

Union Square Civic Advisory Committee (US CAC)
Wig Zamore, Chair and Anne Tate, Co-Chair
93 Highland Avenue, Somerville, Massachusetts 02143

June 25, 2014

Nancy Busnach, Chair
James F. McCarthy, Treasurer
Iwona Bonney, Secretary
Michael Dwyer
William F. Gage
Somerville Redevelopment Authority
93 Highland Avenue, Somerville MA 02143

Dear Ms. Busnach and Somerville Redevelopment Authority (SRA) Members,

The Union Square Civic Advisory Committee has held two full meetings in the last ten days to consider the strengths and merits of the four teams short-listed as finalists for designation as Master Developer for seven key parcels in Union Square. These twelve plus acres, which stretch north from the future Green Line Station across the heart of the Square to the base of Prospect Hill will be critical to catalyzing Union Square's transit-oriented re-development and to capture of the benefit of our new transit by the larger district and neighborhoods beyond. After careful review, research and discussion, the committee emerged with a strong consensus, which is documented for you below.

On Monday June 16th the US CAC heard reports back from those who traveled to Bethesda MD (Federal National), Chicago IL (Magellan Mesirow), Portland OR (Gerding Edlen), San Jose CA (Federal National) and Boston and Cambridge (Abbey Group). We also heard from most individuals on the US CAC their preliminary impressions of the strengths of the candidates. (Informal notes taken by facilitator Anne Tate on the June 16th discussion are attached to this letter as an addendum at the suggestion of several members.) On Monday June 23rd, the US CAC re-considered numerous Master Developer characteristics important to development of Union Square, consolidating those into four broad categories.

Ultimately the US CAC focused most of its deliberations on the two teams it deems most likely to provide the best fit for Union Square, Gerding Edlen (GE) and Magellan Mesirow (US2). But we wish to be crystal clear that we are eager to contribute to structuring the relationship between the Somerville community and whoever is designated Master Developer. And we especially look forward to playing a key ongoing role in facilitating a deep, broad engagement between the chosen Master Developer and the diverse people and businesses of Union Square.

The US CAC has no contractual obligations or responsibilities. We also believe it is premature to program specific blocks in Union Square with specific land uses and densities at this time. Nevertheless we strongly urge the City of Somerville and the SRA, to build the Somervision Comprehensive Plan district land use goals into the core of the contractual relationship with the Master Developer. The total percentages of job intense land uses such as maker space, start-ups,

office or private sector research and development should be explicit relative to housing and retail. Green space, groundwater and infrastructure goals should also be clear.

Since GE and US2 are based in Portland OR and Chicago IL, respectively, we also strongly suggest that whoever is designated Master Developer be required to establish a full-time Boston region headquarters in Somerville, staffed by key employees currently located at headquarters, in addition to any local hires, consultants and sub-contractors. Successful sustainable re-development of Union Square will require full access to the Master Developer's key personnel and talents. The Master Developer will have to be "all in" with daily Union Square presence.

Before moving on to more specific characterization of the Master Developer candidates, we would like to thank Ed O'Donnell, Amanda Maher and the city staff for their hard work before and since the start-up of the US CAC over the first half of 2014, including several excellent reports that have contributed to our considerations and ability to responsibly move forward. We also wish to thank the Federal National and Abbey Group teams for their huge efforts.

Federal Realty is and will remain Somerville's most important large scale developer for some time to come. Assembly Square is hitting full stride, with the recent opening of four multi-story mixed use blocks, and the new Orange Line T-stop imminent. Federal Realty's sidewalk environments, streetscapes and retail savvy are unequaled among large US retail developers. Their ability to blend in mixed income housing and subsequently significant amounts of office and research and development will be critical to Somerville's evolving live work balance. Additionally, Bethesda ROW showed Federal's facility with merging old and new main street properties into a cohesive whole. Federal's financial reports are clear and their key project personnel are impressive. In the end, the US CAC had some concern with this team's prioritization of retail and felt strongly that we need more than one major developer in Somerville.

The Abbey Group proved itself to be a resilient regional mixed use developer. They showed us good examples of challenging adaptive re-use at Landmark Center, double-storied retail created from an old school in the Back Bay, location leading high-rise housing in Downtown Crossing and a technology center on the Charles in Cambridge. They have succeeded with projects for which larger or earlier developers had no solutions. They demonstrated good relationships with local affordable housing and community representatives. As with Magellan, we had little insight into Abbey Group's financial structures but it is clear that they are strategic, savvy long term survivors. Abbey Group also showed one of the most detailed economic development plans for early efforts in Union Square, and critical understanding of and relationships with key players in health care services and the local start-up community. They displayed good grasp of site clean-up tactics and public sector financing programs. They showed very good long-standing relationships with local designers and construction leaders. In the end, like city staff, the US CAC had some concerns about the experience and ability of the Abbey Group in tackling and leading a large district wide re-development effort.

Everyone who has been directly involved in, or closely followed, the search for a Master Developer for Union Square understands by now the energy and enthusiasm brought to the opportunity by the Magellan Mesirow team (US2). Magellan Development's top executives and Mesirow Financial's senior real estate personnel have been directly involved, along with a large team of Boston professionals. Their on the ground engagement with the Union Square community and their dissection of and plans for participating in the larger scale drivers of the Boston Cambridge Somerville economy have been unique.

Although we do not have insight into Magellan's finances, they, including principals Jim Loewenberg and Joel Carlins, are leading one of the largest city center re-development efforts in the US at Lakeshore East in Chicago. Only a very small percent of Mesirow Financial's investment portfolio is dedicated to real estate, but statesman Richard Stein and managing director Greg Karczewski also inspire confidence. (Mesirow is a sophisticated Chicago region employee owned financial firm that appears to have a large majority of its own and its clients' managed portfolio in hedge funds, limited partnerships and other complex non-real estate financial vehicles. In downturns they have adjusted their real estate portfolio and personnel.) In their approach to real estate development, Jim and Rich evidence the steadiness of their long experience, while Greg led a dynamite presentation of their Union Square ideas for those able to visit Chicago. US2's local team presence in Somerville has been equally exuberant, and impressive to many in the community.

Notwithstanding Chicago's scale, the team of Magellan and Mesirow are clearly local business and real estate leaders. We were able to visit both high rise and lower scale developments, which are also represented on the Magellan web-site. Magellan's current and recent projects are overwhelmingly residential in focus, most of them luxury high rise in type. The low rise product is in more moderate income sections of the city, some of it done in partnership with a local university. All of these projects include ancillary retail development with the university district low rise incorporating small local retailers and broad sidewalks with sculptural art dedicated to interpretive history. The US2 team have been creative in meeting their affordable housing obligations, including through "soft second" mortgages which allowed occupant "earnouts" over time, and in lowering the costs of large project infrastructure. Magellan's Lakeshore East development has very ample green space onsite.

Gerding Edlen is the leading developer of sustainable real estate product in the city which leads all other US cities in long term sustainable thinking and execution. They are a mixed use building and district developer with demonstrated competence in an extraordinary range of building types - civic, retail, residential, office, university related health and research, preservation, adaptive re-use and brand new. They have built 60 LEED projects, with 45 of them rated Gold or Platinum. They have been the lead developer in two major transit-oriented districts of Portland Oregon - the historic but previously down and out Pearl District and the newly emerging South Waterfront. Gerding Edlen alone of the four Master Developer candidates took us into the offices, medical and research facilities that they have developed and which have been keystones of new employment locations in the revitalized districts of Portland. We were able to see some of their own workspace beyond just conference rooms, an adaptive re-use building now occupied by a leading advertising firm and the new interior working space of a leading architectural firm. The energy efficient systems, water savings, green roofs and attention to natural materials, light and air, and worker comfort varied with context but were unparalleled in many instances. Tenant testimonials to the quality of the development efforts and the resulting occupied spaces were unique to our Gerding tour.

Gerding Edlen's clear explanation of the organization of Portland's whole city core, including its re-development districts and their relationship to past and ongoing transit efforts were also exemplary. They thoroughly understand the relationship of their individual buildings, the streetscapes and districts they occupy, and the sustainable transit, walking, bicycling and city planning that pervade Portland. Perhaps even more impressive than all these physical manifestations of sustainability, however, were the company's dedication to firm and community values that goes far beyond any regulatory framework. Their own workforce shows a thorough devotion to gender equality. Their affordable housing performance and percentages far exceed legal requirements, their protection of susceptible populations and vulnerable small businesses that

were on the ground before re-development is exemplary, and their development of city center drug treatment and mental health facilities goes far beyond normal real estate developer behavior. It shows a rare and deep dedication to community service and fellow citizens which lasts far beyond the permit and entitlement stage.

Questions have been raised about Gerding Edlen's responses to and behavior in severe economic downturn. As the Somerville city staff have ably documented, using the firm's own recounting of history, Gerding Edlen was forced to give up its own profits and interests in several residential buildings but stayed on to finish those projects so that their financial partners could recover as much as possible of their investments. As a result, Gerding Edlen's largest financial partners remain loyal to and invested in their ongoing projects. The firm has modified its financial strategies to be more conservative and to better manage development risk. As with the other lead Master Developer candidates, Gerding has shown that the ability to weather the pressures of financial downturns and unexpected project challenges is a hallmark of survivors in the real estate development business.

The reflections above regarding all of the Master Developer candidates are based on a number of information sources - materials provided by the candidates themselves, city staff reports, online materials from the developer web-sites and business press, travel with others from Somerville to the Master Developer candidates' home bases and prominent development sites, and previously developed personnel knowledge of US CAC members. The materials below reflect the results of over four hours of US CAC discussion and deliberation on the strengths and merits of the candidates with extra emphasis on the two lead teams - GE and US2 - over the course of two recent meetings. Although we initially made an extended list of categories to consider that included all the named categories of concern in the city staff reports plus others, we consolidated them into four broad sub-categories shown in the graphics embedded below. We also polled the US CAC with regard to overall preference. In both approaches the US CAC leaned toward Gerding Edlen as the preferred Master Developer by a wide margin. Fourteen (14) USA CAC members highly favor Gerding Edlen, two (2) highly favor the Magellan Mesirow team. Similarly, with regard to the major categories there were twenty-nine (29) highly favorable for GE and three (3) highly favorable for US2. In simple terms it came down to the marketing excitement and economic plan for the future of US2 versus the already demonstrated passion for and execution of key types of sustainable buildings and work spaces and the community sensitive district developments of GE.

Both are relevant to Union Square and Somerville.

With Best Regards,

Wig Zamore, Chair US CAC

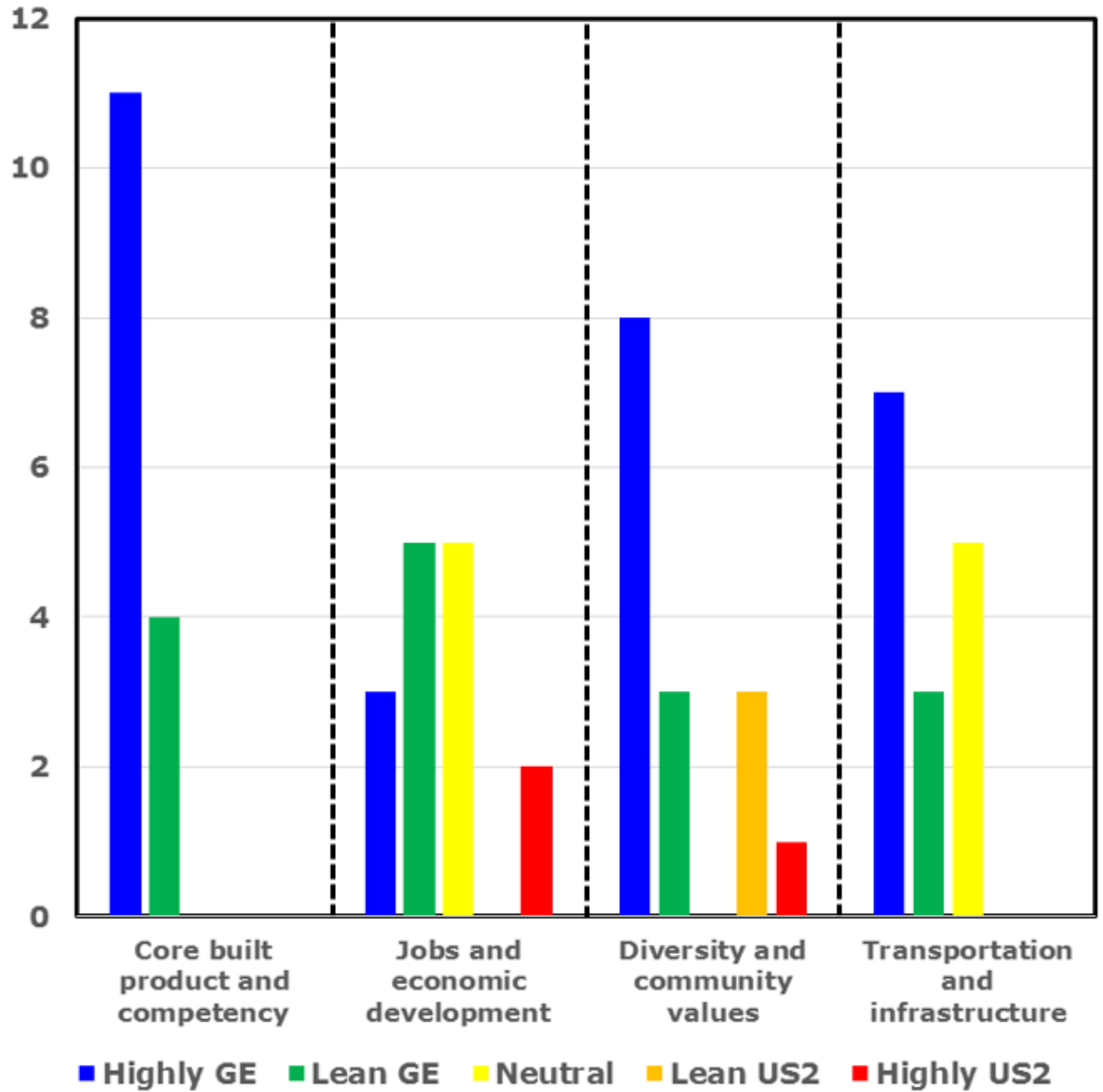
Anne Tate, Co-Chair US CAC

Attachments:

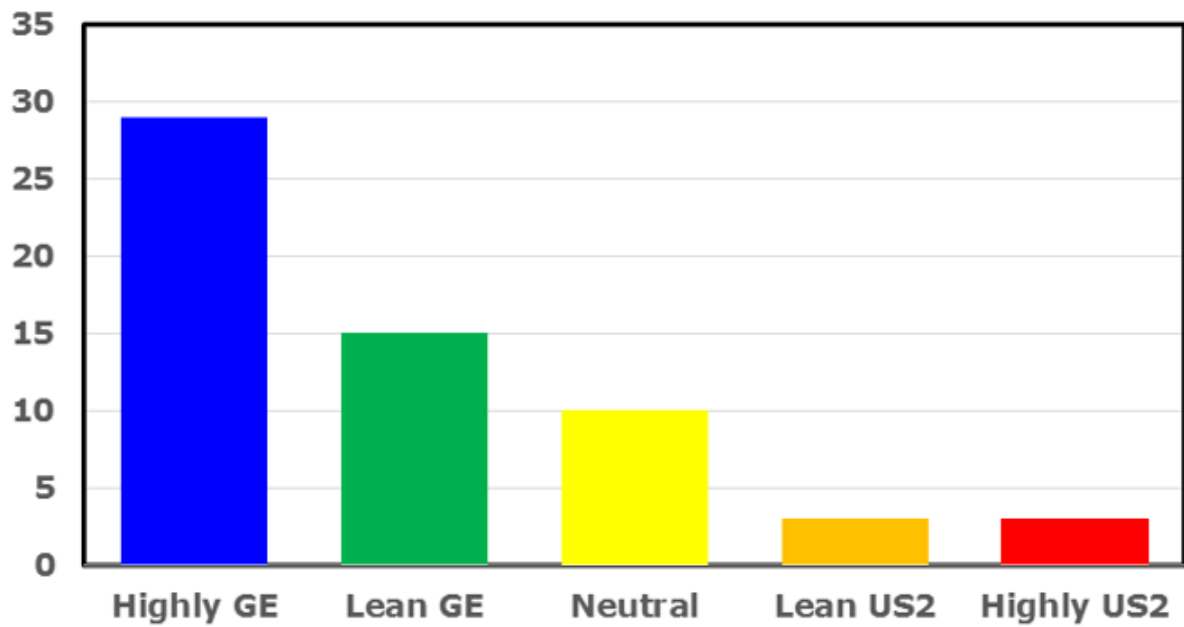
Graphics for final US CAC Master Developer Polls, on following two pages

Reactions of CAC members to four developers at June 16th meeting

Major Categories for Union Square Assessment



Subtotal of Major Categories



Overall Master Developer Preference

