Eric D. Batista
City Manager

City *of* Worcester

October 21, 2025 Attachment for Item #10.26 A

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

I respectfully submit for City Council's review and consideration the attached memo on FY2025 Ballpark District Improvement Financing (DIF) revenues as received from Timothy J. McGourthy, Chief Financial Officer, and forwarded for the consideration of your Honorable Body.

As outlined in the memo, actual DIF revenues continue to lag budget expectations, at $929K in FY25 for a total of $1.7M to date. An unpredictable market, coupled with high construction costs and interest rates, has postponed certain projects, although positive indicators persist. The hotel project remains close, with a flagship hotel at the table. Experienced residential developers are exploring 120 Washington St. and Madison's second residential building site at 115 Madison St., Lot B. The municipality remains watchful of Madison's efforts to market and sell the Left Field Building. Since the start of the DIF in FY19, private, taxable assessed value in the district has grown ten-fold to $117.8 million. The ballpark has been and will continue to be an integral catalyst to new investment.

We will continue to work with property owners and developers to move projects forward and increase revenue within the DIF. Permitting and breaking ground on some of these new projects, expanding visitors (i.e., parking lot users) to the ballpark (Worcester Red Sox were #6 in average MiLB attendance as of the 2025 season), and supporting new restaurants in the DIF (American Flatbread Company, Playa Bowls) ensure we will ultimately meet our revenue expectations annually. We are six years in the DIF. We remain confident that in the 25 years left of the initiative, we will see significant new development occur and a project that pays back the city and its economy.

Respectfully submitted,

Eric D. Batista
City Manager

The City *of* Worcester

Administration & Finance
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TO: Eric D. Batista, City Manager
FROM: Timothy J. McGourthy, Chief Financial Officer
DATE: October 21, 2025
RE: Ballpark District Improvement Fund Update

As you know, in 2018, the City of Worcester approved a District Improvement Financing Plan (DIF) to dedicate incremental taxes and other revenues within a prescribed area of the Canal District to support the payment of debt related to the acquisition, remediation, and construction of Polar Park. While the original DIF focused on the ballpark area and those parcels across Madison Street owned by Madison Properties, in 2020, the municipality approved an amendment to the DIF to incorporate an additional area between the ballpark and Green Street.

Multiple revenue sources within the DIF are dedicated to the DIF fund.

- Local Receipts include incremental taxes (those taxes generated above the base value existing prior to the DIF's establishment), permit fees, and hotel/meals taxes generated within the area. These amounts are approved as part of the annual budget and deposited into the DIF.
- Team Payments are obligations of the Worcester Red Sox as a result of the lease between the municipality and the team. These amounts are committed directly into the DIF upon receipt.
- Advertising & Suite Rentals are payments made by the Worcester Red Sox to the municipality for the municipality's share of advertising as outlined within the lease and the rental of the municipality-owned suite. These amounts are committed directly into the DIF upon receipt.
- Off-Street Parking Revenues are payments made from the Off-Street Parking Board (OSPB) to the DIF for revenues received in certain lots and garages on game days. These amounts are transferred into the DIF twice a year.
- Green Island Boulevard Garage Revenues are payments made by Madison Properties to the municipality for the lease of the parking garage constructed at 115 Madison St., Lot G. These amounts are committed directly into the DIF upon receipt.

The DIF was established as an independent account separate from the original project construction account in FY23, and in FY24 was included as part of the annual budget process. Upon establishment, the DIF held a reserve due to the sale of property that allowed it to weather the initial years impacted by the slowdown of construction and development due to the COVID-19 pandemic. In FY23, the DIF finished the year with approximately $2.7M in reserves, in FY24 the DIF finished the year with approximately $235K in reserves, and in FY25 the DIF finished the year with approximately $246K in reserves. At this time, we anticipate that the DIF account will remain positive in FY26, although we will continue to keep a close watch on revenues throughout the year.

However, as you know well, the budgeting process requires predicting the realization of certain funds at certain times. The DIF budget is based on the projected construction and opening of key projects during each fiscal year and the associated growth in revenues. Yet certain projects have either moved forward more slowly than anticipated or final assessed values were less than those assumed in the budget. A shift of a building completion from Spring to Fall can delay full revenues from one fiscal year to the next. Higher interest rates have impacted construction costs, making financing more difficult. A change in development team can impact a project's completion by a few years.

In FY24, we identified approximately $792K in revenues that were budgeted to the DIF but were uncollected. As a result of updated information from the Department of Revenue (DOR) received in March 2025, that number was reduced to $761K. As we close out FY25, we identify approximately $930K in revenues that were budgeted to the DIF in FY25 that remain uncollected. This deficit consists of:

- Real Estate & Personal Property Tax: $797,344
- Building Permits: $141,835

This is slightly offset by an excess in Meals & Use Taxes:

- Meals & Use Tax: $9,615

As a result, the DIF continues to carry a balance owed back to the municipality's General Fund that, over the course of the 30-year lifespan, will ultimately be reconciled. We still anticipate the DIF Reserve to generate nearly $50M through its completion by 2048.

Please let me know if you have any questions.

Sincerely,

Timothy J. McGourthy

Timothy J. McGourthy
Chief Financial Officer