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September 16, 2009

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

The Committee on Finance convened on September 16, 2009, as a Committee of the Whole with Chairman Maryann Heuston presiding and Committee Members Aldermen Rebekah Gewirtz, Walter Pero, John Connolly, William Roche, Dennis Sullivan and William White also present and voting. Also present were Mayor Joseph Curtatone, Administrative Assistants Janice Delory and Matt Dias, Treasurer Elizabeth Craviero, Monica Lamboy and Steve Azar from SPCD, City Solicitor John Gannon, Anne Thomas from the Law Department, Chief Financial Officer Ed Bean and interested members of the public.

The committee met to discuss an Economic Development Proposal to finance certain Public Infrastructure Improvements in Assembly Square through tax-exempt bonds issued by the Massachusetts Development Finance Agency under the Infrastructure Investment Incentive (I-Cubed) program, and to hold a public hearing on the matter. Chairman Heuston informed those present that the public hearing would commence at this meeting and be continued on October 14th.

Mayor Curtatone discussed the characteristics of the partnership and thanked the Mystic View Task Force, the Somerville Chamber of Commerce and all other parties involved in the process. Ms. Lamboy discussed the details, financing and zoning involved in the proposal. Mr. Briggs, from Federal Realty investment Trust (FRIT) discussed the public and private funds invested, the various stages of the project and how the market would determine the development phases. Mr. Briggs told the members that IKEA and FRIT have each invested \$100 million and he noted that the city's risk does not begin until the improvements are occupied. Mr. Briggs also informed the members that the Orange Line station at Assembly Square is on schedule. Alderman White requested documentation of the capital investment made by FRIT.

There was a discussion of the I-Cubed application process, project requirements, annual certification, tax revenue requirements, wages to be paid by IKEA and new tax revenue versus displaced tax revenue.

Mr. George Cole spoke about his findings as a consultant on the project and discussed the developer's costs, potential revenue and the permitting process. Mr. Cole concluded that the development is feasible and that it can support the debt service. Mr. Cam Huff, of Cape Ann Economics, discussed estimated revenues, the concept of displacement and the uniqueness of IKEA, stating that IKEA is a destination store that will draw additional revenue to the area.

Committee members raised questions regarding:

- How the bonds would be paid if the market and businesses failed,
- How the tax revenue and debt service coincide,
- Traffic remediation plans and pedestrian accessibility,

- The details of the agreement between the state and the developer,
- The annual certification and any associated appellate procedure,
- The methods used to estimate revenue,
- Displacement factors and
- Monitoring of the agreement

PUBLIC HEARING:

The public hearing was opened and Mr. David Dahlbacka from the Mystic View Task Force spoke on the matter. Mr. Wig Zamore also spoke about his research, stating that it is not possible for one MBTA stop to serve the entire Assembly Square development. He also spoke about the need for office space and R&D development.

Chairman Heuston will leave the record open until the conclusion of the public hearing on October 14, 2009.

No papers were acted on.

Alderman Maryann Heuston, Chairman
Committee on Finance