

**QUONSET DEVELOPMENT CORPORATION
MEETING OF BOARD OF DIRECTORS**

MARCH 19, 2007

PUBLIC SESSION MINUTES

A meeting of the Board of Directors of the Quonset Development Corporation (the "Corporation") was held at 5:00 p.m. on Monday, March 19, 2007, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Board of Directors and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Steven Campo, Kas R. DeCarvalho, David A. Doern, Thomas Hazlehurst, Barbara Jackson, Saul Kaplan, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson. Absent were: Robert Crowley. Also present were: W. Geoffrey Grout, Managing Director, E. Jerome Batty, Secretary, members of the Corporation's staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:00 p.m. by Chairman Kaplan. Chairman Kaplan welcomed the students of the North Kingstown High School Current Events class.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Sams and seconded by Ms. Jackson, the Committee:

VOTED: To approve the minutes of the Public Session meeting of February 27, 2007, as presented.

Voting in favor were: Steven Campo, Kas R. DeCarvalho, David A. Doern, Thomas Hazlehurst, Barbara Jackson, Saul Kaplan, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting Against: None.

Unanimously approved.

3. UPDATE FROM THE USS SARATOGA MUSEUM FOUNDATION:

Mr. Frank Lennon, President of the USS Saratoga Museum Foundation ("Foundation"), introduced himself to the Board of Directors. Introduced along with Mr. Lennon were retired Air Guard Brigadier General James D'Agostino., Board of Trustees, Bill Sheridan,

Deputy Director and former assistant chief of Statewide Planning and a founder of Quonset Air Museum, Fred Wilma, Engineer, and representatives from Independence Bank. Mr. Lennon stated that on September 19, 2006, the Board was provided with an update from the Foundation that focused on two main topics: (1) Status of Environmental Permitting and (2) Homeland Security issues. Mr. Lennon stated that this information would not be covered again but a copy of the report was provided to the Board for reference. Mr. Lennon stated that he would focus his current presentation on the status of funding for the USS Saratoga Museum and whether it can be environmentally permitted.

Mr. Lennon stated that the Foundation had an obligation to demonstrate the feasibility and long term stability of the project by raising \$10 million by May 2007, plus \$300,000 to cover an exit strategy in case the project did not succeed. Mr. Lennon further noted that any additional cost mandated by the Homeland Security and studies relating to environmental issues were in addition to the initial \$10 million. Mr. Lennon stated that over \$10.5 million have already been identified and a majority of the funds were private representing grants, donations, pledges, and loans from more than three thousand contributors nationwide as follows:

- \$520,000 in Securities
- Pledge of \$1.5 Million from Alan Shawn Feinstein, activated the day the Museum opens its doors
- \$500K bequest from Warren Galkin, irrevocable on the ship donation
- \$500K from Robert Galkin (half in art and half in cash), on ship donation
- Bessemer Trust Company in FL holds another \$500,000 bequest, irrevocable on ship donation
- About \$200,000 smaller cash pledges
- \$300,000 pledges for in-kind donations
- Independence Bank of East Greenwich has committed \$6.5 million loan

Mr. Lennon explained that the exit strategy would be funded by a \$300,000 escrow account to be established once the Navy donates the ship. Mr. Lennon further explained that environmental studies are funded through current donations, operations and lines of credit with completion expected this summer. Mr. Lennon stated that Homeland Security costs are also expected to be manageable.

Mr. Lennon asserted that this funding has been deemed acceptable by the US Navy for donation of the USS Saratoga. Mr. Lennon stated that the \$10 million funding goal has been increased by the Foundation to \$11 million to cover additional capital costs such as the construction of an access road.

Mr. Lennon indicated that QDC has isolated two potential sites for mooring of the USS Saratoga. Mr. Lennon noted that Director Kaplan has stated that final approval would require the following:

- 1) Safe and secure mooring scenario designed and implemented so that the shipping channel and training basin are not impacted.

- 2) Mooring scenario would then need to be reviewed by QDC to verify that the loads placed on the pier are tolerant.
- 3) Necessary permits need to be obtained from CRFC and Army Corp of Engineers with input from the US Coast Guard Marine Safety Office.

Mr. Lennon specified that permission was given by Mr. Kaplan to contact agencies regarding obtaining permits on March 22, 2007. Mr. Lennon informed the Board that Northeast Sub-surface Survey, has been contracted to visually inspect and video the sea bottom, the foundations and the northeast wall of Pier 2. Mr. Lennon noted that the survey is contingent on the weather being about 45 degrees consistently and therefore, has yet not been conducted. Mr. Lennon noted that in addition, a tentative commitment has been given for use of a ROV (Remotely Operated Vehicle) by Ocean Eye toward this endeavor. Mr. Lennon stated that the Chemistry and Marine Biology Department at Roger Williams University has committed to obtain preliminary core samples at this site and test them for contamination required according to the specifications set up by the Army Corp of Engineers. Mr. Lennon further noted that the Graduate School of Ocean Engineering at URI will commit to collect the soundings and detailed hydrographic survey of the sea bottom of the entire channel from Quonset to Davisville as well as the turning basin in the Northeast side of Pier 2.

Mr. Lennon also stated that he has met with the Chief of the Waterways Management Division for the US Coast Guard region and no problems are expected in relation to the Coast Guard and that the Foundation will be submitting the "dead ship" tow application within the filing deadlines. Mr. Lennon stated that the Northeast Marine Pilots Association also indicated that the transport of the USS Saratoga from Newport is feasible and can be conducted under favorable conditions.

Mr. Doern asked why the photograph and drawing were different. Mr. King indicated that he created a drawing for illustrative purposes. Mr. Lennon indicated that different alternatives are being evaluated based on the access points on the carrier and mooring points.

Mr. DeCarvalho indicated that he had family members in the Navy and he appreciated the service of the Navy. Mr. DeCarvalho reminded Mr. Lennon that at the last meeting it was agreed that the Foundation was going to raise \$10 million in cash donations plus \$300,000 for an exit strategy. Mr. DeCarvalho expressed great concern that Mr. Lennon informed the board that \$6.5 million was earmarked as a loan and was not raised cash funds. Mr. DeCarvalho indicated that being able to raise the necessary capital would be an indication that the project would be sustainable and had the support of consumers. Mr. DeCarvalho also noted that the Governor's letter provided that the necessary funds would be donated, not loaned to the Foundation. Mr. Lennon indicated that the Governor supported the program. Chairman Kaplan indicated that Mr. Lennon was at the meeting to provide a status update to the Board and that environmental permitting was crucial to this project and that Mr. Lennon's team should determine how to proceed. Chairman Kaplan thanked Mr. Lennon for the update.

4. MANAGING DIRECTOR REPORT:

Mr. Grout commented on a recent article in which Warwick Representative Joseph Trillo described QDC as an “economic monster” and filed legislation to abolish the Agency. Mr. Grout pointed out that QDC generates its own operating funding with \$48 million bond from the taxpayers. Mr. Grout stated that the QDC does not receive operating money from the legislature and was self-sufficient in terms of operating money. Mr. Grout also pointed out that QDC initially had 53 employees and now has 43 employees.

Mr. Grout stated that the Statewide Planning Council voted 11-1 that the Gateway Project was in nonconformance to the State Guide Plan. He indicated that none of the State Planning Council members have been to the Quonset Business Park for a tour. Mr. Grout further stated that this is the first project that has been deemed in nonconformance with the State Guide Plan. Mr. Grout noted that there has been a comparison to the Chapel Hill development in Cranston; however, the population within a five mile radius is 260,000 people compared to that of Quonset which is 66,000 people. Mr. Grout further indicated that the Gateway has been described as a “retail” project; however, retail development constitutes only 30% of the site.

Mr. Grout informed the Board that staff from the QDC met with New Boston on March 14, 2007, and they have expressed their interest in continuing the partnership with QDC in order to advance the Gateway development. Mr. Grout noted that New Boston was successful in delivering a market based mixed use development with public involvement and had made several revisions to the Gateway Project prior to the Statewide Planning Council vote. Mr. Grout stated that these changes included adding a two story mixed use building fronting Post Road; including more office space in the core of the project; moving buildings closer to the street and improving the pedestrian circulation of the site. Mr. Grout further indicated that at the meeting held on March 14, 2007, New Boston had also agreed to relocate the drugstore currently sited for the corner of Gate Road and Post Road as well as adding a second story to the inline stores which could be a 15,000 square foot community center to be used for meetings. Mr. Grout emphasized that the amenities provided by the Gateway Project are being driven by the retail component which in turn has attracted the restaurants and hotel.

Mr. Grout stated that there is no residential driver in the Gateway development but QDC has agreed to work with the Town to consider water and sewer connections from Post Road to the Quonset facilities once it has been re-zoned. Mr. Grout further indicated that the discussions of a production studio were still open but that a large equity gap remained for that project.

Mr. Grout indicated that there were almost 2,000 jobs proposed for the Gateway site. Mr. Grout stated that there has been a comparison with Kiefer Park in the Quonset Business Park but noted that there are substantially less jobs per acre at about 5 or 6 in that district of the Park versus the 31 jobs per acre proposed for the Gateway. Mr. Grout stated that QDC has been marginalized as a result of the Statewide Planning Council’s decision and

stated that the next steps should include the Board's affirmation of their commitment to the Plan and perhaps resubmit the plan, either in whole or in part, to the Statewide Planning Council.

Mr. Hazelhurst commented that Lowe's does bring in traffic and that is why the Board wanted it. Mr. Grout replied that the project elements are ideal for the Gateway and that Lowe's has been the economic driver of this project to bring businesses to the site and create value. Mr. Grout stated that there are 700 employees anticipated to work in retail at the Quonset Business Park, which is a small percentage of full build out of 18,000 employees.

Mr. Grout pointed out that the proposed density for the Gateway Project was based on the North Kingstown and QDC parking standards. Mr. Grout stated that there would be no leasing of office space if only 2 parking spaces were allotted per 1,000 square feet. Mr. Grout further noted that a parking garage would require a subsidy at the cost of approximately \$15,000 per parking space for a structured parking facility.

Mr. Grout further stated that the Environmental Review Process is an issue. Mr. Grout asked who should decide about development the Quonset Business Park - QDC, North Kingstown or Statewide Planning? Mr. Hazlehurst expressed that he felt the Board was irrelevant because after two years of planning with a stroke of the pen, Statewide Planning rejected the Gateway. Mr. Hazlehurst further noted that in reading the report from the Statewide Planning Council, the rejections appeared fabricated and without merit. Chairman Kaplan indicated that he appreciated the Board's effort and felt that because the first phase of the Gateway involved the retail development as a catalyst, it is perceived as a retail project. Chairman Kaplan stated that he did not believe that QDC had been marginalized by the Statewide Planning Council and that QDC would work its way through the process and facilitate further conversation among the parties.

Mr. Grout indicated that New Boston would explore its options and pursue relationships with the legislatures and executive office. Ms. Jackson voiced concerns about ADA compliance if second stories become part of the development. Ms. Jackson expressed appreciation to the developers for their patience and willingness to continue with the Gateway project.

Mr. Doern suggested that QDC respond to the Statewide Planning Council Notice of Non-Conformance and indicate that QDC is not in agreement with their decision. Mr. Doern stated that in reading Statewide Planning's response they looked at it in a theoretical fashion and did not visit the site or attend any meetings pertaining to the Gateway. Mr. Doern further disagreed with Statewide Planning's use of the term "urban" for the Gateway site. Mr. Doern noted that North Kingstown is suburban as is most of Rhode Island. Mr. Doern indicated that the Gateway is a mixed use project and not a retail project as has been conveyed. Mr. Doern further pointed out that the Lowes is a distance a way from Post Road.

Mr. Doern went on to express disappointment in Chairman Kaplan for not going to the Statewide Planning Council meeting to support the Gateway project. Mr. Doern further indicated that the Town took the position that the development was inconsistent with the Comprehensive Plan even though big boxes are already present in North Kingstown. Mr. Doern stated that despite all this, QDC is not deterred and hopes all parties work to move this project forward. Mr. Doern noted that the North Kingstown Comprehensive Plan had room for a Home Depot and a Wal-Mart and those are big box stores. Mr. Doern further stated that the Town Planner needs to understand what the Gateway Project was trying to accomplish – mixed use, not retail.

Mr. Rebecchi stated that the Gateway contains the tenants that QDC wanted as well as the hotel. Mr. Rebecchi noted that the businesses in the Gateway would service the Park tenants and create good jobs. Mr. Rebecchi indicated that the QDC Board has members with expertise in real estate and marketing and that he felt embarrassed that Statewide Planning trumped the QDC. Mr. Rebecchi stated that he felt blindsided at the end of the process after many hours and financial resources had been expended on the project.

Mr. Rebecchi pointed out that the Quonset Business Park is a State asset and QDC was created to manage this valuable asset. Mr. Rebecchi stated that the State of Rhode Island gave bonds to Quonset to help develop a valuable resource for the State of Rhode Island, not solely for the Town of North Kingstown. Mr. Rebecchi further noted that as such, North Kingstown has 1/39th stake in the Quonset Business Park and that the Gateway Project should be what is best for the State not just what is good for North Kingstown. Mr. Rebecchi indicated that if it is North Kingstown's position to see housing incorporated into the Gateway project to assist it in reaching affordable housing goals, than other communities should also get credit since the Quonset Business Park is a State asset.

Mr. Rebecchi indicated that the Saratoga project caused a split Board vote because of the questionable viability and support from the community and the Executive Director broke the vote. Similarly, the Board initially wanted the Gateway Project to include a supermarket such as Whole Foods; however, the demographics were not enough to support such a project. As such, Lowes was included in the Gateway Project.

Mr. Campo asked about the impact of the disapproval of the Statewide Planning Council. Ms. Jackson indicated that the projects at the Quonset Business Park require Statewide Planning approval. Attorney Batty indicated that projects on leased properties get permits from the State Building Official's office and if the land is sold the permits are issued by the Town Building Official. Mr. Batty further added that all projects should be in conformance with the State Guide Plan. Chairman Kaplan pointed out that projects have to be in conformance or in substantial conformance with the State Guide Plan for QDC to enter into a lease agreement.

Mr. Patterson indicated that it is the position of the Town Council not the Planning Department that the project is not in conformance with the Town's Comprehensive Plan. Mr. Patterson disagreed with other Board members comments about the Gateway. Mr.

Patterson indicated that the obstacle is the “big box” retailers but that he wants to find a way to move forward with the Gateway.

Mr. DeCarvalho indicated that the Gateway Plan “works” because the plan has been worked on for over two years by an incredibly intelligent Board who has been empowered to make good business decisions. Mr. DeCarvalho also indicated that he was not willing to go back to the drawing board and spend another two years on the project but instead wants to begin the next steps immediately.

Chairman Kaplan stated that the Gateway project was still in a “live” process and the parties will continue to achieve a viable project. Chairman Kaplan noted that he respects that this has been a long process but pointed out that the project should be office centric versus retail centric and that it is his belief that the QDC can do better. Chairman Kaplan further agreed that the process should move forward expeditiously.

5. COMMITTEE REPORTS:

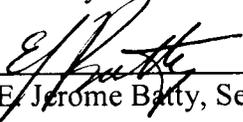
Mr. Doern informed the Board that the Marketing and Business Development Committee met prior to that evening’s Board Meeting. Mr. Lavallo of CBRE apprised the Committee of the current trends and forecasts for office and industrial real estate on a national, New England and Quonset Business Park basis. Mr. Doern emphasized the fact that the office market needs amenities at the Park to move forward. Mr. Doern also indicated that progress has been stalled to a certain degree because of the negative press associated with the Gateway Project.

Mr. Simpson advised the Board that the Strategic Planning Committee met and had been re-energized to discuss the future development of the Quonset Business Park including leasing property versus selling land; future development initiatives; the PILOT agreement; a sustainable operating model; and port and railroad fees. Mr. Simpson indicated that the Committee would like to bring the following items before the Board at the April meeting:

- Affirm or propose recommendations for the Master Plan;
- Update of the CBRE SWOT analysis;
- Create collaborative model of Town/Statewide Planning; and
- Discuss housing for the Quonset Business Park.

There being no further business to come before the Committee, upon motion duly made by Mr. Doern and seconded by Mr. DeCarvalho, the meeting was adjourned at 6:43 p.m.

Respectfully submitted by:

By: 
E. Jerome Batty, Secretary