



CITY OF SALEM

410

In City Council August 24th, 2023

An Order to Facilitate The Construction And Operation Of Salem's Offshore Wind Marshalling Port At 67 Derby Street

- WHEREAS*, The City of Salem has collaborated with Crowley Wind Terminal LLC (Crowley) and the Massachusetts Clean Energy Council (CEC) on the planning, permitting, and construction of Salem's offshore wind marshalling port; *and*
- WHEREAS*, Crowley has purchased 42± acres of land at 67 Derby Street with the intent to construct a marshalling port for the offshore wind industry that will be subdivided into two parcels – Lot 2-A, which is a 37± acre upland parcel and Lot 2-B, a 5-acre parcel that extends from Derby Street down to the Ferry Terminal, extending along the waterfront on the southeastern shore of the subject property until it terminates at the end of the wharf and the adjacent berth; *and*
- WHEREAS*, Crowley shall convey both parcels to the CEC who shall maintain ownership of Lot 2-A and provide a lease to Crowley for both the construction of the marshalling port and the maintenance of said port for a period of 25-years; *and*
- WHEREAS*, The CEC shall convey the Lot 2-B to the City of Salem and, in turn, the City of Salem, to facilitate the construction, operation, and long-term success of the marshalling port, shall lease Lot 2-B to the CEC for the purpose of offshore wind activities. Said lease shall ensure public access to the waterfront and allow for maritime activities in Salem's port; *and*
- WHEREAS*, Pursuant to the City of Salem Code of Ordinances, Chapter 2, Article 9, Division 4, the City Planner and the Director of Public Property have consulted with city department heads and have determined that Lot 2-B is underutilized.

NOW, THEREFORE

Be it ordered by the City Council of the City of Salem, as follows:

1. Upon successful completion of the subdivision of the 42-acre property into Lots 2-A and 2-B as shown in the draft subdivision plan entitled, 67 Derby Street Plan of Land, prepared by Meridian Associates, 500 Cummings Center, Suite 5950, Beverly, MA 01915, dated May 2, 2023, attached hereto as Exhibit A, and upon conveyance of Lots 2-A and 2-B to the CEC, the City of Salem shall accept the deed for Lot 2-B from the CEC.
2. Lot 2-B, once deeded, is hereby declared surplus to the City's needs.

3. The Mayor is hereby authorized, through an intergovernmental agreement, to lease Lot 2-B to the CEC with the following conditions:
- a. Maintaining public access to the waterfront, which includes, but is not limited to, providing pedestrian access to Blaney Street and the Salem Ferry terminal and allowing the docking of cruise ships and other maritime vessels so long as said dockings do not conflict with offshore wind activities.
 - b. Facilitating offshore wind activities occurring on Lot 2-A where the marshalling port will be constructed.
 - a. A lease term not to exceed 99 years.
 - b. A lease payment of \$1 per year.
 - c. Termination of the lease should Lot 2-A and/or Lot 2-B no longer be used for offshore wind purposes.
 - d. Right of first refusal for the city to purchase Lot 2-A if the CEC seeks to sell it.
 - e. Right to acquire a use restriction on Lot 2-A upland parcel if the CEC seeks to sell it.
 - f. Maintaining the property and improvements thereon in good condition during the term of the lease.
 - g. Coordination and collaboration between the City and the CEC in the development of a new ferry terminal building and other port improvements.

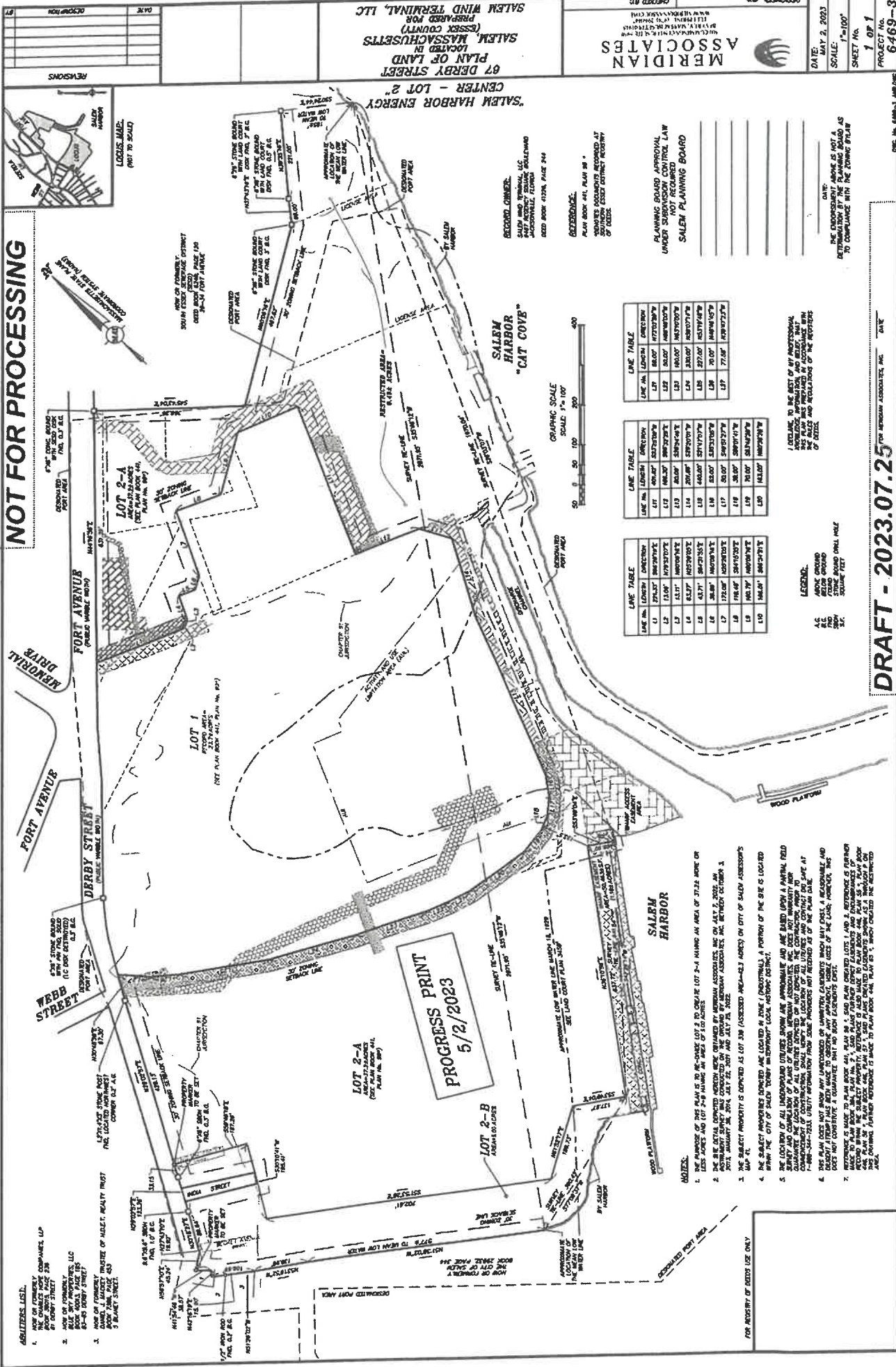
In City Council August 24, 2023
Referred to the Committee of the Whole

ATTEST:

ILENE SIMONS
CITY CLERK

Exhibit A

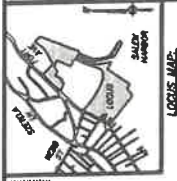
DRAFT - 2023.07.25
NOT FOR PROCESSING



- GRANTERS LIST:**
1. HOW ON FORTWELL DEVELOPMENT, LP
PROF. PLAN PAGE 238
67 DERBY STREET
 2. HOW ON FORTWELL DEVELOPMENT, LLC
BOOK 0003, PAGE 185
67 DERBY STREET
 3. HOW ON FORTWELL DEVELOPMENT, LLC
BOOK 0003, PAGE 185
67 DERBY STREET

- NOTES:**
1. THE PURPOSE OF THIS PLAN IS TO RE-CLASS LOT 2 TO ONE (1) AND AN AREA OF 7.7 ACRES OR LESS AND LOT 2-B TO BE A PART OF THE SALEM HARBOR ENERGY CENTER.
 2. THE SUBJECT PROPERTY IS LOCATED IN ZONE (RECORDING), A PORTION OF THE SITE IS LOCATED WITHIN THE CITY OF SALEM ZONING REGULATORY CODE (ZONING).
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 5. THE LOCATION OF ALL IMPROVEMENTS SHOWN ARE APPROXIMATE AND ARE BASED UPON A PARTIAL FIELD SURVEY. THE LOCATION OF ALL IMPROVEMENTS SHOWN ARE APPROXIMATE AND ARE BASED UPON A PARTIAL FIELD SURVEY. THE LOCATION OF ALL IMPROVEMENTS SHOWN ARE APPROXIMATE AND ARE BASED UPON A PARTIAL FIELD SURVEY.
 6. THIS PLAN DOES NOT SHOW ANY UNRECORDED OR UNWRITTEN AGREEMENTS WHICH MAY EXIST. A RECORDABLE AND UNRECORDED EASEMENT OR OTHER INTEREST IN THE LAND SHOWN ON THIS PLAN IS NOT SHOWN ON THIS PLAN.
 7. THE PLAN IS MADE TO BE USED FOR THE PURPOSES OF THE SALEM HARBOR ENERGY CENTER AND IS NOT TO BE USED FOR ANY OTHER PURPOSES.

FOR RECORD OF DEEDS USE ONLY



REVISIONS

NO.	DATE	DESCRIPTION

**67 DERBY STREET
PLAN OF LAND
LOCATED IN
SALEM, MASSACHUSETTS
PREPARED FOR
SALEM HARBOR ENERGY CENTER - LOT 2**

MERIDIANS ASSOCIATES
100 WASHINGTON STREET
Salem, MA 01970
PHONE: (978) 744-1111
FAX: (978) 744-1112
WWW.MERIDIANS-MA.COM

DATE: MAY 2, 2023
SCALE: 1"=100'
SHEET No. 1 OF 1
PROJECT No. 6469-3

RECORD OWNER:
SALEM HARBOR ENERGY CENTER, LLC
100 WASHINGTON STREET
Salem, MA 01970
PHONE: (978) 744-1111
FAX: (978) 744-1112
WWW.MERIDIANS-MA.COM

REFERENCE:
PLAN BOOK 4178, PAGE 244

**PLANNING BOARD APPROVAL
UNDER SUBDIVISION CONTROL LAW
NOT REQUIRED**

SALEM PLANNING BOARD

DATE: _____
THE CHAIRPERSON ABOVE IS NOT A
DETERMINATION BY THE PLANNING BOARD AS
TO COMPLIANCE WITH THE ZONING PLAN

LINE TABLE

LINE NO.	LENGTH	DIRECTION
L1	494.67'	S87°23'00"W
L2	604.37'	S89°27'00"W
L3	604.00'	S87°00'00"W
L4	204.00'	S87°00'00"W
L5	204.00'	S87°00'00"W
L6	204.00'	S87°00'00"W
L7	204.00'	S87°00'00"W
L8	204.00'	S87°00'00"W
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L9	204.00'	S87°00'00"W
L10	204.00'	S87°00'00"W

LEGEND:

A.C. ABOVE GROUND
F.P. FIELD POINT
S.P. SOURCE POINT

NOTE: TO THE BEST OF MY PROFESSIONAL
KNOWLEDGE, INFORMATION, AND BELIEF, THIS
PLAN ACCURATELY REPRESENTS THE
SALES AND REGULATIONS OF THE RECORDS
OF DEEDS.

GRAPHIC SCALE
SCALE: 1"=100'

0 50 100 200 300 400

DRAFT - 2023.07.25 FOR ILLUSTRATIVE PURPOSE ONLY



CITY OF SALEM, MASSACHUSETTS

Dominick Pangallo
Mayor

Office of the Mayor

August 24, 2023

Salem City Council
93 Washington Street
Salem, MA 01970

Dear Councillors,

Enclosed is a Council Order effectuating a series of real estate actions for the redevelopment of the vacant 42-acres adjacent to the Salem Harbor Power Station for the purposes of functioning as an offshore wind marshalling terminal, to be developed and operated by Crowley Wind Services. This site is initially expected to be able to support up to 6.1 GW of offshore electricity generation, or approximately 61% of the Commonwealth's goal by 2035 and one-fifth of the nation's goal by 2030. This power generation could serve more than 3.5 million homes and businesses, with an estimated carbon emissions reduction equivalent to removing 2,300,000 vehicles from our roadways.

We face a unique opportunity to transform this site from one where coal was piled and burned, to a transitional natural gas plant, and now to a critical part of the development of a clean energy future. This summer our planet experienced the hottest day, the hottest June, and the hottest July ever. Warming and rising oceans, raging wildfires, and torrential storms battered our planet, our continent, and our Commonwealth. This project, alone, will not halt this, nor reverse it. But without this project and many others like it, no progress will be possible. This is our small part to play for large change. The cost of action is leasing property we have never owned, we are receiving for free, and which will be maintained by a third party at their expense. The cost of inaction is the continuation, even worsening, of the cascading impacts of the climate crisis.

The enclosed Order:

1. Accepts Parcel 2-B, the berth and adjacent five acres of the larger 42-acre property, from the Massachusetts Clean Energy Center (CEC), and
2. Declares Parcel 2-B as surplus property, for the purpose of leasing it to the CEC for offshore wind purposes, and
3. Authorizes me to negotiate and execute a lease with the CEC in accordance with terms and conditions of an MOU executed between the City, CEC, and Crowley in 2022.

In summary, Crowley, as the current owner of the 42-acre property, will subdivide the entire property into an approximately 37-acre upland parcel (Parcel 2-A) and a 5-acre parcel to include the land along the harbor and the deep-water berth (Parcel 2-B). Once subdivided, the two parcels will then be conveyed to the CEC.

Upon conveyance to the CEC, the CEC will convey Parcel 2-B to the City (action #1 above and reflected in the attached Order). The City's rights to owning the deep-water berth and five acres date to the 2014 Community Benefits Agreement between the City and Footprint. The City will own this critical waterfront parcel, which will benefit from Crowley's required improvements and ongoing maintenance—including dredging. This maintenance of the City asset, carried out at Crowley's expense, will allow for continued public use and access.

The City will then lease its land, Parcel 2-B, to the CEC (actions #2 and #3 above and reflected in the attached Order). As is typical in real estate structures with public entities, the lease is 99 years at \$1.00 per year. The CEC, in turn, will sublease Parcel 2-B to Crowley. The CEC will also lease Parcel 2-A to Crowley. The CEC agreement with Crowley is for 25 years and has a varied lease rate. Revenue the CEC collects will be placed in a segregated account at CEC and prioritized to reinvest in Salem's port infrastructure. Crowley will be responsible for building, operating, and maintaining the marshalling port. As the term expiration approaches, CEC will engage with the City and will assess the potential for a term extension, other operating models, or a potential competitive solicitation. Other terms include:

- a. Use limitation to offshore wind purposes.
- b. Termination of the lease if Lot 2-B is no longer to be used for offshore wind purposes.
- c. Maintaining public access to the waterfront, which includes, but is not limited to, providing pedestrian access to Blaney Street and the Salem Ferry terminal and allowing the docking of large passenger vessels and other maritime vessels so long as said dockings do not conflict with offshore wind activities.
- d. Facilitating offshore wind activities occurring on Lot 2-A.
- e. A right of first refusal for the City to purchase Lot 2-A if the CEC ever seeks to sell it.
- f. A right to acquire a use restriction on Lot 2-A if the CEC ever seeks to sell it.
- g. Maintaining, not at the City's expense, the property and improvements thereon in good condition during the term of the lease.
- h. Coordination and collaboration between the City and the CEC in the development of a new ferry terminal building and other port improvements.

For construction of the terminal to commence, these real estate transactions are required. I recommend adoption of the enclosed Order and invite you to contact the Director of Planning and Community Development, Tom Daniel, and myself should you have any questions regarding this matter.

Sincerely,



Dominick Pangallo

Mayor

City of Salem



DOMINICK PANGALLO
MAYOR

CITY OF SALEM, MASSACHUSETTS


98 WASHINGTON STREET ♦ SALEM, MASSACHUSETTS 01970
TELE: 978-619-5685


MEMORANDUM

To: Mayor Dominick Pangallo
City Council
Cc: Ilene Simons, City Clerk
Elizabeth Rennard, City Solicitor
Re: Surplus Recommendation – Lot 2-B at 67 Derby Street (wharf and five acre)
Date: August 14, 2023

We recommend that Lot 2-B (a portion of 67 Derby Street that includes the berth and five acres) of City-owned land as shown on the attached draft plan entitled, "67 Derby Street Plan of Land, Salem, Massachusetts," prepared by Meridian Associates and dated May 2, 2023, be declared surplus property as it is not needed for any municipal use.

A survey of all Department Heads was conducted to determine if there was any potential municipal use, and we did not receive any interest in the parcel.


Greg Salamida
Acting Director of Inspectional Services


Tom Daniel
Director of Planning and Community
Development



DOMINICK PANGALLO
MAYOR

TOM DANIEL, AICP
DIRECTOR

CITY OF SALEM, MASSACHUSETTS

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

98 WASHINGTON STREET ♦ SALEM, MASSACHUSETTS 01970
TELE: 978-619-5685

MEMORANDUM

TO: Mayor Dominick Pangallo

FROM: Tom Daniel *TDaniel*

DATE: August 18, 2023

RE: Salem's Offshore Wind Marshalling Port: Real Estate and Tax Increment Financing Actions

We often remark on Salem's vibrant history tied to the sea. Less often discussed is Salem's history of providing resources and critical infrastructure for the region. Salem has served as the seat of the former Essex County administration, it is the judicial center for the region, and it is home to the largest hospital, university, and cultural institution north of Boston. In addition, Salem serves as the host of the regional sewer district, a natural gas pipeline and storage tank, electric power substations, and a major electricity power plant.

The Salem Wind Port development constitutes another regional asset that brings together Salem's history that is so tied to the sea along with its role as a hub of critical infrastructure. Furthermore, the Wind Port demonstrates Salem's innovation and creativity, its forward-facing ethos, and its role as a small yet globally impactful community.

For many years, there has been a transformational vision for the old Dominion coal-fired power plant site. Changing one of the dirtiest power plants in the country into what is currently a gas-fired power plant was a significant first step. Today's Wind Port project is a tremendous leap forward with Salem providing a critical role in the emerging offshore wind industry.

Two-and-a-half years ago, the idea of Salem playing a role in offshore wind was a pipedream. Through the Biden Administration's focus on renewable energy—and offshore wind specifically—as a key strategy to address climate change, the possibility of Salem being involved in the offshore wind industry became real. The Biden Administration has established the goal of 30 gigawatts (GW) by 2030. The Commonwealth's own offshore wind goal is 10 GW by 2035. Suddenly, Salem became an essential part of the country's and Commonwealth's goals and offshore wind industry's needs.

It is important to note this is a new industry in the United States. The infrastructure, knowledge, and skills to develop and operate commercial grade offshore wind facilities is being created in real time. We

are fortunate in Salem (and in the Commonwealth) to have the first in the nation installation already happening from the Port of New Bedford. We are able to learn from their experiences from the leading edge.

As an emerging industry, there is significant risk and also opportunity for the private sector. Because of the critical public goals that are being pursued and the nascent industry risk, there is a significant role the public sector is playing at the federal, state, and local level in terms of regulation and financial assistance.

Salem is well-positioned to participate in the offshore wind industry due to the location and features of Salem's seaport. The port has no overhead restrictions, such as bridges or power lines, or water-based restrictions, such as hurricane barriers or breakwaters; it is located on a federal channel with sufficient depth and width, the site is flat, and the city and region have talent and businesses to support the industry. In addition, Salem has a good location for initial offshore wind lease areas south of Martha's Vineyard, and a superior location for future lease areas in the Gulf of Maine.

The nexus of factors contributing to Salem as an ideal location for offshore wind related business are engendering a transformation in Salem's seaport. Salem will follow New Bedford as the Commonwealth of Massachusetts' second construction staging port (i.e., a marshalling station) for offshore wind development. Through a public-private partnership with Crowley Wind Services (Crowley), the City, and the Massachusetts Clean Energy Council (CEC), the property at 67 Derby Street will be redeveloped to facilitate staging and assembly of offshore wind turbine generator components prior to their transport and installation at offshore wind lease areas.

I. Project Overview

The subject property is a 42.3-acre area consisting of uplands and waterfront with mostly naturally maintaining deep water. The area is located within the Salem Harbor Designated Port Area and is bordered by Derby Street and Fort Avenue to the northwest, Blaney Street and the ferry terminal to the southwest, Salem Harbor to the southeast, the South Essex Sewerage District facilities to the north, and is partially bisected by the Salem Harbor Power Station. Salem's seaport benefits from having no air draft restrictions, providing a significant competitive advantage as one of only a few unrestricted ports on the East Coast.

Generally, the proposed project includes two laydown areas. Laydown Yard A would abut Blaney Street and the Salem Ferry Terminal. This area is proposed for storage of blades and tower sections, and it would serve as the pre-assembly and loadout area for the wind turbines. Laydown Yard B would be adjacent to the Salem Harbor Power Station and South Essex Sewerage District. This area is intended to house nacelles (i.e., housing for generator components, gearbox, drive train, brake assembly). The project provides for onsite parking at the northwestern extent of the property. In addition to the upland improvements, the proposed project will improve waterside infrastructure including a loadout wharf, a delivery pier, and a trestle connecting the delivery pier to the uplands.

The development team is targeting this month (August 2023), for the 100% design drawings and has already begun the local permitting processes with the Conservation Commission and the Planning Board. Additionally, the development team continues to pursue state and federal permits required to begin

construction activities and ultimately activate the site. Concurrently, members of the public private partnership are working towards completion of real estate and TIF deals that are discussed more in this memo and are expected to be completed in fall 2023. These efforts will be followed by negotiation of a Community Benefits Agreement and a Wharfing Rights Agreement. Currently, the intent is to complete administrative tasks and for construction to begin later in 2023 with completion in time for the seaport to become operational in 2026.

Based on already-approved offshore wind developments, it is anticipated that this marshalling hub will initially support up to 6.1 GW of offshore electricity generation, or approximately 61% of the Commonwealth's goal by 2035. In addition to approximately 100 construction jobs, the project will result in 150-200 jobs in Salem during operations. Additionally, the proposed construction would substantially improve the site and provide newly renovated upland cargo and waterside facilities. The perimeter of the site will feature new landscaping and additional features that will benefit the public.

II. Real Estate Transactions

Crowley purchased the 42-acre site from Footprint Power in 2022 for \$30M with the intent to construct the offshore wind marshalling port. As the company worked through project logistics and financing, Crowley, the CEC, and the City determined that the real estate ownership needed to be restructured to facilitate the overall project. Rather than Crowley being the owner and developer of the property, the CEC and the City would own the land with lease agreements to Crowley to construct and operate the port.

In December 2022, the City, Crowley, and CEC executed a Memorandum of Understanding (MOU). The MOU put forth the series of real estate transactions, allowed uses, required improvements, and key lease terms that all parties agreed to as described below.

Crowley, as the current owner of the 42-acre property, will first subdivide the acreage via a Subdivision Approval Not Required (ANR) plan into an approximately 37-acre upland parcel (Parcel 2-A) and a 5-acre parcel to include the land along the harbor and the deep-water berth (Parcel 2-B). Once subdivided, the two parcels will then be conveyed to the CEC.

Upon conveyance to the CEC, the CEC will convey Parcel 2-B (the berth and adjacent five acres) to the City. The City's rights to owning the deep-water berth and five acres go back to the 2014 Community Benefits Agreement between the City and Footprint. The City will be the owner of this valuable waterfront parcel that will benefit from Crowley's required improvements and ongoing maintenance—including dredging—which will allow for continued public use and access.

The City will then lease its land, Parcel 2-B, to the CEC. As is typical in real estate structures with public entities, the lease is 99 years at \$1.00 per year. The CEC, in turn, will sublease Parcel 2-B to Crowley. The CEC will also lease its 37-acre parcel (Parcel 2-A) to Crowley. The CEC lease to Crowley for both parcels is for 25 years and has a varied lease rate. Revenue the CEC collects will be prioritized for reinvestment in Salem's port infrastructure. Crowley will be responsible for building, operating, and maintaining the marshalling point. As the term expiration approaches, CEC will engage with the City and will assess the potential for a term extension, other operating model, or potential competitive solicitation.

Other key terms include:

- a. Use limitation to offshore wind purposes.
- b. Termination of the lease if Lot 2-B no longer be used for offshore wind purposes.
- c. Maintaining public access to the waterfront, which includes, but is not limited to, providing pedestrian access to Blaney Street and the Salem Ferry terminal and allowing the docking of cruise ships and other maritime vessels so long as said dockings do not conflict with offshore wind activities.
- d. Facilitating offshore wind activities occurring on Lot 2-A.
- e. Right of first refusal for the city to purchase Lot 2-A if the CEC seeks to sell it.
- f. Right to acquire a use restriction on Lot 2-A if the CEC seeks to sell it.
- g. Maintaining the property and improvements thereon in good condition during the term of the lease.
- h. Coordination and collaboration between the City and the CEC in the development of a new ferry terminal building and other port improvements.

It is important to note that the intent had been for the Salem Port Authority to own the berth and five acres. Legislation was needed to enable this to happen. Legislation was included in the 2022 economic development bill; however, the Legislature did not approve the bill. The Healey-Driscoll Administration included the necessary legislation in a supplemental budget bill earlier in 2023. It had been anticipated that the legislation would be approved by June 30, 2023, but it was not. There is urgency for the real estate transactions to be completed in order for Crowley to commence construction. Since the legislation has not advanced, it is necessary to shift from the Port Authority to the City of Salem as the owner of Parcel 2-B. In addition, certain actions are needed by the City Council to comply with 30B requirements of an intergovernmental transfer of real estate.

Attached for your consideration is a draft Council Order that describes the necessary real estate transactions. The Order:

1. Allows for City acceptance of the 5-acre parcel from the CEC, and
2. Immediately declares the 5-acre parcel, including the deep-water berth, as surplus for the purpose of leasing it to the CEC for offshore wind purposes, and
3. Authorizes the Mayor to negotiate and execute a lease with the CEC in accordance with agreed-upon terms and conditions of the December 2022 MOU.

III. The Tax Increment Finance Deal

Crowley's private investment and financing, coupled with state and federal grants and other resources, are funding the construction of the facility. Additional investment is needed to support the operation of the port to ensure its success. The City can offer this long-term support via a Tax Increment Financing (TIF) agreement which, for a fixed period, will reduce the tax levy on the property. This will allow more private resources to be used in ongoing operations, maintenance, and property improvements to ensure the port remains a first-class facility that continues to attract offshore wind developers and serve the Salem community with approximately 150-200 jobs on site.

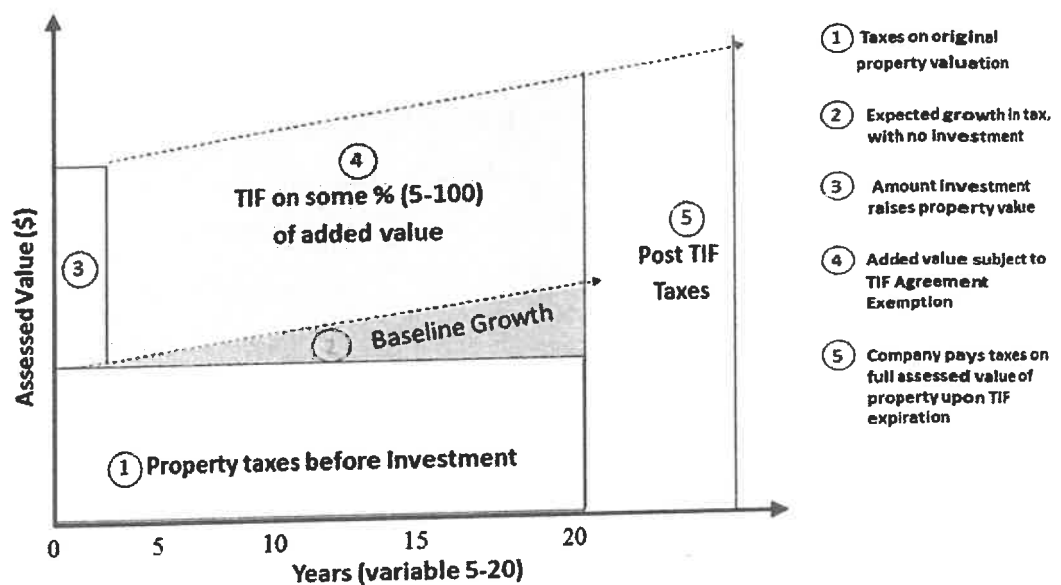
A. TIF – An Economic Development Tool

Pursuant to M.G.L., Chapter 40, Section 59, the City is permitted to adopt and execute a TIF agreement. A TIF allows for local taxing bodies to make a joint investment in the development or

redevelopment of a parcel or area, with the intent that any short-term gains be reinvested and leveraged so that all parties will receive larger financial gains in the future.

One important feature of these agreements is that they temporarily reduce taxes on the improvement to the property resulting from new investment (i.e., the "increment"). The City does not lose existing revenue because it continues to collect taxes on the pre-investment property value. A negotiated and temporary reduction in taxes collected against the increment is intended to encourage investment that may not otherwise occur. After the reduction period, the City gains all taxes against the baseline value and all taxes gained against the increment. An owner of a property that benefits from a TIF continues to pay taxes on the original base value of the property throughout the term of the TIF. If the City increases the tax rates while the TIF is in place, the owner is obligated to pay the increased rate on the base value – see image below, courtesy of the Massachusetts Office of Business Development.

TIF FINANCING MECHANICS



B. Massachusetts Office of Business Development

Pursuant to M.G.L., Chapter 23A, Section 3B, the Massachusetts Office of Business Development (MOBD) through its Economic Assistance Coordinating Council (EACC) is the entity that is charged with overseeing the Economic Development Incentive Program (EDIP) and reviewing TIF proposals. EDIP is for commercial properties and is tied to job creation and investment. TIF agreements often include a requirement that the business create a specific number of jobs and that it invests a specific amount of money into the property.

The EACC meets quarterly and is comprised of 15 voting members that include public officials and appointees by the governor. The EACC must approve the TIF agreement via a majority vote before the proposed term of the TIF begins.

C. Offshore Wind Marshalling Port TIF

The attached draft TIF Agreement (i.e., the ‘Agreement’) is the culmination of months of discussions and negotiations among City staff, the Mayor’s Office, and the Crowley team. The Agreement represents the thoughtful consideration of the project’s financial complexities.

1. The Current Property

The 42± acre unimproved property was once part of a larger parcel where the current gas-fired power plant now sits. A 2014 subdivision led to the creation of this lot, which features a predominantly vacant area with some outbuildings. The property has direct access to the waterfront. Crowley purchased the property in late 2022 for \$30M. The assessed value in FY22 was \$3.6M. With the sale, the assessed value has increased and will eventually reflect the market price of \$30M. See table below for the recent changes in value and taxes paid/due.

FY	Assessed Value*	Taxes*
2022	\$3.6 M	\$95,068
2023	\$9.35 M	\$236,206
2024	25.0 M	\$631,250
2025	\$30.0 M	\$757,700

*Estimated for future years and using FY23 tax rate.

Although the 37-acre parcel and 5-acre parcel will be owned by public entities (CEC and the City, respectively), because Crowley is a private entity using the property for commercial purposes, they are subject to real estate taxes to the same extent as if they owned the property.

2. Project Financing

The \$250-\$290 million project will be financed through a combination of public and private sources. Public investment includes a \$75M grant from the CEC and approximately \$33.8M in federal grants. The Crowley team, with CEC, has applied for another \$20.0M in federal grants, and Crowley continues to pursue additional state and federal grant opportunities to supplement the existing public investment and the private investment the company is putting into the project.

3. Project Benefits

The Crowley team is seeking a 20-year TIF with proposed check-in points in years 9 and 14 as shown in Table 1, below. The public benefits include:

- **Property Tax Generation**: The TIF does not provide relief on all taxes assessed to a property. A property owner will always pay the base assessed value (i.e., the assessed value at the start of the construction project) plus a percentage of the increase in tax valuation between project completion and the current assessment. The TIF does not begin until the project is complete, and the port is functional. The City has received, and will continue to receive, tax revenue from this property and will expand its commercial tax revenue base throughout the duration of the TIF.

Growing the commercial tax revenue base will positively supplement the residential tax base and grow the local economy.

- Ownership of Waterfront Parcel and Deep-Water Berth: The CEC is conveying ownership of the 5-acre waterfront parcel and the adjacent deep-water berth to the City. This is a valuable asset that will benefit further from Crowley's significant improvements and scheduled maintenance plans, which include dredging activities to keep the channel navigable for offshore wind and large passenger vessels. Additionally, this land will benefit from continued CEC investment realized from its lease revenues. The City will continue to retain access and use of the waterfront for its own maritime enterprises and for up to six large passenger vessels at the deep-water berth.
- Job Opportunities: With this industry comes job opportunities associated with the construction of the port (approximately 100 jobs during the construction phase), with operation and maintenance of the marshalling station (approximately 150-200 jobs), and even with turbine installation and maintenance in the lease areas. Many of these jobs will likely be union-based. There will be job opportunities that are 'industry-adjacent' that the City continues to work with its partners to identify. These supply chain businesses will contribute to this industry whether in manufacturing (e.g., tier 2 and 3 components) or services (e.g., research, mapping, legal, planning, permitting, transportation).
- Collaboration and Coalition-Building: This is a unique project with a tri-partnership between the City (local entity), the CEC (a quasi-public entity), and Crowley (private entity). In addition, the marshalling port is bringing together local and regional organizations to collaborate on workforce efforts with a strong focus on opportunities for members of environmental justice communities. It is anticipated the coalition will continue to grow and engage more regional organizations and businesses.
- Reputational Value and Impact: The value to Salem as a leader in this nascent industry is difficult to quantify, though there is a positive impact to the City's reputation as a leading community in the Commonwealth's energy and environmental efforts that will be furthered through this project. The recent docking of the *Sea Installer* demonstrates the port's unique attributes. The port in Salem is already being discussed, highlighted, and looked to in the global offshore wind industry due to its long-term viability based on the deep-water berth and lack of overhead and water-based restrictions. Not only will this port serve the lease areas south of Martha's Vineyard, but it is positioned to be a primary, if not the primary, port to serve future lease areas in the Gulf of Maine. The anticipated long-term life of the port will likely continue to attract businesses that are part of the offshore wind supply chain to Salem and the region, strengthening the city's economic base through diversification for years to come.
- Consistency with Designated Port Area (DPA) Requirements: The use of this

property as a marshalling facility for offshore wind development is consistent with the use requirements of the DPA. A marshalling facility is also an arguably more desirable use of the property than other allowed uses under the DPA. Most of the activity at the port will be waterfront dependent, rather than vehicular travel through the adjacent neighborhoods.

- Helping the Planet: While the details about real estate transactions and TIF terms are essential to understand, it is important not to lose sight of the bigger picture. The statement “Think globally, act locally” sums up what this project is about. Salem has the ability to support something that affects not just our residents and economy, but the well-being of life on our planet, and contributes significantly to our shared efforts to address the climate crisis.

4. TIF Structure

The City uses TIFs to support new development or redevelopment by freeing up private capital during the TIF term to help offset costs associated with construction or renovation of a facility and the operation of a business. In many cases, the business also benefits from tax credits from the Commonwealth. Crowley, however, is receiving other state grant support.

The proposed TIF with Crowley is consistent with how the City has traditionally used TIFs to financially support a project. The City has typically provided TIF terms of five to ten years. The proposed TIF with Crowley is for 20 years. The longer term is appropriate because offshore wind is a nascent industry with more uncertainty than businesses the City has worked with in the past. The uncertainty stems from concerns about federal, state, and local permitting timelines, supply chains, and ever-changing technology, regulations, and other advancements, all of which can have significant financial impacts.

Crowley generates revenue from leases with offshore wind developers such as Avangrid, Equinor, and Ørsted. As these organizations face challenges in securing lease areas, permitting, and financing—as well as industry bottlenecks relative to ports and vessels—there may be times when wind installations are not occurring. At those times, Crowley will not be collecting lease revenue, the company’s sole source of revenue from the site.

The proposed TIF schedule, as presented in Table 1 below, reflects both the need to provide relief at the onset of the project and to provide relief to a lesser degree over the course of the TIF term for the reasons outlined above. The proposal includes check-in points at years 9 and 14 – as noted by the yellow highlighting in the table. These check-ins will provide an opportunity for the City and Crowley to discuss the port’s performance at mutually agreed upon points in time, and the possibility of adjustments to the TIF schedule to the benefit of either party, that such performance may warrant. Any such future adjustment to the TIF schedule would need to be acceptable to both the City and Crowley and would require approval by the City Council and Mayor at that time.

Table 1: TIF Schedule

Year	Exemption	Incremental Assessed Value	Exempted Property Taxes	Estimated Property Taxes on increment value balance	Estimated Base Tax Bill	Total Annual Taxes Paid
1	92.5%	\$220,000,000	\$5,138,375	\$416,625	\$757,500	\$1,174,125
2	92.5%	\$220,000,000	\$5,138,375	\$416,625	\$757,500	\$1,174,125
3	92.5%	\$220,000,000	\$5,138,375	\$416,625	\$757,500	\$1,174,125
4	92.5%	\$220,000,000	\$5,138,375	\$416,625	\$757,500	\$1,174,125
5	92.5%	\$220,000,000	\$5,138,375	\$416,625	\$757,500	\$1,174,125
6	65.0%	\$220,000,000	\$3,610,750	\$1,944,250	\$757,500	\$2,701,750
7	65.0%	\$220,000,000	\$3,610,750	\$1,944,250	\$757,500	\$2,701,750
8	65.0%	\$220,000,000	\$3,610,750	\$1,944,250	\$757,500	\$2,701,750
9	65.0%	\$220,000,000	\$3,610,750	\$1,944,250	\$757,500	\$2,701,750
10	65.0%	\$220,000,000	\$3,610,750	\$1,944,250	\$757,500	\$2,701,750
11	30.0%	\$220,000,000	\$1,666,500	\$3,888,500	\$757,500	\$4,646,000
12	30.0%	\$220,000,000	\$1,666,500	\$3,888,500	\$757,500	\$4,646,000
13	30.0%	\$220,000,000	\$1,666,500	\$3,888,500	\$757,500	\$4,646,000
14	30.0%	\$220,000,000	\$1,666,500	\$3,888,500	\$757,500	\$4,646,000
15	30.0%	\$220,000,000	\$1,666,500	\$3,888,500	\$757,500	\$4,646,000
16	5.0%	\$220,000,000	\$277,750	\$5,277,250	\$757,500	\$6,034,750
17	5.0%	\$220,000,000	\$277,750	\$5,277,250	\$757,500	\$6,034,750
18	5.0%	\$220,000,000	\$277,750	\$5,277,250	\$757,500	\$6,034,750
19	5.0%	\$220,000,000	\$277,750	\$5,277,250	\$757,500	\$6,034,750
20	5.0%	\$220,000,000	\$277,750	\$5,277,250	\$757,500	\$6,034,750
		Total	\$53,466,875	\$57,633,125	\$15,150,000	\$72,783,125

Percent of Total Taxes Exempted	42%
Percent of Total Taxes Paid	58%

Assumptions

- Commercial tax rate is \$25.25.
- Base value of property is \$30M.
- Post project value of property is \$250M.
- Size of increment is \$220M.

5. TIF Timing

City staff has been in communication with MOBD for some time in anticipation of this proposal, and the City is targeting the September 21, 2023 EACC meeting for a vote from that body on the Agreement. In order to seek the EACC's approval of the TIF Agreement, the City Council must complete its process and vote to support the TIF Agreement at its meeting of September 14, 2023.

Please note the attached TIF Agreement is the draft submitted to MOBD on August 4, 2023. MOBD's legal counsel reviews all TIF agreements to ensure they are statutorily

sound. At the time of the submission of this memo, MOBD's counsel had not completed the review. We will provide a final version of the Agreement in time for the City Council committee's discussion. If MOBD's counsel rejects any provisions the City and Crowley have agreed to, such as the check-ins at year 9 and 14, the provisions will be included in a separate agreement. Please also note the TIF schedule in the draft Agreement is blank. It will be updated with the schedule above in Table 1.

Attached please find a recommendation to declare Lot 2-B property surplus from the Acting Building Inspector and me. I have also included Council measures relating to the real estate transactions and the draft TIF Agreement, which we have prepared in anticipation of a filing for the City Council's special meeting on August 24, 2023. We have advised Crowley to anticipate attending a future City Council committee meeting in late August or early September to discuss the project and these specific matters, in the expectation that the City Council can take final votes on them at their meeting of September 14, 2023 to meet deadline for the September 21, 2023 EACC meeting and keep this project on schedule.

Please let me know if you have any questions.