CITY COUNCIL
CITY OF CAMBRIDGE

(AGENDA ITEM NO. 21)

August 3, 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		$65,000.00			$65,000.00

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	$65,000.00

In City Council August 3, 1987.
Adopted by a yea and nay vote:-
Yeas 9; Nsys 0; Absent 0.
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

August 3, 1987

To the Honorable, the City Council:

RECOMMENDATION: Appropriate $65,000.00 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 Incorproated (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 usable 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 percent 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 FY87, Gunwyn Corporation paid $100,686.00 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. City staff and CMAC representatives are currently determining the exact amount due to CMAC from the City. Determining this amount is somewhat complicated because the initial agreement called for the in-lieu-of-tax payment to be a percentage of the gross rents received. As Gunwyn now pays a tax bill, an alternative method of payment by the City to CMAC may simply be a percentage of the taxes paid by Gunwyn. Unfortunately, all of the information needed to analyze the two options is not currently available (gross rent receipts in particular). The recommended appropriation of $65,000.00 merely represents the amount CMAC is in arrears to Gunwyn Corporation for the past 14 months, plus some operating funds for September. It should be noted that the amount owed CMAC by the City for FY87 and projected for FY88 is estimated to be in the vicinity of $200,000.00. After CMAC and City staff have analyzed the two possible methods for determining CMAC's share of the tax bill payment, I will present to the City Council early in September an appropriation request for the balance of funds owed by the City to CMAC.

FISCAL IMPACT: While at first glance this appropriation request appears to have a fiscal impact of up to $200,000.00 on the tax levy for FY88, it should be noted that had the State not ruled the tax agreement invalid, the payment would still have been made from the general fund for the same amount, only using in-lieu-of-tax revenue. The tax payment more than offsets the in-lieu-of tax payment that was required under the agreements signed in 1980; therefore, this method of payment will not cost the City any more than called for in the original agreement.

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

RWH/mbf
Enc.

Agenda Item No. 21 F-332

Re: appropriation of $65,000. to Public Celebrations for payment to the Cambridge Multi-Cultural Arts Center.

In City Council,

August 3, 1987

Order Adopted
Roll Call
9-0-0