

CitySquare: Phase 1A Implementation City of Worcester, Massachusetts

April 14, 2009



District Improvement Financing (DIF) Program

- CitySquare – the 20.2 acres – is a State-designated DIF District (first in the Commonwealth to capitalize and maximize this economic development tool).
- A DIF District, as approved by City Council, is a dynamic development tool – a specified area where net new City revenues generated by net new private investment are used to fund public infrastructure investments and to fund incentives in the DIF District to create and sustain private development and jobs.
- “Self-Supporting/ Self-Sustaining” district to leverage public infrastructure improvements, offer tax incentives or otherwise. Bonds for public infrastructure would be re-paid by the net new revenues generated from new properties or real estate improvements within the District.
- Once DIF designation set, any and all net new and incremental revenues generated in the District are applied in the District. Note: The City’s General Fund receives over \$960,000 in revenues (baseline prior to DIF designation).

Unum US Signs Letter of Intent to Become First Tenant

- Fortune 500 Company
- Located in Worcester for more than a century
- Job Growth/Retention: 682 existing jobs and the creation of 50 new, permanent full-time positions in Downtown
- Will occupy 194,858 SF of office space in Building H at One Mercantile Street under a 15-year lease agreement with Berkeley Investments, Inc. (with options)
- \$78-\$85 M in private investment into property; \$60 M from Berkeley (design and construction of Building H) and \$15-\$25 M from Unum (for fit-out)
- Over 300 jobs and nearly \$14 million in wages during construction



UNUM Tenancy Triggers Phase 1A

- New Tenancy Triggers Established and Scope of Work Defined for Phase 1A per GDA Amendment in 2008
- Includes:
 - Demolition of former mall/sections of parking garage
 - Construction of Mercantile Street, Portions of Front Street, Sidewalks and Plaza Areas.
 - Construction of Building H, a 213,000 SF., 8-story structure (Unum). GDA Amendment – 135,000 SF
 - 3,000 SF of ground-floor retail
- *Construction of Underground Public Parking Garage, the completion of Front Street through to Washington Square and the remainder of public improvements will commence once balance of GDA Requirements are satisfied.*



Berkeley Investments Inc.

ARROW STREET

Architecture Urban Design Planning Graphics and Interiors
 812 Elm Street, Somerville, MA 02143-5555 www.arrowstreet.com

Building H
 Site Plan

3 October 2008 • Project No. 04010

CITY SQUARE

Find yourself here.

Getting the Deal Done

- Competitive environment to retain corporations
- Less expensive alternatives were on the table
- Complex negotiations involving private corporation, private developer, the City and the State
- Engaged State partners to retain Unum US, 700 jobs in downtown Worcester, trigger the CitySquare Project – all despite a downward economy
- Required State and Local support

Vying for Job Retention and Creation in a Global Economy

- Unum pursued all available Incentive Programs for Job Retention and Creation
 - Tax Increment Financing (TIF) Plan
 - A 5% State Investment Tax Credit
 - Personal Property Tax Exemption
- Designated DIF District Allows Incentives – Remains Self-Supporting with State Partnership

Growth District Initiative (GDI) Grant

- Encouraged by State to apply for \$7.25 M through a State Growth District Initiative (GDI) Grant
- If granted, funds would be in addition to \$25 M State grant and applied to \$35 M public work improvements (demolition and enabling) for Phase 1A
- Will reduce City's DIF Bond commitments/ public borrowing from \$9.58 M to \$3.82 M; provides for net new revenues to be channeled back into district (in the form of incentives) vs. applied to debt service on the original \$9.58)

Revised Cost and Financial Projections

Sources

<i>State Grant</i>	<i>\$25,000,000.00</i>
<i>Growth District Grant</i>	<i>\$ 7,250,000.00</i>
<i>DIF Bonds</i>	<i>\$ 3,702,482.98 (from \$9.58)</i>
<i>DIF Bond Contributions (To Date)</i>	<i>\$ 6,100,000.00</i>
<i>Total</i>	<i>\$42,052,482.98</i>

Uses

<i>Demo/Enabling/Street Work</i>	<i>\$35,000,000.00</i>
<i>Project Costs to Date (1st dis.)</i>	<i>\$ 6,100,000.00</i>
<i>Capitalized Interest</i>	<i>\$ 952,482.98</i>
<i>Total</i>	<i>\$42,052,482.98</i>

Certified Project Application

- Proposal begins in FY2011
- Includes targeted payments from Unum to the DIF District of \$1.3M over the terms of Unum's 15-year lease.
- TIF will reduce Unum's payments to the DIF District by an average of \$960,000 annually for 15 years. State Grant allows this incentive to be granted and also retain self-supporting/ self sustaining nature of DIF District.
- Redirects Net New Revenues from DIF back into deal to retain corporation and begin catalyst project.

City Council Action Items

- Authorize to Apply and Accept \$7.25 M Growth District Initiative Grant from State
- Amend District Improvement Financing Plan to Reflect Changes in Sources and Uses and DIF Bond Commitments
- Approve Economic Opportunity Area, Certified Project Application, and Tax Increment Financing Plan
- Ordain Permit Fee Ordinance Amendment, Vote to Advertise

Additional Steps

- Public Hearing Scheduled for April 28 at 10 A.M. – Standing Committee for Economic Development
- May 27th – Economic Coordinating Committee Votes to Approve CPA and DIF
- May 28th – Amendment to GDA is executed
- June 2009 – Lease Agreement Executed
- October 2009 – Demolition Commences
- Fall 2011 – Building H Ready for Occupancy

