

Worcester Redevelopment Authority

Michael P. Angelini
Chair

Peter Dunn
Chief Executive Officer



WORCESTER REDEVELOPMENT AUTHORITY

Wednesday, May 31st, 2023

5:00 P.M.

City Hall, Levi Lincoln Chamber

Worcester, MA 01608

CALL IN INFORMATION:

+1-415-655-0001 US Toll
Access Code: 2311 709 7048

Present:

Worcester Redevelopment Authority Board

David Minasian, Vice Chair
Sherri Pitcher
Richard Burke

Staff

Peter Dunn, Chief Executive Officer

Pursuant to a notice given (attached), a meeting of the Worcester Redevelopment Authority was held at 5:00 P.M. on Wednesday, May 31st, 2023

1. Call to Order

Mr. Minasian called the meeting to order at 5:02 P.M.

2. Roll Call

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

New Business

1. Discussion of Proposal (2) received by the Menkiti Group under the Request for Proposals (RFP) for the disposition and redevelopment of 484-500 Main Street.

Mr. Dunn introduced Bo Menkiti, founder and CEO of Menkiti Group. Mr. Menkiti discussed his engagement and appreciation with the neighborhood over the last six years and how unique this particular site is. He introduced the development team from ZDS Architecture – Eric Zuena, Founding Principal and Aimee Lombardo, Managing Principal, EM Structural – Keith Bretzfield, Managing Principal and Bozzuto

Construction – Brady Davidow, Director of Preconstruction. Mr. Menkiti discussed Menkiti’s Group mission statement and their excitement of the project - role of Denholm building and the history of Worcester. Their proposal will honor the past, celebrate the present and design for the future. Mr. Rengel, Vice President of Development gave a brief overview of the proposal to include 233 mixed income residential units which 20% will be income-restricted affordability and to include retail space and promenade. Mr. Zuena discussed their design program and their passion that no one will be excluded in the neighborhood from the use of this project. Mr. Davidow discussed their REIPP, goals and communication with the community, development team and subcontractors, site logistics and utilization to minimize impact to downtown during construction. Mr. Rengel discussed the proposed project schedule, design criteria, and acceptance of 2.5 million credit for demolition. He discussed financing with local and national banks, federal subsidies such as new market tax credits, low housing tax credits, and other various programs. Project estimated at \$113 million. Mr. Rengel discussed the economic impact that will benefit the city in the long run and the partnership opportunities with the city and businesses located around the project. Mr. Menkiti gave an overview of recent restoration projects similar to the redevelopment of the project around the US and their commitment to the restoration of the Denholm Building and the revitalization of Worcester.

Mr. Minasian asked about ownership and financial strategy. Mr. Menkiti answered that their strategy is for long term ownership, qualified for opportunity zone fund requiring a ten-year hold. Mr. Minasian asked about financing and equity. Mr. Daniels, Director of Investments answered that capital stock is comprised 60% of conventional bank loans, 35% to 37% of equity and remainder from various potential subsidy sources totaling 3%. Mr. Menkiti stated that the majority of equity is from their personal balance sheet and their private equity real estate fund. Mr. Menkiti discussed their experience in funding, financial resources and their ability to harness federal sources. Mr. Minasian asked about structural design, steel or concrete. Mr. Zuena answered that they have some options, experienced with light gauge load bearing systems, getting up to 12-story involving podium plus slab system will give needed height while keeping construction costs where they need them to be. Mr. Minasian asked about the project in Providence. Mr. Zuena answered Homewood Suites on Memorial Boulevard.

Mr. Minasian asked about financing in relation to this type building, the city has seen proposals that have been scaled back in height. What are their thoughts, will there be any issues. Mr. Menkiti answered that this was an active internal conversation, probably the cheapest costs to build this building is to build a podium and add four to five levels of wood on top of it. However, at an architectural standpoint, they felt the site called for and could support something more engaged and defined. They worked hard to try do that with a cost-effective passion and in a way that it will be financed to work economically. Mr. Zuena added that density at a housing standpoint, having a diverse housing stock in this product was always a design pillar for them as a design studio. They have discussed with the team that getting density here on Main Street was of importance, important for the performer and for the vibrance and energy that that intend to create. Mr. Rengel added that it is directly associated to enlighten that commercial district on the first floor, site inspires to be that size (eleven to twelve story) and bring that density, that 18-hour Main Street that is so desired. Mr. Minasian asked about the project team, the super’s field experience, six projects listed, all wood framed, highest with 178 units that is under construction now, not much relevant field experience. States that it is good to hear that the team is working with Bozzuto Construction, does the team have the experience to take that type of building out of the ground. Mr. Davidow answered that the project

manager, Bryon Wells has experience, info was not listed but will get them over to the board. He has worked in a couple projects in downtown Boston during his career. As a whole, they all have high rise experience, will double check on project superintendent's high-rise experience. Mr. Minasian talked about REIPP and discussed the inclusionary side of things. WRA has minimum standards in place in construction contracts and part of that is why they were created. Mr. Minasian emphasized while construction is going on, following wage and hours laws, having proper worker's compensation insurance and proper classifying individuals as employees.

Mr. Minasian asked about policies and procedures that are in place to prevent wage theft, payroll tax and insurance fraud from contractors, subcontractors that will be potentially working on the project. Mr. Davidow answered that 50% of their work has public funding or an inclusionary requirement as part of the work. The majority of that work, they have certified payroll projects, something they are used to doing. They understand that they are not allowed to have any 1099 employees out on the job, focus on certified payroll to confirm that. They have a contract that provides worker's comp insurance. Anyone that shows up on site that who does not have proper insurance, they can enroll in a worker's comp a program managed by Bozzuto Construction. In relation to compliance, Mr. Minasian mentioned two lawsuits where Bozzuto was a defendant related to wages with some of the subcontractors on their projects. Mr. Davidow answered that there have been issues in the past where a subcontractor does not follow certified payroll policy. He does not know the background of those two lawsuits but can find out and get back to the board. For the most part, they do not have any issues with it and will circle back with the team. Mr. Minasian asked about Pine Hills, and believes Metro Walls is a subcontractor on that project. Mr. Davidow answered they may be a tiered subcontractor, does not recognize the name but he will find out and get back to the board. Mr. Minasian stated he has seen over fifty affidavits from Metro Walls, where they have done non-payment, paid in cash, series of issues including no pay stubs provided and not filling out tax forms. Mr. Davidow will again find out and get back to the board.

Ms. Pitcher stated the team gave a great presentation, she would like to acknowledge the investments that the Menkiti Group has been making in Worcester, in particularly the downtown area. She appreciates all the work they have been doing and names multiple projects in the area. Understands they have a lot going on, including Trophy building, potential acquisition on Main Street and 554 Main, and asked how is this high-profile project going to fit into Menkiti's portfolio. Mr. Rengel gave an update on all the projects that are underway including 6 Chatham Street, 204 Main Street (Trophy Building), Shacks Building, and 526 Main Street, and 554 Main Street. Mr. Menkiti mentioned the lease negotiations. Mr. Rengel discussed the lease, that the tenant will be taking the entire second floor at 526 Main Street, brining a vibrancy to Main Street. Mr. Rengel states the importance of the Denholm Building, their excitement and passion building up to the point where they are now, this discussion is why they are in Worcester. The ability to have a long-term impact, and they are in Worcester for the long haul, committed to do something great to the Denholm Building. Mr. Menkiti mentioned two points in their internal strategy, one - certain level of scale necessary in geography, they entered Worcester with a lot less scale than they normally do, the Denholm Building from a scale size is not stretchy, getting back to critical mass that we need to have to sustain the level of staff and energy that is going on in. Worcester is critical strategy to the Menkiti Group. Discussed their history in learning about transition neighborhoods, making retail work, and bring the old pawnshop up to life. The biggest challenge is doing all the hard non-profitable work, not having enough scale in product type, the more commoditized product type of apartments. Since coming to Worcester, the Denholm was the key infliction point

of the Theatre district. They have put so much energy and resources into the district, it would be disappointing to not have the opportunity to be part of that critical piece of transition. Ms. Pitcher appreciated their work in the city, asked how they planned to keep the community engaged and updated on the project. Mr. Menkiti answered that they have been involved high profile projects that have a lot of media attention, find that it helps to have different mediums. He discussed the beginning of the process, involving of meetings for opportunity for people to weigh in, websites with live feed and updates, social media presence and interacting and getting involved with established organizations. Mr. Rengel states that when it comes to community outreach, they try to meet people where they are more comfortable. They want the community to feel ownership of the project and process, to understand what is most important to them, this neighborhood and what represents them best.

Mr. Burke asked about partnership opportunities, what do they mean about working with the Worcester Business Development Corporation, do they anticipate it happening with this project. Mr. Regel answered there are certain opportunities and expertise with WBDC and their ability to essentially bring site infrastructures, other subsidies that non-profit may have access to, bringing a larger financial stack to the project, that is why they reference the partnership opportunity. He discussed the relationship with the City of Worcester, their support over the last several years of implementing and executing projects. That support network has been there since day one has been so important to achieve success. Continuing the process, political, when necessary, state and local juridical subsidies, Mass Development, housing subsidies, underutilized plot program subsidies, building relationships within those networks and individuals, local to Worcester that have a stake in the future of downtown Worcester are all critical to make this project work. Mr. Menkiti said that there is openness to working with others, he mentions Community Builders who are not part of the project but could be part of the project to help structure affordable housing. Mr. Burke looks forward to restoration of the Denholm Building. Mr. Burke asked about 20% of affordable units, does that require a tax deal, increment from the city. Mr. Rengel answered yes. Mr. Burke asked what happens if they do not receive the credit. Mr. Rengel answered that any number of complexities can be introduced and discussed them in detail. Mr. Menkiti added, not in their underwriting today, 80/20 structure is a typical sort of structure for incorporating 20% affordable housing in a market rate building and they have been involved in a number of projects that do this, this is another approach to do this. Mr. Burke asked if the project can be done and meet the inclusionary zoning requirements that exist today (the new ones) without the tax deal from the city, Mr. Menkiti stated yes, but it would be reduced to meet the minimums. No further questions from the board. Mr. Menkiti expressed his gratitude and excited to be working with the board.

2. Adjournment

Mr. Dunn called the roll to adjourn the meeting at 5:58 P.M.

Respectfully submitted,

Peter Dunn
Chief Executive Officer