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October 20, 2009

REPORT OF THE COMMITTEE ON FINANCE
MEETING AS A COMMITTEE OF THE WHOLE

The Committee on Finance convened on October 20, 2009, as a Committee of the Whole with Chairman Maryann Heuston presiding and Committee Members Aldermen Bruce Desmond, Rebekah Gewirtz, Sean O'Donovan, Walter Pero, John Connolly, William Roche, Dennis Sullivan, Thomas Taylor and William White also present and voting. Also present were Administrative Assistant Matt Dias, Executive Director of Strategic Planning and Community Development Monica Lamboy, Steve Azar and Rob May from SPCD, City Solicitor John Gannon, Anne Thomas from the Law Department, Jim Shea from Choate, Hall & Stewart, David Webster and Robert Walsh from Federal Realty Investment Trust (FRIT) and interested members of the public.

The committee received answers to some questions raised at the October 14th committee meeting regarding the possibility of installing a second Orange Line headhouse at Assembly Square. Ms. Lamboy told the members that a total of \$40 million was budgeted for the transportation portion of Assembly Square with \$25 million coming from the federal government and \$15 million coming from the developer. Since the original estimate, the cost of the project has risen by \$10 million and this additional amount has been approved by the Metropolitan Planning Organization. Ms. Lamboy stated that a second headhouse should not be part of the current I-Cube financing process for several reasons, i.e., the city doesn't have a cost estimate for it, the engineering design is going forward and more importantly, it's not part of document being dealt with now. Furthermore, the state is building the station and getting the \$25 million earmark. Funding for a second headhouse would ultimately have to come from I-Cube funds which would mean that some other portion of the project would be lacking those funds. Alderman White said that he doesn't see any prohibition of using I-Cube funds for a second headhouse in the future and he requested that consideration for it be included in the second tranche. Chairman Heuston told the parties involved that the Board of Aldermen should get regular updates on the transportation aspect of the project and on the second tranche.

Ms. Thomas reviewed the four orders needing action by the Board of Alderman in order for the I-Cube process to continue and Alderman Pero stated that he requested that each alderman's name be added to the documents for their signatures. (Alderman Sullivan made a motion to approve the order that stated that no zoning changes were needed and then withdrew the motion since the order hasn't technically been presented to the Board of Aldermen for action, yet.)

Ms. Lamboy then reviewed each of the revisions made to the Infrastructure Investment Incentive Program (I-Cube) resolution. One revision was the addition of language dealing with surplus revenues from the IKEA Commercial Component as they relate to the underwriting of the second phase of the project. (A list of all revisions is attached.) Alderman White offered a scenario where, because of economic conditions, a developer decides to build something other than what was originally planned or perhaps even sell off parcels before the second tranche, essentially making the next phase too small to qualify for I-cube funding

and asked if there could be an incentive for a developer to sell a parcel rather than underwriting a bond and Mr. Shea replied that the state won't hold the funds forever, so the developer needs to move things along to maximize the available financial draw, but he did acknowledge that the risk is there. Technically, a parcel could be sold but the buyer would have to be able to finance the development by himself and would have to be able to make do with the infrastructure as is. Mr. Shea told the members that this issue has been discussed and that it's part of the negotiation and that a resolution hasn't been reached yet, noting that the city and developer want to address it at the time of underwriting the second tranche. Alderman White suggested adding a clause stipulating that a developer needs to obtain permission from the city before it can get parcels out of the package prior to the second tranche. Chairman Heuston asked if this could be amended now and told the parties involved that this matter needs to be addressed by this Thursday's Board of Aldermen meeting along with issues relating to non-assessment parcels.

Alderman Connolly asked for a summary of the bond phases and Mr. Shea said that Phase 1 is all set to proceed and that the construction period would be 18-20 months. Phase 2 will move forward as soon as sufficient resources are in place to underwrite it.

The committee discussed the Infrastructure Development Assistance Agreement (IDAA) and Ms. Thomas informed the members that it wasn't available for distribution yet since the master copy was being updated to reflect all of the changes that were made. Ms. Thomas and Mr. Shea said that since the last meeting, the state said that it wants to recalculate the IKEA displacement factor and that the city, FRIT and IKEA are negotiating this with the state to get the best possible deal for the city. Chairman Heuston told the parties that the Board of Aldermen wants to see the final IDAA prior to voting on it and that if it is not 100% finished, to present it as it stands, noting the areas that are in dispute, and the Board of Aldermen would make its decision based on the information provided.

Alderman Gewirtz's motion *that the Executive director of SPCD provide the committee with a written opinion regarding the addition of a second headhouse at Assembly Square utilizing I-Cube funds and if said funds may not be utilized for that purpose, what options might be available to the city,* was approved.

The committee discussed matters before it and took action on the following item:

187898: Communication from Mayor - Requesting approval of a \$50,000,000 Infrastructure Incentive (I-Cubed) Program Funding for the Assembly on the Mystic Development project.

RECOMMENDATION: Should be placed on file

VOTE: Unanimous, 10 - 0 in favor

Alderman Maryann Heuston, Chairman
Committee on Finance