

## ***Update on the TDI Program and Equity Investments Process***

In response to questions received from TDI Partnerships on equity investments, the following information confirms the process outlined in Section IV of the TDI Program Guidelines adopted by MassDevelopment's Board and made available in August 2014 (see below) and adds additional information.

### **IV. TDI Equity Investment Program**

MassDevelopment will use TDI to make Equity Investments in properties that have the potential to spur Transformative Development in a Gateway City. Via the equity investment, MassDevelopment may hold a controlling ownership interest in a company; a membership interest that constitutes controlling voting rights in a company; a controlling interest in real estate or other assets; and an equity security. With respect to property acquired by MassDevelopment under TDI, MassDevelopment may pledge its ownership interest, physical assets held by the ownership entity, or any portion of the unanticipated gross revenue resulting from the investments of the TDI Fund to secure loans related to the development of a property.

#### ***MassDevelopment Analysis and Project Investment Selection***

Based on the information gathered during the Call for Districts process, MassDevelopment staff will review potential projects identified for investment. They must meet the initial screening criteria identified below:

#### ***Screening Investment Projects***

- Significant Economic Development Impact
- Consistency with Commonwealth and Strategic MassDevelopment Priorities
- Built Environment/District Impact (Visibility)
- Community Engagement in Success of Project/District
- Feasibility of Use Plan (Market Demand)
- Feasibility of Development (Cost & Capital Availability/Size of Fund)
- Project has otherwise significant hurdle to finance without TDI investment
- Ability to execute project soon to catalyze development in the district

After review of the screening criteria, and with ongoing due diligence and consultation with the collaborative city/private team, projects will be identified, structured, and negotiated for possible acquisition and development by MassDevelopment and its partners.

Final investment decisions will take into consideration detailed project information including:

- Review of projected investment budget and project pro forma, identifying any other components of the capital stack and financing assumptions
- Review of risk of rent/income recapture, resale assumptions, and risk-mitigation strategies
- Alignment with strategic business goals of MassDevelopment
- Outline of how the project will create follow-on investment (what strategy is in place)
- Confirmation that without the TDI Investment, the project could not otherwise go forward

After the selection of TDI Districts in December 2014, MassDevelopment began to identify potential equity investments by engaging with each local partnership on its program of work for the District.

- After meeting with the local TDI partnerships, walking the Districts, and discussing the variety of project opportunities in the districts, priorities, and status, MassDevelopment established an initial list of projects.
- MassDevelopment staff updated its Board of Directors and the Legislature's Gateway City Caucus about the scope and range of projects identified during this process. The compiled information noted that more than 110 properties have needs that could require \$250 million to meet.
- Projects that met the initial criteria of MassDevelopment (per the guidelines) are receiving additional internal due diligence.
- MassDevelopment continues to have dialogues with the Partnerships about key projects and priorities.
- MassDevelopment continues to look at all properties and projects with the goal of utilizing MassDevelopment tools/resources, as well as partner agency programs/resources, optimally.
- MassDevelopment is working with partner agencies to develop even more tools for these districts.

**In light of the limited resources available for this pilot year (approximately \$5 million), MassDevelopment expects to fund 3-5 equity investment projects demonstrating a range of tools including Master Leases; building or land purchases to facilitate site assembly; and building acquisition and rehab.**

With that in mind, MassDevelopment is reviewing projects based on the following additional criteria:

- Projects that are in need of site control to maintain district vision
- Unsticking stuck projects that affect the perception of the district
- Near-term transaction and execution (projects that can be launched in one year or less)
- No other MassDevelopment tools are suitable to advance the project
- Projects that can build local capacity with local partners/stakeholders.

Please note, as mentioned, but to be reiterated:

- Due to the sensitivities around land transactions, and the desire not to affect market transactions broadly in these districts, this will not be an application process.
- TDI equity investments are not a project gap filler for large-scale projects proposed by developers in the Districts.
- MassDevelopment will endeavor to work with the local partnerships to find creative ways to help bridge project gaps.  
MassDevelopment will consider investing with private developers, but projects must meet the legislative requirements for MassDevelopment controlling interest (listed above) and must demonstrate that the TDI equity investment will be repaid to the Fund.