

THIRTY-FIRST ANNUAL REPORT
OF
CAMBRIDGE REDEVELOPMENT AUTHORITY

336 Main Street
Cambridge, Massachusetts

October 26, 1988

"This marks the completion of a major public improvement undertaken by the MBTA in support of our joint efforts in Cambridge Center. We are proud, in our role as the supervising public agency, of the commitment to quality on the part of all participants in this public/private partnership".

Thomas J. Murphy, Chairman
at MBTA dedication ceremonies
on October 15, 1987

The major events of 1988 in the Kendall Square Urban Renewal Area are outlined as follows:

1. Kendall Square Urban Renewal Area / Parcel 4

The year was highlighted by the following development activities carried out by Boston Properties thereby completing the build-out of Parcel 4:

- . Completion of Three Cambridge Center. This four-story, 100,000 SF foot building abuts the plaza and is occupied by the Harvard Cooperative Society ("MIT Coop") and the Regional Headquarters of the Hartford Insurance Company as the building's lead office tenant. The MIT Coop's retail operation is using 42,000 SF on two levels, and its Food Court contains 150 seats.
- . Completion and start of rent-up of One Cambridge Center, at the easterly apex of Parcel 4 where Broadway and Main Street merge. This 12-story, 230,000 SF building spans the Marriott Hotel grand ballroom and is constructed on air rights over the MBTA traction power substation.

The Authority's activities on Parcel 4 included:

- . Completion of the plaza which was dedicated to the memory of Charles C. Nowiszewski at a ceremony involving Authority members, staff and the Nowiszewski family.
- . Completion of public improvements on sections of Main Street and Broadway, including reconstruction of sidewalks and roadways, and the installation of street furniture, pedestrian and street lighting, trees and other surface improvements.

- . Commencement of the design phase for construction of "Point Park", engaging the services of Otto Piene of the MIT Center for Advanced Visual Studies as artist and the Halvorson Company as landscape design architect. This effort also involved preparing a design for the "gateway" to the project area, which is also the gateway to the City of Cambridge and MIT. Thus the staff coordinated its work with the Community Planning and Development Department, MBTA, MDC (improvements to Longfellow Bridge), MIT, various City departments, and private property owners on both sides of Main Street. Meetings were held with the City Manager, MDC Commissioner Geary, and a private group dedicated to the rehabilitation and lighting of the Longfellow Bridge. After securing public financial participation, contact will be initiated with abutting landowners, developers, major office tenants, and residents to enlist support and cooperation with this restoration effort.

- . Completion of the design of the flagpoles and banners program for Main Street in front of the plaza and other areas of Parcel 4. Boston Properties has agreed to assume responsibility for the maintenance and replacement of the banners after the first year.

- . Submission of an application to the National Endowment for the Arts to fund the further integration of the visual arts in Point Park.

- . Continuation of coordinating the Authority's activities with those of the MBTA in accordance with the Urban Initiatives

Agreement which financed a major portion of the public improvements constructed by the Authority in and around Parcel 4. Authority staff was involved in the following MBTA activities:

- . Completion of the Kendall Square station modernization and platform extension program. The Authority provided and arranged for use by MBTA space needed to carry out construction activities and for construction staging purposes. Authority staff also facilitated coordination between MBTA and Boston Properties.
- . Authority staff was instrumental in arranging for construction of One Cambridge Center on air rights over the MBTA's traction power substation.
- . Construction of the new subway entrance on Parcel 4 which was incorporated into the glass shed containing the entrance to Three Cambridge Center and abutting the plaza providing the subway patrons with a weather protected facility and waiting area.
- . Expansion of the map graphics program within Cambridge Center including the installation of an area context map at the platform level of the Kendall Square subway station on a shared-cost basis with Boston Properties.

2. Kendall Square Urban Renewal Area / Parcel 2

Activities on Parcel 2 included:

- . Authority staff negotiated and the Authority members approved an amendment to the Parcel 2 Development Agreement with Boston Properties, providing for an increase in the base land price

from \$2.49 to \$5.50 per square foot of building. Also, the developer agreed to a \$10 per square foot of building as an additional premium to a base of \$6.90 per square foot of building constructed over the allowable gross building area requiring relief from the existing restriction.

- . In preparing for construction on Parcel 2 by Boston Properties, Haley & Aldrich, soil engineering consultant to the Authority, prepared and submitted to the Department of Environmental Quality Engineering comprehensive analyses and health assessments for the Ten Cambridge Center and Garage sites, as well as for the entire parcel. Costs for this work are being paid for by Boston Properties.

- . Boston Properties engaged ADD, Inc. of Cambridge to begin preliminary design work on a 150,000 SF building at Ten Cambridge Center which will serve as the Northeast Regional Center for the engineering firm of Camp, Dresser & McKee.

- . Boston Properties initiated the preliminary design work on a 1150-car garage and associated landscaped open space as required by the Development Agreement. The garage is to be built and financed by Boston Properties.

3. Kendall Square Urban Renewal Area / Parcel 1

Activities on Parcel 1 included:

- . With the cooperation of Congressman Joseph P, Kennedy II and Foley, Hoag & Eliot, the Authority's legal counsel, legislation was drafted providing for the reconveyance of all underutilized and unutilized ("surplus") land on Parcel 1 to the Authority.

Meetings were held with the entire Massachusetts delegation which responded favorably. Upon filing of the legislation, an advisory group will be appointed to advise the Authority on the master planning of this parcel.

Wellington-Harrington Neighborhood Renewal Area

Activities included:

- . Work with the developer of Tract 13 resulted in our receipt of an increased good faith deposit of \$25,000, copies of all required contracts, commitment to a construction schedule and an executed amendment to the Land Disposition Contract. That amendment also included an automatic return of the land to the Authority in the event of default. The good faith deposit would then be used to replan and market the site. The Barros family received all required approvals and is constructing a residential (4-unit) addition to its Cambridge Street property located on Tract 12A-1.
- . Work continued on Tracts 6F-3 (May addition), Tract 37B (reconstruction of the former St. Anthony rectory), and Tract 8A (Homeowner's Rehab), both units are occupied.
- . A Certificate of Completion has been approved by the Authority and issued on Tract 4A (St. Anthony parish center).
- . Authority staff continued arbitration on the Linden Park project as well as follow-up on the refinancing of the Will Scientific and Linwood projects. Required progress reports have been submitted to the Community Development Department.

Walden Square Urban Renewal Area

Activities included:

- . Authority staff worked with the Community Development Department and representatives of the buyer of an adjacent property to resolve the location of public rights of way and utility easements. All legal questions with respect to the transfer of the last fragment parcel to the Walden Square Apartments have been resolved. We have transferred the land and closed-out the project with HUD.

Authority Organization

- . The Authority elected Thomas J. Murphy as Chairman, a position he has held for many years. Jacqueline Sullivan was elected Vice Chairman and Alan D. Bell was elected Treasurer. Mr. Bell, President of Bell Associates, Inc. was appointed as a member of the Cambridge Redevelopment Authority by City Manager Robert W. Healy and confirmed by a unanimous vote of the Cambridge City Council. Mr. Bell, a graduate of Northeastern University and the Harvard Graduate School of Education founded BAI, an applied social research and management consulting firm, in 1980. He was previously associated with Abt Associates, Inc. of Cambridge. Mr. Bell presently serves on several boards including the Cambridge Chamber of Commerce, the Cambridge Rotary Club, the Cambridge Family Y, the National Corporation of Northeastern University and the Corporation of Mount Auburn Hospital. Upon acceptance of his appointment, Bell stated, "Cambridge is renowned for its commitment to responsible development and the CRA has always been on the front line of that commitment. Through this appointment, I am honored to have an opportunity to contribute to that tradition."

The Authority was saddened on May 13, 1987 , by the death of
Gustave M. Solomons, Treasurer of the Authority for many years.

KPMG Peat Marwick

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AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Cambridge Redevelopment Authority:

We have examined the combined balance sheet of the Cambridge Redevelopment Authority as of June 30, 1987, and the related combining statement of revenues, expenditures and changes in fund balances of project cost funds for the two-year period then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements referred to above do not include the general fixed assets account group which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission of the general fixed assets account group, as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the Cambridge Redevelopment Authority as of June 30, 1987 and the results of its operations and the changes in fund balances of project cost funds for the two-year period then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat Marwick Main & Co.

December 11, 1987

CAMBRIDGE REDEVELOPMENT AUTHORITY

Combined Balance Sheet

June 30, 1987

<u>Assets</u>	Project Funds	<u>Agency Funds</u>	General Long-Term Obligations	Combined Total (Memorandum Only)
Cash	\$ 240,603	11,318	-	251,921
Investments (note 3)	215,748	-	-	215,748
Billed grants receivable	483,170	-	-	483,170
Unbilled grants receivable	308,355	-	-	308,355
Amount to be provided for retirement of general long-term obligations	<u>-</u>	<u>-</u>	59,155	<u>59,155</u>
Total assets	\$ <u>1,247,876</u>	<u>11,318</u>	<u>59,155</u>	<u>1,318,349</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$ 310,341	-	-	310,341
Payroll withholdings	1,685	-	-	1,685
Retainage	3,061	-	-	3,061
Deposits (note 4)	158,849	11,318	-	170,167
Accrued vacation and sick leave	<u>-</u>	<u>-</u>	59,155	<u>59,155</u>
Total liabilities	<u>473,936</u>	<u>11,318</u>	<u>59,155</u>	<u>544,409</u>
Fund balances:				
Designated for projects	<u>773,940</u>	<u>-</u>	<u>-</u>	<u>773,940</u>
Total fund balances	<u>773,940</u>	<u>-</u>	<u>-</u>	<u>773,940</u>
Commitments and contingency (notes 6 and 7)				
Total liabilities and fund balances	\$ <u>1,247,876</u>	<u>11,318</u>	<u>59,155</u>	<u>1,318,349</u>

See accompanying notes to financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances of
Project Cost Funds

Two Years Ended June 30, 1987

	Project <u>R-107</u>	Project <u>R-108</u>	Other <u>Projects</u>	Combined Total (Memorandum <u>Only</u>)
Revenues:				
Closeout Funds - HUD	\$ 2,861,585	-	-	2,861,585
Relocation Funds - HUD	750	-	-	750
Urban Initiative Fund - UMTA	1,468,691	-	-	1,468,691
Proceeds from disposition of development sites	349,000	117,300	2,863	469,163
Income on investments	54,351	3,374	2,012	59,737
Rental income	319,003	5,000	-	324,003
Other income	<u>474</u>	<u>-</u>	<u>-</u>	<u>474</u>
Total revenues	<u>5,053,854</u>	<u>125,674</u>	<u>4,875</u>	<u>5,184,403</u>
Expenditures:				
Administrative	1,454,184	23,694	3,395	1,481,273
Legal	137,708	-	-	137,708
Survey and planning	372,789	-	-	372,789
Acquisition expense	1,418	-	-	1,418
Relocation costs	1,230	174	-	1,404
Disposal costs	2,095	-	-	2,095
Operation of property	181,052	6,208	-	187,260
Project improvements	<u>1,954,329</u>	<u>7,222</u>	<u>-</u>	<u>1,961,551</u>
Total expenditures	<u>4,104,805</u>	<u>37,298</u>	<u>3,395</u>	<u>4,145,498</u>
Excess of revenues over expenditures	<u>949,049</u>	<u>88,376</u>	<u>1,480</u>	<u>1,038,905</u>
Fund balances (deficit), June 30, 1985, as previously reported	(191,763)	(75,225)	40,284	(226,704)
Adjustment to record unlocated variances (note 8)	<u>(35,907)</u>	<u>(2,354)</u>	<u>-</u>	<u>(38,261)</u>
Fund balances (deficit), June 30, 1985, as restated	<u>(227,670)</u>	<u>(77,579)</u>	<u>40,284</u>	<u>(264,965)</u>
Fund balances, June 30, 1987	\$ <u>721,379</u>	<u>10,797</u>	<u>41,764</u>	<u>773,940</u>

See accompanying notes to financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY

Notes to General Purpose Financial Statements

June 30, 1987

(1) The Authority

The Cambridge Redevelopment Authority (the "Authority") was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. The Authority is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. The Authority was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

The Authority's primary projects during the two-year period ended June 30, 1987 were (1) MA-R107 Kendall Square Urban Renewal Project and (2) MA-R108 Wellington-Harrington Urban Renewal Project. The following describes the funding for these projects:

The Kendall Square Urban Renewal Project, Mass. R-107, was initiated as a multi-year-funded project in 1965. As of June 30, 1987, total project expenditures were \$49,216,786, of which \$6,262,798 in expenditures by the Massachusetts Institute of Technology represents non-cash grant-in-aid credits recognized by the U.S. Department of Housing and Urban Development (HUD) as contributing toward the City's one-third share of "net project costs".

Current funding for this project includes (a) a Financial Settlement Close-out Grant from HUD of \$8,298,776 for the period April, 1985 to December, 1991, of which \$4,213,045 was unexpended as of June 30, 1987; and (b) an Urban Initiatives Project Grant from the Department of Transportation, Urban Mass Transportation Administration of \$5,123,000 effective March, 1981, of which \$525,552 was unexpended as of June 30, 1987.

The Wellington-Harrington Urban Renewal Project, Mass. R-108, was initiated as a multi-year-funded project in 1967. As of June 30, 1987, total project expenditures were \$23,228,936, of which \$3,278,871 in City of Cambridge expenditures represents non-cash grant-in-aid credits recognized by HUD as contributing toward the City's one-third share of "net project costs".

(2) Summary of Significant Accounting Policies

A summary of significant accounting policies employed in the preparation of the financial statements follows:

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CAMBRIDGE REDEVELOPMENT AUTHORITY

Notes to General Purpose Financial Statements

(a) Basis of Presentation

The financial condition and results of operations of the Authority's funds are presented as of and for the two years ended June 30, 1987. The accounting policies of the Authority conform with generally accepted accounting principles ("GAAP"), except that the Authority does not maintain, and therefore does not report, a general fixed assets account group.

(b) Fund Accounting

Financial activities are recorded in the funds described below, each of which is deemed to be a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

Project Funds

Transactions accounted for in Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources, including federal, state and local grants, disposition proceeds, income earned on investments and rental income. The Authority separately accounts for revenues and expenditures under each funding source. For financial reporting purposes, funding sources have been combined on a development project basis.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds.

General Long-Term Obligations Account Group

Unmatured long-term obligations of the Authority are accounted for in the General Long-Term Obligations Account Group.

(c) Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues from reimbursement type grants are recorded when the eligible expenditures are incurred. Investment and rental income is recorded as earned. Expenditures are recognized when obligations are incurred from the receipt of goods and services. Capital outlay and principal payment on long-term debt are recorded as expenditures when purchased or when due, respectively.

(d) Vacation and Sick Pay

Employees earn vacation and sick time as they provide services to the Authority. They may accumulate (subject to certain limitations) unused vacation and sick time earned and, upon retirement, termination or death, be compensated for unused portions of the time earned. Accordingly, these accumulated benefits, which will not be liquidated with expendable available financial resources, are recorded in the General Long-Term Obligations Account Group.

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CAMBRIDGE REDEVELOPMENT AUTHORITY

Notes to General Purpose Financial Statements

(e) Unbilled Grants Receivable

Unbilled grants receivable are recorded for expenses incurred which are reimbursable under specific grants and are not yet billed as of year end.

(f) Property

The Authority is the owner of certain properties within its project development areas. Generally, properties are acquired in connection with specified development projects and the costs associated with the acquisition of properties are expensed as incurred. Use of the proceeds from the rental and ultimate disposition of the properties is restricted for allowable project costs; otherwise such amounts must be returned to the funding agency. Expenditures for office equipment are expensed as incurred.

The accompanying financial statements do not include a general fixed assets account group.

(3) Investments

Investments at cost, which approximates market value, consist of the following as of June 30, 1987:

<u>Type</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Certificate of deposit	\$ 100,000	6.75%	07/27/87
U.S. Treasury bill	115,748	6.07%	04/01/88
	<u>\$ 215,748</u>		

Investments are made when cash generated from deposits, rents and other non-Federal sources are available during periods of excess cash flow.

(4) Deposits

Deposits consist primarily of funds placed with the Authority by developers in connection with their purchase of certain tracts of land held by the Authority.

(5) Pension Plan

Pensions for employees of the authority are provided through the City of Cambridge's Contributory Retirement System (the System). The System is currently subject to benefit provisions and financing requirements set forth in the Massachusetts General Laws. As such, the System is required to contribute to its trust fund each fiscal year an amount approximately equal to the pension benefits expected to be paid during the year ("pay-as-you-go" method). The Authority's contribution to the System during the two-year period ended June 30, 1987 was \$163,886.

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CAMBRIDGE REDEVELOPMENT AUTHORITY

Notes to General Purpose Financial Statements

(6) Commitments

At June 30, 1987, the Authority was committed under construction and service contracts for various funded projects in the amount of \$4,502,184.

(7) Contingency

The United States Department of Housing and Urban Development has a claim outstanding against the Authority for payment of a portion of proceeds received by the Authority on the disposition of project land after the closeout of the related project. The specific amount of the claim, which remains undetermined as of the date of this report, could result in a liability of up to \$309,691. It is the belief of management that this claim will ultimately be resolved in favor of the Authority. Accordingly, no accrual has been made in these financial statements to reflect any liability for this matter.

(8) Adjustment for Unlocated Variances

The adjustment for unlocated variances represents the cumulative effect of bookkeeping errors which resulted in an out-of-balance condition of the accounting records of Project R-107 in the amount of \$35,907 and of Project R-108 in the amount of \$2,354. These have been reported separately as an adjustment to fund balance so that revenues and expenditures reflect only those amounts reported to the funding sources. For further discussion, see Exhibit VII-Schedule of Findings and Questioned Costs - Finding 3.