

THIRTY FOURTH ANNUAL REPORT  
OF THE EXECUTIVE DIRECTOR

CAMBRIDGE REDEVELOPMENT AUTHORITY  
FOUR CAMBRIDGE CENTER  
CAMBRIDGE, MA 02142

JUNE 30, 1991



CAMBRIDGE REDEVELOPMENT AUTHORITY  
City of Cambridge  
1990-1991

CAMBRIDGE CITY COUNCIL

Alice K. Wolf, Mayor  
Kenneth E. Reeves, Vice Mayor  
Edward N. Cyr  
Francis H. Duehay  
Jonathan S. Myers  
Sheila T. Russell  
Walter J. Sullivan  
Timothy J. Toomey  
William H. Walsh



Robert W. Healy, City Manager

CAMBRIDGE REDEVELOPMENT AUTHORITY

Jacqueline S. Sullivan, Chairman  
Thomas J. Murphy, Vice Chairman  
Alan D. Bell, Treasurer  
Joseph F. Tulimieri, Executive Director  
and Secretary









The major events of 1990-1991 in the Authority programs are outlined, as follows:

Wellington-Harrington Neighborhood Renewal Area

- o A certificate of completion to the 950 Cambridge Street Trust was issued. The building, advertised at auction, will be transferred from the mortgagee (Suffolk Construction) to one of its subsidiaries. The final retainage (\$2,500) of the good faith deposit (\$25,000) was released.
- o The Sterling Bank acquired the assets of University Bank and Trust while the leasehold improvements, equipment and certain fixtures were seized by the FDIC. In order to ensure the continued location of a retail banking use, the owner purchased at auction, all interior improvements, equipment and certain fixtures. We are working with the owner and have made initial contact with prospective tenants in order to attract a banking facility to the renewal area.
- o An amendment of the Contract for Closeout Services with the City of Cambridge, extending the termination date to June 30, 1992 was executed.
- o The City Council voted to eliminate the Warren Street off-street parking facility and the Webster Avenue/Windsor Street open space from further consideration as sites for affordable housing. Both sites would require Authority approval of amendments (or variations) to the urban renewal area.
- o Working with the Department of Public Works and Authority consulting engineer, FST, a field review of all tracts of land, streets, playgrounds and other rights-of-way improved by the Authority and



dedicated to the City was conducted. Copies of plans and property descriptions were prepared and transmitted. The purpose of this review was to ensure complete coverage of City maintenance responsibilities.

#### Walden Square Urban Renewal Area

- o The Authority is researching the potential use of open space and other land in the Walden Square area for use as potential housing sites. Two (2) sites have been identified. Exploration of ways to acquire the property and to remove existing restrictions is underway.

#### Rogers Block Urban Renewal Area

- o A biotech start-up firm has been referred to the Charles Stark Draper Laboratory, for potential adaptation of a portion of the "old" Draper building to meet a 20,000-30,000SF requirement. Follow-up with the principals is ongoing.

#### Riverview Urban Renewal Area

- o We have been asked by the City Engineer to research the history of this project in order to determine certain land ownership questions. At the present time, the Assessors Office shows the Authority as owner of record for a parcel of land in the general area where land takings were made by the Authority. A review of our files and some limited title work is required.



Kendall Square Urban Renewal Area / Parcel 1

- o A "white paper" to Congressman Kennedy's Washington staff was transmitted with respect to the legislation to be filed to reconvey certain portions of Tract 1 to the Authority. We suggested a letter be sent to the National Association of Government Employees union from the Congressman. Union support of the legislation appears to be the only remaining obstacle to having the legislation refiled. A meeting with the Congressman and his Washington staff has been scheduled.
- o The Boston Globe architectural critic Bob Campbell's article on the high-rise laboratory building (Building #1) at TSC created quite a stir. In our initial design review sessions, we suggested that the "cap" panel color be earth tones. Unfortunately, our suggestion was not followed, the Campbell article was circulated to Washington-based staff DOT officials and a major review session convened by DOT. At that session we reiterated our initial suggestions. They are now being implemented. Several additional design modifications were proposed by TSC and rejected.

Kendall Square Urban Renewal Area / Parcel 2

- o Boston Properties is working with several potential tenants to be located on Parcel 2. One issue which has surfaced is the potential utilization of so-called "Chapter 121A tax agreements", in order to reduce the current range of \$4.40/SF cost of local property taxes. Chapter 121A provides a threshold of \$10/\$1000 in valuation. Consequently, a tax agreement, consistent with the applicable law, could significantly reduce the current \$21/\$1000 tax rate (with a corresponding cost of taxes reduced to a range of \$2.00 to \$2.25/SF). Coincidentally, the local expert of 121A tax agreements,



John Bok, has recently joined FHE in an "Of Counsel" capacity. We have had initial conversations respecting potential utilization of 121A Tax Agreements in the project and have requested background data.

- o The Authority reviewed and approved modifications to the loading dock area for Fourteen Cambridge Center (Biogen). The improvements included the construction of a brick screening wall.

Kendall Square Urban Renewal Area / Parcel 3

- o Boston Properties continues to pursue aggressively potential tenants within the framework of the Authority-approved modifications to the Master Action Plan and Concept Design Plan.
- o The temporary use of Authority land by MIT continues under the terms of a one year amendment to the License Agreement. J.B. D'Allessandro, Inc. continues to use a portion of Parcel 3 for storage of construction materials. The combined use and occupancy charges, including the Texaco station, for the temporary use of Authority-owned land on Parcel 3 is \$12,500/month.
- o The Whitehead Institute (Nine Cambridge Center) submitted construction documents (plans and specifications) for its building improvements. After staff review, we approved the submission, the architect (Sheaffer Associates) and the general contractor (Turner Construction). Authority staff will be reviewing construction progress on a daily basis upon commencement of construction activities.



Kendall Square Urban Renewal Area / Parcel 4

- o Boston Properties has submitted, informally, a schematic plan for ground-level improvements to Four Cambridge Center prior to review with the Building Department. The improvements involve the construction of an alternative handicap ramp, the creation of retail space, the elimination of one means of egress and the construction of a replacement means of egress. Other improvements (i.e., painting and fit-up of the retail space) are also planned. We have encouraged BP to proceed and to submit, formally, a complete set of plans. The design work is being done by Stull and Lee.
- o In an effort to retain a major East Cambridge office/R&D tenant, Boston Properties presented a proposal which includes full occupancy of One Cambridge Center and the construction of a new office building (150,000SF). Potential use of 121A tax agreements is being considered as an additional incentive.
- o Boston Properties improved the former BayBank ground floor space at Four Cambridge Center and leased the premises to Quantum Books. We approved the work and signage elements.

Kendall Square Urban Renewal Area / Parcel 6

- o The StrideRite/Boston Properties playground area was approved subject to some design modifications and other conditions. A proposed form of agreement for use of the land has been drafted and submitted to Boston Properties.

Operations/Administrative Actions

- o Storer Damon and Lund submitted the best proposal for full insurance coverage and was awarded the work in the amount of \$10,653.
- o Daniel Dennis was awarded the audit services contract (three years) and completed field work in October. The annual contract amount is \$5,000. A copy of the 1990-1991 audit is attached as a component of this report.
- o After review with Authority Counsel, a proposed form of settlement with the United States Fidelity and Guaranty Company (surety for Gigi Construction), in the amount of \$108,800 in connection with Site Preparation Contract No. 15, has been prepared.
- o Property Management Contract No. 15 was awarded to Cambridge Landscaping, the low bidder on this three year \$117,000 contract. Three change orders amounting to \$1,810 were approved and executed.
- o We received an insurance settlement in the amount of \$8,600 for damage to the Main Street median fence and landscaping. Under staff supervision, DeAngelis Iron Works and Cambridge Landscaping performed the remedial work.
- o The Department of Public Works, at our request and under staff supervision, repaired the damaged crosswalk at the bus contraflow lane and did some brick sidewalk repairs. Additional work is scheduled.
- o Additional depository agreements were executed with Cambridge Savings Bank, United States Trust, BayBank/Harvard Trust, Shawmut Bank and



others. In addition, a purchase in the amount of \$499,331.55 in United States securities was made through the Shawmut Bank.

- o During this year, the Authority approved a significant reduction-in-force as six (6) full time staff were terminated.
- o In other cost reduction measures, we negotiated out of our lease at 336 Main Street and secured alternative space at Four Cambridge Center.

#### Authority Organization

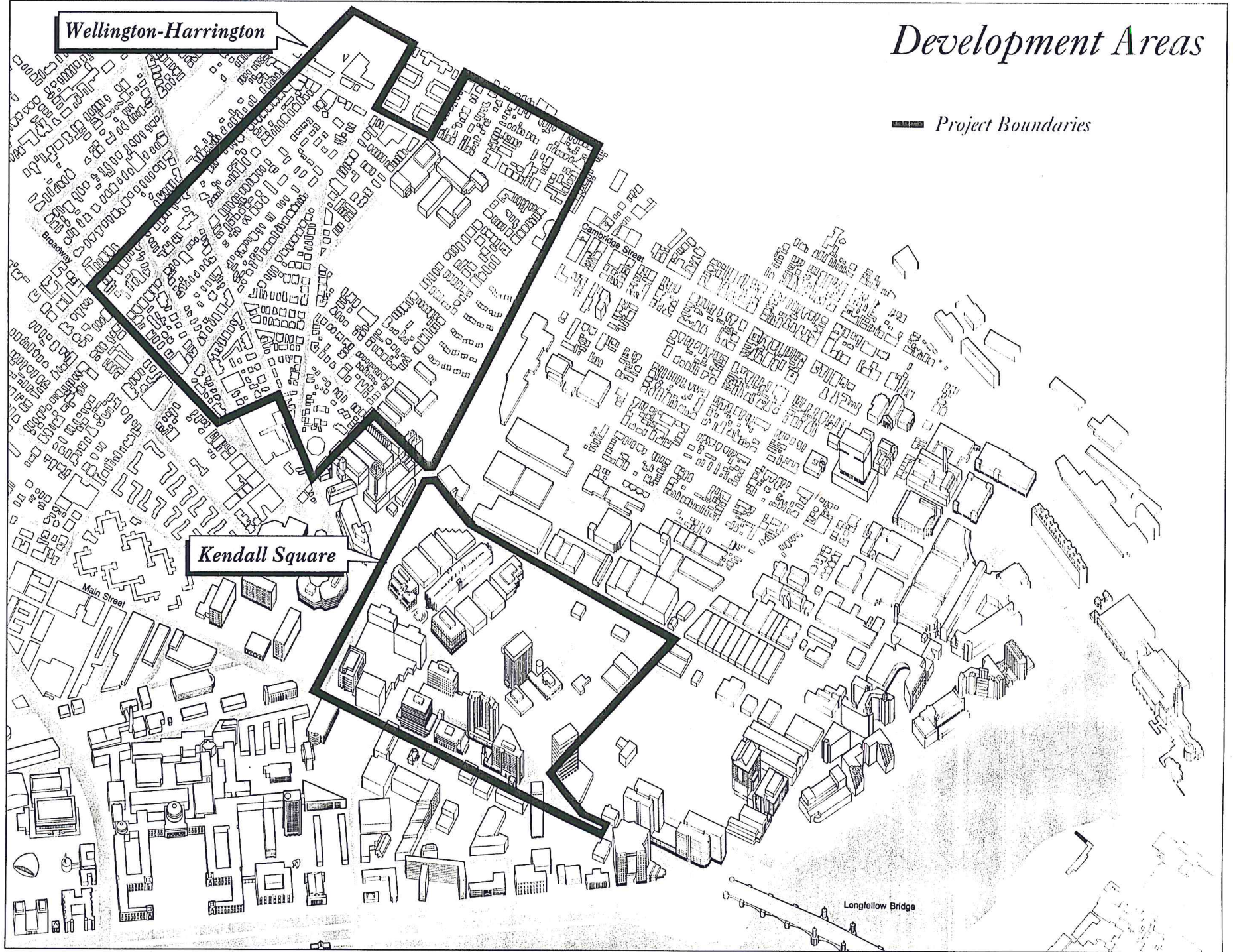
- o The Authority elected Jacqueline Sullivan as Chairman. Thomas J. Murphy was elected Vice Chairman and Alan D. Bell was elected Treasurer.
- o The Authority and the City Council were saddened by the death of Thomas J. Murphy, a Charter Authority member. The park, located at the apex of the Parcel 4 triangle at the convergence of Main Street and Broadway has been named the "Thomas J. Murphy Park".

# Development Areas

— Project Boundaries

Wellington-Harrington

Kendall Square





**CAMBRIDGE REDEVELOPMENT AUTHORITY  
FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT  
JUNE 30, 1991**

# Daniel Dennis & Company

*Certified Public Accountants*

The Board of Directors  
Cambridge Redevelopment Authority

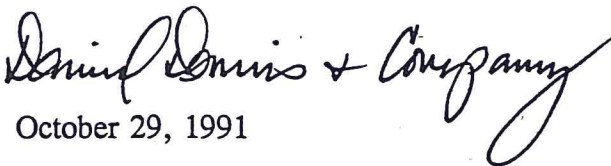
## Independent Auditors' Report

We have audited the accompanying balance sheet of Cambridge Redevelopment Authority (CRA) as of June 30, 1991, and the related statements of support, revenue and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the management of CRA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As is common with most governmental entities, the financial statements referred to above do not include the general fixed assets account group which is not required but 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, in all material respects, the financial position of Cambridge Redevelopment Authority as of June 30, 1991, and the results of its operations and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles.

  
October 29, 1991



Cambridge Redevelopment Authority  
 Combined Balance Sheet  
 June 30, 1991

	<u>Project Funds</u>	<u>General Long-Term Obligations</u>	<u>Combined Total*</u>
<u>Assets</u>			
Cash and deposits	\$ 35,696	\$ -	\$ 35,696
Investments (Note 3)			
Certificates of deposit	500,000	-	500,000
U.S. Government securities	499,332	-	499,332
Accounts receivable	9,000	-	9,000
Accrued interest income	26,564	-	26,564
Amount to be provided for retirement of general long-term obligations	<u>-</u>	<u>46,428</u>	<u>46,428</u>
Total assets	<u>\$1,070,592</u>	<u>\$46,428</u>	<u>\$1,117,020</u>
<u>Liabilities and Fund Balances</u>			
Accounts payable	\$ 14,777	\$ -	\$ 14,777
Payroll withholdings	1,338	-	1,338
Good faith deposits (Note 4)	1,002,500	-	1,002,500
Deferred interest income on good faith deposits	26,564	-	26,564
Accrued vacation and sick leave	<u>-</u>	<u>46,428</u>	<u>46,428</u>
Total liabilities	1,045,179	-	1,091,607
Fund balance	<u>25,413</u>	<u>-</u>	<u>25,413</u>
Total liabilities and fund balances	<u>\$1,070,592</u>	<u>\$46,428</u>	<u>\$1,117,020</u>

\* Memorandum only

See accompanying notes to financial statements.

Cambridge Redevelopment Authority  
Statement of Support, Revenue, and Expenses  
For the Year Ended June 30, 1991

	Project <u>R-107</u>
Revenues:	
Development proceeds	\$ 152,879
Reimbursements	27,086
Income on investments	48,364
Rental income	57,000
Other income	<u>448</u>
Total revenues	<u>285,777</u>
Expenditures:	
Administrative	542,360
Legal	78,234
Survey and planning	9,170
Operation of property	55,354
Project improvements	29,370
Miscellaneous expense	<u>21,333</u>
Total expenditures	<u>735,821</u>
Excess (deficit) of revenues over expenditures	<u>\$(450,044)</u>

See accompanying notes to financial statements.



Cambridge Redevelopment Authority  
Statement of Changes in Fund Balances  
For the Year Ended June 30, 1991

	Project <u>R-107</u>
Fund balances - July 1, 1990	\$ 475,457
Additions/(deductions):	
Excess/(deficit) of public support and other revenue over expenses	<u>(450,044)</u>
Fund balances - June 30, 1991	<u>\$ 25,413</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority  
Notes to Financial Statements  
June 30, 1991

1. Type of Organization

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA 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. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. Summary of Significant Accounting Policies

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

Basis of Presentation - The financial condition and results of operations of the Authority's funds are presented as of and for the year ended June 30, 1991. The accounting policies of CRA conform with generally accepted accounting principles ("GAAP"), except that CRA does not maintain, and therefore does not report, a general fixed assets account group since it is not required.

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. CRA separately accounts for revenues and expenditures under each funding source. For financial reporting purposes, funding sources have been combined on a development project basis.

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

Basis of Accounting - The accounts of CRA 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.



Cambridge Redevelopment Authority  
Notes to Financial Statements - Continued  
June 30, 1991

2. Summary of Significant Accounting Policies - Continued

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. 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.

Property - CRA 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. Deposits and Investments

At June 30, 1991, there are nine Certificates of Deposit held by several different institutions and are valued as follows:

<u>Institution</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
Cambridge Trust Co.	\$ 50,000	7.00%	07/21/91
Cambridge Trust Co.	50,000	7.05%	01/17/92
U.S. Trust	50,000	5.80%	07/17/91
U.S. Trust	50,000	7.30%	01/18/92
Boston Bank of Commerce	50,000	6.85%	01/21/92
East Cambridge Savings Bank	50,000	7.50%	07/23/91
East Cambridge Savings Bank	50,000	7.75%	01/22/92
Shawmut Bank	50,000	6.95%	01/23/92
Coolidge Bank & Trust Co.	<u>100,000</u>	5.60%	07/21/91
Total	<u>\$500,000</u>		

U.S. Government securities are valued using the cost method and are classified as such in the accompanying balance sheet.

Investments are made when cash generated from goodfaith deposits, rents and other non-federal sources are available during periods of excess cash flow. All certificates of deposit are insured by Federal Deposit Insurance Corporation (FDIC).

The cash balance of \$35,696 at June 30, 1991 is insured by FDIC.

Cambridge Redevelopment Authority  
Notes to Financial Statements - Continued  
June 30, 1991

4. Good Faith Deposits

Good faith deposits consist primarily of funds placed with the Authority by developers in connection with their purchase of certain tracts of land held by CRA.

5. Pension Plan

All CRA full-time employees and part-time employees working a minimum of twenty hours participate in the City of Cambridge Employees Retirement System ("System"), a single employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 1990 was \$262,512; the CRA's total payroll was \$274,101.

All CRA full-time employees are eligible to participate in the System. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members joining the System after January 1, 1979 are subject to a cap of \$30,000 on the level of compensation upon which their benefit is calculated.

Members of the System become vested after ten years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The Plan also provides for early retirement at age 55 if the Participant (1) has a record of 10 years of creditable service, (2) was on the CRA payroll on January 1, 1973, (3) voluntarily left CRA employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5, 7 or 8% of their gross regular compensation depending on the date upon which their membership began. The System also provides death and disability benefits.

The "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System. The pension benefit obligation at December 31, 1990 for the system as a whole, determined through an actuarial valuation performed as of January 1, 1991, was \$251 million. The System's net assets available for benefits on that date valued at cost were \$112 million, leaving an unfunded pension benefit obligation of \$139 million.



Cambridge Redevelopment Authority  
Notes to Financial Statements - Continued  
June 30, 1991

5. Pension Plan - Continued

The System's funding policy for the CRA is not actuarially determined. The CRA is required to contribute, each fiscal year, an amount approximating the Pension Benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. No actuarial information is used in determining this amount. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2. The contribution requirement for the year ended June 30, 1991 was \$89,620, which consisted of \$75,154 from the CRA and \$14,466 from employees; these contributions represented 28.62% and 5.51% of covered payroll, respectively.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in supplementary schedules of the general purpose financial statements of the City of Cambridge.

6. Contingency

The CRA has not honored the last requisition for payment nor released the retainage of the general contractor, GIGI Construction Co., under the Site Preparation Contract No. 15, for defective and incomplete work. Additionally, the CRA has tendered to the surety company a proposed form of settlement on its claim in the amount of \$108,800 under the general contractor's performance bond and labor and material bond. The general contractor had billed the CRA \$62,059 for work considered unacceptable by the CRA under the terms of the contract, thus giving rise to CRA's claim as stated above. This claim is pending and no estimate can be made as to the time or the amount of the ultimate recovery.