Cambridge Housing Authority
362 Green Street, Cambridge, MA 02139 | P: 617.864.3020 F: 617.868.5372 | www.cambridge-housing.org

October 2, 2015

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

RE: Manning Apartments – Upcoming Revitalization Plan and Update to the Ground Lease between City of Cambridge and the Cambridge Housing Authority

Dear Mr. Rossi:

I am writing on behalf of the Cambridge Housing Authority to update you on the upcoming revitalization plans for Manning Apartments detailing the planned improvements, the proposed financing plan including Manning's conversion to project-based vouchers under the HUD's Rental Assistance Demonstration (RAD) program, and resultant need for an update to the ground lease between the City of Cambridge and the Cambridge Housing Authority to reflect the changes in the financial structure at Manning Apartments. We are requesting that the City Council approve an Order that will permit necessary revisions as described below.

We propose that pursuant to M.G.L. c.121B, §23, an exception to the process required under Section 2.110 of the City's Disposition Ordinance be provided for the extension and amendment to the ground lease, as this section of the statute permits such exceptions for a cooperative venture between the City of Cambridge and the Cambridge Housing Authority. There will be a substantial public benefit to be obtained by the revitalization and rehabilitation of the Manning Apartments resulting in the preservation of 204 units of deeply affordable housing for low-income elderly and disabled residents of the City of Cambridge and the refurbishment of the Martin Luther King Plaza that is between Manning Apartments, the public library, and the parking garage on the site and the overall upgrade to the site and its public amenities.

Background

In the early 1970's, the City of Cambridge and the Cambridge Housing Authority (CHA) joined forces to redevelop the City-owned parcel of land located at the corner of Green, Pearl, and Franklin Streets. The plans included construction of a public parking garage, a public library branch, and public housing for the elderly. The project went through a comprehensive neighborhood and zoning process which culminated in the Zoning Board of Appeals approving a variance in September 1971 which permitted construction of all facilities including the 19-story public housing development now known as Manning Apartments. Construction on the parcel began thereafter with the City of Cambridge supervising the construction of the public garage and library structure and the CHA supervising the construction of Manning Apartments. Construction on Manning Apartments was completed in 1976,

and the building has been providing 199 units of housing to low-income elders and persons with disabilities for the past 39 years.

As part of Manning Apartment's initial development, the City of Cambridge and the CHA entered into a 99-year ground lease on July 31, 1973 (the "Ground Lease") with the term of the lease commencing on August 1, 1976 and granting the CHA a lease for the portion of the site occupied by the Manning building and adjacent area. A copy of a site plan delineating the location of the ground lease area is attached.

The Ground Lease specified various terms and conditions including: specifying the details regarding construction including reference to the original plans and specifications for the building; providing that the building land and the subsequent building remain the sole property of the City of Cambridge; indicating the construction would be completed in good and workmanlike manner in accordance with applicable laws including the September 1971 zoning variance; requiring any future improvements beyond normal wear and tear to be approved by the City of Cambridge; requiring the CHA to operate the housing for the elderly and to be responsible at its sole cost for the repair and maintenance of Manning Apartments; and prohibiting the transfer of the CHA's leasehold interest without the specific consent of the City of Cambridge.

The Ground Lease initially established an annual ground lease rent based upon calculation around "office space rent" and "variable rent". This was later amended, see below, to provide that payments that were made as of the date of the amendment were in full satisfaction of the rent obligations.

The Ground Lease was amended on 2 occasions as follows:

The Ground Lease was amended in 1979 to modify the parking provisions in the original lease to provide for 50 parking spaces to be made available to the CHA and the residents of Manning Apartments, and also implementing the above-described revision of the rental obligation.

In 2010, in order for Manning Apartments to switch from the state public housing program to the federal public housing program the reference in Section 16.1(a) was altered to read that the property would "be operated as public housing in accordance with the U.S. Housing Act of 1937, provided that, in accordance with 24 C.F.R. 960 Subpart D, preference in admissions shall be given to elderly or disabled persons."

Manning Revitalization

Since its initial occupancy in 1976, Manning Apartments received only limited improvements, because of chronic underfunding of its operating and modernization needs by the Commonwealth under the state public housing program. Manning Apartments now requires comprehensive renovations to its façade and core systems as well as significant improvements to unit interiors and common spaces. As part of the renovations, the CHA plans to repurpose a portion of its old administrative space into six new rental units.

The other planned work includes:

- Full replacement of kitchens and bathrooms, as well as interior finishes including cabinetry, appliances, flooring and lighting. Many of these finishes are original to the 1976 construction.

- Replacement of the entire waste and water piping in the building and upgrade to elements of the building electrical wiring. The existing plumbing pipes are very brittle and failing. On numerous occasions the piping has burst, causing significant damage to the building interior. Electrical components are dated.

- Replacement of the existing electrical baseboard heating systems with a highly efficient gas-fired vertical fan-coil heating and cooling system. Annual utility costs exceed $500,000 annually, and, when it was state public housing, Manning Apartments was the most expensive building in the Commonwealth to operate.

- Installation of new exterior cladding and window wall system to improve building performance and eliminate longstanding and persistent water and air infiltration.

- Improvements to the rear service area including a new commercial kitchen, new trash handling systems, and bike parking.

- Improvements to the existing subsurface drainage system, walkways, site lighting, and adjacent plaza.

- Installation of a vehicular drop-off area so cars can pull off of the street to allow for the safe discharge or pick-up of Manning residents and an entry canopy that will better connect the Manning Apartments to the adjacent streets.

In order to finance these necessary improvements to Manning Apartments, the CHA is using the authority granted by HUD in December 2013 to convert Manning Apartments (along with most of its federal public housing inventory) to the RAD Project-Based Voucher subsidy platform. This conversion will allow the CHA to access private equity through the Low-Income Housing Tax Credit (LIHTC) program and debt financing. The project will be completed over multiple phases as the site will remain substantially occupied by residents during the course of construction which is anticipated to take approximately 32 months.

We therefore propose that the Ground Lease be amended to meet the financing requirements of the outlined revitalization of Manning Apartments, as specified in the following section.

Need for New Ground Lease

As noted, the Ground Lease between the City of Cambridge and the CHA was executed in 1973, and covered the development and construction period through current operations. While the Ground Lease terms and conditions were current and met the standards of the day when executed, some of the terms and conditions are no longer applicable or suitable to today's requirements or for the kind of financing available to the CHA to fund the capital work required to restore conditions and bring Manning Apartments to today's standards. The CHA is using the LIHTC structure to obtain over $39 million dollars in equity financing for the revitalization of Manning Apartments. This financing structure requires that Manning Apartments be controlled by a single-purpose/single-asset entity and that the terms and conditions of any ground lease arrangement conform to the current requirements of such equity investors as well as the lenders of the necessary debt financing. Given these conditions, the

City of Cambridge and the CHA have entered into discussions regarding a general update of the Ground Lease. We propose to amend the Ground Lease with the following key changes:

We propose that the term of the Ground Lease be extended by 17 months, expiring on December 31, 2076 rather than July 31, 2075. The CHA has been advised by its tax counsel and tax counsel for the tax credit equity investor that in order for a ground tenant to be considered an owner for federal low-income housing tax credit purposes, the ground lease needs to have a term of not less than 60 years. The time extension ensures that the CHA will meet this requirement when it closes on the financing of the project, and establishes the term on a calendar year basis that will be easier to track.

The reference to the provisions of the Manning Apartments being operated as public housing would be deleted, and would be replaced by reference to the building's long-term affordability through HUD's RAD program and the use of long-term project-based Section 8 vouchers.

We propose adding clarifying language that would permit the CHA the right of ownership of the building and equipment (i.e. depreciable assets) for federal income tax purposes. This is a requirement in order to get the benefit of the low-income housing tax credits. We propose providing for a $1/year rent, while the 1979 Amendment to the Ground Lease provided that no rent be due after the payments made at that time. Currently, the CHA makes a PILOT payment to the City of Cambridge under the terms of the Cooperation Agreement between CHA and the City, this payment would continue.

The Ground Lease provides for the City's prior approval of leasehold financing. We proposes revising the Ground Lease to allow the CHA to sub-ground lease its leasehold interest to another entity known as Manning Apartments LLC, and to permit the CHA and/or this sub-ground tenant to obtain leasehold financing (which is permitted under the Ground Lease). Manning Apartments LLC will be composed of a managing member, which is a controlled affiliate of the Cambridge Housing Authority, and a tax credit investor as its investor member. The agreement provides default notification provisions to the City of Cambridge. The proposed revisions provide for the transfer of the CHA's leasehold interest to Manning Apartments LLC without the City's consent, but requires its future consent for any other transfer.

The CHA has offered, at its own expense, to fully improve and upgrade the public Martin Luther King Plaza which lies on the City land that is between Manning Apartments, the public library, and the parking garage, and will continue to maintain (but not replace or rehabilitate) the Plaza. The renovations of this space will create a new and inviting environment in what is now an underutilized public space requiring refurbishment. As described above, improvements are planned to the existing subsurface drainage system, walkways, site lighting, and adjacent plaza. Improvements also include the installation of a vehicular drop-off area so cars can pull off of the street to allow for the safe discharge or pick-up of Manning residents and an entry canopy that will better connect the Manning Apartments entry to the adjacent streets. By making and also maintaining these improvements, the Martin Luther King Plaza will become more attractive for users of the library and parking garage, as well as residents of Manning Apartments, along with more efficient traffic patterns for the surrounding streets, and better access for vehicles (and their passengers) to enter and exit the building.

We propose updating the insurance section of the Ground Lease to reflect today's current market practices, and to allow for the property insurance requirements to be satisfied by the sub-ground tenant under the sub-ground lease. The references in the Ground Lease to the 1970's construction requirements are no longer applicable and would be deleted from the amended Ground Lease. The

City of Cambridge will retain the right to review and approve any structural changes to the building as well as exterior alterations affecting its cladding system and/or windows.

We propose increasing the number of parking spaces available for the CHA's use from 50 spaces to 52 spaces to reflect the potential parking needs associated with the addition of six additional housing units in the building. The provision of 52 spaces allows the CHA to meet the current zoning requirements for parking. We also propose that 10 long-term bicycle spaces in the garage be available to Manning residents.

This summarizes the central proposed revisions to the Ground Lease that are necessary to effectively structure the CHA's leasehold interest in Manning Apartments for the financing necessary to revitalize and rehabilitate Manning Apartments and the adjacent Martin Luther King Plaza.

Conclusion

The CHA respectfully requests that pursuant to M.G.L. c.121B, §23, an exception to the process required under Section 2.110.10 of the City's Disposition Ordinance be provided for the extension and amendment to the ground lease. We believe that the purposes of c.121B, §23, which provides for cooperation for the mutual benefit of the City and the CHA, are clearly served by the proposal to upgrade and rehabilitate Manning Apartments to continue to provide quality, affordable housing to low-income elderly and disabled residents of the City of Cambridge, and concomitant public benefit by upgrading the adjacent Martin Luther King Plaza.

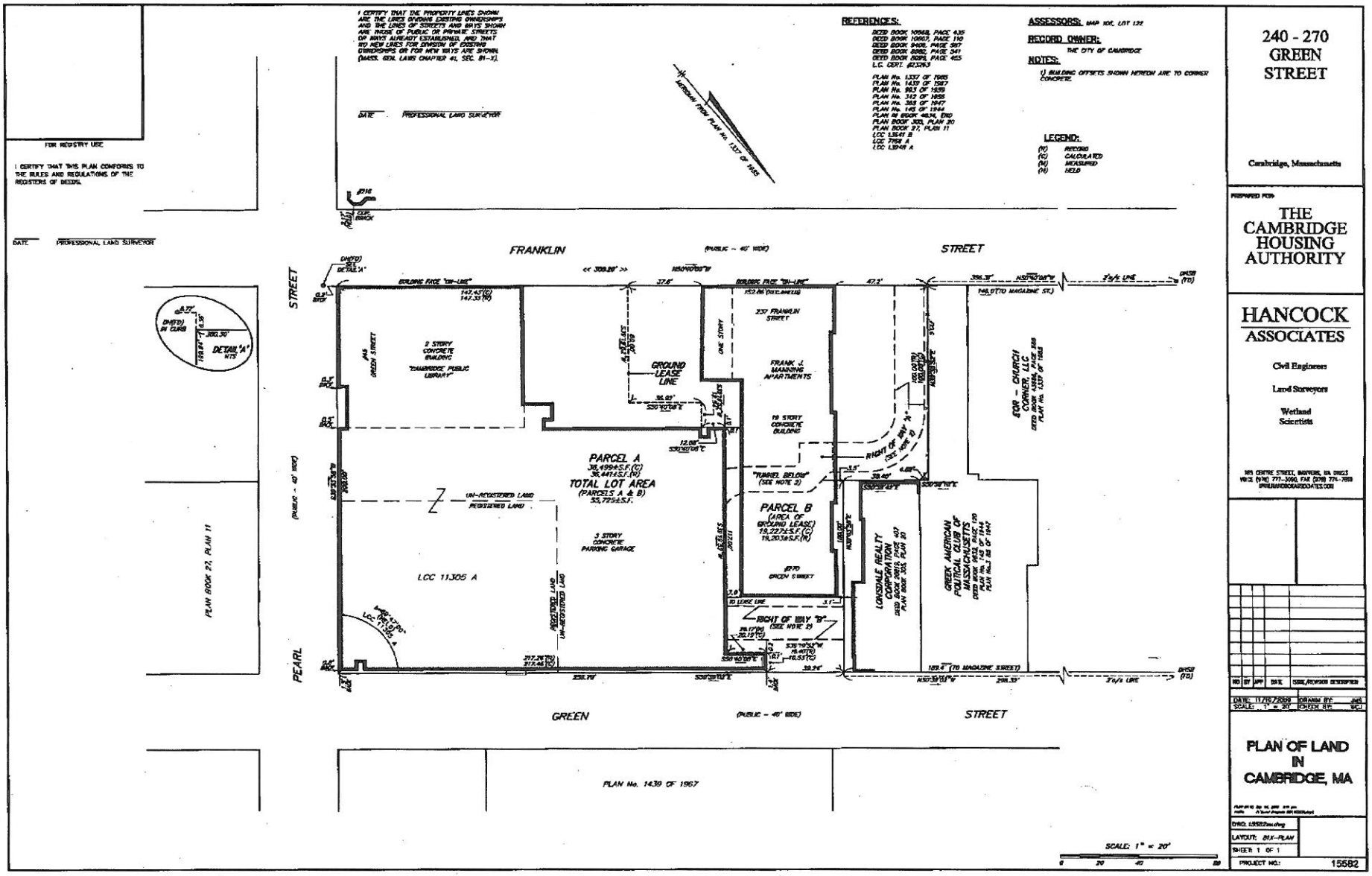
The CHA appreciates your consideration and cooperation, and requests approval of the City Manager Order approving the above.

We are available to provide any information or answer any questions that you or the City Council may have regarding this proposal.

Sincerely,

Gregory P. Russ

Gregory P. Russ, Executive Director



I CERTIFY THAT THE PROPERTY LINES SHOWN ARE THE LINES DIVIDING EXISTING OWNERSHIPS AND THE LINES OF STREETS AND WAYS SHOWN ARE THOSE OF PUBLIC OR PRIVATE STREETS OR WAYS ALREADY ESTABLISHED, AND THAT NO NEW LINES FOR DIVISION OF EXISTING OWNERSHIPS OR FOR NEW WAYS ARE SHOWN (MASS. GEN. LAWS CHAPTER 41, SEC. 81-X).
DATE PROFESSIONAL LAND SURVEYOR
FOR REGISTRY USE
I CERTIFY THAT THIS PLAN CONFORMS TO THE RULES AND REGULATIONS OF THE REGISTERS OF DEEDS.
DATE PROFESSIONAL LAND SURVEYOR
REFERENCES:
DEED BOOK 10568, PAGE 435
DEED BOOK 10607, PAGE 110
DEED BOOK 9408, PAGE 587
DEED BOOK 8082, PAGE 341
DEED BOOK 8089, PAGE 455
L.C. CERT. #23263
PLAN No. 1337 OF 1965
PLAN No. 1439 OF 1967
PLAN No. 983 OF 1959
PLAN No. 342 OF 1956
PLAN No. 383 OF 1947
PLAN No. 145 OF 1944
PLAN IN BOOK 4834, END
PLAN BOOK 305, PLAN 20
PLAN BOOK 27, PLAN 11
LCC 13641 B
LCC 7768 A
LCC 13948 A
ASSESSORS: MAP 106, LOT 122
RECORD OWNER:
THE CITY OF CAMBRIDGE
NOTES:
1) BUILDING OFFSETS SHOWN HEREON ARE TO CORNER CONCRETE.
LEGEND:
(R) RECORD
(C) CALCULATED
(M) MEASURED
(H) HELD
MERIDIAN FROM PLAN No. 1337 OF 1965
FRANKLIN STREET
(PUBLIC - 40' WIDE)
PEARL STREET
GREEN STREET
(PUBLIC - 40' WIDE)
PLAN BOOK 27, PLAN 11
PLAN No. 1439 OF 1967
DETAIL "A"
2 STORY CONCRETE BUILDING "CAMBRIDGE PUBLIC LIBRARY"
GROUND LEASE LINE
237 FRANKLIN STREET
FRANK J. MANNING APARTMENTS
19 STORY CONCRETE BUILDING
PARCEL A
38,499±S.F.(C)
36,441±S.F.(R)
TOTAL LOT AREA
(PARCELS A & B)
55,725±S.F.
UN-REGISTERED LAND
REGISTERED LAND
3 STORY CONCRETE PARKING GARAGE
LCC 11305 A
"TUNNEL BELOW" (SEE NOTE 2)
PARCEL B
(AREA OF GROUND LEASE)
19,227±S.F.(C)
19,203±S.F.(R)
#270 GREEN STREET
RIGHT OF WAY "B" (SEE NOTE 2)
RIGHT OF WAY "A" (SEE NOTE 2)
LONSDALE REALTY CORPORATION
GREEK AMERICAN POLITICAL CLUB OF MASSACHUSETTS
EOR - CHURCH CORNER, LLC
TO LEASE LINE
SCALE: 1" = 20'
0 20 40 80
240 - 270 GREEN STREET
Cambridge, Massachusetts
PREPARED FOR:
THE CAMBRIDGE HOUSING AUTHORITY
HANCOCK ASSOCIATES
Civil Engineers
Land Surveyors
Wetland Scientists
DATE: 11/10/2009
SCALE: 1" = 20'
DRAWN BY: JMS
CHECK BY: WCJ
PLAN OF LAND IN CAMBRIDGE, MA
DWG: 15582mcdwg
LAYOUT: 81X-PLAN
SHEET: 1 OF 1
PROJECT NO.: 15582

FRANK J. MANNING APARTMENTS REVITALIZATION SCOPE

PROJECT SUMMARY

237 FRANKLIN STREET

Manning Apartments is a 199-unit high-rise building for elderly and disabled residents in Cambridgeport near Central Square. The all electrically heated building was constructed in 1976 using a cast concrete plank system. This construction style was efficient and cost effective when Manning was originally constructed but has since become inefficient and obsolete. The building has received only limited improvements over the years and now requires comprehensive renovations to its façade, core systems, apartment interiors, and common spaces.

FINANCING

Funding for the $58 million construction project is made possible through the planned conversion of Manning Apartments to project-based vouchers under HUD's Rental Assistance Demonstration Program (RAD). The project-based vouchers will allow the Cambridge Housing Authority (CHA) to obtain a mortgage to help fund the renovations. Additional funds will be provided through the Low Income Housing Tax Credit Program and a CHA loan program. Bond financing during construction will be provided by MassDevelopment.

PLANNING PROCESS

The ongoing planning process has included a Green Charette as well as numerous meetings with Manning residents and the project architect, Bargmann-Hendrie + Archetype, Inc. Upcoming meetings are planned for Manning neighbors and City of Cambridge stakeholders. Preliminary construction is anticipated to begin in November 2015 with full construction underway by February 2016. Construction is anticipated to last approximately 30 months. The building will remain 70% occupied during the construction period.

APARTMENT IMPROVEMENTS

- Conversion of former office space on second floor into four new one-bedroom apartments and two new two-bedroom apartments.
- Full replacement of kitchens and bathrooms, as well as interior finishes including cabinetry, appliances, flooring and lighting.

COMMON AREA IMPROVEMENTS

- Renovation of the first floor to expand resident community space and to relocate management offices from the second-floor to a more visible and accessible first-floor location.
- New high-quality multi-use community rooms for exercise classes, crafts and hobbies, and television viewing on the first and second floors. Existing upper floor common balconies will be enclosed to provide additional community space.
- Expansion of and improved access to the second floor outdoor patio, allowing residents to enjoy containter gardening and other outside activities.
- Expansion of the laundry facilities on the second floor and creation of three smaller laundry rooms on the upper levels.

MANNING APARTMENTS PROJECT SUMMARY (CONTINUED)

EXTERIOR IMPROVEMENTS

- Redesign of the plaza between Manning Apartments and the Central Square Public Library to create an area for cars to pull off of Franklin Street when picking up or dropping off Manning residents or library patrons.
- Enhancement of the entry points at Green Street and Franklin Street to better direct pedestrian traffic to the entry of Manning Apartments and the Central Square Public Library through improved hard and softscapes, a new canopy cover for the main walkways, and improved signage.
- Improvements to existing subsurface drainage systems, walkways, and site lighting.
- Improvements to the rear service area including a new trash handling system and secure bike parking.

CORE BUILDING SYSTEM IMPROVEMENTS

- Installation of a high-performance window wall system, greatly improving building performance and comfort and eliminating persistent water and air infiltration.
- New exterior insulating cladding, greatly improving energy performance and building aesthetics.
- Replacement of the existing electrical baseboard heating systems with a highly efficient gas-fired, four pipe vertical fan-coil heating and efficient central cooling system.
- Installation of a 60kw combined heat and power (co-generation) system to allow for onsite generation of electricity.
- Improvements to the ventilation system with enhanced fresh intake air and the addition of heat recovery systems.
- Replacement of the entire waste and water piping system and upgrade of electrical wiring elements.

ENERGY EFFICIENCY

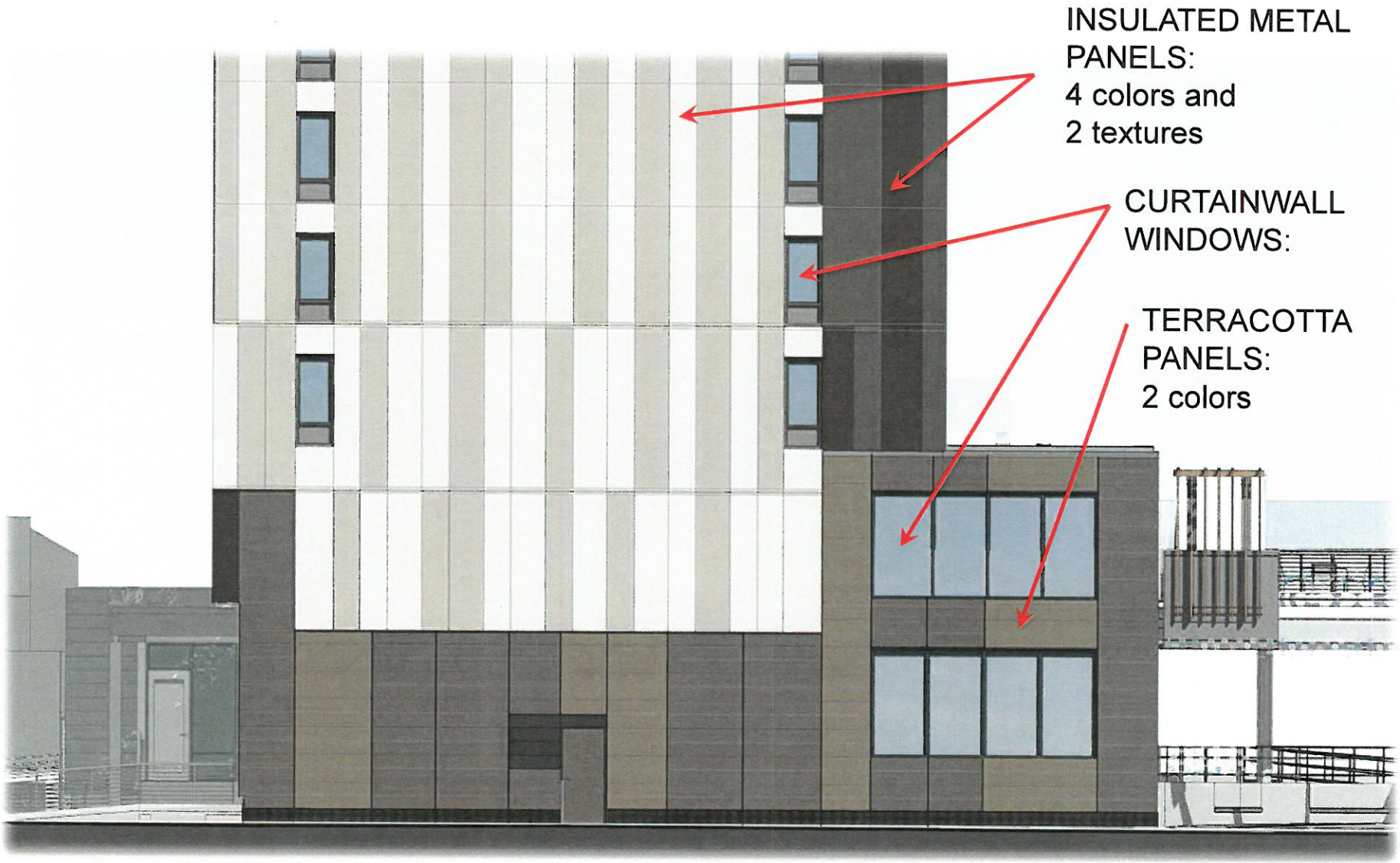
The planned scope of improvements at Manning Apartments includes a dramatic transformation of the building's energy consumption to provide a healthier living environment for both the residents and the surrounding community. Upon completion the project is estimated to achieve a 30% site energy reduction, over $260,000 in annual savings in energy costs, and a 50% reduction in water consumption. When completed Manning Apartments will be a certified Enterprise Green Communities development.

RENDERINGS BY BARGMANN, HENDRIE + ARCHETYPE, INC.

ANY QUESTIONS PLEASE CONTACT KYLE SULLIVAN: KSULLIVAN@CAMBRIDGE-HOUSING.ORG OR 617-520-6239.

The NEW Manning Look

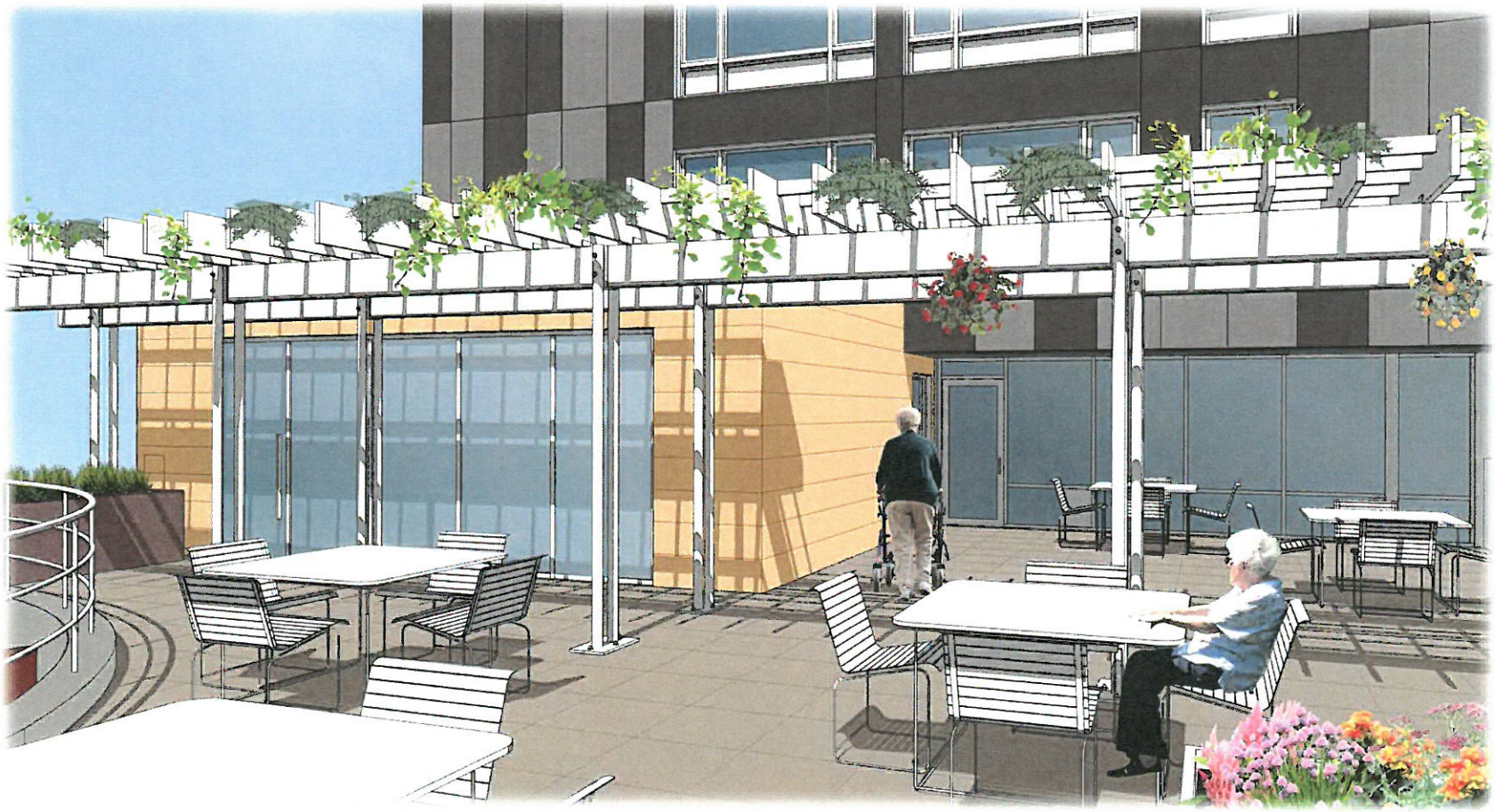
Franklin Street – South Elevation



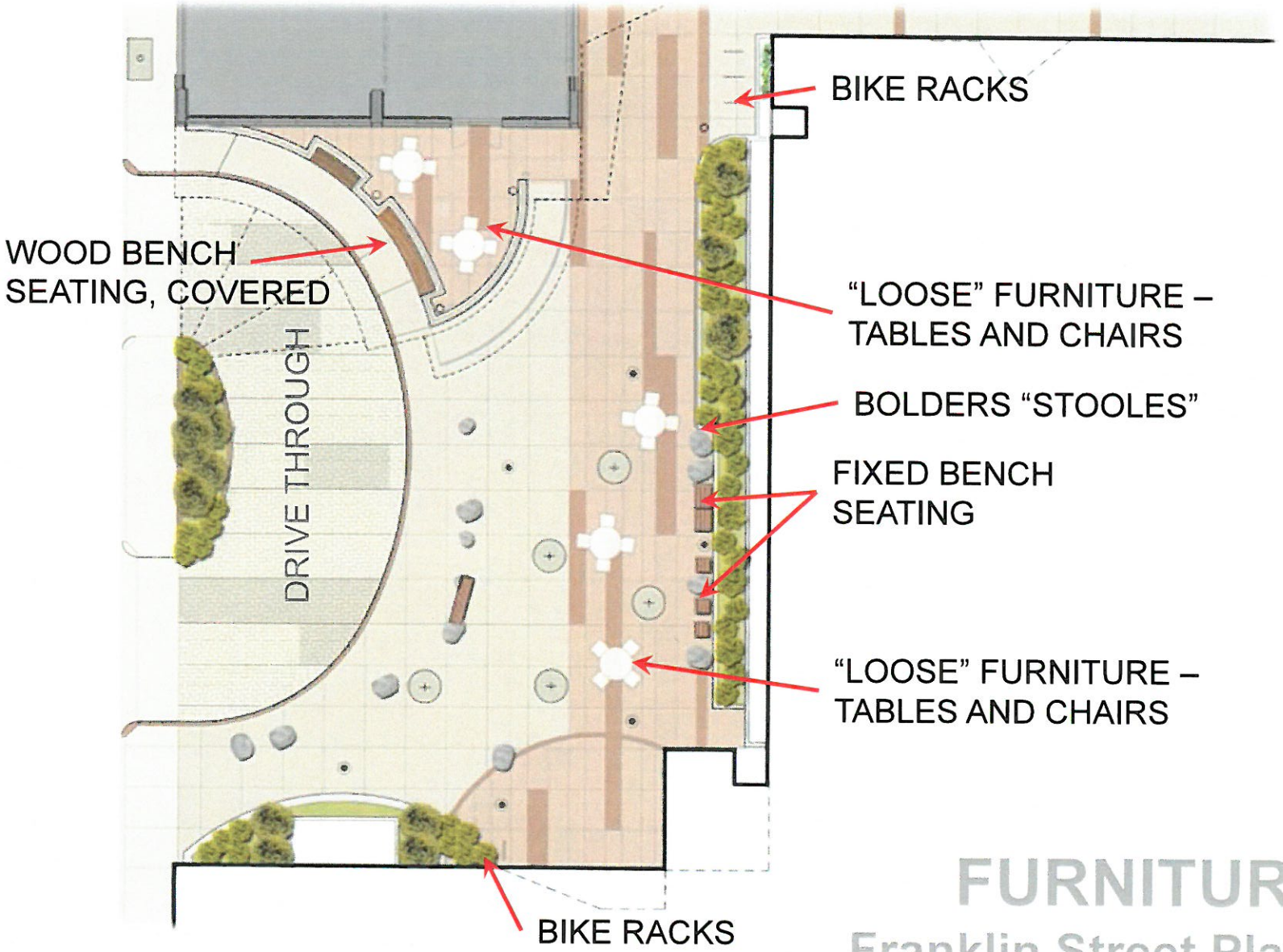
Franklin
Street Plaza

Green Street Plaza

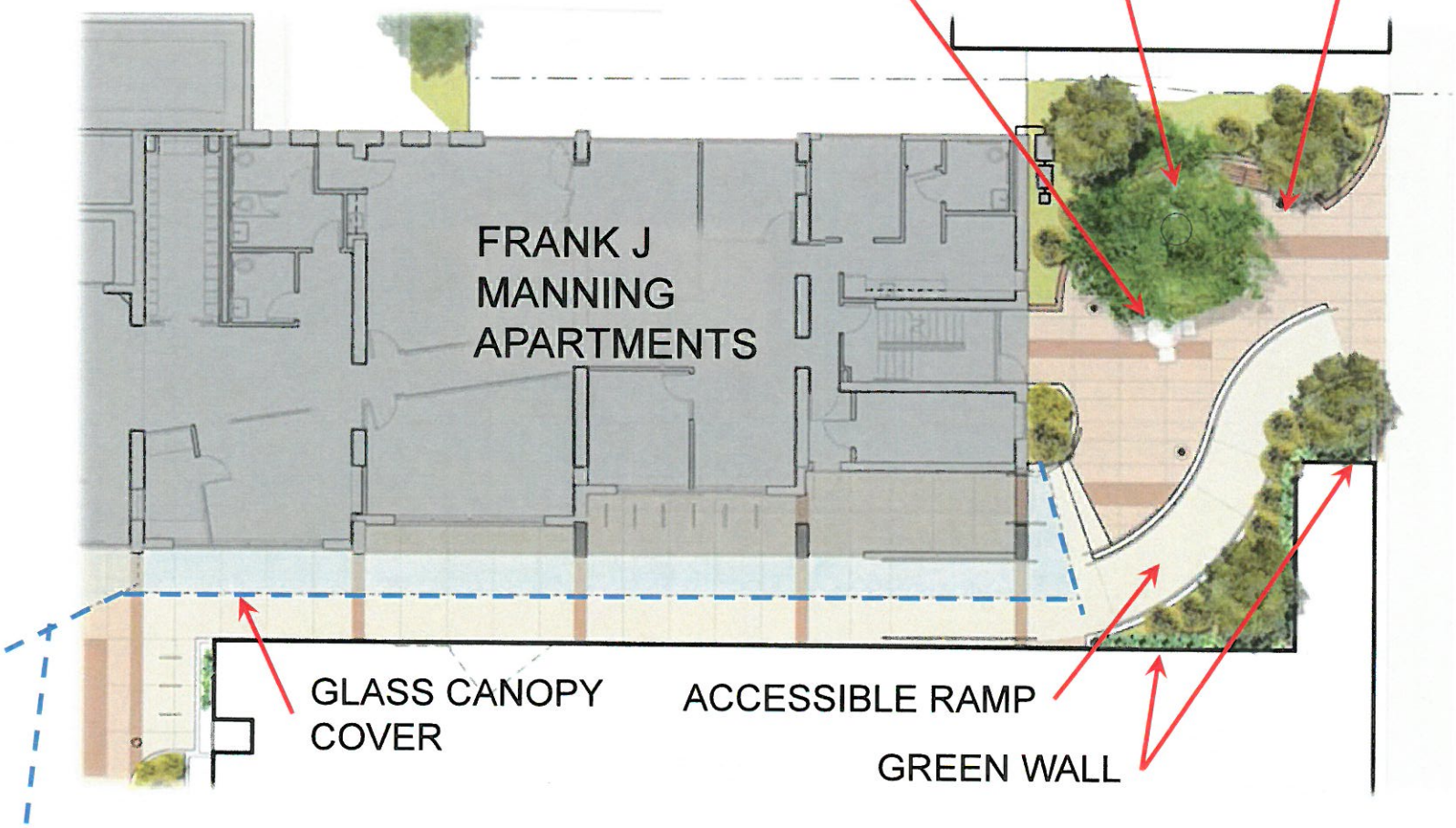
2nd Floor Resident Roof Garden



Site and Landscape



FURNITURE

Franklin Street Plaza

Green Street Plaza