



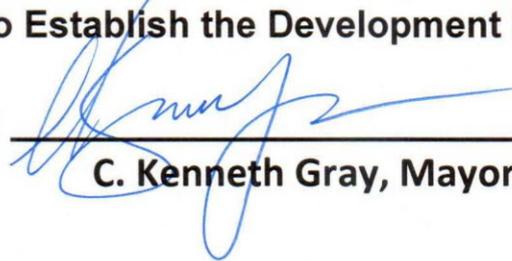
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AMESBURY CITY CLERK

**CITY OF AMESBURY  
IN THE YEAR TWO THOUSAND NINETEEN  
District Improvement Financing Program South Hunt Area  
Amendment to Establish the Development Program and Funding Plan**

SPONSORED BY:

  
**C. Kenneth Gray, Mayor**

BILL No.

2019-002

**Summary:** This Order amends the South Hunt Area District Improvement Program (DIF) and takes other actions pursuant to the document titled City of Amesbury South Hunt Area District Improvement Financing Program District Designation and Base Value Establishment, dated July 2<sup>nd</sup>, 2018, amended August 30, 2018, and adopted September 26th, 2018 through Order number 2018-053 which is hereby incorporated herein by reference. This DIF Program implements Mass. Gen. Laws Ch. 40Q District Improvement Financing. This action amends the above referenced plan to request for approval of investments by establishing a request for revenue to fund design and engineering work as described in the amendment to the above document.

- **WHEREAS**, the developers of Global Property Developers Incorporated are proposing a 410,000 square-foot forty-million-dollar athletic facility, known as the Atlantic Sports Center, off South Hunt Road; and
- **WHEREAS**, beyond the taxation value, the Atlantic Center represents an economic magnet bringing in visitors for tournaments and events from around the nation, representing an economic ripple effect with a positive impact for local businesses supplying goods, services, and accommodations; and
- **WHEREAS**, the City has been fortunate to benefit from new growth, and has new opportunity with vacant City-owned land, in the area of South Hunt Road and Route 150, such as: Amesbury Heights, Hatters Point, Baileys Pond, Arc Technologies, Trader Allens, and Margaret Rice, all of which will create traffic impacts in the South Hunt Area; and
- **WHEREAS**, South Hunt Road is the primary roadway for access to the Atlantic Center, it serves other industrial and commercial properties, and is connected to Route 150 and interchanges off 495, and yet, it has not seen any major improvement by the City in decades; and
- **WHEREAS**, the City established the LEAD program (Leverage Economic Access for Development) to establish a proactive approach to creating access to development sites by addressing off-site constraints; and
- **WHEREAS**, the Mayor recommended and the City Council approved funding for traffic studies for the South Hunt Road Corridor, matched by Global Property Developers, to facilitate planning which will address the needs for current and future growth in the City; and

- **WHEREAS**, the City has approved Tax Increment Financing for the Atlantic Sports Center initiating the first step in the development financing process; and
- **Whereas:** The City of Amesbury has an opportunity to leverage new growth from development in the South Hunt Road and Route 150 area of the City; and
- **WHEREAS**, the City has received approval for \$2.5 million in funds from the Commonwealth, known as MassWorks, to eventually be augmented by the District Improvement Program as established herein; and
- **WHEREAS**, The District Improvement Program, as outlined in the document cited herein, will provide opportunities to leverage new growth to create traffic mitigation infrastructure which will manage impacts of the new growth; and
- **WHEREAS**, The development of the above improvements requires engineering to facilitate the necessary permits and approvals toward achieving the necessary plans to proceed with construction and use of the MassWorks Funds

**Now Therefore:** This Order shall amend the above referenced District Improvement Program (DIF) and take other actions pursuant to the amended document titled City of Amesbury South Hunt Area District Improvement Financing Program District Designation, adopted September 26th, 2018, which is incorporated herein by reference. The DIF shall fulfill the purpose of leveraging funds to improve, enhance, expand, or create new, roadway and other improvements pursuant to the above document as may be amended. The Municipal Council shall hereby vote to:

- Establish the South Hunt Area Development Program articulating the public improvements necessary and the anticipated allocation of funds to the improvements, and;
- Establish the South Hunt Area Invested Revenue District Development Program (IRDDP) articulating the sources of revenues from projected new growth anticipated through projects within the DIF District, and;
- Establish through the IRDDP the apportionment of revenues from the new growth associated with the DIF District toward funding the applicable improvements as outlined in the Development Program, and;
- Generally outline the management of funds from the above revenues to fund the above Development Program, and;
- Understand that this action shall not provide authorization to borrow, raise, or appropriate funds for the above purposes, those actions are separate as set forth by City requirements.



# Amesbury

William Scott  
Director Office of Community Development  
City Hall, 62 Friend Street  
Amesbury, MA 01913-2884

(978) 388-8110 - 313  
scottw@amesburyma.gov

## Memorandum

To: Mayor Gray  
From: William Scott  
RE: DIF Program Amendment: Capital Program and Funding Plan  
Date: December 31, 2018

- **Introduction**

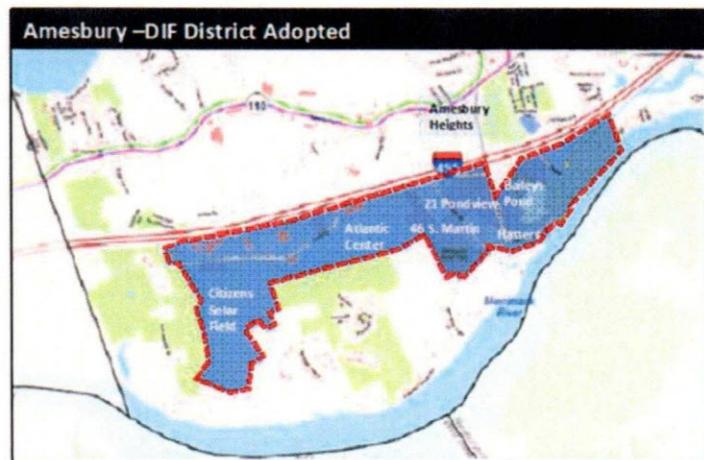
The District Improvement Financing (DIF) process requires a multi-stage approval that is commensurate with the progression of development. It has been clear, from the Mayor's office, that a conservative approach should be employed when creating the financing schedules and revenue estimates. We have taken that into account and created a schedule that waits for milestones, such as the grant award, and developer approvals. The first approval was the DIF District in September of this year which set the geographical extent of the district, and within that district sets the base value of the properties, from which the growth occurs. For a conservative approach, the projected base value is set at the time of the DIF and has been updated with the certification by the State in October of this year. This provides the assurance that the values are true to the State certification. These new base values are indicated in the updated DIF document. The next step is to create a capital program and assign a portion of the new growth to the program. The below sections outline the investment strategy that is a comprehensive approach integrating this DIF proposal with a wider application for infrastructure improvements.

- **Public Private Partnership**

The intent of the DIF approach is to tie private sector development to public sector infrastructure improvements. The DIF uses the new tax revenue to cover the borrowing costs for infrastructure. This provides a dedicated revenue stream which does not impact the community's borrowing capacity; therefore, this is truly a private/public partnership. Without the private development the public sector improvements (which are eventually necessary regardless of the development) are entirely the responsibility of the City, and its taxpayers. In this case, the source of funding for the borrowing is the new growth.

- **Expansion of Public Improvements**

The TIF (Tax Increment Financing) program for the Atlantic Center was established to facilitate the primary development of the Atlantic Center. The DIF District has been adopted and the base value numbers updated to match the State Certification. The Massworks Grant has been awarded for \$2.5 million. This funding was facilitated by providing



leverage funds through the DIF program. Now the next step will include the alignment of the DIF revenues with the infrastructure programs planned to address the new growth, and the needs of residents.

The improvements that are indicated in this memorandum include those which have been planned since February 2018 as noted in the incentive program, indicated in the City Council Resolution 2018 – 017. Those improvements include the South Hunt Route 150 corridor which is augmented by the \$2.5 million Massworks grant.

In addition, working with the Public Works Department, we have identified infrastructure work at Merrimac and Beacon Street including drainage issues that impact those areas. The DIF District was extended to this area because of the infrastructure needs of Merrimac and Beacon Streets. The unique aspect to this area is that it is not eligible for Massworks, or many other outside funding sources. The roadways are not arterials, or State Roadways; therefore, the DIF is a revenue stream to address critically needed improvements, without creating a burden on the City's debt structure.

Residents in the northern portions of the community may not want to fund improvements they may never encounter; therefore, it is important to develop a relationship between the funding for the improvements and the geographical area of the work. If the City were to take in the new growth to the general fund, then borrow, the entire City pays for that improvement and consumes borrowing capacity. By contrast, if the DIF is used, the geography of the funding targets the costs within the same area. Further, because of the dedicated DIF revenue stream, the City's taxes do not increase because of the debt. This would obviously raise the question on "why now" for the Merrimac and Beacon improvements? The improvements should be timed within the growth period so that they are made prior to the traffic impacts and within the timing of the DIF district which is limited to 30 years.

- **Investment Strategy Targeted to Funding Sources**

The Public Works Department has shown their ability to acquire and manage State Funding with TIP (Transportation Improvement Program) funding for Route 150 from Route 110 to the Downtown, and TIP funding for the future Elm Street project will add to that project revenue. Add to that an additional \$1.6 million Massworks grant for Water Street, \$1.2 million Massworks grant at the intersection of Routes 110 and 150 for Amesbury Heights, to blend in with the Route 150 work, and you have an impressive series of projects funded with sources outside of local taxation.

In addition, the City annually receives from Chapter 90 funds, for local roads, which includes roads such as Merrimac and Beacon. This annual Chapter 90 fund allocation is not enough to keep pace with the roadways which are not eligible for State TIP and Massworks funding. The Chapter 90 allocation would take more than four-years of funding to pay for Merrimac and Beacon Streets. In addition, Chapter 90 funds may not be an eligible source for the majority of the needed drainage improvements.

Realizing that large local roadway projects could consume all of the Chapter 90 allocation into the foreseeable future, the Mayor established a request for funding a Bond to augment Chapter 90 funding and to stay ahead of the continued deterioration of roadways caused by a prior lack of investment. Yet, despite the Bond, the advent of work at both Merrimac and Beacon Streets could consume all of the proposed bond and Chapter 90 funding for years to come. Seeing the need for funding these projects, the DIF District is therefore extended along Merrimac and Beacon, beyond the immediate area of the Atlantic Center development. In order to move forward, the DIF program will provide an additional source of funding to address this targeted geography, and free-up Chapter 90 funds, and Bonding capacity.

### **Planning for the Demands of Infrastructure**

As the City faces borrowing for the pending school project, the ability to keep the bonding capacity at a high level is crucial. Yet, at the same time, the deterioration of roadways has created a backlog of investment needs. Therefore the potential exists that as the borrowing shifts to the school project, a backlog of underfunded roadway work will require funding after the school is constructed and the borrowing capacity is more limited. Planning ahead to address roadway projects with minimal impact on debt will create a buffer from a substantial infrastructure demand coinciding with the school borrowing.

The DIF for Merrimac and Beacon, combined with the drainage needs, the Bond for \$1 million for a diverse capital plan providing gap funding between sources, the DIF with grant for \$2.5 million to fund South Hunt/Route 150 and I-495 interchange work, the completed Route 150 from the Route 110 intersection to Downtown, and the pending Elm Street project, are all examples of funding major projects with minimal impact on municipal borrowing. This approach not only enables borrowing capacity for the future, it reduces the possibility that a large roadway project will demand funding during

the term of the school debt. Fix the roads now with less impact on City debt and you provide room for the school borrowing while reducing the potential demand of infrastructure borrowing after the school debt is in place.

- **The Capital Plan**

Initially the Capital Plan for this area addressed the following projects in phases: the primary intersection at Route 150 and South Hunt, South Hunt Road to the entrance of the Atlantic Center, and Beacon at the intersection with Route 150. After a review of the capital needs in the area beyond those generated by new growth, the additional projects regarding Drainage at Merrimac Street, and Merrimac Street itself, became evident.

Overview of Development Program Phases and Projects				
Phase	Years	Improvements	Mitigating	Funding
One	2018 to 2020	Create an intersection at Route 150 and South Hunt Road. South Bound Ramp at 150.	Projects completed, under construction and nearing construction.	MassWorks, City DIF
Two	2021 to 2022	Local roads: widening South Hunt Road, Beacon Street, and drainage near Merrimac Street.	Projects on Vacant Sites, and augmentation to phase one. Local needed projects.	City DIF, Chapter 90, TIP
Three	2022 to 2026	Complete Streets improvements on local roads. Merrimac Street as needed and planned.	Creating multimodal connections, enhancing safety. Improving local roads as necessary.	TIP, City DIF, Chapter 90, Complete Streets

The phasing of these projects is evident in the below spreadsheet which outlines the scheduling of funding demands. In the first request for funding the South Hunt and Route 150 Intersection project is funded for the completion of the design, and the match for the grant. The Merrimac Street Drainage project is fully funded for the design, and construction. The balance of the projects are funded for 25% design, and then fully funded pending the phasing of development and additional outside funds such as grants and TIP funds. The schedule of borrowing will not incur all of the debt in one year. The schedule will follow best practices to minimize the impacts and mirror the debt to the availability of funds from grants and the DIF revenues.

### Sources and Uses West Side Redevelopment Infrastructure

Project	DIF	Massworks	Complete Streets	MPO	Enterprise	Start	Complete
						Estimate Date	Estimate Date
<b>Engineering</b>							
<i>Engineering</i>							
South Hunt Route 150 Intersection Balance Engineering	\$ 200,000.00	\$ -		\$ -	\$ -	Aug-18	Nov-19
South Hunt Roadway Engineering 25%	\$ 80,000.00					Jan-19	Jul-19
Beacon Roadway Engineering 25%	\$ 70,000.00					Jan-19	Jul-19
Merrimac Engineering 25%	\$ 110,000.00					Jan-19	Jul-19
Drainage Work Merrimac St Engineering 100% Utilities	\$ 100,000.00				\$ 60,000.00	Jan-19	Jun-19
<b>Subtotal</b>	\$ 560,000.00	\$ -		\$ -	\$ 60,000.00		
<b>Construction</b>							
<i>Engineering and Construction</i>							
South Hunt Route 150 Intersection	\$ 1,200,000.00	\$ 2,500,000.00	\$ 200,000.00	\$ -	\$ -	Feb-20	May-21
South Hunt Roadway (DIF = Engineering)	\$ 100,000.00	\$ 1,700,000.00	\$ 200,000.00			Aug-19	May-21
Beacon Construction (DIF = Engineering) *	\$ 80,000.00	\$ 800,000.00				Aug-19	May-21
Merrimac Construction (DIF = Engineering)	\$ 100,000.00			\$ 1,100,000.00		Oct-21	Nov-22
Drainage Work Merrimac St Utilities	\$ 1,250,000.00				\$ 850,000.00	Jul-19	May-20
<b>Subtotal</b>	\$ 2,730,000.00	\$ 5,000,000.00	\$ 400,000.00	\$ 1,100,000.00	\$ 850,000.00	Apr-20	Dec-20
<b>Totals</b>							
Engineering	\$ 560,000.00	\$ -		\$ -	\$ 60,000.00		
Construction	\$ 2,730,000.00	\$ 5,000,000.00	\$ 400,000.00	\$ 1,100,000.00	\$ 850,000.00		
<b>Totals</b>	\$ 3,290,000.00	\$ 5,000,000.00	\$ 400,000.00	\$ 1,100,000.00	\$ 910,000.00	\$ 10,700,000.00	Total all Funds

\* to Baileys Driveway

- **Revenues**

In the case of this amendment the DIF revenues are based on Hatters Point phase II, Baileys Pond, and the Atlantic Center, net of the TIF. We used a conservative approach on all properties; Baileys pond we used a value of \$225,000 per unit, knowing that the actual sale price is slated for \$450,000 to over \$500,000, the Atlantic Center has been estimated at \$40 million we used a lower estimate at \$30 million, and Hatters Point phase two units are selling anywhere from \$750,000 to \$1.2 million, we used \$625,000 as an estimated value-per-unit. The projects were phased based on current progress. Hatters point buildout over the next four years, Baileys Pond five years, and the Atlantic Center two years. The end result for the total of the estimates is shown in the below table.

Private Facilities to be Constructed				
Project	Location	Description	Status	Est. Value
Hatters Point	60 Merrimac St.	Condominiums	Permitted	\$ 14,600,000.00
Baileys Pond	Route 150	100 Units Townhouses	Permitted	\$ 22,500,000.00
Atlantic Center	24 South Hunt Rd.	410,000 sq. ft. Athletic Center	Permitted	\$ 30,000,000.00
Totals				\$ 67,100,000.00

These projects are permitted and are either under construction or in progress toward construction. We did not include revenues that were not proceeding toward construction. Projects such as the Atlantic Center Hotel, development at Margret Rice, and Trader Allen’s, and background growth from existing properties in the District was not employed to serve as revenues for the capital plan. Those opportunities will only serve to increase the tax revenues beyond the estimates indicated in the plan, thus reducing the impacts of the capital program. The impacts were evident before the Atlantic Center project moved forward. Projects such as: Amesbury Heights, Baileys Pond, and Hatters Point create enough background traffic to warrant improvements in the area. The Atlantic Center provides the leverage for a grant, and private investment leverage for the DIF to carry the projects to a point where meaningful investments can be made to address the already approved background growth and the Atlantic Center. Typically the relationship between capital planning and development is limited to improvements to facilitate only the development. In this case we are addressing prior investment issues such as the drainage at Merrimac Street, deteriorating local roads, and prior approved projects that did not advance with offsite improvement demands.

- **Conclusions**

The DIF document is a plan for the coordination of revenues with the delivery of capital programs. Each step in the implementation of the program, such as borrowing, requires the necessary approvals through the City Council. The approval of the amended DIF document does not facilitate any borrowing. The eventual borrowing will be scheduled commensurate with the demands of the Sources and Uses spreadsheet above. The schedule outlines the borrowing for the full capital amount from the DIF program from the City, \$3.29 million. It is anticipated that a borrowing for the soft costs only in phase one will substantially reduce the first year impact and allow the developments to accrue revenues to reduce the percentages over the next few years. What is shown is the most conservative approach assuming the full amount of borrowing with no phasing of the debt. Therefore, while the first two years are higher percentages of revenues that is only because the costs are assumed to be based on the full borrowing. The capital program is in phases, which means the funding can be phased to reduce the borrowing impacts in the first years of the program. One of the key aspects to this program is the ability to incur debt without impacting the City’s debt limits. As the City plans for borrowing to build a new school this program will allow the City to move forward with capital work, which proactively addresses needs before they become demands, in a manner that does not create additional debt.

**Table 6: ESTIMATED Percentages of Tax Increment Retained as DIF Revenues**

Year(s) of DIF Term	Fiscal Year Ending	Dollar Amount	Percentage
1	6/30/2020	\$128,962	100%
2	6/30/2021	\$240,102	60%
3	6/30/2022	\$240,102	39%
4	6/30/2023	\$240,102	34%
5	6/30/2024	\$240,102	31%
6	6/30/2025	\$240,102	28%
7	6/30/2026	\$240,102	24%
8	6/30/2027	\$240,102	24%
9	6/30/2028	\$240,102	24%
10	6/30/2029	\$240,102	24%
11	6/30/2030	\$240,102	24%
12	6/30/2031	\$240,102	23%
13	6/30/2032	\$240,102	23%
14	6/30/2033	\$240,102	23%
15	6/30/2034	\$240,102	23%
16	6/30/2035	\$240,102	23%
17	6/30/2036	\$240,102	19%
18	6/30/2037	\$240,102	19%
19	6/30/2038	\$240,102	19%
20	6/30/2039	\$238,560	19%
Totals		\$4,689,359	