

Worcester Redevelopment Authority

Michael P. Angelini
Chair

Peter Dunn
Chief Executive Officer



WORCESTER REDEVELOPMENT AUTHORITY

Thursday, July 13, 2023

9:00 A.M.

City Hall, Levi Lincoln Chamber
Worcester, MA 01608

CALL IN INFORMATION:

+1-415-655-0001 US Toll

Access Code: 2307 8215 0602

Present:

Worcester Redevelopment Authority Board

Michael Angelini, Chair
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
Jane Bresnahan, Office of Economic Development

Pursuant to a notice given (attached), a meeting of the Worcester Redevelopment Authority was held at 9:00 A.M. on Thursday, July 13, 2023

1. Call to Order

Mr. Dunn called the meeting to order at 9:02 A.M.

2. Roll Call

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

Chair Angelini advised all votes will be taken by roll call.

3. Approval of Minutes: June 8, 2023; June 29, 2023

Mr. Burke made a motion to approve the minutes of June 8, 2023, and June 29, 2023.

Mr. Minasian seconded the motion.

The minutes were approved 4-0 on a roll call.

Chair Angelini stated as an initial matter of clarification he would chair the meeting, but not participate in any discussions regarding Item No. 3. Vice Chair Minasian will conduct that part of the meeting.

New Business

1. Authorize Execution of a Union Station Cooperation Agreement for FY2024 in the amount of \$528,305.00.

Mr. Dunn advised the mechanism for funding between the City of Worcester and the Worcester Redevelopment Authority is a cooperation agreement, and these items are before the Board every year at this time once the fiscal year budget is approved by City Council. Item 1 is the operating budget for FY2024 which includes a tax levy amount from the City of Worcester totaling \$528,305.00. Also included in the packet is the excerpt from the City of Worcester Budget showing the breakdown including other revenue sources, particularly the FTA preventive maintenance from the Federal Transit Authority. Chair Angelini requested Mr. Dunn to explain Item 2 as it is analogous. Mr. Dunn advised Item 2 similarly is the cooperation agreement between the WRA and the City for the FY2024 capital line items and an excerpt from the Capital Budget, which includes a new authorization of \$537,100.00 generally referred to as miscellaneous improvements for keeping up with maintenance responsibility of the property

Mr. Burke offered the following vote:

Voted that the Worcester Redevelopment Authority hereby authorizes its chair or vice-chair to execute an amendment to the Union Station Cooperation Agreement for FY24 Operating Funds in the amount of Five Hundred Twenty-Eight Thousand, Three Hundred Five Dollars and No Cents (\$528,305.00).

Mr. Minasian seconded the motion

The item was approved on a 4-0 roll call.

Mr. Minasian asked about the FTA funding and whether there is a certain amount the City has to contribute in order to use those funds. Mr. Dunn advised it is a twenty percent match, and Ms. Delgado confirmed.

2. Authorize Execution of a Union Station Capital Cooperation Agreement for FY2024 in the amount of \$537,100.00.

Mr. Burke offered the following vote:

Voted that the Worcester Redevelopment Authority hereby authorizes its chair or vice-chair to execute an amendment to the Union Station Cooperation Agreement

for FY24 Capital Funds in the amount of Five Hundred Thirty-Seven Thousand, One Hundred Dollars and No Cents (\$537,100.00).

Mr. Minasian seconded the motion

The item was approved on a 4-0 roll call.

3. Discussion and selection of the redevelopment partner for the Denholm property at 484-500 Main Street.

Chair Angelini turned the meeting over to Vice Chair Minasian.

Vice Chair Minasian asked Mr. Dunn to begin the discussion. Mr. Dunn provided a quick recap: As a reminder the minimum criteria evaluation narrowed it down to the two proposals where interviews were held over a couple of special WRA meetings during May and June, the final two proposals under consideration are from the Menkiti Group and RMS Companies. A staff committee including Mr. Dunn, Mr. Ormsby, Special Projects Manager, Ms. Pressey, Special Projects Manager, and Ms. Tozer, Affordable Housing Trust Fund Manager reviewed the proposals. The review committee evaluated the comparative criteria and came to a group consensus on the evaluation collectively to formulate a recommendation to the Board. Mr. Dunn presented the different criteria and evaluation as appended to the minutes. After the presentation, Mr. Dunn opened it up for questions from the board.

Vice Chair Minasian appreciated the presentation and thanked the team for their thoughtful process. Mr. Minasian first turned to the other board members.

Ms. Pitcher echoed Mr. Minasian's appreciation. Ms. Pitcher asked about the comparative criteria related to financial considerations and design considerations. Mr. Dunn explained that the Menkiti Group proposed a detailed approach to the financing, similar to RMS Companies in terms of the debt-to-equity ratio for the project being around sixty-three to sixty-five percent debt and thirty-five to thirty-seven percent equity, but staff comment about risk is more about staff instincts and staff observations of the market and what is being built. Mr. Dunn referenced Mr. Minasian's comment during the interview process where we have seen some other projects similar to The Cove - the aspirations of doing steel construction at thirteen stories that had some challenges in the financing, which was scaled down to seven stories. Similarly for CitySquare, when the master plan was done, the parcel above the garage was contemplated for a ten-story building that is now being proposed as a seven story building. Those are some observations of the market and the response from lenders and equity investors. Staff believe the details that Menkiti Group provided - the plan for approaching the financing is sound - but recognizing from past observations and experience in the market, that type of project can be more challenging to complete and secure all of the financing versus the wood type of construction that is being financed more regularly.

Mr. Burke asked Mr. Dunn if he could shed a light on the committee review process. Mr. Dunn advised four staff members each independently came up with rankings for each of the comparative evaluation criteria. Some of those rankings were split, but the committee then came together and talked that through and came to a consensus on the final scoring. The committee also talked about a couple different schools of thought in terms of the two different proposers. There is an appreciation having new investment interest in the city with RMS Companies, totally appreciate their interest in the city of Worcester and would

love to work with them on finding another site. The other piece is about diversification - that can be a good thing. The other school of thought is regarding transformative impact and the ability to leverage other investments in having a collective impact and how this site might relate to what Menkiti Group is doing at 554 and 526 Main Street and the advantages that can bring. Coordination can be helpful, especially on the retail, thinking about the downtown offerings, what is necessary and what is demand from our residents and employees. Having the coordination and available retail spaces. When there are different owners doing different things not talking with each other that can be a challenge. The committee had good healthy discussions about the advantages and disadvantages with those considerations.

Mr. Burke asked if it was easy among the committee to reach a consensus. M. Dunn advised yes. Both proposals are pretty comparable in terms of the economic impact. Certainly, with the Menkiti Group, the total project cost is more with 233 units versus 200 units, which was taken into account. It is tough to be totally definitive about the economic impact as both proposals mentioned their ability to include the affordable housing, but whether or not tax incentives might be possible so without knowing what the terms of those tax incentives might be and how that might impact the tax revenue generated from the site to the City of Worcester, it is hard to say declaratively that one is much stronger impact than the other. But, looking at it in terms of proposal characteristics the Menkiti Group's project is also more in that sense with the thirty-three additional units compared to RMS Companies, with some additional retail square footage as well. The other thing to elaborate on are the design considerations. The type of construction is one factor, but staff really appreciated the initial thinking from the Menkiti Group team of architects in terms of how the entrance of that building will relate to the pedestrian environment through the connection back to Chase Court, the plaza environment they are creating and the objectives of the Downtown Urban Revitalization Plan.

Mr. Burke replied that is helpful. He thought both presentations were excellent, and as a citizen member of the committee, the experts' recommendation and the consensus of the committee is very important here.

Mr. Minasian appreciated the questions from the board members. He emphasized his agreement with the commentary about financial and design considerations. Mr. Minasian commented about economic development in the city and what that means for community development. He referenced his concerns raised at the last meeting, related to that, and the best way the WRA ensures the community development side is through the Responsible Employer Inclusionary Participation Policy (REIPP). He shared his appreciation for the responses from the construction manager, but they didn't adequately address the concerns and does not feel the plan for compliance with the WRA REIPP was there. Mr. Minasian asked if there were any further questions from the Board.

Ms. Pitcher commented regarding RMS Companies, she is excited to have a new developer, new interest, diversification of property ownership in the downtown core. She thought the Menkiti Group had a strong representation and heavily weighed the design consideration - the City is seeing a lot of new residential construction and five-over-two projects that all look the same, so something that is going to look different for a high-profile project is key. Moving forward with RMS Companies, Mr. Dunn how do we continue to engage with them and encourage them to invest in the city how does that happen? Mr. Dunn wanted to emphasize as Mr. Burke stated, staff were impressed with both proposals and definitely appreciate the time, energy and interest from both parties. Staff would want to continue the conversation with RMS and plan on following up with them and debriefing and talking further to see if there is something we can work together on.

Mr. Burke asked about Mr. Minasian's concerns, they sounded very important and want to understand the concerns. Mr. Minasian explained he raised a couple of instances in the DC market that Bozzuto had with subcontractors and there was a response, but to me the response was very much pushing it down to the subcontractor and less about taking any self-responsibility for managing the construction site. Mr. Minasian thought RMS Companies had a very good answer for the compliance with wage and hour laws. On some of these issues it is all about subcontractors, who is hired, how the projects starts and what is the mindset going into contracts. Mr. Minasian expressed concern about the Pine Hills project on the Cape with Bozzuto. Again the issue of the underground economy and issues around wage theft is a serious concern. He described that there is a desire for new buildings, economic development, increase in tax base, which are a driver, but also important to consider outcomes for better schools, all kinds of things and thinking about how these are built, who builds them and what is the practice underneath them. Again, the response was appreciated, but lacking on how this will be addressed. Unfortunately, there are many studies out there and how pervasive tax fraud and wage theft is, which is a very important issue that should be weighed and focused on.

Mr. Burke inquired whether the board should get to the bottom of that, and if the only risk is delaying the decision while that happens. Mr. Dunn mentioned that there were particular instances that Mr. Minasian had raised during the presentation, for which the board received a response from Bozzuto on these particular instances. Bozzuto has not been found guilty or at fault of anything. Mr. Dunn suggested what Mr. Minasian is trying to say while they are not found at fault there is still a subcontractor that had an issue, in one case a settlement. In the same vein, and recognizing there is some frustration around this to make sure contractors remain responsible, but when they settle, they are also not admitting any kind of fault in that sense either. To give some visibility on compliance, our staff does not allow anybody participating on any WRA project or projects WRA is supporting that have been debarred by any governmental entity. Mr. believes what Mr. Minasian was saying has to do with the role of the general contractor, construction manager, who oversee their subcontractors, so they might not have been the employer in this situation, but making sure they are staying on top of subcontractors. In all of the WRA contracts and land disposition agreements there are requirements to ensure compliance. Staff provides further oversight and monitoring for that. Mr. Dunn asked Mr. Minasian if it would be appropriate to recognize Mr. Rengel from Menkiti Group to see if he had any comments to add.

Mr. Rengel emphasized their recognition of the importance of this topic as well as Bozzuto, which he believes is one of the most well-respected general contractors and construction managers in the mid-Atlantic Region, who have expanded into New England. They hold in very high regard the City's employment regulations, it is important and a first order of priority especially with a project with high visibility to stay compliance and do not take it lightly. Mr. Minasian commented that this could be a test of the Responsible Employer Inclusionary Participation Policy to make sure it is being followed and that the construction manager and Menkiti Group team is on top of that. Mr. Minasian reiterated his concern with the pervasive issues in the industry, which weighs heavily on him and where he stands.

Mr. Burke expressed some remaining confusion and the outstanding concerns and whether it should be a deal breaker for the board. Mr. Minasian agreed that is a very good question and a top priority for him. Mr. Rengel reiterated it is of highest priority for their team as well. He mentioned that Bozzuto did not participate in any settlement, they were dismissed without any finding of liability on the cases raised. Mr. Rengel questioned whether there would ever be a point at which issues raised by Mr. Minasian will ever go

away, there are going to be bad players in the marketplace that need to be ferreted out, but eliminating this all together is near impossible

Mr. Minasian asked Mr. Rengel if the Menkiti Group will be involved with the subcontractor selection process to any degree. Mr. Rengel advised all major subcontracts will have their involvement.

Mr. Burke reiterated that he takes the recommendation of the committee very serious, but would like to feel more comfortable about a resolution to Mr. Minasian's concerns. Mr. Minasian advised that is good question and he does not have answer for that and looked to the proposer to see if there is a solution, the Menkiti Group. Mr. Rengel replied he would appreciate the opportunity to have Bozzuto respond to any pointed questions following the response the general counsel submitted on the specific litigation issues raised by Mr. Minasian as he does not want to speak for them.

Mr. Dunn interjected to provide some clarity about the staff compliance and monitoring process in case that is helpful. The language from the Responsible Employer Inclusionary Participation Policy is in the contract with the preferred developer we select and then there is a requirement, as Mr. Minasian asked during the presentations, that the developer take the requirements of that policy and include it in their contracts with every contractor and subcontractor at every tier, so that those subcontractors know that they are contractually obligated to follow all of those policies. That language is also included in the bid packages before getting pricing from subcontractors, so they understand the expectations of the project. As the project proceeds, we have a dedicated fulltime staff where every month we get reports on progress towards the goals. There are goals on workforce participation, goals on M/WBE participation. Staff also receive certified payroll and review the certified payroll, visiting the site talking with employees who are onsite, which is somewhat of a spot check. Staff are not auditors or investigators, but all of the documentation and materials are reviewed, including spot checking both behind the desk and at the site. Staff play an active role in carrying out the policy and have those processes and controls in place.

Mr. Minasian agreed and believes the administration does a good job for sure. Ms. Pitcher expressed confidence knowing that processes are in place and trying to achieve the goals set forth. Mr. Burke asked if that process has teeth as well. Mr. Dunn emphasized on the goal side where there are goals for Worcester residents, people of color and women participating, as well as M/WBE participation, they are best faith efforts. Mr. Dunn also stressed if there is a situation like wage theft or anything like that there are definitely other more serious consequences, but the WRA may not be the enforcing agency, it could involve for example the Attorney General if there were more serious situations like wage theft or misclassification of workers or not carrying Workers Compensation. There are many elements to the policy that depends on what the infraction is and what is the appropriate sanction depending on what that infraction is. Mr. Minasian suggested in light of this discussion perhaps the board can review the REIPP. It is a living, breathing document.

Mr. Minasian continued that his concern relates to subcontractor selection and compliance which was the weakest part of the proposal. He asked if the City or WRA is involved in the subcontractor selection process. Mr. Dunn advised staff are not involved in the review of pricing and selection of the subcontractor other than reviewing who they intend to contract with and if that subcontractor is debarred they will not be allowed to participate. If that subcontractor is not debarred the WRA would have some legal limitations telling a subcontractor they cannot participate on a job if they are not debarred. Mr. Minasian suggested he refine the question and whether the WRA will be

able to see that the requirements of having the REIPP language in those contracts. Mr. Dunn confirmed yes.

Mr. Rengel provided additional context that Bozzuto is one of the largest general contractors in the region and their annual construction revenue is around \$630 Million Dollars and pointed out that fifty percent of their contracts on an annual basis have workforce goals, so they are deeply experienced with this type of practice.

Mr. Minasian asked Mr. Rengel if he knew how much of the annual revenues are generated in Massachusetts or New England. Mr. Rengel did not have that answer available. Mr. Minasian questioned if the DC market maybe different from the Massachusetts market. Mr. Rengel advised there are similarities of the workforce programs and requirements including oversight that is necessary on the general contractor's side to employ those subs required. Mr. Rengel was concerned that these small items are taking away from that. Mr. Minasian expressed he does not view them as small view, but impactful and substantive Mr. Rengel clarified that he said small from a sense scale, not importance.

Mr. Burke asked about the current WRA board composition, recognizing there is one vacancy and the magnitude of this decision being up to two or three people. He admitted he did not have a solution to that issue but wanted to raise that for comment. Ms. Pitcher acknowledged the concern but felt that there has been a thoughtful and thorough analysis by Mr. Dunn and his team and so she does not share the concern. Mr. Minasian suggested the board could ask for further response from Menkiti and Bozzuto, but recognized the delay and was not sure of the outcome that would result. Mr. Burke replied, other than the loss of time what is the downside of allowing this Board to become fully populated and then moving forward with a decision so we can at least have as much collective wisdom as possible? Mr. Minasian asked Mr. Burke if he was asking to wait until the Administration appoints another person to the Board. Mr. Burke clarified that there are two things – the Board vacancy and another opportunity to get Mr. Minasian satisfactory answers to the concerns, which are not insignificant. Mr. Dunn advised there was one candidate that applied recently to potentially serve on the WRA Board. The City Manager would review that and have a discussion with the candidate. The process includes submitting the appointment to the City Council, which at the the earliest would August 22, 2023. The appointee would then need to be sworn in by the City Clerk. Mr. Dunn questioned whether someone coming into their first meeting would be prepared to vote on this kind of item without having all of the previous information and being a participant in all of the meetings and discussions leading up to it. While that person is one more seat in the chair, he is skeptical whether that person is going to be as informed and qualified as possible to make a decision.

Mr. Burke asked about the second part of the question. Mr. Dunn replied he is happy to carry out the will of the Board and asked if that would be a series of questions or articulation of maybe additional information that Bozzuto can expound on that should be submitted to the Board. Mr. Burke said he would appreciate hearing a dialogue between the contractor and Mr. Minasian. Mr. Minasian said he was fine with that. Mr. Minasian asked if that should be in the form of a motion. Mr. Dunn suggested there should either be a motion related to the vote in the packet or a motion to hold it. Ms. Pitcher asked a question in terms of process – is the board saying that the City's recommendation is approved subject to a meeting with Bozzuto and RMS is not having the same opportunity to come back? Mr. Burke suggested RMS Companies has satisfied that question. Ms. Pitcher questioned if that was the case. Mr. Minasian replied that the staff committee put forward a recommendation to the Board and right now the Board is reviewing the recommendation so perhaps the review might take longer and for this meeting the Board

is just looking for further information before a decision. Mr. Dunn asked Mr. Traynor if that sounds appropriate in terms of procedure. Mr. Traynor confirmed it is entirely appropriate, as the Vice Chair said it is a proposal by the City to adopt this proposal and appropriate for the Board to have further reflections on moving forward. Mr. Minasian clarified the intent is not to drag it out we are interested in getting more clarity. Mr. Minasian asked if there was a motion.

Mr. Burke offered the following motion:

Motion to hold so that the WRA has the opportunity to hear from the contractor for further clarification.

Mr. Minasian seconded the motion.

The item was approved on a roll call vote

Vice Chair Minasian turned the meeting to Chair Angelini.

Chair Angelini apologized for not participating in this discussion due to his conflict of interest. He commended the Board for the discussion and the thoughtfulness. One final observation and reminder is that each proposal will provide new commercial ground floor retail space and how much work needs to be done in order to revitalize retail in downtown Worcester that has not yet been figured out how to get that done.

4. Financial Update Report

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

b. Report on Downtown Urban Revitalization Plan Expenditures

Mr. Dunn provided a summary of expenditures from June 7, 2023, to July 11, 2023, \$567,325.40.

5. Status Reports

a. Union Station

b. Downtown Urban Revitalization Plan

c. The Cove

Mr. Dunn advised the last attachment is the most recent monthly report for May. There are six subcontractors on the site currently at 27.7% Worcester residents, exceeding the goal of 25% Worcester residents. Currently at 71.4% workforce hours for people of color, which greatly exceeds the goal of 38%. Currently do not have female participation and need to continue to work on getting female participation on the job. In terms of subcontractors within a thirty-mile radius they have 16% - one of the six subcontractors is a local subcontractor and hope to see 50% subcontractors being within thirty miles. On the minority and women owned business participation, this has not changed since last month, they are currently tracking a combined goal progress of 18% with a goal of 20%. Related to the discussion about the policy earlier this is a good useful tool to see not only the subcontractors currently on the job performing work, but advanced notice of the subcontractors that they are awarding bids to before they arrive onsite.

Chair Angelini inquired about Luciano's Restaurant. Mr. Dunn advised Mr. Traynor provided the draft lease amendment consistent with the vote taken at the last meeting and will be transmitting to him.

6. Adjournment

There being no further business, Mr. Dunn called the roll to adjourn the meeting at 10:11
A.M

Respectfully submitted,

Peter Dunn
Chief Executive Officer