

## Council Agenda Report

**Date:** February 13, 2017

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

**SUBJECT:** Letter of Intent Concerning 507 and 505 Race Street

**Recommendation:** That Council authorize the Mayor to sign subject letter agreeing to amend the City Agreement with Department of Housing and Community Development (DHCD) permitting sale of 505 Race Street to a private developer and to remove 507 Race Street from its list of targeted demolitions subject to conditions.

**Discussion:**

In 2014 the City received a Community Legacy grant in the amount of \$130,000 to purchase 505 Race Street with intent to sell it to Historic Cambridge, Inc. (HCI) for the purpose of developing it into a performing arts center. HCI did not complete renovation and conversion of the property into a performing arts center. HCI was also given 507 Race Street by a private property owner for rehabilitation and development. In 2017, Historic Cambridge Development, LLC (Stanley Keyser) has acquired 509 Race Street and has been granted significant tax credits and other incentives to rehabilitate and develop that property.

DHCD has been instrumental in assisting both HCI and Historic Cambridge Development, LLC in developing a four-way agreement between HCI, Historic Cambridge Development, LLC, the City and DHCD to allow Historic Cambridge Development, LLC to purchase 505 and 507 Race Street for redevelopment.

The Letter of Intent defines all the specific terms for each party to the letter. The specific agreements on the part of the City include:

- Amending the City's agreement with Department of Housing and Community Development (DHCD) to permit the City through Historic Cambridge, Inc. (seller) to sell 505 Race Street to a private developer Historic Cambridge Development, LLC (Stanley Keyser), provided that the developer commits to completing the project pursuant to the DHCD Agreement including renovation and conversion of 505 Race Street for a commercial or mixed-use purpose.
- Removing 507 Race Street from its list of targeted demolitions, if:
  - The Historic Cambridge Development, LLC (Stanley Keyser, Developer) purchases 507 Race Street by February 28, 2017.

- The buildings at 507 Race Street are stabilized by the Developer by August 1, 2017.

The Letter of Intent also provides for the Developer filing with the City proof of liability insurance for all three properties and for the Developer placing the buildings in service by August 1, 2018.

The placement of these three properties into the ownership of a Developer who has agreed to stabilize, renovate and put them into service by August 1, 2017 is a major step forward in revitalizing the 500 block of Race Street and will bring properties back onto the paying tax rolls.

**Fiscal Impact:** Increased property tax revenues phased in over 5 years if the Developer takes advantage of the City's vacant building rehabilitation tax incentive ordinance.



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BY: .....

LARRY HOGAN  
*Governor*

BOYD K. RUTHERFORD  
*Lt. Governor*

KENNETH C. HOLT  
*Secretary*

January 31, 2017

Historic Cambridge, Inc.  
George Vojtech  
200 High Street  
Cambridge, Maryland 21613

Historic Cambridge Development, LLC  
Stanley Keyser, Director of Development  
1 Court Lane  
Cambridge, MD 21613

City of Cambridge  
Mayor Victoria Jackson-Stanley  
410 Academy Street  
Cambridge, MD 21613

Ladies and Gentlemen:

This Letter of Intent is provided to secure a statement of intention of the Historic Cambridge, Inc. ("Seller"); Historic Cambridge Development, LLC ("Developer"); the Department of Housing and Community Development ("Department"), a principal department of the State of Maryland; and the City of Cambridge ("City") (collectively, the "Parties"), relating to the sale of properties identified as 505 and 507 Race Street Cambridge, Maryland 21613 (collectively, the "Properties"). Please review the terms of this Letter of Intent and execute where indicated to demonstrate your intention to proceed with the terms provided herein.

**I. BACKGROUND.**

1. Through a grant agreement dated June 9, 2014 ("DHCD Agreement"), the Department provided a Community Legacy grant to the City in the amount of \$130,000 ("Grant Funds") based upon the City's commitment to the acquisition of 505 Race Street and the renovation and conversion of 505 Race Street into a performing arts center.
2. The City granted the Grant Funds to Seller, and Seller acquired 505 Race Street in June of 2014, which acquisition is recorded at liber 1213, folio 355, among the land records of Dorchester County. 505 Race Street has not been renovated or converted into a performing arts center.
3. 507 Race Street was conveyed to Seller by deed dated December 26, 2013, and recorded at liber 1183, folio 444, among the land records of Dorchester County.



4. The Maryland Heritage Area Authority (“MHAA”), by agreement dated June 10, 2014 (“MHAA Agreement”), granted funds in an amount not to exceed \$60,000 to Seller for fire clean-up, masonry repairs, roof replacement, and stabilization of 507 Race Street. Funds totaling \$50,000 were disbursed to Seller pursuant to the MHAA Agreement. MHAA has advised that funds were spent in accordance with the MHAA Agreement and that it intends to close the matter in short order.
5. The City has targeted 507 Race Street for demolition but as yet has only condemned the property pending owner fulfilling of commitment to stabilize it.
6. Seller seeks to sell the Properties to Developer in exchange for Developer undertaking outstanding obligations identified in the DHCD Agreement.
7. The Developer seeks to purchase the Properties for redevelopment purposes, free and clear of any claims or liabilities.

**II. INTENTIONS OF PARTIES.** The Parties express their intention to be bound in accordance with the following terms:

**A. Seller:**

1. Seller agrees to sell the Properties to Developer for the purchase price of \$1 per property if the following conditions are met:
  - a. The DHCD Agreement is amended to allow the City, through the Seller, to sell 505 Race Street to a private developer, provided that the developer commits to redeveloping 505 Race Street for a commercial or mixed-use purpose satisfactory to the Department.
  - b. The MHAA Agreement is closed and no outstanding obligations or liabilities remain thereunder.
2. Seller will resolve all outstanding issues or claims relating to the Properties with Alpha Genesis and any other third party prior to the sale of the Properties to Developer. The Properties will be conveyed free and clear.

**B. Developer:**

1. Developer agrees to purchase the Properties for the purchase price of \$1 per property if the following conditions are met:
  - a. The Department accepts an application for review from Developer for a Neighborhood Business Works loan for pre-development work on the Properties.
  - b. The City of Cambridge agrees to remove 507 Race Street from its list of targeted demolitions.
  - c. The MHAA Agreement is closed and no outstanding obligations or liabilities remain thereunder.
  - d. No other claims or liabilities relating to the Properties exist at the time of purchase.
2. Developer agrees to purchase the Properties subject to completion of the project described in the DHCD Agreement, as amended (see Section II.A.1.a).

3. Developer agrees to the following timeline:
  - a. Acquisition of Properties – February 28, 2017
  - b. Properties determined to be structurally sound – August 1, 2017
  - c. Properties placed in service – August 1, 2018
4. Developer agrees to file with the City proof of liability insurance for all three properties.

**C. The Department:**

1. The Department agrees to amend the DHCD Agreement to permit the City, through the Seller, to sell 505 Race Street to a private developer, provided that the developer commits to completing the project pursuant to the DHCD Agreement, as amended, including renovation and conversion of 505 Race Street for a commercial or mixed-use purpose satisfactory to the Department.
2. The Department will promptly review any loan application submitted by Developer for 505, 507, or 509-511 Race Street.

**D. The City:**

1. The City agrees to amend the DHCD Agreement as described in Section II.C.1 herein.
2. The City agrees to remove 507 Race Street from its list of targeted demolitions, if the following conditions are met:
  - a. Developer purchases 507 Race Street by February 28, 2017.
  - b. The buildings located at 507 Race Street, are stabilized by Developer by August 1, 2017.

**III. ADDITIONAL TERMS.**

**A. Compliance with Laws.** Each Party represents and warrants that it shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Letter of Intent.

**B. Applicable Law.** This Letter of Intent will be construed and enforced in accordance with the laws of the State of Maryland, and subject to the exclusive jurisdiction of the courts of the State of Maryland.

**C. Counterparts.** This Letter of Intent may be executed in counter-parts. Signatures of the Parties, transmitted by facsimile or by electronic mail printable in tangible form, shall be as effective as an original signature delivered by the signing Party.

Thank you for your commitment to redevelopment of Race Street. To evidence your commitment under this Letter of Intent, please execute the subsequent signature page and return the executed document to me.

Sincerely,



Kenneth C. Holt  
Secretary

cc: Elizabeth Beckley, Cambridge Preservation Works, LLC

**[SIGNATURE PAGES FOLLOW]**

**HISTORIC CAMBRIDGE, INC.**

\_\_\_\_\_  
Date

By: \_\_\_\_\_

Name:

Title:

**HISTORIC CAMBRIDGE  
DEVELOPMENT, LLC**

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Name:  
Title:



**DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT**

Date 1/31/17

By: Kenneth C. Holt  
Kenneth C. Holt  
Secretary

Approved for form and legal sufficiency  
this 1 day of February, 2017:

[Signature]  
Assistant Attorney General

**MARYLAND HERITAGE AREAS  
AUTHORITY**

\_\_\_\_\_  
Date

By: \_\_\_\_\_

Name:

Title:

Approved for form and legal sufficiency

this \_\_\_\_ day of \_\_\_\_\_, 2017:

\_\_\_\_\_  
Assistant Attorney General

**CITY OF CAMBRIDGE**

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_

Date