

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

March 12, 2019

Members Present: Darcy Dale, John Pruellage, Phil Stearns (Chair), Nick Tensen and David Wanger.

Others Present:

This Hamilton Finance and Advisory Committee meeting was called to order at 7:02 pm at the Council on Aging Building.

Public Comment

Discussion of Hamilton Development Corporation (HDC) Warrant Article with HDC President, Rick Mitchell.

Rick Mitchell, President of the HDC was present. Mr. Mitchell explained that the HDC went through two Requests for Proposals (RFP) for the Willow St. property, which did not produce affordable housing so was now heading in a new direction. Mr. Mitchell described the Harborlight proposal for 20 senior housing affordable units that were contingent on the Longmeadow project for affordable housing. Mr. Mitchell recalled that the previous Town Meeting had put a halt to the process. The HDC was currently considering permitting 20 units of market rate housing (rentals or condos). Mr. Mitchell noted the fear developers have for getting a project approved. The HDC planned on preparing the necessary documents for approval for a 20 unit development, which would be sold to a developer after approvals had been obtained. The mixed used development would be pre-approved for 20 units with a commercial entity included. The HDC would incur the costs for all legal, architectural, and civil engineering.

The property had recently been appraised. The \$600,000 investment had been appraised at \$900,000, according to Rick Mitchell. If the approval process cost more than the HDC could afford, Salem Five would be able to approve a loan for the difference or funding could occur out of the Operating Funds. The concept was that the developer's risk would be eliminated as permitting would be approved before going out to bid.

Rick Mitchell thought the permitting would be complete by late Fall 2019. Mr. Mitchell thought the costs for permitting would be in the \$60,000 to \$80,000 range. Mr. Mitchell said beyond the \$74,000 revenue from the Meal's Tax, the HDC had an annual budget, which allowed for the payment to Salem 5 for the mortgage, legal costs, and administrative costs. Mr. Mitchell noted that there was \$10,000 submitted back to the Town to use as it saw fit. In the past, the Town did not accept the money so it was used for flower pots, wreaths, benches and waste bins along Railroad Ave. Mr. Mitchell added that if 23 units were constructed at Willow St., two would be affordable in accordance with the Zoning By-law. There would be no restriction on age for the development. Mr. Mitchell added that after speaking with realtors, it was determined that there

was an unmet demand for small units whether they be condos or rentals. Even though drainage issues had been found on site, a civil engineer had determined that a septic could support 22 to 23 bedrooms. Mr. Mitchell was unable to determine the tax revenue that would be achieved from the project.

Rick Mitchell said the HDC wanted to focus on the redevelopment of the downtown area including Railroad Ave. Mr. Mitchell said the HDC spent their FY19 Budget on hiring a landscape architect to develop conceptual plans for Railroad Ave. The landscape architect showed plans, which redesigned the street, sidewalks, and trees in an effort to make the area pedestrian friendly. One plan kept the electric poles while the other plan did not. While everyone at the presentation reportedly loved the results, many questioned the costs. According to Mr. Mitchell, the renovation of Railroad Ave would cost \$2.3M and the removal of the utility poles would be an additional \$500,000. Grant programs were being considering for funding but other streets in town were also being considered. It was questioned if the HDC was a partner or competitor to the Town in the grant application process.

Rick Mitchell said that if the property, which was owned by the HDC, were sold for \$900,000, the HDC would retain \$500,000, which might allow them to float a bond if approved by Town Meeting. The Meal's Tax would be a way to fund the principal and interest for a 20 year bond of \$2M to \$3M. Mr. Mitchell said legislation made the HDC a public non-profit corporation that could buy and sell land. The corporation did not need approval of Town Meeting except for bonding. Revenue was from the Meal's Tax.

Darcy Dale requested a list of things accomplished over the last six years. Rick Mitchell responded that the HDC had spent many hours gauging the public's temperament for downtown development. The MAPC did a village plan, a sewage study, which determined a sewage treatment plant would cost \$12M, and a consultant had been contacted for the tax impact of downtown development. According to Mr. Mitchell, wreaths, lights, flowers, and physical improvements had been provided. Discussion ensued regarding the HDC's involvement in the nonproductive association with affordable housing. Mr. Mitchell said the HDC was taking its time and being careful.

Nick Tensen asked if the HDC spent \$2.3M on Railroad Ave., would that take all of their money. Rick Mitchell said he wanted to consider grant funding and that there were two economic zones, the Shopping Center and Railroad Ave./Bay Road with no good flow between the two. The HDC had met with business owners who wanted to have events and were concerned about the Town permitting costs. The merchants also wanted improved signage and parking enforcement. Merchants wanted a website, pedestrian lights, slower traffic on 1A, and banners. They wanted help with the Christmas stroll. Mr. Mitchell noted that having housing at Willow St. would attract people to downtown businesses.

David Wanger asked if abutters had a remedy to the proposed Willow St. development if they opposed the project. Rick Mitchell responded that it would be during the Site Plan Review process and that the HDC would not do anything hostile to the neighbors as they were sensitive to what the neighbors were thinking. In response to Mr. Wanger's question as to the carrying costs of Willow St., Mr. Mitchell said he would forward the costs the next day. Mr. Mitchell said the \$74,000 in Meal's Tax covered the Budget each year. Phil Stearns asked what would happen if the Town decided not to fund the Budget to which Mr. Mitchell responded that the HDC would default on their loan for the property at Willow St.

Darcy Dale said many residents did not feel they had seen enough progress. Rick Mitchell suggested they join the HDC. Mr. Mitchell said not funding the HDC would create a purposeful strangulation of its mission. Mr. Mitchell said he wanted trust as he believed the HDC was spending Meal's Tax money wisely. In response to David Wanger's question about what would happen if the fund were reduced to only covering the carrying cost, Mr. Mitchell responded that he did not believe the FinCom was a policy board. Mr. Mitchell said he had hoped the FinCom would have come to the HDC to discuss the change rather than discussing the issue during Town Meeting Warrant time. Members of the FinCom said they did not want to change policy. Mr. Mitchell said limiting the HDC to only paying for Willow St. would be an invasion into HDC operations.

Phil Stearns asked if the whole reason for the Charter's existence was to use the Meal's Tax. Rick Mitchell stated that the Charter, which had been set up by the State, was to hold, operate, or sell land, which could not be done without the establishment of a fund to provide for administrative costs, lawyers, or accountants. The Meal's Tax was originally proposed for downtown improvement, which promoted the establishment of the HDC. The Town could not own, operate, or sell land.

Darcy Dale asked how long the HDC should be given before substantial results were achieved. Ms. Dale suggested guidelines or goals be established before determining if the entity was sustainable. While it was agreed that the HDC was tied up with Harborlight for two years, Ms. Dale said it was their decision to be involved with Harborlight and that no documentation had ever been provided regarding the agreement. David Wanger suggested that the Town move forward with FY20 and invite Rick Mitchell to further discuss questions raised. Rosemary Kennedy was present and discussed development issues including the lack of response to RFPs and water issues. While Phil Stearns suggested focusing on the Warrant Article, Ms. Kennedy responded that it was worrisome that the Meal's Tax would be devoted to work that had been previously done and proven unfruitful. Mr. Mitchell would send the HDC Budget and include carrying costs.

John Pruellage moved to recommend favorable action on Article 2-10.

Darcy Dale seconded.

Vote: Unanimous in favor.

Process planning for assigning and writing the FinCom recommendations for available Warrant Articles including voting on remaining articles.

Articles 3-1, 3-2, and 3-3. It was determined that the Planning Board had voted unanimously for each of the three articles. Patrick Reffett had given a review at a previous meeting. The full Appendix Book had not been viewed by any FinCom members but it was determined that the Zoning By-law changes would not have a financial impact. Currently developers needed to pay \$145,000 to not construct an affordable unit onsite, which had been increased to \$273,000 per unit. Darcy Dale would write the explanation of the article.

Motion made by Darcy Dale that Articles 3-1, 3-2, and 3-3 were recommended favorably by the FinCom.

John Pruellage seconded.

Vote: Unanimous in favor.

Article 4-1 would restructure the Affordable Housing Trust by increasing the number of members on the committee. The Town Manager would no longer be a member of the Committee, according to David Wanger. Phil Stearns would write the explanation.

Motion made by David Wanger to recommend favorable action on Article 4-1.

Seconded by John Pruellage.

Vote: Unanimous in favor.

Article 5-1. Motion made by David Wanger to recommend favorable action on Article 5-1.

Seconded John Pruellage.

Vote: Unanimous in favor.

David Wanger would obtain the newest numbers.

Article 6-1. Phil Stearns wrote the explanation.

Motion made by David Wanger that FinCom acted favorably to the extent solely that it seeks to apply no money from free cash to the tax rate.

Darcy Dale seconded.

Vote: Unanimous in favor.

There were no comments regarding the Preamble or Articles 1-1, 1-2, and 1-3

Article 2-1. David Wanger suggested giving explanations regarding why bills were not paid during the current year. The Casella bill was not received until FY19.

Article 2-2. Nick Tensen suggested cross referencing the explanation with Article 2-4. The table did not reflect the tax effect but the Budget would reflect the change according to John Pruellage. David Wanger said the change was associated with the new positions so saying there was no tax rate effect would be misleading. The term "see additional discussion in Article 2-4" was added.

Motion made by John Pruellage to recommend favorable action on Article 2-2.

Nick Tensen seconded.

Vote: Unanimous in favor.

Article 2-3. Phil Stearns and John Pruellage thought there should be an Appendix added for the Capital Improvement Plan. There was a Capital Budget of \$3.2M but \$308,000 would come out of Operating Funds. Darcy Dale reported that the concession stand (2-3.6) was not just a renovation of bathrooms but a complete renovation with new flooring, lighting, doors, and bathrooms.

Motion made by John Pruellage to recommend favorable action on Article 2-3.

Darcy Dale seconded.

Vote: Unanimous in favor.

Article 2-4. Phil Stearns added the responsibility of the Assistant DPW Director to the explanation. Discussion ensued if the School Assistant Superintendent should be thanked for doing what he was required to have done in the past according to By-laws. John Pruellage said this year was an improvement over the past. David Wanger said the School should not be thanked for what they were supposed to do. It was decided to say "The District administration has developed a plan to meet their obligation." Marisa Batista would need to confirm the number (\$12,261,701) on March 13, 2019. The FinCom did not feel that they were ready to vote on the article yet.

Article 2-5 was the School District Capital Expenses. Phil Stearns wrote that the FinCom was disappointed that nothing had been submitted. The FinCom had voted favorable action at its previous meeting. David Wanger wanted to be more specific that their recommendation was based on zero dollars funded. It would be possible that the School could arrive at Town Meeting with a capital proposal and amend the article on the floor. Mr. Wanger was concerned with recommending favorable action on a subject matter and hoped to revote to recommend no action. Motion made by Darcy Dale to change the recommendation from favorable action on Article 2-5 to no action on Article 2-5. No amount was considered, so nothing should be done.

Seconded by Nick Tensen.

Scott Maddern was reportedly putting a bright light on the fact that the School did nothing to promote the article.

Vote: Unanimous in favor.

Article 2-6. The term, "five years" was added. Marisa Batista would be contacted about potential water rate increases. The FinCom had already voted on the article.

Article 2-7. The transfer of the Clark Property Fund interest to the Town was revenue. The last paragraph would be removed from the explanation. The FinCom had already voted on the article.

Article 2-8. The last sentence would be removed. David Wanger noted the CPA Budget was limited by the State match and surcharge. The total was in the Appendix Book. Phil Stearns would add the total to the explanation. The article was already voted upon.

Article 2-9. The Parks and Recreation Revolving Fund had increased to \$300,000, which was covered in the explanation. The FinCom had previously voted favorable action on the article.

Article 2-10. Nick Tensen would write the explanation focusing on the Willow St. parcel and the development of Railroad Ave. The article was voted upon earlier in the night.

Article 2-11. David Wanger would ask Marisa Batista for information regarding the OPEB Trust Fund.

Article 2-12. Marisa Batista and Joe Domelowicz had not seen the FinCom's position on the article. Phil Stearns would send a revised copy of their explanation as to why they voted no recommendation on the article. The FinCom decided to not make a recommendation on the article or not to take a particular action. Mr. Stearns said the Patton Homestead Inc. did not do what was requested but the FinCom did not want to prejudice the project that may have some potential. They could not vote positively or endorse it because Patton Homestead Inc. had not done what was expected of them. Mr. Stearns said it was clear that the FinCom did not want yearly requests for funding without a Business Plan. The plan had not been forthcoming but the project still might be a good one. The FinCom was not prepared to recommend the funding but the Town could decide if they wanted to fund it. John Pruellage said he did not like to take a negative position but there was not enough information to have a definitive position.

Article 2-13 appeared appropriate to all members. Nick Tensen noted the required two-thirds majority needed to move money in or out of the funds. Phil Stearns responded that the funds were set up that way. David Wanger noted that a resident could move to use the money to mitigate the tax rate. The total target was \$1.6M, which was 5% of the current Operating Budget. Marisa Batista would be asked to confirm the numbers.

Article 2-14. The explanation was acceptable and the article had been vote upon previously.

Article 2-15 was the grant appropriations. John Pruellage suggested adding "which already nets out this deficit." The language in the Warrant did not explain the appropriation. It was agreed that the complicated concept was not easy to explain with a simple sentence. Phil Stearns inserted the sentence: "Accounting rules dictate that these funds are already netted out of free cash." The \$4,400 was paid out of free cash but was already netted out of the free cash. The article was previously voted upon.

Article 2-16. David Wanger added "This article represents a set aside of funds for personnel contingencies relating to levels of compensation." The article was already voted upon with favorable action.

Article 2-17. Nick Tensen had completed the explanation for the Water Distribution System. Mr. Tensen was concerned about the \$1.5M. The article was already voted upon.

Article 2-18. Nick Tensen said green sand was no longer used as the original filtration process had been reinstated. The explanation would need to be changed. Mr. Tensen needed the bonding borrowing costs. The FinCom would vote on the article on March 13, 2019.

Article 2-19 was in regard to changes for Chebacco Road. Joe Domelowicz would be asked on March 13, 2019 about the abutters to determine if the right of ways needed to be acquired as part of the funding. Phil Stearns recalled that the owners had agreed to revert to the original right of way without acquisition. The paving itself was less than \$1M.

Article 2-20. It appeared that the Town Hall Building Committee might not know the requested number until March 18, 2019. The FinCom agreed that there was no reason to vote until the numbers were available. A recommendation could be provided at Town Meeting. The explanation would include that "The Finance and Advisory Committee declined to vote on the article because they did not have specific numbers." A recommendation would be made at Town Meeting. Nick Tensen said he thought it was a lot of investment without knowing if the Town would go forward with the project. Darcy Dale added that if the cost was more than \$6M, the cost would be over \$500 per square foot. David Wanger suggested making reference to the health and safety of Town Hall employees and encourage the public to visit Town Hall.

Update on liaison assignments and committees.

Other topics not reasonably anticipated by the Chair.

Determine or modify agenda for the next meeting, if necessary.

Adjournment

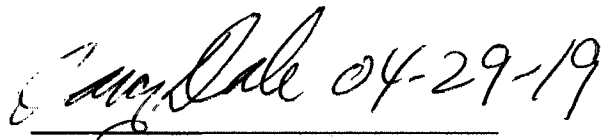
John Pruellage made motion to adjourn.

Seconded by Nick Tensen.

Vote: Unanimous to adjourn at 8:44 pm.

Prepared by:

Marcie Ricker

 04-29-19

Attest

Date