



City of Cambridge

Executive Department

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June 26, 2019

To the Honorable, the City Council, and Members of the Planning Board:

I am pleased to transmit to the City Council, the Planning Board and the City Clerk the attached Disposition Report pursuant to Chapter 2.110 of the Cambridge Municipal Code regarding the proposed disposition of a leasehold interest in 420 unassigned parking spaces (Parking Spaces) and approximately 9,000 square feet of ground floor retail area (Retail Area) (together the Leasehold Interest) in the City's First Street Garage (Garage). I want to thank City staff, the City Council, the Planning Board, and members of the public, especially the residents of East Cambridge, for their active and robust engagement during the proposed disposition process that commenced on October 7, 2013, when the City Council unanimously voted to declare the Leasehold Interest in the Garage available for disposition (the Council Vote.)

Because there may be some conflicting information as to what property is being considered for disposition and indeed, even what property the City owns, I would like to emphasize that only the Parking Spaces and the Retail Area in the Garage are available for disposition pursuant to the Council Vote, and as such, the proposed disposition of the Leasehold Interest in the Garage was the only alternative considered in the Disposition Report. The City does not own the former Edward J. Sullivan Courthouse (Courthouse); it is owned and managed by the Commonwealth of Massachusetts' Division of Capital and Asset Management and Maintenance (DCAMM) and is under a binding purchase and sale agreement to be sold to the developer Leggatt McCall Properties (LMP) who has already obtained a Planning Board Special Permit for the redevelopment of the Courthouse (the Courthouse Project.) Also, it is important to note that the Garage was funded in part by a 1984 Urban Development Action Grant (UDAG) the City received from the US Department of Housing and Urban Development for the purpose of redeveloping a portion of East Cambridge. Under the UDAG, the City committed to making a number of parking spaces in the Garage available for long term leases by nearby property owners and members of the public, as well as for employee and visitor parking at the Courthouse.

As outlined in the Disposition Report, I believe the disposition of the Leasehold Interest will produce the most significant public benefit that can be obtained from the proposed disposition, specifically in the context of the already-permitted Courthouse Project. The community benefits and amenities that will be provided to East Cambridge by the proposed disposition of the Leasehold Interest at the Garage as well as by the redevelopment of the Courthouse by LMP will positively impact the community for years.



There are several points I would like to emphasize in particular regarding this proposal:

(1) The proposed lease of the Parking Spaces in the Garage will not inhibit the City's ability to provide monthly parking passes to Cambridge residents, nor will it limit the spaces available to Cambridge residents within the Garage during declared snow emergencies. Kleinfelder and McMahon Associates, the two highly respected independent transportation planning and engineering consulting firms that performed the First Street Area Parking Planning Study (Parking Planning Study) commissioned by Director of Traffic, Parking and Transportation (TPT) Joseph Barr, made the following specific conclusions based upon their review:

- There is ample parking within the study area to accommodate the anticipated 336 new daily parkers (based on 80% utilization of the 420 parking passes) at all times of day;
- The proposed lease will not inhibit the City's ability to provide monthly parking passes and parking spaces during declared snow emergencies to Cambridge residents;
- Parking supply within the study area is significantly higher than parking demand, even if parking capacity at the CambridgeSide Mall is reduced in the future; and
- The proposed lease should not impact the availability of residential parking within the neighborhood, since non-resident customers parking within the garage will not be able to access on-street resident permit parking.

Based upon his review of the consultants' Parking Planning Study and its conclusions, TPT Director Barr believes the proposed disposition of the Leasehold Interest would be beneficial to the City and can be accommodated within the Garage, and therefore has recommended that I move forward with the disposition process.

- (2) In total, the proposed disposition of the Leasehold Interest in the Garage will result in \$77,426,200 in economic benefits. The benefits will be derived not only from the leasing of the Parking Spaces and Retail Area but also from capital improvements/funds for the Garage and activation of the Retail Area and First Street with programs that directly benefit the East Cambridge neighborhood. As part of these benefits, LMP will provide significant contributions to the Community Benefits Fund, Affordable Housing, sustainability initiatives, and workforce development.
- (3) Approval of the proposed disposition of the Leasehold Interest in the Garage will not only result in the City obtaining the generous community benefits offered by LMP related to the Garage but will also result in additional benefits associated with and required by LMP's 2013 Special Permit PB-288 approved by the Planning Board for the Courthouse Project. If the Courthouse Project is allowed to move forward using the Garage for a large portion of its parking needs, which was the preferred parking option of the Planning Board, the Courthouse Project will result in the environmental remediation of the Courthouse, a decrease in the overall height of the Courthouse, the creation of 24 new units of fully affordable housing at the Courthouse, the design of new public open space, and the realization of tens of millions of dollars in community benefits, including an

estimated \$7M in Incentive Zoning payments to the Affordable Housing Trust and annual estimated new property tax revenues of \$3.8M.

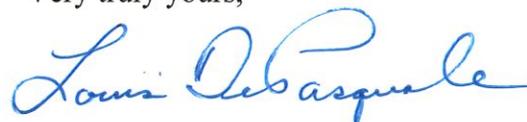
- (4) The Courthouse, which is owned and managed by DCAMM and has been vacant since 2014, has a number of deteriorating conditions, is unsuitable for habitation, and is a blight on the East Cambridge neighborhood. Many neighbors have expressed concern that if the Courthouse's deteriorating condition is not remediated, it will pose a direct threat to their health and well-being. The City does not own, control, or have the authority to remediate or maintain the Courthouse. Currently the Courthouse has no power, heat, or water and there is reportedly asbestos containing material throughout the building. In fact, there are two security guards at the building 24/7/365 who have been briefed on how to contact the Fire Department in an emergency, and since December 2017, there have been four major incidents requiring immediate emergency response.
- (5) I have communicated with DCAMM representatives on several occasions regarding both the condition of the Courthouse and to inquire whether DCAMM would have any interest in transferring the Courthouse to the City at no or little cost, as some have suggested. DCAMM has reiterated repeatedly that the Courthouse is a valuable asset and that it expects to obtain fair market value in any disposition of this property. DCAMM believes the fair market value of the Courthouse exceeds \$30M prior to any costs associated with remediation and redevelopment. DCAMM is committed to LMP's redevelopment of the Courthouse and is in support of the municipal actions that are required to complete the transaction and to begin the redevelopment of the Courthouse.
- (6) I firmly believe that the proposal by LMP is the most beneficial economic proposal the City will receive, not only related to the proposed disposition of the Leasehold Interest at the Garage, but related to the redevelopment of the Courthouse, as well. It is highly unlikely that the Courthouse will ever be torn down, that it will ever be financially developable as 100% affordable housing or will ever be turned over to the City at little or no cost. Because of the high baseline costs of the Courthouse Project, including the acquisition cost of at least \$30M and the remediation costs estimated by LMP to be at least \$50M, public funding for affordable housing from other sources would not likely be available. Therefore, the construction of 100% affordable housing in this facility is neither economically feasible nor is it realistic to suggest that the City would ever be in a position to acquire, remediate and renovate the Courthouse for 100% affordable housing.

The public process to engage the community regarding the proposed disposition of the Leasehold Interest in the Garage has been robust and transparent, and I believe that the City has made every effort to address East Cambridge neighbors' concerns. I am committed to the East Cambridge community and will continue to support the neighborhood as these projects move forward.

I hope that the Planning Board issues a favorable recommendation, and I recommend that the City Council authorize me to enter into a disposition agreement with LMP for the Leasehold

Interest. By doing so, the City will recognize the generous economic and community benefits related to the Garage, and the proposed remediation and redevelopment of the blighted Courthouse can finally move forward.

Very truly yours,



Louis A. DePasquale
City Manager