

City of Cambridge

MASSACHUSETTS

#6 Unfinished

In City Council 9/21 1992

YEA	NAY	ABSENT	PRESENT	
			✓	Mr. Ed Cyr
✓				Mr. Francis H. Duehay
	✓			Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
	✓			Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves

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City of Cambridge

MASSACHUSETTS

Revised #6

In City Council

9/21

1992

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	② ✓	① ✓			
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Mr. Jonathan S. Myers	✓				
Mrs. Sheila T. Russell		✓			
Mr. Walter J. Sullivan		✓			
Mr. Timothy J. Toomey, Jr.		✓			
Mr. William H. Walsh		✓			
Ms. Alice K. Wolf	✓				
Mayor Kenneth E. Reeves		✓			

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Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Ms. Alice K. Wolf		✓			
Mayor Kenneth E. Reeves	✓				



City of Cambridge

Calendar Item # 6

IN CITY COUNCIL

September 21, 1992

WHEREAS:

Section 108 of the U.S. Housing and Community Development Act of 1974, as amended, provides the City of Cambridge with the opportunity to borrow funds for eligible uses, on the condition that all CDBG and other applicable regulations are complied with; and

WHEREAS:

The City of Cambridge will be well-advised to make available required financial assistance, in so far as practical, to selected biotechnology and related firms seeking to locate, remain or expand in Cambridge;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF CAMBRIDGE:

That the City Manager is authorized and requested to:

1. Prepare an application for a loan of up to \$5,000,000 under the Section 108 provisions of the CDBG Program, on terms practical for the City of Cambridge, for use in providing needed financial assistance to selected biotechnology and related firms seeking to locate, remain, or expand in Cambridge -- particularly by assisting such firms in the construction of needed facilities;
2. Submit said application to the U.S. Department of Housing and Urban Development, with all related understandings and assurances, as soon as all CDBG and Section 108 pre-application requirements have been met;
3. Administer the Section 108 Project, upon approval of the application, in compliance with all Federal regulations, including, where necessary, the processing of amendments to the Federal contract, as well as the transmittal to the Federal Government of any and all information it requests about the project's administration.

In City Council September 21, 1992.

Adopted by a yeas and nays vote:-

Yeas 6; Nays 2; Absent 0; Present 1.

Attest:- D. Margaret Drury, City Clerk.

A true copy; *D. Margaret Drury*

ATTEST:-

D. Margaret Drury
City Clerk



City of Cambridge

IN CITY COUNCIL

WHEREAS:

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WHEREAS:

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1. Prepare an application for a loan of up to \$5,000,000 under the Section 108 provisions of the CDBG Program, on terms practical for the City of Cambridge, for use in providing needed financial assistance to selected biotechnology and related firms seeking to locate, remain, or expand in Cambridge -- particularly by assisting such firms in the construction of needed facilities;
2. Submit said application to the U.S. Department of Housing and Urban Development, with all related understandings and assurances, as soon as all CDBG and Section 108 pre-application requirements have been met;
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C. Sullivan
 MS
 RF.
 Reason & Variation
 3-6-0-0.

6-2-0-1
 Carried

Description of Proposed Section 108 Program For Biotechnology and Related Industries

The Cambridge economy is at a virtual standstill with respect to new construction activity over the coming year. The lack of available financing for the build out of facilities for biotechnology and related industries could result in the continued migration of existing companies from Cambridge when many of these companies are at a point in their maturation where their contributions to the City in regard to job potential and tax generation are on the rise. The City has a window of opportunity to actively become involved in facilitating the continued growth and maturation of the industry in Cambridge through gap financing for the build out of biotechnology and related facilities and equipment acquisition.

Proposal: The proposed use of up to \$5 million in Community Development Block Grant (CDBG) Section 108 program funds will provide gap financing to biotechnology and related industries for the development of facilities and acquisition of equipment, and thereby assist companies with their expansion and location plans in Cambridge. Providing gap financial assistance will enhance Cambridge's competitiveness for retaining expanding companies by providing an incentive to locate in Cambridge despite lower costs in other communities. The City of Cambridge will benefit from increased employment opportunities, increases to the tax base, stimulus to the economy, and a lowering of the vacancy rate.

The Section 108 program will be used as a gap financing measure to assist with the financing of facilities and equipment. The proposed financial assistance is aimed at complementing other available resources and not as a single source of financing. Prospective applicants will be required to provide additional funds to leverage any program monies committed. Section 108 program monies can be used for direct loans, credit enhancement, loan guarantees and/or other applications.

Industry Needs: Cambridge is home to over 60 biotechnology and related businesses and is one of the national leaders in this field. Biotechnology has been identified as one of the growth industries by the Community Development Department in its report on "Jobs, Training, and the Evolving Cambridge Economy". The industry is at a point in its maturation where it has raised an unprecedented amount of equity funds and is in the process of expanding and in some cases building production/pilot facilities. Vertex Pharmaceuticals, Inc. and Alkermes are two such examples.

One question frequently asked about biotech companies is, "If these companies have tens of millions of dollars in the bank, why don't they build their own lab space?". According to the presidents and chief financial officers of these companies, the answer is that the money raised through equity is used for

product research and development. Spending up front the several millions of dollars that is necessary to build out facilities reduces the companies ability to optimize these research dollars, thereby reducing the company's ability to sustain their research over the typically long (seven to ten year) product development cycle. Paying for lab space on a monthly basis is an effective use of equity capital and allows the company to undertake the greatest amount of research per dollar raised.

Cambridge risks losing some of the City's maturing biotechnology companies to aggressive attraction programs in States such as Rhode Island and North Carolina and in cities such as Waltham, Worcester, Lowell and Boston. Cambridge needs to have programs to retain and assist companies as they grow or the City will continue to lose companies, such as Immulogic in research and development, and MediSense in light manufacturing, both of whom are moving to Waltham this year. Both companies are leasing larger facilities than they presently occupy in Cambridge with projections for increasing their work force over time.

The availability of space in Cambridge for biotechnology and related companies is virtually non-existent. Existing vacant office space can not be easily converted into suitable laboratory and manufacturing space given the unique specifications that are required to build such space. Based upon information from a wide range of businesses sources, there is demand for over 200,000 square feet of space which cannot be built due to an inability to obtain financing for the build out of laboratory space. In prior years, this financing was more readily available, but more restrictive banking regulations have greatly reduced the availability.

Traditional sources of capital are not readily available to developers or tenants due to the long term nature of the industry's product development cycle and the unpredictability of future revenues. The banking industry is unable or unwilling to fully address the financial needs of this growing industry, thereby constraining the industry's ability to expand. During this time of limited traditional financial resources the City has a window of opportunity to become involved in reinforcing its position as a leader in the biotechnology and related industries. This window will close as the industry satisfies its present space needs and the traditional sources of financing begin to respond more fully to the industry's financial needs.

Selection Process and Evaluation Criteria: The selection process will include a general solicitation for proposals to apply for Section 108 funding. The proposals will be evaluated against criteria established by HUD, the City and by financial consultants. Proposals will be evaluated against a list of evaluation criteria. The criteria includes at a minimum the following elements:

- * Project must be consistent with the CDBG National Objectives;
- * Project applicants shall provide information on their short and long term potential for local job creation, including the total number of jobs they anticipate generating, the skill requirements and salary mix of those jobs, and shall include information on how they propose to maximize the number of Cambridge residents filling those positions (with particular emphases on jobs for workers with less than a four year college degree); (the City's and the applicant's commitment to providing jobs for Cambridge residents is outlined in more detail in Appendix A to this attachment.)
- * Project shall show evidence of a high degree of leverage of other resources at a minimum of 2:1 leveraging ratio eg. equity, private lenders, state and quasi public resources;
- * Project should be in areas consistent with overall city plans and zoning;
- * All applicants shall be up to date on tax payments to the City;
- * Applicant shall show evidence of letters of commitment for the balance of the financing for the project; and
- * All applicants shall be in good standing with the City's Biohazard Committee (if applicable).

Proposals will be reviewed by a selection committee approved by the City Manager in consultation with the Community Development Department and the Assistant City Manager for Fiscal Affairs. Financial consultants will review qualified proposals and the Selection Committee will recommend projects for funding to the City Manager for consideration. A formal application will be forwarded to HUD for review once one or several projects are approved locally and have provided evidence of other financial commitments. Loan closing will follow approval of the formal application by HUD.

APPENDIX A
Resident Labor and the CDBG Section 108 Program

Cambridge's efforts to attract and retain growing employers should be targeted to maximize benefits for Cambridge residents. The City, in turn, should make sure that residents are ready to benefit from the retention and expansion of these companies. To this end, Cambridge will help to insure that residents receive the training necessary to adequately fill the positions of financially assisted employers.

Companies which receive financial assistance will be required to sign first source hiring agreements which mandate that companies:

1. advise city Employment and Training officials on future labor needs and appropriate training responses,
2. give qualified Cambridge residents the first opportunity to apply for jobs for which a four year college degree is not mandatory,
3. provide opportunities for internships when possible and permanent employment as needed for the trainees of appropriate city sponsored training program, and
4. provide annual updates of the number of employees hired, their positions, and the number and type of employees for which the company anticipates a need in the upcoming year.

Cambridge City Government, consistent with the recommendations in its "Under the Microscope" report, will help to insure that companies have access to a quality labor pool at all training levels. Building on the city's existing base of highly educated science professionals, the city will:

1. seek to provide qualified residents with the additional training necessary to be able to access technician level jobs. This training will be provided through an area college or university,
- 2.. assist city and non-city sponsored employment and training programs to develop training for residents in other expanding entry level occupations in biotechnology and related industries,
3. provide businesses with a single source clearinghouse to make accessing qualified resident job applicants a simple task,
4. monitor employer compliance and future employment projections, and
5. guide training program development based on this information.



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307

August 3, 1992

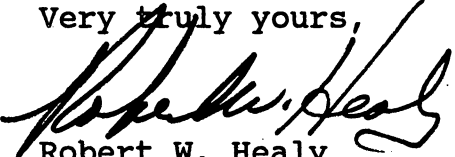
The Honorable, the City Council:

The attached resolution is required to allow the City to proceed with the application for the proposed Community Development Block Grant (CDBG) Section 108 program. A description of the proposed program was forwarded to you on June 22nd and was referred to the Economic Development, Training and Employment Committee for a hearing. Two public hearing have been held to date, one Committee hearing on July 23rd and a Community Development Department CDBG hearing on July 28th.

From the comments made at the hearings there appears to be strong support from the biotechnology and related industries that the program will address their present expansion and retention needs in Cambridge. The program is aimed at facilitating a company's expansion and location in Cambridge as they mature with an eye to retaining them as they move into production and manufacturing. There was no public opposition raised at the two hearings.

Also attached is an abbreviated description of the proposed Section 108 program for your information.

Very truly yours,


Robert W. Healy
City Manager

Call F-404

Resolution for the City to proceed with
the application for the proposed
Community Development Block Grant Section
108 program.

9/21/92 - Order adopted
6-2-0-1.

In City Council,

August 3, 1992

Placed on Unfinished
Business on motion
of Councillor Wolf.