City of Cambridge

MASSACHUSETTS

In City Council September 14 1987

AGENDA ITEM NO. 7
RE: APPROPRIATION OF $163,880. TO THE PUBLIC CELEBRATIONS OTHER ORDINARY MAINTENANCE ACCOUNT

	YEA	NAY	ABSENT	PRESENT
Mr. Thomas W. Danehy			✓	
Mr. Francis H. Duehay	✓			
Ms. Saundra Graham	✓			
Mrs. Sheila T. Russell	✓			
Mr. David E. Sullivan	✓			
Mr. Alfred Vellucci	✓			
Mr. William H. Walsh	✓			
Ms. Alice K. Wolf	✓			
Mayor Walter J. Sullivan	✓			
	8	0	1	

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MS
MF

CITY COUNCIL
CITY OF CAMBRIDGE

AGENDA ITEM NO. 7

September 14, 1987

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1987

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1987-87 the following sum is hereby appropriated in the General Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
General Government	Public Celebrations		$163,880.00			$163,880.00

BE IT FURTHER ORDERED: That the above appropriations in the General Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Property Taxes	$163,880.00

In City Council September 14, 1987.
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-

Joseph E. Connarton

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

September 14, 1987

To the Honorable, the City Council:

RECOMMENDATION: Appropriate $163,880 to Public Celebrations for payment to the Cambridge Multi-Cultural Arts Center.

BACKGROUND: In 1980, in an effort to stimulate economic development in the East Cambridge Development area, the City of Cambridge, the Cambridge Multi-Cultural Arts Center Incorporated (CMAC) and the Commissioners of Middlesex County entered into a series of long-term agreements regarding the Old Middlesex County Superior Courthouse complex. Each of the major legal agreements is summarized as follows:

1. LEASE BETWEEN THE COUNTY AND CMAC

   * 99-year term
   * $1.00 per year rent
   * Bulfinch buildings were renovated
   * City built a parking garage including 50 spaces reserved for County use at no charge

2. DEVELOPMENT AGREEMENT BETWEEN CMAC AND GUNWYN

   * CMAC assigned lease to Gunwyn Corporation
   * CMAC lent Gunwyn its UDAG proceeds
   * Gunwyn renovated all the buildings for rental
   * Gunwyn sublet useable space back to CMAC

3. URBAN DEVELOPMENT ACTION GRANT (UDAG)

   * As part of the $6,800,000 East Cambridge Grant, $835,000 was designated for CMAC's use for the Bulfinch buildings.

4. TAX AGREEMENT, BETWEEN CITY, CMAC, AND GUND

   * Gunwyn will pay an in-lieu-of-tax amount of 20% of "gross" rent (defined as exclusive of operating expenses and taxes).
   * The City will retain 25 percent of the in-lieu-of-tax payment or $30,000, whichever is less.
   * The remainder of the in-lieu-of-tax payment will be forwarded to CMAC for its use.

In 1986, the Massachusetts Commissioner of Revenue ruled that item four, the tax agreement between the three parties, was not valid under Massachusetts General Law. Chapter 59, section 2B, of the General Laws states that all property owned by an instrumentality of the government, but used or leased for non-public purposes, shall be taxable. This finding replaced the in-lieu-of-tax payment with a legal tax bill for the property in question. For Fiscal Year 1987, Gunwyn Corporation paid $100,686 in property taxes on the complex.

ISSUES: Now that the state has ruled the initial tax agreement invalid, the only legal way to accomplish this payment is through the appropriation basis. In August of this past summer, the City Council appropriated $65,000 to cover the amount that CMAC was in arrears to the Gunwyn Corporation. As I stated at that time, determining the actual amount due CMAC was complicated because the initial payment called for an in-lieu-of-tax payment, based upon a percentage of the gross rentals. Now that Gunwyn pays a tax bill, I feel that a more direct method of payment should be based upon a percentage of the Gunwyn tax bill.

If we switch to this formula, the amount due Gunwyn through June 30, 1988 would be $163,880, and would include $153,365 for Fiscal Year 1988 and a balance of $10,515 for 1987. These amounts are calculated as follows:

Fiscal Year 1987

4,850,000	Value of Complex
2.076%	Fiscal Year 1987 Tax Rate
100,686	Total Tax Bill
100,686	Tax Bill
75%	Percentage for CMAC
75,517	Dollar Amount for CMAC
65,000	Already Paid
10,515	Balance Due for Fiscal Year 1987

Fiscal Year 1988

9,850,000	Value of Complex
X 2.076	Estimated Tax Bill
204,486	Total 1988 Tax Bill
204,486	Tax Bill
X 75%	Percentage for CMAC
153,365	Dollar Amount for CMAC 1988
153,365	For Fiscal Year 1988
10,515	Balance from Fiscal Year 1987

It should be noted that both the City and CMAC receive additional funds under this revised formula.

Very truly yours,

Robert W. Healy
City Manager

Agenda Item No. 7 F387

Re: appropriation of $163,880. to the Public Celebrations Other Ordinary Maintenance Account.

In City Council,

September 14, 1987

Order Adopted
Roll Call
8-0-1

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RT