

**MEMORANDUM**

**DECEMBER 19, 2013**

**TO:** ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION OF BOSTON AND PETER MEADE, DIRECTOR

**FROM:** LAWRENCE MAMMOLI, DIRECTOR OF ENGINEERING AND FACILITIES MANAGEMENT  
DENNIS DAVIS, DEPUTY DIRECTOR, INDUSTRIAL DEVELOPMENT AND COMMERCIAL LEASING

**SUBJECT:** REQUEST AUTHORIZATION TO ENTER INTO A LEASE WITH KAVANAGH ADVISORY GROUP, LLC FOR THE REDEVELOPMENT OF PARCEL R WITHIN THE MARINE INDUSTRIAL PARK

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**SUMMARY:** This Memorandum requests that the Director be authorized to execute the necessary documentation to enter into a Lease with, Kavanagh Advisory Group, LLC to facilitate the redevelopment and use of the Economic Development and Industrial Corporation of Boston owned Parcel R located within the Marine Industrial Park.

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**BACKGROUND**

On April 14, 2011, the Economic Development and Industrial Corporation of Boston (“EDIC”) authorized the Director to execute all documents necessary to award a 12-month Tentative Designation to Kavanagh Advisory Group (“Kavanagh”) for the redevelopment of Parcel R within the Marine Industrial Park. Parcel R consists of approximately 179,810 square feet (4 acres).

On December 21, 2011, Kavanagh and EDIC executed a letter agreement (“Letter Agreement”) that contained the terms and conditions regarding the “Tentative Designation”, including the preconditions for “Final Designation” and “Proposed Lease Terms” (which were non-binding).

The Tentative Designation was extended for a 12 month period on March 13, 2012 and for a 6-month period on April 11, 2013, and again for a 6-month period on September 12, 2013.

Kavanagh is proposing to construct a commercial development of up to 360,000 square feet on Parcel R. Kavanagh continues to have dialogue and interest from users including but not limited to the following:

- cold storage/ distribution
- administration, meeting and classroom and training space for a trade union.
- life sciences
- bio medical

As a condition of the current 6-month extension approved on September 13, 2013, Kavanagh committed to finalizing the terms and conditions of a lease with EDIC prior to the expiration of the designation extension.

EDIC staff also committed to present those terms and conditions to the EDIC Board for consideration prior to the expiration of the Tentative Designation.

### **FINANCIAL TERMS AND CONDITIONS**

As outlined in the attached Term Sheet, Kavanagh will commence paying a pre-development Construction rent of \$75,000 per year commencing January 1, 2014 and will begin paying BMIP operating expenses of approximately \$62,500 per year commencing September 2014. This Term Sheet supersedes the Proposed Lease Terms in the Letter Agreement. Final Designation by EDIC in accordance with the Letter Agreement must be granted prior to executing a Lease.

The Initial Fixed Rent of \$314,667 per year will be payable commencing March 1, 2017 and Full Fixed Rent of \$539,430 will be payable commencing March 1, 2018.

Full Fixed Rent will increase every 5-years by the higher of 15% or the cumulative increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers – N.E.

Commencing in the 30th year of the Lease and every 15 years thereafter a Market Analysis will be performed to ensure that the rents received by EDIC are reflective of the then current real estate market. An upward adjustment in rent to EDIC will be negotiated or arbitrated if necessary.

EDIC will also receive 3.5% of gross revenue received by Kavanagh for every lease that exceeds \$50 per square foot gross.

EDIC will also receive 7.5% of any revenue received by Kavanagh if the lease is sold, assigned, financed or re-financed.

An appropriate vote follows:

**VOTED:** That the Director be, and hereby is, authorized on behalf of the Economic Development and Industrial Corporation to execute all necessary documentation to enter into a lease with Kavanagh Advisory Group, LLC for the development of Parcel R located within the Marine Industrial Park on terms and conditions substantially consistent with the Term Sheet and Board Memorandum submitted at the Board meeting held December 19, 2013.