

City of Chelsea
Economic Development Board
City Hall – Room 101
Chelsea, MA 02150
(617)466-4180

MEETING MINUTES

April 13, 2010

The meeting convened at 6:04p in the City Manager's Conference Room. In attendance were Chairman Richard Pantano, Members Tim Fraser and Ted Coates, and City Manager Jay Ash. Also present were Kevin Saba, Christine Thomas and Mark Robinson

MINUTES

MOTION: To adopt the minutes of the March meeting.

Offered by Mr. Coates and seconded by Mr. Fraser. On the motion, the Board voted 3-0 in the affirmative, thereby adopting the minutes.

CHELSEA GATEWAY

Ms. Christine Thomas said her development team has been working through the various issues. They have recently met with ISD and Planning and believe matters are moving head just fine. They don't require an extension at this point. At the next Board meeting we can talk about milestones that need to be hit as this project moves forward. She is encouraged by the zoning and finance discussions that have been ongoing. A central part of the financing plan is a tax credit application. That could be filed for June or October depending upon which round of credits is available. Group 1 is working on architectural and building permit issues over the next couple of months.

Chrm Pantano inquired about the progress on issues. Ms. Thomas said they are progressing nicely. Procon has done 4 different development schemes to look at the avoidance of major permitting issues. After meeting with the City, she has the clarifications she needs and will be able to put things together for a special permit submission.

Mr. Fraser asked about the positioning of a driveway. Ms Thomas pointed out the driveway configuration on a set of plans.

Mr. Coates asked when the entire set of plans would be drawn. Ms Thomas said preliminary plans have been done and will be ready to review at the next meeting. Ms Thomas then reviewed more of the plans she had and said she was looking at split brick or brick, it won't be drive-it. Will be interested in what we think. She thinks it might not be all brick because it will feel too institutional.

Chrm Pantano asked if the cost of brick would make a difference. Ms Thomas said no. Mgr Ash asked if the weight of brick would cost more in pilings. Ms Thomas said no.

Ms Thomas said they wanted to use the building to develop a gateway presence for Chelsea.

Mgr Ash said they would probably prefer the split block and some lighting for the building. Ms Thomas said she was glad to hear that because the last project they did didn't have lighting.

Ms Thomas asked if the hotel should say Chelsea Gateway on it?

Mgr Ash said that was an interesting idea. He then asked when she would be ready to file plans at ISD. Ms Thomas said she needs to get elevations together, maybe in two weeks or so, then they will file.

Chrm Pantano asked if tax credits will be filed for in July?

Ms Thomas said that issuers need to use 09 funding in order to get money for the 10-11 round. She thinks there is a good shot at credits for the project if another project isn't going forward so you could use the previously awarded funds.

Mgr Ash asked if the June tax credits were available, when would construction begin. Ms Thomas said late summer. It would be attractive if it was August construction with a compressed construction schedule to get to a June opening, otherwise a Feb opening on a year project would be the way to go.

Mgr Ash said to the board that by the next meeting the ISD application should be in and we'll know more about the tax credits. Ms Thomas thanked the board.

PUBLIC SPEAKING

Chrm Pantano asked if there was anyone wishing to address the board. Hearing none, the public speaking portion was closed.

CHELSEA NORTH

Mark Robinson appeared on behalf of Chelsea North. As the board knows, JPI walked away from the project. CN has been taking with others for a while, developing relationships with contractors, financing and marketing and have a good feel for the project and the market. In construction, there are favorable opportunities regarding pricing. However financing is terrible.

Regarding the marketplace, CN has hired a consultant to advise on marketing. Have been talking to other developments in places like Medford, Revere/Malden and Admirals Hill and have done so over the summer and winter. Have been looking at the new opening in this tanking economy. Developers are aggressive on rents and providing 2/3 months in free rents. That means rents have come down, although on the books the rents haven't changed.

Back to finance, they have developed a lot of relationships. No banks are lending on new buildings, banks want 30% of equity and 1.3 debt coverage, which is way to high and its recourse financing on top of that. Looking at equity investors – would look at a 4-6% return one time but they want a minimum of 8% today. Relooked at the costs to get a drop in overall cost. For example, the courtyards and the podium building in the JPI project is very expensive and might not be the best selling point. Need to find a way to get to the 8% return level. Asked the City (Board) to provide for a balloon payment at the end of the term of the payment schedule because it is critical in getting to the 8%. Unless we get to 8%, we won't find anyone. The good news is the apartment market is stable albeit depressed. If we started today, a two year opening may be great because there are no competition out there. But financing and market conditions are holding things back.

Mr Coates asked to what project did the CN apartments comp. Mr. Robinson said they expected to be higher than Parkside and lower than Admirals Hill. He likes the rail line and there will be better amenities than Parkside.

Chrm Pantano inquired about Rowe's Quarry – Mr. Robinson said Parkside is getting more. Mr Robinson said by this time next year he believes they'll be ready to go. He's talked to players who are seeing things happening. Banks need to get back in the game, though. This summer, should see banks talking again.

Mr Coates asked if the Eastie project will happen. Mr Robinson said Massport is staying with it but nothing is happening now.

Mr Ash said is there anything unclear or unsettling on the horizon. Mr Robinson said no.

Mr Coates noted that the land was zoned for residential and asked if you could get more value out a smaller residential development.

Chrm Pantano responded that the lost revenue would be tough to take.

Mr. Coates said that he understands that the fee will offset the infrastructure. Mgr Ash confirmed that and said that they are trying to price the property with whatever comps they can. There is a range of \$5 - \$30 a unit from the past, and it is probably on the low end now. CN paid less for Phase II back when times were good, so the Phase I property isn't as valuable as some people think. They will try to get an appraisal and a proforma to get the value of the land at the right level. However, CN is in the ballpark in terms of how they value the property. For Phase II, they paid \$425k an acre, so Phase I is still going to get more than that.

STATE MITC

Mgr Ash noted that the State is looking for a signoff that the MITC was completed. The old board was suppose to do a compliance check against the LDA, but didn't do so. The Law Dept and he have done so, and there isn't anything glaring that hasn't been done.

Mr Coates asked if everything in the agreement was completed. Mgr Ash said he believed so.

MOTION: To approve the certificate of completion for the MITC.

CERTIFICATE OF COMPLETION

Reference is made to the Land Disposition Agreement ("Agreement") executed as of October 1, 1993 among the Department of Community Development, acting by and through the Community Development Board of the City of Chelsea, Massachusetts, a public body, politic and corporate ("Seller"), Lincoln Property Company CSE, Inc., a Texas corporation ("Redeveloper"), and the Massachusetts Industrial Finance Agency ("Purchaser"). The Agreement is recorded with the Suffolk Registry of Deeds in Book 18634, Page 221 and filed with the Suffolk Registry District of the Land Court as Document No. 506186 on Certificate of Title No. 107816.

Reference is also made to the Deed from the Seller recorded with Suffolk Registry of Deeds in Book 18634, Page 289 and filed with the Suffolk Registry District of the Land Court as Document No. 506187 on Certificate of Title No. 107816 and to the Confirmatory Deed recorded with Suffolk Registry of Deeds in Book 19115, Page 220. The foregoing Deed and Confirmatory Deed are herein referred to herein below as the "Deed."

Pursuant to Section 6(a)(vii) of the Agreement, the undersigned, City of Chelsea Economic Development Board, as the successor to the Seller, hereby certifies that the Building, Improvements and Parking Lots (as defined in the Agreement) have been completed in accordance with the provisions of the Agreement relating solely to the obligations of the Purchaser or Redeveloper to construct the Building, Improvements and Parking Lots in substantial conformity with Design Materials approved by the Seller.

This Certificate shall be a conclusive determination of satisfaction and termination of (a) the agreements and covenants in the Agreement and in the Deed with respect to the obligations of the Purchaser and Redeveloper, and their respective successors and assigns, to construct the Building, Improvements, and Parking Lots as aforesaid and (b) all other agreements and obligations of the Purchaser pursuant to the terms of the Agreement except for the agreements and obligations set forth in Sections 4, 7 and 19 of the Agreement which shall survive for the period expressly set forth in the Agreement.

Executed under seal as of this _____ day of _____, 2010.

CITY OF CHELSEA ECONOMIC DEVELOPMENT BOARD

By:

Offered by Mr Coates and seconded by Mr Fraser. On the motion, the Board voted 3-0 in favor, thereby adopting the motion.

MOTION: To adjourn

Offered by Mr. Fraser and seconded by Mr. Coates. On the motion, the Board to voted 3-0 in favor, adjourning at 8:21

Offered by



Timothy Fraser
Secretary