

## MEMORANDUM

**To:** CRA Board

**From:** Hema Kailasam and CRA Staff

**Date:** December 15, 2022

**Re:** Proposed Budget 2023

## BUDGET NARRATIVE

The 2023 CRA budget projects operating revenue of \$475,000. The revenues from license agreements and mitigation payments are expected to be \$140,000 from activities in the Kendall Square Urban Redevelopment Plan area (KSURP). Cash flow of \$300,000 expected from the fourth and fifth amortization payments of the CRA Zero Interest Loan COVID-19 Program in March and September 2023. The rental income and expenses from 99 Bishop Allen are reported as a net inflow of \$35,000. A detailed budget of 99 Bishop Allen is attached. CRA revenues for the 2023 budget do not include development rights payments that are either already set as receivables (88 Ames and M-1) or anticipated but not realized (121 Broadway and 290 Binney).

On the expense side, personnel costs for 2023 have an increase of 21% versus the 2022 budget. There are two open positions, a new Project Manager and a Project Planner position. The hiring plan in 2023 includes the addition of one additional program staff and a staff position to support administrative operations. The proposed budget also includes a four percent (4%) COLA increase in salary for current employees. The total personnel cost includes \$162,000 for the pension contribution for employees and retirees to the Cambridge Retirement System.

Administrative costs also include the addition of three laptops for new staff. With the increase in staff, the current work station configuration has to be redesigned to reflect the changing office environment and the increase in total staff members. The cost of office space redesign and new furnishings of \$20,000 is all included in the office budget.

The budget includes exploration of information technology (IT) upgrades and maintenance plan through the new three-year IT contract. In 2023, Staff will put forth a plan to archive documents in a digital format. Pursuant to the anticipated Eversource project development rights payment from BXP, staff will be developing a strategy for a broader investment policy and/or investment advisor.

Much of the programmatic expenses for the CRA come from professional service contract agreements for technical analysis of plans and projects. The professional services budget category includes nearly over \$800,000 of contract scope. About a quarter of these contract expenses are administrative contracts, with the remained contract scopes tied to specific project expenses. These expenses are described in further detail below under the Programmatic Priorities discussion.

In 2023, a key initiative is to evaluate the Forward Fund and develop a more robust approach to granting infrastructure funding. In the 2023 budget, the Staff propose a call for feasibility studies of up to \$10,000 with a budget of \$100,000. Following the feasibility studies application round, staff will

launch a renewed Forward Fund Capital grant. Staff will recommend the Board an allocation for the new capital grant cycle mid-2023.

In conclusion, for 2023 the total income is expected to be \$475,000 and total expenses are projected to be \$3,335,000. The operations of the CRA in 2023 result in a deficit of \$2,860,000. In 2023, sources of cash will include the seventh payment of \$431,818 from the Ames Street Project, the payment of M1 development fees, the amortization payments and BXP mitigation payments resulting in an actual cash deficit of \$1,030,000 in 2023, before any allocation from investment holdings or new development payments.

The Foundry is expected to stabilize with the leasing of the final tenant space in 2023. Current projections of the rental income from the office space include the escalation on August 1<sup>st</sup> 2023, and a occupancy for the 3<sup>rd</sup> floor space for most of the year. Over 2023, the community uses are forecasted to grow steadily. The Foundry Consortium predicts a net operating deficit of \$290,000. This deficit and the facilities expenses result in a payment of \$645,000 to the Foundry Consortium. The overall net income for the Foundry will be a deficit of \$157,000. It was anticipated that in the first year, income would trail expenses with ramp up of the usage of the community space.

## PROGRAMITIC PRIORITIES

In the 2021 Annual Report, staff had projected the key initiative for the year ahead. Below is this list of projects color coded with the project status.

- Green = Completed or nearly completed
- Yellow = Ongoing into the upcoming year
- Red = On hold or cancelled

### Kendall Square Urban Redevelopment Plan

- Complete Design Review of 135 (121) Broadway Residential Project
- Complete Design Review of 290 Binney Commercial Project
- Parcel 6 Activation / Restart Food Truck Program
- Danny Lewin Park Schematic Design
- Galaxy Park
- Main Street Redesign
- Re-open Roof Garden
- The Adaptor Project at 255 Main

### Citywide Activities & Projects

- Complete Design Development for Margaret Fuller Project
- Install Solar PV System at 99 Bishop Allen Drive
- Open the Foundry Building
- Identify Potential Affordable Home Ownership sites

### Internal Operations

- Finalize Racial Equity Action Plan document
- Complete Strategic Plan utilizing community engagement
- Reimagine Information Technology and Bookkeeping capabilities
- Initiate digitalization of CRA current and archival records
- Create CRA Asset Management System

This inventory of the past year's programs helps set up our analysis of ongoing budget needs for 2023. Below is the proposed list of 2023 Priorities based on the anticipated work ahead. This list does not include any new initiatives that may emerge from the CRA Strategic Planning effort anticipated to be completed by the end of the first quarter of 2023. Thus, the budget is calibrated to the "known universe" of CRA projects, and staff plan to revisit the budget after the strategic plan is completed and short-term funding priorities are agreed upon.

### **Proposed 2023 Priorities**

#### **Kendall Square Urban Redevelopment Plan**

- Reconstruction of Danny Lewin Park
- Finalize construction permitting of 121 Broadway Residential Tower
- Finalize construction permitting of 290 Binney St. and Substation Vault
- Initiate build-out of Kendall Public Market
- Conduct Rail Transit Feasibility Study of Grand Junction Corridor
- Complete Schematic Design of Galaxy Park Streetscape

#### **Citywide Projects**

- Restart Forward Fund Grant Program
- Stabilize Foundry Operations
- Secure Special Permit for Bolton St Townhouses
- Complete Schematic Design and enter a Development Agreement with MFNH
- Complete Phase One Rindge Connectivity Schematic Design

#### **Internal Administration**

- Finalize Strategic Plan
- Invest in DEI Training and Racial & Equity Action Plan Items
- Launch Project Management Workflow System
- Reconfigure Office Space
- Create Asset Management System
- Initiate Board Archive Digitalization

One other key consideration for the CRA budget is a dynamic mentioned in the draft Strategic Plan, and that is the life cycle of projects over the course of many years that transition from planning, into construction or implementation, and then finally evolve into long-term property management obligations. The past year has ushered a couple large projects, Bishop Allen and the Foundry, through this cycle with the goal to have those projects become financially self-sustaining.

### **Noteworthy Projects Impacting the Budget**

#### *Margaret Fuller Neighborhood House*

The MFNH project is expected to ramp up again in 2023, as staff transitions for both partners created delays on reaching project milestones last year. The design team will continue its site planning work for all elements of the project through schematic design and, depending on project decisions, continuing through design development documents for permitting and grant application purposes. It will take an estimated two hundred thousand dollars to work through these pre-development costs, and under the current agreement, most of these costs are a shared responsibility with the MFNH. In addition to the design work, some legal expenses will be required throughout the year to finalize a land option agreement and a development agreement between the CRA and MFNH.

### *Rindge Connectivity*

In 2022, the CRA and Just a Start approved a Letter of Intent for the purpose of creating a public easement across a portion of the Rindge Commons project in furtherance of the Rindge neighborhood connectivity report completed by Gamble Associates. This easement agreement would also provide \$600,000 in funding for the JAS project. The CRA has selected Copley Wolffe landscape architects to create plans for this phase of the pathway system, and anticipates a significant amount of design work to be completed in 2023. Additionally, the CRA staff would like to engage a small number of community members to assist with community outreach for the design project.

### *Transport Kendall*

The CRA is engaged in a number of technical studies related to Kendall Square transportation. Sasaki has been engaged in a contract amendment to continue the streetscape design work for Broadway along the CRA owned parcel of Galaxy Park. Reaching this level of design will cost about \$32,000. The CRA's transit feasibility study of the Grand Junction corridor will be running full speed in the first half of the year, with those costs to be covered by a development mitigation clause of the Cambridge Center Development Agreement. VHB is in the final year of its transportation planning contract to fulfill the MEPA transportation reporting requirement. Staff will need to conduct a new RFP process to find a consultant to continue the annual transportation work in the following years. Once the RFP process is complete, staff will present a consultant recommendation and request a budget amendment to continue the Annual Transportation Report work. Additionally, there is hope that another KSTEP project will emerge from the large numbers of bus network and shuttle planning efforts underway, but no costs have been attributed to this yet for 2023.

### *Bolton Street Townhouses*

The CRA has executed a term sheet for a ground lease to accommodate five townhouses on Bolton Street. In accordance with this agreement, the schematic design and special permit technical work is to be led by the landowner. Once the permit is approved, the CRA has a commitment to pay half of the lease cost of \$600,000, and will need to engage an architectural team to continue the design work.

### *Forward Fund*

As discussed above, CRA staff have been exploring ways in which the Forward Fund project can improve to deepen the assistance to non-profits and community groups in making capital improvements to public facilities. In 2021 the capital grant program was under subscribed, and other early grants have not been utilized, thus staff are looking into way to provide better outreach and support o the program and its grantees. While the details of the full grant program are to be refined, staff recommend committing \$100,000 to the Forward Fund at the onset of the year to target feasibility study work under a similar structure as undertaken in the past. This will help kick-off planning efforts toward full project to seek Forward Funds in the near future.