



DRAFT

Project Proposal to
The Asset Management Board

Charles F. Hurley Building Redevelopment Project Commonwealth of Massachusetts

Charles F. Hurley Building
Boston, Massachusetts

January 19, 2021

Proposed by:
The Commonwealth of Massachusetts
Division of Capital Asset Management and Maintenance
Carol W. Gladstone, Commissioner

In Collaboration with

Executive Office of Labor and Workforce Development
Roslin Acosta, Secretary

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I. PROJECT SUMMARY

Proposing Agency

Division of Capital Asset Management and Maintenance (DCAMM)

In collaboration with

Executive Office of Labor and Workforce Development (EOLWD)

Summary Description of the Project

The Charles F. Hurley Building (the “Hurley Building”) is located on approximately 3.25 acres in Downtown Boston. It provides approximately 241,000 usable square feet (327,000 gross square feet), which is primarily occupied as office space by agencies in EOLWD. The Hurley Building, which opened in 1971, requires capital renewal expenditures of approximately \$225 million.

DCAMM has examined several options for addressing the Hurley Building’s needs and has concluded that redevelopment, in partnership with a private entity (the “Project”), will be the most cost-effective and beneficial approach for the Commonwealth. By leveraging the value to a private developer of a long-term ground lease of up to 99 years (the “Ground Lease”), the Commonwealth will be able to offset the long-term cost of office space occupancy for the state agencies, and allow for the amortization of the total cost of ownership over the new or renewed asset’s life. This will not only help to stabilize occupancy, but to ensure that operations and capital reserves are adequately funded, and that the site is enlivened in ways it likely could not be without the introduction of private uses and greater density overall.

DCAMM’s entire offering (the “Disposition Site” shown in Figures 2 and 3) includes both the Hurley Building and surrounding area (the “Hurley Disposition Area” shown on Figures 2 and 3) and the open spaces surrounding the adjacent Lindemann Mental Health Center (the “Open Space Improvement Area” shown in Figures 2 and 3), but not the Lindemann Building itself.

Description of Transaction

DCAMM proposes to offer a Ground Lease within the Disposition Site to a private developer who will secure all necessary permits, approvals, and funding for the redevelopment. As consideration for the Ground Lease, the selected developer will be required to provide office space to the Commonwealth at reduced cost. The Commonwealth office space is expected to be provided on the Disposition Site, though DCAMM may accept offers for space within the City of Boston Central Business District, delineated on the map in Appendix [X], that meet DCAMM’s criteria.

II. DESCRIPTION OF THE PROJECT

Description and History of Asset

The Disposition Site is part of what was originally planned as a three-building, 8.5-acre Boston Government Service Center (“BGSC”). Two buildings were built and continue to be used as originally planned: the 327,000 SF Charles F. Hurley Building providing offices for Labor and Workforce agencies; and the 222,000 SF Erich Lindemann Mental Health Center providing offices for, and programs run by, the Department of Mental Health (“DMH”). In addition to the Hurley and Lindemann Buildings, the site was designed to contain a third building – a tower for Health, Education and Welfare departments. That building was never built; the Edward Brooke Courthouse, which was added in the late 1990’s, stands on that portion of the BGSC (and is not included in this Project).

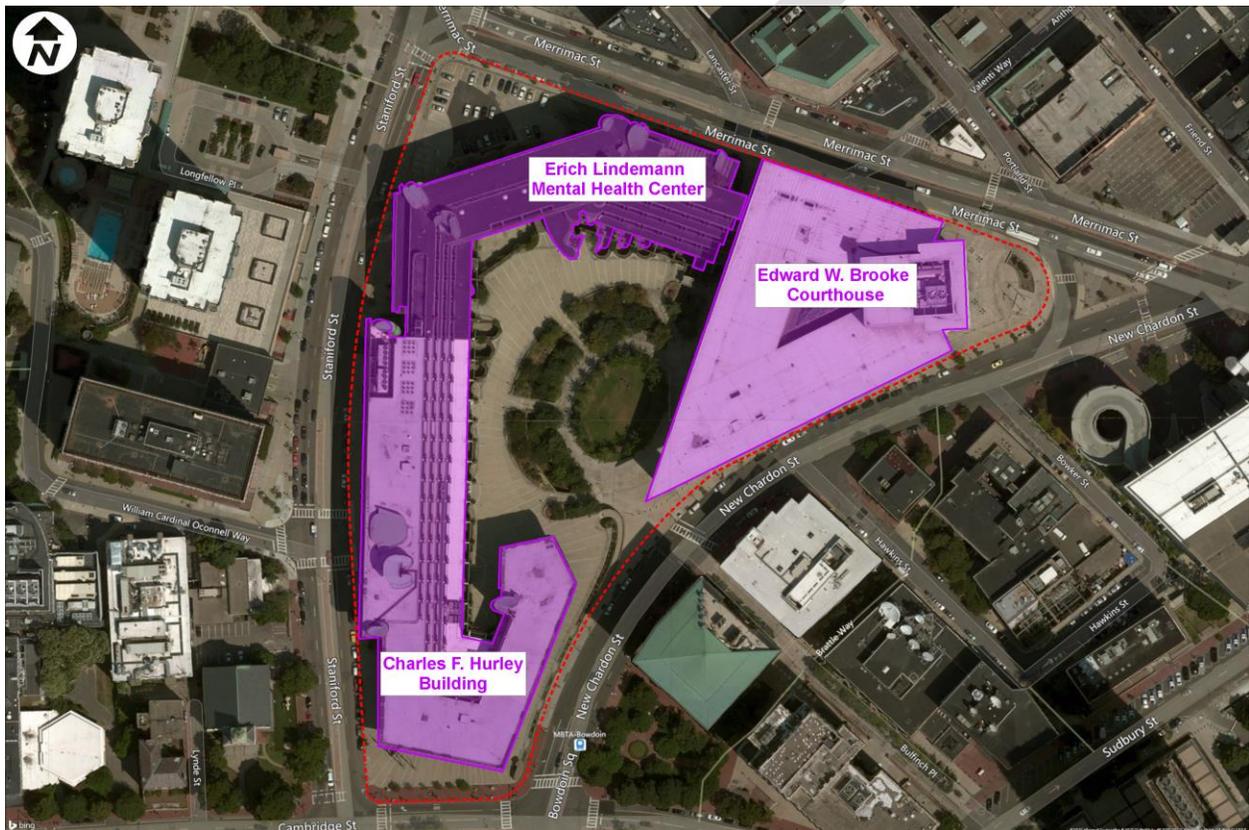


Figure 1: Buildings in BGSC

The outside boundaries of the proposed “Disposition Site” (approximately 5.25 acres) includes the Hurley Building and surrounding improvements, but *excludes* the Lindemann Building. The Disposition Site will be available for redevelopment as follows: The “Hurley Disposition Area” (approximately 3.25 acres, shaded in yellow in Figures 2 and 3), will be available for permanent redevelopment for state agency offices and private uses; and the “Open Space Improvement Area” (approximately 2 acres, shaded in green in Figures 2 and 3) will be available for open space and other public amenities (no permanent buildings will be allowed). The Commonwealth retains the right to not include or terminate the Ground Lease on some or all of the Open Space Improvement Area at any time, if and as Commonwealth’s needs for that portion of the Disposition Site evolve.

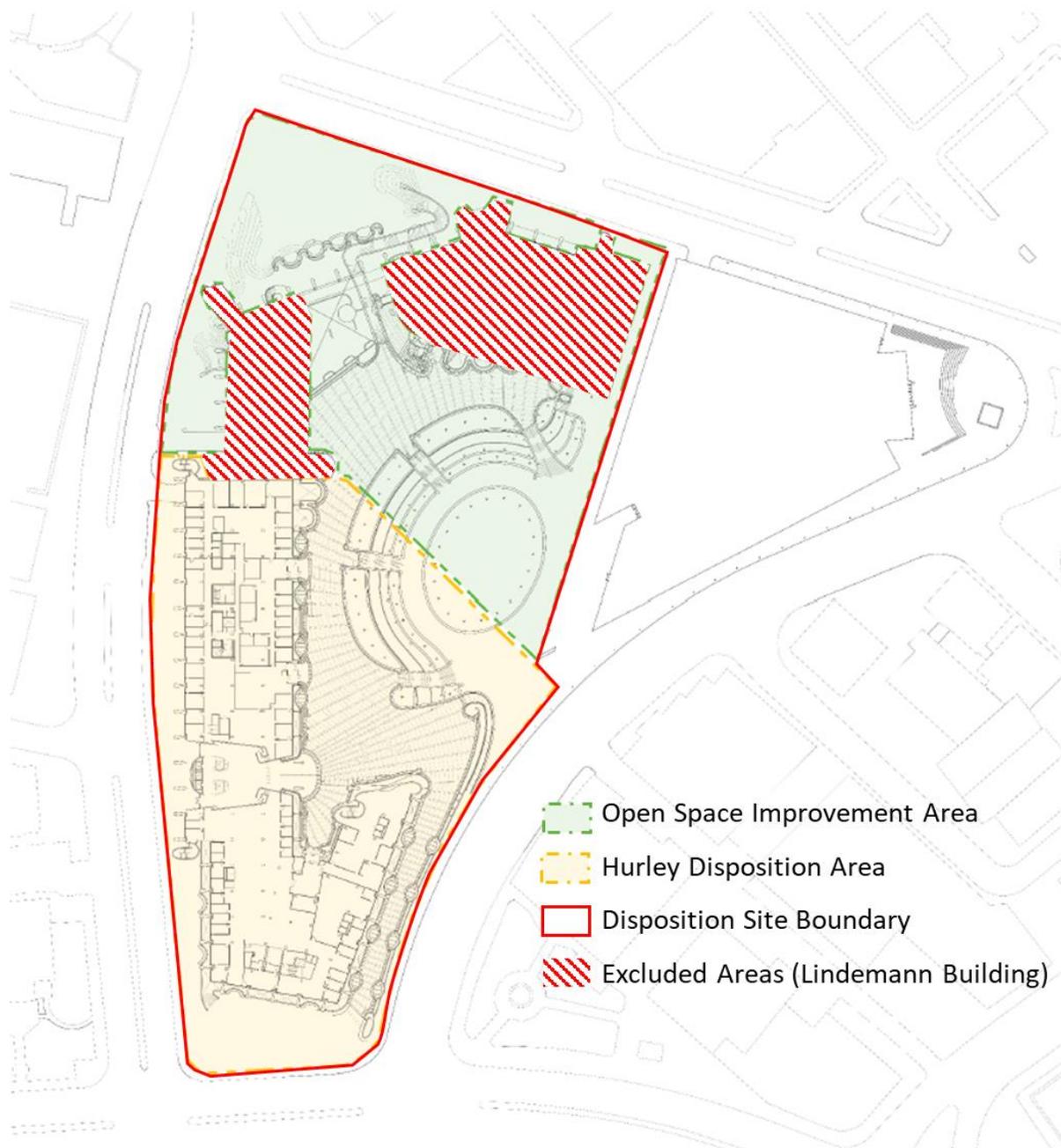


Figure 2: Disposition Site Boundary (in red) showing Hurley Disposition Area and Open Space Improvement Area

The Disposition Site is bound by Staniford Street between Merrimac and Cambridge Streets; Cambridge Street between Staniford and New Chardon Streets; New Chardon Street between Cambridge Street and the pedestrian passageway adjacent to the Brooke Courthouse; and Merrimac Street between that same pedestrian passageway and Staniford Street. The boundary between the Hurley Disposition Area and the Open Space Improvement Area is between the two buildings where they meet, and then diagonally across the shared plaza and garage, to roughly meet up with Bulfinch Place where it intersects New Chardon Street.

Hurley Building Disposition Area

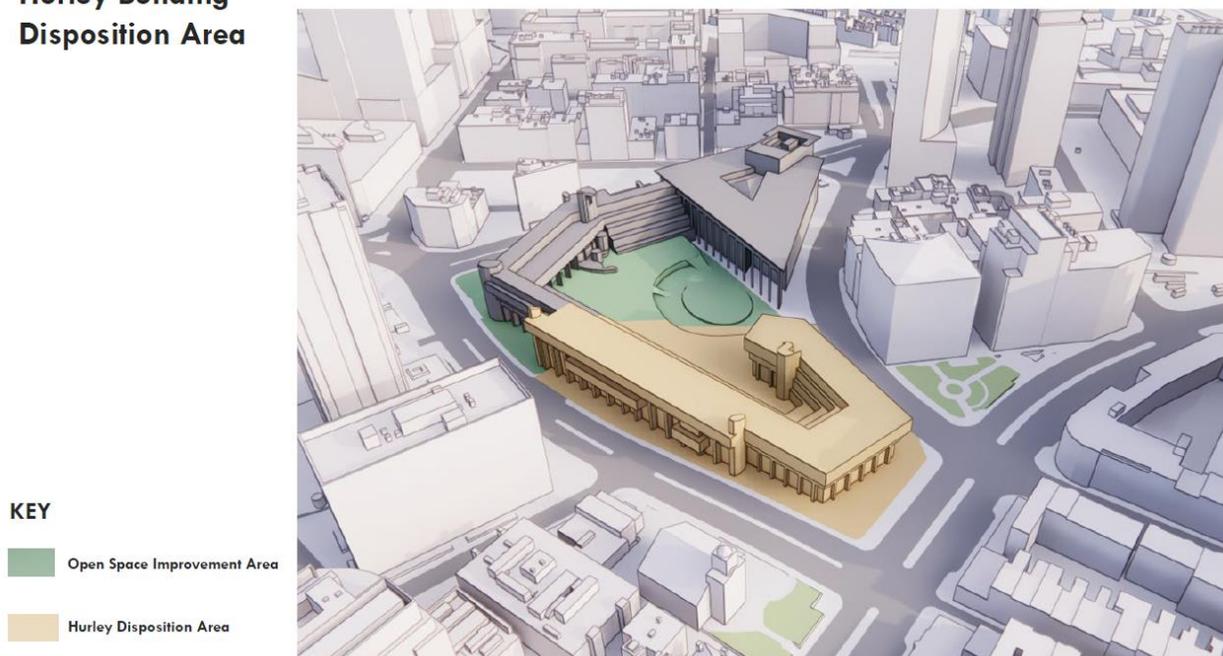


Figure 3: Three-Dimensional View of Open Space Improvement Area and Hurley Disposition Area

In addition to what was proposed in the Preliminary Proposal to the AMB, made on January 14, 2020, DCAMM is expanding the potential Disposition Site to address one of the biggest concerns raised by stakeholders: the appearance and unwelcoming aspect of the open space surrounding the entire block, and especially of what is known as “Merrimac Plaza,” the roughly half-acre, triangular plaza located at the corner of Staniford and Merrimac Streets, which was originally designed as public open space but is now used as parking for state employee vehicles.

The Lindemann Building itself is not included in the Disposition Site because it contains services procured or managed by DMH, including 113 shelter beds for homeless residents and several outpatient or drop-in programs. These programs cannot be as easily relocated as more fungible state office space (which is the primary use of the Hurley Building). Since planning and uses for the Lindemann Building and surrounding areas continue to evolve, DCAMM intends to restrict uses on the portion of the Disposition Site nearest the Lindemann Building – and to retain the right to not include or terminate some or all of that portion of the Ground Lease.

The Hurley Building and Lindemann Building are adjacent, they are structurally separate, and were delivered separately. They share a parking garage and plaza, and a supplemental cooling system; however, the buildings’ chilled and hot water systems will be de-coupled prior to any redevelopment transaction.

Public Benefit

Financial Benefits

The public purpose of this Project is to stabilize and minimize the cost of the Commonwealth’s long-term office space needs in Downtown Boston. The proposed approach will also address the

estimated \$225 million capital liability of the Hurley Building; allow the Commonwealth to eliminate short-term office space leases that currently leave the Commonwealth exposed to Downtown Boston's market fluctuations; and amortize occupancy costs over the term of the agreement. This plan will enable to the Commonwealth to plan more efficiently and effectively for its long-term operating budget and capital renewal needs, and to provide for a higher level of asset maintenance than DCAMM is currently able to achieve.

Long-term lease to Commonwealth

The Commonwealth will benefit from the certainty of a long-term tenancy (up to 99 years) or commercial leasehold condominium in improved space at stabilized, below-market rents.

Addressing capital needs

As with any building of this age, the Hurley Building faces major capital needs – both to address end-of-life building systems and other deferred maintenance needs, and also to bring the building up to modern standards, including retrofits to reduce energy consumption, and upgrades to interior spaces to better address program and customer service needs. By leveraging the site's value to address these concerns, the Commonwealth will be eliminating a capital liability of \$225 million or more.

Improved urban design

The redevelopment will enliven what is currently an imposing, unfriendly block in Downtown Boston by bringing a mix of uses and greater density to the Hurley Redevelopment Area, rethinking the street-level experience across the Disposition Site (including open space, ground-level activation, and the introduction of a mid-block passageway between Staniford and New Chardon Streets), and allowing for selective removal of portions of the existing Hurley Building.

A thoughtful approach to historic preservation

The Disposition Site is part of the BGSC, for which esteemed modernist architect Paul Rudolph served as the coordinating architect. The complex as a whole is admired by fans of Brutalist architecture for its distinct features and its monumental scale, which is in keeping with the outsized role government played in that Urban Renewal era. DCAMM is in consultation with the Massachusetts Historical Commission and preservation advocates on an adaptive reuse approach that respects the significance of the site while allowing for much-needed improvements. Including the "Open Space Improvement Area" in the disposition site is part of that work.

Economic benefits

As with similar major construction and redevelopment projects, this Project will create both temporary and permanent jobs, and will generate tax revenue for both the city and state. The magnitude of each of these benefits will depend on the specific redevelopment approach selected.

Transit-oriented development (TOD)

As the Commonwealth seeks to address traffic congestion and reduce greenhouse gas emissions, concentrating development in transit-accessible locations is key to future growth. Because of its prime location in Downtown Boston, this development will concentrate new users at a site that is adjacent to the Blue Line, and less than a 10-minute walk from North Station and all other fixed-

rail MBTA service (Red, Orange, and Green lines). Continuing to utilize the site in the low-density, low-activity way it's currently configured would be a huge missed opportunity.

Anticipated Public Costs

DCAMM has examined several options for addressing the Hurley Building's needs and has concluded that redevelopment, in partnership with a private entity, will be the most cost-effective and beneficial for the Commonwealth. By leveraging the value to a private developer of a long-term ground lease of up to 99 years, the Commonwealth will be able to offset the long-term cost of occupancy for the Commonwealth, and allow for the amortization of the total cost of ownership over the new or renewed asset's life. This will not only help to stabilize occupancy, but to ensure that operations and capital reserves are adequately funded, and that the Disposition Site is enlivened in ways it likely could not be without the introduction of private uses and greater density overall.

The costs to the Commonwealth from this Project will depend on the exact development program proposed, and how much space DCAMM occupies in the redeveloped property. Typically, Commonwealth space leases are funded from operating funds. If the Commonwealth acquires a commercial leasehold condominium interest in the redeveloped Project, capital sources may be made available and/or used. No such capital sources have been identified to date. These anticipated costs should be offset in part by reducing the need for leased space elsewhere in Downtown Boston (under existing leases not acquired as part of this Project).

Although DCAMM anticipates that the space it will re-occupy as part of this Project will be located within the Disposition Site, DCAMM may accept offers for space within the City of Boston Central Business District, delineated on the map in Appendix [X], that meet DCAMM's criteria. These criteria may include proximity to public transit, proximity to Government Center, length of lease and other conditions and lease terms. DCAMM anticipates requiring as much as 350,000 gross square feet to approximate a replacement of the space currently available in the Hurley Building, and is seeking authorization from the Asset Management Board (the "AMB") to acquire such space if it is part of the proposal that DCAMM deems to be most advantageous to the Commonwealth.

Estimated Revenues, Sources and Application

Revenues from this Project are likely to be applied primarily to the reduction of occupancy costs for the office space allocated to the Commonwealth by lease or condominium interest as part of this Project. Such occupancy costs include base rent, maintenance costs, capital improvement funds, operating reserve funds, and other typical office occupancy costs.

Cash payments may also be made to the Commonwealth from time to time, for example as "participation" in a sale or refinancing of the leasehold interest (which will be subject to Commonwealth approval). These payments will be split between the Trust Fund established pursuant to this Project (see Section [6], "Trust Fund Information") and the General Fund of the Commonwealth.

Much of the anticipated value of redevelopment stems from the fact that Boston zoning currently permits a floor area ratio (FAR) of between 8.0 and 10.0 at the site. The current configuration of the Hurley Building is approximately 2.2 FAR. Therefore, the density permitted could be more

than four times greater than current usage. In addition, height restrictions under Boston zoning might permit a 400-foot tall structure in the existing courtyard. Compliance with all applicable laws and regulations be the responsibility of the selected developer.

Anticipated Market

DCAMM expects this development opportunity to attract interest from commercial developers in the Boston market and beyond. The selected developer will need to have a demonstrated track record in the delivery of complex urban infill projects that mix public and private uses and have substantial public benefits.

Private Sector Participation Required

This redevelopment requires private sector participation to densify the Hurley Disposition Area, enliven the Disposition Site, and assemble the team and marshal the resources necessary to significantly expand the building improvements onsite. Development sites of this size are quite rare in Downtown Boston, so this should be an attractive opportunity for well-respected, large development firms.

Schedule for Implementation

The estimated timeline for the Project includes:

- RFP: first quarter 2021;
- Redeveloper designation: late 2021;
- Permitting and Financing completed by redeveloper: 2023;
- Construction commencement: 2023; and
- Construction completion: 2025

Performance Measures

DCAMM will assist the AMB in monitoring the performance of the proposed transaction by reporting annually to the AMB pursuant to its regulations (810 CMR 2.08).

The successful performance of this transaction can be measured objectively by the following criteria:

- The Procurement Process will yield new office space for state employees that meets the Commonwealth's requirements;
- The lease will not result in windfall profits to any individual as per 810 CMR 2.02(1)(e);
- The lease will maximize the utilization of the Commonwealth's real estate assets at this location; and
- The Project will be financially feasible over the term of the Ground Lease.

III. Public Comments and Responses

[To be submitted with final proposal]

IV. Laws and Regulations to be Waived

DCAMM requests that the AMB waive the following laws and regulations for this proposed transaction:

M.G.L. Chapter 7C, Section 33
M.G.L. Chapter 7C, Section 34
M.G.L. Chapter 7C, Section 35
M.G.L. Chapter 7C, Section 41
M.G.L. Chapter 30, Sections 39F through 39R inclusive (but not Section 39H)
M.G.L. Chapter 149, Sections 44A through 44J inclusive, except for certification of non-collusion in contracting requirement.
810 CMR 2.06(2)(b)
810 CMR 2.06(2)(c)
810 CMR 2.06(2)(f)

M.G.L. c. 7C, § 33 – Establishes the process for the disposition of surplus Commonwealth property. This section should be waived to make clear that state and local polling is not required for this transaction.

M.G.L. c. 7C, § 34 – Establishes the process for the disposition of surplus Commonwealth property when legislative authorization exists. This section should be waived to make clear that AMB approval is in lieu of express legislative authorization for the proposed project.

M.G.L. c. 7C, § 35 (10 Year Limitation) – Limits the term of any lease acquisition to a maximum of 10 years.

M.G.L. c. 7C, § 41 – Prohibits certain private uses of public land without legislative authorization. AMB approval is requested in lieu of legislative approval.

M.G.L. Chapter 30, Sections 39F through 39R inclusive (but not Section 39H)
M.G.L. Chapter 149, Sections 44A through 44J inclusive, except for certification of noncollusion in contracting requirement – These laws govern competitive procurement of construction contracts by state authorities, departments and municipalities. While a competitive process will be required, the selection will be based on factors including, but not limited to, cost of construction and therefore the public construction laws will not apply. The noncollusion in contracting requirement would not be waived, nor would any laws pertaining to the payment of prevailing wages for improvements constructed on state-owned property.

810 CMR 2.06(2)(b) (Agency Inventory) – No inventory is required because no asset of the proposing agency is being declared as surplus.

810 CMR 2.06(2)(c) (Polling Requirement – Second Sentence Only) –The first sentence of this section requires the Commissioner of DCAMM to certify receipt of an inventory of the agency's assets and that such inventory is accurate and correct. The inventory and the Commissioner's certification is not applicable (see above request for waiver of Agency Inventory). The second sentence of Section 2(c) requires the DCAMM Commissioner to also certify that the project does not conflict with the current and foreseeable needs of any agency of the Commonwealth. Since this transaction does not require state polling, the requirement in this second sentence should be waived to make it clear that the Commissioner's certification is not required.

810 CMR 2.06(2)(f) (Real Property Appraisal) – Section 2(f) requires an independent appraisal for the disposition of real property. Because no asset is being disposed of and the competitive procurement process will establish the fair market rental value of the lease being procured, the appraisal requirement should be waived.

Alternative Disposition / Acquisition Process

DCAMM anticipates issuing a Request for Proposals (RFP) to solicit redevelopment proposals for the site. DCAMM will select the proposal that is most advantageous to the Commonwealth (reserving the right to reject any and all proposals for any or no reason), using evaluation criteria that include, but are not limited to:

1. Team qualifications
 - a. Experience with similar
 - b. Ability to execute
 - c. Diversity and inclusion
2. Business terms
 - a. Space cost to Commonwealth
3. Development proposal
 - a. Market / financial feasibility
 - b. Permitting feasibility
4. Design proposal
 - a. Adherence to design guidelines (urban design, building design, sustainable design)

Availability of the RFP will be announced via DCAMM's website, emails to DCAMM's database of developers and other interested parties, publication in the Central Register, and other channels. The RFP will contain sufficient information for interested parties to develop a responsive proposal, and will establish an evaluation process that ensures fair treatment of proposers. The proposal evaluation criteria will be included in the RFP.

V. Implementation and Performance Monitoring

DCAMM will assist the AMB in monitoring the performance of the proposed transaction by reporting annually to the AMB pursuant to its regulations (810 CMR 2.08).

Individuals responsible for this monitoring include:

- *Carol Gladstone, Commissioner, DCAMM*
Carol Gladstone was appointed by Governor Baker as Commissioner of DCAMM on February 26, 2015. She has more than 35 years of experience in both public and private real estate development and project management.
- *Paul M. Crowley, Deputy Commissioner for Real Estate, DCAMM*
Paul M. Crowley is DCAMM Deputy Commissioner for Real Estate, with responsibility for leading the agency's real estate acquisition, disposition, and leasing efforts. He has held several executive-level real estate and asset management positions in the private and not-for-profit sectors.

- *Nick Tsaparlis, Deputy Director for Asset Management, DCAMM*
Nick Tsaparalis is Deputy Director for Asset Management and serves as Board Secretary for the Asset Management Board. In that role, he is responsible for compiling annual reports to the AMB on project performance.
- *Abi Vladeck, Senior Project Manager, DCAMM*
Abi Vladeck is a Senior Project Manager in the DCAMM Office of Real Estate Management, where she handles large, complex disposition projects on behalf of the agency. Ms. Vladeck has over ten years of experience in public sector capital planning and real estate.
- *Daniel Cordeau, Leasing Director, DCAMM*
Daniel Cordeau joined the Division of Capital Asset Management (DCAMM) as Director of Leasing in August 2020. He came to this position with over 30 years of experience in the private real estate market. Dan manages a team responsible for transactions (new space acquisition, relocation or renewing, closing) related to over 500 leased premises throughout the Commonwealth.
- *Natalie Sawyer, General Counsel, DCAMM*
Natalie Sawyer serves as DCAMM General Counsel, providing legal advice and assistance to the agency with respect to real estate acquisitions, dispositions, contracts, claims and disputes. Prior to joining DCAMM, Ms. Sawyer spent over 15 years practicing in both the private and public sectors.
- *Freya Bernstein, Deputy General Counsel, DCAMM*
Freya Bernstein has practiced law for over 35 years in both the private and public sectors, including at law firms, financial institutions, corporations and with government agencies, concentrating in commercial real estate development, finance and loan restructure. She has served as DCAMM Deputy General Counsel since 2004.

VI. Trust Fund Information

Although consideration for the Ground Lease is expected to be realized in the form of reduced cost of occupancy in the office space that the Commonwealth leases (or buys) back, a Trust Fund will be created to accept cash payments. Disbursements from this fund would be used for capital improvements to be identified by the DCAMM Commissioner. Fifty percent of cash proceeds would be deposited into this fund and fifty percent into the General Fund, as required by M.G.L. Chapter 7B and 810 CMR 2.09.

VII. Appendices

Appendix X: DCAMM Lease Search Area



Appendix X: Asset Inventory and Commissioner Certification [To be assembled from CAMIS]

Appendix X: Secretariat Approval

[Letters of support from relevant cabinet secretaries to be included with final proposal]

Appendix X: Letter from Secretary of Administration and Finance Supporting Creation of Trust Fund

[Letter to be included with final proposal]

Appendix X: Public Comments and Agency Response

[TO BE UPDATED AFTER COMMENT PERIOD CLOSES ON DECEMBER 23, 2020.]

Appendix X: Applicable Reports and Studies

- DRAFT Design Guidelines
- Lindemann-Hurley Preservation Report

Appendix X: Private Individuals and Consultants Involved in Proposal Preparation

Real Estate Advisory Services

Stantec Real Estate

226 Causeway Street, Boston

- Drew Leff, Principal
- Alexandra Phillips, Project Manager (*no longer with the firm*)

Site Planning and Urban Design

Stantec Architecture

311 Summer Street, Boston

- Tamara Roy, AIA LEED AP, Principal
- Michael Grant, AIA LEED AP, Associate

Historic Preservation

Bruner / Cott Architects

225 Friend Street, Boston

- Henry Moss, AIA LEED AP, Principal
- Lawrence Cheng, AIA LEED AP, Principal

Financial Analysis

Byrne McKinney & Associates, Inc.

607 Boylston Street, Boston

- Pamela S. McKinney, MAI, Principal

Permitting – Historic Preservation

Epsilon Associates

3 Mill & Main Place, Maynard

- Doug Kelleher, Principal

Legal Services

Krokidas & Bluestein, LLP

600 Atlantic Avenue, Boston

- Kathy Murphy, Partner

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