Southfield Redevelopment Authority
223 Shea Memorial Drive, South Weymouth, Massachusetts 02190

Southfield Redevelopment Authority

Final Redevelopment Plan

January 31, 2019

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I. Executive Summary

This Updated Redevelopment Plan ("Redevelopment Plan" or "Plan") describes the current status and proposed reuse of the former South Weymouth Naval Air Station ("NAS", "SouthField" or "Union Point") revised from what was presented in the Original Redevelopment Plan dated November 14, 2014 (the "Original Redevelopment Plan") which was approved by the Secretary of Administration and Finance and the Secretary of Housing and Economic Development on December 30, 2014. This Plan supersedes the Original Redevelopment Plan and has been developed by the Southfield Redevelopment Authority (the "Authority" or the "SRA"), in consultation with the Master Developer ("LStar"), and has been delivered to the Commonwealth in accordance with that certain Second Amendment to Amended and Restated Memorandum of Agreement dated December 30, 2014. This Plan will serve to guide the Authority's planning process moving forward.

Recognizing the Project's significance to the region, this Redevelopment Plan provides a formula for returning NAS to its place as a critical component of the host and surrounding communities in accordance with the Authority's purpose to secure redevelopment in a manner that maximizes the opportunity for generating revenue to exceed the Towns' municipal services expenses.

The Plan informs the overall land use program, geographic concept plan, infrastructure requirements and projected fiscal and economic benefits applicable to the Project. This must be accomplished to advance the Authority's purposes and to support the overall financing plan associated with certain infrastructure improvements.

II. Project Background

NAS was one of nearly 100 military bases across the country listed as surplus as a result of the Base Realignment and Closure (BRAC) Act by Congress. The South Weymouth Naval Air Station was decommissioned by the Department of Defense ("DOD") on September 30, 1997.

The NAS covers approximately 1,450 acres that traverses the Towns of Abington, Rockland and Weymouth (collectively, the "Towns" or the "Host Communities"). In response to the DOD's decision to close NAS, the Towns requested that the Governor establish the Naval Air Station Planning Committee ("NASPC"), which was accomplished with the issuance of Executive Order 378 of 1995. The NASPC adopted a first reuse plan on January 27, 1998 to govern reuse of the NAS ("1998 Reuse Plan"). Subsequently, Chapter 301 of the Acts of 1998, as amended by Section 37 Chapter 303 of the Acts of 2008, was enacted to establish a Local Redevelopment Authority ("LRA"), the South Shore Tri-Town Development Corporation ("SSTTDC") to succeed NASPC as the sole entity responsible for pursuing the acquisition and redevelopment of NAS.

In October 2002, LNR South Shore LLC ("LNR") was selected by the SSTTDC as the Master Developer to develop the NAS on SSTTDC's behalf in accordance with the 1998 Reuse Plan. In May 2003, the U.S. Department of the Navy (the "Navy") completed the first transfer of property

to SSTTDC: a total of 549 acres, of which approximately 324 acres were subsequently conveyed to the Master Developer in 2006 for development.

LNR created a Master Plan for the NAS (the 'Village Center Plan'), named the development site 'SouthField', and developed a new reuse plan that was adopted by the Towns on May 5, 2005 (the "2005 Reuse Plan").

In 2007, construction commenced on the initial infrastructure to serve the northwest section of SouthField. This included upgrades to Shea Drive and the construction of Memorial Grove Avenue and Parkview Street along with all related utility systems. In 2010, SSTTDC issued its Series 2010A Bonds to finance necessary infrastructure (the accepted public ways of Shea Drive and Memorial Grove Avenue) to support ongoing and future development at NAS.

The Massachusetts Development Finance Agency issued $30M in bonds in 2010 to finance Phase 1 of the East-West Parkway (the "Parkway Bonds"), which bonds were secured by the Commonwealth and supported by anticipated growth in new state tax revenues to be generated by the Project. In the event such revenues are insufficient to support repayment of the Parkway Bonds, SSTTDC would be liable for payments in an amount to cover any deficiency between the level of debt service payable on the Parkway Bonds and the net new state tax revenue generated pursuant to the terms of the Parkway Financing MOA. The Authority is subject to these same obligations pursuant to Section 34(a) of its Enabling Act. The Master Developer may also be obligated for deficiency payments due to the state pursuant to the Third Amended and Restated Disposition and Development Agreement between the Authority and Master Developer dated June 30, 2017.

In 2011, housing construction at SouthField had commenced and the first residents began to move in. By the end of 2011, the Navy had transferred nearly ninety percent (90%) of the developable property at the NAS to SSTTDC, with the remaining land incorporated into a Lease in Furtherance of Conveyance (LIFOC) to SSTTDC.

For each fiscal year since the issuance of the Parkway Bonds, deficiency payments have been due from SSTTDC to the State due to a lack of adequate new state tax revenue generated from construction and business activity at NAS. Most recently, the Massachusetts Department of Revenue calculated a deficiency payment due to the State for FY2013 in the amount of $1,375,128.

In 2014, the SSTTDC was reconstituted and reorganized as the Southfield Redevelopment Authority pursuant to Chapter 291 of the Acts of 2014 (the "Act"). The Authority is maintained as the LRA, but the Act vests greater control over certain aspects of the redevelopment of NAS directly with the Towns, particularly with regard to zoning decisions, collection of taxes and provision of municipal services within the NAS. Pursuant to Section 20(a) of the Act, the Authority is authorized to issue up to $175 million of its bonds for the purpose of paying or refinancing all or any part of the cost of the project and its infrastructure improvements. The Authority is currently evaluating options to finance one or more major infrastructure projects within the next couple of years.

While the Act rescinded the 2005 Reuse Plan and Master Plan, it required that the redevelopment of NAS be accomplished in a manner consistent with the Reuse Plan and codified the fundamental provisions of the Reuse Plan's development parameters including the residential maximum (2,855 units) and commercial minimum (900,000 sf), passive and active recreation amenities and affordable housing. Moreover, the Act contemplated the deferral of any deficiency payments for fiscal years 2013 through 2018 until at least FY2019 so long as the Original Redevelopment Plan was submitted and approved of by the secretaries of Administration and Finance and Housing and Economic Development (the "Secretaries"). Approval of the Original Redevelopment Plan was granted by the Secretaries on December 30, 2014.

Since the passage of the Act and the approval of the Original Redevelopment Plan, the changes noted below have further positioned the project for a successful build-out.

New Master Developer & Zoning Amendments

In May 2015, the Authority consented to the transfer of interest in LNR to LStar. LStar immediately began working on a new Master Plan for SouthField. In order to accommodate the new Master Plan envisioned by LStar, the Zoning and Land Use By-Laws for NAS South Weymouth were amended by all three host communities. The intent of the zoning amendments was to allow increased square footage and density in certain areas of the project and to create districts that allow a mix of compatible uses aligned with the project's Smart Growth goals. One notable goal of the zoning amendments was to concentrate the commercial and mixed-use development along the East-West Parkway corridor within all three host communities.

Zoning amendments were approved as follows:

On November 18, 2015, the Town of Weymouth approved the creation of the Mixed Use Development Overlay District, comprised of three sub-districts: the Neighborhood Sub-District, Town Center Sub-District, and Discovery Sub-District. The Mixed Use Overlay District concentrates development near existing and planned infrastructure to maximize the efficient use of developable land and infrastructure. The Weymouth amendments provide that commercial development on land located in Weymouth may cause the total amount of commercial development on the site to exceed 2M sf by an additional 1M sf. In addition, within the Weymouth municipal boundary, additional units of age-restricted (55 and over) housing may be increased by 1,000 units, thereby increasing the overall residential development maximum to 3,855 units.

On May 2, 2016, Rockland Town Meeting approved the creation of the Rockland Development Overlay District, comprised of two sub-districts: the Rockland Town Center Sub-District and the Rockland Discovery Sub-District. The Rockland amendments allow for an additional 2M sf of commercial development on land located in Rockland, where previously a large portion of the underlying zoning only allowed only open space and/or golf course uses.

On June 6, 2016, Abington Town Meeting approved the creation of the Abington Development Overlay District, comprised of two sub-districts: the Abington Town Center Sub-District and the Abington Discovery Sub-District. The Abington amendments allow for an additional 1M sf of

commercial development on land located in Abington, where previously the underlying zoning only allowed open space and/or golf course uses.

As a result of the zoning amendments approved by the host communities, the overall potential development capacity of the site increased substantially. The residential maximum has increased from 2,855 units to 3,855 units, while the commercial development maximum could approach 4M sf.

Following the zoning amendment approvals by the Host Communities, LStar renamed the project 'Union Point' and advanced their Master Plan design. A Draft Supplemental Environmental Impact Report (DSEIR) is expected to be submitted to the Commonwealth in 2019. The DSEIR and this Redevelopment Plan Update incorporate many of the elements of LStar's Master Plan.

Parkway Phase 2 Completion

In May of 2016 the Commonwealth agreed to grant approximately $6.7M to the Authority for the construction of Phase 2 of the Parkway (the 'Patriot Parkway') between Trotter Road and the Delahunt Parkway within the Weymouth section of Union Point. Construction of the Patriot Parkway commenced immediately, and the roadway opened to traffic in November 2016, thus completing the 2.5 mile east-west connection across Union Point.

III. Development Overview

Union Point is a master planned, smart-growth community. When completed, Union Point will be a pedestrian-friendly community filled with a mix of homes, shops and businesses, restaurants, office space, a recreation center and green spaces. Union Point is one of the largest smart growth projects in Massachusetts and among the premier master planned initiatives in the country. Its design guidelines promote thoughtful site planning, traditional neighborhoods, natural resource conservation, environmental protection, open space and the construction of green buildings. The project was selected as a pilot project for the U.S. Green Building Council's LEED for Neighborhood Development sustainability rating system, LEED-ND.

The following are key goals, objectives, and elements of the Project:

1. Generate significant fiscal benefits. The Project is a generational opportunity to stimulate growth and generate new revenues for the Towns and the Commonwealth. The Union Point Redevelopment Financial Analysis attached hereto as Exhibit A and incorporated herein (the "Financial Analysis") indicates that this Project, as described in this Redevelopment Plan, will generate significant income for the Towns and the Commonwealth, well in excess of any expenses for municipal services. Further, once complete, the project is expected to generate greater than $4M in net new state tax revenues on an annual basis.

2. Create jobs and welcome commercial and retail businesses. Commercial land use will create jobs and the ad valorem tax base necessary to enhance the economic health of the Towns and Authority. Current projections indicate that

approximately 8,000 permanent jobs will be created at Union Point. The commercial space shall be designed to attract quality businesses, progressive industries (such as high technology, biotechnology and pharmaceutical), local start-up businesses and incubator programs.

3. Ensure smart growth and sustainable development. The Project is premised on smart growth principles of compact development, ample open space, a mix of housing and commercial development, and transportation choices. Shops, restaurants, offices and homes are designed to be located within walking distance of each other, or even in the same building. Sustainable and environmentally-friendly development is also integrated into this Redevelopment Plan with water conservation, re-use and building designs that will comply with generally accepted "green" design standards and environmentally-sensitive open space. Union Point will incorporate green building technologies into all aspects of its infrastructure design, construction and operation, and promote the use of green building technologies by its vertical residential and commercial builders as well.

4. Preserve open space. This Project is designed to preserve approximately 1,000 acres of the NAS for open space and recreation, including forests, grasslands and wetlands. The open space will protect important habitat and species, while also providing access to the public via a network of nature trails for walking and bicycling. Numerous recreational facilities, including parks, indoor and outdoor recreational centers, athletic fields, ball fields, bike paths, picnic areas and nature trails are incorporated into this Redevelopment Plan.

5. Diverse housing options to support smart growth and attract employers to the commercial development. The Project will provide a mix of housing, for different lifestyles, such as single-family homes, townhouses, condominiums, traditional apartments, and senior housing, phased-in over the next twelve (12) years. Many of the housing units will satisfy state requirements for affordability, as the Act requires a minimum of ten percent (10%) of the residential units at NAS must meet the requirements of "affordable" or "workforce" as defined in the regulations of the Authority. In view of the shortage of affordable housing in Massachusetts, the creation of additional housing options is expected to facilitate economic development.

6. Reduce traffic by offering transportation choices on site. The Project incorporates a number of options for on-site transportation, including a network of pedestrian and bike paths and frequent shuttle service to the adjacent commuter rail station and other transportation options on the South Shore.

7. Enhance sustainable development and conditions. The Project's objective is to improve environmental conditions at NAS through improved water quality, enhanced wetlands and habitat protection, remediation of contaminated soils and other improvements. Moreover, the Plan offers flexibility and adaptability so that it can thrive over generations even in the face of changing circumstances.

Recently, notable project milestones include:

- Occupancy permits for over 1,000 housing units have now been issued. Greater than 600 units of housing have been built and occupied within the past 3 years.
- The first commercial tenant, moved into the Mastlight Project located along the Patriot Parkway.

IV. Residential and Commercial Development Projections

A. Residential Development

Currently five residential projects are under construction at Union Point: Brookfield Village, Fairing Way (Phase 2), Stonebridge, White Street, and Woodstone Crossing. It is anticipated that by the end of FY2020 approximately 1,300 housing units will have been constructed and occupied at Union Point. During the following ten (10) years after that, residential development is expected to continue to in-fill along existing infrastructure corridors (Memorial Grove Avenue and the Patriot Parkway) and around the proposed Hangar Square section of Union Point at a pace similar what occurred during FY2017 and FY2018. The Financial Analysis contained within this Redevelopment Plan is based upon the assumption that all residential development (3,855 units) is completed by 2030.

Exhibit B-1 is a conceptual phasing plan for future residential development.

B. Commercial Development

The recent zoning amendments and the completion of the Patriot Parkway have opened up development opportunities for commercial businesses here at Union Point. The first commercial tenant has recently moved into ground-floor space along the Patriot Parkway in one of the apartment buildings within the Mastlight project. The Financial Analysis contained within this Redevelopment Plan is based upon the assumption that approximately 4M sf of commercial development is completed by 2033.

Exhibit B-2 is a conceptual phasing plan for future commercial development.

V. Infrastructure

To support the land sales and development activity described above, there is a requirement to invest in infrastructure at a total cost estimated to be $175M. Infrastructure includes the design and construction of roadways, sidewalks, landscaping, passive and active recreational facilities, amenities, electrical utility, natural gas utility, cable, telephone, wastewater collection and treatment facilities, permanent water supply and distribution, and building and runway abatement and demolition, among other requirements.

A. Transportation

The creation of a true East-West connection across Union Point between State Route 3 and State Route 18 was accomplished through the construction of the Patriot Parkway linking Trotter Road to the Delahunt Parkway within the Weymouth section of Union Point. In May of 2016 the Commonwealth agreed to grant approximately $6.7M to the SRA for the construction of the Patriot Parkway. Construction commenced immediately and the roadway opened to traffic in November 2016, thus completing the 2.5 mile east-west connection across Union Point.

As forecasted in 2014, the completion of the East-West Parkway within Union Point has led to an increase in commercial development prospects and retail prospects. Earlier this year, the first commercial tenant moved into ground floor space within the Mastlight project located along the Patriot Parkway.

Additional transportation improvements will be necessary to support the full residential and commercial build-out at Union Point. The widening of State Route 18, from State Route 3 in Weymouth to State Route 139 in Abington, is underway and is scheduled to be completed in FY2022. The Route 18 project includes widening the roadway to two lanes and adding a shoulder in each direction throughout the four-mile project corridor, replacing the bridge that carries Route 18 over the MBTA Kingston/Plymouth Commuter Rail line in Weymouth, reconstructing several existing intersections with traffic signal updates and safety improvements, and installing pedestrian and bicycle accommodations throughout the project area.

It is recognized that the East-Side Connectivity Improvements Project in Rockland is the most critical transportation project necessary to attract the amount of commercial businesses envisioned by the Master Plan. To that end, the Authority, in conjunction with the Town of Rockland, is evaluating design concepts to consider as part of a design alternatives analysis that will be used to help secure construction funding through one or more funding sources, such as the State Transportation Improvement Program.

Further, there are additional off-site transportation improvements that will be required to be completed at various stages during the build-out of Union Point. The timing of the off-site transportation improvements will largely be determined through the results of various traffic analyses/modeling and robust traffic monitoring programs performed throughout the build-out of Union Point.

B. Water

In accordance with the Memorandum of Agreement for Provision of Water and Wastewater Service between the Town of Weymouth and the Authority dated November 2016 (the "Weymouth MOA"), the Town of Weymouth has committed to provide the Authority up to 600,000 gallons of water per day on an interim basis. The water is to be supplied only to development located with the Weymouth section of Union Point.

At full build-out, it is anticipated that the development under the Redevelopment Plan could require up to approximately 2.1 million gallons of water per day. Several options for securing a reliable, affordable, permanent long-term water supply for Union Point have been explored including (and in no particular order) on-site sources, municipal sources, regional and private agreements, desalination options and the Massachusetts Water Resources Authority ("MWRA").

The MWRA (via a water main through Braintree) is still the primary option for a permanent water supply for Union Point. A secondary option for water supply that is being evaluated is the Aquaria Desalination Plant which serves the City of Brockton. The Aquaria connection may be less costly than the MWRA connection and may be able to provide all of the water capacity needed for the full build-out, but at a minimum would provide enough water capacity to serve the Abington and Rockland sections of Union Point.

The Authority is working with the neighboring communities to discuss local and regional needs. We are also evaluating our ability to help finance the design and construction of this critical water main to Union Point through one or more funding sources, such as the State Revolving Fund (SRF) Loan Program and/or the MassWorks Infrastructure Grant Program.

C. Wastewater

In accordance with the Weymouth MOA, the Town of Weymouth has committed to provide the Authority up to 540,000 gallons of wastewater disposal capacity per day on an interim basis. The wastewater disposal capacity is to be available only to development located with the Weymouth section of Union Point.

At full build-out, it is anticipated that the development under the Redevelopment Plan could generate an average daily wastewater flow of up to approximately 1.9 million gallons per day.

All sanitary wastewater generated at NAS has been discharged to the Weymouth collection system and then conveyed to MWRA's Deer Island treatment facility for treatment and disposal. It is the goal of the Redevelopment Plan to implement an environmentally sustainable approach, consistent with the proposed re-use of NAS that would use existing infrastructure to the extent possible, that would adhere to the principles of smart growth and that would capture, treat and reuse wastewater on-site. These principles will contribute to the overall goal of improved environmental and ecological conditions at NAS.

The 2007 Final Environmental Impact Report noted that the preferred alternative for wastewater treatment and disposal was an on-site wastewater treatment facility. After preparing a design for such a facility and conducting further on-site geotechnical studies, it appears that it may be more cost-effective and environmentally responsible to improve the existing wastewater collection and/or treatment systems within the host communities rather than constructing an on-site treatment facility that would require an extensive disposal area.

Detailed studies of the Town of Weymouth's collection system indicate that it would cost approximately $30M to upgrade the existing system. The upgrades would not only accommodate flows from Union Point, but would also provide much needed capacity for other new

development within the Town. Secondarily, upgrades to the Town of Rockland collection system and wastewater treatment plant may, at a minimum, create enough capacity to accommodate all of the wastewater generated from the Abington and Rockland sections of Union Point.

The Authority is working with the host communities to discuss local and regional needs. We are also evaluating our ability to help finance the design and construction of the wastewater system improvements through one or more funding sources, such as the SRF Loan Program and/or the MassWorks Infrastructure Grant Program.

D. Demolition

Since 2015, LStar has spent approximately $2.7M on abatement and demolition of former Navy buildings. The current Master Plan for Union Point includes salvaging a few of the former Navy buildings, most notably, Hangar #2. Therefore, the overall project demolition costs are lower than projected in 2014. The cost to abate and demolish the remaining Navy buildings is estimated to be $15M. In addition, since only a limited amount of former runway area was removed as part of the Patriot Parkway project, it is estimated that demolition of the existing runways/taxiways/apron areas is still approximately $7M.

E. Infrastructure Investment – Sources of Funding

The Authority recognizes that the major infrastructure projects needed to support the full build out of Union Point will only materialize if there is a concerted effort by the Authority, the Master Developer and the Commonwealth to provide the necessary funding where each entity is best suited to do so.

Pursuant to Section 20(a) of the Act, the Authority is authorized to issue up to $175 million of its bonds for the purpose of paying or refinancing all or any part of the cost of the project and its infrastructure improvements. The Authority is currently evaluating options to finance one or more major infrastructure projects within the next couple of years, focusing primarily on the permanent water supply and wastewater capacity projects.

The Master Developer will be required to fund most of the on-site infrastructure and site demolition work needed to position development parcels for sale.

Assistance from the Commonwealth under the SRF Loan Program, the MassWorks Infrastructure Grant Program, the State Transportation Improvement Program, etc. will be a vital part in moving key transportation and water/wastewater projects forward.

F. Infrastructure Investment – Project Cost Estimates

The following table describes the anticipated uses of infrastructure funds:

Projects	Primary Options	Cost Estimates
Permanent Water Supply	MWRA	$27M
Permanent Wastewater Capacity	Off-Site Upgrades to Weymouth Collection System	$30M
East-Side Connectivity Improvements	Delahunt Parkway to Route 3	$20M
Abatement and Demolition of former Navy Buildings and Runways		$22M
On-Site Roads and Utilities		$50M
Off-Site Roadway Improvements (per 2007 FEIR)		$26M
TOTAL		$175M

VI. Open Space & Amenities

Union Point's open space and recreation facilities are integral elements of the Redevelopment Plan. Approximately 1,000 acres of land will be publicly accessible open space and recreational facilities. The Project is designed to create a naturally balanced, healthy and livable community.

A. Open Space

This Plan is intended to preserve significant amounts of open space, including:

- approximately 383 acres of wetlands, rivers, streams and wetland resource buffers;
- large areas of bordering land that lie between developed areas of NAS and surrounding neighborhoods in the Towns (including the Public Benefit

Conveyance (PBC) property owned by the Authority and obtained from the National Park Service through the Federal Lands to Parks Program; and

- parks and landscaped areas that beautify and help define neighborhoods.

B. Recreation Areas

A range of public recreational areas and amenities is proposed to meet the needs of on-site residents and the Towns, including:

- Passive Recreational Areas: The passive recreational areas will allow people to connect with the natural environment. The centerpiece will be a publicly accessible trail system running throughout NAS that includes wooded spaces, wetland buffers and spots for sitting, picnicking and wildlife observation. Since 2015, LStar has opened up approximately five (5) miles of walking trails within Union Point, accessible from both the north (Weymouth) and south (Abington/Rockland) ends of the site;

- Outdoor Sports Facilities: The outdoor sports facilities may include several multi-purpose playing fields and hard courts for activities such as baseball, basketball, football, soccer, softball and tennis. In 2017, LStar commenced construction on a 25-acre Recreation Complex. The complex is expected to feature four multipurpose synthetic fields (two covered with air-supported structures seasonally), an outdoor hockey rink, outdoor basketball courts, renovation of the existing gymnasium building, a mini Fenway whiffle ball field, a dog park, playground and restaurant. The four fields have been completed and remaining site features are expected to be completed in 2019.

- Indoor Sports Facility: An indoor sports facility could provide a venue for indoor sports such as soccer, lacrosse, ice and floor hockey, basketball, handball and weight training. The facility would provide a year-round option for team sports and individual training. In addition, a separate wellness facility may house offices for dietary consultations, sports medicine, physical therapy and other related activities. An indoor pool may be constructed on-site;

- Sidewalks on all public roadways to encourage walking;

- Trails connecting destinations in developed areas via scenic routes through open spaces;

- Bicycle paths to encourage bicycle use between the various neighborhoods;

- Bicycle lanes on main roads to encourage bike trips over longer distances; and

- Low traffic speeds on local streets to encourage bicycle use in the travel lanes and pedestrian-friendly crossings.

VII. Plan Revisions

This Redevelopment Plan may be amended by a vote of the Authority Board of Directors in accordance with the Act and after receiving written approval by the Secretary of Administration and Finance and Secretary of Housing and Economic Development; provided, however, that the following amendments shall not require any such state approval: exact locations of roads and/or other infrastructure improvements, changes to any of the exhibits attached to this Plan, changes to any non-binding language included in this Plan (including, for example, language concerning projection of fiscal, economic or infrastructure impacts) or changes to other aspects of this Plan (particularly to the extent required by state or federal regulatory authorities in connection with permitting review).

EXHIBIT A

FINANCIAL ANALYSIS

January 2019

Union Point Redevelopment Financial Analysis
Southfield Redevelopment Authority

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1. SUMMARY FINDINGS

INTRODUCTION AND APPROACH

RKG Associates (RKG) has prepared this updated Redevelopment Financial Analysis for the continued redevelopment of Union Point (UP), formerly Southfield (the former South Weymouth Naval Air Station). The primary focus of this assignment is to provide the Southfield Redevelopment Authority (SRA) with an independent forecast of the future tax revenues applicable to support debt financing provided by the Commonwealth of Massachusetts. The SRA is a quasi-public entity created by statute in 2014 to oversee the redevelopment of the properties acquired from the U.S. Navy after the closure of the base. The redevelopment is being undertaken by LStar, the master developer.

Figure I – Conceptual Rendering of Union Point

RKG was also tasked with reconciling the data submission to the Commonwealth regarding the applicable net tax revenues needed to cover the debt service on infrastructure bonds issued on behalf of the SRA for Fiscal Years 2014 through 2018. This reconciliation follows the forecast.

To help catalyze the redevelopment of Union Point, in 2010 the Commonwealth issued bonds backed by the estimated "net new" income and sales taxes to be generated by the project from construction and ongoing operations, proceeds of which were used to construct needed infrastructure, namely the main east-west roadway through the property (Parkway).[1] Under

[1] This was an early use I-Cubed program (ST. 2006, c. 293, as amended by St. 2008, c. 129) at 801CMR 51.

the terms of the bond agreement, any deficits (annual debt service less net new taxes) are to be paid by the SRA and/or the master developer. The bonds were refunded in 2017 to take advantage of reduced interest rates.

To collect information needed for the analysis, RKG met with representatives of SRA, toured the Union Point development and reviewed the current development (through FY 2018)[2], as well as the proposed development plans (FY 2019 through FY 2040). RKG also reviewed the applicable statutes and the agreements between the SRA or its predecessor organization, the South Shore Tri-Town Development Corporation (SSTTDC), along with SRA financial documents. RKG also reviewed confidential information provided by the master developer, LStar Ventures LLC (LStar) regarding prospective sales and land development proposals. Costs associated with current and planned construction were provided by SRA and LStar. Metrics for analyzing applicable "net new" income and sales tax receipts, which may be applicable in retiring the existing I-Cubed-type bonded debt, were provided by the Massachusetts Department of Revenue (DoR).[3]

SUMMARY OF FINDINGS

A summary of RKG's findings are presented next, first for the period prior to FY 2019 and then for FY 2019 moving forward, the former reflective of "what has happened" and the latter reflective of "what is planned". The reconciliation of FY2014 – FY2018 net revenues follows this section of the report.

PRIOR TO FY 2019

In 1997 the United States Navy closed the South Weymouth Naval Air Station under the then current Base Realignment and Closure (BRAC) Act. A reuse master plan was developed by the SSTTDC and in 2003, the Navy conveyed 549 acres of property at the base to the SSTTDC, which had retained a master developer (LNR) to undertake the redevelopment for 324 of the acres, which were subsequently transferred to LNR in 2006. The SSTTDC and its three member communities developed a revised Reuse Plan and enacted zoning and land use regulations in 2005. In order to facilitate the redevelopment process, the Commonwealth of Massachusetts issued bonds for the construction of certain infrastructure elements, including the Parkway, the new major east-west roadway through the property. The debt service for the $30.5 million Parkway bonds was anticipated to be covered (including a 1.5X debt service coverage factor) by the "net new" income and sales taxes derived from activities on the

[2] The Fiscal Year ends June 30.

[3] Memorandum of Agreement (MOA) on financing for the South Shore Tri-Town Development Corporation's Parkway, with the Massachusetts Executive Office for Administration and Financing (ANF), dated January 31, 2008. Subsequently amended March 4, 2010; June 15, 2010; and, December 30, 2014.

property including construction and ongoing employment and retail sales. The amount of net new taxes was determined through the projection of development and occupancy, starting in 2011 and progressing steadily through 2034 and resulting in a total of 2 million square feet of retail, medical, lab and office space and 2,855 residential units, along with "displacement" factors developed by the Department of Revenue (DoR). The displacement factors determine the amount of employment and sales taxes that are considered new to the Commonwealth and were derived from the percentage of total output that is imported into the state based on DoR's analysis and econometric modelling.

Payment of the debt service on the Parkway bonds is the obligation of the Commonwealth. However, a 2008 and subsequent 2010 Memorandum of Agreement (MOA) between the SSTTDC and the state, obligated the SSTTDC to make up any deficiencies between the actual net new tax revenues and the annual debt service in any given year that tax revenues fell short. An amendment to the MOA in 2014 allowed for the deferral of cumulative deficiency payments until 2019, or beyond with the approval of the Secretary of Administration and Finance (ANF).

In 2014, based in part on the impact of the "great recession" on the progress of the development plan, and the subsequent change of master developer from LNR to Starwood Capital Group and then to a subsidiary, LStar Ventures, the Commonwealth passed Chapter 291 which reorganized the SSTTDC into the Southfield Redevelopment Authority, limiting the agency's powers and responsibilities, and allowing the three Towns to assess and collect the base ad valorem property taxes at Union Point. The new law also ended the Reuse Plan as the guiding document and transferred control over zoning changes to the three Towns. In addition, the last amendment to the MOA provided for any cumulative deficiency payments from 2013 to 2018 to be amortized over a 22-year period beginning in 2020.[4]

From FY 2011 through FY 2013, the annual net new tax receipts (income and sales), as certified by DoR, fell short of the required annual debt payments by a cumulative $2.37 million. The SSTTDC reimbursed DoR for the FY11 & FY12 deficits, leaving a remaining deficit of $1,375,128 from FY13.

- This was not unexpected, since a March 2009 review prepared by RKG in cooperation with the Executive Office of Administration and Finance (ANF) and DoR indicated a 20 to 30-year absorption period for the project. This earlier analysis also estimated debt payment shortfalls through FY 2016, resulting in a cumulative deficit through FY 2022.

It should be noted that the originally proposed redevelopment was initiated prior to the Great Recession and the resulting steep decline in the housing market and other real estate activity.

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[4] Second Amendment to Amended and Restated Memorandum of Agreement, December 30, 2014, Section 4

- As an example, the originally projected delivery for residential (FY 2010 through FY 2013) was 366 units, however only 278 units were built.
- The originally projected delivery of commercial square footage (SF) was for 375,000 SF while an estimated 10,000 SF (ground floor space with residential above) was delivered.
- Similarly, the originally projected residential development for FY 2014 through FY 2018 was for 843 units and 642 units were delivered.
- The commercial sector development called for 600,000 SF of development while 59,500 SF was delivered, including the continuing care facility.

RKG estimates that for the FY 2014 through FY 2018 time-period, there has been an additional $852,000 to $4.1 million shortfall in debt service coverage, indicating a cumulative shortfall of slightly more than $2.2 million to $5.4 million over the FY 2013 through FY 2018 period.[5] According to the 2014 2nd Amendment to the MOA, any deficits can be deferred until the beginning of FY 2019 or beyond. To RKG's knowledge, no specific mechanism for payment of any deficits, or the amortization described in the amended MOA, has been developed.

The Parkway bonds were refinanced in 2017, reducing the interest costs. It is RKG's understanding that prior deficits were not to be "rolled" into the current bond schedule (FY 2019 moving forward), and that an outstanding SRA obligation exists.

FORWARD FROM FY 2019

According to the SRA, the revised development schedule for FY 2019 through FY 2040 calls for a total of 2,935 residential units and nearly 3.89 million SF of office (85%) and retail space (15%) to be built and occupied. To-date, 920 residential units have been completed (through FY 2018), with 309 under construction. Over 29,000 square feet of commercial shell space, including retail space on the first level of several mixed-use buildings, has also been built along with a 40,000 square foot nursing home facility. Additional activity at Union Point has included short term land leasing for storage of automobiles and the use of the remaining historic runways and hangar building as an occasional movie filming venue.

According to the schedule, slightly more than 71% of the proposed commercial development is anticipated to occur in FY 2025 or later, suggesting that future net new tax revenues from income tax and sales tax receipts will occur later in the development phasing. The development plan is presented in Table 1 and indicates estimated net new tax receipts of $1.23

[5] This variance depends on whether an estimate of net new taxes (income and sales) as provided by the developer is used, or if an estimate developed by RKG, using developer input and DoR metrics, is used. Revenue data for the FY 2014-FY 2017 was compiled and submitted to DoR by LStar in total, while FY 2018 data was submitted separately. See tables 4-8 that follow for more detail.

million in FY 2019, increasing to $4.15 million in FY 2040 (constant 2018 dollars). The estimated cumulative *net new* tax receipts over this timeframe total nearly $78.62 million.

In September 2018, LStar issued a RFP to builder/developers for certain parcels of residential land, with an anticipated time frame of construction starting in 2019. According to information provided by the master developer, there are currently six purchase and sales agreements (P&S) or signed letters of interest (LOI) for the construction of 865 residential units on 36.7 acres. These units represent 73 percent of the 1,182 units planned to be built and occupied between 2019 and 2022. Included with the residential development is 10,000 square feet of retail space in a mixed-use building. A LOI is in place for the sale of 4 acres for the construction of a large indoor ice hockey facility. Two additional LOIs for housing projects have been reported to be signed or in process. In addition, an investment group has submitted a preliminary proposal to acquire 50 acres for a robot-focused theme park and robotic technology research center, which would include extensive amusement, retail and entertainment activities as well as office and R&D, consistent with the Smart City planning for Union Point. No detailed information on this concept has been provided to-date.

Table 1 – Union Point – Phased Development Plan and Estimated Net New Tax Receipts

Res. Units Planned (SRA)	Commerical Square Feet Planned (SRA)			SRA projected revenues from net new taxes	FY	Construction (RKG estimates)		Ongoing Activities (RKG estimates)			"Net New" Taxes
	Non-Retail	Retail	Total			Income Tax	Sales Tax	Non-Retail Income Tax	Retail Income Tax	Retail Sales Tax	TOTAL
					2018						*$ 1,400,450*
155	-	3,000	3,000	$ 2,525,620	2019	$ 772,457	$ 451,684	$ 427	$ 633	$ 783	$ 1,225,984
229	-	15,000	15,000	$ 2,601,136	2020	$ 707,948	$ 411,953	$ 427	$ 3,844	$ 4,755	$ 1,128,928
295	102,000	6,642	108,642	$ 2,678,911	2021	$ 878,981	$ 509,097	$ 58,309	$ 5,287	$ 6,540	$ 1,458,214
503	167,000	8,700	175,700	$ 2,759,013	2022	$ 1,372,826	$ 791,569	$ 163,699	$ 7,206	$ 8,914	$ 2,344,214
433	400,000	75,000	475,000	$ 2,841,512	2023	$ 1,831,207	$ 1,050,977	$ 529,444	$ 23,995	$ 29,682	$ 3,465,305
362	176,750	165,632	342,382	$ 2,926,479	2024	$ 1,605,286	$ 917,451	$ 691,688	$ 61,629	$ 76,236	$ 3,352,290
363	185,000	82,371	267,371	$ 3,013,987	2025	$ 1,370,884	$ 933,862	$ 860,862	$ 80,626	$ 99,735	$ 3,345,970
173	250,000	33,000	283,000	$ 3,104,114	2026	$ 951,579	$ 656,304	$ 1,186,097	$ 88,351	$ 109,291	$ 2,991,622
159	540,000	25,000	565,000	$ 3,196,937	2027	$ 1,671,987	$ 942,364	$ 1,648,306	$ 94,291	$ 116,638	$ 4,473,586
158	250,000	50,000	300,000	$ 3,292,538	2028	$ 1,191,267	$ 669,313	$ 1,983,371	$ 106,348	$ 131,554	$ 4,081,853
55	250,000	50,000	300,000	$ 3,390,999	2029	$ 717,017	$ 411,607	$ 2,323,462	$ 131,010	$ 146,694	$ 3,729,789
50	250,000	50,000	300,000	$ 3,492,406	2030	$ 728,124	$ 424,398	$ 2,668,654	$ 131,010	$ 162,060	$ 4,114,247
	250,000	-	250,000	$ 3,596,846	2031	$ 541,869	$ 298,878	$ 3,019,025	$ 131,010	$ 193,662	$ 4,184,444
	250,000	-	250,000	$ 3,704,412	2032	$ 558,125	$ 306,350	$ 3,374,651	$ 131,010	$ 234,331	$ 4,604,467
	250,000	-	250,000	$ 3,815,197	2033	$ 574,869	$ 314,009	$ 3,735,611	$ 131,010	$ 287,056	$ 5,042,554
				$ 3,929,296	2034	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
				$ 4,046,809	2035	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
				$ 4,167,838	2036	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
				$ 4,292,489	2037	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
				$ 4,420,870	2038	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
					2039	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
					2040	$ -	$ -	$ 3,735,611	$ 131,010	$ 287,056	$ 4,153,676
2,935	**3,320,750**	**564,345**	**3,885,095**	**$ 67,797,410**	**N/A**	**$ 15,474,428**	**$ 9,089,817**	**$ 48,393,310**	**$ 2,044,325**	**$ 3,617,320**	**$ 78,619,200**

Source: SRA, RKG, DoR (2018)

EMPLOYMENT COMPARISONS

RKG considered the annual employment forecasts for office and retail developed by SRA, and compared these with the metrics used by DoR, utilizing the development plan (amount of SF) and phasing (refer to Table 2). The SRA estimates, at full build-out, represent an approximate 5,190 employment increase over the RKG/DoR forecast, largely reflecting differing assumptions for the average general and medical office employment sectors.

Table 2 – Union Point – Employment Comparisons

Year	FY	Employment Estimates		
		SRA	RKG/DoR	% Δ SRA vs RKG/DoR
1	*2018*	*53*	*71*	*-24.7%*
2	2019	7	7	4.8%
3	2020	35	29	23.0%
4	2021	526	143	268.2%
5	2022	385	286	34.6%
6	2023	1,904	908	109.6%
7	2024	879	669	31.5%
8	2025	1,003	502	99.9%
9	2026	987	701	40.8%
10	2027	2,028	998	103.3%
11	2028	1,027	733	40.0%
12	2029	1,027	733	40.0%
13	2030	1,027	733	40.0%
14	2031	909	638	42.6%
15	2032	909	638	42.6%
16	2033	909	638	42.6%
17	2034			
18	2035			
19	2036			
20	2037			
21	2038			
22	2039			
23	2040			
N/A	**N/A**	**13,614**	**8,424**	**61.6%**

Source: SRA, RKG and DoR (2018)

TAX RECIEPTS AND BOND PAYMENTS

Tax receipts to the Commonwealth from construction wages and material sales, and from on-going employment and retail sales across Union Point, were calculated using the metrics used by DoR in previous analyses. These included sales and employment per square foot, construction costs and the percentage going to labor and materials, as well as the *displacement factors* or amount of tax that is considered "net new" to the Commonwealth and applicable to

service the debt on the bonds issued. Also included in the DoR metrics was a 3 percent inflation rate for construction wages and 2.5 percent rate for construction materials. RKG added an inflation rate for on-going sales and wages of 1.5%.

The net new income and sales taxes were then compared to the debt service on the Series 2017 Bonds issued by the Commonwealth ($24,835,000) and the debt service coverage calculated. Referring to Table 3, the estimated annual net new tax receipts fall short of repaying the debt schedule through FY 2021 and cumulatively through FY 2022 (similar to what was estimated in the March 2009 findings).

- Over the entire timeframe there is an estimated net surplus after debt service of $41.7 million.
- The maximum additional deficit that will be incurred, based on the refunded bonds, is $1.4 million occurring in 2021. In 2022 the net new taxes exceed debt service (with a debt service coverage ratio of 1.4) and in 2023 the debt service coverage increases to 2.08, increasing thereafter. Given the current development schedule, the ability to recoup the cumulative deficits to-date will likely take another 4 to 5 years to achieve.
- The recoupment may occur faster based on the accelerated rate of land transfers and construction now under agreement and/or being contemplated.
- Over the term, the net new taxes represent an average 2.05 debt coverage ratio (DCR), exceeding the required 1.5 DCR.
- Approximately 31.2% of the new tax revenues are the result of the construction activity with 19.7% from income tax receipts on wages and 11.6% from sales tax receipts on materials. The remaining 68.8% of estimated net new tax receipts is a result of the ongoing business activities with 4.6% from sales tax on retail activity, 2.6% from income tax receipts from retail and 61.6% from the income tax receipts on office and other employment.
- Overall, nearly two-thirds ($48.4 million) of the estimated net new tax receipts are derived from the income tax on office and other non-retail ongoing employment. This was calculated by RKG using a displacement factor of 0.837, or the reciprocal "net new" factor of 0.163, which represents a blended average across 21 office-using sectors developed by DoR, ranging from 0.019 (healthcare) to 0.719 (information services). Manufacturing uses, for which the net new factors range from 0.41 to 0.718, were not included in the previous analyses or in this one. ***Without knowing the specific types of businesses that will be located at Union Point, this average approach likely underestimates the potential net new income taxes that will be generated by the development.***
- The greatest contribution to debt service from net new taxes comes from the future office, R&D and manufacturing jobs that will locate at Union Point. The attraction of firms with lower displacement factors, such as information technology, R&D and manufacturing will positively impact the ability of the project to meet it debt service requirements.

Table 3 - Bond Payments and Required Tax Revenues

Year	FY	"Net New" Taxes	Series (November 1) 2017 Bonds ($24,835,000)					
		TOTAL	Principal	Interest	TOTAL	DCR	Over or Under	Cumulative
1	*2018*	***$ 1,400,450***	***$ 815,000***	***$ 791,950***	***$ 1,606,950***	*0.87*	*$ (206,500)*	*$ (206,500)*
2	2019	**$ 1,225,984**	$ 650,000	$ 1,026,100	**$ 1,676,100**	0.73	$ (450,116)	$ (656,616)
3	2020	**$ 1,128,928**	$ 680,000	$ 992,850	**$ 1,672,850**	0.67	$ (543,922)	$ (1,200,538)
4	2021	**$ 1,458,214**	$ 715,000	$ 957,925	**$ 1,672,925**	0.87	$ (214,711)	$ (1,415,248)
5	2022	**$ 2,344,214**	$ 755,000	$ 921,175	**$ 1,676,175**	1.40	$ 668,039	$ (747,209)
6	2023	**$ 3,465,305**	$ 785,000	$ 882,725	**$ 1,667,725**	2.08	$ 1,797,580	$ 1,050,370
7	2024	**$ 3,352,290**	$ 825,000	$ 842,475	**$ 1,667,475**	2.01	$ 1,684,815	$ 2,735,186
8	2025	**$ 3,345,970**	$ 870,000	$ 800,100	**$ 1,670,100**	2.00	$ 1,675,870	$ 4,411,055
9	2026	**$ 2,991,622**	$ 915,000	$ 755,475	**$ 1,670,475**	1.79	$ 1,321,147	$ 5,732,202
10	2027	**$ 4,473,586**	$ 955,000	$ 708,725	**$ 1,663,725**	2.69	$ 2,809,861	$ 8,542,063
11	2028	**$ 4,081,853**	$ 1,005,000	$ 659,725	**$ 1,664,725**	2.45	$ 2,417,128	$ 10,959,192
12	2029	**$ 3,729,789**	$ 1,060,000	$ 613,400	**$ 1,673,400**	2.23	$ 2,056,389	$ 13,015,581
13	2030	**$ 4,114,247**	$ 1,100,000	$ 570,200	**$ 1,670,200**	2.46	$ 2,444,047	$ 15,459,628
14	2031	**$ 4,184,444**	$ 1,140,000	$ 525,400	**$ 1,665,400**	2.51	$ 2,519,044	$ 17,978,672
15	2032	**$ 4,604,467**	$ 1,185,000	$ 478,900	**$ 1,663,900**	2.77	$ 2,940,567	$ 20,919,238
16	2033	**$ 5,042,554**	$ 1,235,000	$ 430,500	**$ 1,665,500**	3.03	$ 3,377,054	$ 24,296,292
17	2034	**$ 4,153,676**	$ 1,285,000	$ 380,100	**$ 1,665,100**	2.49	$ 2,488,576	$ 26,784,868
18	2035	**$ 4,153,676**	$ 1,335,000	$ 327,700	**$ 1,662,700**	2.50	$ 2,490,976	$ 29,275,845
19	2036	**$ 4,153,676**	$ 1,390,000	$ 273,200	**$ 1,663,200**	2.50	$ 2,490,476	$ 31,766,321
20	2037	**$ 4,153,676**	$ 1,445,000	$ 216,500	**$ 1,661,500**	2.50	$ 2,492,176	$ 34,258,497
21	2038	**$ 4,153,676**	$ 1,500,000	$ 157,600	**$ 1,657,600**	2.51	$ 2,496,076	$ 36,754,573
22	2039	**$ 4,153,676**	$ 1,565,000	$ 96,300	**$ 1,661,300**	2.50	$ 2,492,376	$ 39,246,949
23	2040	**$ 4,153,676**	$ 1,625,000	$ 32,500	**$ 1,657,500**	2.51	$ 2,496,176	$ 41,743,125
N/A	**N/A**	**$ 78,619,200**	**$ 24,835,000**	**$ 13,441,525**	**$ 38,276,525**	**2.05**	**$ 41,743,125**	**N/A**

Source: SRA, RKG and DoR (2018)

OTHER CONSIDERATIONS

Although not included in the preceding tables, RKG also developed an estimate of the overall consumer (retail) spending power of the new households, some of which will likely be captured at the proposed retail venues at Union Point.

- The rolling cumulative estimate of sales tax receipts from the 2,935 households to be built FY 2019 through FY 2030, in combination with the existing 920 units (built FY 2012 through FY 2018), is $8.56 million over the FY 2019 to FY 2040 timeframe, averaging nearly $120 annually (constant dollars) per household. These have been adjusted by the previously noted DoR metrics and RKG assumed that 25% of the total household spending would be net new.[6] While such spending, and estimated net new sales tax receipts, may not be applicable to retiring the bond debt, they nonetheless represent additional net new tax receipts to the Commonwealth.

RKG also understands that the SRA has the capacity to impose an ad valorem property tax (special assessment) on development within Union Point, in addition to the ad valorem real estate taxes paid by property owners to the underlying jurisdictions. The SRA rate is currently set at $0.50 per $1,000. The existing residential and commercial properties, with an estimated assessed value of nearly $260.1 million, represents nearly 3.5% of Weymouth's total FY 2018 valuations. The ad valorem taxes from this valuation, coupled with personal property taxes for Union Point, account to nearly $131,300, which is applied to the SRA operating budget. With the planned increase in taxable property at UP, the application of an additional special assessment might be contemplated as a means of increasing the contribution towards debt service payments or refunding the current cumulative deficiency payments.

Similarly, a revision to the displacement factors and other metrics used to estimate the applicable income and sales derived from the Union Point development, could also enhance the debt service coverage available as the project progresses (see following section for more detail).

[6] Reflecting the assumptions that some of the household spending is included in the estimated on-site sales, some of the household spending may represent sales transfer from other area retailers and that some portion of the households may not necessarily be new households but rather a relocation of some existing households.

RECONCILLIATION OF DEFICIENCY PAYMENTS

Since FY 2010, the SRA and its predecessor organization did not meet the 1.5X debt service coverage requirement set out in the Memorandum of Agreements for the infrastructure bonds issued by the Commonwealth. To the best of RKG's understanding, as of the end of FY2013, the cumulative deficiency payment was approximately $1,375,000. The SRA's predecessor agency had previously paid the FY 2011 and FY 2012 deficits totaling approximately $990,000. DoR is now analyzing tax receipts for FY 2014 through FY 2018 to determine any additional deficiency, which RKG estimates could add another $852,000 to $4.1 million to the deficiency total.

RKG Associates (RKG) was also tasked to complete a reconciliation of the reported FY 2014-FY 2017 and FY 2018 estimates of "net new revenues", as represented by incremental sales tax and income tax receipts, from the ongoing development of Union Point, in order to determine the current cumulative deficit. This analysis augments the information presented above, which forecasts estimated tax revenues, but used different baseline data to estimate future applicable incremental tax revenues. The analysis above concludes that the Union Point project would continue to operate at a deficit – where applicable tax revenues do not cover the approximate $1.66 million annual debt service on the Series 2017 bonds issued by the Commonwealth – for approximately three more years before breaking even and thereafter reducing the existing cumulative deficit. That forecast utilizes development program data and forecasts provided by the master developer (LStar) to the SRA, and the assumptions and factors used to calculate the applicable incremental revenue described in Scenario 2 below. This reconciliation analysis uses actual spending data provided to the SRA by LStar as the basis for calculating the tax revenues.

This reconciliation analysis entails several components including the following scenarios:

- First, a review of the estimated incremental revenues as reported by the master developer LStar. This is referred to as **Scenario 1**.

- Second, RKG's estimated incremental revenues, as reported by the master developer but as adjusted with alternative inputs and assumptions deemed applicable per RKG's understanding of the Memorandum of Agreement on Financing for the South Shore TriTown Development Corporation's Parkway (dated 31 January 2008) and its subsequent revisions and updates (**Scenario 2**).[7]

[7] Throughout this narrative much of the data is presented as rounded for ease to the reader. The unrounded data appears in the supporting tables.

- Third, RKG estimate of the incremental revenues, as adjusted in the preceding narrative, but as also adjusted using more "current" and generally accepted DoR assumptions based on RKG's recent I-Cubed analyses (**Scenario 3**).

- Fourth, these incremental tax revenues are compared to the pre-existing deficit (FY 2013) plus annual debt service on the bonds originally issued in 2010 by the Commonwealth for the Parkway and refinanced in 2017.

Findings of the incremental revenue analyses are summarized in Table 4 and shown graphically in Figures 1 & 2 and presented in greater detail the remainder of this section.

Table 4 – Reconciliation of Scenarios for Estimating Incremental Tax Receipts – Union Point

Source of Estimated Revenues	FY2014-FY2017			FY2018		
	Income Tax	Sales Tax	*Total*	Income Tax (3)	Sales Tax	*Total*
Consultant Fees (1)	$ 551,278		$ 551,278	$ 312,832		$ 312,832
Developer Wages	$ 3,160,418		$ 3,160,418	$ 870,536		$ 870,536
Materials		$ 2,284,197	$ 2,284,197		$ 629,353	$ 629,353
Permanent Jobs	$ 79,229		$ 79,229	$ 19,807		$ 19,807
Vendor Services (2)	$ 129,992		$ 129,992	$ -		$ -
Alternative	***$ 3,920,917***	***$ 2,284,197***	***$ 6,205,114***	***$ 1,203,175***	***$ 629,353***	***$ 1,832,528***
Average Annual			$ 1,551,279			

Source : Lstar, SRA, DoR and RKG Associates, Inc. (2019)

(1) These may be "soft costs" unapplicable, but if applicable metric for net new should be up to 100% and not 29.2% as per Lstar.

(2) These are associated with the Movie Production and are assumed to be related to income tax receipts.

(3) No wages were reported for FY2018 Permanent Jobs, RKG assumes these to be the annual average of FY2014-FY2017.

Figure 1

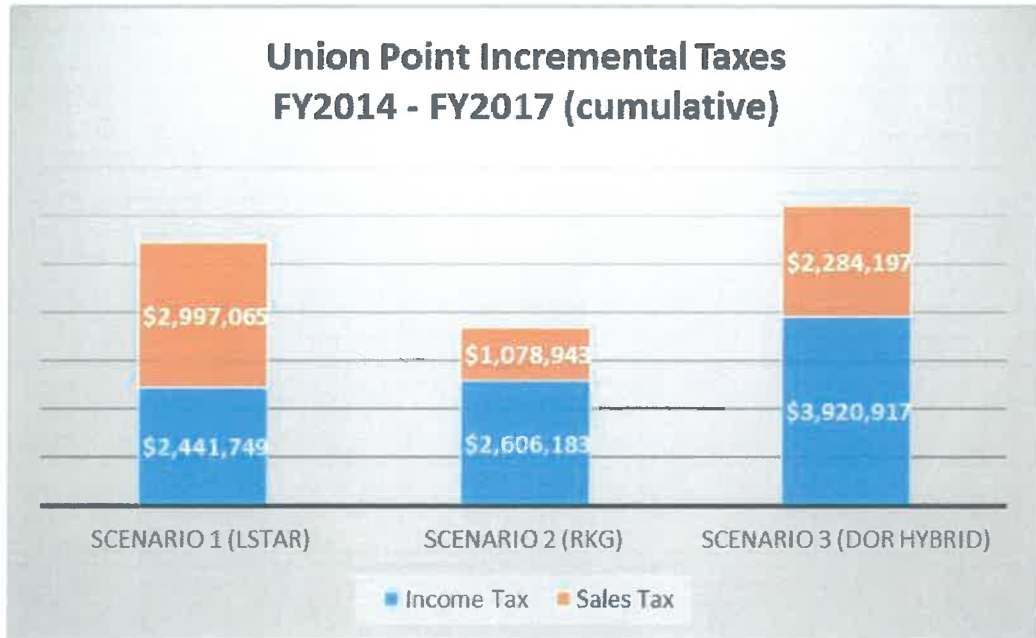
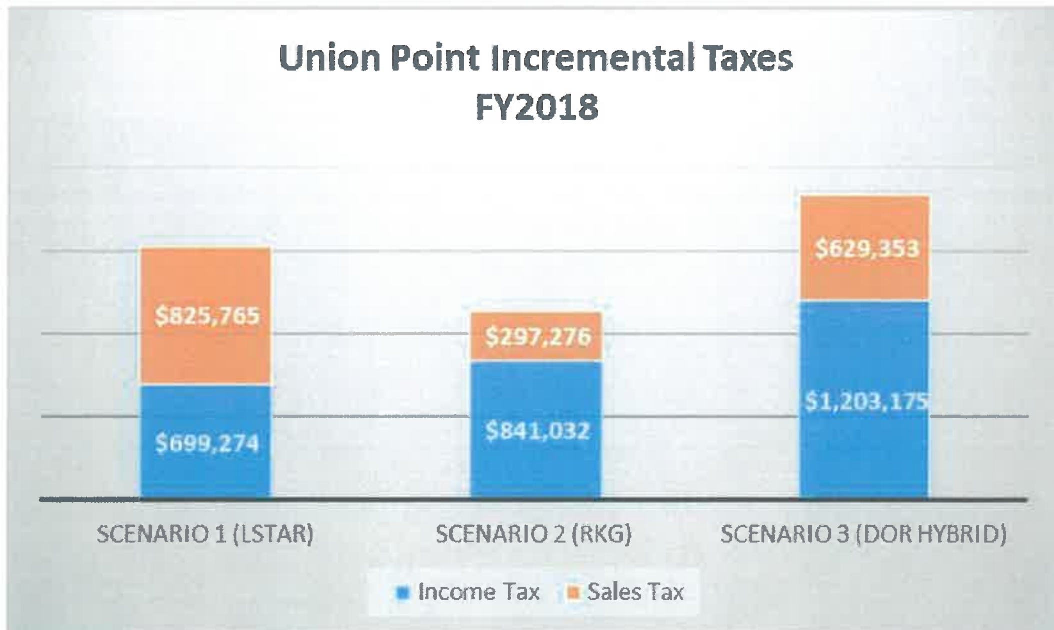


Figure 2



Scenario 1 - LStar Reported Revenues

Spreadsheet information regarding incremental sales and income tax from the build-out and ongoing activity at Union Point (reported at the vendor or expenditure level), as provided by LStar and was compiled and summarized[8] in Table 5, noting the following:

- **FY 2014-FY 2017** – Total (unadjusted) incremental tax receipts were $5.44 million, with 45%, or $2.44 million, from income tax receipts and $3.0 million (55%) from sales tax receipts. The data included approximately $162,000 of income tax receipts derived from taking 29.2% of fees paid to consultants, which are typically considered a "soft cost" of construction and therefore not applicable to incremental revenues. Removing this source brings the total incremental to $5.28 million, representing a reduction of 3.0%. However, if applicable, RKG notes that a larger share of consultant fees typically constitutes wages paid and would be subject to income tax and not the 29.2% used in the LStar analysis. No detail was provided regarding the make-up of the consulting fees paid to vendors.

- **FY 2018** – Total (unadjusted) incremental tax receipts were reported to be $1.53 million, with 42% or $600,000 from income tax receipts and $826,000 (58%) from sales tax receipts. If the income tax receipts derived from consultant fees, which may be considered a "soft cost" of construction, is excluded then the total incremental tax receipts equal $1.33 million, a decline of 6.4%.

The FY 2018 (unadjusted) receipts at $1.53 million represent a 12% increase over the FY 2014-FY 2017 average annual (unadjusted) receipts of $1.36 million.[9]

[8] This also specifically includes *Appendix 5 – Displacement Factors* (January 2008 MOA).

[9] The information provided to RKG was "lump sum" for the entire FY period and not FY specific.

Table 5 - Scenario I

Source of Estimated Revenues	FY2014-FY2017			FY2018		
	Income Tax	Sales Tax	*Total*	Income Tax (3)	Sales Tax	*Total*
Consultant Fees (1)	$ 160,973		$ 160,973	$ 91,347		$ 91,347
Developer Wages	$ 1,845,684		$ 1,845,684	$ 508,393		$ 508,393
Materials		$ 2,997,065	$ 2,997,065		$ 825,765	$ 825,765
Permanent Jobs	$ 398,137		$ 398,137	$ 99,534		$ 99,534
Vendor Services (2)	$ 36,954		$ 36,954	$ -		$ -
Total	***$ 2,441,749***	***$ 2,997,065***	***$ 5,438,814***	***$ 699,274***	***$ 825,765***	***$ 1,525,039***
Average Annual			$ 1,359,703			

Source : Lstar, SRA, DoR and RKG Associates, Inc. (2019)

(1) The Alternative Total treats these revenues as "soft costs" which are presumed not to be applicable as incremental revenues.

(2) These are associated with the Movie Production and are assumed to be related to income tax receipts.

(3) Not all sources were reported as generating revenue for FY2018 per LStar data provided.

Scenario 2 - RKG Alternative Estimate of Revenues

RKG took the data as provided by LStar and presented in Table 5 and then applied the following alternative inputs and assumptions (and further presented in Table 6):

- **Consultant Fees** – In general, RKG assumes these costs represent primarily labor paid to consultants for their work, and therefore subject to Massachusetts income taxes.

- **Materials** – The LStar information indicates that sales tax are applicable on 100% of materials purchases. The DoR guidelines in the MOA indicate that the taxable metric is 36%, which RKG has applied.

- **Permanent Jobs** – The LStar information indicates that 100% of the employment is net new, in other words there is no displacement. The DoR guidelines in the MOA, and as presented in Appendix 5, indicate that the net new factor for Rental and Leasing services is 19.9%, which RKG has applied. Additionally, the data provided by LStar did not include wages for the permanent jobs for FY2018. RKG used the average annual wage from the FY2014-FY2017 period for FY2018.

- **Vendor Services** – The LStar information indicates that 100% of the Movie Production is net new, in other words there is no displacement. The DoR guidelines in the MOA, and as presented in Appendix 5, indicate that the net new factor for the Motion Picture and Sound Recording industries is 71.9%, which RKG has applied.

Under the above noted inputs and assumptions, the estimates of incremental income and sales tax revenue, as shown in Table 6, include the following:

- **FY 2014-FY 2017** – Total incremental tax receipts equate to $3.69 million, with 71%, or $2.61 million, from income tax receipts and $1.08 million (29%) from sales tax receipts. Deducting Consultant Fees as soft costs results in a total of $3.13 million.

- **FY 2018** – Total incremental tax receipts equate to $1.14 million, with 74%, or $841,000 from income tax receipts and $297,300 (26%) from sales tax receipts. Deducting Consultant Fees as soft costs results in a total of $825,500.

Regardless if adjusted or not for Consultant Fees, the estimated incremental tax receipts as reported by LStar exceed those estimated by RKG, under the inputs and assumptions as noted.

Table 6 – Scenario 2

Source of Estimated Revenues	FY2014-FY2017 Income Tax	FY2014-FY2017 Sales Tax	FY2014-FY2017 *Total*	FY2018 Income Tax (3)	FY2018 Sales Tax	FY2018 *Total*
Consultant Fees (1)	$ 551,278		$ 551,278	$ 312,832		$ 312,832
Developer Wages	$ 1,845,684		$ 1,845,684	$ 508,393		$ 508,393
Materials		$ 1,078,943	$ 1,078,943		$ 297,276	$ 297,276
Permanent Jobs	$ 79,229		$ 79,229	$ 19,807		$ 19,807
Vendor Services (2)	$ 129,992		$ 129,992	$ -		$ -
Alternative	***$ 2,606,183***	***$ 1,078,943***	***$ 3,685,127***	***$ 841,032***	***$ 297,276***	***$ 1,138,308***
Average Annual			$ 921,282			

Source : Lstar, SRA, DoR and RKG Associates, Inc. (2019)

(1) These may be "soft costs" and inapplicable, but if applicable metric for net new should be up to 100% and not 29.2% as per Lstar

(2) These are associated with the Movie Production and are assumed to be related to income tax receipts.

(3) No wages were reported for FY2018 Permanent Jobs, RKG assumes these to be the annual average of FY2014-FY2017.

Scenario 3 – Utilization of "Current" DoR Metrics

This scenario considers the construction and other costs, as provided by LStar, as a starting point with the following variations. More recent I-Cubed analyses and peer review work undertaken by RKG on the behalf of ANF, has indicated the following:

- Construction wages represent 35% of hard construction costs (as opposed to 29.2% as applied in the MOA of 2008). Further, construction wages are considered 100% net new (as opposed to 70% in the MOA of 2008).

- Materials costs represent 31.2% of hard construction costs (as opposed to 33.2% in the MOA of 2008). However, materials subject to sales tax is 81.1% (as opposed to the 36% in the MOA of 2008).

- All other inputs and assumptions are as presented in Scenario 2.

Under the Scenario 3 inputs and assumptions, there is a significant increase in incremental income tax receipts although somewhat offset by a decline in sales tax receipts, as shown in Table 7.

- **FY 2014-FY 2017** – Total (unadjusted) incremental tax receipts equate to $6.21 million. This represents an increase of $766,300 over Scenario 1 (unadjusted).

- **FY2018** – Total (unadjusted) incremental tax receipts equate to $1.83 million. This represents an increase of $407,000 over Scenario 1 (unadjusted).

Table 7 – Scenario 3

Source of Estimated Revenues	FY2014-FY2017			FY2018		
	Income Tax	Sales Tax	*Total*	Income Tax (3)	Sales Tax	*Total*
Consultant Fees (1)	$ 551,278		$ 551,278	$ 312,832		$ 312,832
Developer Wages	$ 3,160,418		$ 3,160,418	$ 870,536		$ 870,536
Materials		$ 2,284,197	$ 2,284,197		$ 629,353	$ 629,353
Permanent Jobs	$ 79,229		$ 79,229	$ 19,807		$ 19,807
Vendor Services (2)	$ 129,992		$ 129,992	$ -		$ -
Alternative	***$ 3,920,917***	***$ 2,284,197***	***$ 6,205,114***	***$ 1,203,175***	***$ 629,353***	***$ 1,832,528***
Average Annual			$ 1,551,279			

Source : Lstar, SRA, DoR and RKG Associates, Inc. (2019)

(1) These may be "soft costs" and inapplicable, but if applicable metric for net new should be up to 100% and not 29.2% as per Lstar

(2) These are associated with the Movie Production and are assumed to be related to income tax receipts.

(3) No wages were reported for FY2018 Permanent Jobs, RKG assumes these to be the annual average of FY2014-FY2017.

Debt Service

The Commonwealth issued special obligation bonds in 2010 to fund the construction of the Parkway through the Union Point property. Debt service began to accrue in June 2011 with a payment of approximately $1.1 million followed by annual payments of approximately $1.9 million thereafter. Under the terms of a memorandum of agreement between the Commonwealth and the redevelopment agency (MOA), this debt service was to be offset by "net new" income and sales tax revenues from the construction and on-going activities at Union Point, with any deficit paid by the agency. This obligation to pay passed through to the Master Developer by way of a development agreement. The terms of MOA, as amended, permitted the Commonwealth to defer payments of deficits until 2019 or later.

The deficits for 2011 and 2012, amounting to just under $1 million, were paid by the South Shore Tri-Town Redevelopment Corporation, the predecessor to the Southfield Development Authority. The 2013 deficit amounted to $1,375,128 and remains outstanding. The debt

service on the original and refinanced bonds for FY 2014 through FY 2017 totals $7,282,525 and $1,606,950 for FY 2018.

Conclusion

Table 8 summarizes the outstanding deficit position of the Union Point project from FY 2013 through FY 2018, for each of the scenarios discussed above.

Looking forward, although the data used to develop the estimates of applicable incremental tax revenues in this reconciliation analysis and the previous forecast analysis are not the same (the reconciliation uses actual expenditure information from the master developer while the forecast used construction cost estimates based on building permits and development forecasts), the results are generally similar, and concur with the finding that revenues have not exceeded debt service in the past few years, but by a narrowing margin. Under Scenario 3, applicable revenues exceed debt service and begin to reduce the overall deficit.

Table 8 – Union Point Deficit Summary

	Scenario 1	Scenario 2	Scenario 3
FY2013 Deficit	($1,375,128)	($1,375,128)	($1,375,128)
FY2014-FY2017 Revenues	$5,438,814	$3,685,127	$6,205,114
less: FY2014-FY2017 Debt Service	($7,282,525)	($7,282,525)	($7,282,525)
Net Deficit/Surplus	($1,843,711)	($3,597,398)	($1,077,411)
FY2018 Revenues	$1,525,039	$1,138,308	$1,832,528
less: FY2018 Debt Service	($1,606,950)	($1,606,950)	($1,606,950)
Net Deficit/Surplus	($81,911)	($468,642)	$225,578
Summary of Current Deficit	**($3,300,750)**	**($5,441,168)**	**($2,226,961)**
Source: RKG Associates, SRA.Lstar			

By accepting the more recent displacement and contributory factors described in Scenario 3, which reflect I-Cubed program funding guidelines over the past 3 or 4 years, the applicable incremental tax revenues moving forward will likely be higher than RKG has forecasted, thereby reaching the debt service deficit breakeven point[10] sooner (perhaps in FY 2019), and

[10] The debt service on the 2017 Series bonds is approximately $1.66 million annually.

thereafter reducing the cumulative deficit. RKG believes that the Scenario 3 factors more accurately reflect the intent of the I-Cubed program. However, as stated above, future applicable incremental tax revenues are highly dependent on the master developer's ability to attract new non-residential uses to the site, in particular uses with relatively low displacement rates (higher "net new" contributions) such as high tech, biotech and manufacturing employers.

2. METHODOLOGIES & METRICS

INTRODUCTION AND PURPOSE

This chapter presents a summary of the methodologies and metrics (inputs and assumptions) used in this review and offers alternative considerations, where applicable.

INPUTS

Construction inputs include the "cost" of construction, in terms of applicable wages to workers and purchase of construction materials, the former resulting in applicable net new income tax receipts and the latter in applicable net new sales tax receipts. RKG utilized the year by year development plan, moving forward from FY 2019, as provided by SRA (as previously summarized and indicated in Table 1). This plan results in a proposed development of 3.32 million SF of commercial uses, 564,500 SF (rounded) of retail uses and more than 2,900 residential units. The model developed by RKG assumed that these projects are developed and delivered in the year proposed, while construction projects may be phased over a longer period, perhaps 18 months to two years, depending on their level of complexity (a level of detail not available for this analysis). Against this phased construction, RKG estimated the costs of construction and the resulting net new tax revenues using the metrics as presented in the following tables.

Table 9 - Metrics for "Net New"

Construction Metrics per DoR (from MOA with ANF)	% Applicable
Wages as % of Costs	29.20%
% Taxable Wages	70.00%
Effective Income Tax	4.25%
Average Annual Wage/FTE	$ 79,144
Materials as % of Costs	33.20%
% Taxable Materials	36.00%
Materials Sales Tax /1	4.25%

Source : DoR and RKG (2018)

/1 net of dedicated 2% sales tax

Table 10 - Construction Cost Metrics

Construction Costs	per Single Family unit	per Townhome	per Condominium	per Apartment
Residential				
Brookfield Village	$ 720,000	$ 556,000		
Dorset Park	$ 562,000			
Woodstone Crossing			$ 425,000	
White Street	$ 700,000			
Mastlight				$ 218,868
Commercial (per square foot)	$ 175			

Source : SRA, DoR and RKG (2018)

By way of example:

- For every 10,000 SF of commercial space at $175/SF = $1,750,000 in construction costs
- Wages at 29.2% of construction cost = $511,000 (equates to 6-7 workers)
- Taxable at 70% = $357,700 in taxable wages
- Effective income tax at 4.25% = $15,202 in net new income tax receipts
- Materials at 33.20% of construction costs = $581,000 in materials purchases
- Taxable at 36.00% = $209,160 in taxable (sales tax) materials purchases
- Sales tax rate of 4.25% = $8,889 in net new sales tax receipts

Combined net new income and sales tax receipts equate to nearly $24,100 per 10,000 SF of commercial space.

Considerations – RKG notes the metrics used in this analysis were developed (per the MOA) in 2008 and well prior to DoR's and ANF's history with I-Cubed projects. For example, more recent work completed by RKG in co-operation with DoR and ANF, indicates a general acceptance of 35.0% of construction costs as wages, with 100.0% taxable; and 50.0% of construction costs as material purchases with 81.1% as taxable. If these more current metrics are considered and applied to the prior example, net new income tax receipts increase to $26,030 and the estimated net new sales tax receipts increase to $30,160, representing a combined increase of nearly $32,100 over the estimated $24,100 for every 10,000 SF of commercial space (as indicated in the example).

Employment inputs (for ongoing employment) includes estimates of employment by industry sector, anticipated wages, estimates of net new taxes and the resulting income tax receipts. RKG used the SRA-provided development and phasing of commercial build-out by type of use and by year. Against this build-out, estimates of employment were developed using the DoR standards, which differ somewhat from those provided by SRA, as shown in the following table. The difference in these standards, particularly for office/R&D uses

(considering the amount of proposed office/R&D development) results in the variance in employment estimates of approximately 5,000 presented in Table 2.

Table 11 – Employment Metrics DoR and SRA

SF per FTE Metrics			SRA vs
DoR	SRA	Category	DoR
444	425	*general retail*	-4.4%
333	275	*general office*	-17.5%
286	200	*R and D office*	-30.0%
1,333	1,500	*mid price hotel*	12.5%
667	750	*nursing home*	12.5%
1,000	1,000	*recreation*	0.0%

Source : SRA, DoR and RKG (2018)

As shown in Table 12, the DoR employment metrics were applied to develop net new income tax receipts, including the assumption that only 6.8 percent of the retail income and sales taxes and 16.3 percent of all commercial income taxes are considered "net new" to the Commonwealth (with the remainder displacing sales or employment elsewhere in the state).[11] An average of $327 per SF in sales was applied for retail.

Considerations – To the extent that a more refined breakout of the types of commercial uses to be built can be provided, or more specific data on the types of companies and employment are targeted for Union Point, these estimates could be made more industry specific and more accurate. RKG considers this "all-average" approach to be very conservative, especially in light of the

Table 12 – Ongoing Net New Income/Sales Tax

General Metrics per DoR (from MOA with ANF)		Metric
Retail		
Sales per SF (general retail)	$	327
Stabilized Occupancy (all)		85.00%
% Taxable Sales		32.00%
% NET NEW (retail wage and sales)		6.80%
Sales Tax Rate /1		4.25%
Average Annual Wage/FTE	$	37,596
Effective Income Tax		4.25%
Commercial		
Avg. Annual Wage/FTE (office)	$	65,490
Avg. Annual Wage/FTE (R&D)	$	61,548
Avg. Annual Wage/FTE (hospitality)	$	17,628
Avg. Annual Wage/FTE (health)	$	60,892
Avg. Annual Wage/FTE (recreational)	$	23,452
% NET NEW (all average commercial $)		16.27%
Effective Income Tax		4.25%

Source : DoR and RKG (2018)

/1 net of dedicated 2% sales tax

[11] The Displacement Factors utilized by DoR are based on Regional Purchasing Coefficients developed in 2008 for the original Parkway bonds financing MOA. The 0.1627 "all average" factor used by RKG is for a broad selection of commercial uses, which range from a low of 0.019 for hospitals to a high of 0.719 for motion picture and sound recording studios. The factors do not include manufacturing, which average 0.60 for the types of manufacturing that is typically found in Massachusetts.

types of businesses and employers that the SRA and master developer are attempting to attract to Union Point. That said, if any industry sector, or individual potential company is considered to have different displacement impacts in the Commonwealth, the metrics would change, perhaps significantly. For example, electrical equipment, appliance and component manufacturing has a displacement factor of 0.282, meaning that 0.718 of the income taxes are considered "net new" to the Commonwealth. If applied to a prospective business at Union Point with 100 employees and an average wage of $80,000, this would result in eligible income taxes of over $244,000 annually. This compares to $55,000 in eligible taxes using the average office displacement rates as in RKG's analysis above.

In summary, without greater specificity regarding what industry sectors will be locating at Union Point, and when, the metrics used in this analysis are conservative. Further, the potential development of some industry sectors to Union Point may represents a total new industry sector, such that all employment is new.

Exhibit B-1: Residential Phasing Plan

Prepared by: Southfield Redevelopment Authority
Last Revised: December 5, 2018

Commercial Phasing Plan by Fiscal Year

Legend	
Union Point	FY19-FY23
Existing Road	FY19-FY28
PBC Open Space	FY24-FY28
Existing Development	FY24-FY33
Under Construction	FY29-FY33

N E S W

0 0.2 Miles

Exhibit B-2: Commercial Phasing Plan

Prepared by: Southfield Redevelopment Authority
Last Revised: December 5, 2018