

MEMORANDUM

To: CRA Board

From: Kyle Vangel

Date: March 15, 2023

Re: Margaret Fuller Neighborhood House – Memorandum of Understanding

BACKGROUND

CRA Staff have been working with staff and Board Members from the Margaret Fuller Neighborhood House (MFNH) regarding a mission-driven redevelopment project on the property owned by MFNH at 71 Cherry Street in Cambridge since 2018, when the CRA and MFNH executed a Letter of Intent to begin work on the project. The project has been refined in several ways since 2018 to reflect the CRA's focus on affordable housing development, and MFNH's strategic priorities and programmatic space needs. In early 2022, the parties, working with the CRA's selected architect and OPM (Design Team), embarked on a new phase of refined schematic design based upon the third and most recent cooperation agreement between the parties executed on January 10, 2022. In the fall of 2022, the CRA secured five hundred thousand dollars (\$500,000) from the Community Preservation Act (CPA) fund.

In the past fourteen months, additional changes to the project timeline and the MFNH Addition and Building Renovation program (MFNH Scope) have occurred that warrant a renewed agreement between the parties. First, staff departures from both the CRA and MFNH have contributed to a delay in the completion of the Schematic Design Phase for the project. Additionally, in February 2023, MFNH announced that it would be closing its after-school program at the conclusion of the 2022-2023 school year to focus on its Food Services and Community Advancement programs. Providing additional space for the after-school program was a significant motivating factor in the schematic design advanced in 2022, and the removal of this program requires revisions to the schematic design concept advanced by the Design Team, as well as the financial plan that included state grants for childcare facilities. The scope of the CPA funded improvements is not changed by the revisions to the MFNH Scope.

While these changes to the MFNH Scope of the project are material, the program and design of the CRA Housing portion of the project remains more settled. The CRA's intent continues to

be to create 10,000 - 12,000 square feet of affordable ownership housing on what is today a surface parking lot on the rear of the parcel. This affordable ownership housing will assist the CRA in meeting its Affordable Home Ownership Commitment as part of the MXD Zoning Amendment.

MEMORANDUM OF UNDERSTANDING

The attached draft Memorandum of Understanding (MOU) (Exhibit A) supersedes the earlier Cooperation Agreement and sets out a refined project timeline to deliver the re-scoped project. CRA staff are encouraged that this smaller project scope for the MFNH Scope represents a more feasible project insofar as it offers significant construction cost savings.

The MOU establishes refined terms under which the project design and funding will progress:

- **Funding:** To help fill the remaining gap in the MFNH project budget, the CRA increases its land offer for the Parking Lot by \$500,000 to \$3,500,000. The MOU also specifies that the parties may enter into a future finance agreement to support project development as needed.
- **Milestones:** A key tenet of the MOU is establishing a series of project milestones representing key decision points for the parties that will keep the project on a pathway for success. These milestones are intended to break down the project down into discrete phases prior to committing to subsequent rounds of resource allocation, and also provide optionality for the parties to make decisions to advance their key goals in each phase of the project.
- **Schematic Design:** The parties will complete Schematic Design by the end of the third quarter of 2023. If moving forward, the parties will execute an Option Agreement granting the CRA a real estate option on the purchase of the parking lot.
- **Design Development:** The parties will advance the project through design development in early 2024. If moving forward, the parties will execute a Development Agreement specifying the approach to delivering both the CRA Housing and MFNH Addition and Building Renovation. The individual project elements could proceed independently following this point should either party choose to discontinue its participation.
- **Design Team and Cost Sharing:** The Design Team will continue to support both parties in advancing project development. The parties agree to continue to support the professional services costs of the Design Team through Schematic Design, with MFNH's contribution limited by the remaining value of its \$250,000 loan from the CRA.

The CRA will fund pre-development work beyond the Schematic Design phase with an Option Agreement in place.

The MFNH Staff and Board is also reviewing this MOU this month. If both parties agree to execute this agreement, CRA staff would hope to get the Design Team reactivated in April to advance a new Schematic Design.

PROPOSED BOARD MOTION

Motion: Authorizing the Executive Director to enter into a new Memorandum of Understanding with the Margaret Fuller Neighborhood House for continued work on the design and real estate agreements toward the renovation and redevelopment of 71 Cherry Street.

ATTACHMENTS

Attachment A – Proposed MOU by and between the CRA and the MFNH

**MEMORANDUM OF UNDERSTANDING
BY AND BETWEEN
THE CAMBRIDGE REDEVELOPMENT AUTHORITY
AND
The MARGARET FULLER NEIGHBORHOOD HOUSE**

This Memorandum of Understanding (the "MOU") is entered into as of March __, 2023 by and between the Cambridge Redevelopment Authority (hereinafter the "CRA"), a public body politic created pursuant to G.L. c. 121B, § and the MARGARET FULLER NEIGHBORHOOD HOUSE. (Hereinafter "MFNH"), a nonprofit organization organized under the laws of the Commonwealth of Massachusetts. The CRA and MFNH may hereinafter be collectively referred to as the "Parties."

WHEREAS the Parties entered into a Letter of Intent on December 10, 2018, in order to plan for a potential mission-driven development project ("Project") on the property owned by MFNH at 71 Cherry Street in Cambridge ("the Site");

WHEREAS the MFNH has provided community programs and has been a vital part of the social service network within the City of Cambridge (the "City") for decades. Through this planning effort for the Project and a separate strategic planning process, the MFNH has been exploring its programmatic future and its long-term financial sustainability;

WHEREAS the Parties entered into a loan agreement in May 17, 2019 to provide short-term financial support for the MFNH;

WHEREAS the Site is located within the Port neighborhood of the City proximate to Kendall Square, where the CRA has long been active through the Kendall Square Urban Redevelopment Plan ("KSURP");

WHEREAS the CRA is implementing a final phase of the successful Kendall Square Urban Redevelopment Plan. Over the last several years, the CRA has explored ways to share the financial benefits of the success of this redevelopment project with other areas of the City;

WHEREAS The City has declared that increasing access to affordable housing is a top priority;

WHEREAS the CRA signed a letter of commitment to the City on January 28, 2021, to develop 20,000 SF of affordable and middle-income home ownership housing as a commitment (the "Affordable Home Ownership Commitment") in connection the MXD Zoning petition accompanying the KSURP amendment;

WHEREAS the Parties entered into an initial cooperation agreement on April 18, 2019, to further the Project and have amended this agreement on three occasions (December 19, 2020, June 22, 2020, and January 10, 2022, together the Cooperation Agreement") to refine the Project and adjust the budget and the planning timeframe to meet the needs of the Parties and the Project;

WHEREAS the MFNH announced on February 3, 2023 that it is closing their After-School Program at the end of the 2022-2023 school year to focus on its Food Services and

Community Advancement programs, necessitating changes to the draft plans and budget of the Project;

NOW, THEREFORE, the Parties agree to cooperate in the next phase of planning for the Project and further enter into this MOU together to define responsibilities for the management and financing of the Project and agree to the following:

ARTICLE 1: PURPOSE AND PROJECT DEFINITION

1.1 Improvements for Margaret Fuller Neighborhood House

The Project seeks to apply the value of undeveloped land owned by MFNH (the “Parking Lot”) to reinvest in the capital assets of the MFNH which will expand the organization’s capacity, enhance program facilities, and strengthen MFNH’s long-term financial position. This capital investment includes revitalizing the historic Margaret Fuller House and building a new addition to accommodate the MFNH community programs (the “Building Renovation” and the “Addition” respectively).

1.2 Affordable Housing

The project further seeks to assist the CRA in satisfying its Affordable Home Ownership Commitment by utilizing the Parking Lot as an affordable housing site (the “CRA Housing”).

1.3 Program

The Parties, through the Cooperation Agreement, have refined the Project to include an approximately five thousand square feet (“5,000 SF”) new Addition on the site of the current submerged childcare structure, an extensive Building Renovation of the four thousand square foot (4,000 SF) historic Margaret Fuller House, and the construction of approximately twelve thousand and five hundred square feet (“12,500 SF”) of new affordable housing.

ARTICLE 2: PROJECT STATUS

2.1 Design Progress

The Parties have collaboratively put together a technical project team to provide design and project management assistance (the “Design Team”) for the Building Renovation and the Addition. The same professional team is consulting the CRA on the design of the CRA Housing.

The Design Team conducted a thorough Needs Assessment of the historic Margaret Fuller House. The Design Team worked closely with the MFNH to refine a building program that aligns with the MFNH staff assessments. The MFNH Board has undertaken a strategic planning effort resulting in a revised set of program needs to be incorporated in revised conceptual plans.

The CRA facilitated meetings between the City and the Design Team to refine the conceptual plans for the CRA Housing. This planning effort includes site planning and landscape designs for the full Site.

The Design Team conducted a Preliminary Cost Estimate for the Building Renovation and the Addition to provide a conservative budget figure for this MOU.

2.2 Secured Funding

The CRA assisted the MFNH with obtaining a two-million-dollar (\$2,000,000) grant from Biomed Reality to support the MFNH immediate programmatic needs as well as to provide a significant capital contribution to the Project.

Based on the Needs Assessment and the Preliminary Cost Estimate, the CRA applied and receive five hundred thousand dollars (\$500,000) of grant funding from the Community Preservation Act toward the Building Renovation.

The CRA has committed to funding the Project with three million and five hundred thousand dollars (\$3,500,000) in consideration for the Parking Lot parcel to be utilized for the CRA Housing development.

2.3 Future Funding

The Parties anticipate applying for state and federal historic tax credits to assist the Building Renovation. The Design Team includes expertise to facilitate future applications for federal and state historic tax credits, as well as other sources of capital.

The MFNH will engage in a capital fundraising campaign to meet the current funding gap required to construct the Addition and the Building Renovation.

To fill any additional construction capital, the Parties may enter into a finance agreement which can also cover a project contingency or cost overruns during the project's execution, to be defined at a later time in the Development Agreement.

ARTICLE 3: TIMELINE AND INITIAL TERMS

3.1 Overview

Recognizing that the Parties have required additional time to refine the plans for the Project along with staffing transitions that affected immediate organizational priorities over the course of the previous Cooperation Agreements, the MOU lays out a new timeline for collaborative work on the Project targeting key grant funding milestones. The Project timeline seeks to establish decision points for commitments by both Parties to keep the Project on a pathway for success. See Exhibit A, to be included with future version of this MOU.

Complex redevelopment efforts such as this Project requires iterative planning and refinement. The Parties agree to take concrete steps toward project commitments and work collectively on the timeline to refine plans through various stages of design (Schematic Design, Design Development, Construction Drawings), complete design estimates upon the completion of each of the design stages, and make decisions to benefits the Parties' collective goals in the Project.

3.2 Schematic Design

The Design Team will begin to advance Schematic Designs upon the execution of the MOU. The Schematic Design and the First Cost Estimate will be completed by the end of the third quarter of 2023 (September 30, 2023).

The Parties will collectively review the Schematic Design and the First Cost Estimate and determine whether to move forward to the next level of design development and entitlement work ("First Decision Point"). If moving forward, the Parties will enter into an Option Agreement whereby the CRA shall forgive the MFNH pre-development debt up to the to date of the First Decision Point, to reserve the option to purchase the parking lot for affordable housing development at the Land Payment price of \$3,500,000. Substantially in the form of Exhibit B, to be included with future version of this MOU.

3.3 Design Development

Assuming the Option Agreement is executed at the First Decision Point, the Design Team will advance the Project to Design Development level so that a Second Cost Estimate can be completed. This will also provide the Parties with enough information to begin applications for various sources of grant and tax credit funding sources. After completing the Second Cost Estimate the Parties will negotiate a Development Agreement whereby the CRA will continue to facilitate the Project on behalf of the Parties utilizing the Land Payment to fund the Addition and Renovation. ("Second Decision Point")

If (1) the MFNH determines it does not wish to continue with the Project, (2) the Parties are unable to come to terms on the details of the Development Agreement, or (3) the Parties mutually agree it is beneficial for the Project to be divided into the CRA Housing component and MFNH Addition and Building Renovation component, such that the individual components are not jointly facilitated by the CRA, the CRA will have the option to pay the MFNH the Land Payment or forgo its land purchase option. The MFNH will continue to facilitate the Addition and Building Renovation itself or discontinue its portion of the Project. If entering into a Development Agreement, the CRA will apply for authorization to follow a Chapter 149a Public Construction process utilizing a Construction Manager At-Risk (CM) procurement process.

3.4 Funding Sources

An immediate task to undertake after the Schematic Design is complete is for the CRA to prepare applications for historic tax credits, and the MFNH to begin a Capital Fundraising campaign.

3.5 Construction Documents

The Design Team shall lead the efforts to carry the architectural drawings and permit requirements for all elements of the Project. The Development Agreement shall include an Initial Phasing Plan, which will determine the sequence of construction and the plans for MFNH program relocation. Once a CM is hired by the CRA, the Parties will set a Final Phasing Plan. At that point, the Design Team will prepare Construction Drawings and a bid set for filed sub-bid contractors.

ARTICLE 4: PRE-DEVELOPMENT AGREEMENT RESPONSIBILITIES

4.1 Design Team

The CRA will continue the contractual arrangement with the Design Team whose scope of work will be calibrated with the timeline milestones outlined above in Article 3. The Design Team will meet regularly with designees of the MFNH as the Concept Design is refined in subsequent design phases. The MFNH will continue to provide the Design Team with access to the facility and the Design Team shall seek to minimize any impacts their site work might have on MFNH programming. Any exploratory demolition within the building would require written permission of MFNH.

4.2 Cost Sharing

The Parties will continue to split the professional services cost of the Design Team through Schematic Design. The MFNH portion of these costs will be booked against the Loan Agreement up to the maximum loan value of \$250,000. After the execution of an Option Agreement, further pre-development work involving the Design Team and other consultants taking the drawings to Design Development will be paid for by the CRA.

4.3 Program Continuity

The Parties will cooperatively seek to minimize the impact on the Project upon the ongoing programs of the MFNH and will seek temporary alternative facilities wherever possible should the Project displace such activities.

4.4 Funding Applications

The CRA and the Design Team will lead in preparing of funding applications and grant agreements to known grant and tax credit sources. In some cases, the official funding recipient may be the MFNH, and the CRA will facilitate such arrangement on behalf of the MFNH. The MFNH will provide assistance as needed to funding applications.

4.5 Neighborhood Infrastructure

The City is conducting numerous streetscape and public infrastructure projects within the Port neighborhood. The CRA will coordinate with the Design Team any proposals that affect the Project, and will communicate any anticipated impacts of those public works projects to the MFNH.

4.6 Community Outreach

The Parties will jointly conduct outreach to the community about the Project. The CRA will be required to host at least two community meetings under the regulations of the Affordable Housing Overlay, and all aspects of the Project will be covered in those meetings.

4.7 Permitting

It is anticipated that through the Development Agreement, the CRA and Design Team will lead all aspects of project permitting. Some preliminary permitting activity may begin between the Schematic Design and Design Development phases of work. The MFNH will actively and publicly support any applications as necessary in official hearings and unofficial community-based venues.

ARTICLE 5: GENERAL

5.1 Cooperation Agreement

Unless specifically mentioned in this MOU, the provisions and obligations of the earlier Cooperation Agreement and its amendments shall be superseded by this MOU.

5.2 Assignment

The rights and obligations within the MOU may not be assigned to other third-parties unless agreed to in writing by the Parties.

5.3 Legal Provisions

The CRA as a public entity shall follow appropriate provisions of Mass General Law in the procurement of vendors and real estate, acting as an urban renewal authority under this MOU. Likewise, the MFNH shall follow the regulations applicable to charitable organizations in the disposition of property. The Parties shall cooperate with each other in meeting all legal requirements of this agreement and future transactions.

AGREED and ASSENTED TO:

CAMBRIDGE REDEVELOPMENT AUTHORITY

Thomas Evans, Executive Director

MARGARET FULLER NEIGHBORHOOD HOUSE

By:

Attachments:

Exhibit A: Proposed Project Schedule – to be included with future version of this MOU

Exhibit B: Draft Option Agreement – to be included with future version of this MOU