

MEMORANDUM

To: CRA Board
From: Tom Evans
Date: October 11, 2019
Re: Update on 93-99 Bishop Allen Drive Project

TRANSACTION CLOSING

Enroot and the Cambridge Redevelopment Authority (CRA) closed on the sale of the 93-99 Bishop Allen Drive Property on October 2, 2019, based on the terms of the Purchase and Sale Agreement originating on May 29, 2019. The CRA has financed approximately eighty percent (80%) of the purchase cost through a tax-exempt bond issuance by MassDevelopment through Cambridge Trust Bank.

The tax-exempt bond transaction was a bit unusual considering the project is being executed by a public entity for the use by non-profit entities. The financing thus requires a restriction on the use of the building, which is consistent with the CRA goals of the project. The bond places a restriction that at least 80% of the building leases are to 501c3 uses – including subtenants of those spaces. Other nonprofit entities or community group building utilization are treated the same as for-profit companies under this restriction, which is tied to tax exempt status of the building users. Leases to new entities in the future will be review by the bank to insure compliance. Additionally, the CRA also has a reporting requirement to delineate the building's utilization to the bank for the life of the financing.

It is worth noting that the rent rolls that have been inherited by the CRA for the next year and one half, do not meet a standard income to debt ratio for a commercial mortgage. Thus, the CRA has committed to opening up a dedicated savings account with Cambridge Trust. This account will maintain a balance of at least \$180,000, pledged as security against the loan, until the rents are stabilized in 2021. This was outlined in the loan commitment letter from Cambridge Trust, provided to the Board in July.

As the CRA Board must vote to approve all new bank accounts, at closing the CRA pledged an equivalent portion of its investment funds with the bank to this loan security until a vote was taken to establish a new dedicated account. This will be a different account from the building's operating account discussed below.

PROPERTY MANAGEMENT

The CRA has a 9-month contract with Senné Management, the same firm who was on contract with Enoot. Senné will collect rents and pay bills, including for contracts for regular cleaning and trash removal, and for repair needs as they emerge. The CRA will be paying for snow removal and insurance directly, since we can add Bishop Allen Drive to our existing contracts for those services.

Senné holds an account on behalf of the CRA where rents are collected and from which the property's bills are paid. This is the "Bishop Allen Management Account". The CRA is responsible for maintaining at least a \$5,000 minimum in this account. The CRA is providing \$5,000 upon the establishment of the Bishop Allen Management Account and does not expect to provide any additional funds, as incoming rents should ensure the account does not dip below \$5,000.

On the 10th of each month, Senné will electronically transfer the net income from Bishop Allen Management Account into a new account the CRA has established, with Cambridge Trust; the "Bishop Allen Operating Account".

Monthly on the 2nd of each month, Cambridge Trust, who holds our tax-exempt bond financing loan, will auto deduct our mortgage payment from the Bishop Allen Operating Account. The monthly payments are \$30,365.75. For the November 2nd payment, this represents \$19,168 in interest and 11,197.42 in principal.

The CRA will have access to an online portal provided by Senné, where we can download property management data, including detailed expense and income information at any time. The CRA also has a new class for Bishop Allen Drive in our books, so that we can track the property's financial big picture.

This fall the CRA will run a full procurement process for Bishop Allen property management, to result in a longer-term management contract.

FUTURE RENNOVATIONS

CRA staff have initiated a procurement process to select a designer for 93-99 Bishop Allen Drive, and expect to make a recommendation on the selection of a designer to the board in December and sign a contract shortly thereafter.

We expect a construction budget of \$1.7 to \$2 million. Renovations will include:

- New elevator
- ADA compliant bathrooms
- Upgraded entryways, including accessible ramp
- Upgrades to fire safety, including new sprinkler system
- Rewiring and electrical system upgrades
- Repair and repointing brickwork
- HVAC upgrades for both heating and cooling
- New fire alarm system
- Potential other improvements to maximize use of space and support program needs

Staff have scheduled meetings with each of the nonprofit tenants, to learn more about their individual space needs, their wishes for the future of the building, and any unique concerns they have about working through renovations.

Once the designer is on contract, we will also hold visioning sessions with all tenants, to help inform design.

Construction is expected to start by September 2020.