

BACKGROUND

The City of Cambridge acquired the Foundry building, a currently vacant, former industrial and office building, from Alexandria Properties in 2012 in connection with a zoning amendment sought by Alexandria. The zoning amendment is incorporated into the Cambridge Zoning Ordinance as Section 13.59.10 and provides “for the transfer of ownership to the City of Cambridge of the existing building and lot identified as 101 Rogers Street (also known as 117 Rogers Street and as the Foundry Building) (Tax Parcel 27-82), with a preference for its use for municipal or community uses as generally set forth in Section 4.33 of the Table of Use Regulations, at least 10,000 square feet of which shall be devoted to educational, cultural or institutional uses listed in Section 4.33 of the Table of Use Regulations, at a time and in a form acceptable to the City.”¹

The intention of proceeding with a disposition process for the Foundry is to allow the City to enter into a long-term lease with the Cambridge Redevelopment Authority (“CRA”) that will facilitate the redevelopment of the Foundry building in a way that is consistent with the vision and objectives expressed by the City and the community, while remaining flexible and financially sustainable. Based on the extensive public process to date, and the uniquely inter-agency collaborative transaction that would be possible between the City and the CRA, a fellow governmental agency of Cambridge that is designed to facilitate uses that directly benefit the citizens of Cambridge, a diminution of the full disposition review is recommended.

This report is intended to be used in conjunction with the attached Foundry Building Demonstration Project Plan and Foundry Lease Term Sheet. Both documents provide additional detail regarding the general terms of a recommended lease between the City and the CRA, the proposed role that the CRA will serve in the future use of the Foundry, and the proposed governance structure for the building.

COMMUNITY ENGAGEMENT

The community has been engaged throughout the process since the time that the City acquired the property in 2012.

June 4, 2012

The City Council Neighborhood and Long Term Planning Committee held a public meeting to consider ideas for the best long-term community use of the Foundry Works building.

¹ “Any Final Development Plan shall provide for the transfer of ownership to the City of Cambridge of the existing building and lot identified as 101 Rogers Street (also known as 117 Rogers Street and as the Foundry Building) (Tax Parcel 27-82), with a preference for its use for municipal or community uses as generally set forth in Section 4.33 of the Table of Use Regulations, at least 10,000 square feet of which shall be devoted to educational, cultural or institutional uses listed in Section 4.33 of the Table of Use Regulations, at a time and in a form acceptable to the City. Such transfer shall include the full development rights attendant to such lot at an FAR of 3.0 as generally permitted within the applicable PUD. Upon the execution of such transfer of ownership, the PUD Permittee shall be entitled to 43,684 square feet of additional Gross Floor Area for non-residential or residential development within the approved Final Development Plan above that otherwise permitted through application of the FAR limitations set forth in the PUD-3A and 4C Districts, and if ownership of a portion of up to 5,254 square feet of the lot identified as 249 Third Street (Tax Parcel 27-76) is transferred to the City of Cambridge, upon the execution of such transfer of ownership, the PUD Permittee shall be entitled to additional Gross Floor Area, as well, equal to the product of 3 times the number of square feet of such portion of such lot. Such Gross Floor Area may be included in the approved Final Development Plan, notwithstanding that such approval may precede the actual transfer of the property to the City.”

July 31, 2013

The City Council Finance Committee conducted a public meeting to examine the finances of various proposals for the future of the Foundry. The City Manager presented a cost benefit analysis of several scenarios, including but not limited to sale of the building, retention of the building for rehab and lease, and retention for use by nonprofit rental/community space.

August 16, 2013

A joint meeting of the Neighborhood Long Term Planning Committee, Economic Development, Training and Employment Committee and the Public Facilities, Arts and Celebrations Committee was held regarding the Foundry. HMFH Architects Inc., which was contracted by the City to independently assess the potential reuse of the Foundry, presented a report that identified different construction scenarios and estimated the total cost of upgrades.

October 30, 2013

City staff hosted tours of the Foundry as well as an informational session led by the City Manager, Deputy City Manager and CDD staff. Questionnaires were distributed to gather additional public input.

February 19, 2014

At their monthly public meeting, the CRA Board was given an overview of the Foundry and discussed a possible role.

March 3, 2014

A special City Council meeting on the Foundry was held in order to discuss a report by the City Manager that outlined potential implementation approaches and financial models for redeveloping the building.

April 16, 2014

At their monthly public meeting, the CRA Board discussed the planning and implementation alternatives for the Foundry and voted to explore the creation of a Demonstration Plan.

June 24, 2014

A community workshop was held to generate ideas regarding the Foundry mission by testing program concepts.

July 23, 2014

The Foundry was discussed at the CRA Board meeting.

July – August 2014

The City and CRA held interactive work sessions about the Foundry with Cambridge youth at the Cambridge Cable Television and Cambridge Arts Center and with youth counselors from the Mayors Summer Youth Employment Program.

October 29, 2014

A community meeting was held to discuss the next steps in the redevelopment process including governance and implementation and a real estate financial analysis.

December 15, 2014

City staff briefed the City Council on the status of the Foundry based on the draft Demonstration Plan.

December 17, 2014

At its monthly public meeting, the CRA Board reviewed and approved the draft Demonstration Plan for the Foundry Project.

January 6, 2015

The City and the CRA staff briefed the Planning Board on the status of the Foundry and the proposed disposition and redevelopment status.

January 21, 2015

The CRA Board met and reviewed and approved the draft Term Sheet setting forth the basic terms of the lease transaction that is proposed between the City and the CRA.

The extensive community input informed the vision statement for the Foundry as well as key objectives for the redevelopment of the building, which are detailed in the Foundry Demonstration Project Plan. The Vision and Objectives will be reflected in the Lease, the Sublease and the RFP selection criteria.

SUMMARY OF DISPOSITION PROCESS

Any disposition of a real property interest owned by the City, whether by lease or a transfer of title in fee or by easement, is subject to Massachusetts General Law (M.G.L.) Chapter 30B, the Uniform Procurement Act, as well as Cambridge Municipal Code Ordinance Chapter 2.110 "City-Owned Land and Buildings" ("Disposition Ordinance").

M.G.L. Chapter 30B, the Uniform Procurement Act

If the City partners with the CRA in the re-use of the Foundry, the City could convey or lease the Foundry to the CRA without the transfer being subject to M.G.L. Chapter 30B. Section 1(25) of Chapter 30B excludes "a contract to sell lease or acquire residential, institutional, industrial or commercial real property by a public or quasi-public economic development agency or urban renewal agency engaged in the development and disposition of said real property in accordance with a plan approved by the appropriate authorizing authority." As a redevelopment authority created under M.G.L. Chapter 121B, the CRA would have flexibility with respect to Chapter 30B restrictions that the City would face if it were to re-develop the Foundry. This flexibility would enable the CRA to work in consultation and collaboration with the City to craft a disposition process driven by public objectives.

Cambridge Municipal Code Chapter 2.110, “City-Owned Land and Buildings.”

Cambridge Municipal Code Chapter 2.110 requires the City Manager to convene a community meeting to discuss the issues and community concerns about a proposed disposition of a City-owned property or property interest. Thereafter, the City Manager is required to prepare a comprehensive report addressing the potential uses of the property or property interest to be disposed of including but not limited to, the financial impact of each use, zoning status, development potential of the property or property interest, and any proposed development plans for the property or property interest. The City is also required to obtain two independent appraisals of the property or property interest. The City Manager’s report is required to be submitted to the Planning Board, the City Council and the City Clerk for public dissemination. The Planning Board thereafter holds a public hearing on the report and afterwards forwards its recommendation to the City Manager for transmittal to the City Council. The City Council holds a public hearing as well, and any disposition of a property interest the City Council approves requires a two-thirds majority vote.

Diminution of Process

As mentioned above, a diminution of the full disposition process is recommended, based on the extensive public process to date and the unique nature of the contemplated transaction between the City of Cambridge and a fellow government agency.

If the City Council agrees with the recommendation to authorize a lease of the Foundry to the CRA, the City Council may vote to authorize a diminution of the full disposition process permitted by Section 2.110.010(G) of the Disposition Ordinance, which provides for disposition of City-owned property where the full process of the ordinance would be unduly burdensome, including, but not limited to, the property valuation through appraisals and traffic impact studies. Limiting the scope of review for the requested disposition would be consistent with the expressed objective of the procedure required by the Chapter: to render “a fair analysis of how the greatest public benefit can be obtained from the City property in question.” The community engagement to date regarding the Foundry, this report, as well as the Foundry Demonstration Plan, and the Foundry Lease Term Sheet are intended to provide the information necessary to enable the City Council to make an informed determination on this matter. Additional public hearings are to be scheduled before the Planning Board and the City Council.

DESCRIPTION OF THE PROPERTY

The physical description of the property is detailed in the attached Foundry Demonstration Project Plan. The Demonstration Plan also includes detailed information regarding the results of a Foundry Reuse Study report prepared by HMFH Architects, June 18, 2013.

Current Use of the property

The property is currently vacant and does not produce income or substantial benefits for the City or surrounding neighborhood. Because of the existing code and accessibility issues, using the building for even temporary events or functions can be prohibitive. Some city staff resources as well as energy costs are used for the general upkeep and security of the building.

Existing Zoning Status of the Property and Other Applicable Legal Requirements

The Foundry is in an Industry A-1 base zoning district and two overlay districts, the Eastern Cambridge Housing Overlay (“ECHO”) District and the PUD-4C district. Two unique zoning requirements apply to the site:

- The maximum allowed Floor Area Ratio (“FAR”) is 3.00 for all uses.
- At least 10,000 square feet of Gross Floor Area must be devoted to educational, cultural or institutional uses listed in Section 4.33 of the Table of Use Regulations.

Development and use limitations

	Existing Conditions <i>(estimated)</i>	Allowed by Zoning
Floor Area Ratio (FAR)	1.52	3.00
Gross Floor Area	57,000 square feet	112,500 square feet (max)
Height	47 feet	45 feet (max)
Open Space	3,000 square feet	None required
Parking	54 spaces	<i>Requirement depends on use</i>
Bicycle Parking	None	<i>Requirement depends on use</i>

ALL FIGURES APPROXIMATE

Uses Allowed by Base Zoning	Required for at least 10,000 square feet
<u>Residential</u> : all types except hotel, transient <u>Institutional</u> (see right column) <u>Office</u> : all types <u>Retail</u> : stores, restaurants, consumer services	<u>Religious</u> : congregation hall, rectory, convent, community center <u>Educational</u> : public/private school, university, vocational school, day care, dormitory <u>Noncommercial research</u>

<ul style="list-style-type: none">• Special permit for bars, theaters, commercial recreation• No fast order food <p><u>Light Industry:</u> assembly, manufacturing, storage</p> <ul style="list-style-type: none">• Some specific uses are not allowed or require a special permit	<p><u>Health care:</u> hospital, clinic, nursing home</p> <p><u>Social service:</u> social/community center</p> <p><u>Local government:</u> fire, police, museum, library, public recreation, offices</p> <p><u>Other institutional:</u> includes private noncommercial gallery, museum, library</p>
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Project Review

Development of the Foundry, whether it involves rehabilitation of the existing building or construction of a new building of at least 50,000 square feet, would require a Project Review Special Permit from the Planning Board.

Zoning Changes Within the Last Five Years

A zoning change affecting the property occurred in 2009 and created the PUD -4C zoning district and resulted in the transfer of the property to the City.

Historic Considerations

Because it is over 50 years old, the Foundry building is subject to Cambridge's Demolition Delay Ordinance. The Cambridge Historical Commission regards the building as "significant" under the City's Demolition Delay Ordinance. Proposals for demolition would therefore be subject to review by the Historical Commission. It is worth noting that the City does not currently have any plans to demolish. The Commission could decide to study the property for possible Landmark Designation. In addition, while the Foundry is not currently listed on the National Register of Historic Places, it may be eligible for listing given that similar adjacent historic buildings are listed.

CONSIDERATIONS FOR DISPOSITION

Alternative Uses for the Property

Since the Foundry was acquired by the City, there has been significant public discussion regarding how to use the Foundry in a way that is most beneficial to the community. Throughout the process, several alternatives have been discussed and analyzed. The preferred alternative - to enter into a long term lease with the CRA - has the potential to meet the community vision and goals for the building while being financially sustainable and limiting the tax burden, while providing the City and community with an appropriate level of oversight on building uses.

Preferred Alternative No. 1: City Enters into a Lease with the CRA

Under this alternative, and as described in detail in the attached Demonstration Project Plan and Lease Term Sheet, the City would enter into a long term lease agreement with the CRA, which would then enter into a sublease with a Development Entity to complete the building fit out and redevelop the property according to the vision and objectives created by the community. The development entity could be for-profit or non-profit or a combination thereof. The City will invest \$6 million for necessary capital improvements to the building, and the CRA will provide \$2 million to establish a reserve accounts fund.

While the City would maintain ownership of the property, the CRA would provide public oversight over uses of the property in conformance with the City-outlined reuse goals. There are a number of unique potential advantages associated with this alternative.

Potential Advantages:

- Because a transfer to the CRA would be exempt from M.G.L. Chapter 30B, the redevelopment process can be prepared with an outcome specifically designed to achieve broader City objectives, including a developer review and negotiation process to select a redevelopment partner and would not be limited to a 30 year terms that the City would ordinarily be limited to;
- The CRA will assist in crafting a financially feasible development program for both the capital improvements and long-term operation of the building that maximizes the City's objectives to provide community education, arts, and development programs;
- The CRA will also provide focused pre-development resources towards this project as a new community development initiative for East Cambridge, and take on a long-term management role of the Foundry;
- The CRA also has the ability to leverage some of its own capital reserves for financing and leveraging of third party funding sources such as historic tax credits, MassDevelopment investment, and public/private partnerships;
- The City would maintain ownership of the property as well as maintaining significant control over the uses within the Foundry through an Advisory Committee, which would be created specifically to make recommendations on the types of uses in the building and provide periodic updates to the City Manager and the CRA;
- The building would also be financially sustainable without creating a significant City tax burden.
- The CRA could function as a public steward of the building and the delivery of the public benefits anticipated by the Vision and Objectives.

Alternative No. 2: City Retains Ownership and Leases to a Private Entity to Develop and Operate

Under this alternative, the City would retain ownership over the Foundry and also invest \$6 million to make necessary improvements to the building such as required code and accessibility upgrades and repairs. The City would then issue an RFP for a lease with a Development Entity to complete the building fit out and redevelop the property according to the vision and objectives created by the community. Absent special legislation, the term of the lease would be limited to thirty (30) years. A private developer in this alternative would also likely seek to maximize profits as well as cover the costs of needed building improvements and operations.

Potential Advantages:

- The redeveloped building has the potential to be financially sustainable without creating a significant City tax burden;
- The City would maintain ownership and control of the property.

Other Issues Considered:

- The required limit of the lease term to 30 years may make it difficult to find private financing to complete the necessary repairs and can reduce the incentive for a private developer to reinvest in the building as it nears the end of the first life cycle of improvements;
- Due to existing laws regarding the manner of procurement, there will likely be much less flexibility in identifying appropriate development entities with creative ideas to achieve the community's vision and objectives.

Alternative No. 3: City Sells the Property to be Developed by a Private Entity, with Restrictions

Under this alternative the City, could sell the property to a separate entity. The proceeds from the sale would go directly to the City and could possibly be reinvested into community uses. However, the exact sale price would have to be determined after considering any applicable restrictions, which could affect the final amount. The buyer would also likely be responsible for the remaining needed physical repairs to redevelop the building for a new use while meeting applicable zoning requirements, including 10,000 of community space within the building. A private developer would likely seek to maximize profits as well as cover the costs of needed building improvements and operations, and therefore look to rent as much space in the building as possible to private, non-community uses.

Potential Advantages:

- A private development entity may have more flexibility in managing costs than the City would;

- The public would potentially benefit from a minimal impact on the tax burden as well as potential funding for community benefits as a result of revenue from the sale of the building.

Other Issues Considered:

- According to an October 2014 analysis by HR&A Advisors, it is estimated that it is financially feasible for a private entity to redevelop the site. However, the report also noted that the feasibility increased with greater public subsidies and a higher intensity of private, non-community uses;
- The City and community will lose a considerable amount of control over what types of uses will be present in the building beyond the with the requirements under zoning;
- The City would also likely lose the opportunity to revisit and/or revise uses within the building over time to reflect potentially changing community goals.

Alternative No. 4: City Develops and Operates the Property

Under this alternative, the City would complete all necessary capital improvements and building fit out for a range of uses. The City would also manage and operate the building once it is occupied.

Potential Advantages:

- The City would maintain ownership of the property as well as maintain control over the uses within the Foundry;
- The City could potentially receive revenue from rents within the building;
- The redeveloped building will likely include community focused uses.

Other Issues Considered:

- There are typically additional costs and longer timeframes associated with public construction projects;
- It is estimated that the cost of all construction and basic interior fit out under this alternative would be \$22 million. This amount would likely be bonded over 10/20 years and would have an impact on City tax bills. In addition, the cost of operating the building once it is occupied is estimated to be approximately \$700,000 per year (staffing, maintenance, supplies, and utilities);
- Adaptive reuse of historic buildings often involves unanticipated conditions that increase redevelopment costs
- There are potential complications to the City leasing space to non-profit uses beyond what is required by the Zoning Ordinance due to the Massachusetts Anti-Aid Amendment to the State Constitution.

DEVELOPMENT POTENTIAL OF THE PROPERTY

As described above, the building has the potential to be redeveloped in several ways and with a range of uses. Current zoning allows an FAR of 3.00, which is higher than the 1.52 FAR of the existing building. However, because of the lot size and height limits it is not likely that the size of the current structure will be changed significantly. The zoning also states a preference for municipal or community uses.

The Project Review Special Permit requirements in Section 19.20 of the Zoning Ordinance would require that the developer of the property prepare and submit a Traffic Impact Study addressing the specific impacts of the proposed project. The Planning Board, in approving the project, could require mitigating measures to address any anticipated impacts.

The existing building currently has 42 automobile parking spaces below ground, 12 surface parking spaces, and no dedicated bicycle spaces. The number of automobile and bicycle parking spaces required as part of the redevelopment of the building would depend on the types of uses.

PROPOSED DEVELOPMENT PLAN AND RECOMMENDED FINANCIAL ARRANGEMENTS

The proposed development plan and recommended financial arrangement based on the preferred alternative are detailed in the attached Demonstration Project Plan and Lease Term Sheet. In summary, the City will appropriate \$6 million for capital improvements. The CRA will provide \$2 million to establish an operating fund reserve and a capital fund reserve. The development entity is expected to contribute a rent payment, which will be used to provide a) support for the program; b) additional improvement to the property to support the program, building administration, or for the recovery of pre-development expenses; or c) deposited in the operations and capital reserve accounts. At each ten year anniversary, the CRA and the development entity will renegotiate the rent payments to account for market adjustments and the performance of the project as a whole.

CONCLUSION

Upon review and evaluation of different alternatives for redeveloping the Foundry building as well as extensive public input and discussion over the last several years, it is recommended that the City Council authorize the City Manager to enter into a Property Disposition agreement for the Foundry building in order to enter into a long-term lease with the Cambridge Redevelopment Authority (CRA) in accordance with the Demonstration Plan subject to any conditions and limitations the City Council may deem necessary and appropriate after full consideration of this report, the recommendations of the Planning Board and a hearing on the proposed disposition before the full City Council. The CRA provides unique and significant advantages to redevelop the building so that it meets the community vision and objectives, while

allowing the City to maintain ownership and a degree of control over uses and operations, and ensuring that the building is financially sustainable.