

The City of Worcester  
&  
Berkeley Investments, Inc.  
*Present*



CITY SQUARE

A Public/ Private Partnership to Revitalize the Heart of Downtown Worcester

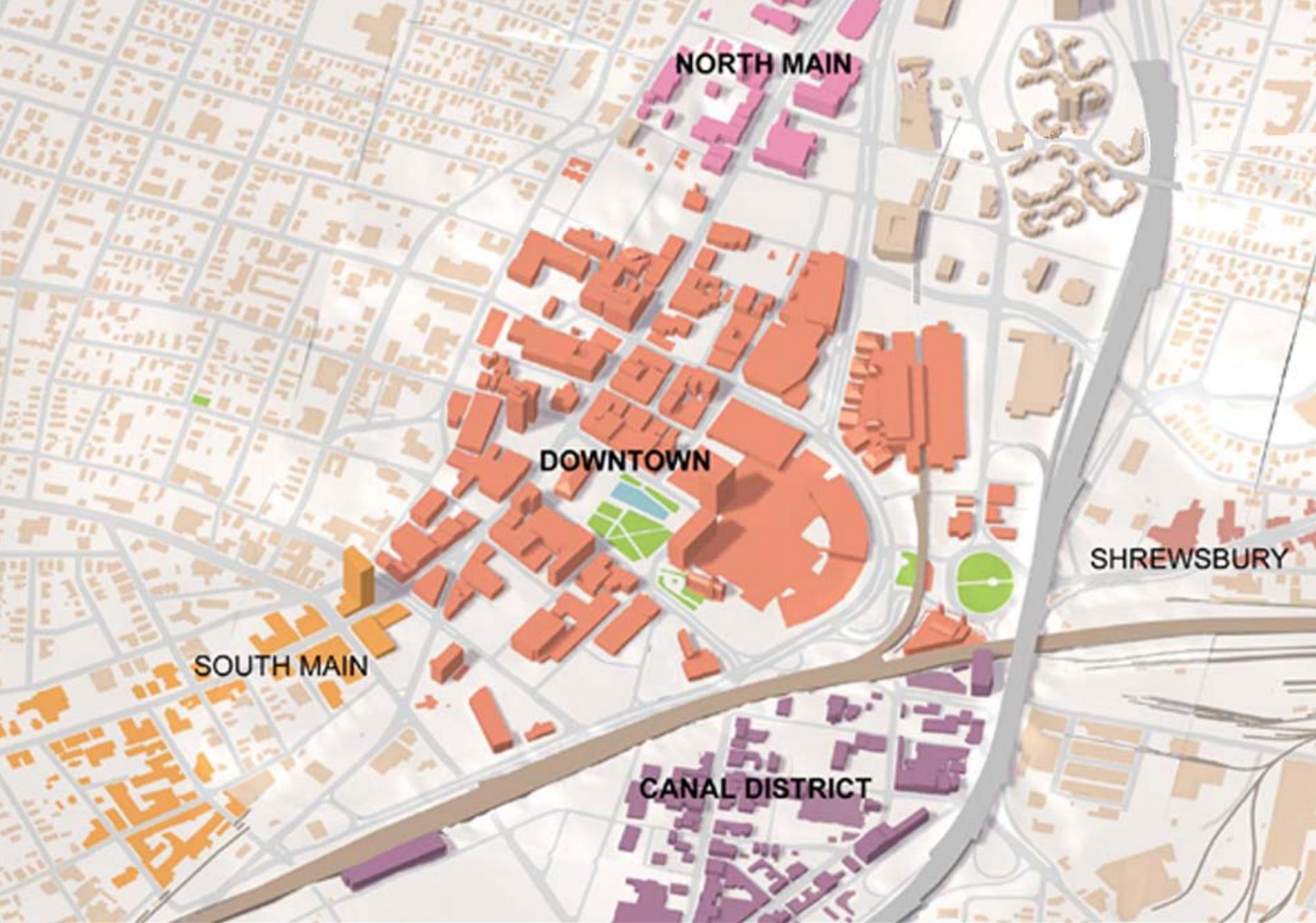


CITY SQUARE

## □ **A City on the Move...**

- ❖ **Yesterday** A City built upon a pioneering spirit, innovation, entrepreneurship, and vision.
- ❖ **Today... We must continue in this spirit**
  - Take stock of our tremendous assets.
  - Build upon the strong foundations laid before us.
  - Seize full advantage of a dynamic real estate market
  - Adapt and invest soundly in a competitive marketplace
  - Exhibit leadership & vision with a renewed confidence of success
  - Expand our tax base and create jobs for our citizens
- ❖ **Tomorrow... Worcester is a World Class City**
  - Defining our Vision and Destiny...
    - ✓ Economic Development Action Agenda
  - The Word is Out...

- **The Mall Property - The Very Heart of Downtown... a Source of Strength and Vitality**
  - Downtown is 30% of City's Commercial Tax Base. The City's Commercial Tax Base is 30% of Our Total Tax Revenue. A Healthy and Vibrant Downtown is a Healthy and Vibrant City.
  - The Success of Our Neighborhoods is Intimately Tied to the Success of Our Downtown.
- **The Power of a White Paper**
- **Shared Vision - Berkeley Investments, Inc. and "CitySquare"**
  - **CitySquare** will Create a Vibrant, Mixed Use Development Valued at Over ½ Billion Dollars
  - **CitySquare** is the Most Significant Downtown Revitalization Project in the History of the Commonwealth
  - **CitySquare** is a catalyst, the Balance of "Big Moves with Small"
  - Young Park, President and CEO of Berkeley Investments, Inc. – A Visual Presentation of Our Vision... **CitySquare**



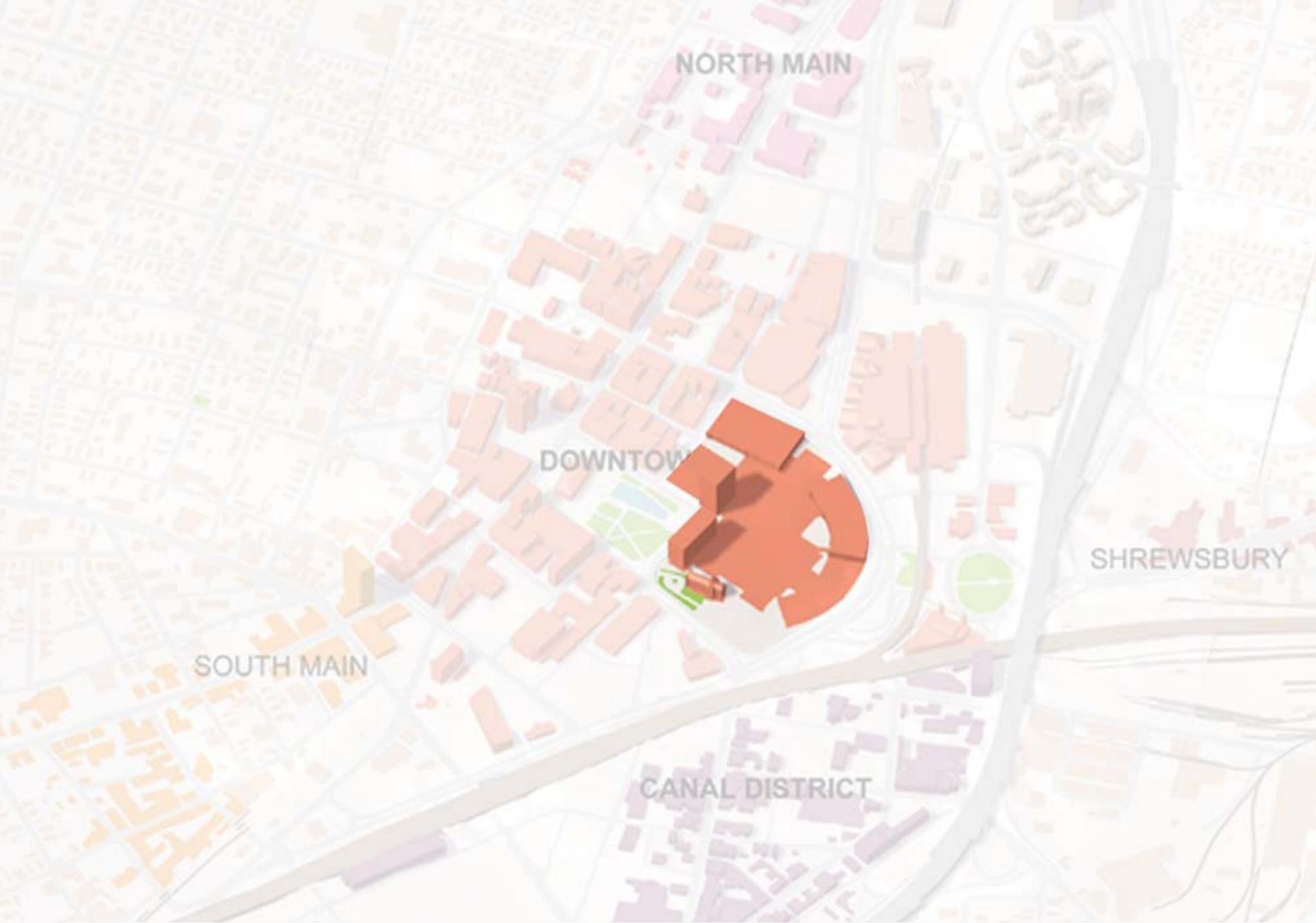
**NORTH MAIN**

**DOWNTOWN**

**SOUTH MAIN**

**CANAL DISTRICT**

**SHREWSBURY**



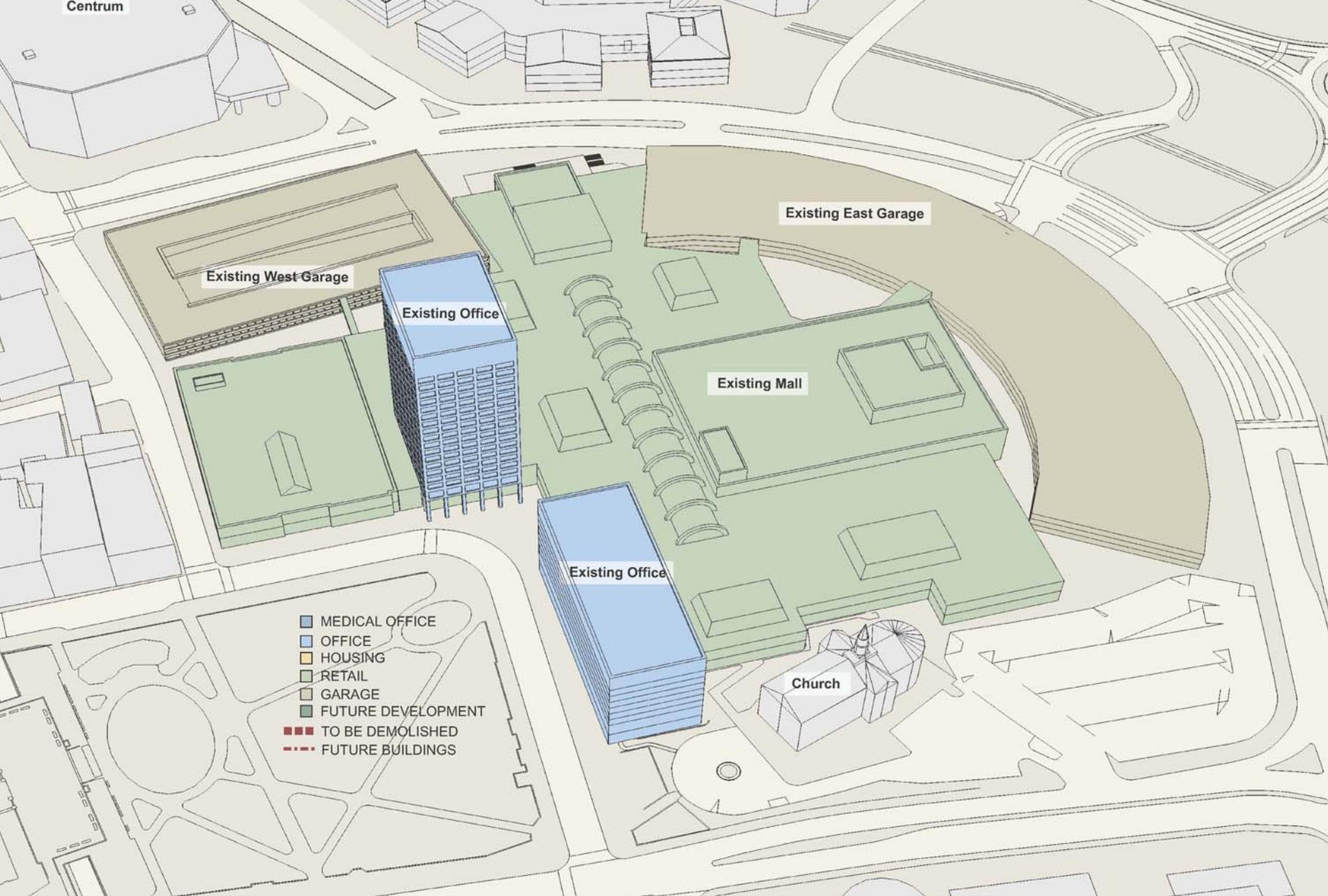
NORTH MAIN

DOWNTOWN

SOUTH MAIN

CANAL DISTRICT

SHREWSBURY



Existing West Garage

Existing Office

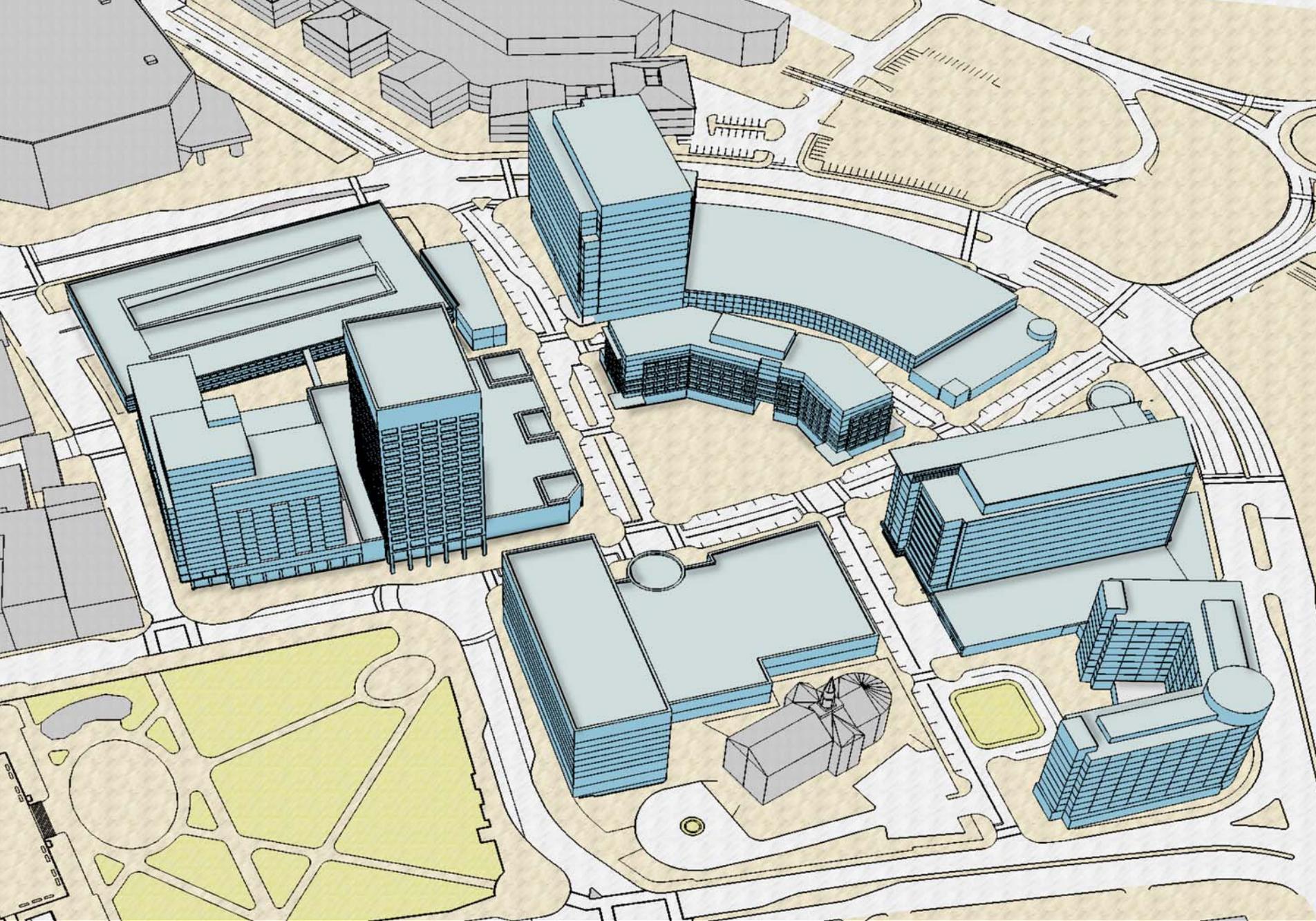
Existing East Garage

Existing Mall

Existing Office

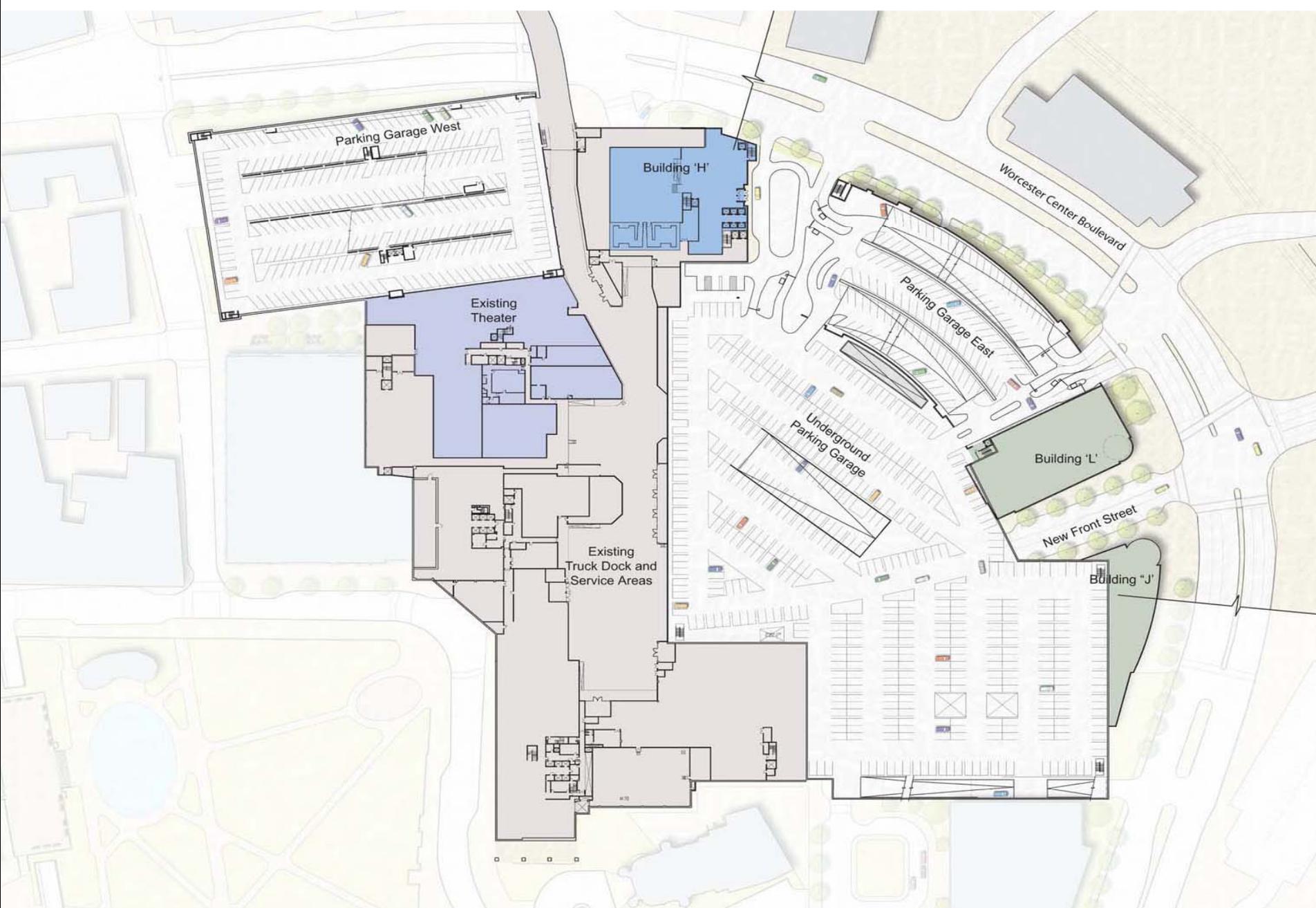
Church

- MEDICAL OFFICE
- OFFICE
- HOUSING
- RETAIL
- GARAGE
- FUTURE DEVELOPMENT
- TO BE DEMOLISHED
- FUTURE BUILDINGS



CITY SQUARE

Proposed Development



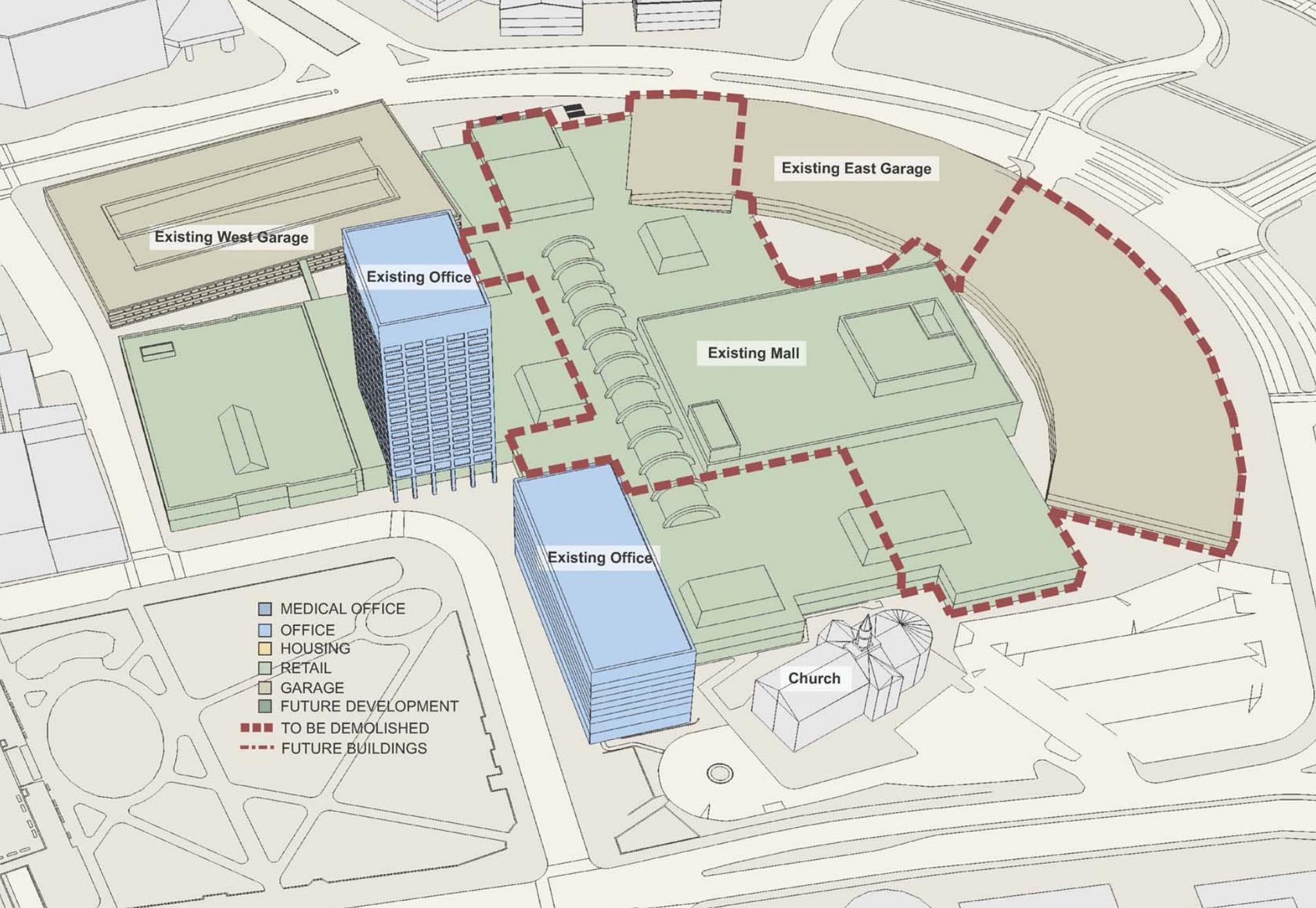


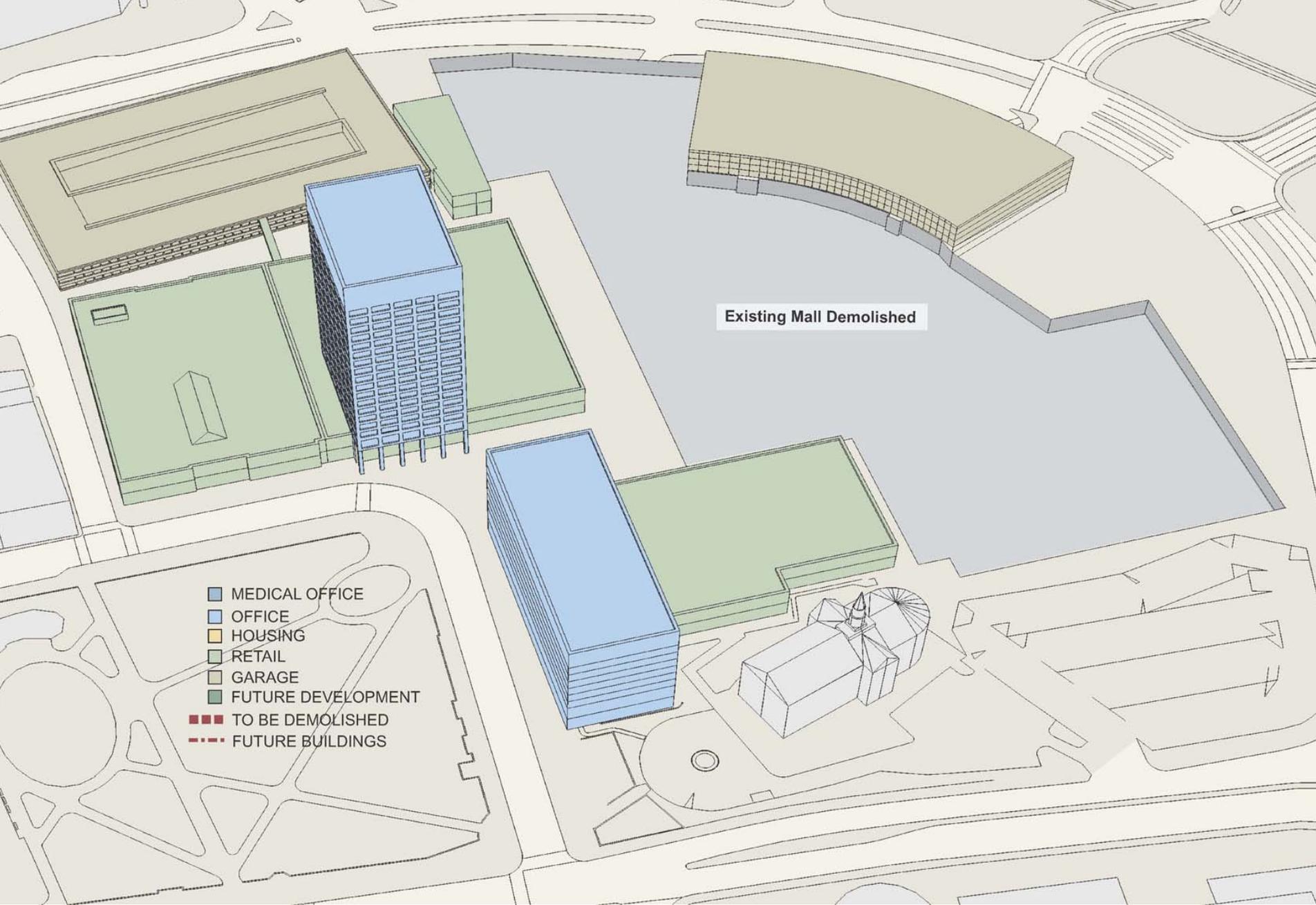


- MEDICAL OFFICE
- OFFICE
- HOUSING
- RETAIL
- SERVICE
- GARAGE



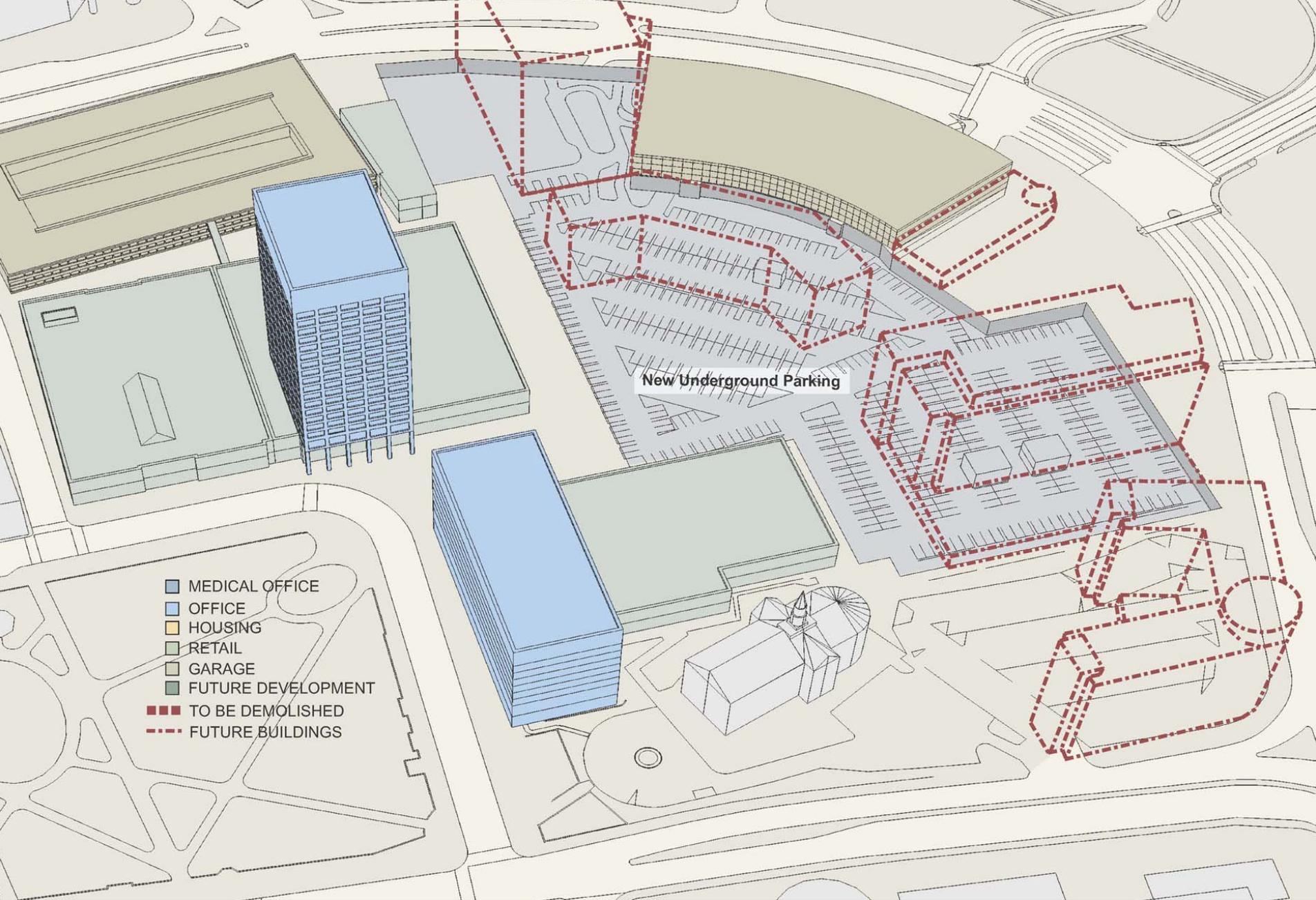
- Restaurant
- Grocery
- Gym/Fitness
- Bookstore
- Retail
- Service Retail
- Entertainment
- University
- Public Access to Parking
- Undetermined

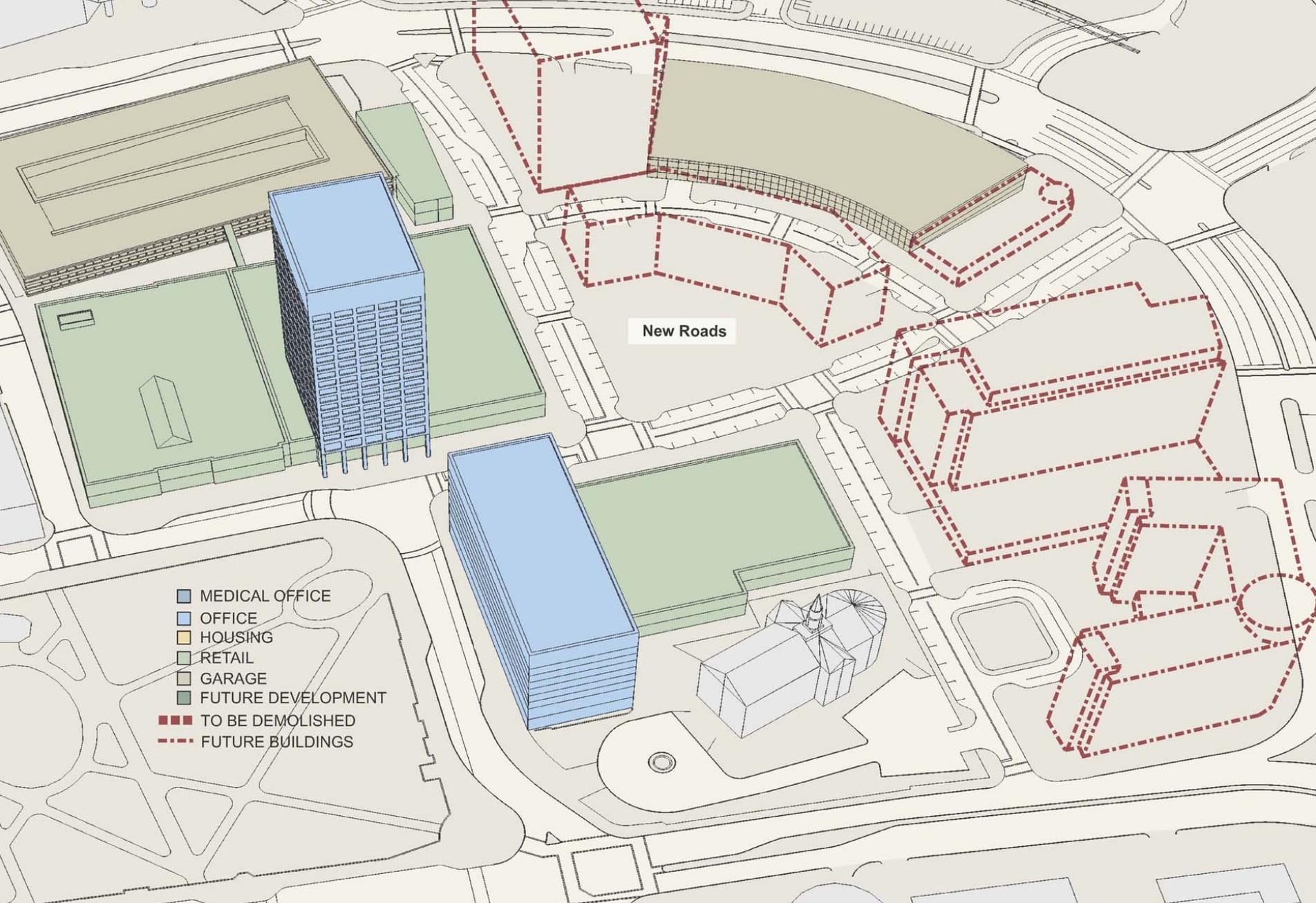




Existing Mall Demolished

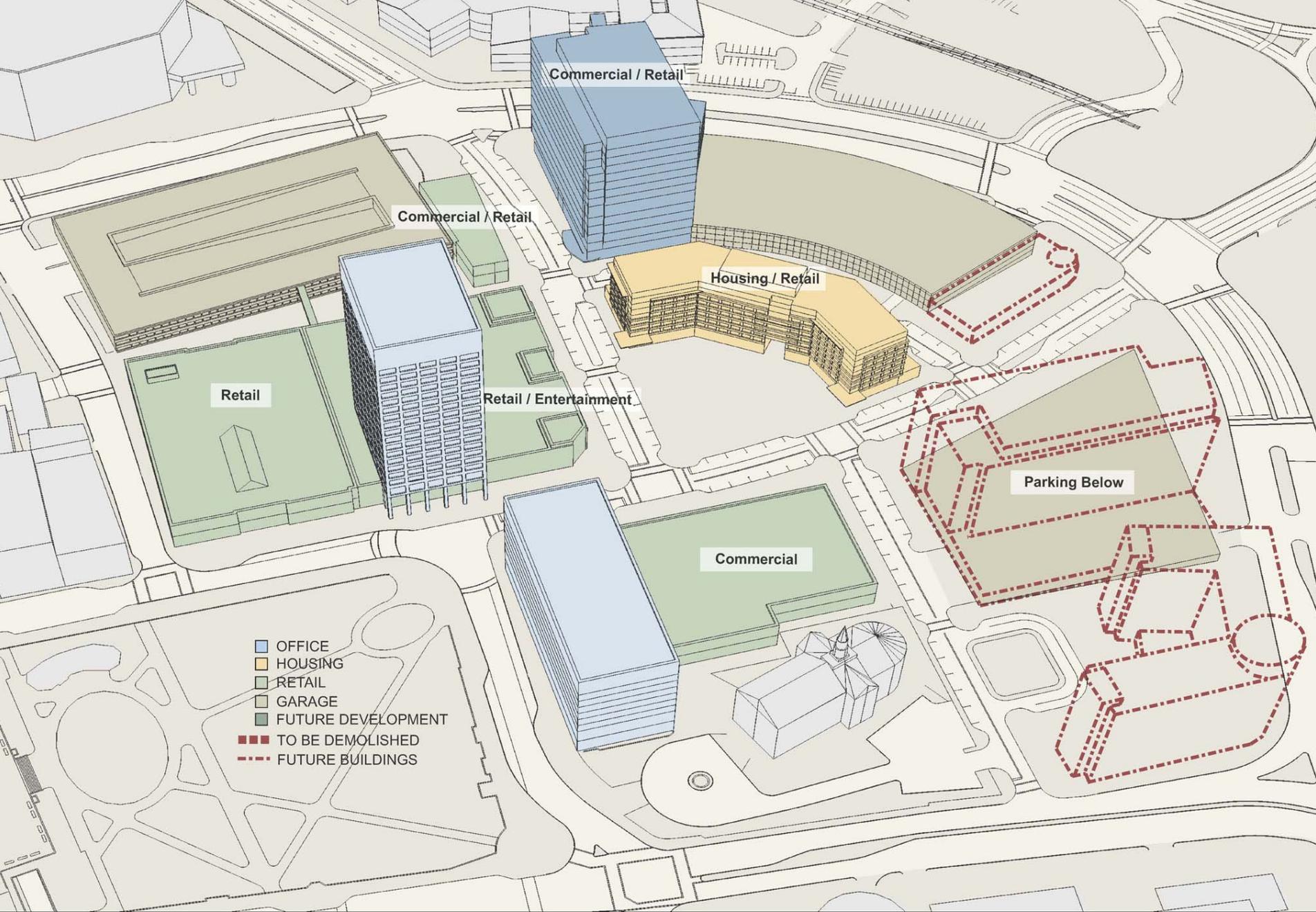
- MEDICAL OFFICE
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- FUTURE BUILDINGS

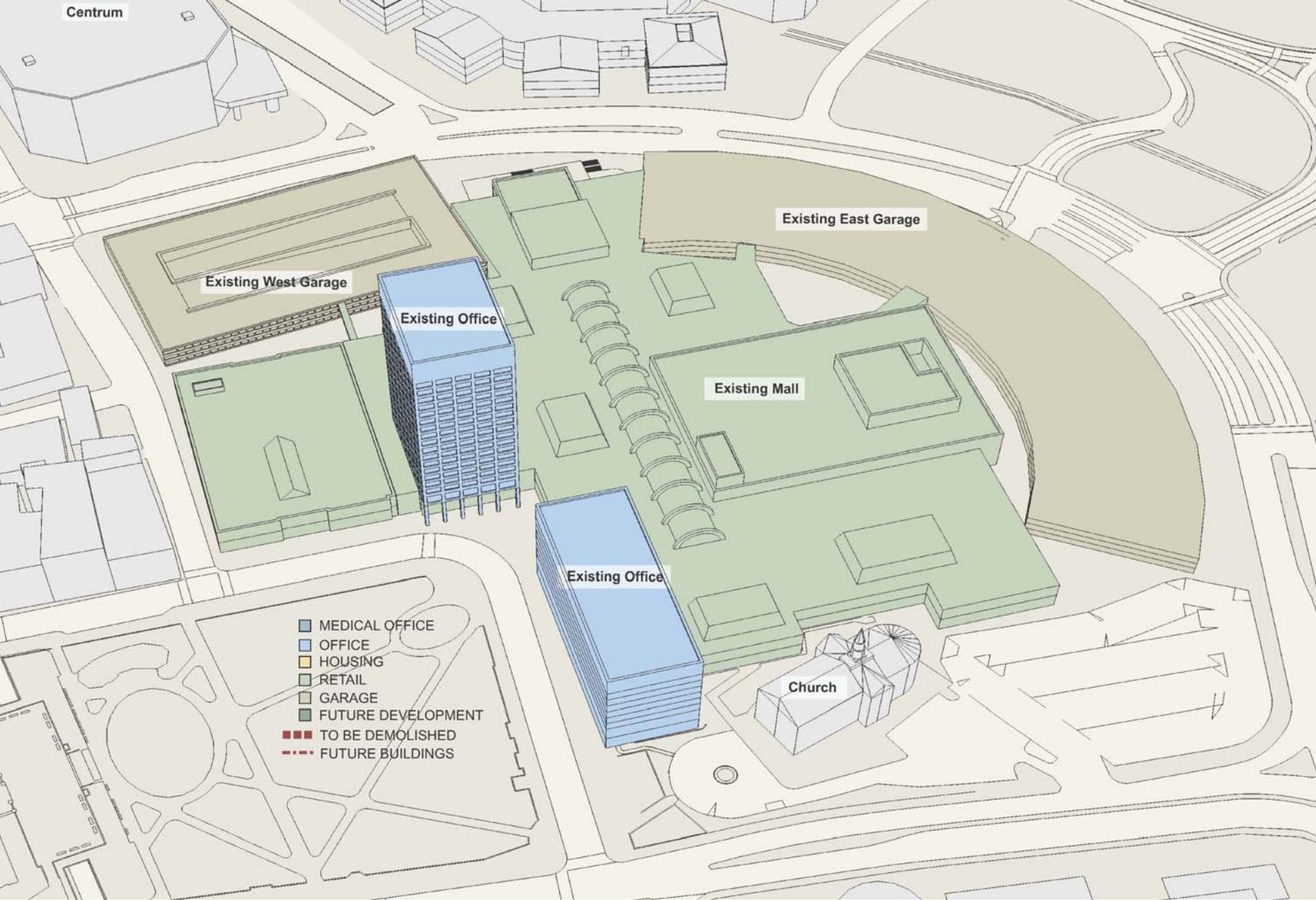


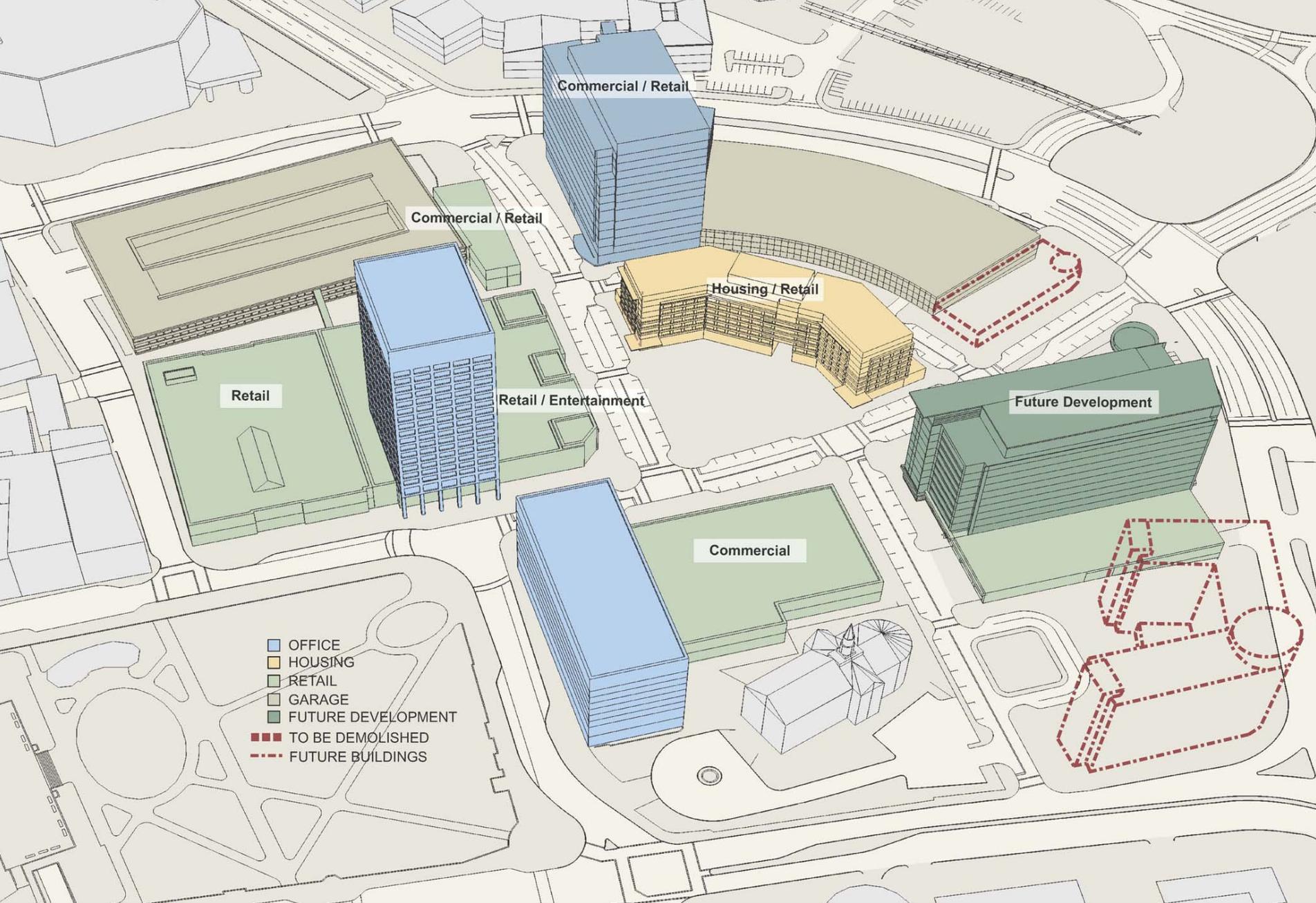


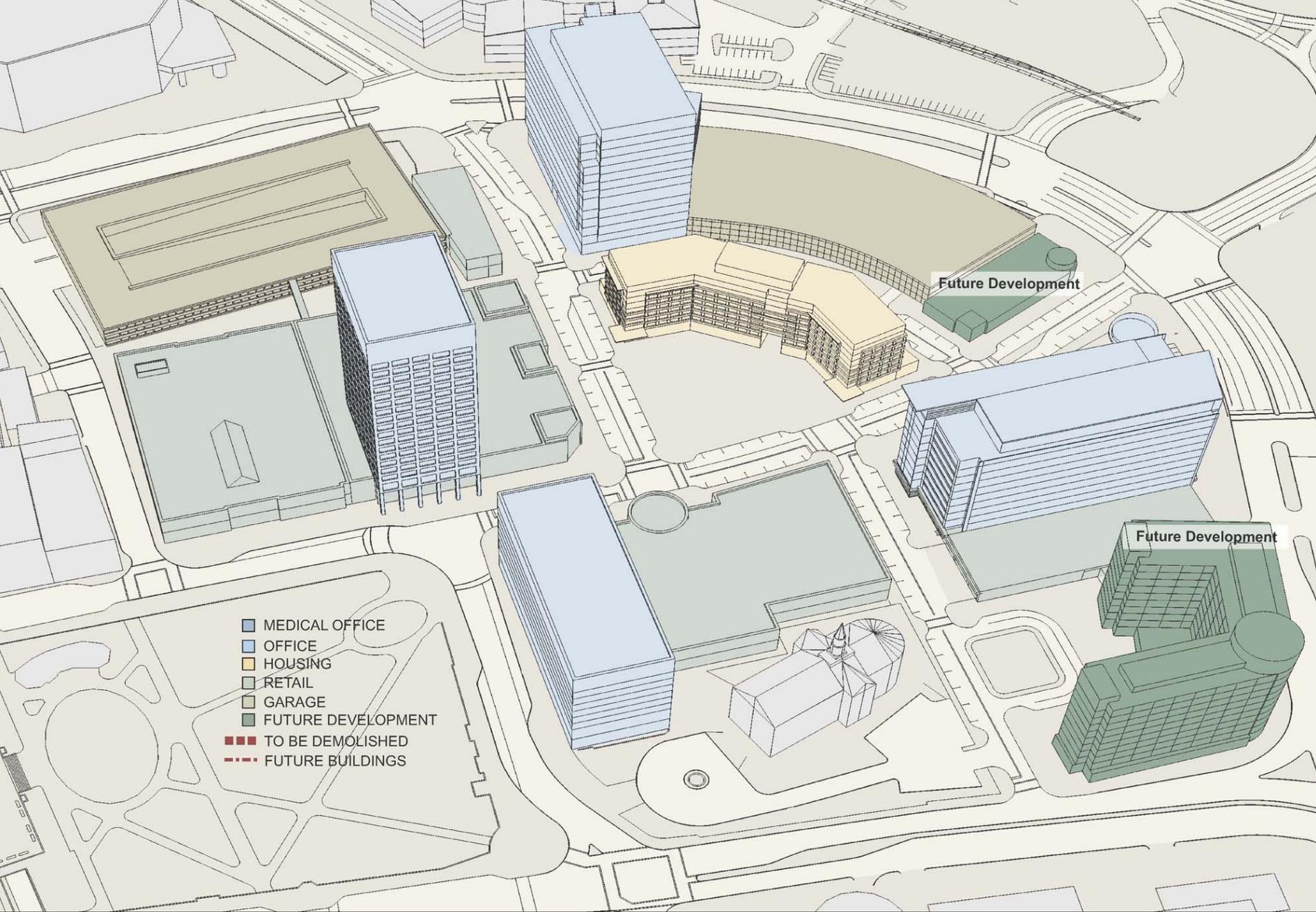
- MEDICAL OFFICE
- OFFICE
- HOUSING
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- TO BE DEMOLISHED
- FUTURE BUILDINGS

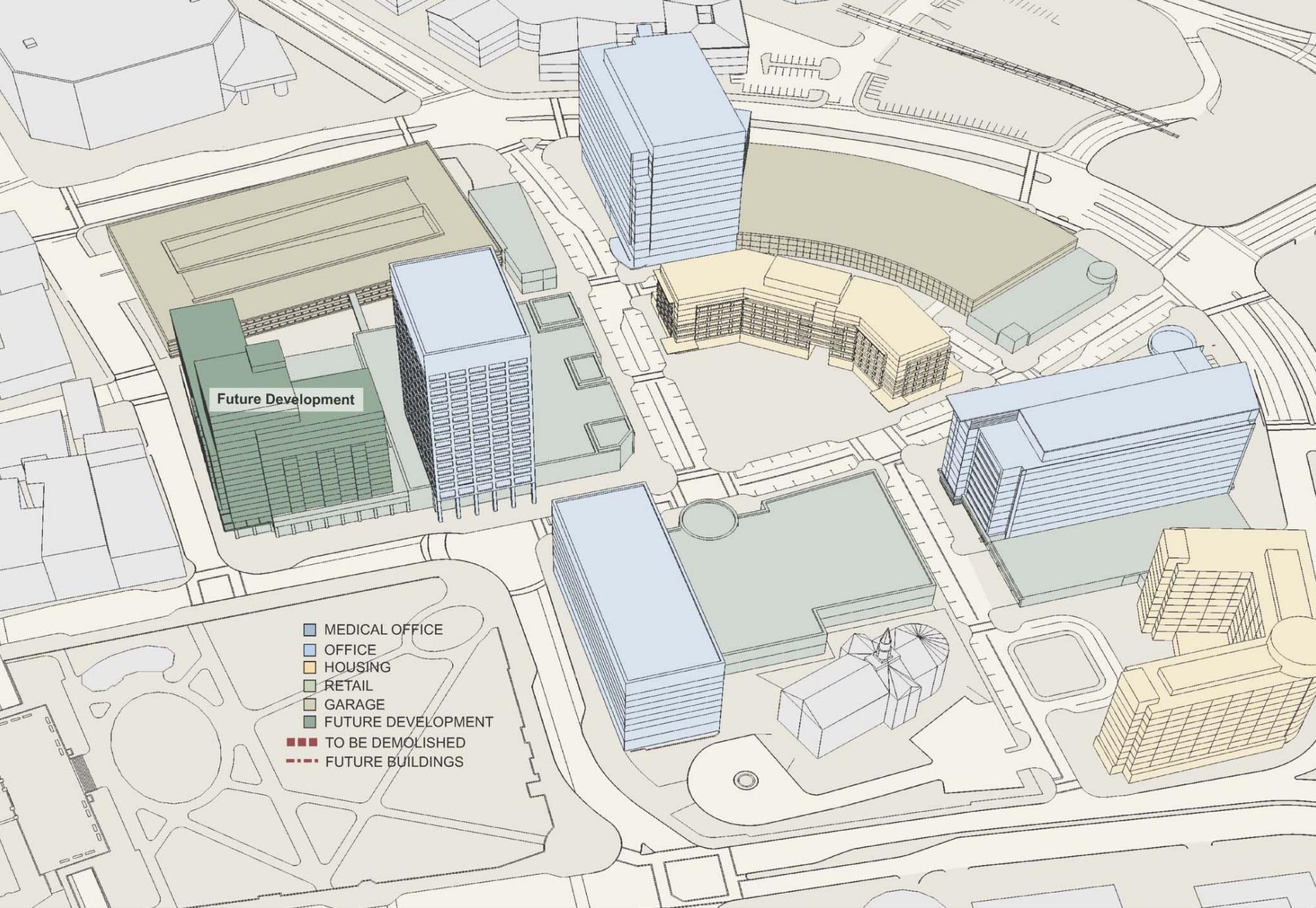
New Roads









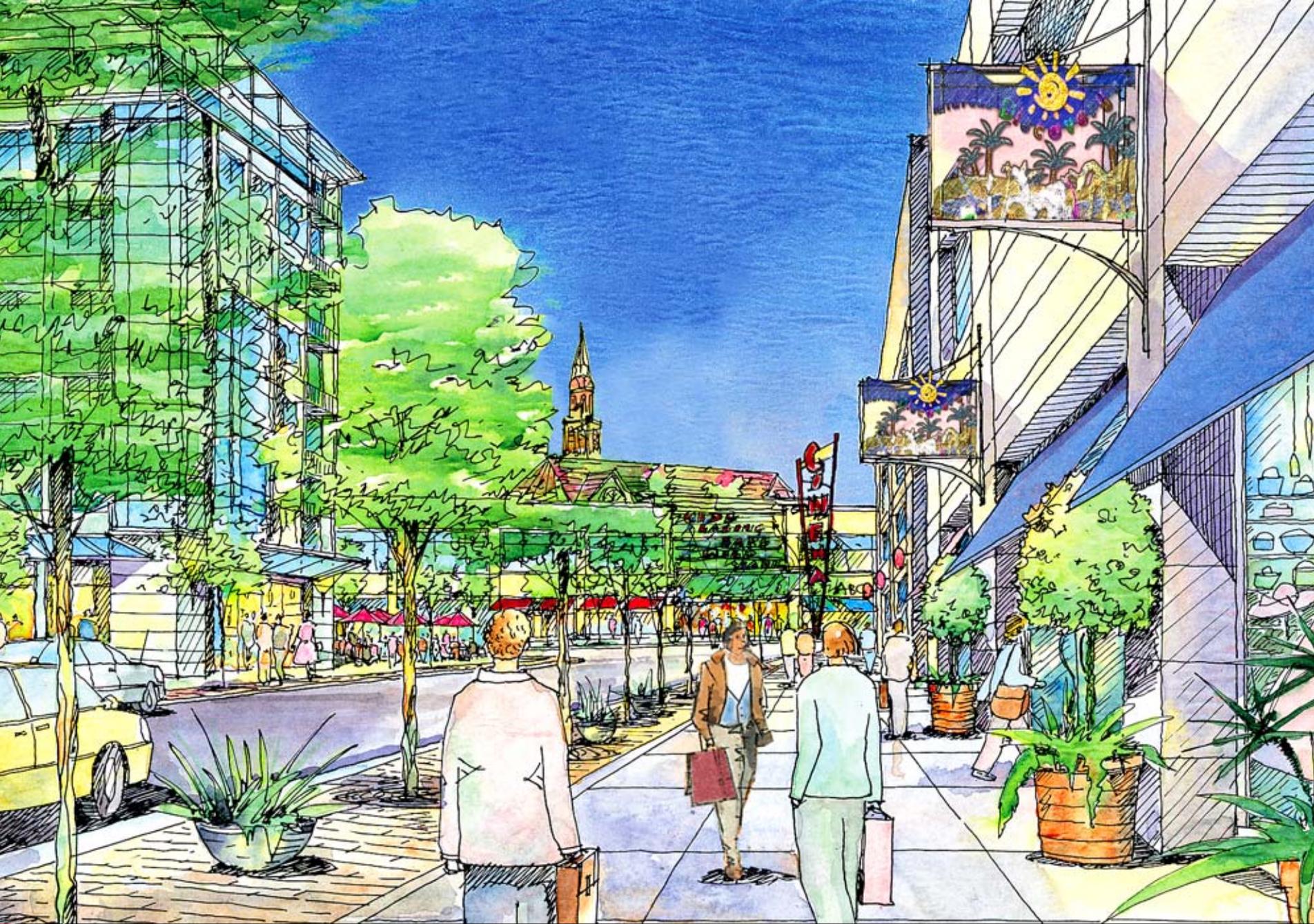


Future Development

- MEDICAL OFFICE
- OFFICE
- HOUSING
- RETAIL
- GARAGE
- FUTURE DEVELOPMENT
- TO BE DEMOLISHED
- ... FUTURE BUILDINGS







# CitySquare Program

|  |              |
|--|--------------|
| Retail/Entertainment/Reformatted Retail: | 407,300 sf   |
| Medical Office/Clinical:                 | 255,000 sf   |
| Existing Office:                         | 464,359 sf   |
| New Office:                              | 255,000 sf   |
| Housing (650 units):                     | 735,000 sf   |
| Total:                                   | 2,136,659 sf |
| Structured Parking                       | 3,950 spaces |

# How Much Will This Cost?

## Berkeley's Commitment

- Minimum committed private investment = \$470.0 million
- Berkeley will also:
  - Guarantee cost overruns equal to agreed public project contingency fund of \$8 million dollars .
  - Convey to the City the “Vacuum” Parcel at Washington Square.
  - Release rights to allow the closure of the North Portal.
  - Release the City from its obligation to construct a sky bridge between Mall Property and new bus terminal ports
  - Provide the City a 60-year lease for the new 1025 space underground garage.
  - Convey to the City permanent rights to the streets and sidewalks created.

# How Much Will This Cost?

## Public Investment Commitment

There are two components of this development program

1. Delegated Project Elements
2. Direct Project Elements

Combined this will be a \$92.8 million public endeavor

# Public Investment Commitment Delegated Project Elements

|   |                        |
|---|------------------------|
| <b>Underground Garage</b>                 | <b>\$ 36.7 M</b>       |
| <b>Enabling Work</b>                      | <b>\$ 15.4 M</b>       |
| <b>Profess. Services &amp; Relocation</b> | <b>\$ 10.6 M</b>       |
| <b>New Streets and Sidewalks</b>          | <b>\$ 8.4 M</b>        |
| <b>Delegated Project Contingency</b>      | <b>\$ <u>8.1 M</u></b> |
| <b>Total</b>                              | <b>\$ 79.2 M</b>       |

# Public Investment Commitment Direct Project Elements

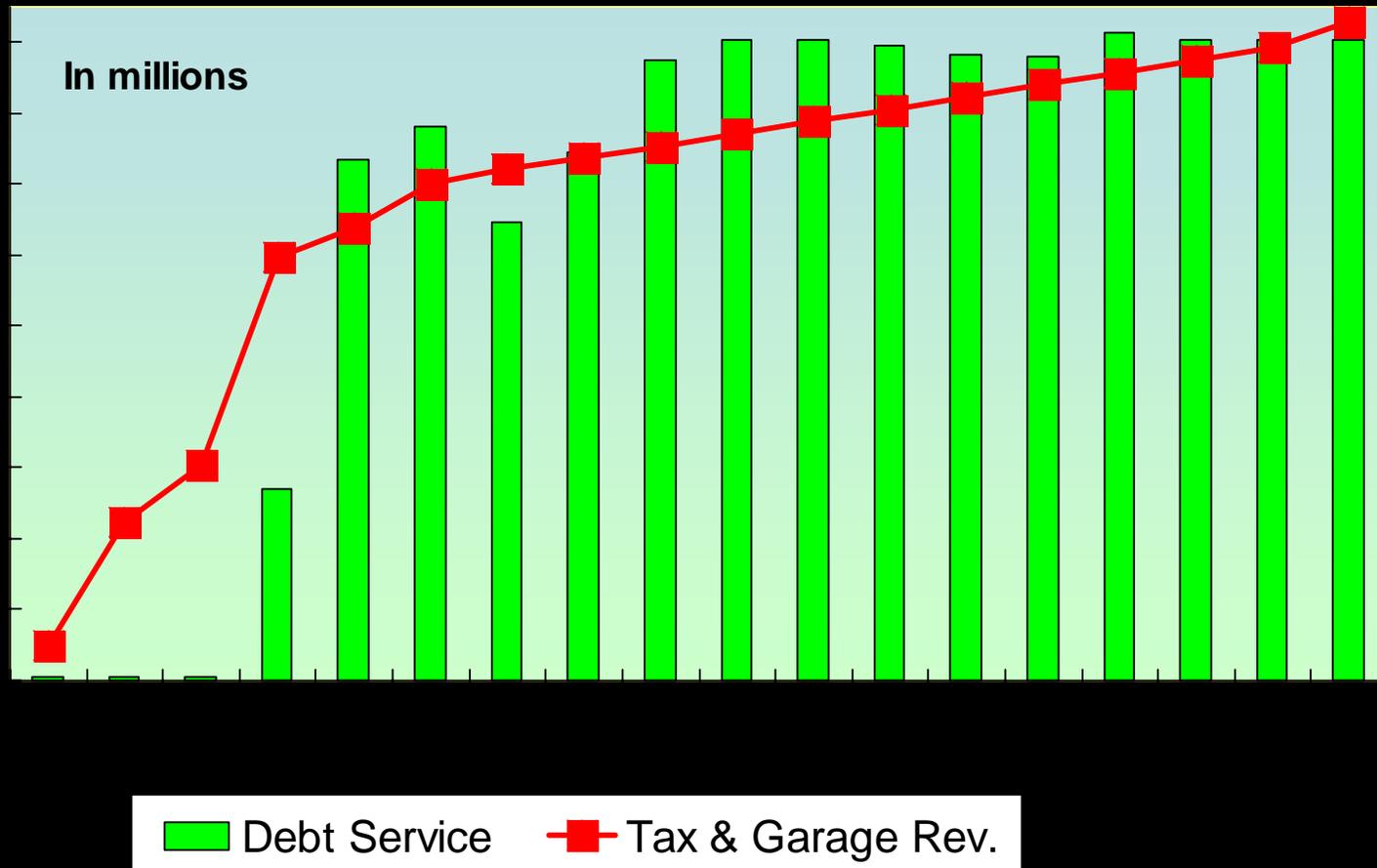
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|-------------------------------------|------------------------|
| <b>WCB Improvement</b>              | <b>\$ 1.75 M</b>       |
| <b>Construction Management Firm</b> | <b>\$ 1.0 M</b>        |
| <b>City Project Management</b>      | <b>\$ 1.12M</b>        |
| <b>Building Code Inspections</b>    | <b>\$ 1.0 M</b>        |
| <b>Debt Service Payment Fund</b>    | <b>\$ 1.0 M</b>        |
| <b>Bond Issuance Costs</b>          | <b>\$ .65M</b>         |
| <b>Capitalized Interest</b>         | <b>\$ <u>7.1 M</u></b> |
| <b>Total</b>                        | <b>\$ 13.62M</b>       |

# Public Investment Commitment

## Sources of Funding

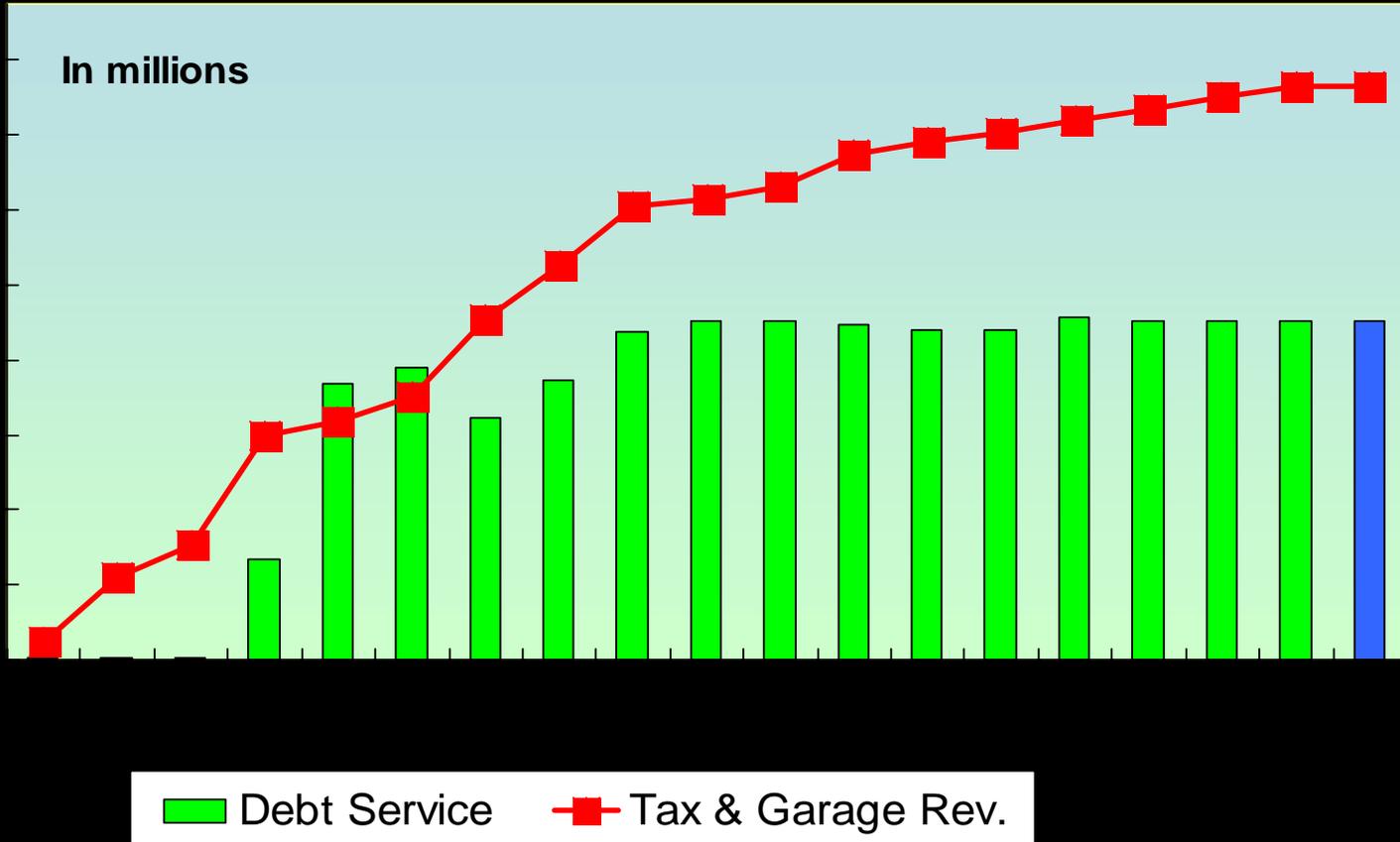
|                              |                         |
|------------------------------|-------------------------|
| City DIF Bonds               | \$ 64.10 Million        |
| State Assistance Request     | \$ 25.00                |
| Permit and Inspectional Fees | \$ 2.00                 |
| Loan Premiums                | \$ .65                  |
| Phase I Tax Increment        | <u>\$ 1.12</u>          |
| <b>Total</b>                 | <b>\$ 92.87 Million</b> |

# \$ 64.1 Million DIF Bond Financing Plan



# DIF Financing Program

## Full Development Program



Over 60 Million Dollars of Tax and Garage Revenue Generated Above All Obligations over 30 Year Term

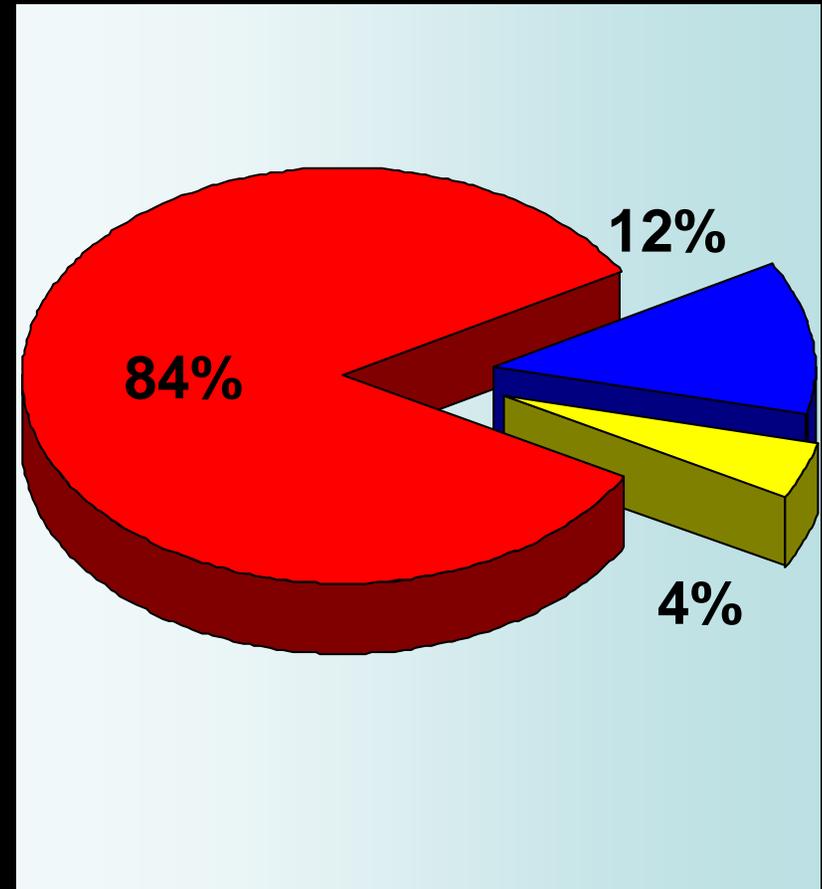
# City Infrastructure Leveraging Private Investment

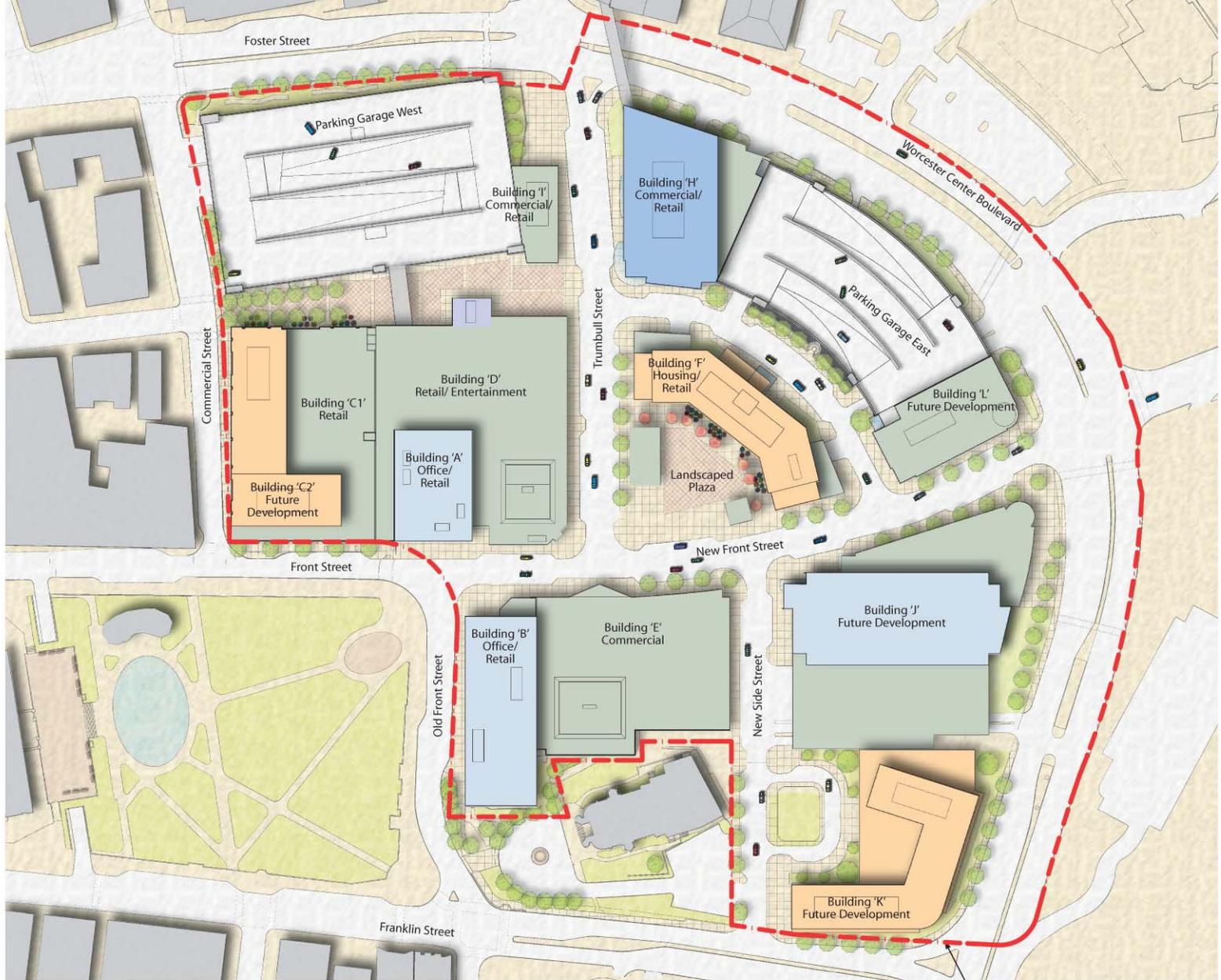
❖ Berkeley Inc. Private Investment  
**\$ 470 Million**

❖ Total Public Project Elements  
**\$ 92.8 Million**

➤ Delegated – \$ 79.2 M

➤ Direct – \$ 13.6 M





— DIF DISTRICT BOUNDARY

# What's a DIF?

- > “DIF” = “District Improvement Financing”
- > A DIF is a municipal financing vehicle. It allows a city to finance public infrastructure improvements and other expenses for a revitalization project with **bonds paid off by incremental related tax revenues generated solely from the development project itself**
- > The DIF thus enables important revitalization projects **without increasing taxes to the general public**
- > The DIF financing format is a proven tool that has been used successfully in 40 other states throughout the United States since 1947. However, it is new to Massachusetts (2004)
- > The project requires approval from the City of Worcester and the Commonwealth.

# The DIF Process

- > The City designates a **DIF Development District (DIF District)**. For CitySquare, the DIF District is the 20.2 acres of land now occupied by the Worcester Common Outlet Mall, two office buildings, parking garages, and related development parcels, plus those areas of Worcester Center Boulevard abutting the property.
- > The City funds infrastructure improvements in the DIF District through a bond issue, and makes the improvements which enable the development to take place.
- > CitySquare infrastructure improvements include a public 1,025 car underground garage, and public streets, sidewalks, streetscape and public space improvements.
- > The bonds are paid off over **30 years**, from taxes paid by the taxpayers only in the **DIF District**.
- > In the past, developments like this would be accomplished by negotiating tax breaks for the proposed development.

# DIF Process (cont.)

- > The **existing tax base within the DIF District** (roughly \$900,000 annually) **continues to fund other City obligations**. It does not fund the DIF
- > The City also approves a **Development Program** for the DIF District
- > CitySquare is a project to be completed over 3 phases.
- > To be conservative, **only the approved Development Program for Phase 1** of the project is used to support the DIF bonds.
- > The tax increment from the Phase 1 development is supplemented by the revenues the City receives on the new underground public garage.
- > The DIF requires approval by the City Council and then by the Massachusetts Economic Assistance Coordinating Council (EACC).
- > The City Manager will introduce a measure to the City Council to designate the CitySquare project area as a DIF. It will be sent to a Joint Committee for review and public hearings. The Joint Committee is composed of the Commerce and Development and Public Works Committees.

# Project Economic Benefits

## a) Job creation and retention

- ❖ 1,675 minimum FTE / Up to 3100 FTE
- ❖ 2,300 construction jobs

## b) City Revenues

- ❖ \$92 million over 30 year bond term in addition to DIF bond repayment

## c) Critical mass of market rate downtown housing

# Distribution of Funds

## 1<sup>st</sup> Payment to Berkeley

- City to Pay up to \$10 Million upon the following:
  1. Approval of the District Improvement Financing Plan by the City and the Economic Assistance Coordinating Council
  2. The enactment of the special legislation
  3. The execution of a Development Agreement containing all business terms in the Memorandum of Agreement
  4. Reconstruction of retail and restaurant space in buildings known as “C” and “D”;
  5. The initial sale by the City of DIF bonds or bond anticipation notes for this project

# Distribution of Funds

## 1<sup>st</sup> payment the City receives:

1. The right to build and operate a 1,025 space public parking garage for 60 years
2. All Street and Sidewalk easements
3. North portal access will be eliminated creating New Developable Parcel at Washington Square.
4. Termination of Pedestrian walkway agreement relieving the city from the capital cost of a suspended walkway
5. The Conveyance of a parcel of land at Washington Square known as the “Vacuum Shop”

# Distribution of Funds

## 2<sup>nd</sup> Payment to Berkeley

- City will begin reimbursements for demolition of the Mall, Garage construction and Streets & Sidewalk installation when
  1. There is an executed Parking Garage Lease.
  2. A presentation by Berkeley of written financial and legal commitments for the following;
    - A. Assuring construction of Commercial Office Building (buildings H or J)
    - B. Construction of a 150 Unit Condominium Building (building F)

# Distribution of Funds

## 2<sup>nd</sup> Payment to Berkeley

4. The City approves the design plans and construction specifications for the new public streets, public amenities and the underground public parking garage
5. Notices to proceed to the contractor(s) to begin demolition of the Public Project Elements, on behalf of the City under the special legislation.
6. Once the project is started monthly progress payments will be paid to the developer for payment of contractors retained by Berkeley, on behalf of the City for the demolition, construction of the new public streets, and the construction of a new parking garage until completion of the “delegated” Public Project elements

# Distribution of Funds

## Final Payment to Berkeley

1. The certification of final completion by Berkeley and the project architect for each of the Public Project Elements takes place
2. The city's construction management firm approves the completion of the project elements, and that they were constructed in accordance with the development agreement

# City Council Approvals Required

1. Establish boundaries of the “CitySquare District Improvement Financing District” as the property line of the former Worcester Common Outlets/Worcester Center Galleria property; and a portion of Worcester Center Boulevard
2. Approve a District Improvement Financing Development Program.
3. A Loan Order approving the borrowing for the District Improvement Financing Plan
4. Approve the filing of Special Legislation;
5. Approve An Order of Taking of the New Street Layout
6. Approve An Ordinance Reducing the Permit Fees for the Project

# State: Special Legislation

1. Exemption from Design and Construction from Bid Laws
  - Allows City to Contract with Berkeley for the Design and Construction of the Streets and Garage
  - Maintains Prevailing Wages and Related Provisions of State Law
2. Exemption from Procurement Laws
  - Allows City to Lease Space from Berkeley for the Public Underground Parking Garage

# City's Use of DIF Bond Program

- ❖ Three - fixed rate - 30 Year General Obligation Bonds issued over three fiscal years.
- ❖ Total Amount of Bonds issued for project elements is \$ 64.1 Million.
- ❖ To avoid any operating budget impacts short term interest expense will be “Capitalized” and included in each of the three separate Bonds.
- ❖ “Capitalized” interest will total \$ 7.1 million and paid for with the Phase I tax increment revenues
- ❖ State \$25 Million contribution – once received - will be used to reduce DIF Bonds.
- ❖ Creation of a DIF Bond Payment Fund dedicating Phase I Tax revenues for debt service payments and certain project costs.