

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

Board or Committee:	Redevelopment Authority, Executive Session Meeting
Date and Time:	Wednesday, September 9, 2020 at 6:00 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 Matt Zahler – Development Consultant
Recorder:	Colleen Brewster

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

To discuss the development proposals submitted in response to the Request for Proposals for the redevelopment of real property located at 32-34 Federal Street and 252 Bridge Street, Salem, MA, because an open meeting may have a detrimental effect on the negotiating position of the public body.

Rubin: Motion to begin executive session.

Seconded by: Nina-Soto.

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

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

The Board and Mr. Daniel discussed how to address public comments and whether to read the names of those that submitted comments out loud to acknowledge having received them and agreed that it would be best to discuss the matter after an internal discussion of what would work best for all Boards and Commissions.

Mr. Daniel noted that Merrill Diamond submitted a letter that wasn't in their packet. Mr. Zahler summarized the talking points of his memo for reviewing the development attributes and the team responses to their questions, based on the price proposals. The matrices for the three proposals were challenging given their differences in price, capitalizing the deal, improvements, etc. The matrices included were; Total Development Costs, Hard Costs (Construction – the GC's number not include the contingency to be held by the Owner), Soft Costs (all non-construction related costs), Rents, Operative Expenses on Residential Units (lease structure – gross: landlord pays for all utilities vs. triple net: tenants pays for utilities, taxes & insurance), Return on Costs (used for market rate projects) of which there were some deviations between the proposals, Return on Debt (market dependent), & Developer Fees (are always higher in affordable housing projects).

Proposed Purchase Prices, all of which can be negotiated:

1. JHR: \$2.5M
2. North River: \$300,000
3. WinnDevelopment: A note – to borrow from the project and repay it over time.

Mr. Vickers noted that only some questions were answered and those that weren't can be discussed during their interview. Mr. Zahler replied that some developers skated around the issues but WinnDevelopment was the most comprehensive and answered questions constructively. North River didn't answer any questions which isn't satisfactory, particularly given their high unit cost and lack of funds to support that cost. JHR is significantly underfunded given their public realm improvements and tunnel given their robust proposal. WinnDevelopment proposal is also concerning because the SRA will be subject to 100% public funding which is a long process that can't begin until the approvals are in hand, since all DHCD funding queue requires a "shovel ready" project with committed local resources, CPA requests, and all permit in-hand. This proposal has been efficiently proposed in terms of parking ratio, structuring, and Chapter 91 space that meets the guidelines.

Mr. Vickers noted his desire to understand the questions better and hear each team's responses. He couldn't find funding for the tunnel in JHR's proposal that could cost \$2M. Mr. Daniel noted that North River thought the tunnel wasn't feasible and JHR lobbied for it being a major public resource required project, and WinnDevelopment noted flooding from the rise of the sea level. He agreed that not all their questions were answered in their responses particularly when it came to costs. Mr. Zahler agreed and WinnDevelopment based their estimate off a similar project, but they still seemed low and certain aspects of the projects were complicated. Mr. Vickers stated it's best to take the safe bet and it's hard to make a decision based on risk.

Ms. Nina-Soto appreciated WinnDevelopment's deep pockets, but she has major concerns about their funding source. Mr. Zahler replied that DHCD allows two applications per year, which WinnDevelopment is proposing, and approximately 50-80 projects are submitted each year that already meet their qualifications, and 25-35 projects are awarded. Mini rounds have been introduced where an additional 10-15 projects are awarded. Mr. Vickers noted that this a once in a life-time opportunity that should be viewed broadly, however; there are issues with the tunnel and JHR should explain how it can be made possible. Mr. Daniel replied that creating this area of public realm is possible with time and money.

Ms. Newhall-Smith noted that each development team will receive 90-minutes including a 30-minute presentation. The Board agreed to send all additional questions to Ms. Newhall-Smith so they can be sent to development teams in advance and allow each team time to generate a response. Mr. Daniel noted a recent conversation with Councilor Hapworth about preserving the court buildings was their top objective, although affordable housing and public realm improvements are also important goals. Many are concerned about opportunities for more affordable units and the development teams may increase their amounts, but it will all be for nothing unless there is a viable option on the court buildings.

Rubin: Motion to end executive session.

Seconded by: Vickers.

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

Rubin: Motion to adjourn.

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

Meeting adjourned at 9:30PM