



Parcel P-3 PRC Meeting Notes
March 22, 2007
6:00pm-8:00 PM
Central Boston Elder Services
2315 Washington Street

PRC Members Present: Donovan Walker, Norman Stembridge, Kate Bennett, Reginald Jackson, Marilyn Lynch, Pat Flaherty, Khadijah Brown, Maurice Sequeira, Bruce Bickerstaff; **OC Members Present:** Dan Richardson.

Reggie Jackson (PRC Co-chair) welcomed the PRC and audience. The 3.15.07 meeting notes were approved with Norman Stembridge being added to the attendance list.

Tai Lin (BRA) introduced himself as a Project Manager from the BRA who helped compile the financial analysis of the re-submittals. He explained that the disparities on the summary sheets distributed by the BRA were a result of the 1st and 2nd submissions not matching up. After meeting with the proponents, these disparities have been resolved.

Tai (BRA) then began to go through the information on Heritage Common (HC). He explained the proforma in general terms. Specifically, he highlighted the Total Development Cost (TDC) for the project, as well as funding sources. He also pointed out the subsidy shift as a result of the removal of housing from the proposal.

Dan Richardson (OC) asked about the developer fee. Where does it come from and is there a limit? Tai (BRA) replied that there was not a limit. In for-profit development, the surplus is generally what goes to the developer as profit. In non-profit development, the developer generally takes 5-10% and puts this as the development fee.

Norman Stembridge (PRC) asked about the ground lease numbers. Tai (BRA) replied that HC stated that they would meet it, documenting four years at \$3/square foot.

Norman (PRC) asked if these numbers were based on information from the developers. Tai (BRA) replied yes.

Bruce Bickerstaff (PRC) asked if there were money for streetscape improvements. Tai (BRA) replied that some of the proposals ask for public funds to help with this, but in most cases it is probably included in the project's soft-costs. For clarity we have hidden some of the cost breakdown, but the developers have addressed this issue. Ruggles Place (RP) and HC have specifically addressed this, but Tremont Center (TC) did not.

Kate Bennett (PRC) asked if the TIF funds in the HC proposal were a reasonable estimate. Tony Marinello (BRA) from the BRA introduced himself and indicated that this was a large assumption. We asked if these funds were not available, would they be able

to raise the amount in equity and they indicated that they would. That is reasonable. HC has greatly reduced their subsidy requests. Boston has only done 5 TIFs in its history.

Dan (OC) asked that even if their subsidy requests are lower, is the TIF money still a high assumption? Tony (BRA) replied yes.

Tony (BRA) provided his overall assessment of the HC proposal. They have met the lease requirements but were unwilling to pay for the garage square footage. The subsidy requests have dropped in the re-submission, the project is a green development, and they have letters of interest from equity sources. They have addressed environmental issues and their equity structure looks good. Weston Associates' involvement is a real strength of this project and they are willing to put capital at risk. They are also willing to pay the ground lease during construction. The estimation of \$268/square foot development cost seems reasonable.

The project's weaknesses are that it has a largely singular focus on commercial space. They are also relying on LMA, which if it has a future vacancy, becomes a project strength. This is a large project for this team.

Overall, there is a high probability of HC getting through pre-development and the project has the capital to start immediately.

Dan (OC) asked about this team having other projects and whether that could slow anything down. Tony (BRA) replied that this was possible.

Bruce (PRC) asked about the HC's sustainability. Kairos Shen (BRA) stated that the re-submission is a change from retail to office use. Is this what you intend to be the right kind of use for Roxbury and this site? There is a lot of office space in this project. Who will the tenants be as well as questions about institutional expansion (of which there are positives and negatives)? In terms of potential jobs, this could be a good project if the jobs were available to the community. The retail numbers seem much better the second time around.

Dan (OC) asked about the glut of office space. Kairos (BRA) replied that there is actually high demand for office space. The projections are that by 2014, there will be a need for 14 million square feet of new office space. There is growth in the medical and life sciences industry. This development is geared towards that. This proposal seems to be a smart response to the current and projected market. It might be similar to the Crosstown Development where it needs a major tenant to get it off the ground.

Norman (PRC) referred to a recent Globe article discussing concerns about funding for those industries. Kairos (BRA) replied that while that is an issue, the industry itself is still projecting 30% growth for the next ten years. This will be clustered in LMA and Bio Square, as well as the MGH area. The PRC needs to evaluate if they want to capitalize on this. Overall, this is a smart response to market forces. There is currently only a 12% office vacancy rate in the city.

Tai (BRA) began reviewing the Handout for Ruggles Place (RP). He began by explaining the residential and Whittier Street Health Center portion of the project. He stated that

currently, the BRA is not considering selling the land and the RFP clearly states the ground lease.

Tony (BRA) addressed the Arts Education Capital Contribution. The RP development team has indicated that three institutions would contribute to this, and the balance would be fundraised. The three potential partners are the Boston Arts Academy (BAA), the MFA School, and the MA College of Art. The BAA has a substantially undervalued lease that they could sell.

Khadijah Brown (PRC) asked if he meant the BAA, as in a Boston Public School.

Pat Flaherty (PRC) stated that the MA College of Art is a public university and the Museum School is involved in another project. This seems unrealistic.

Khadijah (PRC) stated that while the BAA has a low lease, the building is owned by the state.

Kairos (BRA) stated that the RP proposal would need significant policy changes in a number of areas for this to happen. Our opinion is that the \$68 million needs to be raised by the development team.

Khadijah (PRC) added that the Fenway High School is in that building.

Kairos (BRA) stated that this wouldn't work without them moving. This is also the largest proposal in size by far.

Norman (PRC) asked for confirmation that there would need to be city and state policy changes for this project. Kairos (BRA) replied yes. He added that the MA College of Art does own some valuable property and they are exploring their options.

Bruce (PRC) felt that there were big questions for the PRC.

Norman (PRC) stated that this was why they need to host one group at a time.

Tai (BRA) continued with the numbers and stated that this was an ambitious project. The profit listed should be viewed as contingency.

Tony (BRA) added that this project meets the \$3/square foot ground lease. They view their capital campaign as an equity investment. They are requesting only \$6.5 million in subsidy, the lowest of the three. Their capital structure includes 65% debt and 18% equity. He felt the strengths of RP included the involvement of Blackrock Realty, as was Urban America. They are two very credible equity sources. The weaknesses of RP include the fact that the Arts Education Capital has no firm commitments. The development team may also not have the capital necessary to get this process going. They are not willing to make any lease payments during the construction period.

Dan (OC) asked about RP's timeline. Tony (BRA) responded that there was a tremendous amount of fundraising here.

Kairos (BRA) outlined the example of the Institute for Contemporary Arts (ICA). The ICA moving from the Back Bay to the Waterfront required a capital campaign to raise \$60 million. The building itself cost \$45 million. They required a \$20 million endowment to maintain and operate the facility. This speaks to the sustainability point. You need money to build some things, but also money to sustain it. Even when something is built it still needs to be occupied. This is a tenuous proposition, even without the other institutions involved.

Norman (PRC) asked about the ICA timeline. Kairos (BRA) replied they started this process in 2001 and it took them 6 years to fund, build and open the museum. They have not yet received any money from the sale of their old building and will not until that building has been redeveloped. There is a lot of funding to be done here. It is important to note that other institutions that have been designated on the Greenway have had difficulty raising money.

Bruce (PRC) stated that his understanding was that the project would be done in phases, is this taken into account? Tony (BRA) stated that Phase II is a capital campaign. Tai (BRA) added that the numbers provided include all aspects of the project, both: Phase I and II. Phase II requires a fundraising campaign.

Bruce (PRC) asked how this would affect the RP project. Tony (BRA) replied Phase I will begin immediately. Depending on the success of the capital campaign to build the performance center. The project has been designed to be successful with or without Phase II. This is a complicated and dense development.

Tai (BRA) began to discuss the Tremont Center (TC) proposal. The largest change in this proposal is the removal of student housing and increase in residential housing from 111 to 230 units. The parking was increased from 435 to 648 spots. The re-submission was very brief. The Total Development Cost/square foot seems reasonable. This project is looking at significant public subsidy.

Tony (BRA) added for meeting the ground lease TC proposed a hybrid program where they would pay \$0.30/square foot. They would purchase several pieces of P-3 and based on eventual sales, it would eventually average out to \$3/square foot. But, this type of arrangement is not in the RFP. Additionally, they did not submit all the required data. They did give a good presentation to the BRA. This project assumes a large New Market Tax Credit at a total larger than Boston has received in total in the last 4.5 years. The New Boston Fund will provide 50% of the equity. This project would need to fundraise immediately upon designation.

Bruce (PRC) asked how selling part of the parcel would work. Tony (BRA) replied that TC would pay the BRA \$250,000/year for the land and carve out a portion to build the residential units on it then, using the proceeds from the residential sale, they will pay the BRA the remaining money from the lease. It would take 10 years for the money to be received.

Tai (BRA) stated that both TC and RP have for sale residential aspects for their projects. If the BRA does not sell the land, they will be difficult to finance.

Kate (PRC) asked that with the hybrid lease payment and the incomplete submission, does the BRA consider TC as meeting the lease requirements. Tony (BRA) replied that they used a back door way to get there by creating a clever way to meet the lease requirements.

Dan (OC) agreed that it was creative.

Tony (BRA) stated that a developer should not be dictating to the BRA in a proposal.

Norman (PRC) stated that Trinity was involved in a number of projects in the city.

Tony (BRA) replied that they were very busy and the submission reflected this. But, they do have a track record of successful projects.

Hugues Monestime (BRA) handed out a list of potential questions for the development teams. He asked PRC members to review and possibly add questions.

Bruce (PRC) asked if the questions would be distributed ahead of time.

Hugues (BRA) stated that the project teams would be interviewed one at a time and that the last interviewee should not have an advantage. He felt it was better to give out the questions to all the respondents at one time.

Bruce (PRC) felt that each team had different issues.

Kate (PRC) stated that during the first round of interviews, there was not enough time so it is important to find the best way to do this.

Dan (OC) stated that even if questions are distributed ahead of time, questions during the interview could still be spontaneous. Questions usually create more questions. There should be questions we give plus other questions we come up with.

Norman (PRC) felt that the questions should be distributed up front, but they should not be allowed to read the questions.

Dan (OC) felt that all three teams should receive the same questions to be fair.

Maurice Sequeria (PRC) stated that we gave them the questions last time. They made presentations and took up time. They set the agenda and we should not let this be repeated. The 1st time, TC said that they needed student housing to make it work. Same thing with HC and the hotel to create jobs and wealth. But, upon re-submission both are gone and they still meet the ground lease numbers. They need to explain these changes. What about the abutters?

Reggie (PRC) suggested going straight into questions. We will give them special instructions. They can respond to the distributed questions as well as other new questions.

Pat (PRC) suggested determining before the meeting what questions to focus on.

Dan (OC) felt that the PRC grew up tonight. The PRC should set the ground rules, specifically how it goes, the time, and what is addressed. There should be no presentation. There is limited time to explain the changes. The rest is our time. We want to avoid a circus. The PRC has more information this time.

Kate (PRC) felt that some of the questions on the list have already been answered tonight. She proposed getting to the difficult questions first during the interview. There is a need to focus on community benefits and uses. What do we want to see on the site?

Norman (PRC) felt that the other piece was the abutter issues. What do they want addressed. Let's get this before the PRC to strengthen the process.

Marilyn Lynch (PRC) stated that the abutters were concerned with traffic and access to Ruggles Station. There also requested childcare and a Laundromat. There is a need to talk about other abutters' needs.

Bruce (PRC) asked about Reverend Hogan and the Good Shepard Church. Marilyn (PRC) replied that they wanted childcare.

Dan (OC) talked about the traffic piece. Maybe the BRA should address this. How can we deal with this? None of these projects will work without good traffic flow. The major challenge of P-3 is to manage this with all the new development occurring.

Kairos (BRA) stated that in this process, once the use of the site is determined, the traffic examination would come in. A retail based project will see the most traffic trips and residential the least. At this point, traffic impact should not be a determining factor. You should focus on jobs, wealth creation, and benefits to the abutters and community. After designation, the BRA will put the project through the ringer on a number of issues. The PRC makes a recommendation to the OC and RNC, then to the BRA who decides the tentative designation. Part of the pre-development process is showing traffic impacts. Part of this is showing current and future impacts. Generally, the higher the square footage, the greater the impact. It is a bit early to focus on traffic.

Norman (PRC) stated that this sounds good, but the traffic here is a mess. He wanted to see current conditions versus possible development. How can we not make it worse? Developers are usually responsible for just their impact area, not the whole neighborhood.

Kairos (BRA) replied that there is a Roxbury traffic model being developed. If they show that this project affects other areas then they will have to mitigate this. This project brings potential improvement to the area and traffic. The PRC should not pick the project based on having the least traffic impact. You should look at which project is the right use for the community and who can deliver it.

Norman (PRC) felt that with NU on P-18 and P-3 being developed, it has to be mitigated at some point. How do we improve this area?

Reggie (PRC) asked for a Point of Information about a traffic study.

Kairos (BRA) responded that the BRA has expanded a city model to include the Master Plan area. This has been presented to the OC. Whoever is selected will have to demonstrate that their traffic model will work. The RFP does not require a traffic impact report. Otherwise, we should just leave P-3 the way it is, that is the best traffic solution.

Marilyn (PRC) felt it was important to address traffic issues and responses from developers are needed.

Kairos (BRA) suggested that you ask them, but do not expect them have specific numbers.

Maurice (PRC) stated that the community was told that BPD headquarters would not create a new traffic problem. It was also tough to cross the street. There is also a rat issue. The P-18 construction also impedes access to Ruggles Station. We have been told that changes would affect South End and Downtown traffic. The BPD now parks illegally on Tremont Street. With P-18, students will have cars. These are all abutter issues.

Reggie (PRC) thanked him. The developers will be in the next 3 meetings. He asked the PRC if they felt comfortable with the co-chairs working with the developers to set the ground rules.

Khadijah Brown (PRC) asked for the responses to the questions ahead of time. Will there be specific questions for specific developers?

Reggie (PRC) stated that the co-chairs would work on this with the help of OC members Dan and Norman.

Pat (PRC) asked how the revisions better meet the RFP. She wanted to hear an answer from the developers.

Norman (PRC) deferred to the chair to organize the questions. He indicated a desire to get the questions ahead of time.

Tony (BRA) complimented the PRC. As advice he suggested getting the answers ahead of time and not letting the developers make a lengthy presentation.

Marilyn (PRC) thanked Tony and Tai for their input.

Kairos (PRC) stated that Tony would be leaving the BRA and thanked him for his efforts on this. The BRA will work on questions, interview format, and distribute the responses before the next PRC meeting.

Pat (PRC) suggested prioritizing the questions.

Meeting Adjourned.