

Executive Session of CRA Regular Meeting  
Cambridge Redevelopment Authority

March 15, 2017  
Robert Healy Public Safety Center / Cambridge Police Station  
125 Sixth Street  
Community Room

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APPROVED EXECUTIVE SESSION MEETING MINUTES

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**Board Members In Attendance:** Mr. Christopher Bator, Ms. Kathleen Born, Mr. Conrad Crawford, Ms. Margaret Drury, Mr. Barry Zevin

Executive Session began at 7:36 PM, after the close of the Regular Meeting of the CRA Board.

Executive Director Tom Evans gave a presentation to the Board regarding a draft approach to redeveloping the Foundry building (attached). This new approach would place the responsibility for the capital improvement to the building on the City and CRA. The CRA would remain responsible for the building's operation over the 50-year term of the lease. The Demonstration Plan and the CRA's lease with the City would need to be modified to accommodate this new redevelopment plan. It would also require the CRA to significantly increase its investment in the project.

The Board discussed the proposal and the increased roles for the CRA and City in the redevelopment project. The Board raised concerns regarding the risk for the CRA specifically taking on the long-term operational responsibility of the building along with an anticipated upfront capital contribution. The community purpose of the Foundry project was discussed and the Board emphasized that the building's function should provide demonstrable benefits for the proposed level of public investment.

Meeting adjourned at 9:05 PM.



FOUNDRY BUILDING, CAMBRIDGE, MA

## DEMONSTRATION PROJECT PLAN - UPDATE

March 2017

### AGENDA

1. Financial Analysis Inputs
2. Measures of Success
3. Design and Cost Studies
4. Financial Scenarios
5. Findings & Next Steps

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## FINANCIAL ANALYSIS INPUTS

- **How big is the building:** finished portion, basement, gross, net?
- **What is the program:** type, mix, proportion of community use, rent capacity?
- **What will it cost:** construction, soft, tenant improvements + building operations + program operations?
- **How do we account for uncertainty:** rates of inflation, escalation, interest?
- **What are the sources of money:** public, equity, financing, third party funding?
- **What are the project goals:** building mission; different community perspectives, City, CRA, other?

*Too many variables, not enough constants*

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# MEASURES OF SUCCESS

## What are we solving for?

- Ability of project to meet building mission
- Amount of community space (nsf)
- Total project costs (TPC)
- Annual cash flow

<b>TPC</b>	
<b>Cash Flow</b>	
<b>Com. Use nsf</b>	

## The Foundry: [Industrial Arts Center] Collaboration / Creativity / Learning:

workforce training, STEAM, maker space/ fab labs, performance area, shared artist studios, gallery, café, multi-purpose community rooms



Minimal Design Alternative - Ground Floor

HMFH, March 2013

# DESIGN AND COST STUDIES

## BASIC PROGRAM ELEMENTS

### Destination Spaces (large or high traffic)

Black Box/Assembly

The Community Room

Café/Kitchen

Work Shop

Entry/Lobby/Gallery

### Interstitial Spaces (flexible locations)

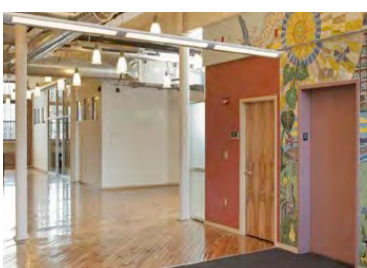
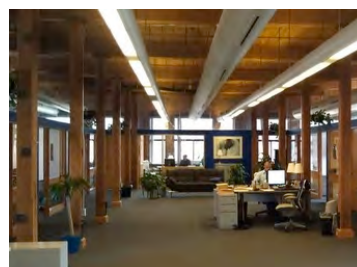
Classrooms

Multi-purpose Rooms

Studios

Non-profit Offices

For-Profit Offices



# DESIGN AND COST STUDY

## Design of spaces for flexible program (Arts, Workforce, Community)

Black Box – Theatre, music performances, speaking events

Community Room – Meetings, events, senior programs, small performances

Multi-Purpose Room – Fitness classes, youth activities, dance classes, yoga

Classrooms – Job training and skill development, visual arts, youth programs, meetings

Lobby – Art gallery, special events, performances

Shop – Makerspace, tool / equipment shop, fab lab

Studios – Private or shared art studios, music recordings

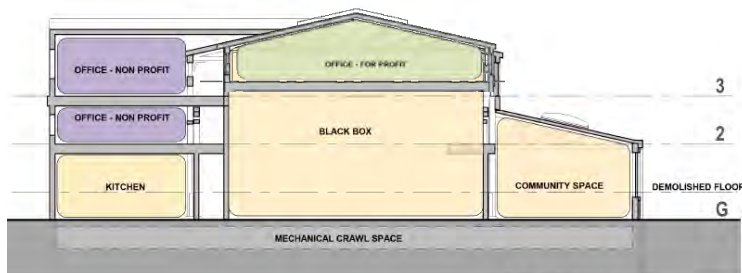
Office Space – non-profit / market rate, private and/or co-working

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# DESIGN AND COST STUDIES

## Key Assumptions / Constraints

- High Bay Spaces for Desired Uses
- High Traffic Community Uses at Grade
- No Parking
- Historic Building Form Preserved



Minimal (Modified) - used for financial models



Additive



Dramatic

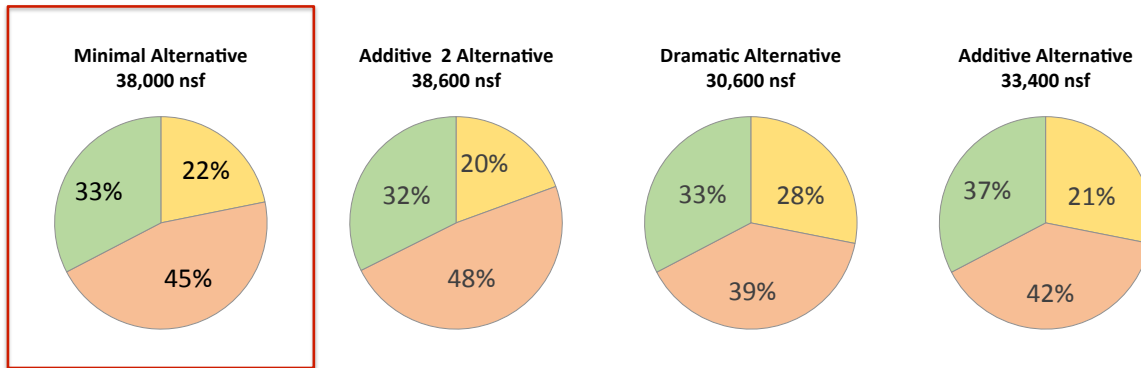


Additive 2

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# DESIGN AND COST STUDIES

## Program Distribution based on Design Studies



DISTRIBUTION	Minimal Alternative (sf)	Aver Rent/nsf
Min. Rent Community Uses	8,300	\$0
Mod. Rent Community Uses	17,300	\$20
Market Rate Uses	12,400	\$46
<b>Total NET Area (nsf)</b>	<b>38,000</b>	
<b>Total GROSS Area (gsf)</b>	<b>49,800</b>	
Net/Gross Ratio	76%	

### Findings:

- Variations on a theme
- Test Minimal Design Alternative
- Community uses total 25,000± nsf

Based on HMFH, March 2017

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# DESIGN AND COST STUDIES

**How big is big?** Foundry Community Use at 25,000 nsf = approximately **32,000 gsf**

## Comparisons

- Citywide Senior Center 27,500 gsf
- Cambridge Community Center 23,500 gsf
- West Cambridge Youth Center 30,000 gsf
- Frisoli Youth Center 28,100 gsf



Cambridge Senior Center



Cambridge Community Center



Frisoli Youth Center



West Cambridge Youth Center

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# DESIGN AND COST STUDIES



Community Space, HMFH, March 2017

*Finding: Existing floor loading is insufficient for assembly spaces*

## Construction Costs Alone (no soft costs)

	Minimal	Additive 2	Dramatic	Additive
Base Building Construction Cost /GSF	\$281	\$364	\$313	\$305
Tenant Fit-out Cost /NSF	\$111	\$119	\$117	\$123

Soft Costs: 25%

Daedalus, March 2017

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## FINANCIAL ANALYSIS: BASE CASE

MINIMAL-REV DESIGN

Total Project Cost: **\$23 million**

Capital Costs: **Public**

Cash Flow: **\$40,400 Year 1**  
**\$4,000 Year 10**

Community Uses: **25,000± nsf**

Total NET Area (nsf)	<b>38,000</b>
Total GROSS Area (gsf)	<b>49,800</b>
Net/Gross Ratio	76%

### Operating Assumptions

Operating Annual Increase	2.50%
Staff Salary Annual Increase	3.00%
Inflation Rate	2.00%
Taxable Property %	33%

*CIC projected salaries and building operations to grow faster than inflation*

*Only commercial uses pay property taxes*

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## FINANCING SCENARIOS - CONCEPTS

- 1. Self-Sustaining (Minimal Design Base Case):** All public capital + market rate uses to cover all operating costs
- 2. No Market Rate Uses:** All public capital + City covers gap in operating costs
- 3. Cap Public Funding @ \$20 million:** Some public capital + enough market rate uses to finance gap in capital costs and all operating costs
- 4. Split of Market and Community Uses:** Some public capital + just under 50% market rate uses to finance gap in capital costs and all operating costs
- 5. Core and Shell/Minimum Tenant Improvements:** Significant public capital + private finance to cover gap in capital and operating costs; requires outside funding to cover tenant improvement gap
- 6. Bigger Building:** Increase size of building to generate more revenues.

*Note: debt payments for private finance paid through office rent revenues.*

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## FINANCIAL SCENARIOS

MINIMAL-REV DESIGN

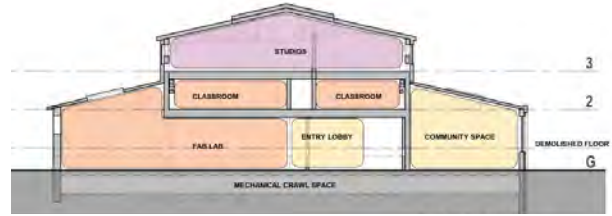
	Minimal	No. Mkt. Rate	Public Fund @ \$20 M	Mkt Rate (45%)	Core.Shell/ No TI*	Bigger Bldg
Min. Rent Community Uses	8,400	12,500	5,700	7,600	8,400	13,400
Mod. Rent Community Uses	17,100	25,500	11,400	13,300	17,100	18,700
Market Rate Uses	12,500	-	20,900	17,100	12,500	21,400
Total Net Area	38,000	38,000	38,000	38,000	38,000	53,400
Net to Gross Ratio	76%	76%	76%	76%	76%	76%
Total Gross Area	49,800	49,800	49,800	49,800	49,800	70,000
<b>Total Project Cost</b>	<b>\$23,100,000</b>	<b>\$23,100,000</b>	<b>\$23,100,000</b>	<b>\$23,100,000</b>	<b>\$20,700,000</b>	<b>\$39,600,000</b>
<b>Cash Flow (Year 1)</b>	<b>\$40,400</b>	<b>(\$223,400)</b>	<b>\$9,800</b>	<b>\$3,500</b>	<b>\$3,500</b>	<b>(\$4,600)</b>
<b>Community Uses (nsf)</b>	<b>25,500</b>	<b>38,000</b>	<b>17,100</b>	<b>20,900</b>	<b>25,500</b>	<b>32,100</b>
<b>Percent Community Use</b>	<b>67%</b>	<b>100%</b>	<b>45%</b>	<b>55%</b>	<b>67%</b>	<b>60%</b>
<b>Public Capital</b>	<b>\$23,100,000</b>	<b>\$23,100,000</b>	<b>\$20,300,000</b>	<b>\$21,500,000</b>	<b>\$19,800,000</b>	<b>\$39,600,000</b>
<b>Financed from Rents</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,800,000</b>	<b>\$1,600,000</b>	<b>\$800,000</b>	<b>\$0</b>

- 1) Public Funding at \$20 million has 55% market rate.
- 2) Core.Shell Scenario has tenant improvements at \$60/nsf, so outside funding for \$2.3 million necessary to make up the gap.
- 3) Bigger Building Scenario assumes the higher square foot cost from Additive 2.

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## FINDINGS

- Many ways to layout the building to achieve great spaces
- Larger building costs more, with modest community benefits
- A majority community uses makes it hard to finance any capital costs
- Operating expenses are about \$1 million/year
- 1/3 Market rate can support operations, but...
- Key model factors include: cost escalations, tenant improvements, program costs, OPX pass thru, moderate rents



Minimal Design Alternative

HMFH, March 2017

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## NEXT STEPS

### Public Outreach / Proof of Concept

City Council (whole / committee)  
CRA Board  
Foundry Advisory Committee  
East Cambridge Planning Team / Business Association  
coUrbanize  
Community Meeting  
Building Tour

### Technical / Implementation Steps

Demonstration Plan  
Project Management  
Design Selection  
Bidding Process  
Operator Selection

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April 12, 2017  
Robert Healy Public Safety Center / Cambridge Police Station  
125 Sixth Street  
Community Room

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APPROVED EXECUTIVE SESSION MEETING MINUTES

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**Board Members In Attendance:** Mr. Christopher Bator, Ms. Kathleen Born, Mr. Conrad Crawford, Ms. Margaret Drury, Mr. Barry Zevin

Executive Session began at 8:10 PM, after the close of the Regular Board Meeting.

Kathryn Madden and Tom Evans provided an update on the negotiations with the City regarding the revised approach toward the Foundry redevelopment. Key items of discussion between the City and CRA staff were the project's capital budget, operational business plan, and the contracting roles of the City and CRA.

The central item of discussion between Board members was the level of financial contribution the CRA was able to commit relative to its long-term financial forecast. Tom Evans outlined future income the CRA might anticipate from the MXD development, but acknowledged that future revenue is speculative and dependent on real estate dynamic in Kendall Square.

Board members emphasized that in order to make this level of investment, they wanted to be sure the community was behind the project. Kathryn and Tom responded that the robust community outreach planned for the next few months would provide CRA and City staff with "proof of concept" level of approval from community members. Board members expressed an interest in targeting the CRA funds toward the building fit-out, which is more closely tied to the CRA role in operations. Additionally, Board members highlighted the need to cap the CRA's financial commitment toward the project as the CRA should preserve funds to undertake other projects in the City.

Meeting adjourned at 9:25 PM.

Executive Session of CRA Regular Meeting  
Cambridge Redevelopment Authority

June 21, 2017  
Robert Healy Public Safety Center / Cambridge Police Station  
125 Sixth Street  
Community Room

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APPROVED EXECUTIVE SESSION MEETING MINUTES

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**Board Members In Attendance:** Mr. Christopher Bator, Ms. Kathleen Born, Mr. Conrad Crawford, Ms. Margaret Drury, Mr. Barry Zevin

Executive Session began at 8:58 PM, after the close of the Regular Board Meeting.

Kathryn Madden and Tom Evans presented the Board with a revised budget of the Foundry's redevelopment with proposed financial terms. The role of the CRA within the City's proposed capital improvement plan was discussed. Staff described the process for selecting an operator and discussed with the Board the importance of retaining an operation reserve as well as a budget for the initial year of building maintenance and programming. Staff explained that these terms were making their way into both the Demonstration Plan and a draft cooperation agreement, the terms of which will become part of the Foundry lease.

Meeting adjourned at 9:30 PM.