



FOUNDRY BUILDING OPERATOR RFP ADDENDA

ISSUED: February 22, 2018

INTRODUCTION

The questions below have been submitted in writing to the CRA or transcribed from the verbal questions and answers at the Foundry Information Session and Tour on February 7th, 2018. Please note that an additional building tour has been scheduled for Wednesday, February 28th, at 10:30AM, but no presentation or additional information will be provided at that session.

TOUR QUESTIONS AND RESPONSES

1. What is the CRA's preferred position for the Operator? Have them come in and take the Foundry off the CRA's hands or would the CRA like to be more involved?

The CRA expects to be more involved in the Foundry management initially, and then step back gradually after operations are in place and are running smoothly. The CRA has the long-term stewardship responsibility of the building, is the operator of last resort, and will be present when needed.

The CRA is looking for a single point of contact with an organization, individual, or collection of organizations to facilitate coordination of management issues.

2. The Foundry will have market-rate and non-profit office space. How are these two tenants going to mix and be a part of the Foundry environment, while ensuring the building is open and welcoming to the public?

This is a key question posed within the Operator RFP. We are seeking ideas about how an Operator proposes to balance rent profiles and operational expectations and to engage all tenants in the life of the building.

The building design will seek to provide a highly tangible public feel to the building, particularly at the ground floor. We are seeking an Operator that will provide public programming and outreach to enhance the openness of the building. The CRA and the Foundry Advisory Committee will also provide continual oversight to ensure the building remains and feels public.

3. Many times, offices are housed in a building, but do not have their programming on-site. How do you get active uses to happen in the building space?

The Operator will be responsible for ensuring there are active uses in the building, and will be expected to establish performance measures and reporting that will track active programming and building use. The CRA and the Foundry Advisory Committee will also provide oversight to ensure programming goals are met.

4. What type of agreement does the CRA envision to have with the Operator?

The Operator will have a sub-lease agreement with the CRA. The CRA will draft a template and work with the Operator to agree on various technical terms, such as specific operator duties, management of rent payments, performance metrics, and governance. The CRA anticipates that the initial term of the lease would be for a five-year period with provisions for extensions.

5. What is the 249 Third Street residential building height and setback from the Foundry, and will there be parking available for Foundry users at the building?

Proponents interested in 249 Third Street, under development by Equity Properties, should refer to the Planning Board's 2015 special permit decision. According to these public documents, the building will be five stories tall on Rogers Street and four stories tall on Bent Street. The residential building will be set back 10 feet from the property line. The Foundry is set back 10 feet so there will be 20 feet of space between the two buildings.

Parking is not included as part of the 249 Third Street development, but residents will be able to park their vehicles in other nearby garages owned by Equity Properties. Foundry tenants and visitors will not be able to park in the Equity garages. The CRA and City are looking at other parking options.

Special Permit Decision: www.gis.cambridgema.gov/CDD_Docs/sp301_decision.pdf

6. Will the bricked-in window bays on the ground floor be opened to allow access to the side yard?

The design of the building has not yet begun but the expectation is that some or all of the brick arches may be opened to allow access to the yard. The collaboration between the Designer and the Operator is expected to consider ways to integrate seasonal uses of the yard into building programming.

7. What is the envisioned timeline for the project?

The City's schedule projects that the feasibility study will be completed in Spring 2018, design and bidding will extend through Spring 2019, and core and shell construction will be completed in Summer 2020 (see Design RFQ). The schedule for full tenant fit-out has not been determined but could extend over the following year depending on leasing. The Operator will need to be engaged

much earlier to coordinate with the design team, conduct outreach, recruit tenants, and set up management structures.

The building may not be fully leased at the time of opening, but instead may ramp up to full capacity over time. The Operator's business model should plan for those initial stages. The CRA has set aside \$1 million to help cover costs in the first year if the building is not fully leased.

8. Does the CRA see the Operator's role at the Foundry more of a business management venture or community development project, or the other way around?

Both. The Foundry needs to be a community space that is programmed and operated sustainably. The CRA is open to ideas as to how that happens. The business plan needs to demonstrate how the building will be self-sustaining financially with a range of rent levels depending on use. The City and the CRA are funding the capital improvements with no expectation of recouping these funds. Any excess revenues are expected to be reinvested in the building and/or used to recalibrate the balance of community and market rate uses in the building. The ground rent is described in Question 9.

As noted in the RFP, the business model should include any expectations for management fees, performance bonuses, or other asset management incentives.

WRITTEN QUESTIONS AND RESPONSES

9. Ground Rent – Would the CRA have already an idea of the base of calculation for the ground rent the operator would have to pay? Our understanding is that it is commonly based on the land value times a fair cap or market capitalization rate. Would it be the correct base for calculation? Land Value (based on City of Cambridge property database): \$7,600,000 for 50,000 sq.ft. + added value to the property with renovation: \$25,000,000 ==> total: 32,600,000 million or \$652/sq.ft. What would you regard as a fair cap rate owing to the fact that the building is mostly operated for a non-profit, community purpose?

The ground rent may be nominal and would not be based on comparable land values for commercial property in Cambridge. The goal of the ground rent is to assure that the capital and operating reserve funds are adequately funded and to compensate the CRA for any management responsibilities not covered by the Operator. The rent levels for tenants would be set at rates appropriate for the uses proposed.

10. Storage Space – Some potential nonprofit tenants already expressed the need for some secure and clean storage spaces within the building in addition to an office space. Storage spaces may also be available for rent to organizations and individuals who don't rent office and generate a small additional revenue stream. Would the CRA consider the creation of storage spaces in the lower level of the building (current parking lot)?

Storage to support uses in the building will be planned for in the building design.

11. Building Maintenance and Seasonal Events – As the city owns the Foundry, would it be relevant for the operator to solicit the Department of Public Works for some specific building technical operations and get invoiced for their service? Situations I have in mind: assistance on outdoor installation for special events, snow removal.

The Operator should prepare a property management plan that is independent of DPW or other City maintenance services beyond public services available to any property. Future capital improvements to be made to the Foundry building are subject to Section 7 of the Lease between the CRA and the City.

12. AV and IT Equipment – Would the purchase of AV and IT material dedicated to programming (flat screen, video projectors, ...) be part of the fit-out budget or would this type of equipment be part of the programming ramp-up budget?

The estimated fit-out budget of \$4 million is anticipated to cover most basic furnishing and equipment, including AV equipment for the black box theater, community room, and classrooms, as the budget allows. We may need to explore options for the purchase of specialized equipment. We look forward to ideas from respondents regarding strategies to fund these capital requirements, without drawing on the operating reserves.

13. Staff – In the presentation to City Council you mentioned 4 to 5 staff members as programming staff. Is that the total staff envisioned including the technical, security staff and management staff or are some of these other skills included in the 50% of the budget dedicated to basic operations?

We expect that the Operators will propose a staffing plan for the building, addressing programming, maintenance, outreach, and recruiting. The Operator may propose contracts for certain management services. The City Council presentation highlighted the need to provide a robust budget for programming staff above and beyond the basic maintenance and custodial services.

14. Capital Reserve Fund – Would it be acceptable for CRA and the City of Cambridge to increase gradually the percentage of money set aside in the capital reserve fund with the idea to reach 20% of the budget during the third or fourth year of operations? That would help adjust estimates taking into account the gradual increase of revenue streams too.

The CRA would consider a financial plan that carries a reduced contribution to the capital reserves at the onset of building operations, especially before full tenancy. However, respondents' business plans should show how their budget will cover future repair and replacement needs.

15. We're working towards becoming the first community art hotel, where everything from the food to the furniture is handmade by local artists. We've been searching the area for over a year and had honestly not spent much time in Cambridge because we assumed there weren't any open buildings left. Would this concept be a potential fit for the RFP?

Hotel use was never contemplated in our community planning process, nor was a hotel written into the Foundry Demonstration Project Plan's Vision and Objectives section. Residential uses are

currently restricted by the soil conditions unless additional remediation is undertaken. A review of the zoning analysis from the 2014 City Manager Report also states that hotel uses are not permitted in the Industry A-1 / PUD zoning district applicable to this parcel.

16. What is the timeline of the Volpe project and what is the mission defined for the place eventually?

The Volpe redevelopment is a large mixed-use development that is anticipated to take over a decade to complete. One of the proposed elements that relates to the Foundry is the MIT plan to build a community center on the Volpe site outlined in their commitment letter. Please consult the project website to learn more.

Project website: www.volpe.mit.edu/

17. Would it be possible to schedule another tour so other members of our organization can see the inside of the Foundry?

The CRA will facilitate a follow-up tour of the Foundry building for potential Responders on Wednesday, February 28th, at 10:30AM.

18. Do we have to pay property taxes? Do you know the rates?

It should be assumed that for the commercially leased portion of the building, commercial real estate taxes will be required. The current commercial tax rate for FY17-18 is \$14.81 per thousand dollars of value. The tax rate changes annually. According to the lease with the City, section 6.5: "...During the Lease Term, the Tenant and Operator shall be responsible to pay such taxes on the portions of the Property, as are due and payable pursuant to law." Thus, further conversations with the Assessor's Office will be necessary to determine how the community spaces of the building will be assessed.

19. Will we be compensated for our efforts leading up to the Foundry opening--i.e. working with the CRA, City and Designer during the next 2-year planning and building period? If so, how is that compensation to be structured?

It is anticipated that the Operator will have expenses related to the lease that will be incurred before the building brings in revenue. The CRA plans to work with the selected Operator in seeking sources of funds for capacity building. The business model within the RFP response should propose a budget and potential structure for necessary pre-leasing expenses.