CCM-101

City of Cambridge

AMENDED

Agenda Item No. 9

IN CITY COUNCIL

August 4, 1986

WHEREAS: The Cambridge Enterprise Collaborative, Inc. (CEC) a private, non-profit corporation was formed to assist in the establishment of a boys and girls club facility in Cambridge and to provide incubator space for start-up enterprises, and

WHEREAS: The CEC has purchased the former Hyde Shoe Factory located at 432 Columbia Street with the intent of rehabilitating the building into a commercial condominium and business incubator facility (hereinafter referred to as "Project"), and

WHEREAS: All profits and proceeds realized from the Project will be provided to the Cambridge Boys and Girls Club for the establishment of a full service recreational facility to be located at 130 Prospect Street, and

WHEREAS: The City of Cambridge is presently the guarantor of a $1.3 million loan made to the CEC by U.S. Trust/ Middlesex Bank for the purpose of acquiring the 432 Columbia Street building, and

WHEREAS: There has been substantial interest expressed by several commercial firms in purchasing space in the Project, said interest being in the form of signed reservation agreements and deposits, and

WHEREAS: A number of Cambridge banks have provided preliminary commitments to finance the construction/rehabilitation of the Project, and

WHEREAS: The Local Initiatives Support Corporation (LISC) has voted to provide assistance to the Project in the form of a $100,000 grant and $250,000 loan, and

WHEREAS: Both the bank's commitment and the LISC commitment were made contingent based on continued involvement by the City of Cambridge, and

WHEREAS: The CEC has requested said continued involvement of the City to be in the form of an agreement to convert the existing $1.3 million loan guarantee to a commitment to purchase space in the Project equal in value to $1.3 million; and

WHEREAS: Said commitment to purchase space may be made contingent on the CEC being unable to sell said space to other commercial users in a time frame adequate to meet the pre-sales goals required by the banks financing the Project; now therefore, be it

RESOLVED: By the City Council of the City of Cambridge:

That the City Manager is hereby authorized to enter into an agreement with the Cambridge Enterprise Collaborative, Inc. to purchase $1.3 million worth of space in the 432 Columbia Street Project at $80.00 per square foot. The space to be purchased will be located on the first and second floors of the subject building and will consist of unsold units, such unit numbers to be determined at the time of purchase. It is understood that this commitment to purchase space will only be exercised if at a point in time six months after construction is completed and a Certificate of Occupancy has been issued, the Cambridge Enterprise Collaborative, Inc. has not met sales goals established and agreed to by the banks and the City Manager; and be it further

RESOLVED: That the City Mnaager, before entering into this agreement, devise a mechanism satisfactory to him for appropriate City participation in the management and supervision of the recreational facility to be financed from the proceeds of the enterprise.

In City Council August 4, 1986.
Adopted as amended by a yea and nay vote:-
Yeas 7; Nays 1; Absent 1.
Attest:- Joseph E. Connarton, Acting City Clerk.

A true copy; Joseph E. Connarton

ATTEST:-

Joseph E. Connarton, Acting City Clerk.

City of Cambridge

ORIGINAL
Agenda Item No. 9

IN CITY COUNCIL

August 4, 1986

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C. C. 108

City of Cambridge

MASSACHUSETTS

In City Council Aug. 4 1986

Agenda #9/Resolution authorizing $1.3m commitment

	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	✓			
	7	1	1	

cV/ms/M

8/4/86

To the Honorable the City Council

This is to certify that I, Robert W. Healy, as City Manager, concur with the report and resolution of the Assistant City Manager for Community Development, and recommend that the City Council adopt the attached resolution guaranteeing the purchase by the City of Cambridge of 16,250 ft at $80.00 per square foot in the so-called Hyde Shoe building

Robert W. Healy
City Manager

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council April 7, 1986

AGENDA ITEM NO. 2
RE: APPROPRIATION OF $6000,000. TO THE COMMUNITY DEVELOPMENT DEPT.

	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				

CITY COUNCIL
CITY OF CAMBRIDGE

AGENDA ITEM NO. 2

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

April 7, 1986

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1985

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1985-86 the following sum is hereby appropriated in the Public Investment Funds **of the City of Cambridge:**

FUNCTION	DEPARTMENT OR PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Community Maintenance & Development	Community Development				$600,000	$600,000

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

FINANCING PLAN	REVENUE
Community Development Block Grant Program Income	$600,000

CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT
City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

28 February 1986

MEMORANDUM

TO: Louis DePasquale
Budget Director

FROM: Mary T. Flynn
Interim Director

RE: Community Development Department
Request for Appropriation
Cambridge Enterprise Collaborative
Business Incubator Facility

RECOMMENDATION:

Appropriate $600,000. of Community Development Block Grant Program Income Funds to the Community Development Department to be used as an 18 month short term Float Loan to the Cambridge Enterprise Collaborative (CEC) in developing the former Hyde Shoe Building for use as a Business Incubator Facility.

BACKGROUND:

The Cambridge Enterprise Collaborative, through the City of Cambridge, received a grant from the U.S. Department of Health and Human Services in the fall of 1983. This grant was appropriated to the CEC by the City Council in September, 1984.

The CEC, with assistance from Greater Boston Community Development (GBCD), a development consultant, packaged a development project which would offer low cost r&d, office and light industrial space to Cambridge businesses and would provide for approximately 26,000 square feet of business incubator space. The proceeds of this development venture would then be donated to the Cambridge Boys and Girls Club for their continued operations.

After a prolonged search for the appropriate facility and a difficult negotiation, the CEC purchased the former Hyde Shoe building located at 432 Columbia Street. This building, containing 120,000 square feet had been previously vacated by Hyde who had moved to Peabody. Actual sale of the property was completed in June, 1985. In addition to funds provided by the CEC with its grant, U.S. Trust/Middlesex Bank loaned $1.3 million toward the project.

Since the purchase of the property, the CEC initiated architectural plans and retained the services of a contractor to construct the project. Additionally, a broker has been selected to market the space. The working drawings for the building were completed in January, 1986 and a firm construction price was submitted last week on February 14, 1986.

In a meeting held with several banks to discuss construction financing in December, 1985, the banks agreed to provide construction financing for the project on three conditions: 1. That the City of Cambridge participate in the construction loan. 2. That 15,000 square feet of the space be pre-leased before construction begins and 3. That permanent financing be put into place to take out the construction lenders, or that other financing be put into place to take out the construction lenders after 3 years.

The CEC has been working on all of these conditions and is preparing to approach the banks in the next week for approval on the construction loan. Leasing of space in this unfinished, poorly maintained building at a time 10 months prior to completion has been slower than anticipated, but appears recently to be improving. The CEC has also decided to sell a limited number of spaces as commercial/industrial condominiums and use these funds realized from the sales to repay the interim construction loans immediately. The CEC would retain ownership of the incubator facility and some other portions of the building. This approach would provide the funds needed by the Boys and Girls Club, provide the incubator facility in the ownership of the CEC, return the portion of the federal grant to be used as a venture capital fund, and provide quality, reasonably priced space to businesses that would not otherwise be able to afford to own their own real estate in Cambridge.

The Cambridge Enterprise Collaborative will use funds from the leases and sales of space to repay the City's short term loan and the granting of such loan will allow the CEC to implement the project immediately.

<u>ISSUES</u>:

The major issue to be considered is the level of risk involved in making this loan and the timing of the loan repayment. The CDBG funds are granted to the City each year and become available on July 1 of each fiscal year. Although the City receives a grant which can be expended immediately, the funds are drawn from the U.S. Treasury only as needed. For example, although funds may be allocated for a park rehabilitation in 1986, it is entirely possible that actual construction won't start until the following year, due to lead time needed for architectural plans, bidding etc. In another example, funds may be set aside for street repair, but are not expended all at once; instead they are gradually drawn down as needed. The City has historically, even at the end of the fiscal year, had on hand in our Letter of Credit approximately $1.5 million of unexpended funds. These unexpended funds can be loaned as a float loan on a short term basis although there is flexibility as to just how long the term can run.

The Community Development Department contracted with a real estate consulting firm (Minot, Deblois and Maddison) to perform a study on the feasibility of this project. After an extensive review of the project structure and background, they concluded that although there would be short term risk during the lease up period, the project was a sound real estate deal. The loan would be secured by a shared first mortgage position on the 432 Columbia Street property.

FISCAL IMPACT:

No local match required.

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

April 7, 1986

To the Honorable, the City Council:

Attached is an order requesting the appropriation of $600,000 in Community Development Block Grant Program Income Funds to the Public Investment Extraordinary Expenditure account to provide funding for an eighteen month float loan to the Cambridge Enterprise Collaborative in developing the former Hyde Shoe Building for use as a business development facility. The attached memorandum from the Community Development Department describes the process by which the City has the authority to loan portions of Block Grant funds, which have been previously appropriated, for use in eligible economic development activities. Principal and interest will be repaid from the proceeds of the sale of a limited number of spaces as condominiums.

Passage of the enclosed order is recommended.

Very truly yours,

Robert W. Healy
City Manager

RWH/b

Agenda Item No. 2 #3F-314

Re: appropriation of $600,000. to the Community Development Dept.

In City Council,

April 7, 1986

Charter Right by Councillor Danehy

4/14/86

UMU

Tabled

8/4/86

Removed from Table

See agenda # 9 of 8/4/86 re: $1.3 m. loan guarantee