

MEMORANDUM

JUNE 10, 2021

TO: **ECONOMIC DEVELOPMENT & INDUSTRIAL CORPORATION* OF BOSTON D/B/A BOSTON PLANNING AND DEVELOPMENT AGENCY AND BRIAN P. GOLDEN, DIRECTOR**

FROM: **DEVIN QUIRK, DIRECTOR OF REAL ESTATE
RICHARD MCGUINNESS, DEPUTY DIRECTOR, WATERFRONT PLANNING
DENNIS DAVIS, DEPUTY DIRECTOR, INDUSTRIAL DEVELOPMENT AND COMMERCIAL LEASING
REAY PANNESI, SENIOR REAL ESTATE DEVELOPMENT OFFICER**

SUBJECT: **REQUEST AUTHORIZATION TO AWARD TENTATIVE DESIGNATION STATUS TO EASTERN SALT COMPANY, INC., FOR THE LONG-TERM LEASE AND REDEVELOPMENT OF PARCEL M WITHIN THE RAYMOND L. FLYNN MARINE PARK**

SUMMARY: This Memorandum requests that the Director be authorized to execute the necessary documentation to award Tentative Designation status to, and enter into lease negotiations with Eastern Salt Company, Inc. to facilitate the long-term lease and redevelopment of the Economic Development and Industrial Corporation of Boston-owned Parcel M located within the Raymond L. Flynn Marine Park (“RLFMP”).

BACKGROUND

In September 2019, the Economic Development and Industrial Corporation of Boston ("EDIC"), doing business as the Boston Planning & Development Agency (“BDPA”)* issued a Request for Proposals ("RFP") for the redevelopment of Parcel M within the Raymond L. Flynn Marine Park ("RLFMP"). This was the third RFP issuance for Parcel M in as many years, with issuances in February 2017, March 2018 and September 2019.

Parcel M, with a street address of Three Dolphin Way, is a rectangular parcel of approximately 3.1 acres, containing a vacant, one story building with mezzanine space, constructed circa 1941 (the “Leased Premises”). The building contains approximately 148,000 square feet of space, with a building footprint of approximately 55,922 square feet and gross building area of approximately 76,990 square feet. The Leased Premises is zoned for both maritime dependent and general industrial use and has frontage on one public roadway, Dolphin Way. It is bordered by Dolphin Way to the west, the South Jetty to the south, the East Jetty to the east, and the Massport Marine Terminal (“MMT”) to the north. Most recently, the Leased Premises has been licensed as storage space for various City of Boston departments such as the Boston Fire

* Effective October 20, 2016, the EDIC commenced doing business as BPDA.

Department and Boston Transportation Department for small equipment storage, and to 150 Seaport LLC for laydown of construction materials to support this nearby development.

BPDA objectives for the redevelopment and operation of Parcels M are to promote maritime dependent and general industrial uses to further general economic development, to support both the Port of Boston and the Innovation District and to create job opportunities for Boston residents.

RFP ISSUANCE

BPDA's September 2019 RFP issuance resulted in three proposals from the following proponents:

MGI Industrial proposed redeveloping the existing structure into an industrial warehouse / distribution center for the global logistics company, DHL Express.

Finishing Trades Institute of New England ("FTINE") proposed redeveloping the existing building as a training facility for the finishing trades, including highly specialized glaziers and refinishers of marine-related ships, equipment & bridges.

Eastern Salt Company, Inc. ("Eastern Salt" or "Eastern") proposed demolishing the existing building and using the land area to operate what is currently its road salt business - an expansion of its existing, successful businesses in Chelsea, MA and Staten Island, NY. The Leased Premises would initially function as area for the storage of de-icing road salts and as project cargo lay down area. The proposal also stated an intention to unify Parcel M with Moran Marine Terminal Parcels ("MMT") Parcels 7 and 8 and with the North Jetty to create a marine industrial terminal.

DEVELOPER SELECTION

The selection committee was detailed and thoughtful in its approach to making the developer selection, including vetting proposed uses with the Commonwealth of Massachusetts' Office of Coastal Zone Management ("CZM") to ensure compliance with marine-industrial, Chapter 91 Waterways and Designated Port Area ("DPA") restrictions on the RLFMP, including over-the-dock operations. Eastern Salt's proposal was selected as the most highly advantageous proposal for several reasons, the most important of which is that its use is the only one of the three that fully complies with the state-mandated marine-industrial requirements.

In the prior March 2018 offering, MGI's proposal was rejected for not being sufficiently marine related, after staff vetted its proposed use with CZM. FTINE's proposal was considered in detail and it was determined that although its training relates to marine industrial construction, the activity it would be directly engaged in, training, is not a marine-industrial activity with over-the-dock operations.

In addition to its indisputable marine-industrial use, Eastern Salt's proposal is the most compelling because it proposes significant infrastructure improvements to the North Jetty, another strong support of marine-industrial operations in the RLFMP.

Eastern Salt also highlighted its track record of collaborating on creative and artistic installations using lighting and similar displays in its Chelsea, MA and Staten Island, NY locations to engage the community and mitigate the impact of the industrial appearance of its business and for nearby residents. This proposed use does not require significant parking, thereby reducing pressure on the RLFMP's parking freeze cap. Further, this use also relieves area tunnels and bridges of road salt-carrying truck traffic by creating a loading point south of downtown, thereby decreasing infrastructure wear and tear. In addition, Eastern Salt envisions the property handling bulk cargos beyond salt and uses such as the unloading of large components, such as wind industry materials and subway cars, are part of Eastern's vision for the property.

Eastern is a woman-owned, family business that has operated in Chelsea for sixty years and on the east coast waterfront for forty years, providing marine industrial trade jobs. The company culture solidly promotes diversity, equity and inclusion in many ways as discussed in more detail later in the Diversity, Equity and Inclusion section of this memo.

PROPOSED DEVELOPMENT

Eastern Salt proposes to operate Parcel M as part of a larger, waterborne bulk marine cargo terminal along with MMT Parcels 7 and 8. This is now entirely feasible, given that Massport awarded Eastern designation for MMT Parcels 7 and 8 at its March 2021 board meeting. While Eastern's current business is transshipped bulk salt, their stated future business model is to pursue other large cargo. For the first ten years of the lease, Parcel M may be used for the stockpiling of bulk salt seasonally (from September to April), in addition to being used as a waterborne cargo laydown area which Eastern may rent to other tenants. Most likely, Parcel M will be only a backup location for salt as it will mainly be located at MMT Parcels 7 and 8. During summer months Eastern will be restricted from storing bulk salt at Parcel M in order to provide an additional incentive to open the property up during summer months for other waterborne cargos and maritime activities. After the initial ten years of the lease, Eastern will need BPDA's approval to store salt at Parcel M at any point in the year, providing a further incentive to diversify the cargo mix and maritime utilization of the property.

As of part its lease with Massport, Eastern Salt plans to invest over \$30 million to reactivate the North Jetty to accommodate deep water berthing and oceangoing goods delivery as part of this proposed marine industrial complex. Their plan would also facilitate the linking of MMT Parcels 7 and 8 to Parcel M through an internal truck circulation route to decrease traffic on FID Kennedy Avenue and Dolphin Way. These proposed reactivations and infrastructure improvements will strongly buttress the marine-industrial mission of the RLFMP, by restoring operations to one of the few remaining parcels in Boston Harbor with maritime infrastructure that is both in close proximity to the Federal Navigational Channel and is also outside of the draft restrictions imposed by the Ted Williams tunnel. Reconstruction of the North Jetty is a key restoration of marine infrastructure as it will not only serve Eastern Salt's operations, but will

also provide access for other bulk cargo (e.g. wind turbines or other large goods such as train cars) and project cargo handlers serving the region.

To prepare the Parcel M for participation in these operations, Eastern Salt intends to expend approximately \$3.5 million to demolish the existing building, then develop upland areas of Parcel M to support dry-bulk stockpiling and project cargo laydown and distribution operations. This preparation work will include a regrade of the terminal surface to support storm water management infrastructure and installation of catch basins, drainage swales, stormceptors and surface paving. They note that compliance with 21E and other statues will be a factor to evaluate before this work can be implemented. The redevelopment work also includes fencing, lighting, installation of security cameras, street front landscaping, landscape strip and trees.

All BPDA piers surrounding Parcel M, with the exclusion of MMT Parcels 7 and 8, will remain common area managed by BPDA and therefore accessible to all tenants. Note that Eastern will not be using the South Jetty for berthing, leaving this area open for future Boston Ship Repair wet berths. As part of the lease, Eastern Salt will also commit to not using the Leased Premises for receiving delivery of salt or other bulk goods via the roadway network. All substantial deliveries will be via the ship to shore transfer of goods.

DIVERSITY, EQUITY AND INCLUSION

As previously mentioned, Eastern Salt Company, Inc. is a woman-owned, marine industrial business that has operated in Chelsea for over 60 years. Of its core workforce in Massachusetts, twenty-three percent (23%) are female and forty-four percent (44%) are people of color. They employ skilled and unskilled workers of diverse ages, races, ethnicities, countries of origin and principal language spoken, Eastern has a long history of workforce development and job training, career path mobility and promoting from within. Dock workers have become accountants, logistics managers and terminal managers. Employees are provided with opportunities to obtain training for heavy equipment operator licenses, maintenance operations, or for certifications for specific jobs and project types. Eastern pays their employees, at minimum, living wage.

Eastern is committed to working with local employers and tradespeople for bulk cargo operations such as East Boston businesses provide piloting and tug operators, South Boston firms providing hardware, machine components and crane rigging and a Charlestown firm provides concrete. Eastern also works closely with Boston's stevedore and longshoremen's labor unions, such as Ports America and International Longshoremen's Association, for port and cargo operations. Eastern also benefits from the robust diversity and inclusion practices and commitments that are in place by these unions and supported by Eastern.

Vessels entering the harbor to provide deliveries to Eastern's proposed bulk cargo terminal will be a significant economic and job creation catalyst. A single bulk cargo ship arriving at the cargo terminal is estimated to provide a wide range of jobs in over twenty separate trades and specialties such as tugging, longshoremen, fueling, vessel operations, vessel maintenance, logistics, and trucking. BPDA will work with Eastern to obtain a commitment within its lease to secure its continued commitment to diverse hiring and procurement practices at Parcel M.

RECOMMENDATION

The RLFMP Master Plan Update (2017) highlights the need for a general-purpose marine terminal in the RLFMP to foster Boston's capability to serve as a full-service port. Eastern's envisioned marine terminal could handle a wide range of cargo including bulk cargo, with Parcel M advantageously located at one of the few deep-water berthing areas in the RLFMP. Eastern Salt fully responds to this planning objective and also supports investments in needed capital repairs of the deep-water berthing infrastructure. Retaining Parcel M for a 100% marine industrial use is critical to the BPDA obtaining approval of the RLFMP Master Plan Update from the Commonwealth's DEP/CZM.

Staff therefore recommends that Eastern Salt receive Tentative Designation to develop Parcel M for a period of nine months during which time Eastern Salt shall be permitted access to Parcel M to conduct necessary due diligence.

Pending completion of due diligence by Eastern Salt and the successful negotiation of a Lease Agreement, staff will return to the Board to request final designation.

Appropriate votes follow:

VOTED: That the Director be, and hereby is, authorized to execute the necessary documentation to award Tentative Designation status to, and enter into lease negotiations with Eastern Salt Company, Inc., for the lease and redevelopment of Parcel M located within the Raymond L. Flynn Marine Park on terms and conditions substantially consistent with the Board Memorandum submitted at the Board meeting held June 10, 2021; and

FURTHER

VOTED: That the Director be and hereby is, authorized to execute any and all documents and agreements, including a license agreement, with, Eastern Salt for pre-development activities on Parcel M in connection with the Tentative Designation of Parcel M, with terms and conditions to be in the best interest of the Economic Development Industrial Corporation of Boston ("EDIC") as determined by the Director in his sole discretion; and

FURTHER

VOTED: That by taking actions under and/or accepting this Tentative Designation, Eastern Salt is specifically acknowledging that Eastern Salt shall be solely responsible for any and all costs of whatever kind or nature incurred prior to the date of this tentative designation or hereafter, in connection with the development of Parcel M, and the EDIC shall not be responsible or liable for any of such costs or be required to reimburse Eastern Salt for such costs in any respect or to any extent; and

FURTHER

VOTED:

That this Tentative Designation shall automatically be rescinded without prejudice and without further action or vote of EDIC and any and all rights granted by said Tentative Designation shall expire and/or terminate, if final designation has not been granted to Eastern Salt by March 31, 2022.