

Chelsea, Massachusetts, September 13, 2010

A Regular meeting of the Chelsea City Council was held. On Roll Call the following Councilors were present: Councilors Robinson, Hatleberg, Cortell, MeKonnen, Barton, Brown, Bishop, Vega-Torres, Bongiovanni, and Maronski. Councillor Pellegrino was absent. President of the City Council, Councillor Robinson, presided over the meeting. The meeting opened at 7:00 P.M.

Memoriums and celebratory resolutions:

The following Resolve was introduced by Councillor Robinson and all members of the City Council. A motion by Councillor Hatleberg to adopt under suspension was adopted.

NATIONAL ALCOHOL AND DRUG ADDICTION RECOVERY MONTH

Whereas, For more than twenty years, National Alcohol and Drug Addiction Recovery Month has been celebrated in September to honor the many dedicated individuals who have worked to improve the lives of millions of Americans in need of treatment and recovery and to acknowledge those working in the field of substance abuse prevention and treatment, and

Whereas, The City of Chelsea in partnership with SAMHSA wants to acknowledge that treatment for substance abuse has been demonstrated to be effective and that many people living in Chelsea are living productive and meaningful lives in recovery free from substance abuse and dependency.

Whereas, Celebration of National Alcohol and Drug Addiction Recovery Month inspires residents of Chelsea to raise awareness about the effectiveness of treatment and hope of recovery. It also encourages individuals to share their stories of recovery and to reach out to others who are still in need of help, and

Whereas, The 2010 theme, “Join the Voices for Recovery; Now More Than Ever”, emphasizes the ever present amount of stress in our society, which can potentially lead to the onset and relapse of substance use. We encourage everyone in Chelsea to join our voices in reaching out to friends, relatives, and neighbors to support and encourage them if they are struggling to overcome addiction to alcohol and other drugs, and

Whereas, As many of you are aware, Chelsea City Council passed an ordinance recently that penalizes and adult for serving alcohol to a young person under the age of 21. A fine and an arrest can take place for this offense. The City of Chelsea and particularly, the Chelsea Police want to thank the residents of Chelsea for working hard this summer to abide by this ordinance and by reducing the number of parties where police had to be called for violation of the noise ordinance. This type of call often in the past has resulted in the unfortunate discovery by police that youth were being served by adults, now therefore

Be It Resolved, We, the members of the Chelsea City Council and the Citizens of Chelsea, recognize National Alcohol and Drug Addiction Recovery Month this September 2010, let us celebrate the caring we have for our youth in Chelsea by not serving anyone under the age of 21 alcohol or other drugs and by remembering to keep our youth safe for a better future.

Public Speaking:

The Public Speaking portion of the meeting opened at 7:08 P.M.

The following came forward to speak:

Henry Lea, 105 Franklin Avenue, spoke about the Charter Review and when is it going to start.

Mrs Higgins, 71 Orange Street, spoke about the poor street lights, and the crime in the neighborhood.

Mr Bongiovanni, 26 Gillooly Road, spoke about street sweeping and tickets that are given out.

Mike Sandabar, 86 Pearl Street, spoke about the crime problem in the neighborhood.

Clifford Cunningham, 15 Lawrance Street, spoke about the crime rate in the city and the recent murders.

The public speaking portion closed at 7:20 P.M.

A communication was read from City Councillor Anthony Pellegrino District 7. The letter explained that he could no longer serve as the District 7 Councillor and that he would be resigning immediately due to work demands. A motion from Councillor Bongiovanni to accept the communication was adopted under suspension.

The minutes of the City Council dated June 21, 2010 and August 30, 2010 were approved at the request of Councillor Barton under suspension.

Communications from City Manager:

The following communication was read from City Manager Jay Ash. A motion from Councillor Hatleberg to accept and file was adopted under suspension.

Honorable Chelsea City Council

Chelsea City Hall
500 Broadway
Chelsea, MA 02150

Re: Acceptance of Gifts and Donations

Dear Ladies and Gentlemen of the Council:

The Chelsea Department of Public Works has received an unsolicited cash gift of \$16,000.00 for the installation of sidewalks at 22-24 Eleanor Street and pursuant to Massachusetts General Laws and the City of Chelsea's Ordinances; the City Council must formally accept this gift.

This donation offers significant neighborhood improvement allowing for a new pedestrian sidewalk and the creation of twelve legal additional on-street parking spaces. As you are aware there is currently a curb cut and no sidewalk along this location.

I would appreciate it if the Council would take action and approve the acceptance of this gift.

Very truly yours,
Jay Ash
City Manager

The following communication was read from City Manager Jay Ash. A motion from Councillor MeKonnen to accept and file was adopted under suspension.

Honorable Chelsea City Council
Chelsea City Hall
500 Broadway
Chelsea, MA 02150

Re: Acceptance of Gifts and Donations

Dear Ladies and Gentlemen of the Council:

The Chelsea Police Department has received an unsolicited gift of computer software, Windows 2003 Server, valued at \$900.00 from John A. Cowhig and pursuant to Massachusetts General Laws and City of Chelsea's Ordinances; the City Council must formally accept this gift.

This software will be used for Regional Data Sharing between the Urban Area Security Initiative (UASI) police agencies..

I appreciate it if the Council would take action and approve the acceptance of this gift.

Very truly yours,
Jay Ash
City Manager

The following communication was read from City Manager Jay Ash. A motion from Councillor Hatleberg to accept the communication and refer it to the Sub-Committee on Conference was adopted under suspension.

The Honorable Chelsea City Council
City Hall
Chelsea, Massachusetts 02150

Dear Honorable Council:

I write to request your approval of a grant application for the State's MORE Program. The MORE grant program aids communities with critical infrastructure improvements to assist with economic development activities. This particular MORE application is targeted to support the pending mixed use development on Webster and Eastern Avenues, commonly referred to as the Webster Block.

Webster Block will feature 120-units of market rate housing and approximately 5,000 s.f. of commercial component of the City's overall economic development agenda, promising quality housing with retail or service options, eliminating another industrial encroachment in a residential neighborhood and providing the City with a much needed increase in the local tax base.

The infrastructure funding requested will provide for improved public infrastructure that will support the development and other users in the area, especially our school kids and their families. Specifically, both Eastern and Webster Avenues will have new sidewalks, the Webster Avenue crosswalk will be relocated, new trees will be added as well as a green planting strip, increased lighting will be constructed, a water line will be demolished and removed, a new separate storm water and sewer connection will be added and 1,800 s.f. of Webster Avenue will be resurfaced.

The State has tentatively awarded the project \$500,000, but the formal application and award requires a vote of the Council. I would therefore request your support of this application. Thank you for your consideration. For your information, a complete application has been filed with the Council Clerk.

Jay Ash
City Manager

The following communication was received late from the City Manager Jay Ash. A motion from Councillor Hatleberg to accept the late communication and refer it to the Sub-Committee on Conference was adopted under suspension.

The Honorable Chelsea City Council

City Hall
Chelsea, Massachusetts 02150

Dear Honorable Council:

In these difficult economic times, when economic development projects are so much more challenging to finance, there are times when municipalities identify critical development projects which require local financial support to advance. At times, that support can be in the form of infrastructure support or tax relief or other tools utilized by municipalities. In the case of the pending Webster Block development, I am requesting your approval of a loan order to provide the project with short-term financing in the amount of \$1.5 million.

Webster Block will feature 120-units of market rate housing and approximately 5,000 s.f. of commercial space in a four-story wood framed building. As you know, the development is a critical component of the City's overall economic development agenda, promising quality housing with retail or service options, eliminating another industrial encroachment in a residential neighborhood and providing the City with a much needed increase in the local tax base.

The City's interest in advancing the project is especially highlighted by the last point. As you know, economic development increases two important revenues sources that support the City's budget; one-time building fees and new property tax growth. If this project is delayed by the year, it will mean a one year delay in the building fees (estimated at \$225,000), which is manageable. However, a year delay does mean the loss of a year's worth of property taxes. Those lost property taxes can never be recovered. In the case of the Webster Block development, a one-year loss could be approximately \$180,000. If the project is delayed even further, the unrecoverable loss could grow even greater.

In order to ensure the project's development, I would propose the City lend the developer \$1.5m. The developer, Synergy, who has completed several suggestion residential projects locally and maintains a large office portfolio in Boston, has already committed \$5m towards the \$20m project. Primary financing would be provided by East Boston Savings Bank at \$13.5m. If a loan was approved, it would be in second position to the primary financing, meaning that in the event of a failure of the development, EBSB would be allowed to recover its \$13.5m prior to the City recovering our \$1.5m. However, with \$5m in equity being put up by the developer, the project would have to suffer a 25% loss in order for the City's money to be in jeopardy. Such a loss would seem a remote possibility over the term of the loan, which is just 5 years. However, to protect the City's investment even further, our \$1.5m investment would be personally guaranteed by the developer. During the course of the loan, the City would receive a market-rate interest of 6.25%, which translates into \$93k annually.

I would propose to you two sources of funding that could be made available to support the loan. The City is currently negotiating with NSTAR for an easement purchase on the City-owned property on Marginal Street. I expect to secure \$1m for that easement. That

\$1m has been negotiated as an offset against future economic development losses that could be caused by the loss of control of the land upon which the easement would be placed. Taking the \$1m in economic development offset and placing it into another economic development opportunity would seem to be a responsible manner of securing the same appreciable “value” for the purpose of the offset.

The balance of the loan funding, \$500K, would be requested from the City’s overlay account. The overlay account is utilized to offset the cost of future abatements on properties. A review of the overlay account indicates that an ample balance exists to be available to make such offsets. Given that this account is generated through property taxes and may now be surplus, it would again seem to be a responsible approach to financing a project that could generate even further property taxes in the future.

If approved, the loan would be subject to the funding being available. Therefore, if the NSTAR agreement, for example, was not to close then the City would not be liable to otherwise make-up the funding. Conversely, if the loan was not authorized and the \$1m was received, that amount would be directed to Free Cash, which currently earns a 0.37% interest rate. Instead of receiving \$93,000 a year in interest through the loan, the combined \$1m NSTAR payment and the \$500k remaining in the overlay would only generate \$5,550, a net potential loss in annual revenue of \$88,000.

Unlike other economic development tools, like funding towards infrastructure or tax relief, providing a loan carries with it the high likelihood of repayment of that economic development tool investment. Thus, at the end of the term of the loan, the City could receive as much as \$440,000 in investment income, and be more assured of receiving \$855,000 in one-time building fees and recurring property tax growth. It is just this type of entrepreneurial exercise that is helping us to balance our budgets and maintain critical municipal services.

In addition to the nearly \$1.3m in potential revenue benefit, the project will also generate \$500,000 in public infrastructure improvements through a State grant. That assumes Council’s approval and final State approval of the pending grant application.

Fair questions on such a request include is the provision of a loan a responsible municipal activity, will the loan money create a liquidity issue which would negatively impact the City’s budget and how safe is the City’s investment. To those questions, I would suggest that larger municipalities regularly provide loans to important development projects, the City’s Five Year Financial Forecast and subsequent reviews indicate that ample reserves exists to cover potential shortfalls through fy’ 15 and beyond and the combination of 25% equity being placed by the developer in the project and a personal guarantee of the loan by the developer provide a fairly certain level of comfort on the safety of the loan principle.

To the last point, please know that general economic development theories suggest that rental housing development will be one of the only sectors of the economy where growth will be seen over the next several years. Supporting that general theory is the success of

local projects. Both Parkside Commons and Jefferson at Admirals Hill have 95% occupancy rates. The recently opened Atlas Lofts is at 60% occupancy, well ahead of what the expected occupancy rate would typically be for a newly opened property. Over 1,000 applications have been received for the Spencer Row development, just behind the Webster Block. So the choice to invest in our own future in a segment of a market that is projected to enjoy future growth, with the confirmation of the experience of recent local projects does provide me with additional comfort that the loan we would make will be fully recovered within the period of the term.

In summary, the request is to provide a \$1.5m loan from sources which do not impact our ability to balance future budgets in order to generate as much as another \$1.3m in future revenues, with the loan secured by the property and, to the extent that security fails, be the developer personally in a market area which many experts and the local experience suggest will be string development segment for the coming years. For these very reasons and as consistent with our overall economic development agenda of seeking to eliminate residential/industrial conflicts by promoting smart growth in our residential neighborhoods, I respectfully request your loan approval.

Thank you for your consideration and your continued support of the City's economic development agenda, an agenda that continues to win praise and admiration throughout the region and beyond.

Very truly yours,
Jay Ash
City Manager

Communications and petitions to the Council:

A copy of a communication was received from the Department of Conservation and Recreation. A motion from Councillor Bongiovanni to accept and file was adopted under suspension.

A copy of a the Neighbors Against Blight (NAB) reports dated July 13,2010, July 26, 2010, and August 14, 2010 were received. A motion from Councillor MeKonnen to accept and file was adopted under suspension.

A copy of a communication was received from Councillor Robinson regarding the Charter Review Process. A motion from Councillor Hatleberg to accept and file was adopted under suspension.

A copy of a communication was received from Councillor Robinson regarding the City Manager's review and the direction we may wish to go regarding the City Manager's future tenure here in Chelsea. A motion from Councillor Hatleberg to accept and file was adopted under suspension.

A copy of a communication was received from Deborah Clayman, City Clerk/Parking Clerk, regarding the August 31, 2010 Traffic and Parking Commission Agenda. A motion from Councillor MeKonnen to accept and file was adopted under suspension.

New Business:

The following Order was introduced by Councillor Brown. A motion from Councillor Brown to adopt under suspension was adopted.

ORDERED, that residents should be aware that they are responsible to clean up after their dogs. If they do not they are subject to a fine per the City Ordinance.

The following Order was introduced by Councilors Cortell and Brown. A motion from Councillor Brown to adopt under suspension was adopted.

ORDERED, that the Department of Public Works address the cracks, uneven surface, and general disrepair of the sidewalks at and around the area of 14 Bloomingdale Street and Eden Street for the purpose of assuring the safety of those living at the location, all who have occasion to come and go from the property and those who pass by it.

The following Order was introduced by Councillor Robinson.. A motion from Councillor MeKonnen to adopt by roll call passed 10-0—0-1. Voting yes were Councilors Robinosn, Hatleberg, Cortell, MeKonnen, Barton, Brown, Bishop, Vega-Torres, Bongiovanni, and Maronski. There was one recorded vacancy.

Be it ORDERED by the City Council of the City of Chelsea, as follows:

Pursuant to Section 3-5 of the City of Chelsea ordinances, and pursuant to Chapter 44 & 53A of the Massachusetts General laws, the City Council hereby accepts a gift of Windows 2003 Server Software, valued at \$900.

The following Order was introduced by Councillor Robinson. A motion from Councillor Hatleberg to adopt by roll call passed 10-0-0-1. Voting yes were Councilors Robinson, Hatleberg, Cortell, MeKonnen, Barton, Brown, Bishop, Vega-Torres, Bongiovanni, and Maronski. There was one recorded vacancy.

Be it ORDERED by the City Council of the City of Chelsea, as follows:

Pursuant to Section 3-5 of the City of Chelsea Ordinances, and pursuant to Chapter 44 & 53A of the Massachusetts General Laws, the City Council hereby accepts a gift of \$16,000.00 from Nine John Street, LLC, for the provision of a public sidewalk to be installed.

The meeting adjourned at 7:45 P.M.

Respectfully submitted,

Paul G. Casino
Clerk of the Chelsea City Council