

Council Agenda Report

Date: May 15, 2018

Prepared and Submitted by: Sandra Tripp-Jones, City Manager

SUBJECT: Cambridge Waterfront Development, Inc.(proposed)

Recommendation: That Council:

- A. Authorize the Mayor to execute an Amendment to the Memorandum of Understanding with Dorchester County setting forth a) a proposed one-year budget and loans from the City and the County to launch the proposed not-for-profit development corporation tentatively named Cambridge Waterfront Development, Inc. (CWDI) and b) mutual obligations and responsibilities for launching the not-for-profit and supporting it in developing the waterfront properties;
- B. Authorize the City, together with Dorchester County, to submit a TAG grant application to the Department of Housing and Community Development for predevelopment studies, in the amount of \$25,000 to be matched by the City and County through the CWDI;
- C. Approve selection criteria for board membership;
- D. Appoint Sailwinds Committee Members Mayor Victoria Jackson-Stanley, Commissioner Donald Sydnor and Commissioner Robert Hanson to interview prospective Council appointees to the board and make recommendations to City Council for appointment;
- E. Authorize the Mayor to send a letter to Sailwinds Park, Inc. requesting a recommended appointee to the proposed board subject to City Council and County Council approval;
- F. Authorize the Mayor to send a letter to Governor Hogan requesting an appointee to the proposed board;
- G. Direct the City Attorney and City Manager and request the County Manager to assist in developing proposed articles of incorporation for Waterfront Development, Inc. and applications for tax exempt status

Discussion:

On March 12, 2018, City Council approved an MOU with the Dorchester County committing to joint formation of a not-for-profit corporation tentatively named Cambridge Waterfront Development, Inc. (CWDI) to carry out redevelopment of the Sailwinds port property and possible Shore Health Dorchester Hospital property. We agreed to a 7-member board made up of:

- 2 Members appointed by the City Council
- 1 Member appointed by the County Council
- 1 Member nominated by Sailwinds Park, Inc.
- 1 Member appointed by the Governor
- City Manager, voting ex-officio
- County Manager, voting ex officio

In the MOU, the City and County also agreed to share costs of operations of a CWDI. We are now at the point of approving a budget and funding plan, criteria and a selection process for board members, and initiation of incorporation documents.

BUDGET:

The City and County are obligated to fund the first-year FY 2019 operating budget and possibly second year budget depending on how quickly CWDI generates operating revenue. Both the City and County will loan funds with expectation that the loans will be repaid from the development deals on the property. The new CWDI will have an executive director, be housed in County facilities (in-kind) with financial services provided by the City (in-kind). Here follows a summary of the City and County contributions which are detailed in Exhibit A to this report and to the Amendment to the MOU:

City Cash	City In-Kind	County Cash	County In-Kind	Grants/Other	TOTAL
\$ 102,500	\$ 12,000	\$ 65,250	\$ 25,500	\$ 25,000	\$ 230,250

Note:

- The lesser amount of contribution from the County is in consideration of the County’s expressed willingness to loan funds for the acquisition of the Dorchester Hospital property and to discount demolition disposal fees at the County landfill.
- The Maryland Department of Housing and Community Development has recommended the City and County together apply for a TAG grant to cover 50% of predevelopment studies/consulting costs. The budget includes \$12,500 each from the City and County as match to a \$25,000 TAG grant.
- The Amendment to the MOU calls for up to 2 additional years of loaned operating funds, with the City and County contributions to be determined annually.

BOARD MEMBERS:

The CWDI Board will be responsible for redeveloping an approximately 25-acre waterfront area (assuming acquisition of the hospital property). The future development can be anticipated to cost more than \$250,000,000. In order to assure that the Sailwinds redevelopment project is a success, the City needs to appoint knowledgeable and experienced board members who can determine the strategy of the corporation and hold it accountable for its performance. This board will likely have the powers and responsibilities to:

- Acquire, lease, encumber, and dispose of properties.
- Communicate with City and County on a regular basis and engage with the public on potential development.
- Determine the locations, purpose, design, functions, capacity, parking, cost, funding mechanism, alternative revenues, special taxing sources, public benefits, levels of support from private sector, and fiscal impacts on the City, County and State of new development projects.
- Enter into contracts for services of any person and in connection with any financing, including financial institutions.
- Regulate the use and operation of facilities.

- Borrow from any sources for any corporate interest, including for working capital, operations, reserves and interest payments.
- Mortgage, pledge and otherwise encumber the property or funds for the corporation.
- Seek and accept from any public or private source, contributions, gifts or grants of money or property.
- Have an office, staff and other equipment and materials to carry out its purpose.

These responsibilities will require knowledge and experience in public/private real estate development, in areas such as:

- Negotiating public-private development agreements
- Urban planning
- Fiscal and economic impact analysis
- Public fiscal impact and tax analysis
- Property acquisition
- Land and entitlement process
- State and local development incentives
- Governmental relations
- Financing instruments
- Market research
- Business attraction

As such, I recommend the following criteria for recruiting and selecting all board members:

1. Executive leadership experience.
2. Good interpersonal skills, especially where sensitive or controversial issues are concerned.
3. Strong negotiating skills.
4. Previous experience serving on a board of directors.
5. Experience with one or more of the following:
 - a. Negotiating multi-million-dollar, public-private, real estate development agreements.
 - b. Financing or assembling the financing for mixed use, public-private, real estate development agreements.
 - c. Planning and/or designing multi-million-dollar, mixed use developments.
 - d. Marketing real estate for mixed use, multi-million-dollar projects.
 - e. Managing large real estate development projects.
 - f. Managing or serving on a board of directors of a large organization that has planned or completed a multi-million-dollar real estate development project.
 - g. Implementing cultural or racial diversity in public or private organizations.
6. A clear reason for their desire to serve on the Board.
7. Time available to serve - for at least 2 years with significant availability between July 2018 and October 2018.
8. Able to sign a statement of no conflict of interest with the CWDI and be bondable.
9. At least 3 of the board members should live in or own property in Dorchester County.

I recommend the Mayor send letters to Sailwinds Park, Inc. requesting a nominee and to the Governor, requesting an appointment to the Board. I also recommend that the Mayor and Commissioners Hanson and Sydnor who are on the City Sailwinds Committee interview and

recommend candidates to the City Council by June 25, 2018, including the nominee from the Sailwinds Park, Inc.

OBLIGATIONS:

The Addendum to the MOU sets forth obligations on the part of the City and County:

1. Provide copies of documents that control and guide the Sailwinds port property use and disposition (City);
2. Support Shore Health in its efforts to secure approvals to develop an emergency and freestanding medical facility in Cambridge on a site other than its current site (City and County);
3. Annually consider and reasonably support loans to the CWDI operating budget for up to three years (City and County);
4. Transfer the Sailwinds unencumbered port property to the CWDI (City);
5. Cooperate in public education and public engagement on the proposed development plans as they are formulated (City and County);
6. Appoint replacement members to the board of CWDI in a timely fashion (City and County);
7. Reasonably provide staff consultation to the project on such things as planning and zoning plans and requirements, utility conditions and locations, fiscal impact analyses, property data (City and County);
8. Reasonably consider exercise of eminent domain powers if requested by the CWDI for project purposes (City and County); and
9. Reasonably consider requests for approval of tax backed financing if requested by the CWDI for project purposes (City and County).

INCORPORATION DOCUMENTS:

In order to proceed quickly, incorporation applications should be submitted now. The City Attorney with the City Manager and County Manager can prepare the articles of incorporation and application documents as well as draft by-laws for the CWDI boards' consideration once formed. The tax exemption applications cannot be submitted until legal corporation status is granted.

If the City and County can approve this Addendum to the MOU, appoint the board and submit incorporation materials between now and June 30, 2018, the CWDI can open begin operation in July 2018.

FIRST ADDENDUM
to
MEMORANDUM OF UNDERSTANDING
between
CITY OF CAMBRIDGE, MARYLAND
and
DORCHESTER COUNTY, MARYLAND

THIS FIRST ADDENDUM TO MEMORANDUM OF UNDERSTANDING (“First Addendum”) is made this ____ day of _____, 2018, by and between the CITY OF CAMBRIDGE, MARYLAND, a Maryland municipal corporation (“City”), and DORCHESTER COUNTY, MARYLAND, a Maryland charter county (“County”) (collectively the “Parties”).

RECITALS

WHEREAS, City and County entered into a Memorandum of Understanding dated April 2, 2018 (“MOU”) whereby, *inter alia*, the City and County agreed to jointly pursue redevelopment and revitalization opportunities related to the Cambridge Waterfront, including the formation of an independent Development Entity incorporated under Maryland law with broad authority and wherewithal to organize, oversee and implement the public-private partnership envisioned by the City and County for the redevelopment of the Cambridge Waterfront; and

WHEREAS, pursuant to Section 4 of the MOU, the City and County agreed to share equally in the reasonable costs associated with implementation of the MOU and to determine a funding plan for the start-up and operation of the Development Entity, which the Parties expect to be duly incorporated on or before July 1, 2018; and

WHEREAS, in furtherance of the MOU, the City and County have developed a funding plan and budget for the Development Entity for Fiscal Year 2019 (commencing July 1, 2018) (“FY19”) and will work with each other and the Development Entity to identify potential sources of funding in subsequent years.

NOW, THEREFORE, in consideration of the recitals set forth above, and the covenants and agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties, hereby agree as follows:

1. **Budget.** The proposed FY19 budget and funding plan for the Development Entity is attached as **Exhibit A** and incorporated herein and is subject to ratification by the Development Entity’s board of directors after being duly seated and organized.

2. **City and County Obligations.** In furtherance of the spirit and intent of the MOU, the City and County shall cooperate in the following actions and undertakings:

A. City will share information and documentation regarding the use and disposition of the Cambridge Port Property (former Cambridge Marine Terminal known as the Sailwinds Project) transferred by the State of Maryland to the City in March 2014; and determine the process and approvals necessary for the transfer or assignment of said property to the Development Entity.

B. City and County will continue supporting Shore Health in its efforts to secure the approvals necessary for the planned relocation of its facilities and reallocation of its services in the region, which will render certain Shore Health properties in the City surplus and available for inclusion in the Cambridge Waterfront.

C. On an annual basis, and as requested, City and County will consider the appropriate level of financial support for the operation of the Development Entity, including grants, loans, contracted services, technical support and/or in-kind contributions.

D. City and County will cooperate in and coordinate all public relations, public education and public engagement related to the Development Entity and proposals and plans concerning the Cambridge Waterfront as they are formulated.

E. City and County will diligently pursue the recruitment and appointment of qualified individuals to serve on the Development Entity's board of directors, as needed.

3. Effect of Addendum. The MOU shall be amended only as provided in this First Addendum, and all other terms and conditions of the MOU shall remain in full force and effect.

IN WITNESS WHEREOF, the City and County have caused this First Addendum to be properly executed and sealed by the undersigned:

CITY OF CAMBRIDGE, MARYLAND

The Commissioners of Cambridge

WITNESS/ATTEST:

Sandra Tripp-Jones
City Manager

By: _____ (SEAL)
Victoria Jackson-Stanley, Mayor

DORCHESTER COUNTY, MARYLAND

County Council of Dorchester County, Maryland

WITNESS/ATTEST:

Jeremy D. Goldman
County Manager

By: _____ (SEAL)
Ricky C. Travers, President

Attachment: Exhibit A (Proposed FY2019 Budget & Funding Plan)

CWDC Proposed FY 2019 Budget and Funding Plan

Estimated Budget	City Cash Loan	City In-Kind	County Cash Loan	County In-Kind	Other/ Grant	Total
Executive Director						
Salary	\$ 75,000					\$ 75,000
Benefits			\$ 26,250			\$ 26,250
Subtotal						\$ 101,250
Accounting Services		\$ 12,000				\$ 12,000
Annual Audit			\$ 5,000			\$ 5,000
Legal Services	\$ 15,000		\$ 15,000			\$ 30,000
Subtotal						\$ 47,000
Development						
Consultants	\$ 7,500		\$ 7,500		\$ 15,000	\$ 30,000
Appraisal	\$ 2,500		\$ 2,500		\$ 5,000	\$ 10,000
Environmental Assessment	\$ 2,500		\$ 2,500		\$ 5,000	\$ 10,000
Subtotal						\$ 50,000
Office - in kind				\$ 12,000		\$ 12,000
Vehicle - in kind				\$ 6,000		\$ 6,000
Fuel - in kind				\$ 500		\$ 500
Phone and Internet				\$ 1,000		\$ 1,000
Phone and Computer Supplies and printing				\$ 5,000		\$ 5,000
Travel			\$ 5,000			\$ 5,000
Subtotal						\$ 25,500
Insurance						
GL			\$ 1,000			\$ 1,000
Errors & Omissions			\$ 500			\$ 500
Subtotal						\$ 1,500
TOTAL	\$ 102,500	\$ 12,000	\$ 65,250	\$ 25,500	\$ 25,000	\$ 230,250