



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued March 29, 2018

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## Southfield Redevelopment Authority

For the period July 1, 2014 through December 31, 2016





Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

March 29, 2018

Ms. Lyndsey Kruger, Chair of the Board of Directors  
Southfield Redevelopment Authority  
223 Shea Memorial Drive  
South Weymouth, MA 02190

Dear Ms. Kruger:

I am pleased to provide this performance audit of the Southfield Redevelopment Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through December 31, 2016. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Southfield Redevelopment Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump  
Auditor of the Commonwealth

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## LIST OF ABBREVIATIONS

BRAC	Defense Base Closure and Realignment Commission
CEO	chief executive officer
DDA	Disposition and Development Agreement
DOD	Department of Defense
NAS	naval air station
NASPC	Naval Air Station Planning Committee
OSA	Office of the State Auditor
SRA	Southfield Redevelopment Authority
SSTTDC	South Shore Tri-Town Development Corporation

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## EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of the Southfield Redevelopment Authority (SRA). In this performance audit, we followed up on issues identified during our prior audit of SRA (No. 2012-1452-3A) to determine what measures, if any, SRA's management had taken to address these issues. Specifically, we examined SRA's financial planning activities, its financial viability, the adequacy of its internal controls over the procurement of services, oversight by its board, and compliance with filing requirements for its annual financial reports.

During our current audit, we found that SRA, in response to our prior audit's recommendations, had developed plans for completing the East-West Parkway, providing and financing a water and wastewater system, and financing future infrastructure requirements; effected better oversight by its board; and improved its internal controls over the procurement of services. However, SRA still needs to improve in certain areas.

Below is a summary of our findings and recommendations, with links to each page listed.

<b>Finding 1</b> <b>Page <a href="#">7</a></b>	SRA should take additional measures to ensure its financial solvency.
<b>Recommendation</b> <b>Page <a href="#">10</a></b>	SRA should immediately develop plans and take the measures necessary to ensure that it can fund its contingent liabilities should they occur, in addition to making sure its future cash flow needs will be fully met.
<b>Finding 2</b> <b>Page <a href="#">11</a></b>	SRA did not file audited financial statements in a timely manner.
<b>Recommendation</b> <b>Page <a href="#">12</a></b>	SRA management should send the agency's annual financial audits to OSA within 120 days of the close of the fiscal year. If SRA cannot meet the 120-day reporting requirement, it should work with the Legislature to amend the relevant legislation to reflect a timeframe that is achievable.

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## OVERVIEW OF AUDITED ENTITY

The Southfield Redevelopment Authority (SRA) was originally established as the South Shore Tri-Town Development Corporation (SSTTDC) on August 14, 1998 by the Massachusetts Legislature under Chapter 301 of the Acts of 1998, as amended by Section 37 of Chapter 303 of the Acts of 2008. It was established for the purposes of acquiring the land and managing the redevelopment of the former South Weymouth naval air station (NAS), located on approximately 1,400 acres in the towns of Abington, Rockland, and Weymouth, for nonmilitary purposes including, but not limited to, commercial, housing, industrial, conservation, or manufacturing uses. To accomplish this, in 1995 the Governor issued Executive Order 378, which established the Naval Air Station Planning Committee (NASPC). NASPC adopted a Reuse Plan in January 1998 to govern reuse of the NAS. In October 2002, SRA selected LNR Property, LLC as the master developer to develop the South Weymouth NAS in accordance with the Reuse Plan. The plan called for a maximum of 2,855 residential units and between 900,000 and 2 million square feet of commercial development. In April 2013, Starwood Capital Group acquired LNR Property, LLC (thereafter named LNR South Shore LLC). LNR retained the role of master developer.

On May 13, 2013, the Office of the State Auditor issued an audit report (No. 2012-1452-3A) that identified significant deficiencies in SSTTDC's operations that jeopardized its ability to complete the NAS redevelopment project. Most significantly, that audit found that SSTTDC had not developed the necessary plans to support critical aspects of the development, including completing the East-West Parkway, financing a water and wastewater system, and financing future infrastructure requirements. The audit also found inadequate oversight of SSTTDC operations, inadequate controls over the administration of contracted services, and late filings of audited financial statements. Our audit report made a number of recommendations to address these problems.

In response to that report, on August 20, 2014 the Governor signed into law Chapter 291 of the Acts of 2014. Among other things, this law was established for the following purpose:

*Reconstitute the South Shore Tri-Town Development Corporation (SSTTDC) as the Southfield Redevelopment Authority (SRA), reinforce municipal control over land use and development decisions affecting the Towns that constitute NAS South Weymouth and strengthen the alignment of interests between the Authority, the Towns and the Master Developer.*

The new law granted the towns greater control, particularly regarding land use decisions, collection of taxes, and provision of municipal services within the South Weymouth NAS. The law also shifted SRA's

financial obligations for development of the East-West Parkway and for water and wastewater development to the master developer.

Under Chapter 291, oversight and governance of SRA were entrusted to a reconstituted nine-member board of directors that replaced the previous five-member board. The Reuse Plan was replaced by a Redevelopment Plan that required the NAS redevelopment to be done consistently with the previous Reuse Plan. After Chapter 291 was enacted, the reconstituted board eliminated the positions of chief executive officer, chief financial officer, and water/sewer superintendent. (For a timeline of SRA's activities since its inception, see Appendix A.)

In May 2015, SRA's board approved the transfer of LNR's responsibilities to LStar Southfield, LLC (LStar), a subsidiary of LStar Management, LLC. On May 13, 2015, SRA and LStar entered into a Second Amended and Restated Disposition and Development Agreement (DDA), replacing two previous DDAs entered into with LNR. In June 2017, SRA and LStar renegotiated the DDA and entered into a Third Amended and Restated DDA, which significantly altered the timing and amounts of revenue payable to SRA by LStar.

The 1,400 acres in the project are being developed into a community to be named Union Point (changed from SouthField by LStar in July 2016). After completion of the development or upon repayment or transfer of SRA's outstanding debt, SRA will cease to exist. Chapter 291 requires that, in any event, the duties and powers assigned to SRA revert to the Towns of Abington, Rockland, and Weymouth by December 31, 2065.

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## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Southfield Redevelopment Authority (SRA) for the period July 1, 2014 through December 31, 2016. In the area of SRA's solvency, we extended our review to include certain documents dated through June 30, 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Has SRA taken the appropriate corrective actions on audit findings and recommendations from the prior audit report in the following areas?	
a. improving its board of directors' oversight of agency management	<b>Partially; see <u>Other Matters</u></b>
b. improving internal controls over the procurement of services	<b>Yes</b>
c. publishing and filing its annual financial audit as required by Section 31 of Chapter 291 of the Acts of 2014	<b>No; see <u>Finding 2</u></b>
2. Has SRA taken the appropriate steps to ensure its financial solvency?	<b>No; see <u>Finding 1</u></b>

To achieve our objectives, we gained an understanding of the internal controls over SRA's activities related to budgeting, revenue, and expenditures that we deemed significant to our audit objectives, and we evaluated the design and tested the effectiveness of those controls.

We also performed the following audit procedures.

- We assessed the adequacy of the oversight provided by SRA's board by interviewing SRA employees and board members and reviewing board minutes.

- We tested 35 out of 802 payments processed during the audit period to determine whether they were for project-related expenses and approved by the SRA board and whether payments agreed to amounts billed.
- We tested 10 out of 57 payments to vendors who were paid more than \$4,000 during our audit period to ensure that procedures in place for managing procurements were working as planned. Our test also served to follow up on the prior audit finding related to the procurement of legal and consultant expenditures.
- We obtained copies of all key documents that were required to be updated under the 2014 legislation (e.g., the Tax Plan, Bond Indenture Certificate of Trustee, Redevelopment Plan, Second Amendment to the Amended and Restated Memorandum of Agreement on Financing for the Parkway, Parkway Phase Two Financing Agreement, and Amended Zoning By-Laws and Regulations) to confirm that all key documents required by the new law were updated and submitted as required by Section 19 of Chapter 291.
- We reviewed the approved budgets for fiscal years 2015, 2016, and 2017 to determine whether SRA had adequate funding to cover its annual operating costs of approximately \$1 million, in addition to required annual debt payments of approximately \$1.1 million. We also reviewed SRA's audited financial statements for fiscal years 2015 and 2016. Additionally, we reviewed SRA's annual reports of operational activities for fiscal years 2015, 2016, and 2017 to gain an understanding of the progress and development work completed for the period under audit.
- We reviewed the Disposition and Development Agreements (DDAs) that were in effect during the audit period, as well as the third amended DDA, signed June 30, 2017.
- We reviewed SRA's outstanding accounts receivable as of the end of the audit period, identified customers with the largest balances, prepared an aging schedule (a list of accounts-receivable balances based on due dates), and followed up on any receivable balances that had been outstanding 90 days or longer to determine their collectability.
- We tested 25 out of 302 customer billings to determine whether customers were accurately billed and whether adequate documentation supporting the billings was attached.
- We examined all six invoices (for entitlement fees<sup>1</sup>) billed to the master developer, SRA's largest account, during the audit period to determine whether invoices were accurate and supported by appropriate documentation and whether the revenue was recorded in the proper accounts.
- We performed analytical procedures to identify unusual trends for consideration when designing our testing.

Where sampling was used, we used nonstatistical judgmental samples; accordingly, we could not project the results of our tests to the entire population.

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1. Entitlement fees are amounts paid to SRA by the master developer for development permits issued by SRA.

We performed various document inspection procedures on spreadsheets SRA provided to us to determine whether the information on the spreadsheets was complete and accurate. We selected 10 payments from bank statements and traced them back to SRA records to ensure agreement with the general ledger and board-approved check warrants. Our data reliability assessment of SRA's proprietary general ledger accounting system determined that the information obtained from SRA's accounting software was sufficiently reliable for the purposes of our audit work.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### 1. The Southfield Redevelopment Authority should take additional measures to ensure its financial solvency.

The Southfield Redevelopment Authority (SRA) does not have a formal plan to ensure that it has sufficient revenue to meet its annual cash flow needs or to address its contingent liabilities,<sup>2</sup> which as of the end of our audit period exceeded \$8 million. Not effectively planning for these financial needs could cause SRA to experience significant financial hardship, which could impede its ability to accomplish its mission to redevelop the former South Weymouth naval air station (NAS).

#### Contingent Liabilities

On June 30, 2010, the Massachusetts Development Finance Agency issued \$30 million of Special Obligation Bonds<sup>3</sup> (Parkway Bonds) to finance the development of the East-West Parkway. Concurrently, SRA executed a Parkway Financing Memorandum of Agreement with the Commonwealth. The proceeds of the Parkway Bonds were disbursed to SRA to reimburse it for a portion of the costs incurred in financing the parkway project. SRA does not make payments on the bonds, but under the agreement, if new state tax revenue generated by the redevelopment of the NAS does not meet certain projected amounts, SRA will become obligated to make certain payments to the Commonwealth. Since the issuance of these bonds, the Commonwealth has certified through June 30, 2013 that SRA is obligated to make \$1,375,000 in payments to Massachusetts. The Commonwealth will not certify that any additional amounts are due from SRA until after fiscal year 2019. SRA has not developed any plans to pay for any additional obligations that may arise from this agreement should they become due.

On December 15, 2011, the Navy sold 557 acres of land to the South Shore Tri-Town Development Corporation (SSTTDC) for \$25 million. In exchange for the land, SSTTDC was obligated to (1) pay the Navy an initial payment of \$2 million at closing; (2) issue a \$10 million promissory note to the Navy, to be paid in 10 equal annual installments plus interest based on the US government's 10-year Treasury note rate as of the date of sale; and (3) give the Navy a share of the proceeds received by SSTTDC or its master developer from land sales or ground leases to any developer that built vertical structures (e.g., housing). SSTTDC then conveyed the land to the master developer. An agreement between SSTTDC and

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2. A contingent liability is a potential liability that may become an actual liability depending on the outcome of a future event.  
3. Special Obligation Bonds are limited obligations of the Commonwealth that are payable under the terms of a trust agreement.

the master developer assigned responsibility to the master developer for payment of the \$2 million deposit and \$10 million promissory note due the Navy. The master developer agreed to a decreasing \$5 million letter of credit<sup>4</sup> to secure its payments to the Navy, as well as a mortgage in the initial amount of \$5 million on certain parcels of land it owned. Payments due under the \$10 million promissory note were paid by the former master developer, LNR South Shore LLC / Starwood Capital Group, as agreed upon in the promissory note. However, the new developer, LStar Southfield, LLC (LStar), whose tenure began in May 2015, did not make the annual payments for 2014 and 2015, which should have been \$928,807 and \$898,454, respectively. Subsequently, in a May 2017 letter of agreement, the Navy agreed to defer payments due under the promissory note until December 18, 2018, if a further amended agreement could be reached by December 1, 2017. Otherwise, all payments would become due immediately.

The Navy also agreed to release the \$5 million letter of credit. SRA (as successor to SSTTDC) is liable for repaying the current principal balance of the promissory note, \$7,427,410, but has not made any plans to finance this obligation.

### **Cash Flow Concerns**

SRA's current annual cash flow requirement is approximately \$2.1 million, of which about \$1 million relates to debt service costs on outstanding infrastructure bonds.<sup>5</sup>

SRA derives its operating revenue from tax assessments and from developer fees payable to it under the Disposition and Development Agreements (DDAs) with its master developer. Under the 2017 DDA, SRA is entitled to be reimbursed by LStar for project review fees that are consistent with fees that surrounding communities charge for similar tasks, including fees for "filing, processing, third party peer review, monitoring and inspectional services, legal fees and other fees and charges associated with site plan approvals, subdivision approvals, building permits and similar licenses, permits and approvals."

SRA is also entitled to annual developer fees, to be paid quarterly by LStar as reimbursement for any expected budgetary shortfalls, under certain conditions:

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4. In this case, according to the purchase agreement, a letter of credit means that "the line of credit shall decline in an amount equal to the amount of principal paid on the note by SSTTDC in each annual payment."
  5. In 2010, SRA issued bonds to fund infrastructure development on the South Weymouth NAS. Payments owed by SRA to the bondholders are funded by tax assessments on property owners within the Union Point development.
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*(i) the Authority establishes an operating budget, which excludes any and all purposes for which the Authority receives Project Review Fees from Project Escrow Accounts; (ii) the Authority's operating budget does not increase more than five percent (5%) from the previous fiscal year and did not increase more than eight percent (8%) over any consecutive five-year period; (iii) the Authority has pledged the greater of three hundred fifty thousand dollars (\$350,000) in free cash or twenty percent (20%) of its total free cash reserves toward the operating budget or until the total certified free cash is five hundred thousand dollars (\$500,000); and (iv) the Authority's ad valorem tax rate has not been set below \$0.50. Notwithstanding the foregoing, in the event that the new operating budget increase of the Authority is more than five percent (5%), LSTAR will still be obligated to pay its annual Developer Fees, but the Authority will be required to pledge additional free cash for the operating budget expenditures in excess of that five percent (5%) increase.*

SRA's annual operating expenditures, other than bond payments, were about \$2.5 million and \$1 million in fiscal years 2015 and 2016, respectively. Excess cash requirements greater than SRA's revenue are funded either by SRA's free cash reserve<sup>6</sup> or by payments made by the master developer. As of June 30, 2016, SRA had a free cash reserve of \$2,272,568. Under the provisions of the new (2017) DDA, it is estimated that SRA's free cash reserve will be reduced to \$500,000. At that point, if the relationship between SRA and its master developer ends for any reason and SRA has not developed some other means of generating revenue, SRA's past expenditures suggest that the agency will have insufficient operating capital to cover its operating expenses. In addition, should any currently contingent liabilities become payable by SRA, resources would not be available to meet those obligations.

### **Authoritative Guidance**

SRA was established to, among other things, ensure that the NAS project is managed in a financially responsible manner that will ensure its long-term survival. Sound business practice dictates that organizations such as SRA set aside sufficient funding to address contingent liabilities.

In addition, Governmental Accounting Standards Board Statement No. 56 (Codification of Financial and Accounting Reporting) establishes accounting and financial reporting standards for going-concern considerations.<sup>7</sup> The standard states,

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6. Free cash, as defined in SRA's audited financial statements for fiscal year 2016, is "the Commonwealth of Massachusetts's budgetary basis of accounting calculation of an amount similar to the unassigned fund balance at the end of each year and represents those funds that were not expended by the SRA. The SRA annually petitions the Massachusetts Department of Revenue to certify that the SRA has achieved a surplus and for permission to expend those funds during the succeeding year."

7. Going-concern issues arise when an entity is at risk of having inadequate resources to sustain its operations beyond 12 months.

*Continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions.*

## **Reasons for Issues**

SRA management said that they believed the amount of money they expected to receive from the master developer would be adequate to fund future operations. However, as noted above, there is no guarantee that any revenue that SRA may receive from the master developer under the DDA will be sufficient to fully fund its annual operating expenses and any payments that may become due as a result of its contingent liabilities, since the amount of these reimbursements is limited.

## **Recommendation**

SRA should immediately develop plans and take the measures necessary to ensure that it can fund its contingent liabilities should they occur, in addition to making sure its future cash flow needs will be fully met.

## **Auditee's Response**

*Facts that are of import in connection with the issues raised in the Draft Audit Report are as follows . . .*

*[There have been] additional extensions of time beyond December 1, 2017 within which to execute the [purchase and sale agreement, or PSA] amendment and the full execution of the Second Amendment to the PSA as of February 13, 2018, substantiating the agreement of the Navy, the Authority and LStar to provide a mechanism for reimbursing LStar for certain remedial activities on the subject property by crediting such costs against amounts that would otherwise be due to be paid by LStar on behalf of SRA pursuant to the Note. . . . With the Second Amendment to the PSA now fully executed, we intend to request that the Note be further amended to show that the Authority's financial exposure is limited to the value of the remaining real estate and convert the Note to a non-recourse obligation. . . .*

*As a legal matter, the Authority has the absolute right under its enabling statute (Section 6[s] of Chapter 291 of the Acts of 2014) to raise any amount of taxes, which is significantly above the caps as to which other municipalities in the Commonwealth are limited by. The Authority is not subject to proposition 2 1/2. Accordingly, in a scenario in which the Authority's Master Developer was unable to continue with the project, the Authority would no longer be subject to its covenant under the DDA to keep its budget within the 5% increase per year or 8% increase over five*

*years. Instead, the Authority could raise property taxes to meet its financial obligations. While the Authority does not expect this worst-case scenario to occur, it is important that the State Auditor's Office recognize that we have a legal and readily implementable mechanism within which to address the risk of the contingent liabilities arising sometime in the future. . . .*

*With respect to cash flow concerns . . . we respectfully would suggest that we can easily negotiate with the Town of Weymouth to bill and collect on a quarterly basis to help address this concern as well.*

## **Auditor's Reply**

SRA states, "We intend to request that the Note be further amended to show that the Authority's financial exposure is limited to the value of the remaining real estate and convert the Note to a non-recourse obligation." Although we encourage SRA to pursue the revised amendments providing for a non-recourse note,<sup>8</sup> until these amendments actually occur, the Authority's contingent liability remains.

We agree that the Authority has the absolute right under law to impose such taxes as it may decide are necessary for its operations. However, we suggest that from a practical standpoint, imposing taxes beyond the current levels might be an impediment to the continued successful development of the project. We recommend that SRA, rather than taking a reactionary approach, create both short- and long-term financial plans that could be implemented in the event of a cash flow crisis.

## **2. SRA did not file audited financial statements in a timely manner.**

SRA did not file its annual financial audit reports for 2015 and 2016 with the Office of the State Auditor (OSA) within 120 days of the end of each fiscal year as required. Its annual audit report for fiscal year 2015 was not filed until March 2016, and its fiscal year 2016 annual audit report was not filed until February 2017. Our prior audit (No. 2012-1452-3A) had also found that SRA did not file its annual audit report for fiscal year 2011 with OSA within the required timeframe. As a result of these late filings, key information about SRA's financial state was not made available to stakeholders in a timely fashion.

## **Authoritative Guidance**

Section 31 of Chapter 291 of the Acts of 2014 states,

*The authority shall have an annual audit of its books and accounts relating to the NAS South Weymouth project to be made at least once annually by certified public accountants. The audit*

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8. A non-recourse note is a loan that limits the borrower's liability to the value of the collateral that the borrower put up to obtain it. If the borrower defaults, the lender can seize the collateral but cannot seek any additional compensation.

*shall be filed with the state auditor annually not later than 120 days after the end of the authority's fiscal year.*

## **Reasons for Noncompliance with Reporting**

According to SRA's finance director/treasurer, SRA has found it difficult to meet the requirement to file its annual financial audit within 120 days after the fiscal year ends because of competing priorities and reductions in personnel. He added that although these reports were not prepared in a timely manner or sent to OSA, they were posted on SRA's website when they became available.

## **Recommendation**

SRA management should send the agency's annual financial audits to OSA within 120 days of the close of the fiscal year. If SRA cannot meet the 120-day reporting requirement, it should work with the Legislature to amend the legislation to reflect a timeframe that is achievable.

## **Auditee's Response**

*With respect to the Authority's inability to submit its annual audited financial statements within 120 days of the close of the fiscal year, we want to remind you that the Parkway Financing [Memorandum of Agreement] between the Commonwealth and the Authority fixed a liability on the Authority. The liability is typically not annually certified by the Massachusetts Department of Revenue for 150–180 days following the close of the fiscal year. No creditable independent auditor would issue a report within 120 days of the close of the fiscal year until a deficiency, if any, was certified by the Massachusetts Department of Revenue, agreed to by the Board of Directors, and a method of payment accepted by the Board of Directors and the Massachusetts Department of Revenue. The practical effect of which is that the process to file independent audit reports will exceed the 120 days outlined in our enabling statute until such time as the Parkway Bond is paid off. We intend to seek an amendment to our enabling statute to reflect this reality so that we can avoid a recurring audit finding.*

## **Auditor's Reply**

SRA is required by law to file with OSA an annual report prepared by certified public accountants no later than 120 days after the end of SRA's fiscal year. As of the date of this audit report, OSA has not received SRA's fiscal year 2017 audit report, which was due October 30, 2017.

We agree that SRA should seek legislative relief to enable it to comply with filing requirements.

## OTHER MATTERS

### Project Management

As previously noted, on August 20, 2014 the Governor signed into law Chapter 291 of the Acts of 2014. This legislation resulted in significant changes in the makeup of the Southfield Redevelopment Authority's (SRA's) board of directors. After Chapter 291 was enacted, the reconstituted board eliminated the positions of chief executive officer (CEO), chief financial officer, and water/sewer superintendent. During most of our audit period, SRA's staff consisted of a finance director/treasurer, a land use administrator, an assistant planner, an administrative assistant, and a part-time accountant. As a result of the staff reductions, SRA's board had to take a more active role in the day-to-day management of the project.

The significant reduction in staff, along with the board's inability to hire a replacement CEO, could have a negative effect on the existing staff's ability to ensure the proper administration of the project, as evidenced by the findings detailed in this report, and to respond promptly to the requirements of the housing community being developed at Union Point; the master developer; and the Towns of Abington, Rockland, and Weymouth. In fact, representatives of the master developer told us that they had had problems scheduling meetings with potential investors.

Further, the board's increased participation in SRA's day-to-day operations reduces the amount of time the board can spend addressing policy issues. Although the board is responsible for overseeing the management of the agency and related policy matters, it is SRA's management personnel who are responsible for managing the day-to-day activities of the project. Therefore, SRA's board should ensure that the project is properly staffed with personnel who can fully manage those activities and fully meet the needs of the master developer.

To that end, the board has been actively seeking since August 2014 to hire a CEO to oversee SRA's operations. In its response to our report, SRA stated,

*The Authority hired effective February 5, 2018 Paul Niedzwiecki, a former Executive Director of the Cape Cod Commission, as its Executive Director. Mr. Niedzwiecki has the breadth of real estate development experience to effectively run the Authority on a day-to-day basis which will allow the Board of Directors greater time for policy level decision making.*

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## APPENDIX A

### Timeline Summary of Important Events, 1995–2017

- July 1995: The federal Defense Base Closure and Realignment Commission (BRAC) recommends the closure of the South Weymouth naval air station (NAS).
- September 1995: The Governor issues Executive Order No. 378, establishing the South Weymouth Naval Air Station Planning Committee (NASPC) to provide policy guidance for all aspects of reuse planning for the NAS.
- September 1997: The South Weymouth NAS is decommissioned by the Department of Defense (DOD), per BRAC’s recommendation.
- January 1998: NASPC adopts a Reuse Plan to govern development of the NAS. The Reuse Plan calls for a maximum of 2,855 residential units and between 900,000 and 2 million square feet of commercial development.
- August 1998: the South Shore Tri-Town Development Corporation (SSTTDC) is created, under Chapter 301 of the Acts of 1998, to oversee the development of the former NAS site and to succeed NASPC as the sole entity responsible for pursuing the acquisition and redevelopment of the NAS.
- October 2002: SSTTDC selects LNR Property, LLC to be the master developer for the former NAS site.
- October 2002: SSTTDC and LNR enter into a letter of intent (a letter describing the proposed terms of the agreement between the parties) that provides SSTTDC with \$500,000 for costs and expenses related to the NAS development operations. LNR also provides SSTTDC with \$1 million for costs and expenses related to SSTTDC’s operations.
- May 2003: DOD, acting through the Secretary of the Navy, conveys 549 acres of the former South Weymouth NAS at no charge to SSTTDC.
- May 2004: SSTTDC and LNR sign their first Disposition and Development Agreement (DDA), which defines the financial and regulatory framework of future development and under which LNR is responsible for land improvement.
- September 2005: The Navy is required to seek “fair market value” for closed military bases, based on changes to the Base Realignment and Closure Law.
- December 2005: LNR submits a finalized 12-year Master Plan for the development of the NAS site.
- May 2006: LNR announces that it will call the NAS redevelopment site SouthField.
- June 2006: SSTTDC transfers the 549 acres of land at no charge to LNR as the master developer, in anticipation of the initial phases of development.

- March 2008: SSTTDC and LNR sign an amended DDA.
- August 2008: Chapter 303 of the Acts of 2008 supersedes Chapter 301 of the Acts of 1998, updating the laws related to the development of the NAS site.
- Fiscal year 2009: SSTTDC is granted the authority to collect taxes, so it can now collect taxes on the original land obtained from the Navy.
- June 2010: SSTTDC enters into a financing agreement with the state, creating the Memorandum of Agreement for the Parkway at the NAS, according to which SSTTDC will reimburse the Commonwealth for loan payments made for the East-West Parkway's construction.
- July 2011: Infrastructure development begins at the former NAS site, in the town of Weymouth.
- December 2011: 681 acres of land is transferred from the Navy to SSTTDC, 558 acres of which is considered developable. SSTTDC transfers the 558 acres through a land transfer and assignment agreement to LNR.
- April 2013: LNR is sold to Starwood Capital Group. LNR retains the role of master developer for the NAS site, operating as LNR South Shore LLC.
- August 2014: SSTTDC is reconstituted and reorganized as the Southfield Redevelopment Authority (SRA) under Chapter 291 of the Acts of 2014. Under the new law, the Reuse Plan and the Master Plan are replaced by the Redevelopment Plan, which retains some of the Reuse Plan's features, and the positions of chief executive officer, chief financial officer, and water/sewer superintendent are eliminated.
- December 2014: The Commonwealth executes the Second Amendment to the Amended and Restated Memorandum on Financing for the Parkway, which defers payments owed by SRA to the Commonwealth through 2018, to be repaid starting in fiscal year 2019.
- May 2015: SRA approves the transfer of the responsibilities of the master developer, LNR, to LStar Southfield, LLC (LStar), a subsidiary of LStar Management, LLC. SRA and LStar execute the Second Amended and Restated DDA, reflecting the change in master developer.
- July 2016: LStar changes the NAS project name from SouthField to Union Point.
- November 2016: The William Delahunt Parkway extension road opens, linking Route 3 in Rockland to Route 18 in Weymouth.
- June 2017: SRA and LStar execute the Third Amended and Restated DDA, which significantly alters the timing and amounts of revenue payable to SRA by LStar.

## APPENDIX B

### Union Point's Residential Development Status as of June 30, 2017

Project Name	Housing Type	Approved Units	Built	Remaining to Be Built
<b>Completed Units:</b>				
Whitman Homes	Single-family homes	12	12	0
Meadows at Highlands	Single-family homes / townhouses	34	34	0
Parkview Village	Townhouses	14	14	0
Parkview Place	Townhouses	24	24	0
Cottages at HollyBrook	Single-family homes	31	31	0
Southfield Commons	Apartments	226	226	0
Commons on the Green	Apartments	72	72	0
<b>Total as of June 30, 2016</b>		<u>413</u>	<u>413</u>	<u>0</u>
<b>Additional Units Approved:</b>				
Fairing Way	Apartments	216	104	112
Brookfield Village	Single-family homes	108	33	75
Dorset Park	Single-family homes	26	16	10
Woodstone Crossing	Condominiums	200	50	150
Town Center Apartments	Apartments	265	0	265
Greystar Active Adult	Apartments	180	0	180
<b>Total as of June 30, 2017</b>		<u>995</u>	<u>203</u>	<u>792</u>
<b>Total</b>		<u>1,408</u>	<u>616</u>	<u>792</u>

LStar Southfield, LLC's Master Plan goals for Union Point (formerly SouthField) as of June 30, 2017 are 3,855 residential units and 900,000 to 8 million square feet of commercial development.

The amount of commercial space built to date is 40,000 square feet; an additional 29,342 square feet of commercial space has been authorized through site plan approvals.