

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

|                             |   |
|-----------------------------|---|
| <b>Board or Committee:</b>  | <b>Redevelopment Authority, Executive Session Meeting</b>   |
| <b>Date and Time:</b>       | <b>Wednesday, July 8, 2020 at 6:00 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<br/>Kathryn Newhall-Smith – Principal Planner<br/>Matt Zahler – Development Consultant</b> |
| <b>Recorder:</b>            | <b>Colleen Brewster</b>   |

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

### **Executive Session**

---

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. Roll call vote to adjourn to Executive Session. Guarino, Nina-Soto, Rubin, Vickers, Napolitano. Passes 5-0.

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

Executive Session begins at 6:55PM

Mr. Daniel stated that he wanted to find out the Board's reactions to the proposals, and if there were any questions or comments. The goal is to compile detailed questions for Ms. Newhall-Smith to forward to the development teams. JHR has asked about the timeline and there was a question for teams to update the SRA on any changes they may have since they submitted their proposals. Barnat said there was too much uncertainty for her team, and she wasn't fully confident in the economics of such a large project given the pandemic.

Mr. Daniel stated that regarding the schedule, the two development teams affiliated with the Museum of Justice should be scheduled on the same day. Mr. Guarino suggested that JHR also include a representative from Salem State in case any questions arise. Mr. Daniel agreed and noted that it's reasonable to ask a representative for the proposed tenant to be in attendance.

Mr. Zahler stated that things have drastically changed in the real estate market as a result of COVID-19 – the development proposals were excellent, but he will do a deep dive into the content and create a matrix for the SRA to compare them. With the real estate and economic changes taking place –

the PPP has supported some real estate investments – we haven't yet seen the true result of what's going to happen to the various real estate industry sectors. Multi-family appear to still be strong, commercial/office is maintaining pace, transactions are happening in both industry segments. That said, big national retailers are having a lot of problems paying rent and it looks as if it would be difficult to underwrite major retailers as tenants in developments of scale. Mom and Pop retailers are being supported by local spending, but the numbers are not out on their longer-term status yet. Hospitality has been decimated by the pandemic – note it was one of the proposed uses in the RFQ's. The jury is still out on how residential will fair since there will be little or no future rent growth but the longer-term need for housing is strong. This project does have a large rental component which is good for the longer term. Economic subsidies will have to support housing production and the hope would be that the federal government will be making significant investments in housing going forward because of the pandemic. Housing stability was one of the first things addressed in the Covid-19 response, at the State and local level. The income mixes in the housing proposals may change depending on the state of the economy. For banks and financing, there has been a pause, equity providers are waiting to see what will happen. The current situation is not as bad as the 2008 collapse, but the banks have also been impacted. There has always been risk in bank transactions, but now everything is considered a risk. There are a lot of unknowns at this time and there needs to be an open mind regarding the proposals that were received, because they could change in 6 months when it comes to a developer's Plan B.

Mr. Rubin stated that one of the development teams received a letter from a realtor and they estimated the rents they would receive, and he asked if those amounts were realistic. Ms. Nina-Soto replied that the estimates by commercial realtor David Hark were projected future rates but that can't be determined at this time. They will need to know what happens when the PPP runs out and people go back to work. Mr. Zahler added that the data for rent and sales is what's comparable with surrounding buildings. The development teams can't inflate rents that they want before they underwrite them.

Ms. Nina-Soto stated that commercial has been maintaining and her colleagues see a mix, it could either go away or need more space to accommodate social distancing. The commercial issue could trickle down to the smaller retail that Salem has a lot of. Mr. Zahler replied that companies sign 5-10-year leases and some are extending those terms to stay in place. Office space is the most at risk, particularly the work bar type flex space. Retail, malls or stores with little on-line presence, are hurting since local retailers have been supported by the community. Some are doing better because they are more efficient, take phone orders, and employ less staff to help trim their margins. Food retailers are a use he's not familiar with.

Mr. Rubin stated that in terms of the Registry of Deeds, North River Partnership said they will save space for the Registry and Winn said the Registry space won't work for them. The SRA should request all development teams to approach the Registry again. Mr. Vickers noted that they need to update on the condition of the legislation regarding the Registry of Deeds. Mr. Daniel replied that there are a lot of aspects that need to be looked at its okay if the Registry is not part of it, but they need to make that determination. Mr. Vickers noted that the option with Salem State has numerous advantages, but they would need an advance commitment from the State for a lease. Mr. Zahler replied that the Registry of Deeds project needs to go through the Central Register. Mr. Daniel added that they've had a conversation with DCAMM, and the special legislation could be used but that has not been conclusive.

Mr. Vickers stated that the proposals were good with good financial outlooks. Winn has also extended their rents for tenants until the end of the year. Mr. Zahler replied that Winn has the resources to cover that. One proposal may have had a low purchase price and the costs also varied between each of the proposals.

Mr. Vickers asked about the likelihood of the tunnel being reopened under Bridge Street proposed by JHR. Mr. Daniel replied that JHR would need to work that out with the MBTA, utilize the MBTA's standards and protocols, and negotiations would be complicated. Both Winn and JHR made assumptions and it could be problematic if they don't get them, like JHR's tunnel proposal. Mr. Zahler noted that it is typical of all development proposals to include risk and that they should be considered when making a decision.

Mr. Nina-Soto stated that JHR proposal is great, but she wished at the crescent lot their building was pushed back away from the road like Winn proposed. She agreed that Salem State should be present with JHR to discuss how will they use their space.

Mr. Daniel stated that the crescent lot is Commonwealth Filled Tidelands and some of the properties on Franklin Street are included in the Harbor Plan update. Chapter 91 requirements require some people to think upward for new developments but that could be modified. There is a contractor in place to revise the Harbor Plan, and Utile is working on that with their sub-consultants.

Mr. Rubin stated that he is not a fan of Winn's upside-down boat design, which is too different for a gateway building on Bridge Street. The Board agreed. Mr. Rubin noted that the outcome of the 30 Federal Street project and the neighborhood dispute, will change the look of the northern end of downtown.

Rubin: Motion to end executive session.

Roll call vote: Guarino, Nina-Soto, Rubin, Vickers, Napolitano. Passes: 5-0.

## **Adjournment**

Guarino: Motion to adjourn the meeting.

Guarino, Rubin, Nina-Soto, Vickers, Napolitano. Passes 5-0.

Meeting is adjourned at 8:15PM