

Worcester Redevelopment Authority

Michael P. Angelini
Chair

Peter Dunn
Chief Executive Officer



WORCESTER REDEVELOPMENT AUTHORITY

Thursday, May 25, 2023

11:00 A.M.

City Hall, Levi Lincoln Chamber

Worcester, MA 01608

CALL IN INFORMATION:

+1-415-655-0001 US Toll

Access Code: 2319 332 5975

Present:

Worcester Redevelopment Authority Board

David Minasian, Vice Chair
Sherri Pitcher
Richard Burke

Staff

Peter Dunn, Chief Executive Officer
Michael Traynor, City Solicitor
Alexis Delgado, WRA Finance Manager
Julie Lynch, Director of Facilities
Paul Morano, Office of Economic Development
Greg Ormsby, Office of Economic Development
Jeanette Tozer, Office of Economic Development
Rachel Pressey, Office of Economic Development

Pursuant to a notice given (attached), a meeting of the Worcester Redevelopment Authority was held at 11:00 A.M. on Thursday, May 25, 2023

1. Call to Order

Mr. Dunn called the meeting to order at 11:05 A.M.

2. Roll Call

Mr. Dunn called the roll – Ms. Pitcher, Mr. Burke, and Vice Chair Minasian.

Vice Chair Minasian advised all votes will be taken by roll call.

3. Approval of Minutes: April 13, 2023

Ms. Pitcher made a motion to approve the minutes.

Mr. Burke seconded the motion.

The minutes were approved 3-0 on a roll call.

New Business

1. Presentation and discussion of Proposal received from RMS Companies under the Request for Proposals (RFP) for the disposition and redevelopment of 484-500 Main Street.

Mr. Dunn introduced Randy Salvatore and Patrick Carino from RMS Companies. Mr. Salvatore, owner and founder, provided an overview and background of the company. RMS Companies is a twenty-seven year old, vertically integrated real estate development company. Most of their work to date has been done in Connecticut. Mr. Salvatore went through the presentation describing a number of recent development projects, including multi-family housing – including some with mixed-income, and hotel projects. Mr. Salvatore discussed points in proposal terms of execution of the deal one hundred percent of the equity comes from RMS / owner. Strong relationships with banks including local banks such as Rockland Trust and M&T Bank. Mr. Salvatore mentioned in terms Due diligence, they have already done the market due diligence and moving forward it would be focused on environmental and demolition along with costs. In terms of affordable housing and inclusionary zoning, they will comply, and are flexible based on what is important to the community. They believe with the payment in lieu of option, they could satisfy that and not need any type of tax deal from the governing bodies. If there were to be affordable housing on-site, they would need some type of a tax deal based the interest of the community for the number of units and affordability. The site plan that is contained in the proposal was to demonstrate that the project could support a density that works. In terms of design, they would be looking to engage the board and the community about different design considerations.

Mr. Minasian thanked RMS Companies for the presentation and asked how long they typically hold an asset like this. Mr. Salvatore mentioned the opportunity zone designation, which is helpful and as such they would hold it for a minimum of ten years. Mr. Minasian then asked about the typical breakdown of equity and debt for this type of project for RMS. Mr. Salvatore estimated approximately sixty-five percent (65%) debt and thirty-five percent (35%) equity and that banks are more comfortable with existing relationships. He mentioned in the past six months they have closed two construction loans, one \$37 Million Dollars, \$25 Million Dollars and a permanent loan of \$60 Million Dollars. Mr. Salvatore described his confidence in the banking relationships they have.

Mr. Minasian asked further about the potential need for public subsidy and clarification that is only needed if there is affordability in the project. Mr. Salvatore confirmed. Mr. Minasian asked about design and construction, if they are looking at wood frame, concrete, different styles of construction, field structure. Mr. Salvatore described an accordion type of structure and then wood. He described that economics for high rise do not work here demonstrated by all the buildings going up as wood in the market. The costs are too significant for high rise, as there is no premium on rents. Mr. Minasian asked about their comfort in being able to move forward with the project and Mr. Salvatore confirmed. Mr. Minasian asked if there is an architect onboard. Mr. Salvatore advised Lezzard Architects is proposed and has done a number of recent projects with RMS. Mr. Minasian asked if this would be RMS' first project in Massachusetts and Mr.

Salvatore confirmed. Mr. Minasian asked as a vertically integrated company are the contractors hired directly and would they come from Connecticut or would they build relationships in the local area. Mr. Salvatore advised they would do their own excavating and site work with their own employees and equipment, but would seek to identify local contractors for the other work. Mr. Minasian referenced the Responsible Employer and Inclusionary Policy and that the developer shall ensure the obligations of contractors and subcontractors set forth in the RIEEP be included in each contract of each contractor and subcontractor the developer shall provide a copy of the contract language to the WRA designated representative prior to contract execution. In the RFP it asks of past experience and compliance with referenced laws and requirements such as wage and hour laws and properly categorizing individuals as employees as well as workers compensation. Mr. Minasian asked Mr. Salvatore to expand on their past experience particularly with contractors and subcontractors. Mr. Salvatore described past experience and projects with similar requirements and diversity hiring goals, mentioned that RMS has employees fulltime in their office focusing on all the payrolls. He referenced a project with particular success. Mr. Minasian appreciated the inclusionary part, but emphasized further the policies and procedures in place including wage and hour laws, proper payment. Mr. Salvatore described examples with projects that included receiving certified payroll with a sign in sheet every day on the job.

Ms. Pitcher asked about the bank financing and relationships with M&T Bank and looking to have conversations with our community banks as Worcester has a strong community bank industry. Mr. Salvatore confirmed they would be reaching out to community banks as well, just gave a few examples to demonstrate their relationships.

Mr. Burke appreciated the presentation and asked about the retail planned on the first floor and the thoughts on that. Mr. Salvatore acknowledged that retail is challenging everywhere right now. He committed to working with the community to determine what type of retail or services are needed. He described success in experience and entertainment type of retail including restaurants, coffee shops etc. and amenities like a fitness center, club room, co-working spaces.

Ms. Pitcher followed up and asked about creative leasing agreements to help with retail success. Mr. Salvatore advised the ground floor retail it is not a part of the proforma of the deal and never going to make or break it, which provides flexibility. They are focused on finding the right use that is going to be an amenity to the building and subsequently to the community.

Mr. Burke continued and asked about grocery offerings, which seems to be a need. Mr. Salvatore advised that is a common theme in many urban settings and they would be interested in exploring that and being creative.

Mr. Burke asked about tax incentives and the respective program. Mr. Dunn advised there are lots of different public programs and sources of subsidies in the housing space. One that has been used locally and successfully is the Tax Increment Exemption (TIE) - the distinction between a Tax Increment Financing (TIF) and TIE is that a TIF is for commercial projects and Tax Increment Exemption is for residential projects. The mechanics are the same, which include a partial reduction of the new real estate taxes generated from the investment for a certain period of time. Other subsidy sources that are out there like tax credits at the federal level, state level are equity injections into the project. When we do the TIFs and TIEs it is a reduction of their future tax liability to the city of Worcester and not cutting a check into the capital stack. Mr. Burke, appreciated

the response and asked if the City Council contemplated that type of arrangement when it passed the ordinance around affordable housing. Mr. Dunn advised when Administration recommends a TIE for a project it is our recommendation that gets considered by the Council. To the point on what Mr. Salvatore said about flexibility or looking to us in terms of what is the highest priority. For example, is it the greatest financial benefit of the project where he suggested they could do a payment in lieu option to comply with inclusionary zoning, or if we did go in the direction of having affordable units in the project, getting a better understanding of what is the highest priority of the Administration and Council and structure the composition of the project in an alignment with our highest priority. Mr. Dunn also clarified that the inclusionary zoning ordinance is a regulatory requirement and does not create an entitlement of tax benefits to each and every project that is subject to that ordinance. Any type of tax benefits is always the discretion and consideration of the Council. Mr. Burke appreciated the explanation.

Mr. Minasian thanked RMS again for the presentation and discussion.

2. Financial Update Report

a. Report on Prior Month's Executed Contracts and Payments

b. Report on Downtown Urban Revitalization Plan Expenditures

Mr. Dunn explained for the period of April 11, 2023, through May 22, 2023, total expenditures were \$546,634.00.

3. Adjournment

There being no further business, Mr. Dunn called the roll to adjourn the meeting at 12:05 P.M

Respectfully submitted,

Peter Dunn
Chief Executive Officer