

Regular Board Meeting
Cambridge Redevelopment Authority

Wednesday, October 16, 2019, 5:30pm
Robert Healy Public Safety Center / Cambridge Police Station / Community Room
125 Sixth Street, Cambridge, MA

APPROVED Meeting Minutes

Call

Chair Kathleen Born called the regular CRA Board meeting to order at 5:42 p.m. Other Board members present were Vice Chair Margaret Drury, Treasurer Christopher Bator, Assistant Treasurer Conrad Crawford, and Assistant Secretary Barry Zevin. Executive Director Tom Evans and CRA staff members, Alex Levering, Ellen Shore, Carlos Peralta, and Erica Schwarz, were also in attendance. The meeting was recorded by the CRA.

Public Comment

There were no requests for comment.

The motion to close public comment was seconded and carried unanimously.

Minutes

1. Motion: To accept the minutes of the Regular CRA Board Meeting on September 18, 2019

There were no comments.

The motion to accept the minutes of the Regular CRA Board Meeting on September 18, 2019 and place them on file carried unanimously.

Communications

There were no communications.

Reports, Motions, and Discussion Items

2. Report: Forward Fund 2019 Grant Recommendations

Mr. Peralta recommended four proposals for Forward Fund grants. The fund was changed this year to incorporate a rolling application period. This is the third review cycle. The other two cycles were in June and September. Qualified proposals must align with the action plans detailed in the City's Envision Cambridge and Community Needs Assessment reports. The 2019 maximum award amount is \$100,000 for Community Infrastructure projects and \$10,000 for a new Technical Assistance grant used for preconstruction analysis on potential future infrastructure projects. Representatives from Just-A-Start (JAS), the Cambridge Community Center (CCC), Nurtury Inc., and the Agassiz Baldwin Community (ABC) gave presentations.

Noah Sawyer, JAS Director of Real Estate, spoke about the 55 Norfolk Street Financial Opportunity Center project, a description of which is included in Mr. Peralta's Board packet memo. Mr. Sawyer spoke about JAS and its mission. He gave a description of the Financial Opportunity Program and a new Mobility Mentoring Program. He explained the limitations and aspirations for the programs. The grant will support the design and construction

costs for a Financial Opportunity Center which will house these two programs. The JAS-owned building at 55 Norfolk Street would be upgraded to include a community room for seminars, office space, private meeting space, storage facilities, and an ADA accessible entrance. He added that JAS is also using its own resources to support the project. He showed a timeline of the project and expects to be in construction in the summer of 2020.

Darin Korte, from CCC, spoke about the history of the CCC and the Building Modernization Project. The project increases accessibility, efficiency, and safety of the building at 5 Callender Street, while also restoring the exterior to its original look and adding new classroom space. Work on the building has been ongoing. Phase 1 is complete and phase 2 planning is underway. His presentation showed a list of items in each phase. He distributed a document which discusses a potential future third phase to address community resiliency aspects for the building in the event of an emergency. The Historic Commission has provided funds for the building exterior. He noted that when an updated budget estimate for Phase 2 is received, certain component postponements might be necessary. The CCC is a previous Forward Fund awardee for their tech lab project.

Colleen O'Hara and Suzyann Miller, from the Nurtury, and Steve Nutter from Green Cambridge spoke about the Nurtury Outdoor Garden project. These organizations have partnered together to propose two outside growing classroom spaces near the entrances to the building at 243 Harvard Street. Leslie University will also help fund and participate in a children's curriculum. The property is owned by the City, which will help with an irrigation system. A project implementation schedule was shown.

Taylor Mortell, an associate of Agassiz Baldwin Community (ABC), spoke to the Board on behalf of ABC's Executive Director Maria LePage, who was unable to attend. Ms. Mortell spoke about the need for a feasibility study regarding the renovation of the first floor of the main building at 20 Sacramento Street to enhance programming for children and other community programming and improve accessibility and safety. She spoke about the mission and programs of ABC. The grant would help fund a project manager to manage the project, including fundraising, and analyze design options and logistics for temporary relocation during renovation.

All of the recipients thanked the CRA. Mr. Peralta said that he will keep the Board updated on the progress of the projects. The deadline for the fourth review cycle is December 11. The Board was very pleased with the impact of the grants and the opportunity to direct CRA assets to projects like these.

Mr. Evans said that no formal vote is needed tonight because the Board previously voted to appropriate the funds and let the selection committee choose the recipients.

3. Report: 2018 Audit

Motion: Accepting the 2018 Financial Audit and accompanying Management Letter prepared by Roselli, Clark and Associates

Mr. Chad Clark distributed the financial packet and the management letter. He said that the CRA has come a long way on the state of its finances compared to five-to-six years ago when this Board was first installed.

The financial statements are based on where things stood as of December 31, 2018 so the significant influx of cash for the recent sale of development rights and the purchase of a building are not reflected in these statements. The level of accounting is increasing in complexity. The debt for the loan will add a new section to next year's financial statement. He emphasized that the internal infrastructure is as important as the projects.

Looking at page 9, the CRA ended the year with about \$33.5 million in investments, which he said is a healthy balance. If the check for development rights comes in 2019, the 2019 year's end could be close to \$50 million for use now and in the long term. The \$3.8 million account receivable for the sale of development rights has been amortized over a 10-year period. The revenue is recognized as it is received. The note receivable refers to the 2017 loan (plus interest) to Just-A-Start for sprinkler systems with a potential for forgiveness. The receivable is on the books for 2018 but since no cash inflow is expected, it is not really an asset for the future. It will remain on the books as an asset but also as an expense. The goal is to keep it booked in case the situation arises where it does become collectable. The loan is due in 30 years so this transaction needs to be recorded.

The deferred inflows and outflows are based on the timing issues related to OPEB and pensions as people are hired and expected to unsubscribe. GASB wants the effects of the market to be smoothed out over a five-year period so the amounts are related to what happened versus what the actuaries anticipated.

Mr. Clark noted that the CRA net pension liability went up and he is unclear as to why. The Cambridge Retirement System (CRS) isn't audited by Roselli & Clark so he wasn't involved in the calculation. Mr. Clark did not think that additional CRA employees should affect the amount so significantly. The discount rate seems to have been adjusted by the actuary. On page 20, the beginning balance is \$290,744 and the ending balance is \$606,895. As a member of the retirement system, the CRA may ask CRS to provide more detail for budgeting purposes. The OPEB (other postemployment benefits) liability went down from \$885,407 to \$839,424 as that cost is totally controlled by the CRA. Mr. Clark said that pension plans need to be fully funded by 2040. As liabilities go up, assessments go up, including the CRA's annual payment to the CRS. This can be mitigated by prefunding assessments. Mr. Clark said that although they are part of the same system, the assessment for the City, the CRA, the Housing Authority, and Cambridge Health are all calculated separately, so prefunding one organization's assessment should not affect the other's liabilities. There is an interest component to the assessment; writing a check now to prefund the account would result in a smaller amount than summing the checks that are paid over the next 20 years. However, the money invested would be affected by market swings. The CRA has no say over how the money in the pension system is invested. In response to Ms. Shore, Mr. Clark responded that Ellen Philbin at the CRS would be the person to contact regarding the change in liability. There was a discussion of how pension liabilities are calculated.

Looking at page 9, at the end of 2018, the net position was \$37.5 million. About \$1 million of it was in capital assets, \$6 million in restricted KSTEP funds, \$9 million in restricted Foundry funds, and \$21.5 million available to pursue redevelopment activities. Page 10 shows about \$4.8 million in revenue from the sale of development fees. Project consulting expenses increased 40% this year which is expected as the number of projects increases. Overall, expenses were up about \$1 million, but this includes the previously mentioned accounting shift for the forgiven loan. Mr. Clark pointed out that the property contribution which reduced the assets relates to the parcel of land (the "Porkchop") gifted to the City.

With respect to the Management Letter, most of it is informational. The first two pages provide a financial summary. Mr. Clark noted that the fair market value impact on some of the investments is hard to predict. However, principal and interest earned on the fixed income will not be lost if held until maturity.

Municipal data breaches are becoming more common in Massachusetts so steps are needed to invest in IT security to minimize the risk. He was glad to hear that CRA has had some training and that more is forthcoming. Mr. Evans said that staff has been taking actions to protect the server with the guidance of an IT consultant. In light of all the financial activity occurring now and planned for the future, Mr. Clark reiterated that the Quickbooks accounting software used by the CRA may not be adequate for fund accounting. He recommended that some other product be used but did not have a suggestion.

A motion to accept the 2018 Financial Audit and accompanying Management Letter prepared by Roselli, Clark and Associates was seconded and carried unanimously.

4. Report: 93-99 Bishop Allen Drive

Motion: Authorizing the Executive Director and Treasurer to open a dedicated reserve bank account with Cambridge Trust for the purposes of supporting the mortgage for the purchase of 93-99 Bishop Allen Drive

Ms. Schwarz referenced a document in the Board packet. She was pleased to report that the CRA now owns the building. The closing was arduous. Payments on the tax-exempt bond financing are due on the second of each month; the first one is due on November 2. There are restrictions on the financing. Although not anticipated, the loan agreement does allow the CRA to use up to 20% of the building for other than nonprofit uses. Since the debt service coverage ratio did not meet the bank's requirement, the CRA was asked to set aside \$180,000 as insurance. The money will be placed in a savings bank, earning interest, until the required ratio is achieved. Mr. Evans added that this will be released when the leases are repositioned in 2021. The tenants are aware that a

rent increase at that time is probable. Senne Management has signed a contract to be the property manager. Senne Management has opened a bank account on behalf of the CRA which will be used to pay bills and collect rents. On the 10th of every month, the net funds are then wired to a CRA bank account recently created just for the operating of the building. There is another requirement for an additional \$5,000 as a safety net if expenses outweigh rental income. An online portal will be made available for CRA staff to get financial reports on bill payments and rent collections. With respect to the renovations, there was a recent site visit with 10-12 architectural firms. Ms. Schwarz expects there will be a strong response to the designer RFQ. There was a discussion about some last-minute issues during the closing. In response to Mr. Bator, Ms. Schwarz said that the interest on the loan is 3.18%. Mr. Evans said that there will be a public celebration in November with the Cambridge nonprofit community.

Mr. Evans said that for full transparency, the Board needs to vote on opening all bank accounts.

The motion authorizing the Executive Director and Treasurer to open a dedicated reserve bank account with Cambridge Trust for the purposes of supporting the mortgage for the purchase of 93-99 Bishop Allen Drive was made and seconded. A roll call was taken.

Mr. Zevin – yes

Mr. Crawford – yes

Ms. Born – yes

Mr. Bator – yes

The motion carried unanimously.

5. Update: Foundry

Ms. Born mentioned that there was a nice story about the October 2 Foundry Community Meeting in the press. Ms. Schwarz scrolled quickly through the beginning of the presentation that was shown at that public meeting and at the Foundry Advisory Committee (FAC) meeting last Friday. The Board was already familiar with the material on the first few slides regarding a financial overview, the structure of the Foundry, the outreach done, and the history of the Foundry. Getting to the design portion of the presentation, she spoke about some of the design highlights. Glass walls were added to provide acoustic separation to the second and third floor offices from the first-floor activities. Much of the other design aspects have remained the same. There have been some refinements, with more expected for the exterior space. Comments from the two meetings will be put onto the website. They include making the courtyard flexible, using native plantings, having space for art displays, attracting families with kid-friendly physical installations, having wayfinding signs in multiple languages, and having easily recognizable greeters. She said that there is an excitement about the four different makerspaces – woodworking, jewelry making and light metal work, fabric arts, and digital fabrication. Comments mentioned that the first-floor dance studio could present a sound issue. There were suggestions for programmatic ideas such as doggy days, costume making, sewing maintenance classes. Ms. Schwarz said that there was a discussion at the FAC meeting to move the meeting location to areas that can better reach target groups such as senior centers or churches. Staff is looking to have the next FAC meeting at the Central Square senior center. With respect to construction, the City has a trailer on the site and plans to do interior demolition and early abatement in November. Design development is starting and will go through this calendar year, followed by construction documents early next year. Occupancy is expected in the summer of 2021. Mr. Evans and Ms. Schwarz spoke about an upcoming public meeting with the artist Elisa Hamilton about her Jukebox installation that was chosen to be in the Foundry. Another public event occurs on October 25 and includes a walk to the Foundry where the “I-Wish-I-Was” stickers will be placed on a board installed on the Bent Street side of the Foundry. Mr. Evans said that the City Council needs to appropriate the additional funds, as the City has so far only appropriated the original \$6 million. He added that at the October 2nd meeting, Lisa Peterson said that the total number is closer to \$35 million than \$31 million. This includes the CRA’s \$7 million. Staff has spoken to many City Councillors to prepare them. The vote will most likely happen a week from Monday. The City was waiting until the tax rate was set and will be using free cash to fund its portion. The CRA will need to go to the Historic Commission. It also needs to go to the Planning Board for a special permit which is expected to happen in the beginning of next year. A special permit is needed before going out to bid. Ms. Schwarz said the nonprofit has incorporated with the state of Massachusetts. They are waiting for their 501c3 determination from the IRS. The newly formed board is having their first meeting in November. This group plans to hire an Executive Director and plan fundraising events leading to the opening.

In response to Mr. Crawford, Mr. Evans said that he doesn't expect Rogers Street to fully open up during the initial construction work. It might open from Third Street to the driveway of the Third Street residences.

6. Presentation: Amendment to the 2019 CRA Budget (Mr. Evans)

Motion: Approving the Second Amendment to the CRA 2019 Budget

Mr. Evans distributed an updated budget amendment document. He said that there is usually one mid-year budget change but another amendment is needed because of changes to a few line items. Looking at the chart, changes are highlighted. The income for development rights was changed to discount some GFA for 325 Main Street that was used for innovation space and to acknowledge that the Broad expansion hasn't moved forward so its income is not expected. A line item was added to track the rent income for the newly purchased building at 93-99 Bishop Allen Drive. The expected realized gains and losses for the year are better determined since the Foundry and KSTEP investments are now in government bonds. Changes in expenses related to 93-99 Bishop Allen are the significant increase in insurance due to the building's outdated systems and a new building management line item. The increase in landscape budget is related to additional work on parcel 6 and Grand Junction Park, which includes the planting of trees received from Boston Properties. The redistribution of budgeted expenses in professional services relates to the design landscape design work for the Kendall Square parks advancing more quickly than the architectural work for the Margaret Fuller Neighborhood House. Bookkeeping discussions are occurring related to booking the building purchase costs. Although they are projected to be expenses for the year, they could be amortized over the course of the loan and fall on the balance sheet.

Although the City is doing the appropriation this year for the Foundry, the cash isn't expected until the spring so the CRA expense for the Foundry is now expected next year. Using the entire financing that Mass Development had offered, the property acquisition budget was significantly reduced. The result is an overall decrease in total budgeted expenses.

The motion approving the second amendment to the CRA 2019 Budget was seconded and a roll call was taken.

Mr. Zevin – yes

Mr. Crawford – yes

Ms. Born – yes

Mr. Bator – yes

The motion carried unanimously.

7. Staff Report

Mr. Evans said that staff is evaluating bookkeeping models to decide whether to show the building project within the CRA books or have separate books. Topics for upcoming Board meetings are next year's budget and a report on the workforce development project with the City. A new Workforce Development Consortium gathered today for the first time at the Link. Staff will report on the result of a designer RFQ for the renovation of the Bishop Allen building and the selection of a real estate financial consultant for the Margaret Fuller Neighborhood House (MFNH) redevelopment project. While a physical analysis of the MFNH building and the site has been underway, the architects have been learning about the building's programmatic elements. In parallel, the MFNH board and interim executive director are working to hire a new executive director and have launched a strategic planning effort. There will most likely be a delay in the timeline. The food truck program is winding down to end by December. An RFP for a December holiday vendor will be posted later this week. There is an obligation to do an annual transportation report which was delayed until roadwork construction on Main Street and the Longfellow Bridge was completed. The data collected has been expanded to look beyond the Kendall Square Urban Renewal Area and include transit and bike travel. The data was collected in September and staff has been working with VHB on the report's format. Mr. Evans was pleased to announce that the 145 streetscape is finally open and looks great. This includes the first corner of a protected intersection. The opening of the building will be November 1. There was a discussion of a bike accident that occurred last Friday. Thermo Fisher Scientific put up their signage and the Akamai logo is on the building. On November 5, signage reviews are expected for 325 Main Street and a retail tenant at 145 Broadway.

At 7:56 p.m., the Board finished discussing all of the agenda items. Mr. Evans said he would like the Board to hear from Boston Properties regarding the MXD development agreement, after which the Board would discuss the issue. Ms. Born said that an executive session is needed as an open meeting may have a detrimental effect on the negotiating position of the public body

A motion to move to executive session for the purpose of discussing a potential amendment to the Cambridge Center Development Agreement with Boston Properties under the Kendall Square Urban Renewal Plan. The discussion of the agreement in open meeting would compromise real estate negotiations. Since all the business has completed, the Board will not reconvene. A roll call was taken.

Mr. Zevin – yes

Mr. Crawford – yes

Ms. Born – yes

Mr. Bator – yes

The motion carried unanimously.