



CAMBRIDGE
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August 29, 2016

Richard C. Rossi, City Manager
City of Cambridge
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Mr. Rossi:

On Wednesday, August 24, 2016, the Cambridge Redevelopment Authority (CRA) voted to designate the Kendall Square Foundry Development Partners (FDP) as the development entity for the Foundry, contingent on your approval and the successful negotiation of the sublease. The FDP team is composed of the Cambridge Innovation Center (CIC) and Graffito SP working in association with Hacin + Associates. The CRA decision was informed by the recommendations of the Foundry Evaluation Committee and the advice of the Foundry Advisory Committee, members of City staff, and CRA technical advisors.

Once we have your approval, we will begin in earnest to negotiate the Foundry Sublease. The Sublease will be a long term agreement between the CRA and FDP, consistent with the City/CRA Lease and all the Foundry governing documents. A draft Sublease was provided as an attachment to the Request for Proposal (RFP), but we expect that it will take several months to work through the details of this agreement. The project will also require a special permit from the Cambridge Planning Board.

Enclosed with this letter is the report from the Foundry Evaluation Committee to the CRA Board. Please let me know if you would like a briefing or if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Evans'.

Tom Evans
Executive Director

Approved:

A handwritten signature in blue ink, appearing to read 'Richard C. Rossi'.

Richard Rossi, City Manager

cc: Lisa Peterson, Taha Jennings, Kathryn Madden

Encl.



MEMORANDUM

To: CRA Board
From: Foundry Evaluation Committee (Tom Evans, Lisa Peterson, Louis DePasquale, Bob Reardon, Amy Witts, Lisa Hemmerle, Jason Zogg); Kathryn Madden, Project Manager
Cc: Taha Jennings, Carlos Peralta
Date: August 15, 2016
Subject: Foundry Evaluation Committee Recommendation on Tentative Designation

The Foundry Evaluation Committee (Evaluation Committee) is recommending that the KS Foundry Development Partners LLC ("FDP"), a joint venture between the Cambridge Innovation Center (CIC) and Graffito SP (Graffito), be tentatively designated as the Development Entity for the Foundry. Such a designation would be contingent upon the approval of the City Manager and the successful negotiation of a sublease with the Cambridge Redevelopment Authority (CRA). The Evaluation Committee has reviewed the proposal from FDP as well as additional information generated by the interview and community presentation. The Foundry Advisory Committee, the Technical Review Team, and City staff all provided analysis, comments, and questions that have helped to shape this recommendation as well as the qualifying information in this report. The Foundry Advisory Committee is unanimous in recommending the FDP team as the Development Entity.

The decision before the Board is not the final step in the development process, but a first step. At this point, the decision is to select a partner with whom we want to move forward. If the City Manager approves the selection of the Development Entity, the tentative designation would authorize the CRA Executive Director to enter into negotiations on the sublease. The CIC/Graffito team also has acknowledged that their concept and financial plan are preliminary and require further dialogue in order to advance the proposal.

Recommendation

While FDP represents the sole submittal, this proposal does present a strong partnership of two committed partners and demonstrates an understanding of the vision for collaborative, innovative, shared space. FDP has expressed a willingness to work with the community, CRA, and City to achieve the goals of the project. CIC and Graffito bring unique qualities and creative ideas that can form the basis for a productive, collaborative long-term partnership, recognizing that there are many details yet to work out. The Evaluation Committee notes the team's experience, familiarity with the local area, relevant past projects, and responsiveness during the evaluation process. The Evaluation Committee evaluated the project according to the evaluation criteria in the Request for Proposals (RFP). Using this format, the report below identifies a number of focus areas that would warrant further attention during sublease discussions if the CRA Board decides to move forward. Overall, the Evaluation Committee ranked the proposal "*Advantageous*".

Evaluation

- 1. Project Understanding (*Advantageous*):** The proposal demonstrates an understanding of the building vision and objectives, integrating design with real estate development and programming, and offering a substantive financial plan. Further discussion will help ensure that the Foundry is a *citywide* resource, and sublease negotiations will tackle the detailed aspects of the financial plan.

2. **Exceptional Design for Creativity & Flexibility (*Advantageous*):** The design proposal is at an early stage with many elements that will need further work, typical for any design project. In particular, the Evaluation Committee would like to see a greater commitment to universal design, especially the reimagining of the grand stairs that lead up from the ground level colonnade. While many elements of the design will allow creative flexible use of spaces, there is a concern that the upper two floors will feel too separate from the rest of the building. There is also a desire to see more explicit commitment to the green building features.

3. **Community Oriented Uses (*Advantageous*):** The current concept proposes that the shared use of many spaces during different times and days of the week will provide the community-oriented space in the building, equivalent to 16,766 square feet. This shared approach was encouraged in the RFP and may provide more interaction and collaboration than a straight set aside of a single permanent space. During sublease negotiations, further discussion will be necessary regarding the percentages for various uses, types of space, times of day, and other implementation issues including outreach plans and reporting mechanism. An annual forecast of community use and monthly report cards might be one way for the development team to lay out the principles, selection criteria, and proposed community use allocations, with reporting similar to District Hall. In this way, the Foundry Advisory Committee and the CRA could be engaged in and oversee the use of the community space, with all parties learning and adjusting over time. Evaluation Committee and Foundry Advisory Committee discussions have centered on shared use of the kitchen and assembly space; community access to the maker space, office space and retail space; and predictable access to the colonnade, among other. The schedule for each type of space needs to be realistic for the community as well as for other users, and the incentives and penalties related to community use need further clarification in the sublease.

4. **Maximizes Public Benefit (*Advantageous*):** The proposed program has uses that are "mixed, synergistic and [operate] in shared spaces" (RFP) and promote science, technology, engineering, arts, and math (STEAM) related activities. In their community presentation, the CIC/Graffito team elaborated on how their proposal will more fully incorporate the arts and "directly [benefit] and [engage] surrounding community and Cambridge residents and [address] economic development and training opportunities, especially for under-represented and low income residents" (RFP). This commitment will need to be incorporated into written elements of the sublease and supporting documents.

5. **Degree of Inclusivity (*Advantageous*):** According to the proposal, the Foundry will be a hub of activity and also will provide Cambridge with a civic gathering space that does not currently exist. As such, it will "welcome the public in a variety of ways and times" (RFP). As presented in the public meeting, CIC does currently operate a number of programs that reach out to underserved communities, and Graffito has unique experience in attracting people to a variety of locations. The Evaluation Committee would like to see some of these commitments incorporated into the written elements of the sublease and supporting documents, including programs that target "the full diversity of Cambridge" (RFP). The affordability of the discounted space for community use needs further clarification and would be part of the sublease negotiations. Additionally, operating hours during which public access is maintained will be a key operational consideration.

6. **Ability to Successfully Execute the Project (*Highly Advantageous*):** The Evaluation Committee has a high degree of confidence that the CIC/Graffito team with Hacin Associates would be able to realize this project. The team will be able to draw on their combined experience with unique projects like District Hall, development of multiple new innovation space and retail concept projects locally and across the country, architectural design for multiple adaptive reuse projects, collaboration with different non-profit groups, deep connections in the Kendall Square and Boston/Cambridge communities, and support from financial institutions.

7. **Contribution of Operator/Management Program to Successful Project (*Advantageous*):** CIC and Graffito have unique experience in developing creative ideas to draw people to engage in a variety of programs and experiences. This will be particularly valuable given the Foundry's proximity to Kendall Square as well as several adjacent residential neighborhoods, although it does not front on a major street. The team seems able to reflect on their experiences and are open to trying new strategies to address challenges. For this project, the team will need to build relationships and market more heavily to attract community use and non-technical users.
8. **Development Capacity and Workload (*Advantageous*):** The CIC and Graffito principals and other team members have demonstrated a high level of commitment and dedication to this project. The ongoing involvement of both development team partners in the creative programming of the space will be important to this success. The staffing plan includes several key positions as yet unfilled, including Foundry General Manager/Program Manager, Assistant General Manager/Assistant Property Manager, two Associates (one focused on events and center operations and the other focused on community programming) and two part-time events assistants.
9. **Strategy and Timeline (*Highly Advantageous*):** The proposed timeline meets the targets for starting the approvals process within three months of sublease execution with a realistic if slightly aggressive projection for completing the project within a two-year timeline of sublease execution (January 2019). The sublease negotiations are projected to span the next several months, with a signed sublease anticipated for January 2017.
10. **Feasibility of Plan (*Advantageous*):** The sublease negotiations are expected to focus on many elements of the financial plan, including a variety of assumptions about both costs and revenues. In particular, the Evaluation Committee has expressed concern regarding the use of the CRA Reserve Fund as an initial capital infusion, the debt to equity ratio, and the suggested potential for the transfer of MXD benefits. The Evaluation Committee does recognize that the pro forma needs to work for all involved, including investors as well as the CRA and City, while achieving community benefits.
11. **Ability to Secure Debt and Equity Financing (*Advantageous*):** The Evaluation Committee notes that FDP will need to secure the necessary debt and equity, and the project does not yet have firm commitments in letters of interest from equity sources and permanent lenders. The Evaluation Committee has questioned the balance of debt and equity financing in the Financial Proposal but expect those details to become more refined as the project moves forward. The submittal does include a letter of support from a bank.
12. **Ground Rent and Capital Reserve (*Not Advantageous*):** The Evaluation Committee expressed concern that the Financial Plan proposes to use the majority of the CRA Reserve Fund immediately as part of the development phase. Also of concern is that the plan proposes minimal ground rent (\$1/year) to the CRA, which would not replenish the Reserve Fund. The proposed financial plan is structured so that cash flow, after operations, management, debt service, and an 8% threshold cash on equity return, is split 70% FDP and 30% CRA (to replenish the Reserve Fund). This plan warrants further negotiations.

In summary, the Evaluation Committee is recommending that the CRA Board tentatively designate the KS Foundry Development Partners LLC as the development entity for the Foundry Project.