

THIRTY-SIXTH ANNUAL REPORT
OF THE EXECUTIVE DIRECTOR

CAMBRIDGE REDEVELOPMENT AUTHORITY
FOUR CAMBRIDGE CENTER
CAMBRIDGE, MA 02142

DECEMBER 31, 1993

SUBMISSION DATE: MARCH 15, 1994

CAMBRIDGE REDEVELOPMENT AUTHORITY
City of Cambridge
1992-1993

CAMBRIDGE CITY COUNCIL

Kenneth E. Reeves, Mayor
Sheila T. Russell, Vice Mayor
Kathleen A. Born
Francis H. Duehay
Jonathan S. Myers
Michael A. Sullivan
Timothy J. Toomey, Jr.
Katherine Triantafillou
William H. Walsh
Robert W. Healy, City Manager

CAMBRIDGE REDEVELOPMENT AUTHORITY

Jacqueline S. Sullivan, Chair
Alan D. Bell, Vice-Chair
B. Karen K. Swaim, Treasurer
Manual Rogers, Jr., Member
Joseph F. Tulimieri, Executive Director
and Secretary

*Biogen
and
Boston Properties
cordially invite you to the
Groundbreaking Ceremony
for Biogen's new laboratory
and office building
at Cambridge Center*

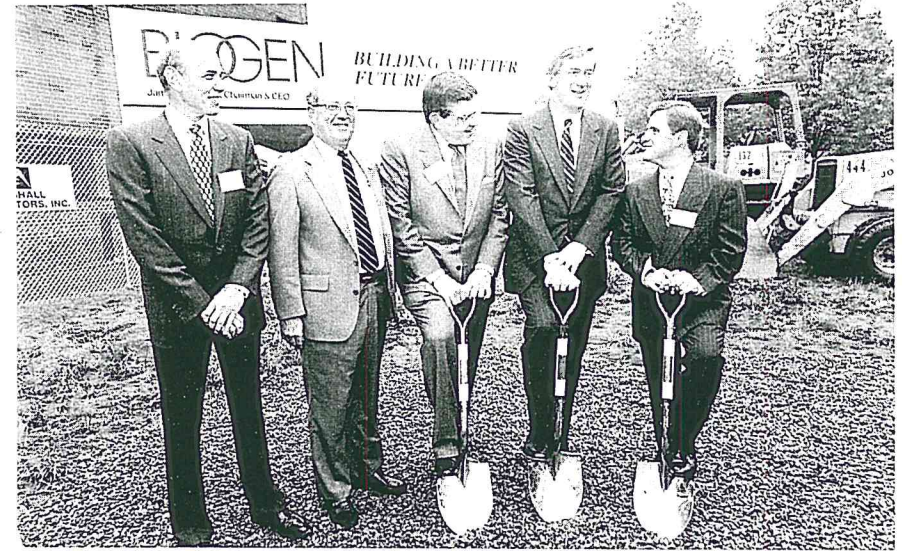
*October 21, 1993
1:30 p.m.
Reception to follow*

*14 Cambridge Center
Cambridge, MA 02142*

R.S.V.P. by October 18
Sharon or Michelle
617-252-9851

"As Chairman of the Redevelopment Authority,
I welcome this opportunity to publicly
thank Jim Vincent, Chief Executive Officer
of Biogen for his willingness to work with
all of us, and Ed Linde, of Boston
Properties, and for their commitment to
remain in Cambridge."

Jacqueline S. Sullivan, Chairman
October 21, 1993





The major events of 1992-1993 in the Authority development programs are outlined as follows:

Wellington Harrington Neighborhood Renewal Area

- Amendment No. 15 of the Contract for Closeout Services with the City of Cambridge extending the termination date was executed.
- Authority staff worked with several local businesses and the and the Community Development Department in order to identify potential grants and/or loans for business expansion and building improvements. If financing is secured, construction advice and technical assistance is provided.
- Authority staff continued to work with the owner of the building vacated by Sterling Bank to identify prospective tenants and to possibly attract a banking facility to serve the neighborhood.
- Suffolk Construction Company, through an affiliated real estate trust, sold its interest in the office building constructed at 950 Cambridge Street. Representatives of the new owner, VINFEN Corporation, indicated that it intends to use the building as a general office space and for educational and vocational services and training. In connection with this

transfer of ownership the Authority approved a certificate regarding the absence of any claims or defaults under the Deed Covenants, the facts that the proposed use is permitted and that no Authority consent is required for any conveyance, leasing or other transfer of the property.

- At the request of the City Manager, the Authority approved the demolition of the existing improvements located on Tract 21, determined that a proposed development of medium density residential reuse and approved the transfer of the site by the City of Cambridge to the Affordable Housing Trust. Authority staff review of several aspects of this development are ongoing.

Roger's Block Urban Renewal Area

- Authority staff continued to work with the Charles Stark Draper Laboratory which continued to downsize its building requirements. Referrals of tenants for adaptive reuse of a portion of the "old" Draper building continued.

Kendall Square Urban Renewal Area/Parcel 1

- Authority staff met with Congressman Kennedy and with Department of Transportation officials regarding the filing of the legislation transferring a portion of the DOT land to the Authority. It was suggested that the Authority secure further evidence of local (Cambridge) public support for the proposed reconveyance of federal land to the Authority. On November 1, 1993, the City Council, by unanimous vote, adopted a Resolution supporting the efforts of the Authority, endorsing the refiling of the legislation and supporting the continuation and expansion of the National Transportation Systems Center in the Kendall Square Urban Renewal Area.
- Nine (9) community groups and the entire Cambridge (state legislators) delegation have previously transmitted written support for Authority acquisition of a portion of Parcel 1 for housing.
- The Authority continued the license agreement with Middlesex Corporation for temporary use of Authority-owned land on Parcel 1 at the intersection of Third and Binney Streets to be used for construction staging and the placement of a trailer required in connection with Binney Street roadway improvements.

- The Authority requested the concurrence of the Secretary of the Department of Transportation (DOT) in Amendment No. 3 to the Kendall Square Urban Renewal Plan. This concurrence is required since DOT is the redeveloper of Parcel 1 and is affected by the Amendment to the Plan.

Kendall Square Urban Renewal Area/Parcel 2

- In late-1992, the Authority authorized the Executive Director to undertake additional marketing activities respecting the potential expansion of biotechnology uses on Parcel 2.
- In April, the Authority conducted a Public Hearing for the purpose of presenting Amendment No. 3 to the Kendall Square Urban Renewal Plan and adopted the requisite Resolution as the first of several local and state approvals to accommodate the expansion of Biogen.
- In June, Chapter 21E work activities commenced, the Authority transmitted proposed zoning amendments and Urban Renewal Plan Amendment No. 3 to the City of Cambridge, endorsed the Chapter 121A Application, commenced the design review process for Twelve Cambridge Center, approved the filing of a Waiver Application (21E), assembled all required disposition documentation and published its intent to dispose of land in

the Kendall Square Urban Renewal Area so that the first Biogen expansion building, a 148,000SF mid-rise laboratory/office structure, could be constructed.

- In July, the Authority reviewed and approved proposed revisions in the Master Plan Framework and Concept Design Plan together with the Preliminary Design Phase submission for Twelve Cambridge Center.
- The Authority presented Plan Amendment No. 3 to the Executive Office of Environmental Affairs (EOEA) and on September 15th the Secretary issued a determination that pursuant to the Massachusetts Environmental Policy Act (MEPA) the proposed change does not require the preparation of an Environmental Impact Report. The Secretary did request, and the Authority prepared and submitted, an updated Section 61 Finding to EOEA.
- The Section 61 Finding includes a summary of mitigation requirements and commitments that were made in the course of previous reviews, and the status of implementation thereof; a commitment to continued efforts to minimize and mitigate impacts, including measures to reduce single vehicle trip generation and to increase transit use, and to involve tenants and developers in those efforts (incorporating the commitments described as the Transportation Services Plan); a commitment to conduct traffic measurements for purposes of verifying the

accuracy of current estimates and predictions and to inform the MEPA office of any significant discrepancy observed; and a commitment not to construct additional parking facilities unless the need therefore has been established (incorporating the current policy) and to develop a strategy to minimize the need for additional spaces to serve the build-out or the Plan Area in general.

- In late September, the Authority approved all the required disposition documents, a closing was held which was followed by the commencement of construction activities.

Kendall Square Urban Renewal Area/Parcel 3

- The temporary use of Authority-owned land by the Massachusetts Institute of Technology, J.B. D'Allessandro, Inc., D. Cicconi & Sons and the Texaco service station continued. The combined monthly use and occupancy charge is \$12,420.
- Aggressive marketing activities continued on Parcel 3. Authority staff participated in several presentations to prospective office and laboratory tenants. Authority letters of support accompanied proposals for development generated by Boston Properties. Authority staff prepared endorsement letters transmitted by the City Manager and Mayor. Individual

conferences were held in the Project Area with interested parties.

- Mid-year, the Whitehead Institute expressed its interest in expanding Nine Cambridge Center creating 60,000SF of additional laboratory and support space. The Authority staff negotiated Amendment No. 9 to the Development Agreement to allow for this use.
- In September, Whitehead and Boston Properties commenced preliminary geotechnical studies which was followed by the submission of schematic design phase plans and proposed modifications of the Master Plan Framework and Concept Design Plan for Parcel 3.

Kendall Square Urban Renewal Area/Parcel 4

- In April the Authority reviewed the proposed modifications to the lobby and indicated its approval of such modifications as presented by Boston Properties.

Kendall Square Urban Renewal Area/Parcel 6

- The Authority approved an agreement for use of this tract, located adjacent to the western boundary of the renewal area, for the Stride Rite Intergenerational Center outdoor play area to be constructed by Boston Properties. After staff and consultant reviews, construction commenced on the facility and was completed mid-year.

Kendall Square Urban Renewal Area/Parcel 7

- Authority staff presented testimony before the Outdoor Advertising Board (OAB) and interposed objections to the issuance of temporary permits for the billboards abutting this parcel. Hearings were held in April and the Hearing Officer submitted a finding to the OAB supporting the Authority position.

City Council Actions

- The City Council passed a Resolution proposing the installation of a dedication plaque in memory of Robert S. Remer. In October, the Authority unveiled the plaque, located on the Pedestrian Way at Broadway. A reception followed the

ceremony which was attended by Bob's family, friends, and the Authority staff.

- In March, the second Mayor's Forum on Kendall Square and the surrounding area was held. The final Forum featured a presentation by Dennis Carlone of some possible urban design principles to be considered in the development of Parcel 1 and other land areas in which development activities are likely to occur.
- At its first meeting after Labor Day, the City Council having received positive recommendations of the Cambridge Planning Board, voted to approve the Zoning and Urban Renewal Plan Amendments and the so-called Chapter 121A Application. This completed all required local approvals needed for the Biogen expansion.

Operations/Administrative Actions

- The Authority continued its relationship with Monacelli Associates for urban design services by approving two contract amendments.

- In connection with the extraordinary expenses incurred by the Authority in connection with the suspended Lotus Development Proposal for Parcel 3, the Authority received a reimbursement in the amount of \$74,850.
- The Authority received a final payment in the total amount of \$3,378. in full settlement of the insurance claim for the replacement of the stolen "Moonglobe" at Thomas J. Murphy Park.
- The Authority adopted the provisions of Chapter 399 of the Acts of 1993 providing for an early retirement incentive for Authority employees. One employee, Anthony J. Cristello, took advantage of this opportunity.
- The Authority approved Amendment No. 17 to the Contract for Legal Services by and between the Authority and its general legal counsel, Foley, Hoag & Eliot, extending the time of performance to December 31, 1993.
- The Contract for General Engineering Services by and between the Authority and Fay Spofford and Thorndike was amended by extending the time of performance to June 30, 1996.

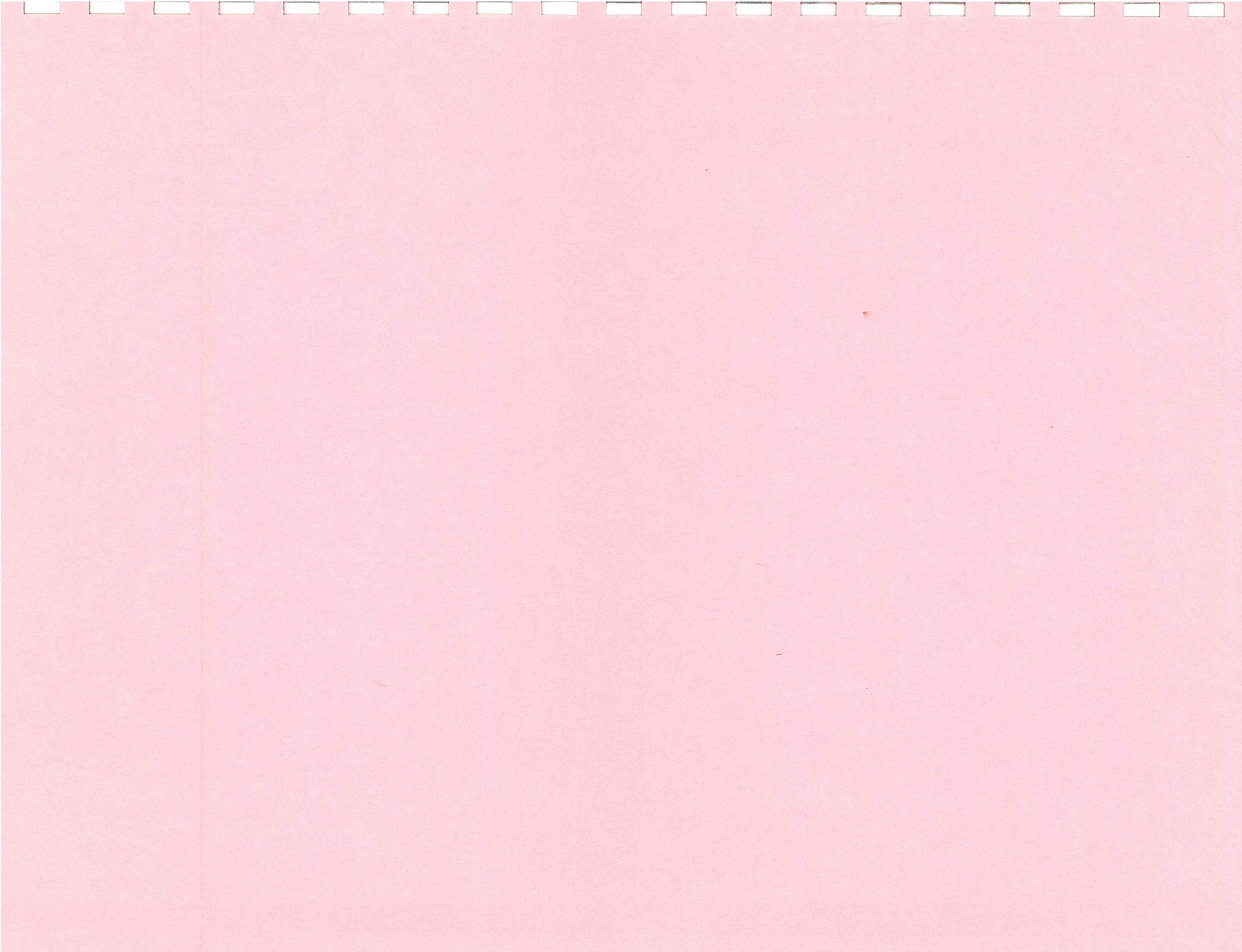
- Property Management Contract No. 12 with Cambridge Landscaping continued. A total of \$99,195.94 was expended. A request for proposals will be advertised during the Spring for a new three-year Contract.
- The Authority authorized the Executive Director to solicit professional services (traffic engineering) required in connection with the Section 61 Findings annual update.
- The Authority reviewed plans for the discontinuation of a portion of Carleton Street and the transfer of Hayward and Vassar Streets to MIT. Given a finding of "no impact" on vehicular circulation and a positive impact on pedestrian circulation, a letter of support was forwarded to the City Manager, the City Council and to the Planning Board. These actions were incorporated into an agreement by and between the City of Cambridge and MIT.
- Authority staff provided testimony in the form of a letter opposing the so-called McManus Petition, a proposed amendment to the Zoning Ordinance which would include structured parking in calculating gross floor area. A study was conducted under staff supervision of the practice of twenty-one neighboring communities and forwarded to the City Council and to the Planning Board. The City Council denied the proposed zoning amendment.

- The practice of forwarding monthly and quarterly reports to the City Manager and to the Community Development Department covering project activities continued, as required by the Contracts by and between the Authority and the City.
- Daniel Dennis & Company, previously awarded a three-year contract for audit services, completed its field work on the 1992-1993 audit. A final copy is attached as a component of this Annual Report.
- Activities covered by Property Management Contract No. 12 continued. Change orders, in the aggregate amount of \$28,318.99 were executed on this \$117,000. service contract.

Authority Organization

- Jacqueline S. Sullivan was elected to serve as Chairman; Alan D. Bell was elected Vice Chairman and Karen Swaim as Treasurer at the Authority Annual Meeting on January 7, 1993.
- Alan D. Bell was reappointed by the City Manager and approved by the City Council on August 3, 1992. Mr. Bell took the required qualifying oath on August 5, 1992.

- Manual Rogers, Jr. was appointed to the position formerly held by Thomas J. Murphy by the City Manager and approved by the City Council on August 3, 1992. Mr. Rogers took the qualifying oath of office on August 6, 1992.
- B. Karen K. Swaim was appointed to the position formerly held by Frank S. Maragioglio by the City Manager and approved by the City Council on August 3, 1993. Ms. Swaim took the qualifying oath on August 6, 1993.



CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
and
Auditors' Report

December 31, 1993

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 December 31, 1993, and the related statements of support, revenue and expenses and changes in fund balances for the eighteen months 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.

Consistent with the practices of many municipalities in the Commonwealth of Massachusetts, CRA prepares its financial statements on the basis of accounting practices prescribed by the Commonwealth. As described in Note 6, these accounting practices differ in certain respects from generally accepted accounting principles.

In our opinion, except for the effects, if any, of the matters referred to in the preceding paragraph of this report, the financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Redevelopment Authority as of December 31, 1993, and the results of its operations and changes in fund balances for the eighteen months then ended, in conformity with generally accepted accounting principles.


February 11, 1994

Cambridge Redevelopment Authority
Combined Balance Sheet
December 31, 1993

Assets

	<i>Project Funds</i>	<i>General Long-Term Obligations</i>	<i>Combined Total*</i>
Cash and deposits	\$434,989	\$ -	\$434,989
Investments (Note 3)	100,075	-	100,075
Accounts receivable - tenants (net of allowance for doubtful accounts of \$17,850)	15,840	-	15,840
Accounts receivable - other (Note 7)	187,109	-	187,109
Amount to be provided for retirement of general long-term obligations	<u>-</u>	<u>56,055</u>	<u>56,055</u>
	<u>\$738,013</u>	<u>\$56,055</u>	<u>\$794,068</u>
Total assets			

Liabilities and Fund Balances

Accounts payable	\$ 39,879	\$ -	\$ 39,879
Payroll withholdings	1,580	-	1,580
Deposits held	60,032	-	60,032
Accrued vacation and sick leave	<u>-</u>	<u>56,055</u>	<u>56,055</u>
Total liabilities	101,491	56,055	157,546
Fund balance	<u>636,522</u>	<u>-</u>	<u>636,522</u>
Total liabilities and fund balances	<u>\$738,013</u>	<u>\$56,055</u>	<u>\$794,068</u>

* Memorandum only

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Support, Revenue, and Expenses
For the Eighteen Months Ended December 31, 1993

Revenues:

Income on investments	\$ 38,461
Rental income	<u>191,530</u>
Total revenues	<u>229,991</u>

Expenditures:

Administrative	584,666
Legal	103,517
Survey and planning	32,241
Operation of property	80,659
Miscellaneous expense	<u>15,082</u>
Total expenditures	<u>816,165</u>

Excess (deficit) of revenues over expenditures \$(586,174)

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Changes in Fund Balances
For the Eighteen Months Ended December 31, 1993

Fund balances - July 1, 1992	\$1,222,696
Excess (deficit) of revenue over expenses	<u>(586,174)</u>
Fund balance - December 31, 1993	<u>\$ 636,522</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Notes to Financial Statements
December 31, 1993

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:

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 and development deposits are recorded as income when 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.

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.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 1993

2. Summary of Significant Accounting Policies - Continued

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 December 31, 1993, there are two Certificates of Deposit held by different institutions and are valued as follows:

<i>Institution</i>	<i>Amount</i>	<i>Rate</i>	<i>Maturity</i>
Cambridge Trust Co.	\$ 50,000	4.3%	1/17/94
U.S. Trust	<u>50,000</u>	3.55%	1/18/94
Total	<u>\$100,000</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 is \$439,989 at December 31, 1993 of which \$139,274 is insured by FDIC. The remaining balance of \$295,715 is insured by the Deposit Insurance Fund of Massachusetts.

4. Development Deposits

Through December 31, 1993, CRA has received \$1,500,000 of development deposits from Cambridge Center Associates (CCA). By Amendment to the Development Agreements dated September 29, 1993 by and between CRA and CCA, CRA is to receive additional development deposits from CCA of \$250,000 for each of the years ending June 30, 1994 to 1999 equal to \$1,500,000. Beginning in the year 2000 deposits will be as follows:

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 1993

4. *Development Deposits - Continued*

June 30, 2000	\$274,050
2001	125,000
2002	59,400
2003	125,000
2005	112,725
2007	<u>94,837</u>
Total	<u>\$791,012</u>

These deposits are in consideration of and secure CCA's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. Through December 31, 1993, land sales applied to the deposits amounted to \$600,323 reducing the deposit balance to \$899,677.

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 eighteen months ended December 31, 1993 was \$335,874; the CRA's total payroll was \$335,874.

All CRA full-time and part-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 were subject to a cap of \$30,000 on the level of compensation upon which their benefit was calculated. Effective January 2, 1991, the \$30,000 salary cap was removed.

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. With the removal of the \$30,000 cap on January 2, 1991, employees hired after January 1, 1979 earning more than \$30,000 annually, must contribute an additional 2% above these base amounts. The City is required to contribute the remaining amounts necessary to pay benefits when due. The System also provides death and disability benefits.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 1993

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 eighteen months ended December 31, 1993 was \$56,060, which consisted of \$43,490 from the CRA and \$12,570 from employees; these contributions represented 13% and 4% of covered payroll, respectively.

6. *Departures From Generally Accepted Accounting Principles*

CRA prepares its financial statements on the basis of accounting practices prescribed by the Commonwealth of Massachusetts. These practices differ in certain respects from GAAP.

The significant departures from GAAP included in the financial statements are as follows:

- A. Retirement benefits are provided for on a "pay-as-you-go" basis rather than an acceptable actuarial cost method (See Note 5).
- B. Fixed assets purchased are expensed in the year of purchase and a general fixed asset account group is not maintained.

7. *Accounts Receivable - Other*

Accounts receivable other represent amounts due from Biogen for expenses incurred by CRA and associated with the North Parcel project. These costs relate to the proposed expansion of Biogen, Inc. facilities in Parcel 2 of the Kendall Square Urban Renewal Area.