

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

<b>Board or Committee:</b>	<b>Redevelopment Authority, Regular Meeting</b>
<b>Date and Time:</b>	<b>Wednesday, July 23, 2019 at 5:00 PM</b>
<b>Meeting Location:</b>	<b>98 Washington Street, First Floor Conference Room</b>
<b>SRA Members Present:</b>	<b>Chair Grace Napolitano, Gary Barrett, David Guarino, 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, Matthew Zahler – Real Estate Development Consultant from MPZ Development, LLC</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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1. To review the submittals to the Request for Qualifications 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 request an Executive Session.  
Barrett, Guarino, Napolitano, Rubin, Vickers. Passes: 5-0.

The SRA entered executive session at 8:00PM.

Mr. Rubin stated he's apprehensive about doing too much of de-briefing tonight, but he's curious to hear how Mr. Zahler believes this interview process is working. Mr. Zahler thanked the Board for including him in this process. He replied that this de-briefing shouldn't affect the second round of interviews, this is a beauty contest, and this is unfolding just as it should. These companies need to put their best foot forward; however, when it comes to Ms. Barnat's comment about how much effort to exhaust, she should exhaust as much as the SRA sees fit. Mr. Vickers noted that his impression of her comments was that she didn't seem to put more into this at this stage in the game and he doesn't want to lose sight of the opportunity being created by the process they are going through.

Mr. Zahler noted that although the SRA can't cherry pick between the teams they should ask themselves what can be done with those teams. They should observe their body language, competency, and fit. The splitting of the interviews over two days won't change the SRA's gut feelings. The SRA needs to acknowledge whether the questions asked were that important because the teams are about fit and capacity at this stage. The next stage will have them focusing on a concept backed up by a set of numbers and assumptions to vet, to determine the viability of each team.

Mr. Vickers stated that you get to determine the detail when going through this process. He asked if the SRA can provide the applicants with feedback regarding small and big items they liked or didn't like, because the proposed bridge sounds like a wonderful idea but it would never be used. Placing active users in buildings that may not be economically viable. When do we determine if a use is viable or not and do you work with the teams until their ideas become viable? Many items won't be nailed down. Mr. Daniel replied that the benefit of what occurred is that the SRA can ask follow-up questions and provide suggestions and feedback on items. The use viability is something the SRA

can't define, the developer knows that. Mr. Daniel noted that JHR's ultimate response was that Mr. Rockett has the resources to make it happen. Mr. Vickers suggested they may need another go-round with them but not let it get out of hand. Chair Napolitano replied that determining viability is in the RFP process.

Mr. Vickers stated that the Registry of Deeds commitment needs to be known. Mr. Daniel replied that there is an ongoing discussion with DCAMM. Mr. Zahler's opinion of the RFP was that the DCAMM option was infeasible and the SRA understands what the market needs to make that work. Ms. Darcy's comment about having a relationship with DCAMM is baseless because the agency makes their own decision regarding space needs, it's planned years in advance, and then they tell DCAMM who identifies spaces for those agencies, and Martha from DCAMM can tell the SRA when their leases are coming up. If it's not the registry it could be another state tenant. Mr. Vickers asked when the Secretary of State not state that the space is not needed. Mr. Daniel replied that it's not his decision. Mr. Guarino stated that the Secretary has some influence to exert on the process through DCAMM, as well as the historic tax credits, so his needs will need to be addressed. Chair Napolitano questioned whether the Secretary has begun to determine that space in these buildings is not necessarily needed or desired. Mr. Daniel replied that they were close to not having to include it in the RFQ and they hope to clarify it in the RFP.

Mr. Guarino asked if the teams that move forward named the Registry as their anchor tenant in their responses, would that hurt the SRA in their ability to remove it from the RFP. Mr. Daniel replied that a couple teams have specified a specific dollar amount, \$35 per SF in the new construction and \$45 per SF in the court buildings, and they will require a dollar amount from any teams that's didn't already provide one. He also questions whether their designation of "market rate" is for Boston or Salem, because market rate in Salem is \$17 per SF. That request will happen after they've narrowed the teams to three.

Chair Napolitano noted that Sec. Galvin plans to own and not lease their future space. Mr. Zahler noted that he did a project with Trinity Financial where they needed a state tenant at a certain lease rate to make the project financially feasible, which underwrote the new market tax credit they used to redevelop the building. It was a math exercise that developers need to do. Mr. Vickers stated that some teams don't want the Registry in the building and didn't include a number. Mr. Daniel noted he hoped it wouldn't be wanted by any development teams so the answer would be clearer; including the Registry of Deeds in their current concept is okay. Mr. Vickers stated his desire for a developer's need to take the risk of the unknowns, think outside the box, and develop the best project. Mr. Daniel stated that some ideas shared were big vision items and others were less grand. Mr. Zahler replied that that vision can be shaped through the next steps and the shortlist of teams needs to be groups that have the capacity and vision to do that. The concrete proposals need to be evaluated for their merits and finances. Mr. Vickers added that their proposed mix of spaces needs to be economically viable, even if the institutional component isn't well defined. The intersection modifications at Bridge and Washington Streets were a nice idea suggested by JHR, but it took 10 years to get the current configuration.

Mr. Zahler stated that right public/private partnership will drive the agenda, who has the capacity, financials, political will, and vision to effectuate the right project. A concrete example is needed, and he is here to poke holes in the assumption given by developers underwriting their ideas with philanthropy and unknown state resources. Don't over-exercise the teams; determine the relationship and it will lead to a real conversation during the RFP process. At this stage the qualifications may pass but the vision needs to be determined. Mr. Barrett stated that he wasn't surprised by Ms. Barnat's question regarding how much additional concept work the SRA expects her to put in at this

point. Mr. Vickers noted that teams with specifics may have blinders on because they are focused on redevelopment. Mr. Zahler commented on Fused Studio's totally inefficient proposed two-story addition to the Superior Court building and the residential buildings proposed were identical because they were built by residential architects. TAT creates efficient designs, TAT and Form + Place designed the same building, ICON is excellent, and they too know residential, and JHR may not have the capacity to execute the design on a building this complicated.

Mr. Daniel stated that he felt JHR had basic experiences, but this would be a stretch for them, though he has confidence in Atty. Tinti. Mr. Rockett's daily oversight is good and his personal commitment and passion for this project resonated with him. He does have concerns with waiting for big tenants like Salem State as well as his ability to "make it happen" regarding obtaining financial backing. Mr. Vickers noted that institutional use is a great goal but not feasible as a stand-alone. Mr. Zahler stated that he didn't have a sense of the capital stack but could figure it out. He also doesn't want them to learn on the City's time. Form + Place is a very good architectural firm. Mr. Daniel noted that they had a good team that looked closely into the intersection. Chair Napolitano added that they had the best vision for adding life behind the building. Mr. Zahler added that the National Park Service may have concerns with modification to the granite wall.

Mr. Daniel stated that there is a balance between who do you connect with, the individual or a team. The two he connected with the most don't have the deepest pockets. Mr. Vickers agreed and added that this is an opportunity to get creative subject to the viability of the project. The Rockett family does have the financial means to back the project. Chair Napolitano stated that while Trinity may have the capacity, they were not personal or genuine. They promoted their Worcester project, but they only had vision of housing not public access, it wasn't discussed until the Board brought it up, and they discussed only the crescent lot. Mr. Daniel noted that while JHR did acknowledge exploring a library or museum, they missed the mark when it came to what the SRA wanted. Atty. Tinti's comments about the history of the buildings and why they matter did remind him of the values these spaces have. Mr. Daniel added that he's not opposed to some of the spaces being privatized. Mr. Zahler agreed, their team and experience of not being able to move projects forward due to lack of feasibility, they provided a feasible option that wasn't necessarily creative. Mr. Vickers noted that their RFQ stated that their team can do what they say they are going to do; however, the SRA is looking for an alternative to change this area of downtown.

Mr. Zahler stated that TAT isn't a great urban designer and they need to be pushed to get what you want out of the project. Trinity Financial has a heavy workload already and many are tax credit deals. They say they can do with without low-income tax credits too. Mr. Guarino replied that it's unknown if they can handle all the work because of their company size and capacity. Mr. Daniel questioned how far they will go in a different concept. Mr. Zahler replied that they will do what you want, Mr. Lozano is their strongest Project Manager and there are creative people in their firm. Their Appleton Mill project was very successful, and they completed a master plan with the City where they created this vision. They did two projects there and has UMass as a tenant, so they can get the institutional tenant. Some SRA members picked up on Mr. Lozano's body language because their projects are very challenging, and it takes a lot of effort. Mr. Guarino stated that they seemed open to change things and still make it work. Chair Napolitano noted that the Worcester Courthouse and Boston East were very challenging, but their Ch. 91 consultant is great. Mr. Zahler stated that like the work and location, these projects are very challenging, and developers are very invested. It takes a lot of effort but at the end of the day you know you are doing the right thing. The SRA needs to be comfortable with this.

Mr. Rubin noted that Lupoli has multiple people who live in Salem and questioned whether you give them 'brownie points' for their community investment and dealing with neighbors they know. Mr. Guarino replied that the architects didn't listen to their Epsilon consultant when they added two stories to a building seeking historic tax credits. Mr. Kelleher couldn't give an honest answer to whether the addition would affect their ability to receive tax credits. Mr. Barrett noted that Ms. Darcy said historic tax credits was the most important item for that project. Mr. Daniel wanted to ask to what extent Lupoli has worked with their architect but didn't because Ms. Darcy questioned him on her selection of this firm, but he knows of her long relationship with Mr. Kelleher. Mr. Barrett stated that Ms. Darcy's mannerism seemed to lack enthusiasm for the project.

Mr. Zahler questioned why Sal Lupoli wasn't present and the resemblance of their proposed design to a spaceship. Mr. Daniel agreed and noted that Mr. Lupoli and Ms. Darcy met with him and the Mayor after the RFQ was issued. They didn't attend the tour, but requested a tour after the deadline, which he declined their request because it would have been unfair. Some of their team members were present at the tour. Mr. Rubin questioned how they won so many awards. Mr. Zahler noted his familiarity with Lupoli and added that those awards are given to everyone. Chair Napolitano questioned their desire to remain in a community once they complete a project. Mr. Daniel replied that it's meant to be a good thing, they want to be in a community forever. He felt they proposed a crazy mix of uses and design. Chair Napolitano and Mr. Barrett believed that the museum wouldn't work. Mr. Daniel replied that the museum is legitimate, Mr. Clayman toured the courthouse with Mr. Pitman and many ideas were suggested. They must be able to sustain a museum and there is a small niche for them.

Mr. Daniel stated that Ms. Barnat's living history was a plus because it respected the buildings and didn't privatize the spaces. Chair Napolitano noted that a restaurant was good idea. Mr. Zahler stated that a hotel makes sense, but from an economic standpoint, neighborhood retail is hard, and restaurants are even harder. She got lucky in that her restaurateur left Boston for unknown reason, perhaps to down-scale for economic reasons; it is not clear if the restaurant will be successful since it's not open yet. Anyone who suggested retail was using minimal square footage and \$17 SF rents don't underwrite construction. Chair Napolitano replied that Barnat believed the project would be funded through the crescent lot project while Lupoli said the opposite. Mr. Zahler noted that the 12-month construction timeline is aggressive but Lupoli is also a contractor. Historic rehabs take time and if it went through Ch. 91 quickly it could go faster. Mr. Vickers questioned Lupoli's plan to extend the application process on the historic building to get more tax credits. Mr. Daniel replied it would need to go through round after round to get up to 20% in historic tax credits. Mr. Zahler added that they can reapply 3 times in one year and within 2 years you can get 15% of the available credits. The applicant must keep reapplying.

Chair Napolitano questioned that if the Registry of Deeds was the primary use and they inhabit more than 50% of the space, the project won't qualify for Fed or State historic tax credits. Mr. Daniel replied yes with the Federal credits, but the State credits are unknown. Ms. Newhall-Smith commented on Barnat's willingness to switch from the Registry as their anchor tenant to a boutique Hotel. Chair Napolitano raised concern over Ms. Barnat's willingness to be laser focused on this project. Mr. Vickers, Rubin, and Ms. Newhall-Smith all agreed that it's a good idea.

Mr. Vickers stated that the balance sheets of Lupoli and JHR will be important. Mr. Zahler agreed that if JHR won't personally guarantee it with family money, and uses a shell company, a full financial package and audited financial statement can be requested in the RFP. Work-force housing money is also a concern. It started at \$100,000 per unit, and the units would have to be underwritten between 80 and 120% of the area median income (AMI), which could be market in Salem. There is a

deed restriction on those units and additional requirements for the resident. The bands are very narrow, 10 people are needed that make 80 or 90% of AMI. They are having trouble leasing those and all the applicants mentioned using this funding source. Many developers received money for work-force housing from Mass Housing. The just sold the GE buildings and will fund another round of work-force housing. Ms. Newhall-Smith asked if there is a perpetual restriction. Mr. Zahler believed there is a 30-year minimum.

Roll call vote to adjourn to Executive Session at 9:00PM.

Chair Napolitano, Gary Barrett, Dave Guarino, Dean Rubin, Russ Vickers. Passes: 5-0.

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

### **Adjournment**

Guarino: Motion to adjourn the meeting.

Seconded by: Rubin. Passes 5-0.

Meeting is adjourned at 9:00PM.

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