

June 10, 2016

To: Cambridge Redevelopment Authority Board

From: Tom Evans & Jeff Mullan

RE: Cambridge Center Development Agreement and Ames Street Letter of Intent

Amendment No. 15 to the Parcel 3 and 4 Development Agreement will set the terms for the payment to the Cambridge Redevelopment Authority (CRA) by Boston Properties (BP) of the purchase price for the construction of the Ames Street residences (88 Ames St Project). The project was made possible by Amendment No. 5 to Kendall Square Urban Renewal Plan (KSURP) and the corresponding zoning ordinance change in 2001, which increased the overall gross floor area available for multi-family housing by 200,000 square feet. The Project consists of approximately 200,000 square feet of multi-family housing and 16,000 square feet of retail.

A portion of the Project is being constructed on land conveyed to BP by a February 2014 Land Disposition Agreement with the City of Cambridge (City), which required the BP affiliate acquiring the land to undertake reconstruction work on a portion of Ames Street. At the time of the transfer, the projected cost of this reconstruction work was approximately \$3.6 million.

Under this Amendment,

1. BP will pay to the CRA \$4.75 million, made in eleven annual installments of approximately \$431,000 beginning in 2018. This amount can be adjusted upwards in the event that the costs for the road work are less than \$3.6 million, in which case the CRA will receive a portion of the savings, paid out proportionately over the installments, and determined as the lesser of \$1 million and 50% of the savings. (For example, if the reconstruction costs were \$2.8 million, the CRA would receive \$400,000, which is 50% of the difference between \$3.6 million and \$2.8 million.) We have not yet had a formal report regarding costs of the reconstruction work so far, but are aware that there have been some substantial challenges, and it may not come in under budget.
2. If BP transfers the 88 Ames St Project to a third party prior to full payment of the Residential Development Rights purchase price, the entire remaining portion is payable to CRA immediately upon transfer of the Project. While the chances of a BP transfer of the project are remote, in the event that the project is either leased or sold to a third party prior to the date the first payment is due (2018), the Amendment affirms that the CRA will participate in some of the proceeds that BP receives according to a formula put in place in 2004; and
3. BP acknowledges that Boston Properties Limited Partnership (the entity that is the party to the Development Agreement) is the entity through which Boston Properties, Inc. (a publicly-traded real estate investment trust) owns and operates its properties, and that BP Limited Partnership is obligated to comply with the Parcel 3 and 4 Development Agreement, including payment of the purchase price under this Amendment. In concert with BP's ongoing interest in Kendall Square over the next decade owing to changes in the MXD zoning, the Amendment operates as a guarantee that the CRA will be paid.

The Board will be presented with a proposed Open Space Covenant, in the format agreed to with the City in previous instances, which provides to the CRA an enforceable covenant for the benefit of the general public with respect to the open space on the rooftop garage. The open space is currently subject to a covenant in favor of the City through 2050. This covenant, which the CRA may unilaterally assign to the City, runs through 2115, or 65 more years.

In addition, we can confirm for the Board that the following activities are underway or have been completed, consistent with the November 7, 2013 letter agreement between the CRA and BP with respect to the project:

- BP has worked with CRA staff on improving circulation around and within Parcel 4 of the KSURP;
- BP continues to invest in the public programming of open space in the KSURP area, including programming of the rooftop space.
- BP has cooperated with the City and has provided to the City the rights it needed for the Main Street and Third Street intersection improvement project.

The remaining items set forth in the letter agreement have been addressed in an acceptable manner through the adoption of and BP's approval of the recent amendment to the KSURP.