



City of Cambridge

Agenda Item No. 3

IN CITY COUNCIL

February 4, 1985

- WHEREAS: Section 108 of the Housing and Community Development Act of 1974, as amended authorizes the U.S. Department of Housing and Urban Development to guarantee the issuance of local taxable notes for Community Development Block Grant entitlement grant recipients; and
- WHEREAS: These funds are to be used for the acquisition of property at low cost to the community for use in community development activities; and
- WHEREAS: The Cambridge Enterprise Collaborative, Inc. is in need of such funds to develop a business incubator facility which would provide inexpensive rental space to start up Cambridge businesses, and provide jobs for low and moderate income Cambridge residents; and
- WHEREAS: The City of Cambridge is desirous of applying for such funds to further the purposes of the Cambridge Enterprise Collaborative, Inc. project; now therefore be it
- RESOLVED: By the City Council of the City of Cambridge:-
1. That an application be submitted by the City of Cambridge to the U.S. Department of Housing and Urban Development for Section 108 Loan Guarantee assistance to assist the Cambridge Enterprise Collaborative, Inc. in the development of its business incubator facility.
 2. That the City Manager, or in his stead, the Assistant City Manager for Community Development is hereby authorized and directed to file such application with the U.S. Department of Housing and Urban Development, to make any amendments to the application or proposed program as may be necessary, to provide such additional information, furnish such documents and execute such contracts as may be required, and to act as the authorized correspondent and representative of the applicant in connection with said application.

3. That the U.S. Government and the Secretary of Housing and Urban Development be and hereby are assured of full compliance with all assurances and understandings as may be required.
4. That the City Manager be directed to proceed with the necessary administrative tasks to carry out the proposal.

In City Council February 4, 1985.

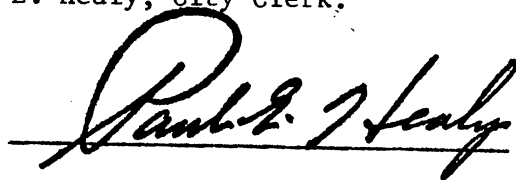
Adopted by a yea and nay vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- Paul E. Healy, City Clerk.

A true copy;

ATTEST:-

A handwritten signature in dark ink, appearing to read "Paul E. Healy", is written over a horizontal line.

Paul E. Healy, City Clerk.

In City Council
February 4, 1985

WHEREAS:

Section 108 of the Housing and Community Development Act of 1974, as amended authorizes the U.S. Department of Housing and Urban Development to guarantee the issuance of local taxable notes for Community Development Block Grant entitlement grant recipients, and

WHEREAS:

These funds are to be used for the acquisition of property at low cost to the community for use in community development activities, and

WHEREAS:

The Cambridge Enterprise Collaborative, Inc. is in need of such funds to develop a business incubator facility which would provide inexpensive rental space to start up Cambridge businesses, and provide jobs for low and moderate income Cambridge residents, and

WHEREAS:

The City of Cambridge is desirous of applying for such funds to further the purposes of the Cambridge Enterprise Collaborative, Inc. project.

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

1. That an application be submitted by the City of Cambridge to the U.S. Department of Housing and Urban Development for Section 108 Loan Guarantee assistance to assist the Cambridge Enterprise Collaborative, Inc. in the development of its business incubator facility.
2. That the City Manager, or in his stead, the Assistant City Manager for Community Development is hereby authorized and directed to file such application with the U.S. Department of Housing and Urban Development, to make any amendments to the application or proposed program as may be necessary, to provide such additional information, furnish such documents and execute such contracts as may be required, and to act as the authorized correspondent and representative of the applicant in connection with said application.

3. That the U.S. Government and the Secretary of Housing and Urban Development be and hereby are assured of full compliance with all assurances and understandings as may be required.
4. That the City Manager be directed to proceed with the necessary administrative tasks to carry out the proposal.

FEDERAL ASSISTANCE		2. APPLICANT'S APPLICATION	3. STATE APPLICATION IDENTIFIER	4. NUMBER
1. TYPE OF ACTION (Mark appropriate box) ☐ PREAPPLICATION ☐ APPLICATION ☐ NOTIFICATION OF INTENT (Only) ☐ REPORT OF FEDERAL ACTION		2. DATE Year month day 1985 02 15	3. DATE ASSIGNED Year month day 19	4. NUMBER
4. LEGAL APPLICANT/RECIPIENT a. Applicant Name: City of Cambridge b. Organization Unit: Community Development Department c. Street/P.O. Box: 795 Massachusetts Avenue d. City: Cambridge e. State: Massachusetts f. Contact Person (Name & telephone No.): Joseph Kellogg (617)498-9034		5. FEDERAL EMPLOYER IDENTIFICATION NO. 04-6001-383		
7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT Cambridge Enterprise Collaborative: The short term acquisition or loan guarantee of a building, by the City of Cambridge, for use in cooperation with a coalition of organizations; for incubator space for start-up businesses, financial and technical assistance to local businesses, job training and counseling.		6. PRO-GRAM (From Federal Catalog) a. NUMBER: b. TITLE: Section 108 - Loan Guarantee Assistance (Housing and Community Development Act of 1974, as amended)		
10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.) six Cambridge neighborhoods		8. TYPE OF APPLICANT/RECIPIENT A - State B - Interstate C - Suburban D - County E - City F - School District G - Special Purpose District H - Community Action Agency I - Higher Educational Institution J - Indian Tribe K - Other (Specify): Enter appropriate letter: F		
11. ESTIMATED NUMBER OF PERSONS BENEFITING 48,901		9. TYPE OF ASSISTANCE A - Basic Grant B - Supplemental Grant C - Loan D - Insurance E - Other Enter appropriate letter(s): C		
13. PROPOSED FUNDING a. FEDERAL \$ 3,500,000 .00 b. APPLICANT .00 c. STATE .00 d. LOCAL .00 e. OTHER 500,000 .00 f. TOTAL \$ 4,000,000 .00		12. TYPE OF APPLICATION A - New B - Renewal C - Revision D - Continuation E - Augmentation Enter appropriate letter: A		
14. CONGRESSIONAL DISTRICTS OF: a. APPLICANT: Eighth b. PROJECT: Citywide		15. TYPE OF CHANGE (For 12 c or 12 e) A - Increase Dollars B - Decrease Dollars C - Increase Duration D - Decrease Duration E - Cancellation F - Other (Specify): Enter appropriate letter(s): N A		
16. PROJECT START DATE Year month day 1985 04 01		17. PROJECT DURATION 300 Months		
18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY 1985 02 07		19. EXISTING FEDERAL IDENTIFICATION NUMBER NA		
20. FEDERAL AGENCY TO RECEIVE REQUEST (Name, City, State, ZIP code) Department of Housing and Urban Development		21. REMARKS ADDED ☐ Yes ☒ No		
22. THE APPLICANT CERTIFIES THAT: a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved. b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached: (1) (2) (3)		No response Response attached ☐ ☐ ☐		
23. CERTIFYING REPRESENTATIVE a. TYPED NAME AND TITLE b. SIGNATURE c. DATE SIGNED Year month day 1985 01 30		24. AGENCY NAME		
25. ORGANIZATIONAL UNIT		26. ADMINISTRATIVE OFFICE		
27. ADDRESS		28. FEDERAL APPLICATION IDENTIFICATION		
29. ACTION TAKEN ☐ a. AWARDED ☐ b. REJECTED ☐ c. RETURNED FOR AMENDMENT ☐ d. DEFERRED ☐ e. WITHDRAWN		30. FEDERAL GRANT IDENTIFICATION		
31. FUNDING a. FEDERAL \$.00 b. APPLICANT .00 c. STATE .00 d. LOCAL .00 e. OTHER .00 f. TOTAL \$.00		32. ACTION DATE Year month day 19		
33. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number)		34. STARTING DATE Year month day 19		
35. ENDING DATE Year month day 19		36. REMARKS ADDED ☐ Yes ☐ No		
36. FEDERAL AGENCY A-95 ACTION a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made. b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)		37. REMARKS ADDED		

CERTIFICATIONS

The grantee hereby assures and certifies that it will comply with the regulations, policies, guidelines and requirements with respect to the acceptance and use of Federal funds for this federally-assisted program. Also, the grantee gives assurances and certifies with respect to the grant that:

- (a) It possesses legal authority to make a grant submission and to execute a community development and housing program;
- (b) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the person identified as the official representative of the grantee to submit the final statement, all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the grantee to act in connection with the submission of the final statement and to provide such additional information as may be required.
- (c) That prior to submission of its final statement to HUD, the grantee has met the citizen participation requirements, prepared its final statement of community development objectives and projected use of funds, and made the final statement available to the public, as required by section 104(a)(2) of the Housing and Community Development Act of 1974, as amended;
- (d) It is following a current housing assistance plan which has been approved by HUD and which meets the requirements of section 104(c)(1) of the Housing and Community Development Act of 1974, as amended.
- (e) It has developed its final statement of projected use of funds so as to give maximum feasible priority to activities which benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight; the final statement of projected use of funds may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available;
- (f) Its chief executive officer or other officer of the grantee approved by HUD:
 - (1) Consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and other authorities as specified in 24 CFR 58.1(a)(3);
 - (2) Is authorized and consents on behalf of the grantee and himself/herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his/her responsibilities as such an official; and
- (g) The grant will be conducted and administered in compliance with:
 - (1) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352) and implementing regulations issued at 24 CFR Part 1;
 - (2) Title VIII of the Civil Rights Act of 1968 (Pub. L. 90-284), as amended, and implementing regulations;

- (3) Section 109 of the Housing and Community Development Act of 1974, as amended; and the regulations issued pursuant thereto (24 CFR Section 570.601);
 - (4) Section 3 of the Housing and Urban Development Act of 1968, as amended and implementing regulations at 24 CFR Part 135;
 - (5) Executive Order 11246, as amended by Executive Orders 11375 and 12086 and implementing regulations issued at 41 CFR Chapter 60;
 - (6) Executive Order 11063 as amended by Executive Order 12259 and implementing regulations at 24 CFR Part 107;
 - (7) Section 504 of the Rehabilitation Act of 1973 (Pub L. 93-112), as amended and implementing regulations when published for effect;
 - (8) The Age Discrimination Act of 1975, as amended, (Pub. L. 94-135) and implementing regulations when published for effect;
 - (9) The relocation requirements of Title II and the acquisition requirements of Title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and the implementing regulations at 24 CFR Part 42;
 - (10) The labor standards requirements as set forth in 24 CFR §570.605 and HUD regulations issued to implement such requirements;
 - (11) Executive Order 11988 relating to the evaluation of flood hazards and Executive Order 11288 relating to the prevention, control, and abatement of water pollution;
 - (12) The flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, (Pub. L. 93-234).
 - (13) The regulations, policies, guidelines and requirements of OMB Circular Nos. A-102, Revised, A-87, A-110, and A-122 as they relate to the acceptance and use of Federal funds under this federally-assisted program;
- (h) No member, officer, or employee of the Grantee, or its designees or agents, no member of the governing body of the locality in which the program is situated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the program during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program assisted under the Grant, and that it shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this certification;
- (i) It will comply with the provisions of the Hatch Act which limits the political activity of employees;
- (j) It will give HUD and the Comptroller General or any authorized representatives access to and the right to examine all records, books, papers, or documents related to the grant;
- (k) It will comply with the lead based paint requirements of 24 CFR Part 35 Subpart B issued pursuant to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.).

A. Statement of Community Development Objectives and Projected Use of Funds

The basic community development objective is to create a job training facility and to promote the creation of new job opportunities for low to moderate income Cambridge residents. This goal will be reached through the creation of a business incubator facility and the support of start-up business through venture capital loans and job training programs.

The Housing and Community Development Act of 1974, as amended, lists eligibility guidelines and national objectives. This project is conservatively in compliance with S. 570.701 Eligible activities (a)(2); Eligible activities under Section 108 (clearly within the scope of this project); S. 570.202 Eligible rehab and preservation activities; S. 570.203 Special economic development activities part (a); and S. 570.204 Special activities by subrecipients part (3) (iii) - Other entities...

B. Projected Use of Funds

Activities

Land acquisition for economic development	\$1,750,000
Building improvements (hard & soft costs)	<u>2,250,000</u>
Total	\$4,000,000

C. Project Description

The acquisition and improvement of an existing industrial building for use as a business incubator facility. Two buildings presently under negotiation include the 129,000 S.F. Hyde Shoe Complex on Cambridge Street and the 75,000 S.F. Budweiser Warehouse on Sixth Street. One million seven hundred thousand dollars has been offered to the trustees of Hyde for purchase of that building. The City and Collaborative are presently awaiting a response to this offer. Budweiser building is presently valued by the City at approximately \$ 1,750,000. Anheuser-Busch is expected to put the Budweiser facility on the market in the next month. The remainder of the loan would be used for improvements for one of the facilities. The exact amount required would be determined after in-depth architectural and engineering analysis.

The following statement summarizes the financing plan:

The CEC working with the City will arrange for construction acquisition financing and for permanent financing from conventional lenders. The permanent financing will undoubtedly have a pre-leasing condition where x% of the space must be leased to tenants acceptable to the lender before the permanent loan money is released. If the project finishes construction and x% of the space is leased to acceptable tenants, then the permanent conventional

financing comes in to take out the construction lenders. If x% of the space is not leased at this time, then the City draws down the 108 loan funds and buys the building from the CEC for the amount of the construction loans. The City leases the building back to the CEC with an option to buy. The CEC pays whatever it can to the City and the City structures the 108 loan in such a way that payments start small but increase as the building is leased up. When the building leases x% of the space the CEC approaches the permanent lender for permission to exercise its option with the City. The permanent lender's conditions are met and CEC pays the City the proceeds of the permanent loan. The City conveys the building back to the CEC and retires the 108 loan.

A risk analysis of the above financing plan is revealing.

- o Construction/acquisition lender loans funds against the 108 loan guarantee. The 108 loan is guaranteed by the full faith and credit of the federal government.
- o The permanent lender takes out the construction/acquisition lender when x% of the space is leased to tenants acceptable to the lender. The permanent lender has no abnormal risk.
- o If the developer does not lease x% of the space by close of construction then the City takes out the construction/acquisition lender with a 108 loan. 108 loans can be structured in any way required to meet the project's needs and can have a term of up to 20 years. If the project reaches x% of leasing the City is paid out. If the project never reaches x% leasing and is a failure, the City's position is secured by the value of the property. Since the developer has invested \$500,000 of equity (OCS grant) in the property, the City is reasonably certain of recapturing its loan funds. The City's loan is equal to the acquisition and development cost minus the \$500,000 equity investment by the developer. This assumes that the property is purchased at fair market value.

The CEC's \$500,000 investment in the property is the sum that is at risk.

Benefits to the City of Cambridge and the Cambridge Enterprise Collaborative

- o acquisition of a facility meeting the Collaborative criteria
- o set-aside of business incubator space which will contribute to the future health of the City and provide a sheltered environment for start-up businesses
- o special job training programs
- o a jobs resource for the Boys and Girls Club in their efforts to work with troubled teenagers and high school dropouts

- o a space available at reasonable rates to ongoing Cambridge businesses
- o a continuation of jobs availability at the Hyde Complex for blue collar workers
- o future return on investment to the Boys and Girls Club which will help support renovation costs in the St. Mary's Recreational Facility
- o a Boys and Girls Club building available to the youth of Cambridge after nine years of continuing programs with no home base or recreational facility
- o a model program demonstrating the merits of cooperation between the public and private sector

D. Project Timing

The City and CEC have until March 29, 1985 to commit the OCS funds of \$500,000 to this project and show significant progress. It is important to secure one of the buildings and at the same time lock in the 108 financing guarantee to allow the acquisition and project development to move forward on schedule.

E. Repayment Schedule - (570.702(a)(1))

Assume that the City will draw down the Section 108 funds by October 1, 1985. Interest will be due each October 1, with the principal repayments to be repaid in annual installments on October 1 in the following amounts.

Principal: \$3,500,000
 Interest: 11%⁽¹⁾
 Term: 6 years (balloon in 6th year)

<u>Year</u>	<u>Principal Balance</u>	<u>Annual Principal Paid</u>	<u>Annual Interest Paid</u>	<u>Annual Deferred Interest</u>	<u>Total Annual Payment⁽³⁾ (P+I)</u>
#0 10/1/85	3,500,000	-	-	-	
#1 10/1/86	3,692,500	0	192,500	192,500	192,500
#2 10/1/87	3,692,500	0	400,000	0	400,000
#3 10/1/88	3,592,500	100,000	400,000	0	500,000
#4 10/1/89	3,492,500	100,000	395,000	0	495,000
#5 10/1/90	3,392,500	100,000	384,000	0	484,000
#6 10/1/91	3,292,500	100,000	373,175	0	474,000
Balloon year 6	0	3,292,500 ⁽²⁾	-	-	-

- (1) Based on Bank of Boston "Rate Screen" dated January 17, 1985. Two year Treasury Notes listed for 9.91%; five year Treasury Notes listed at 10.95%. It is anticipated that project interest rate will be 11% although this depends on the bond market at the time of sale.
- (2) New permanent loan for \$3,292,500 will replace Section 108 at 12%, 20yrs projected annual debt service \$435,000/yr. The permanent loan could come in much earlier than the 6th year depending upon occupancy levels in the project.
- (3) Source of repayment - rental receipts from proposed business incubator facility. Lower annual payments in years 1 and 2 reflects lease-up period for the project.

F. Legal Authority to Pledge Grants - (570.702(A)(2))

The applicant hereby assures and certifies that it possesses the legal authority to make a pledge of block grant funds as specified in 24 CFR part 570.703(b)(2) as security for repayment of any notes guaranteed pursuant to Section 108 of the Housing and Community Development Act of 1974 as amended.

Russell Higley, City Solicitor

City of Cambridge

MASSACHUSETTS

In City Council February 4, 1985

AGENDA ITEM NO. 3

RE: PROPOSED RESOLUTION WHICH WOULD ALLOW THE CITY TO APPLY TO THE U.S. DEPT OF HOUSING & URBAN DEVELOPMENT FOR A SECTION 108 LOAN GUARANTEE IN ORDER TO FURTHER THE CAMBRIDGE ENTERPRISE COLLABORATIVE PROJECT

	YEA	NAY	ABSENT	PRESENT
Mr. Daniel J. Clinton	✓			
Mr. Thomas W. Danehy	✓			
Mr. Francis H. Duehay	✓			
Ms. Saundra Graham	✓			
Mr. David E. Sullivan	✓			
Mr. Walter J. Sullivan	✓			
Mr. Alfred Vellucci	✓			
Ms. Alice K. Wolf	✓			
Mayor Russell	✓			

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

February 4, 1985

To the Honorable, the City Council:

Enclosed please find copy of a proposed resolution for your approval which will allow us to apply to the U. S. Department of Housing and Urban Development for a Section 108 Loan Guarantee in order to further the Cambridge Enterprise Collaborative project.

Specifically, the Section 108 Loan Guarantee would be utilized to assist the Collaborative in securing private financing for the development of its business incubator facility. Although the Collaborative is relatively assured of obtaining private financing for the project (utilizing \$500,000 of the HHS/OCS grant as a down payment), it is likely that a private bank will not provide a permanent loan until a certain percent of the building is leased. In such a case, the 108 program would provide an interim loan in an amount of up to \$3.5 million at U. S. Treasury interest rates. The loan would be made directly to the City who would purchase the facility on a temporary basis until leasing reached the required percentage. At that point, the bank would close on a permanent loan with the Collaborative who would then purchase the building back from the City and pay off the 108 loan. Although the 108 loan would be secured with Community Development Block Grant funds as collateral, the City would also have ownership of the building as ultimate security. It should be noted that the 108 loan would only be invoked should leasing not reach the required percentage by the time the rehabilitation is complete.

At the present time, the Collaborative is involved in acquisition negotiations on two separate buildings. One is the Hyde Shoe facility on Columbia Street. The other is the Budweiser warehouse in East Cambridge. Either of these buildings would be appropriate for the purposes of the project and whichever negotiations are successful will become the incubator facility.

Attached is a draft of the application to be submitted to HUD. Although it is not a lengthy document, it provides a detailed summary of the project along with an explanation of how the 108 program works.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf

Encs.

Agenda Item No. 3

S 114

Re: proposed resolution which would allow the City to apply to the U.S. Dept. of Housing & Urban Development for a Section 108 Loan Guarantee in order to further the Cambridge Enterprise Collaborative project.

In City Council,

February 4, 1985

2/4/1985

CVIR
PS
A

Order

Re: Pitt

9-0-0