Cambridge Multicultural Arts Center
41 Second St.
E. Cambridge
MA 02141
(617) 577-1400

MEMORANDUM

TO: CMAC Board

FROM: Alan Zimlicki

RE: Status of CMAC/City Tax Agreement and Budget Impact

DATE: June 16, 1987

The Cambridge Multicultural Arts Center is moving into its next fiscal year on July 1, 1987 and as such we have been preparing an annual budget.

It has been necessary to prepare three alternate budgets to reflect three possible financial situations which CMAC may face in this coming year.

The major factor which effects this budget is the lack of support by the City of Cambridge and lack of City commitment to honor the terms of the City of Cambridge/CMAC/County-In-Lieu of Tax Agreement.

The three draft budgets represent: #1) a basic operating budget to continue CMAC Activities in a modest way but generally as they have run in the past. #2) A budget which would continue the current reduced staffing level - basic operations budget, and #3) - Mothball Budget or the funds required if we closed the doors of the Center.

As you know one of the major means of support for the Center has always been the Tax Agreement with the City. This agreement was signed by the City, CMAC and the County Commissioners as an exhibit to the Lease. The agreement states that the Cambridge Multicultural Arts Center will receive almost all of the funds which would have been paid to the City for real estate taxes.

The Center has received some funds under this agreement but this year was the first year that significant money was available for payment to CMAC. As can be seen in the attached letter to the City Manager, CMAC was to receive $119,000 this fiscal year; $186,000 next fiscal year and $250,000 the following fiscal year. These payments would have brought CMAC to full operating capacity and allowed the organization to fulfill its mandate. In anticipation of receiving these funds the

Center borrowed $75,000 on a line of credit from US Trust. In addition to this the CMAC agreement with Graham Gund, the developer, assumes that Gund will accrue approximately $3,500 per month in operating costs for the CMAC space and collect this annually when the in-lieu of tax payment is made.

Receipt of the in-lieu of tax payment is in doubt because a cloud was thrown on the agreement by a member of a Middlesex County advisory group. This woman wrote a letter to the Massachusetts Commissioner of Revenue questioning the legality of the agreement. The Commissioner of Revenue agreed with her allegations and notified the City that certain court decisions had invalidated the in-lieu of tax agreements.

We have had several discussions with the City over this issue but the City Manager has not supported the idea of the City collecting the taxes and appropriating the money back to the CMAC through the City Council.

It should be clear to the members of the board that if the City does not honor its commitment the Center will be forced to close its doors. There is no way that our small theater and an organization with CMAC's mandate to serve the community can support itself with other funds at this early stage of corporate development.

Encs.

JUNE 15, 1987

DRAFT
CAMBRIDGE MULTICULTURAL ARTS CENTER
OPERATING BUDGET 1988

EXPENSE	BUDGET	CHANGE FROM PREVIOUS YR.
STAFF		
EXECUTIVE DIR.	$40,000.00	
DEVELOPMENT DIR.	$0.00	
PROGRAM DIR.	$25,000.00	
PUB.REL.DIR.	$0.00	
PRODUCTION MGR.	$20,000.00	
GALLERY MGR.	$0.00	
ADMN ASSIST.	$14,000.00	
TECH.ASST./JANITOR	$6,000.00	
subtotal	$105,000.00	
FRINGE	$16,800.00	
TOTAL	$121,800.00	
CONTRACT SERVICE		
Artists	$3,000.00	
Receptionist	$0.00	
Design	$0.00	
Tech. dir.	$0.00	
House/box office	$1,800.00	
Work study	$2,800.00	
Office prt.time	$0.00	
Audit	$6,000.00	
Legal	$6,000.00	
Security	$1,600.00	
contingency	$1,600.00	
Total	$22,800.00	
DIRECT EXPENSE		
General insurance	$3,050.00	
Office Expense	$3,000.00	
Printing	$4,000.00	
Postage	$6,000.00	
Telephone	$4,800.00	
Travel	$3,000.00	
Theatre supply	$1,450.00	
Gallery supply	$1,450.00	
Workshop supply	$0.00	
Repairs	$500.00	
Dues/sub.	$120.00	
equipment rental	$5,520.00	
Jan. supply	$1,000.00	
Rent	$126,000.00	
Utilities	$7,550.00	
Debt service	$8,000.00	
TOTAL	$175,440.00	
CONTINGENCY 5%	$16,002.00	
GRAND TOTAL	$336,042.00	

SOURCES OF FUNDS

UDAG NOTE A	$84,000.00
UDAG NOTE B	$19,200.00
RENTALS	$10,000.00
BOX OFFICE	$5,000.00
FOUNDATIONS	$10,000.00
CORPORATIONS	$15,000.00
SPECIAL EVENTS	$5,000.00
TAX AGREEMENT	$187,842.00
TOTAL REVENUES	$336,042.00

JUNE 15, 1987
B:CMAC2

#2
DRAFT
CAMBRIDGE MULTICULTURAL ARTS CENTER
OPERATING BUDGET 1988
**** MINIMUM OPERATIONS ****

EXPENSE	BUDGET	CHANGE FROM PREVIOUS YR.
STAFF		
EXECUTIVE DIR.	$0.00	
DEVELOPMENT DIR.	$0.00	
PROGRAM DIR.	$25,000.00	
PUB.REL.DIR.	$0.00	
PRODUCTION MGR.	$20,000.00	
GALLERY MGR.	$0.00	
ADMN ASSIST.	$0.00	
TECH.ASST./JANITOR	$6,000.00	
subtotal	$51,000.00	
FRINGE	$8,160.00	
TOTAL	$59,160.00	
CONTRACT SERVICE		
Artists	$0.00	
Receptionist	$0.00	
Design	$0.00	
Tech. dir.	$0.00	
House/box office	$0.00	
Work study	$2,800.00	
Office prt.time	$0.00	
Audit	$6,000.00	
Legal	$6,000.00	
Security	$0.00	
contingency	$0.00	
Total	$14,800.00	
DIRECT EXPENSE		
General insurance	$3,050.00	
Office Expense	$1,000.00	
Printing	$1,000.00	
Postage	$2,000.00	
Telephone	$4,800.00	
Travel	$0.00	
Theatre supply	$1,450.00	
Gallery supply	$700.00	
Workshop supply	$0.00	
Repairs	$500.00	
Dues/sub.	$120.00	
equipment rental	$5,520.00	
Jan. supply	$500.00	
Rent	$126,000.00	
Utilities	$7,550.00	
Debt service	$20,000.00	**** ASSUMES UST REPAID AT 10% OVER 5 YEAR TERM
TOTAL	$174,190.00	
CONTINGENCY 5%	$12,407.50	
GRAND TOTAL	$260,557.50	

SOURCES OF FUNDS

UDAG NOTE A	$84,000.00
UDAG NOTE B	$19,200.00
RENTALS	$12,000.00
BOX OFFICE	$2,500.00
FOUNDATIONS	$0.00
CORPORATIONS	$0.00
SPECIAL EVENTS	$2,500.00
TAX AGREEMENT	$140,357.50
TOTAL REVENUES	$260,557.50

JUNE 15, 1987
B:CMAC3

#3
DRAFT
CAMBRIDGE MULTICULTURAL ARTS CENTER
OPERATING BUDGET 1988
**** MOTHBALL OPERATIONS ****

EXPENSE	BUDGET	CHANGE FROM PREVIOUS YR.
STAFF		
EXECUTIVE DIR.	$0.00	
DEVELOPMENT DIR.	$0.00	
PROGRAM DIR.	$0.00	
PUB.REL.DIR.	$0.00	
PRODUCTION MGR.	$20,000.00	
GALLERY MGR.	$0.00	
ADMN ASSIST.	$0.00	
TECH.ASST./JANITOR	$0.00	
subtotal	$20,000.00	
FRINGE	$3,200.00	
TOTAL	$23,200.00	
CONTRACT SERVICE		
Artists	$0.00	
Receptionist	$0.00	
Design	$0.00	
Tech. dir.	$0.00	
House/box office	$0.00	
Work study	$0.00	
Office prt.time	$0.00	
Audit	$6,000.00	
Legal	$10,000.00	
Security	$0.00	
contingency	$0.00	
Total	$16,000.00	
DIRECT EXPENSE		
General insurance	$3,050.00	
Office Expense	$200.00	
Printing	$0.00	
Postage	$300.00	
Telephone	$1,000.00	
Travel	$0.00	
Theatre supply	$0.00	
Gallery supply	$0.00	
Workshop supply	$0.00	
Repairs	$500.00	
Dues/sub.	$0.00	
equipment rental	$500.00	
Jan. supply	$0.00	
Rent	$126,000.00	
Utilities	$7,550.00	
Debt service	$20,000.00	**** ASSUMES UST REPAID AT 10% OVER 5 YEAR TERM
TOTAL	$159,100.00	
CONTINGENCY 5%	$9,915.00	
GRAND TOTAL	$208,215.00	

SOURCES OF FUNDS

UDAG NOTE A	$84,000.00
UDAG NOTE B	$19,200.00
RENTALS	$0.00
BOX OFFICE	$0.00
FOUNDATIONS	$0.00
CORPORATIONS	$0.00
SPECIAL EVENTS	$0.00
TAX AGREEMENT	$105,015.00
TOTAL REVENUES	$208,215.00

Cambridge Multicultural Arts Center

41 Second St
E Cambridge
MA 02141

(617) 577-1400

April 7, 1987

Robert Healy, City Manager
City of Cambridge
Cambridge City Hall
Cambridge, MA 02139

RE: Cambridge Multi-Cultural Arts Center/City of Cambridge Tax Agreement

Dear Bob:

As you know, the Multi-Cultural Arts Center was established on financial assumptions linked to the redevelopment of the Bulfinch Courthouse. The Urban Development Action Grant was awarded to the City to further the City's redevelopment goals and to provide a public purpose. These funds were loaned to Graham Gund with the understanding that the proceeds of the loan would be used to pay base rent and amortize the cost of rehabbing the CMAC space. As you will also recall, at the time CMAC initiated the redevelopment of the Bulfinch Complex, the future of the buildings were in doubt and a proposal to convert this area into a county parking facility was under consideration.

The County Commissioners supported CMAC's efforts and granted a 99-year lease to the Multi-Cultural Arts Center to assist in the redevelopment of this complex and to secure parking in the new garage.

A third component of the long-term funding plan for CMAC was the CMAC/City in lieu of tax agreement. The basic premise of this agreement was that the County buildings were not paying taxes, they would continue to be publicly owned and the funds which would ordinarily be set aside for taxes would be used to assist the ongoing operations of the Multi-Cultural Arts Center. In using the above three sources of support, it was felt that the Center would be financially stable and would therefore be able to focus its resources on community work.

The terms of the in lieu of tax agreement stated that funds would be payable as follows:

At 0%-79% Occupancy:	15% of rents are set aside for taxes
At 80%-95% Occupancy:	17.5% of rents are set aside for taxes
At 95%-100% Occupancy:	20% of rents are set aside for taxes

The City and CMAC split this in lieu of tax payment so that the City receives 25% of the total, up to $30,000. CMAC receives the remainder. CMAC applies the greatest part of these revenues to pay its share of operating costs for the Bulfinch Complex (13.89% of the total operating cost) or approximately $3,500 per month.

Over the last two years, because of the high vacancy level in the complex, CMAC has had to allocate other funds to cover these operating costs. This poor cash flow situation has necessitated continued and time-consuming fundraising to support the staff and cost of providing programs at the Center. We have looked forward to a time when the in lieu of tax payment would help with these program costs. Although we are not yet at this point, we feel with the City's continued support, future tax payments will begin to meet some of our staff and program expenses.

Since the City has stated that the in lieu of tax agreement is no longer binding as a result of certain court decisions (i.e., Town of Saugus v. Refuse Energy Systems Co. (1983)) CMAC would like to work out an alternate procedure for receipt of the Bulfinch tax revenues. Our preference of course is to retain our in lieu of tax agreement as currently drafted. If this is not possible, we propose that all of the formulae outlined in the current agreement be retained with the exception that CMAC will be restricted from receiving more than $250,000 and that all proceeds above this amount would be retained by the City.

Since the City will receive the Bulfinch tax payment, I assume that the City Council, upon your recommendation, will appropriate funds to CMAC through the normal City budgetary procedures. I also assume that the City will enter into a services contract with CMAC to provide certain arts and cultural services to the City. Although the following figures are estimates, the allocation of tax payments according to the above proposal would be as follows:

Fiscal Year	Bulfinch Complex App. Value	Est. Tax Rate	Tax	City Share	CMAC Share
1987 (7/1/86-6/30/87)	4,850,000	30.83	149,525	30,000	119,525
1988 (7/1/87-6/30/88)	8,000,000	27.00	216,000	30,000	186,000
1989 (7/1/88-6/30/89)	12,000,000	24.00	288,000	38,000	250,000

The division of funds as recommended above would provide a base program operating budget which would fund about 40-50% of the Center's personnel and program budget after building operations costs are deducted by the Gunwyn Company.

The Multi-Cultural Arts Center will be pleased to continue to work with yourself, the Assessors and the City Council to refine and set up a system to implement the above recommendations. As noted in Peter Madsen's letter to Robert Reardon dated March 12, 1987, CMAC still owes Gunwyn $26,593.85 for operating expenses. This bill was to be paid from the in lieu of tax payment owed to CMAC for the period July 1, 1986 to December 31, 1986. Since the City has instructed Gunwyn that they must pay tax to the City for this period, the CMAC funds required to pay this bill will be paid by Gunwyn to the City after receipt of the Spring tax bill.

The Multi-Cultural Arts Center hereby requests that the City appropriate, through a supplementary appropriation in this year's budget, the CMAC share of the Bulfinch tax funds for use by CMAC in meeting its obligations. If the above estimates are accurate, the recommended amount for fiscal year 1987 is $119,525. These funds will be used to pay the $26,593.85 owed Gunwyn and a portion of the operations costs for the coming fiscal year. It is further requested that the City budget Fiscal Year 1988's funds in its current budget projections for Fiscal 88. I would assume that a staggered funding schedule could be set up so that the funds are disbursed after the receipt of the Fall tax payment and after receipt of the Spring tax payment. It would seem appropriate to disburse funds in November and in May of each year.

The Cambridge Multi-Cultural Arts Center Board appreciates the continued support of you and the City Council and looks forward to resolving this transitional problem.

Yours truly,

Alan S. Zimlicki

Alan S. Zimlicki
President

cc: James Maloney
Robert Reardon
William Arvanitas

1612A

Cambridge
Multicultural
Arts Center
41 Second St.
E. Cambridge
MA 02141
(617) 577-1400

Cambridge Multicultural Arts Center
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Ann Phillips 14 Arlington Street Cambridge, MA 02138 864-3794	Artist/Teacher
Al Petrucelli 148 West Newton Street 247-1092	President Dream Merchants (same)
Rita Ritterbush Box 302 Jacobs Gate Road Harvard, MA 01457 1-456-8321	Director Art Department Camb. School Sys. 498-9220

10. F-311

Comm. from Alan Zimlicki, Cambridge Multicultural Arts Center Re: its status, the City of Cambridge/CMAC/County-In-Lieu of Tax Agreement & budget impact.

In City Council,

June 29, 1987

Placed on File