

**City of Salem Massachusetts  
Executive Session Meeting Minutes**

<b>Board or Committee:</b>	<b>Redevelopment Authority, Executive Session</b>
<b>Date and Time:</b>	<b>Wednesday, September 24, 2020 at 5:00 PM</b>
<b>Meeting Location:</b>	<b>Zoom Virtual Meeting</b>
<b>SRA Members Present:</b>	<b>Chair Grace Napolitano, David Guarino, Cynthia Nina-Soto Dean Rubin, Russ Vickers</b>
<b>SRA Members Absent:</b>	<b>None</b>
<b>Others Present:</b>	<b>Tom Daniel – Director of Planning and Community Development Kathryn Newhall-Smith – Principal Planner Mathieu Zahler – Development Consultant</b>
<b>Recorder:</b>	<b>Colleen Brewster</b>

Chair Napolitano calls the meeting to order. Roll call was taken.

### **Executive Session**

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Rubin made a motion to enter into executive session.

Seconded by: Nina-Soto

Guarino, Vickers, Rubin, Nina-Soto, Napolitano

Mr. Daniel stated that tonight's goal is to run through the criteria to get the board's thoughts using the point system assembled by Ms. Newhall-Smith, but the numbers can change. Highly advantageous equals 3 points, advantageous 2, and not advantageous 1. The SRA received some financial information from North River Partnership that was requested. Each development team will be reviewed by category and October 7, 2020 is the next scheduled meeting date to continue this discussion. He noted that HSI sent a letter this afternoon.

Mr. Zahler stated that he and Ms. Newhall-Smith spoke with Paul Ognibene from North River Partnership to describe what the SRA was looking for to move them forward. His third-party accountant would provide a letter stating market values, liabilities, and net equities. JHR and Winn provided detailed assets and North River sent a list of properties which doesn't make much of a difference. If the SRA wants to pursue they should request more information from them. His ranking based on assets would be 1) Winn, 2) North River, then 3) JHR. The others provided back-up information on each of the projects, but their net asset value puts North River Partnership in the middle.

Mr. Vickers stated that HSI picked up on the ownership concerns between Winn and Park which is also his concern. Mr. Daniel agreed. Mr. Zahler noted that Winn is on the hook for everything because of their guarantees, tax credits, construction completion, operating deficits, which are all tied to the commercial space. They are subdividing the commercial spaces like condominiums and it's difficult to do that in a tax credit deal because you want capture all of the basis in the development. Park Tower's involvement would also need to be clarified, they would do the sourcing and managing of the commercial retail component; however, they may not want to do the daily management but would need to report on everything the property is doing. Mr. Vickers noted his surprise by their presentation. This arrangement was only for the new building which includes the Superior Court building interior and he questioned whether Park Tower would secure the

tenants. Winn would then become the minor partner because they don't have the benefit of the residential component to cover the loss. Mr. Daniel agreed that it's unclear, but the deal isn't dependent upon the commercial rental space. Winn is on the hook for only the first 5 years, but what happens after the tax credit time runs out is unknown. Mr. Zahler suggested that they may sell a historic building after 5-years, like they did with Lower Mills Chocolate Factory, which was all residential units. He's unsure of the guarantees that will be tied to the court buildings since the long-term plan for the residential is unknown. The commercial spaces in the new building would be a couple retail spaces, unlike the Superior Court building. They might sell it to the partner afterward. There are residential units so other tax credit resources could be used, which has a 15-year guarantee, where historic is only 5-year. The state must keep those units affordable in perpetuity. Mr. Vickers asked operationally, who oversees the programming, and whether Park Towers would secure a viable tenant. Mr. Daniel suggested they request clarification. Winn's proposal stated that the Registry of Deeds said they are open to moving into the space, but he questioned whether they told DCAMM that the Registry was a viable option for the space. Where they would be located should be clarified since the other two development teams have placed them in the County Commissioners building.

Mr. Rubin noted that the space outside the crescent lot leads to public realm and asked if Winn plans to develop that area too. Mr. Daniel replied no, JHR is using it as part of their tunnel and North River hasn't disclosed a land sale with the MBTA either to enable their plans to develop that piece of land. Mr. Zahler stated that they need to figure out what they own vs. what they don't, and the design team should have stopped to consider what they can do.

Mr. Vickers stated that North River and Winn's MOJ presentation and discussion of remote learning was effective, but he still has reservations about their financial capacity to implement what they are trying to do. It still seemed preliminary but sounded good and he would like to see a Pro Forma to determine their sustainability, funding sources, and costs. Mr. Zahler noted that Winn didn't include that revenue in their pro forma but North River has the money for them at \$35 per sq. ft., which isn't a market rental rate. Ms. Nina-Soto replied that the MOJ has only just put together a Board of Directors and their idea may not last. Mr. Daniel reiterated that he didn't want the space to sit vacant.

Mr. Daniel stated that the tunnel concept and kayak launch proposed by JHR is on land not owned by the SRA. The tunnel isn't where he wants it to be given the obstacles when getting off of the train and they will need to work with the MBTA on that. Mr. Vickers suggested requesting how they envision seeing that happen since it seemed muddled in the interview. Chair Napolitano suggested the City can assist but the teams should have experience with MassWorks grants or hire a consultant. Should the City get awarded the funds they could be used as a loan and the City dictates how the loan is structured. Mr. Daniel noted that the City has put in a grant for this intersection and a second application for housing on Highland Avenue and hired April Anderson, but the City also has a priority list of items to fund. It's uncertain if they can go back for such a large amount to add a tunnel. Chair Napolitano noted they didn't make their commitment level clear in the interview. Ms. Nina-Soto stated that they listed the cost at \$2M, but they didn't indicate if they would build the tunnel with their own funds. Mr. Zahler stated that a grant needs to be used by the developer to do the work, but the developer wouldn't use their own money for the tunnel. MassWorks is political and different cities are given different amounts. The City should be part of this project too. Mr. Vickers envisioned the tunnel as public since the City would own it after and not the developer. They won't design and fund it for the City, but they should clarify the participants, etc. Ms. Newhall-Smith questioned who will own the tunnel and will keep it secure and safe. She

questioned who is on the hook if an incident occurs. Mr. Guarino agreed and noted that the developers should be asked the hard questions and be told that the perspective drawing for the location of the entrance to the tunnel was misleading vis-a-vis the MBTA garage. He questioned how they made that mistake. These things made their proposal interesting and would revitalize the downtown but it's not exciting without those two elements. They should ask them to hire a consultant and do the work on the City's behalf. Chair Napolitano questioned who would own the tunnel. Mr. Daniel replied that it's an unknown and a discussion is needed with the MBTA for a sale or easement. The application is less significant than the design, operation, maintenance, etc. The City would need to hire a project manager for the tunnel project. Mr. Zahler stated that in the MassWorks collaboration the developer has taken ownership of whatever the space was. Staff would clean, pay for upkeep, long-term operations plan, etc. Mr. Vickers replied that they need to have JHR outline how they see this being planned out since some projects take a long time but need a public will to fulfill them. Mr. Daniel agreed.

Mr. Vickers questioned what they want to see in regard to Chapter 91 requirements and if the SRA knows what the developers need in the Harbor Planning process. Mr. Daniel replied that the SRA needs to know what the developer needs to make it work. Winn stayed within the box defined for them, despite not meeting the parking requirement and needing a height exception. Their proposal develops on land the SRA owns and it complies with current Chapter 91 requirements. Open space is a big consideration since 50% of the lot must be maintained as open space, but they could include land on other properties. Defining the first floor will have an impact and Winn expressed that clearly.

#### **A. Timely Redevelopment**

Mr. Daniel stated that North River showed development on land they don't own and didn't mention having to negotiate for that land, so he scored them not advantageous. Winn's Permitting Timeline was strong while JHR was light on Ch. 91. For Timing of Public Assistance JHR was only looking at historic tax credits. For Securing Tenants JHR has identified theirs, North River was in the middle with their MOJ and Center Stage, and Winn was in between.

Mr. Zahler agreed with Mr. Daniel. He ranked Winn as highly advantageous on Permitting & Public Assistance but only advantageous for Securing Tenants because they don't understand the proposed partnership. He's torn between highly advantageous and not advantageous on the majority of the criteria for North River and JHR because they didn't understand HDIP resources or tax credits. All their development schedules were realistic.

Chair Napolitano stated that JHR and their tunnel concept is similar to the negotiation needed for North River for developing land they don't own. Mr. Daniel replied that JHR can do their project without the tunnel, but North River can't start without site control. Chair Napolitano appreciated JHR wanting Salem State to occupy the space but as some point holding the space for them will affect them negatively and they should consider how long they plan to hold the space for Salem State.

Mr. Rubin ranked Winn as highly advantageous given their resources and both North River and JHR as advantageous for Permitting. JHR was advantageous in terms of Timeline but not advantageous for Public Assistance & Securing tenants. He was unsure if they know how to fund the tunnel and they weren't seeking assistance for it. He also ranked them as not advantageous for them wanting to hold a space for Salem State.

Ms. Nina-Soto ranked Winn as highly advantageous for Permitting & Public Assistance and only advantageous on the Securing Tenants because the Registry of Deeds and East Regiment Beer Co. as tenants needs more thought. She ranked North River as not advantageous for presenting housing on land they don't own, advantageous for assembling a team to help with their process as well as with Securing Tenants. She loved JHR's tunnel concept but scored them without considering it because it would be a City's project, she ranked them as advantageous for Permitting and not for Public Assistance & Securing Tenants because they had no clue where to start and would hold space for SSU which has made no commitment.

Chair Napolitano ranked JHR as not advantageous for Securing Tenants for holding a space for SSU.

Refer to **Timely Redevelopment** Scoring Chart.

Mr. Rubin stated that JHR will move to public entities if SSU can't make it work and knowing their intention could raise their score. If they don't get SSU they will look towards public bodies to provide long-term tenants. Chair Napolitano replied that the timeline is their commitment. Mr. Vickers noted that SSU could take years and MOJ is a big unknown that can move in right away, but not all tenants will be viable. The Board should see a pro forma but they can overlap and the MOJ will allow more public access. They are scoring on intent or likelihood of use.

## **B. Economic Impact and Vitality**

Mr. Daniel stated that the amounts from each developer's submission related to payments over time. The Board agreed that the tunnel and kayak launch shouldn't be factored into the scores since they aren't paying for either and may not be constructed along with the new structures. Mr. Daniel stated the importance of identifying the land under control.

Mr. Zahler stated that JHR had a good vision, but their implementation is flawed. North River had a low-ball start that can't support their purchase price, but they were honest about that. Their idea was a pipe dream and the land issue is significant. He liked Winn's structure which they would pay \$2M for upfront and the Chapter 91 and affordable housing was doable.

Refer to **Economic Impact and Vitality** Scoring Chart.

Mr. Daniel stated that JHR's concept would bring activity, housing and jobs to the downtown.

Ms. Newhall-Smith looked more at job creation and Winn has commercial uses which would mean new jobs for the City.

Mr. Guarino stated that some items won't happen and questioned if he rated Winn too high. Mr. Zahler replied that based on economics there is an opportunity to not pay a purchase price which they offered but he couldn't see it working because of a \$2-5M gap. The criteria jumped and it's not a valid offer based on his analysis, but it is a significant offer. Winn said they can't pay and tells you how they will make it work, making their offer creative.

Mr. Daniel and Mr. Zahler noted being impressed with the SRA's analysis of the proposals.

### **C. Compatibility with Revitalization and Use Goals**

Mr. Rubin noted that all three could be the same tenants if SSU backs out, the MOJ could take the slot with minimal differences. Chair Napolitano stated that Winn needs to use the Registry of Deeds as an alternative.

Refer to **Compatibility with Revitalization and Use Goals** Scoring Chart.

### **D. Quality of Proposed Redevelopment Plan for Historic Courthouses**

Mr. Rubin stated that he found nothing distinguishable between what was asked of each of them. Mr. Vickers noted that Winn has proposed housing in the upper levels of the court buildings. Mr. Zahler noted that a glass addition will not fly with the use of Historic tax credits.

Refer to **Quality of Proposed Redevelopment Plan for Historic Courthouses** Scoring Chart.

### **E. Quality of Proposed New Construction**

Mr. Daniel stated that the design is low on his priorities because it changes over time, except for the 15-story tower proposed by North River. Compatibility has been raised by HSI and parking had a 1.5 parking spaces per unit and this went down to 1. The City is interested in sustainability and livability and what that looks like is before the City Council.

Mr. Vickers noted that Winn only proposed 40 parking spaces and the other proposed 1 to 1. Mr. Zahler noted that sustainability was based on JHR's ideas. Mr. Daniel added that neither developer met the current parking requirements, and he is a huge fan of passive housing. Ms. Newhall-Smith stated that the community won't support less than half a space per unit.

Refer to **Quality of Proposed New Construction** Scoring Chart.

### **F. Public Realm**

Mr. Daniel stated that pedestrians were more tangible, and connectivity was more subjective to him. Mr. Rubin noted that all development teams eliminated the turn lane which is good and all included garden space. Ms. Nina-Soto noted JHR's creativity for the land idea. Mr. Daniel noted he liked JHR's tunnel ramp / cascading stair connection, but it's a separate project. He liked Winn's connection through the crescent lot. Ms. Newhall-Smith stated that she liked the proposed pavement marking at the corner of Washington Street, the street trees, and the shared use path to connect to surrounding paths. Their proposals were realistic.

Refer to **Public Realm** Scoring Chart.

### **G. Financial Capability and Project Feasibility**

Mr. Zahler stated that all development teams provided evaluation info, and all have the capacity to do a project of this scale. It's hard to have solid working numbers at this point, but there were significant differences. JHR and Winn were close in total development cost. Winn has less parking which is essential to make their building and their costs more feasible. In regard to the mixed-use approach to financing Winn is above the other North River and JHR. North River had some

interesting ideas, but he doesn't understand their flexible capital but suggested bringing in an affordable housing consultant. Mr. Daniel thanked Mr. Zahler for his work.

Mr. Daniel stated that North River's proposal doesn't all make sense, Winn can handle this project, and he places JHR in between them. This is a defining moment in Salem's history, but we are also in challenging financial times. Mr. Zahler noted that all three interviews were telling and interesting.

Mr. Vickers noted his concern with Park Tower's responsibility in Winn's proposal.

Refer to **Financial Capability and Project Feasibility** Scoring Chart.

Mr. Rubin noted his surprise that JHR outscored North River, despite their creativity and with the tunnel and kayak landing not included. Mr. Daniel replied that they have big picture questions for each team that can be pursued, but they can only focus on the top two or decide tonight. Getting those answers will provide them with new information that could change the scores and rankings. He noted his concern with Winn's relationship with Park Towers, the management of tenants, how that evolves, as well as the Registry and MOJ as potential tenants. His concerns with JHR relate to the tunnel which isn't being factored in at this time, but he's concerned with how it will come to fruition, the City's role, and management of it. The tunnel entrance is hidden behind the corner of the parking garage. Mr. Vickers replied that the tunnel location is a small aspect to this project. North River proposed building on land they don't own and the MOJ as a tenant.

The Board agreed to request written responses from all three development teams and hold a time if they want to have a Zoom call.

Mr. Vickers stated that equal weight has been given to each of these factors in the chart and questions if financial concerns should rate higher because without financial means it's a non-starter. Mr. Zahler replied that each developer could start the project but might not be able to handle changes. Ms. Nina-Soto questioned which developer can get it done with the least number of unknowns.

Mr. Daniel stated that they discussed the Registry as a tenant with DCAMM and they need to determine the minimum deal between the Registry and the developer selected. The MBTA and MOA is being reviewed by their legal department. They've accepted all the SRA terms, it just needs to be executed, but the MBTA has 30-days to review their preferred developer selection. The SRA can have a back-up developer selected if the preferred becomes problematic.

The Board agreed to send questions by Friday or the following Monday and request the responses by Friday.

Mr. Zahler questioned the viability of a simultaneous bid process and when it would take place. Mr. Vickers replied that they need to make sure the SRA is getting what they want. Mr. Daniel noted that he wanted to get the developers down to two before they start that process. Mr. Zahler stated that North River is consistently at the bottom because they aren't qualified, have been challenging to deal with and this is an opportunity to eliminate one. Mr. Vickers replied that he wanted to see North River's answers before eliminating them. Mr. Guarino agreed that as part of the public process, they should mitigate the last-minute responses and questioned whether engaging Councillor Madore or Mayor Driscoll to go to community groups and to urge them to submit their comments. Mr. Daniel noted the new group Not for SALE.M is concerned with housing over-development, wanting true affordability, environmental sustainability, connectivity, etc. This project does check multiple boxes, but the reality is that the crescent lot is in a flood plain and a hazard zone. If no development is allowed in areas subject to flooding due to climate change then nothing can be built, and that is an option. The City could opt to not sell the land and use it as surface parking or wetland restoration; however, all three developments are LEED certified or meet passive house standards.

Mr. Daniel thanked everyone for their time, effort, and level of engagement with this exciting project.

Rubin: Motion to end executive session.

Seconded by: Nina-Soto.

Roll Call Vote: Guarino, Nina-Soto, Rubin, Vickers, Napolitano. 5 in favor.

### **Other Business**

### **Adjournment**

Guarino: Motion to adjourn the meeting.

Seconded by: Rubin.

Roll Call Vote: Guarino, Vickers, Nina-Soto, Guarino, Rubin, Napolitano. Passes 5-0.

Meeting is adjourned at 8:15PM.

Know your rights under the Open Meeting Law M.G.L. c. 30A §18-25 and City  
Ordinance Sections 2-028 through 2-2033.