements**") and any other public streets or ways which may go through the Development Site and the public concourse as shown on the plan and consistent with the schedule set forth in Exhibit C with a commitment to complete the Phase I Improvements by a date necessary to accommodate the Development Project. Such infrastructure shall include sufficient services with appropriate lateral connection points for water and sewer service to the Development Project; and
- m. The agreement of the City that, to the extent the City and the Club work cooperatively in a branding effort for the Site and its surrounding neighborhood including potential advertising opportunities within the Site, Madison shall be permitted to be an active participant in such discussions and efforts; provided, however, that such participation shall not include the sharing of costs or revenue opportunities.

8. Public Outreach

The Parties agree that the nature of the Project is such that it will require public outreach and conversation with the immediate and greater communities and agree to cooperate with each other on public outreach in the pursuit and completion of the Project and any large-scale public realm improvements.

9. Pre-Conditions to the Project

The Parties acknowledge that the Project is conceptual, has not yet been designed or engineered, and is subject to review by the public, key City and Commonwealth agencies and Departments, and certain environmental and other permitting requirements (including, without limitation, the requirements of the Massachusetts Environmental Policy Act (“MEPA”)) and the further agreement of the Parties, as shall be set forth in the Development Agreement. In particular, and without limitation, the City agrees that the location of the proposed extension of Lamartine Street to Madison Street as shown on Exhibit C is subject in all events to the approval of Madison and that the location of such extension shall be designed so as to maximize the development potential of the Development Site. Similarly, the Parties agree that the design of the Parking Garage shall be performed by Madison so as to insure that the parking spaces subject to the Garage Lease have an exclusive (when required by Madison) means of access and egress separate and distinct from the use of the Parking Garage as may be generated by events occurring at the Ballpark Site.

The Parties shall be responsible for the diligent pursuit of all such permits and approvals associated with their respective portions of the Project; provided, however, that to the extent the Project requires approval pursuant to MEPA, the Parties shall cause a single Environmental Impact Report to be prepared and filed and shall share all costs and expenses associated with such application and approval in an equitable manner, including but not limited to implementing any and all improvements to public ways or utilities required by the Secretary of Energy and Environmental Affairs.

10. Consideration

The preliminary understandings set forth in this Letter are subject to, at each Party’s option, the completion of appraisals and cost estimates and other due diligence to each Party’s satisfaction in its sole and absolute discretion so that each Party may determine that undertakings to be completed in the Development Agreement are consistent with the Goals and with each Party’s objectives, requirements in this Letter, requirements to be set forth in the Development Agreement, and with applicable law. In addition to the value of the land exchanges as set forth in this Letter, in considering the value to the Project being provided by the City, the Parties shall consider the value ascribed on account of the relocation of the Club to the Site and to the City’s agreement to undertake the infrastructure and other public improvements, the conditions on the land transfer as set forth in this Letter, and the City’s commitment to pursue assistance on the Project from the Commonwealth of Massachusetts.

11. Schedule

It is anticipated that the Club will make a determination as to whether to relocate the Club to Worcester and proceed with the Ballpark Project on or before September 30, 2018. In the event that the Club does not elect to proceed with such relocation by written statement to the City on or before September 30, 2018, this Letter shall no longer reflect the shared objectives and understandings of the Parties relative to redevelopment of the Site. Notwithstanding, the City commits to work with Madison thereafter to assist in redevelopment of the Development Site consistent with the Development Project.

12. Environmental Matters

The Parties acknowledge that the Site has been used for industrial uses for more than one hundred years and the environmental condition of the Site is a key consideration with respect to the use of the Site in the future. All agreements reached between the Parties will be subject to an agreement on environmental matters in a manner that is satisfactory to all Parties including, but not limited, with respect to the assessment and remediation of the Disposal Sites (as defined by the Massachusetts Contingency Plan) that include any portion of the Site.

* * * *

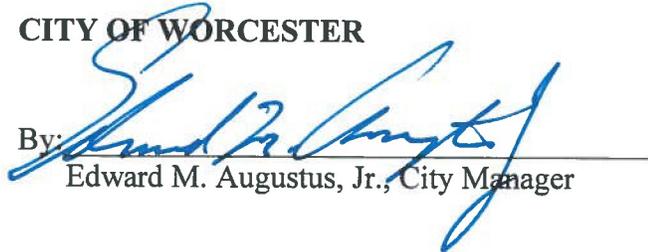
[signature page follows]

We enclose two copies of this Letter for your review. Should the terms meet with your approval, we ask that you execute all copies and return an original copy for the City's files.

Thank you. We look forward to working with you toward a mutually satisfactory transaction.

Sincerely,

CITY OF WORCESTER

By: 
Edward M. Augustus, Jr., City Manager

AGREED AND ASSENTED TO: August 17, 2018

MADISON DOWNTOWN HOLDINGS, LLC

By: 
Denis Dowdle
Duly authorized

Enclosures:

Exhibit A – The Site

Exhibit B – Program and Schedule

Exhibit C – The Off-Site Infrastructure and Other Public Improvements

EXHIBIT A

THE SITE

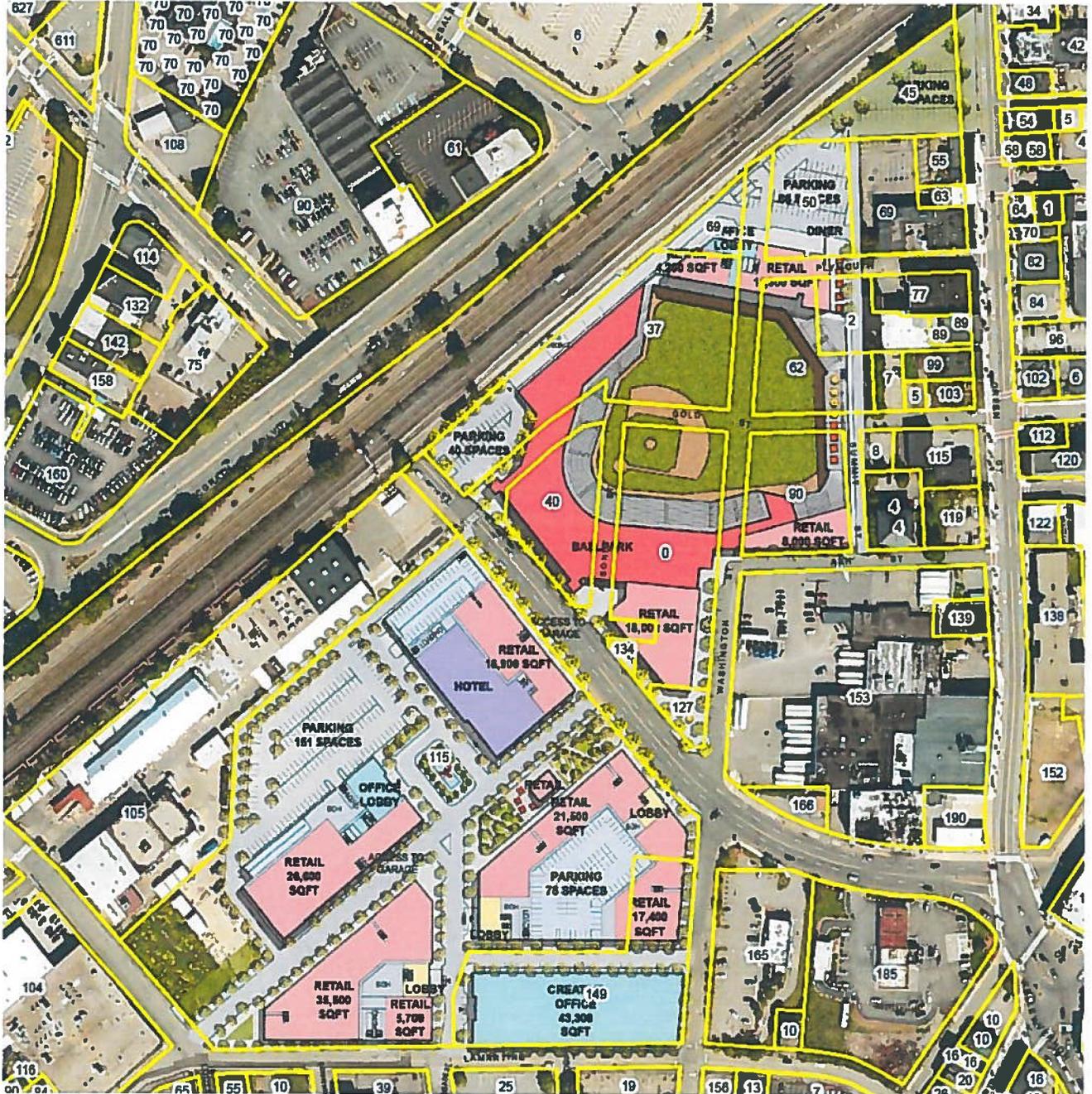


EXHIBIT B

PROGRAM AND SCHEDULE GREEN ISLAND REDEVELOPMENT PROJECT

The Development Project (Phase 1) – South Side of Madison

- Not fewer than 225 market rate apartments
- Approximately 50,000 gross square feet (SF) of retail/restaurant. 30,000 SF of which is to be built as part of the Parking Garage
- 150 hotel rooms in “Hotel 1”
- Occupancy not later than January 1, 2021

The Development Project (Phase 1) – North Side of Madison

- 100 hotel rooms in “Hotel 2”
- Approximately 15,000 sf retail/restaurant
- Approximately 200/280 parking spaces
- Completion of construction contemporaneously with opening of the Ballpark

Additional Development (Phase 2)

- Two additional buildings being a residential/office/mixed use concept consisting of a total of approximately 200,000 sf of floor area (not including the Stanley Tool building site)

The Ballpark Project

- 9,000 person capacity Ballpark
- 40 surface parking spaces, plus bus parking
- 26,000 sf Ballpark Retail

The Parking Garage

- 350 parking spaces on one (1) level
- Approximately 30,000 sf of cold retail space
- Occupancy not later than January 1, 2021

Capitalized terms used in this Exhibit B and not otherwise defined have the meanings ascribed to them in the Letter.

EXHIBIT C (cont.)

Streets included as a part of the Off-Site Infrastructure and other Public Improvements:

Lamartine Street (Quinsigamond Avenue to Madison Street)
Street Construction/Reconstruction
Lamartine Street Reconstruction (Hermon Street to Washington Street)
Washington Street Reconstruction (Lamartine Street to Madison Street)
Madison Street Resurfacing (Gold Street to Green Street)
Green Street Resurfacing (Madison Street to Temple Street)
Summit Street Construction/Reconstruction (Ash Street to Plymouth Street)
Ash Street Reconstruction (Green Street to Summit Street)
Gold Street Reconstruction (Green Street to Summit Street)
Plymouth Street Reconstruction (Green Street to Summit Street)
Traffic Signal at Quinsigamond Avenue @ Lamartine Street
Traffic Signal at Hermon Street @ Lamartine Street
Traffic Signal at Lamartine Street @ Madison Street

The improvements included with this Exhibit C are subject to the prioritization set forth in paragraph 7.L of this Letter and to modification resulting from the infrastructure master plan efforts to be undertaken by the Parties in cooperation with the Club.