

**City of Salem Massachusetts
Public Meeting Minutes**

Board or Committee:	Redevelopment Authority, Special Meeting
Date and Time:	Wednesday, October 7, 2020 at 5:00 PM
Meeting Location:	Zoom Virtual Meeting
SRA Members Present:	Chair Grace Napolitano, David Guarino, Cynthia Nina-Soto, Dean Rubin, Russ Vickers
SRA Members Absent:	None
Others Present:	Tom Daniel – Director of Planning and Community Development Kathryn Newhall-Smith – Principal Planner Mathieu Zahler – Consultant
Recorder:	Colleen Brewster

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

Special Meeting

Chair Napolitano welcomed the development teams and members of the public to the meeting, an opportunity for further public review. The proposals were submitted for the courthouse and crescent lot redevelopment project. The SRA met in an Executive Session on September 24, 2020 and sent follow-up questions to each development team, which will be the focus of tonight's public portion of the meeting. An Executive Session will immediately follow this meeting for further deliberation; however, the SRA will not be making any announcement this evening since the Board members haven't had an opportunity to discuss the development teams' responses. The next regular SRA meeting will be Wednesday, October 14, 2020, where an additional Executive Session may be held. The SRA will publicly review each teams response in alphabetical order. Executive Direction, Tom Daniel, will read each question and summarize each development team's response. The Board will be able to ask additional questions and once all questions have been reviewed the Public Comment will be opened. All questions will be directed to the SRA, this will not be an opportunity for discussion with the development teams. Written Public Comments can be sent to Ms. Newhall-Smith.

Mr. Daniel read the questions and summarized the development teams' responses:

JHR Development

JHR's proposal for the Crescent Lot shows the structure on land that is not owned and/or controlled by the SRA or City and was not included in the Request for Proposals. The SRA questioned their strategy and timeline to secure the rights to use the land to build. The following are questions to and responses from JHR:

- 1. How does JHR anticipate the tunnel being effectuated? What role do you see others playing? What sources of funding are required? Who would own the tunnel?**

JHR Response Summary: Brought on consultant Marty Nee, of City Point Partners, with an extensive history of working with the MBTA. Their discussion with Right-of-Way agent, Jamie

Rush, was positive. MBTA capital funding is obtainable. It's reasonable to believe this will be a "win-win" initiative to improve accessibility, customer experience and public safety.

Transportation oriented developments receive high funding priority. They expect to receive a quick response to determine if their tunnel strategy is achievable and worth pursuing. The process to gain MBTA approval could take 24-30 months for permitting/funding/design envelope for the overall development.

- a. **Effectuate the tunnel:** *JHR Response Summary:* JHR would create a "Tunnel Team" comprised of The Salem Partnership, City of Salem (Transportation Department, Planning, SRA, etc.) the JHR Development team, and City Point Partners. The original proposal included setting aside a design fund for a feasibility analysis of the tunnel concept. City Point Partners would be the municipal liaison in this process, as they have on numerous occasions in Salem's recent past and required a full-Salem commitment. Mr. Rockett referenced comparable experiences working in Brunswick, ME.
 - b. **Funding efforts:** *JHR Response Summary:* Through MBTA Capital funding, Mass Works grant, transportation-oriented funding, or State funding through Commonwealth's annual budget process. These funding entities and others will be vetted in the feasibility study.
 - c. **Land Ownership Issues:** *JHR Response Summary:* They acknowledged that the land is not owned by City, which is why they reached out to the MBTA when developing the proposal and met with a right-of-way agent to see if it could proceed, to which the MBTA felt it was an interesting ask and concept that could be successful. Permitting process could take 2+ years and the analysis would be conducted within that timeframe.
 - d. **Tunnels long term maintenance, operation plan and funding for its on-going needs:** *JHR Response Summary:* JHR will look to the Tunnel Team to work on the complication of funding resources but they have put money aside to retain a consultant to support this effort.
 - e. **Design Challenges of moving from train platform to tunnel:** *JHR Response Summary:* Would be analyzed during the feasibility analysis with the possibility of indoor or outdoor connections or a combination of both. Ownership, maintenance & control would be answered as the analysis moves ahead.
2. **What would you like to see in the next iteration of the Harbor Plan that will help facilitate your development of the Crescent Lot? (This question is being asked of all teams.)**

JHR Response Summary: Goal of Ch. 91 is to provide harbor access; the team has been engaged in the Harbor Planning process and seeing the proactive progress has been useful. They called out the North River waterfront as having been neglected and in need of improvement for environmental reasons but for the safety of the community and residents. If selected they will engage more proactively in the Harbor Planning process to advocate for the transformation of this area of the North River into a desirable area for walking, relaxing and connecting to activities such as their proposed kayak launch. They believe there are in general compliance with the Ch. 91 regulation requirements in terms of use of height and the development of creates an excellent forum to ensure the plan recognizes all of the design aspects of the proposal.

The Board had no questions or comments for JHR.

North River Partnership

- 1. Your proposal for the Crescent Lot shows the structure on land that is not owned and/or controlled by the SRA or City and was not included in the Request for Proposals. What is your strategy and timeline to secure the rights to use the land to build?**

NRP Response Summary: They acknowledged that the train station entry is not under their or the City's control. They would use sliver/remnant parcel with an MOU between the MBTA and the crescent lot. If designated, they would initiate a dialog for a new MOU for the "Train entry parcel" that will take at least 1-year and can be done in parallel with the planning efforts. They are contextual developers that felt it was an opportunity to optimize the view corridor up Washington Street, and it would become an architectural feature that's more advantageous than the existing view to the garage. The project doesn't depend upon this and design can be modified to eliminate the encroachment.

- 2. The City is beginning its harbor planning process which will influence how Chapter 91 regulations impact development along the waterfront, including the Crescent Lot. What would you like to see in the next iteration of the Harbor Plan that will help facilitate your development of the Crescent Lot?**

NRP Response Summary: They note specific executions that benefit the public could happen through the Harbor Plan to facilitate Chapter 91 licensing, MEPA filings and approvals. Some alternatives and standards are offsetting to public benefits such as small-boat tie-up, dinghy docks, kayak launch, and/or public viewing areas. Offsite improvements, such as connective walks to Furlong Park or the proposed mini park proposed at Washington and Bridge Street are alternatives. They suggested establishing a North parcel boundary as a limit of the water dependent use zone, increasing allowable lot coverage ratio, increasing allowable building height and reverting to the local regulatory process. Establishing Bridge Street at the Ground Floor. Allow limited dredging at appropriate locations to encourage habitat restoration and enable low-tide access for kayaks, canoes, and other small boats. Provide for amplifications such as increases in stormwater management and coastal flooding.

- 3. Please provide a short-term (5-7 years) estimated pro forma for the Museum of Justice. It should include costs to build out the space, operating and maintenance costs. It should also include anticipated revenues by source. (This question is also being asked of the North River team.)**

NRP Response Summary: NRP provided an estimated Pro Forma and support from Robert Clayman from the MOJ with his business plan, anticipated growth plan, Center Stage team of consultants assisting them in the feasibility analysis.

Mr. Rubin stated that the Pro Forma estimated that 35% of income will be from ticket sales 6 days a week. He requested their anticipated daily traffic and how that would compare to other museum traffic. Mr. Ognibene of Urban Spaces replied that the revenue amount use was an industry standard, but Mr. Clayman has his own estimates. They have formulated their Pro Forma to be flexible if the revenue is less than estimated, but it can still be successful. Mr. Clayman added that they anticipate ticket sales from foot traffic in the museum and on-line ticket

sales for virtual participation, but 34% in person sales is the goal. Mr. Guarino asked if during the initial years there a reliance on digital experience and programs for the budget. He noted that many are keeping things free to keep up the interested and he's curious how it will pan out. Mr. Clayman replied that they could address that later in the meeting. Mr. Diamond stated that the MOJ is unique because they are viewing Mr. Clayman as a tenant and a partner and much of the discussion has been about meshing interactive performances in the preserved spaces. They want them to overlap their use because they don't see the MOJ as something they hope works, they will make sure it accomplishes the objective of the proposal.

The Board had no questions or comments for North River Properties.

Winn Companies

1. The SRA needs further clarification about the relationship between Winn and Park Towers.

a. Please explain what the main goal(s) is/are of having Park Towers as part of the team.

Winn Response Summary: Winn is committed to be a member of the communities in which we work. Ken and Tom Carpi of Park Towers are established owners and operators of commercial space in Salem and across the North Shore. They won a Preservation Paul and Niki Tsongas Award for the City Hall Annex and have connections to local commercial tenant prospects.

b. Please confirm whether or not Park Towers will be the responsible entity in control of the occupancy and use of the commercial spaces in both Superior Courthouse and the Crescent Lot.

Winn Response Summary: The ownership structure as proposed would have Park Towers as the owner and operator of the commercial spaces in both the Superior Courthouse and the Crescent Lot. Park Towers is responsible for securing tenants for the spaces and any carrying costs associated with the spaces when unoccupied, but Park Towers does not have unilateral decision-making authority when it comes to tenancy/use and historic compliance. The combined Courthouses and Crescent Lot will be governed by a Condominium Association. Of which Winn would be the majority/controlling member. The types of commercial tenants and allowable uses for the commercial spaces will be governed by the Condominium Association regulations in a manner that requires uses consistent with public access and compliance with the Preservation Restriction. Winn, as the controlling member of the Condominium Association will be responsible for ensuring this covenant is not broken, thereby guaranteeing that Winn will be ultimately accountable for uses of these spaces in accordance with the Preservation Restriction and will exercise oversight accordingly.

c. What happens in the future if there is a desire to expand commercial space into some of the residential space?

Winn Response Summary: Once they close on financing as planned the residential component will be governed by a deed restriction for a minimum of 40-years, which would preclude an expansion of commercial spaces into the residential space.

- f. Please confirm whether or not the restoration of all of the commercial spaces in the courthouses will be completed by Winn as part of the construction project. Who is responsible for tenant buildout of interior spaces?**

Winn Response Summary: Winn will be retained by Park Towers as the Developer of the commercial spaces and Winn will be a co-guarantor with respect to the historic tax credit and construction loan guarantees required for the restoration of the Courthouses' commercial spaces. In accordance with standard industry practice, the tenants of the individual spaces would be responsible for the actual fit-out of their spaces. Their leases would obligate them to fit-out their spaces in a manner compliant with the Preservation Restriction.

- g. What are Park Towers' obligations regarding the financing of construction in the commercial spaces?**

Winn Response Summary: Park Towers will retain Winn as the Developer of the commercial spaces. As the Developer, Winn will apply for and "line-up" the financing for the restoration of the commercial spaces and determine the historic guidelines; Park Towers would be the Borrower. However, Park Towers and Winn will be co-guarantors with respect to the historic tax credit and construction loan guarantees required for the restoration of the Courthouses' commercial spaces.

- h. Your proposal is not dependent upon any lease revenue from the commercial spaces to be underwritten. However, how does Park Towers sustain ownership of the commercial spaces if limited revenue is being collected? Stated another way, what revenue is needed by Park Towers to be able to maintain and operate the commercial spaces?**

Winn Response Summary: Their proposal is not dependent upon lease revenue from the commercial spaces because – due to COVID-19 – we felt it was necessary to be conservative in our underwriting. We are not suggesting that we plan not to generate revenue from the commercial spaces. Its customary in any commercial/retail space, the owner is required to carry the costs associated with the space for the duration it is not occupied. This serves as motivation for Park Towers to lease the commercial spaces as expeditiously as possible. If Park Towers fails to meet these obligations, Winn reserves the right and will step in to meet them (via its controlling position in the Condominium Association).

- i. If tenants for the commercial spaces are difficult to secure initially, what obligation does Winn have to remedy the situation? How does this obligation change over time?**

Winn Response Summary: The Condominium Association regulations will allow for Winn, as its Controlling Member, to step in with the right to purchase the commercial spaces at fair market value should Park Towers fail to perform.

- j. What are Winn's long-term operating guarantees for the commercial spaces?**

Winn Response Summary: In Park Towers' capacity as the owner of the commercial spaces, any long-term operating guarantees with permanent financiers will be made by Park Towers. However, the Condominium Association regulations will allow for Winn, as its Controlling Member, to step in with the right to purchase the commercial spaces at fair market value should Park Towers fail to perform within a proscribed period of time.

- k. The SRA is very interested in creating an 18-hour mixed income and mixed-use environment in the Bridge Street Courthouse district. They need some assurance that Winn will be responsible for this activation. Please offer some clarity on this issue. The SRA does not want to see darkened storefronts or unoccupied commercial spaces.**

Winn Response Summary: The interests of the SRA and Winn are 100% aligned. Having the commercial spaces fully occupied will accelerate the rate of the lease-up, minimize resident turnover, and increase the achievable rents on the unrestricted, market rate residences. Winn has zero incentive to allow those spaces to be dark.

Winn unequivocally commits to expend all best-efforts to ensure the 18 hour-a-day, mixed-income and mixed-use environment is realized. The Condominium Association regulations will allow for Winn, as its Controlling Member, to step in with the right to purchase the commercial spaces at fair market value should Park Towers fail to secure Condominium Association approved tenants within a proscribed period of time. The Condominium Association regulations will require uses consistent with public access and compliance with the Preservation Restriction. Two commercial consultants for the express purpose of securing commercial tenants at the earliest possible juncture: Little & Co. Realtors and Stys Hospitality Associates.

- l. Does Winn expect to sell the residential units as condos in the courthouse building once the historic tax credit compliance period has expired?**

Winn Response Summary: No. Not only do we have no intention to do so, our proposal's financing will not allow for it. The deed restriction will ensure the units remain as rental housing for at least 40-years as a result of receiving historic tax credits.

- 2. At the interview, you indicated that you would welcome the Registry of Deeds as a tenant. If the residential uses were eliminated from the Superior Courthouse, could the Registry of Deeds and Museum of Justice both work in the building? If not, where would the Registry of Deeds be located? Would any of this impact any of your responses to question 1?**

Winn Response Summary: Yes, from a space allocation perspective we believe the Registry of Deeds could co-exist with the Museum of Justice in the Courthouse buildings if the residential units removed; however, that would fundamentally alter our response to Question 1. Our project's proposed financing with the affordable housing resources that the Crescent Lot can support cross-subsidizes the restoration of the Courthouses - necessitates having residential units in the Courthouses such that it can be financed as one project. This structure allows for Winn to make the guarantees relative to the restoration of the Courthouses referenced in previous responses.

If housing were eliminating in the Courthouses and the Registry of Deeds were included, an alternate ownership structure would be required in which Park Towers owned and is entirely responsible for the renovation of the Courthouses. Our team is open to exploring this option but it would need to be underwritten and evaluated.

- 3. The City is beginning its harbor planning process which will influence how Chapter 91 regulations impact development along the waterfront, including the Crescent Lot. What would you like to see in the next iteration of the Harbor Plan that will help facilitate your**

development of the Crescent Lot? (You addressed this during the interview; however, this question is being asked of all teams.)

Winn Response Summary: The Project Team includes VHB, and they suggest two areas of focus:

1. **Open Space:** Our proposal provides slightly *more* open space than required but is reliant on providing open space at the Bridge Street elevation. If the Municipal Harbor Plan allowing open space to be provided at both the Bridge Street elevation and the waterfront level will make for a much more activated public space that also accommodates future sea level rise and climate change.
2. **Height:** This project requires flexibility from the numerical limitations of height in order to traverse grade changes and connect to Bridge Street. Additional height is also needed to yield sufficient units to allow for the provision of much needed affordable and workforce housing.
4. **Please provide a short-term (5-7 years) estimated pro forma for the Museum of Justice. It should include costs to build out the space, operating and maintenance costs. It should also include anticipated revenues by source. (This question is also being asked of the North River team.)**

Mr. Daniel stated that the MOJ proposed is not the same in the two proposals. They call out different square footage and a slightly different configuration.

Board Questions

Mr. Vickers raised concern with the responses to question No. 2 about the Registry of Deeds because the ownership structure would change. If that structure were to change would Park Towers be responsible for the historic tax credits and preservation restrictions? Mr. Curtin replied yes, if the housing component were removed from the courthouses Park Towers would own, operate, and make all guarantees associated with the courthouses. Winn would need to have a portion of the building as residential in order to be able to finance it in conjunction with the crescent lot. Mr. Daniel asked what would occur if residential were in the County Commissioners building but not in the Superior Court. Mr. Curtin replied that if the Registry and MOJ shared the County Commissioners building, they would be able to maintain the ownership structure but based upon the loss of the units they would need to look into the underwriting. Mr. Curtis added that if they ended up with partial housing in the historic courthouses, they would take on the guarantees. The guarantees for the overall development, they would be the party responsible for everything asked in the follow-up questions, similar to what they've done on other projects.

Chair Napolitano opens public comment.

No one in the assembly wished to speak.

Rubin: Motion to move into executive session.

Seconded by: Vickers.

Guarino, Nina-Soto, Vickers, Rubin, Napolitano. 5-0 in favor.

Chair Napolitano states that Open Session will not reconvene at the conclusion of the Executive Session.

Executive Session began at 5:50PM

Rubin: Motion to end executive session.

Seconded by: Vickers second.

Guarino, Nina-Soto, Vickers, Rubin, Napolitano. 5-0 in favor.

Guarino: Motion to adjourn.

Seconded by: Rubin second.

Guarino, Nina-Soto, Vickers, Rubin, Napolitano. 5-0 in favor.

Executive Session ended at 7:45PM

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