

City of Chelsea
Economic Development Board
City Hall – Room 101
Chelsea, MA 02150
(617)889-8233

MEETING MINUTES

February 2, 2009

The meeting convened at 6:08p in the City Council Conference Room. In attendance were Chairman Richard Pantano, Members Timothy Fraser, Jackie Ruiz and Ben Faust, and City Manager Jay Ash.

MINUTES

MOTION: To adopt the minutes of the November 17th meeting.

Offered by Mr. Fraser and seconded by Ms. Ruiz. On the motion, the Board voted 4-0 to adopt the minutes.

PUBLIC SPEAKING

Chrm Pantano opened the public speaking portion of the meeting. Hearing no one wishing to address the Board, Chrm Pantano closed that portion of the meeting.

URBAN RENEWAL – CHELSEA GATEWAY

Chrm Pantano asked for an update. Mgr Ash said the State approved the LDA, and therefore, the sale of the land for Chelsea Gateway to Choice. Choice has been doing its due diligence work. There was no surprise in the environmental review, so the time to pull out because of environmental has come and gone.

Chrm Pantano asked if the environmental review was on the Prattville site. Mgr Ash said it was, there is still much more work to do at Lawrence, but that wasn't the subject of the due diligence period.

Mgr Ash noted there are still some outstanding issues about title. Lawyers are working on that. Their lawyers raised 10 issues, of which 7 were easy to resolve on not agree with, but the other 3 are being worked on.

Mgr Ash also noted that the City Council is about to take up the tax relief plan that was being offered to Choice and that was part of the LDA. There are no surprises there. The City Council may take it up as soon as next Monday.

Mgr Ash said there doesn't seem to be any impact from the economy on the project. He is still hopeful of an October groundbreaking.

Chrm Pantano noted that there was a nice article in the Globe about the hotel and other developments. Mgr Ash said there is no reason current for the hotel project to be held up.

URBAN RENEWAL – CROP

Chrm Pantano asked for an update on CROP. Mgr Ash said he took a tour of JPI on Admirals Hill and it looks great. There are great amenities, including a pool table, café, 12-seat theatre and reflecting pool. JPI will hold onto the project which is scheduled to open in May. JPI, though, is having dramatic problems and is not undertaking any more development at this time and has basically shut down its new development. The LDA with JPI calls for them to make \$23k a month payments, they are now two months behind. The LDA also calls for them to stay current on their bill with their contractors. The Board has a letter from Beals & Thomas saying they are going to court to get money owed. Any of this could void the LDA.

Chrm Pantano asked what they owed B&T. Mgr Ash said he forgot the exact amount but it was a short number.

Mgr Ash said he recently met with Tom O'Brien and Doug Manz to discuss the status. They are trying to put something together and may be able to buy the project from JPI.

Mr. Faust asked if the same people would be involved in the development, to which Mgr Ash said the primary people that the City has been dealing with do look like they will be around.

Mr Fraser asked if there would be the same financing for the project, to which Mgr Ash said no. GE doesn't appear to be in the real estate game. They also had Wells Fargo and Wachovia, which are one bank now, but they don't appear to be lending either. There may be a chance to chase after some pension funds. If there was a change in developers, unless it was the specific list that the Board had pre-approved, the Board will get a chance to review that.

Mr Faust asked if the timetable for development had changed. Mgr Ash said yes, that it was highly unlikely that this would be a 2009 project, which had been hoped.

Mgr Ash noted that the project needs to shave about \$8 in expenses, going from \$67m to \$59m.

Chrm Pantano asked how they would do that. Mgr Ash said they could: 1. Scale back the project, like not building the townhouses, 2. Scale back the quality, which wouldn't be acceptable, 3. Get concessions from us, 4. Get stimulus money to fund infrastructure which would save both parties, 5. Get labor concessions, which was unlikely, 6. save on materials and contractors, which may be down 10-15% now, or do 7. value engineering.

Mgr Ash noted that Mr. O'Brien asked for a month to get things together. Mr. O'Brien did convince Mgr Ash that Chelsea was his top priority, so Mgr Ash said he would recommend to the Board to extend the extra time.

Mr Faust asked what the City's priorities were relating to the project. Mgr Ash said the City has a double whammy, paying the interest on carry the property and having the tax paying benefit of the project being delayed, the City wants the same type of design, and trying to maintain the Affordable Housing payment, but it is unlikely that we will be able to keep it at \$1.8m.

Chrm Pantano asked if they would do affordable housing on site like Corcoran. Mgr Ash said that Corcoran is fully leased, except for the affordable units – they have 24, but people have other affordable options now, and they are leasing elsewhere for less money. The affordable at Corcoran is a rent reduced by a couple of hundred dollars not a fix amount of income. A fix amount of income is the more attractive option, but these developments can't do that. It is unlikely that the new JPI would want to do on-site, so there might be an opportunity to get an affordable housing payment. But they will want to reduce the purchase price by 25% or more, eliminate infrastructure and reduce the affordable payment. The City might have to reduce its revenues by \$2.5m to help cover the \$8m in reductions that need to be made. Mr. O'Brien keeps saying that Chelsea is a priority, so as long as Chelsea is on the top of the pile, it would be a good thing to stay with them for a while longer.

Mgr Ash noted there is one tenant left in the motorcycle building. The City had just finalized relocation issues with the illegal tenant who wanted \$120k to move. The City negotiated that down to \$70k instead of contesting the eligibility of the company which had been there for 30 years without an occupancy permit.

Chelsea North

Mgr Ash turn the Board's attention to the LDA with Chelsea North. He noted that the LDA calls for 185 to 350 units, and would allow CN to construct up to 250 without needing to come back to the Board for approvals. However, before the Board agreed to that through the LDA, CN will come in and represent its plans for the 185-250, which would be like the JPI project

Mgr Ash reviewed major provisions of the LDA found on pages 3,5,7,10,11,12,13,14,19, 27. On page 14 he noted that the payment for affordable housing was based on the JPI project, which is likely to come down from the \$1.8m to something lower, so the payment referenced in the CN LDA of \$66,000 per affordable unit would likely be reduced as well.

Mgr Ash said the option of the Board would be to hear the CN proposal at the next meeting, and then vote the LDA afterwards or wait until the next meeting.

Chrm Pantano noted that the LDA was very much like the JPI LDA. Mgr Ash said it was.

OTHER

Mgr Ash noted the City was seeking stimulus funding for Washington Avenue, Engine 3 and Urban Renewal infrastructure, among other items. He noted it wasn't clear if the City would be getting anything, as the stimulus package seems to be less about infrastructure these days.

Chrm Pantano asked where on Washington Avenue and would sidewalks be included. Mgr Ash said from Fay Square to Revere Beach Parkway, and, yes, sidewalks would be done.

MOTION: To adjourn

Offered by Mr. Fraser and seconded by Mr. Faust. On the motion, the Board voted 4-0 to adjourn.

The meeting adjourned at 6:58.

Offered by

A handwritten signature in black ink, appearing to read "Timothy Fraser", written over a horizontal line.

Timothy Fraser
Secretary