

City of Cambridge

Richard C. Rossi • City Manager



Executive Department

Lisa C. Peterson • Deputy City Manager

June 20, 2016

To the Honorable, the City Council:

I am pleased to report that the City of Cambridge is continuing to make progress on the application for funding under the Commonwealth's Infrastructure Investment Incentive Program (I-Cubed) for the North Point area of the City.

In order to move towards final approval from the Commonwealth, I am requesting City Council approval of three orders related to the I-Cubed program which are summarized below, and detailed in the Order attached:

1. Approval of the North Point Economic Development Proposal and the provision of Local Infrastructure Development Assistance;
2. Approval for the creation, by the City, of a Municipal Liquidity Reserve for each Assessment Parcel to be funded by moneys or a letter of credit to be provided by the owner of each Assessment Parcel;
3. Approval of the acquisition or acceptance by the City of such property interests in the North Point Public Infrastructure Improvements that are financed by MassDevelopment as may be required under the I-Cubed Program, subject to provisions of the Infrastructure MOA.

Since 2013, the City has been involved in this collaborative process, which leverages the strong development climate in the city, and will fund vital infrastructure improvements for the area as well as provide long term benefits to the City.

The I-Cubed program provides a mechanism for funding public infrastructure associated with economic development projects. It relies on new state tax revenues derived primarily from new jobs associated with the project to pay debt service on the bonds, which are issued by the Commonwealth to fund the infrastructure. The State issues the bonds only after establishing that new state tax revenues will support the debt service. The application requests \$25 million in State funding (half of the maximum amount allowed for any development project under the program) to be used to support a portion of the approximately \$78 million in aggregate investment by the applicants in public infrastructure improvements in and around North Point.

As part of this process, City is required to hold a public hearing regarding the North Point I-Cubed proposal. A public hearing took place on Tuesday, June 14, 2016 at 7:00 pm at the Citywide Senior Center.

Below is a summary of what was presented at the hearing:

Richard Rossi, City Manager for the City of Cambridge, opened the hearing by providing an overview of the I-Cubed process. He noted that the City has been closely examining this program since 2013 in terms of value and associated risks. The North Point I-Cubed proposal is a joint effort by and among EF Education First, the North Point Development Team, the City of Cambridge, and the Commonwealth of Massachusetts.

Several City departments have been actively involved in this process including: the City Manager's Office, City Solicitor, Finance Department, City Assessor, Community Development Department, Purchasing Agent, the Traffic, Parking and Transportation Department and the Department of Public Works. In January 2014, the City retained First Southwest, a financial consultant, and Locke Lord LLP, outside counsel, to work with City officials to analyze the benefits and potential risk to the City. The City also retained Anderson & Kreiger as outside counsel to assist in drafting and negotiating agreements with the North Point developer regarding the infrastructure improvements to be made as part of the I-Cubed process.

Representatives from EF Education First and the North Point Development Team presented on the importance and benefits of the program to their plans for growth in the area. They also provided a summary of the changes and significant private investment that has occurred in North Point in recent years. It was explained that all parties involved up to this point have strong confidence in the revenue projections associated with the new developments and financial assumptions used in analyzing the program.

Susanne Rasmussen, Director of Environment and Transportation Planning in the Community Development Department, talked about some of the important community benefits that will be gained through the infrastructure improvements: A new internal roadway network that emphasizes walking and biking and accommodates transit use, shortened distance to the Community College MBTA station through a new pedestrian link; ability to accommodate a new Lechmere MBTA Station, facilitating the conversion of automobile trips to transit trips for both commuting and all other trip purposes to North Point, the Kendall Square area, downtown Boston, and other locations along the Green Line; enhanced bicycle and pedestrian connections to the river as well as the wider regional pathway network; reconstruction of Monsignor O'Brien Highway which will provide new, safer, pedestrian crossings connecting East Cambridge, Kendall Square and North Point, and allow for improved bike mobility through new grade-separated cycle tracks along the road; and the extension of First Street to Monsignor O'Brien Highway which will facilitate shifting the burden of automobile traffic between Kendall Square and points north from Third Street onto First Street, which is more commercial in character.

Louis DePasquale, Assistant City Manager for Fiscal Affairs in the City of Cambridge, reviewed financial implications and benefits of the project. He noted that the I-Cubed regulations are set up in a way that allow appropriate oversight and protections for the City and reminded the group that neither City property taxes, nor City bonds, are used to finance the program. He restated confidence in the projections used, and noted that when the cumulative revenues exceed the outstanding principal and accrued interest on the Bonds, the City's contingent obligation ends. He shared that this is currently projected to happen as early as 2023. Robert Reardon, City Assessor for the City of Cambridge, added that an Assessment Plan is required by I-Cubed regulations and that the City is allowed to assess certain North Point properties in the unlikely event of any shortfall in sales and income tax revenue, which provides additional protections for the City.

There were no comments from the public at this hearing, but it should be noted that presentations have been made to the East Cambridge Planning Team, and we look forward to final approval by the City Council.

I strongly believe that this is an exceptional opportunity for the City. As proposed, there is minimal financial risk or cost to the City, and the funding will allow for key infrastructure improvements that are not only important in realizing the comprehensive vision for this area, but also result in significant long term benefits for the entire City.

Attachments to this letter are as follows:

1. Letter to the City Manager from the North Point Development Team, dated June 15, 2016
2. North Point I-Cubed Proposal: Frequently Asked Questions
3. North Point Infrastructure Investment Incentive Program Public Hearing Presentation, June 14, 2016
4. City Manager letter to the City Council, dated July 28, 2014
5. City Manager Order

Thank you again and I am happy to answer any questions and discuss next steps in this process.

Very truly yours,

A handwritten signature in black ink that reads "Richard C. Rossi". The signature is written in a cursive, flowing style.

Richard C. Rossi
City Manager

RCR/mec
Attachment(s)



June 15, 2016

Mr. Richard C. Rossi, City Manager
City of Cambridge
795 Massachusetts Avenue
Cambridge, MA 02139

RE: North Point I-Cubed

Dear Mr. Manager:

On behalf of Efekta House, Inc. (“EF Education First”), DW NP Property LLC (“DivcoWest”) and the HYM Investment Group, thank you for all the time and effort you and City staff have invested in the North Point I-Cubed proposal. Since 2013, we have worked in partnership on an Infrastructure Investment Incentive (I-Cubed) Proposal for the North Point area, which would apply the new state tax revenue generated from EF’s North American Headquarters campus to a \$25 million bond to finance critical public infrastructure improvements in the North Point area.

In accordance with the Statute and I-Cubed Regulations codified at 801 CMR 51.10, we formally request that you favorably recommend to the City Council an approval by the City of Cambridge for the following:

- a) the Economic Development Proposal to be submitted to the City of Cambridge in a form substantially similar to the Preliminary Economic Development Proposal submitted by the Developer, acknowledging all of the City’s financial obligations in connection with the proposal;
- b) all actions necessary in connection with the creation of a Municipal Liquidity Reserve;
- c) to authorize the City Council and the City Treasurer of the City, in the name of and on behalf of the City, to execute, deliver, and record such agreements with the Developer, the Commonwealth of Massachusetts, and the Massachusetts Development Finance Agency as necessary to implement the proposal;
- d) to approve the acquisition or acceptance of any property interests in the Public Infrastructure Improvements to be conveyed to the Municipality upon completion; and
- e) to take, approve and/or authorize all other City actions necessary to implement the proposal.

Attachment: No Point Dev Team letter to CM 061516 (CMA 2016 #187 : I-Cubed update)

During the last three and a half years, several major milestones have occurred to get us to this point:

- **2011 – 2013:** EF expanded in Massachusetts based on the promise of infrastructure assistance from the Commonwealth; North Point development team started working on I-Cubed proposal;
- **April 2013:** Initiated I-Cubed proposal and created City Working Group;
- **May 2014:** Presented to East Cambridge Planning Team;
- **July 2014:** City Council unanimously approved I-Cubed submittal to Commonwealth; EF and HYM submitted Preliminary EDP to Commonwealth;
- **January 2015:** Received Preliminary Approval from Commonwealth;
- **August 2015:** DivcoWest acquired NorthPoint project; EF, DivcoWest and HYM started working with Baker Administration;
- **Feb. 2016:** Submitted amended and restated Preliminary EDP to Commonwealth;
- **May 2016:** Received Updated Preliminary Approval from Commonwealth and obtained Certificates of Approval from DOR and MassDevelopment;
- **June 2016:** Presented to East Cambridge Planning Team; and
- **June 2016:** Participated in a City Manager's Public Hearing.

If we are successful in receiving a favorable City Council vote, we anticipate a Commonwealth approval and bond issuance by early fall 2016, allowing construction to start on the remaining infrastructure improvements immediately. The infrastructure planned for North Point will not only benefit current employees, students and residents, but also serve as a catalyst for the overall North Point area. The I-Cubed Program provides an innovative financing mechanism to fast-track public infrastructure improvements in a way that poses little risk to the City and Commonwealth, while benefitting the greater East Cambridge area.

As the City has thoroughly examined, due to EF's current employment numbers and consistent annual job growth, EF is now generating approximately \$3.3 million in new State income tax revenues annually as a result of its employment growth. The \$25 million bond is projected to be fully paid off by FY 2023 – a six-year payoff on a typical 30-year bond. Although the debt service on the bonds is funded by income tax revenue, the Commonwealth requires the City to be responsible in the rare and unlikely event of a revenue shortfall. In this case, there is little to no risk to the City of Cambridge due to the sizeable revenue surplus available at bond issuance (at least \$6.3 million) and the anticipated consistent annual state income tax revenue from EF.

As further security, the NorthPoint developers have agreed to fund a municipal liquidity reserve as well as agreed to an assessment plan that permits the City to lien on certain undeveloped parcels in the rare case of a revenue shortfall.

Therefore, we respectfully request a favorable vote from the City Council to allow the I-Cubed application to move forward in the Commonwealth's review process. Thank you again and we look forward to continuing to work together on this important project.

Sincerely,

EF Education First and the NorthPoint Development Team

Attachment: No Point Dev Team letter to CM 061516 (CMA 2016 #187 : I-Cubed update)

North Point I-Cubed Proposal: FAQs

What is I-Cubed?

- The Infrastructure Investment Incentive Program (known as “I-Cubed”) is a Commonwealth program and proven economic development tool that uses new state tax revenues to build public infrastructure in areas that will generate economic and community benefits.

How does the financing work?

- I-Cubed uses designated state tax revenue generated in a defined geographic area to fund a State-issued bond that finances construction of infrastructure. The debt service on the bonds is financed through the private sector’s state tax revenue. At no point is local tax revenue (property taxes) applied to the bond.

How is I-Cubed being applied to North Point?

- EF Education First and the developers of the NorthPoint project (DivcoWest and The HYM Investment Group) are working together to construct public infrastructure improvements at North Point through the I-Cubed program.
- Since EF Education First broke ground on the first development at North Point in 1996, the area has been in desperate need of additional roads, utility lines, parks and pedestrian/bike connections. Although some infrastructure has been completed, it hasn’t been enough to spur the full development of the North Point area, leaving EF and the limited residential development isolated from the rest of East Cambridge.
- The goal is for the public infrastructure improvements to not only benefit current employees, students and residents, but also serve as a catalyst for the NorthPoint project, a 4.5-million SF development that will transform a vacant and underutilized former rail yard and industrial site into a vibrant mixed-use neighborhood in East Cambridge.

What is the financing model for I-Cubed at North Point?

- The state income and construction sales tax revenue that has resulted from EF’s North American HQ project will fully cover the cost of a \$25 million bond to help fund the construction of infrastructure at North Point.
- The Commonwealth’s Executive Office for Administration and Finance (A&F) has agreed that all EF income tax revenue since May 2014 (when EF occupied its North American HQ building) as well as all construction sales tax revenue from the EF project will count toward the \$25 million bond.
- Due to EF’s current employment numbers and consistent annual job growth, EF is generating approximately \$3.2 - \$4.5 million in new State income tax revenues annually. The \$25 million bond is projected to be “paid off” by FY 2023 – a 6-year payoff on a typical 30-year bond.

What are the North Point Infrastructure Improvements?

The I-Cubed infrastructure improvements will reconnect North Point to East Cambridge and jumpstart the development of the North Point neighborhood. This infrastructure has been vetted by the Cambridge Community Development Department, Department of Public Works and East Cambridge Planning Team:

- **North Point Boulevard and Education Street Raised Intersection and Multi-Use Pathway Extension** (raised intersection and multi-use pathways that loop around EF's new building connecting North Bank Bridge and rest of East Cambridge to North Point Boulevard);
- **North Point Sewer Connection** (new dedicated 700,000 gpd sanitary sewer line, which will bypass the constrained East Cambridge system and preserve sewer capacity for the Kendall Square area and surrounding neighborhood; inflow & infiltration work to remove 2.1 M gallons/day of storm water from the Cambridge/MWRA sewer system to the Charles River, improving capacity for the MWRA system, recharging ground water in the area and improving the flow and health of the Charles River);
- **On-Site Roadways, Green Space and Bicycle/Pedestrian Crossings** (Construction of new roadways, West Blvd., Dawes St., North St., North First St.; Monsignor O'Brien Highway to be reconstructed into boulevard from Third Street to Museum Way, including new landscaped features and new lighting program, new intersections at First Street and Water Street, and underground utility infrastructure);
- **Utility Connections** (Development of on-site utilities network necessary for commercial development).

What is the City of Cambridge's Role in the North Point I-Cubed Application?

- Since early 2013, the City has conducted a thorough examination of the I-Cubed program at North Point to understand its value and any risks to the City of Cambridge.
- Representatives from the City Manager's Office, Finance Department, City Solicitor, City Assessor, Department of Public Works, Community Development Department and the Purchasing Department as well as outside counsel and City financial consultants have fully vetted the I-Cubed program.
- The City Council voted unanimously in July 2014 to submit the I-Cubed Application to the Commonwealth. The development team worked with both the Patrick and Baker Administrations, and in May 2016, the Commonwealth issued a preliminary approval, including certificates from the MA Dept. of Revenue and MassDevelopment. We are now asking Cambridge City Council to provide final municipal approval.
- Although the debt service on the bonds is funded by EF's annual state tax revenue, the Commonwealth requires the City to be responsible in the unlikely event of a revenue shortfall. In this case, there is little to no risk to the City of Cambridge because the Commonwealth has determined that all EF tax revenue since May 2014 will count toward the bond, creating an estimated \$6.3 million surplus available at bond issuance.

- Additionally, due to EF's current employment numbers and consistent annual job growth, EF is generating approximately \$3.2 - \$4 million in new state income tax revenue annually. The \$25 million bond is projected to be "paid off" by FY 2023 – a six-year payoff on a typical 30-year bond.
- As further security, the NorthPoint developers have agreed to fund a municipal liquidity reserve as well as agreed to an assessment plan that permits the City to lien on certain undeveloped parcels in the rare case of a revenue shortfall.

What has occurred to-date on the North Point I-Cubed proposal?

- **2011 – 2013:** EF expanded in Mass. based on the promise of infrastructure assistance from the Commonwealth; North Point development team started working on I-Cubed proposal
- **April 2013:** Initiated I-Cubed proposal and created City Working Group
- **May 2014:** Presented to East Cambridge Planning Team
- **July 2014:** City Council unanimously approved I-Cubed submittal to Commonwealth; EF and HYM submitted Preliminary EDP to Commonwealth
- **January 2015:** Received Preliminary Approval from Commonwealth (Patrick Administration)
- **August 2015:** DivcoWest acquired NorthPoint project; EF, DivcoWest and HYM started working with Baker Administration
- **Feb. 2016:** Submitted amended and restated Preliminary EDP to Commonwealth
- **May 2016:** Received Preliminary Approval from Commonwealth (Baker Administration); Obtained Certificates from DOR and MassDevelopment
- **June 2016:** Presented to East Cambridge Planning Team
- **June 2016:** City Manager's Public Hearing

What are the next steps?

- **June 2016:** Presentation to City Council for City Approval
- **Summer 2016:** Development team submits final Economic Development Proposal to Commonwealth
- **August 2016:** Anticipated Final Approval from Commonwealth
- **Fall 2016:** Anticipated bond issuance by Commonwealth

NORTH POINT INFRASTRUCTURE INVESTMENT INCENTIVE PROGRAM (I-CUBED)

CITY OF CAMBRIDGE PUBLIC HEARING PRESENTATION

JUNE 14, 2016

JUNE 14, 2016

1



JUNE 14, 2016

2

Attachment: I-Cubed Public Hearing June 14 2016_Final (CMA 2016 #187 : I-Cubed update)



REMARKS FROM CITY MANAGER RICHARD C. ROSSI

- I-Cubed is a Commonwealth program and proven economic development tool that uses new state tax revenues to build public infrastructure in areas that will generate economic and community benefits.
- The North Point I-Cubed Proposal is a joint effort among EF Education First, the NorthPoint development team, the City of Cambridge and the Commonwealth.
- I-Cubed will allocate EF's state income tax revenue to a \$25M bond issue that will pay for certain public infrastructure improvements in the North Point area.
- The infrastructure improvements will reconnect North Point to East Cambridge, benefiting the area's current and future residents, students and employees, and jumpstart the development of the neighborhood EF was promised when making its decision to remain and grow in Massachusetts.

JUNE 14, 2016

3



REMARKS FROM CITY MANAGER RICHARD C. ROSSI

- Per the I-Cubed Statute: *"The municipality shall conduct a public hearing to allow for local input on the economic development proposal."*
- Since early 2013, the City has conducted a thorough examination of the I-Cubed program at North Point to understand its value and any risks to the City of Cambridge.
- We believe after a lengthy review and analysis by City departments that the North Point I-Cubed will allow for Cambridge to receive state funding for key infrastructure improvements, as well as serve as the necessary catalyst to jumpstart economic development at North Point, creating many long-term financial benefits for the City.

JUNE 14, 2016

4



CITY OF CAMBRIDGE I-CUBED WORKING GROUP

- **City Manager's Office:** Richard Rossi and Lisa Peterson
- **City Solicitor's Office:** Nancy Glowa and Sam Aylesworth
- **City Finance Department:** Louie DePasquale
- **City Assessor:** Robert Reardon
- **Community Development Department:** Iram Farooq and Susanne Rasmussen
- **Department of Public Works:** Owen O'Riordan and Kathy Watkins
- **City Purchasing Department:** Amy Witts and Natalie Sullivan
- **City's Outside Counsel:** Walter St. Onge (Locke Lord LLP) and Kevin Batt (Anderson & Kreiger)
- **City's Financial Consultants:** Susan Kendall and Cinder McNerney (FirstSouthwest, a Division of Hilltop Securities Inc.)

JUNE 14, 2016

5

NORTH POINT I-CUBED DEVELOPMENT TEAM



- | | | |
|-------------------------------|--|--------------------|
| • Martha Doyle | • Keith Wallace | • Thomas O'Brien |
| • Christoffer Abramson | • Tom Sullivan | • Douglas Manz |
| • Shawna Sullivan | • Mark Johnson | • Michael Barowsky |
| • Michael Zhu | • Mark Roopenian | |
| • Foley Hoag (Jeffrey Mullan) | • Tim Canon | |
| | • Galluccio & Watson LLP (Anthony Galluccio) | |
| | • Goulston & Storrs (Debbie Horwitz, Zev Gewurz and Brian Dugdale) | |

JUNE 14, 2016

6



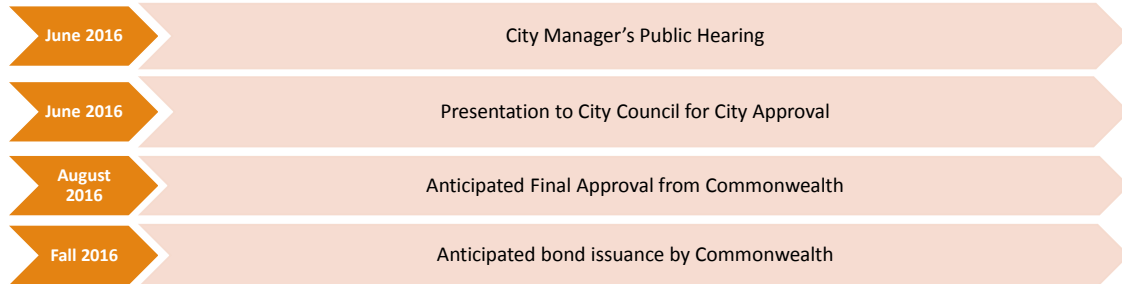
I-CUBED TIMELINE OF KEY MILESTONES

2011 - 2013	EF expanded in Mass. based on the promise of infrastructure assistance from the Commonwealth; North Point development team started working on I-Cubed proposal
April 2013	Initiated I-Cubed proposal and created City Working Group
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June 2016	Presented to East Cambridge Planning Team

JUNE 14, 2016

8

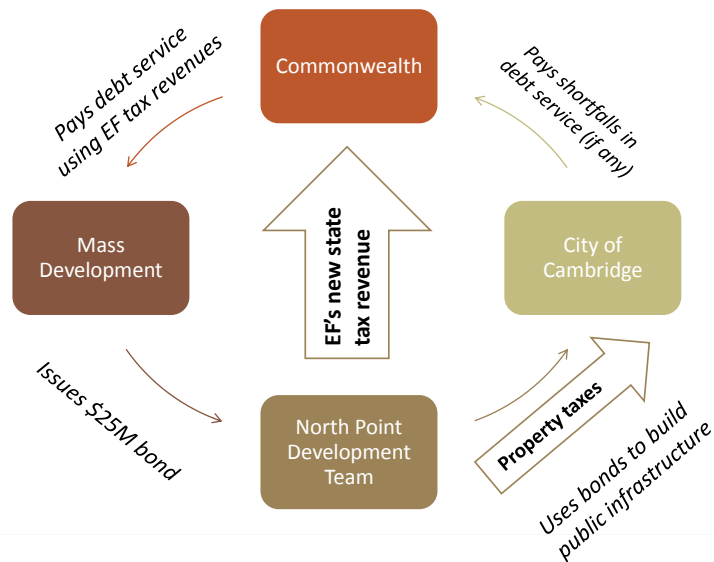
I-CUBED TIMELINE OF KEY MILESTONES (CONT.)



JUNE 14, 2016

9

NORTH POINT I-CUBED: HOW IT WORKS



10

NORTH POINT — PAST VS. PRESENT



1997



2016

JUNE 14, 2016

11

NORTH POINT — PAST VS. PRESENT



2002



2016

JUNE 14, 2016

12

NORTH POINT — PAST VS. PRESENT



2002



2016

JUNE 14, 2016

13

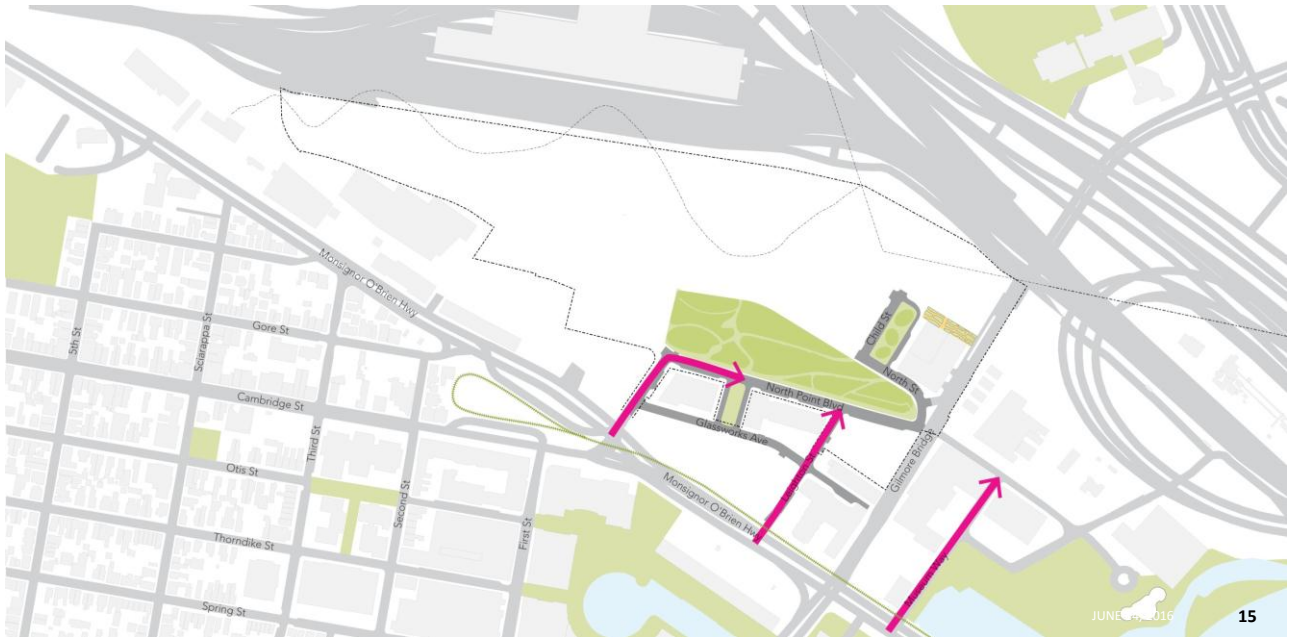


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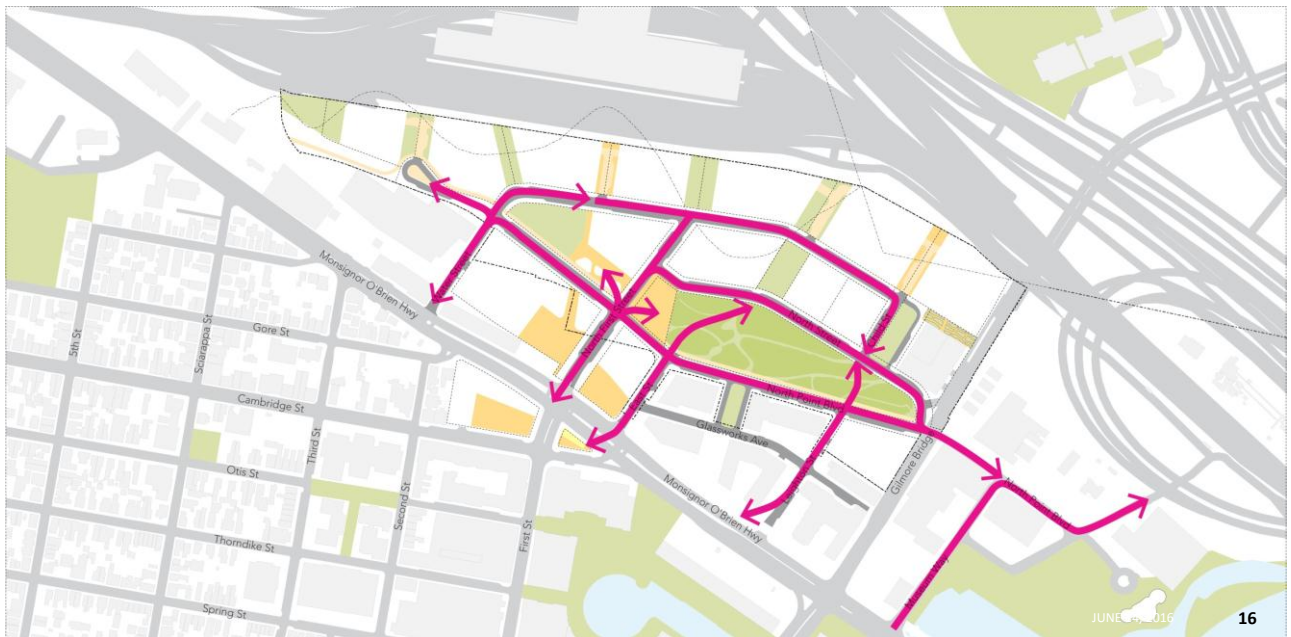
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Attachment: I-Cubed Public Hearing June 14 2016_Final (CMA 2016 #187 : I-Cubed update)

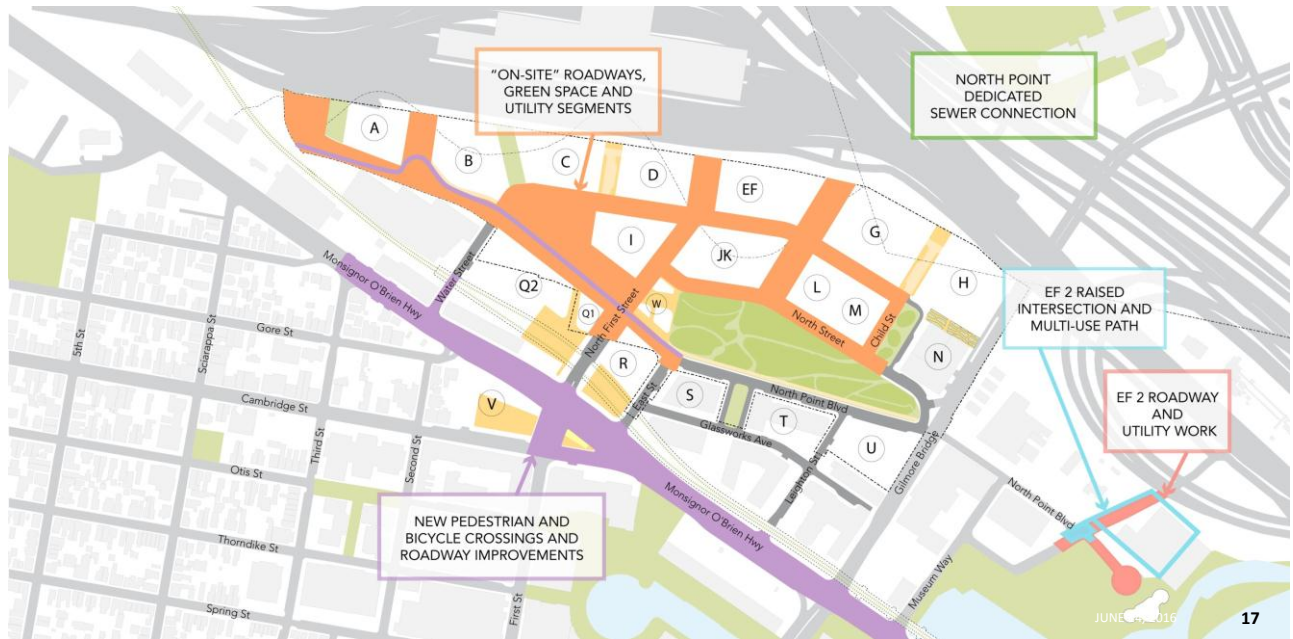
EXISTING CONNECTIONS TO EAST CAMBRIDGE



GOAL: CONNECT NORTH POINT TO EAST CAMBRIDGE



I-CUBED PUBLIC INFRASTRUCTURE IMPROVEMENTS



FIRST ST. CONNECTION TO NORTH POINT – PRESENT VS. FUTURE



APPROX. COSTS OF INFRASTRUCTURE IMPROVEMENTS

Infrastructure Improvement	Cost Estimate	Projected I-Cubed Draw	Additional Capital Required	Timeline for Completion
EF 2 Raised Intersection, Multi-Use Path, Roadway and Utility Work	\$1,040,000	\$1,040,000	\$0	Completed - 2015
North Point Dedicated Sewer Connection	\$10,863,613	\$10,863,613	\$0	Summer 2019
On-Site Roadways, Utility Segments, New Pedestrian and Bicycle Crossings and Roadway Improvements	\$67,013,641	\$13,096,387	\$53,917,254	Summer 2019 - 2021
SUBTOTAL COSTS	\$78,917,254	\$25,000,000	\$53,917,254	

JUNE 14, 2016

19



NORTH POINT I-CUBED FINANCIAL HIGHLIGHTS



- \$25 million of I-Cubed Bonds are issued by the Commonwealth of Massachusetts (through MassDevelopment)
- The Bonds will be fully paid off by the State in 30 years (fiscal year 2047)
- The Bonds are projected to require annual principal and interest payments (debt service) of \$1.67 million
- DOR has projected \$3.2 million in annual state tax revenues for 2016 which is well in excess of minimum requirements
- When cumulative revenues exceed then outstanding principal and accrued interest on the Bonds, the City's contingent obligation ends

JUNE 14, 2016

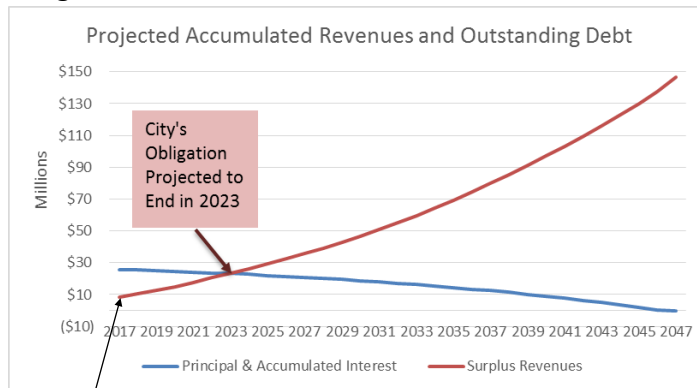
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CITY'S CONTINGENT OBLIGATION PROJECTED TO END IN 2023



- Cumulative North Point state tax revenues are projected to exceed debt outstanding in 2023



DOR has already certified \$6.3 Million thru FY16

JUNE 14, 2016

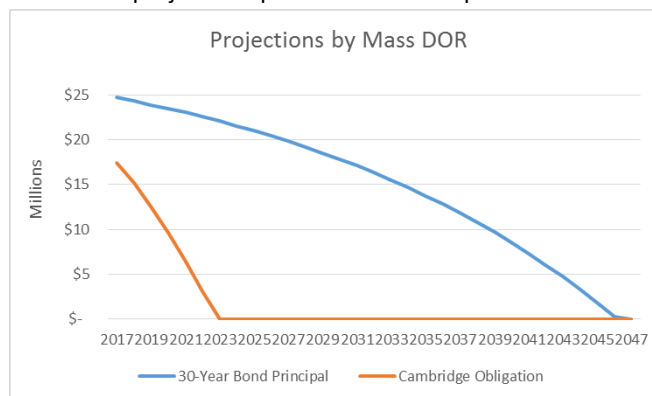
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PROJECTED REVENUES BENEFIT CAMBRIDGE



- Scheduled Bond principal payments pay off the bonds over 30 years (fiscal 2047)
- Surplus revenues accumulate and are projected to end Cambridge's contingent obligation by 2023 rather than 2047
- These conservative projections provide additional protection for Cambridge



JUNE 14, 2016

22



I-CUBED PROGRAM AND AGREEMENTS PROTECT CAMBRIDGE



- **Municipal Liquidity Reserve**
 - Required by I-Cubed regulations
 - Established prior to sale of Bonds
 - Funded by NorthPoint developers
 - Provides sufficient funds for at least two years of debt service payments
 - Provides time for City to establish assessments, if needed
- **City may assess certain NorthPoint properties for any revenue shortfall**
 - Assessment plan is required by I-Cubed regulations
 - City approves the assessment plan
 - City may assess certain NorthPoint parcels to produce revenue sufficient to cover any shortfall in sales and income tax revenue
 - Cambridge's property tax revenues are not applied to the I-Cubed Bonds
 - Assessed value is anticipated to be approximately \$2 billion when fully developed

JUNE 14, 2016

23



NORTH POINT I-CUBED: HOW DOES IT WORK FOR CAMBRIDGE?



- EF's new state income tax and sales tax revenue is allocated toward the \$25 million North Point I-Cubed Bond issue
- All EF state income and sales tax revenue (\$6.3 Million) since May 2014 will be allocated to the I-Cubed Bond issue
- EF is projected to generate approximately \$3.2-\$4.5 million annually in state tax revenues over the next five years
- I-Cubed requires a minimum of 150% of debt service coverage and the State has already certified tax revenue projections for over 200% of annual debt service
- Actual income and sales tax revenues are certified each year by the Massachusetts DOR
- In the unlikely event that revenues are insufficient, a privately funded Municipal Liquidity Reserve would be used to fund the revenue shortfall
- Several layers of protection are built into the I-Cubed agreements to protect the City of Cambridge

JUNE 14, 2016

24



MASSACHUSETTS I-CUBED FINANCINGS



	Project	Date	Amount of Financing
Boston	Fan Pier/Vertex	April 2014	\$34 million
Boston	Boston Landing	August 2015	\$32.4 million
Boston	Van Ness	September 2015	\$10 million
Somerville	Assembly Square	May 2014	\$9.3 million
Newton	Chestnut Hill Square	September 2014	\$8.88 million
Westwood	University Station	December 2015	\$9.02 million
TOTAL			\$103.6 million

JUNE 14, 2016

25



PUBLIC COMMENT PERIOD

26

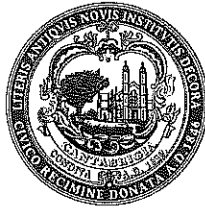


CONCLUDING REMARKS FROM CITY MANAGER RICHARD C. ROSSI

- Utilizes a state program and creates little to no risk for City
- Jumpstarts construction of key infrastructure that will serve East Cambridge residents, EF staff and students, and future North Point retail, restaurant and commercial tenants
- Attracts future tenants to North Point area
- Fulfills Commonwealth's promise to EF for expanding in Massachusetts

City of Cambridge

Richard C. Rossi • City Manager



Executive Department

Lisa C. Peterson • Deputy City Manager

July 28, 2014

To the Honorable, the City Council:

In response to a letter from HYM Managing Director Tom O'Brien and EF President Martha Doyle (attached), I am requesting support from the City Council of my intention to submit an application for funding under the Commonwealth's Infrastructure Investment Incentive Program (referred to as the "I-Cubed" program). In view of this being our first involvement in this type of process, we are taking a measured and conservative approach to our analysis. This draft application is a result of approximately six months of review and analysis by the City. Representatives of HYM and EF have spent considerable time and effort meeting with the community and City administration to seek input and to explain the I-Cubed Program. In January 2014 the City retained First Southwest, a financial consultant, and Edwards Wildman, bond counsel, to work with City Officials to examine the benefits and potential risk to the City. Multiple conversations with the applicants as well as State Agencies that must recommend and approve the application have given the City Administration the confidence to proceed with this application. In the next several months, the State will review the application and the City will negotiate the Infrastructure Development Assistance Agreement (IDAA). Pending a successful process, I will seek final approval of the City Council.

The I-Cubed program provides a mechanism for funding public infrastructure associated with economic development projects. It relies on new state tax revenues derived primarily from new jobs associated with the project to pay debt service on the bonds which are issued by the Commonwealth to fund the infrastructure. The State makes these payments after bonds are issued only after establishing that new state tax revenues will support the debt service. The application requests \$25 million in State funding (half of the maximum amount allowed for any development project under the program) to be used to support approximately \$70 million in investment by the applicants in infrastructure improvements in and around North Point. From our preliminary analysis it appears that the applicants have a sound and reasonable approach. The preliminary nature of the application as well as the good faith and mutuality of support which is required by the City and the Commonwealth give the City administration comfort in proceeding with the application. City staff, advisors and bond counsel will continue to participate to ensure the city's interests are protected before bringing this to the Council for final approval.

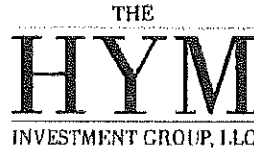
The State funding helps support significant private investment in the infrastructure necessary to ensure that North Point can continue to become what City Leaders have planned for two decades. We believe continued investment in North Point which is situated in the midst of two major transit stations will continue to transform a former industrial site into the mixed-use community that was planned with significant long term benefits to the City. The application is online at both North Point and EF, and will be online through the city's website. Both North Point and EF will hold additional informational meetings with the City as the application proceeds. I am pleased to provide this proposal for your consideration and support and will be happy to answer any questions.

Very truly yours,

Richard C. Rossi
City Manager

RCR/mec
Attachment

Attachment: I-Cubed CM letter to CC 07282014 (CMA 2016 #187 : I-Cubed update)



July 22, 2014

Richard C. Rossi, City Manager
City of Cambridge
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Manager Rossi:

We would like to thank you, your administrative team, and the City Council for individually taking the time to help us craft an application for the Commonwealth's I-Cubed program.

By this letter, CJUF III Northpoint LLC ("Northpoint") and Efekta House, Inc. ("EF Education First") formally request that you favorably recommend to the City Council a request that the City of Cambridge authorize Northpoint and EF Education First, together, to submit an application to the Secretariat of Administration of the Commonwealth of Massachusetts a draft Preliminary Economic Development proposal under the Infrastructure Investment Incentive Program (the so-called "I-Cubed" program). As we discussed, our draft application is available on the City's and Northpoint's websites. This program will jumpstart the North Point Economic Development District's public infrastructure build out, which will ensure that the District remains a viable and competitive location. We believe our application offers ample security and significant benefits to the City. As we have discussed, the application is subject to final approval by the City Council after review by the Commonwealth.

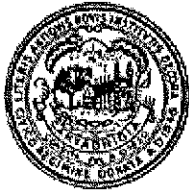
Our meetings with the East Cambridge Planning Team and City leaders have helped shape and improve our application. We want to thank you for your leadership in making this draft submission a reality and look forward to continuing to work together.

Sincerely,

Thomas N. O'Brien
The HYM Investment Group, LLC

Martha H. Doyle
EF Education First

Attachment: I-Cubed CM letter to CC 07282014 (CMA 2016 #187 : I-Cubed update)



City of Cambridge


Agenda Item No. 37A
IN CITY COUNCIL
July 28, 2014

ORDERED: That the City Council goes on record supporting the recommendation of the City Manager to submit an application for funding under the Commonwealth's Infrastructure Investment Incentive Program (referred to as the "I-Cubed" program).

In City Council July 28, 2014
Adopted by a ye and nay vote:-
Yeas 9; Nays 0; Absent 0; Present 0.
Attest:- Donna P. Lopez, City Clerk

A true copy;

ATTEST:-


Donna P. Lopez, City Clerk

Attachment: I-Cubed CM letter to CC 07282014 (CMA 2016 #187 : I-Cubed update)



City of Cambridge

Agenda Item #10
IN CITY COUNCIL
JUNE 20, 2016

WHEREAS: Sections 5 through 12A, inclusive, of Chapter 293 of the Acts of 2006, as amended (the “I-Cubed Act”), and Chapter 51.00 of Title 801 of the Code of Massachusetts Regulations (the “Regulations” and, collectively with the I-Cubed Act, the “I-Cubed Program,” with all undefined terms used in this Order having the meaning given such terms in the I-Cubed Act and the Regulations) authorize The Commonwealth of Massachusetts (the “Commonwealth”), acting by and through the Secretary of the Executive Office for Administration and Finance (the “Secretary”), the Massachusetts Development Finance Agency (“MassDevelopment”) and the City of Cambridge (the “City”) to assist in the financing of public infrastructure improvements for Economic Development Projects in the City; and

WHEREAS: DW NP Property, LLC (together with its affiliates, “Divco”) and Efekta House, Inc. (“together with its affiliates, “EF” and collectively with Divco, the “Developers”) have filed an Amended and Restated Preliminary Economic Development Proposal (the “North Point Economic Development Proposal”) with the Secretary, the City and MassDevelopment for the designation of the North Point Development in Cambridge as an Economic Development District and an Economic Development Project (the “North Point Economic Development Project”) under the I-Cubed Program; and

WHEREAS: The North Point Economic Development Project will be comprised of an integrated, mixed-use Project Component that will include office, lab and educational uses, as well as retail, restaurant, and other commercial uses. In addition, the Project Component will also include a total of approximately 2,300 residential units (the “Project Components”) and the construction of public infrastructure improvements identified in the North Point Economic Development Proposal (the “North Point Public Infrastructure Improvements”) necessary or desirable for the development of the North Point Economic Development Project including but not limited to the construction of the North Point Boulevard and Education Street Raised Intersection and Multi-Use Pathway Extension; North Point Sewer Connection; On-Site Roadways, Green Space and Bicycle/Pedestrian Crossings; and Utility Connections; and

WHEREAS: No zoning changes are required to accommodate the North Point Economic Development Proposal; and

WHEREAS: Divco and the City have entered into a Memorandum of Agreement relative to the roadway, utility and open space infrastructure (the “Infrastructure MOA”); and

Attachment: I-Cubed CM Order 062016 (CMA 2016 #187 : I-Cubed update)

- WHEREAS: Divco, EF and the City have also entered into a Memorandum of Agreement relative to the proposed assessment plan and municipal liquidity reserve for the North Point Economic Development Proposal (the “I-Cubed MOA”) the terms of which shall be included in the Infrastructure Development Assistance Agreement referenced below; and
- WHEREAS: If the North Point Economic Development Proposal is approved by the City and, subject to satisfaction of the requirements of the I-Cubed Act, by the Secretary and MassDevelopment, the Secretary and MassDevelopment will be authorized to finance up to twenty five million dollars (\$25,000,000) of costs of North Point Public Infrastructure Improvements through the issuance of bonds (“I-Cubed Bonds”) payable from State Infrastructure Development Assistance from the Commonwealth that is supported by New State Tax Revenues resulting from Eligible New Jobs and construction revenues retained, created and to be created by EF and the North Point Economic Development Project in the Commonwealth; and
- WHEREAS: If the New State Tax Revenues resulting from Eligible New Jobs retained, created and to be created by EF and resulting from the North Point Economic Development Project are less than the debt service payable in any year on the I-Cubed Bonds, the City will be required to provide Local Infrastructure Development Assistance to satisfy any Shortfall in accordance with an Infrastructure Development Assistance Agreement for the North Point Economic Development Project among the Commonwealth, the City, MassDevelopment, the Developer and the owners of certain real property on which the Project Components are constructed (the “Assessment Parcels”); and
- WHEREAS: The City’s obligation to provide Local Infrastructure Development Assistance will be a general obligation of the City secured by infrastructure assessments on the Assessment Parcels and by a Municipal Liquidity Reserve created by the City for each Assessment Parcel to be funded by moneys or a letter or credit to be provided by the owner of each Assessment Parcel in an amount equal to twice the maximum amount of debt service payable on the I-Cubed Bonds in any year; and
- WHEREAS: Prior to the Secretary’s final approval of the North Point Economic Development Proposal, the City Manager and the City Council, following a public hearing, must approve the North Point Economic Development Proposal, acknowledging the financial obligation of the City for Local Infrastructure Development Assistance, and approve the creation of the Municipal Liquidity Reserves and the acquisition or acceptance by the City of such property interests in the North Point Public Infrastructure Improvements as may be required under the I-Cubed Program; now therefore be it

- ORDERED: 1. That the North Point Economic Development Proposal, and the provision of Local Infrastructure Development Assistance as provided herein, is hereby approved with such additions, deletions and other amendments thereto, other than an increase in the principal amount of I-Cubed Bonds for which the City is obligated to provide Local Infrastructure Development Assistance, as shall be approved by the City Manager at or prior to the execution and delivery by the City of the Infrastructure Development Assistance Agreement (the "Agreement") for the North Point Economic Development Project, which agreement shall contain such terms and conditions as are required and consistent with the I-Cubed Act and otherwise as are necessary or desirable to implement the North Point Economic Development Project in accordance with the Infrastructure MOA and I-Cubed MOA, as determined by the City Manager at or prior to said execution and delivery of the Agreement; and be it further
- ORDERED: 2. That the creation by the City of a Municipal Liquidity Reserve for each Assessment Parcel to be funded by moneys or a letter of credit to be provided by the owner of each Assessment Parcel is hereby approved; and be it further
- ORDERED: 3. That the acquisition or acceptance by the City of such property interests in the North Point Public Infrastructure Improvements that are financed by MassDevelopment as may be required under the I-Cubed Program is hereby approved, subject to provisions of the Infrastructure MOA.