

June 2, 1975

To : The Honorable City Council

Re : Progress Report Regarding Kendall Square Development

Summary

In accordance with the City Council Order by Councilor Clinton, submitted herewith is a progress report regarding Kendall Square development. The progress report covers the following subjects: (1) Urban Renewal Plan Amendment, (2) Environmental Impact Study (EIS), (3) Financing of Kendall Square Project Costs, (4) Appointment of Executive Advisor on International Affairs, (5) Joint Participation Agreement, and (6) Citizen Participation.

Urban Renewal Plan Amendment

Pursuant to the October 9, 1974 City Council Resolution endorsing, in principle, the Neighborhood Plan, as a minimum for development in Kendall Square, Cambridge Redevelopment Authority (CRA) prepared an amendment to the Kendall Square Urban Renewal Plan incorporating the provisions of the Council Resolution.

The Kendall Square Plan Amendment was submitted to the Planning Board for a finding that the amended plan is based on a local survey and conforms to a comprehensive plan for the locality as a whole. Subsequently, the Planning Board made the required finding.

Environmental Impact Study (EIS)

The Department of Housing and Urban Development (HUD) is obligated under the provisions of the National Environmental Policy Act, to make findings on the environmental effects of developing the Kendall Square Project Area in accordance with a preferred plan, namely, the Neighborhood Plan as voted by Council, and four alternative plans. HUD is requiring that CRA carry out an Environmental Impact Study (EIS) to gather information needed by HUD to make its evaluation.

As part of the EIS effort, CRA requested nine firms to submit proposals for preparation of an EIS for the Kendall Square Project. After reviewing proposals submitted by four firms, CRA tentatively designated the firm of Metcalf & Eddy, Inc. (M&E) as EIS contractor. On December 18, 1974, CRA held a public meeting on the EIS process in the auditorium of Department of Transportation on Broadway.

At the public meeting, Cambridge Tenants Organizing Committee made allegations that a conflict of interest exists with respect to M&E because of interlocking corporate relationships among M&E and certain Cambridge banks and other firms doing business in the area. Intensive efforts have been made by the Authority to examine the asserted relationships respecting interlocking corporate relationships. Those relationships which appear to be factually correct would seem to be sufficiently remote, however, to protect the integrity of the environmental impact study process.

All of the facts and circumstances surrounding this contract proposal, to the extent that they are known to CRA, were reviewed by CRA's Legal Counsel. Legal Counsel advised that it did not believe that any or all of these relationships as to which it was informed would automatically prevent Metcalf & Eddy, Inc., from carrying out its proposed services and furnishing the Authority, and in turn HUD, reliable information of value to HUD in making its own evaluation and assessment, but also advised that since these relationships have been questioned, HUD concurrence in the selection be obtained.

Since the purpose of the EIS is to gather data on environmental impacts which are considered and evaluated by HUD, CRA felt that, upon advice from Legal Counsel and in view of the events described above, HUD should concur in the selection of the EIS contractor before CRA executes a contract covering the required work. Consequently, CRA has requested HUD concurrence in CRA designation of Metcalf & Eddy as EIS contractor, and is awaiting HUD's reply.

It is presently estimated that once the EIS is started, approximately one year will be required before HUD can make its findings concerning the environmental effects of a plan for Kendall Square.

Financing of Kendall Square Project Costs

Federal Share of Renewal Costs. HUD has notified CRA that HUD is reserving up to \$15 million as the federal share of the costs to complete the Kendall Square project. The funding reservation really represents an extension of the old method of funding urban renewal projects, or the so-called categorical grant program, which was superseded by the Community Development Program as of January 1, 1975. The funding reservation is in addition to the \$4.0 million of Community Development block grant funds Cambridge is entitled to for 1975. If Cambridge should lose the Kendall Square funding reservation, money to complete Kendall Square must be raised from other sources; it is obvious that community development block grants will not provide sufficient funds, even if the entire amount received by the City were devoted to Kendall Square.

Under ordinary circumstances, in order to secure the Federal funding reservation, the City could find it necessary (1) to complete environmental impact study (EIS) work, (2) to assess the City's capacity to fund the local share of project costs, (3) to ensure that a maximum of Section 112 credits, properly approved and certified, will be available to minimize the local cash deficiency grant required for the project, (4) to adopt an appropriate amendment or amendments to the approved Urban Renewal Plan designed to reflect currently agreed-upon community objectives, (5) to provide for an adequate level of community and political support, not only for the enactment of such an amendment or amendments, but, more importantly, to permit the project to be carried out with the necessary zoning changes and other implementing actions required.

Under the special circumstances which surround the Kendall Square project, however, such procedural steps might tend to impair our ability to secure the designated Federal financing commitment. Consequently, staff is negotiating with HUD officials to determine whether, under special circumstances, such a commitment might not be obtained without further delay, and in advance of the completion of the procedural requirements outlined above.

I will keep Council advised of the outcome of the negotiations with HUD and the next steps which must be taken with respect to the Urban Renewal Plan Amendment.

Local Share of Renewal Costs. As you know, Section 112 of the Housing Act provides that expenditures made by an institution [MIT] to acquire and/or demolish property in accordance with its Development Plan, as approved by the City and HUD, can be claimed as "112 credits." The 112 credits can be used in place of local funds to cover the local share of renewal costs.

According to the latest financing plan submitted by CRA to HUD, the local share of renewal costs amounts to approximately \$17 million. MIT presently is updating its Development Plan for consideration by the City. Preliminary indications are that the amount of 112 credits could cover the entire \$17 million local share, provided MIT is able, with cooperation from the City, to put certain real estate holdings into uses meeting the legal eligibility requirements for claiming 112 credits. If the City and HUD approve the updated MIT Development Plan and the City takes the necessary implementation actions, the City may not be required to make any additional outlay of funds to cover its share of renewal costs.

If the aggregate amount of 112 credits falls short of the presently estimated \$17 million share, staff has prepared alternative financing plans reducing the amount of the local share. The alternative financing plans are based on downgrading the scope of the project, reducing the total cost and, in turn, the amount of the local share of the project. By downgrading the project, however, the level of development and subsequent generation of jobs and tax revenues also will be downgraded.

Appointment of Executive Advisor on International Affairs

On February 19, 1975, I appointed Mr. Joseph Oppenheim, a former Vice President with, and now an international consultant for, Raytheon, to serve as Executive Advisor on International Affairs on a non-paying basis. Mr. Oppenheim plans to use his international and domestic contacts to search out companies, particularly industrial firms, which may be able to develop space in Kendall Square.

However, Mr. Oppenheim is operating under a considerable handicap for the following reasons:

- (1) The City has been unable to present widespread solid support for a development plan for Kendall Square, leading developers to wonder if the City is likely again to revise its objectives for Kendall Square. Consequently, potential developers are reluctant to consider Kendall Square until the City makes up its mind about development there.
- (2) The controversy and publicity surrounding the project discourage, to put it mildly, industrial companies from considering a Kendall Square location, particularly if a company is sensitive to publicity.
- (3) Potential developers realize that until the EIS is completed, definite commitments with respect to particular land uses for the Kendall Square area cannot be made.
- (4) Nationwide competition for the types of industries preferred by Cambridge is severe.

Joint Participation Agreement

As part of the Resolution on Kendall Square, Council voted "That a Cooperative Agreement, as stated by the City Manager, be signed

with the Cambridge Redevelopment Authority and the City Council so as to insure the City Council's approval prior to the sale or development of any parcel within the Kendall Square Urban Renewal Area..."

CRA has prepared a draft of such an agreement which provides for the following:

- (1) City Manager review of all development proposals received by CRA.
- (2) City Manager review and approval of all CRA construction contracts. CRA will not execute a construction contract if advised, in writing and within 10 working days of CRA request for review of the contract, of City Manager's disapproval of the contract.
- (3) City Council review and approval of all CRA Kendall Square Land Disposition Contracts. CRA will not execute a Land Disposition Contract if advised, in writing and within 10 working days of CRA request for review of the contract, of City Council's disapproval of the contract.

It is proposed that the agreement be referred to as a "Joint Participation Agreement" in order to avoid confusing this unusual kind of agreement with the regular "Cooperation Agreement" between the City and CRA, required as standard procedure in all renewal projects and already in existence for the Kendall Square Project.

Citizen Participation

A number of meetings have been held with citizens groups in order to brief them on the status of the Kendall Square project. These groups include the East Cambridge Planning Team, sponsors of the Neighborhood Plan (namely, representatives from the East Cambridge community, Kendall Square Business Association, MIT and 100 Memorial Drive), the Wellington-Harrington Citizens Committee, and the Model Cities Board of Directors.

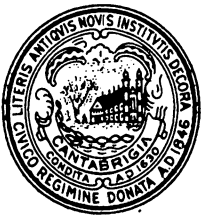
The sponsors of the Neighborhood Plan have formed a joint advisory group in order to have an on-going role in the EIS process. CRA plans to cooperate with that group and any other group making a reasonable request for participation.

CRA plans to hold public meetings on the EIS in order to give as many interested people as possible an opportunity to participate in the study.

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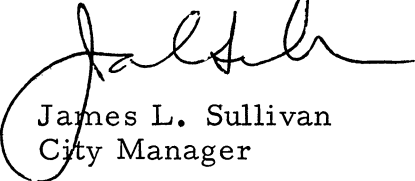
EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

June 2, 1975

To the Honorable, the City Council:

I transmit herewith a Progress Report regarding Kendall
Square Development, in response to Awaiting Report No. 12.

Very truly yours,



James L. Sullivan
City Manager

JLS/mbf
Enc.

Agenda #18

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Progress Report on Kendall Square Development.

In City Council,

June 2, 1975

Placed on file