MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
Mary L. Pichetti, Executive Director, Deputy Chief Executive Officer
DATE: February 17, 2026
RE: FY 2026 Budget Amendment Recommendation

At the December 12, 2025 Meeting, the Board of Directors approved staff's recommendation to add 5,027 rentable square feet adjacent to the MSBA's existing rental space of 18,596 rental square feet. This memorandum provides an update on two items: 1) the costs through January 2026 of the build for the original office space; and 2) the estimated budget to complete the build for the 5,027 rentable square feet approved in December.

Discussion

Update on costs for original office space

The original lease at 10 Post Office Square was approved by the Board of Directors in August 2024 with a move-in date of June 1, 2025, and the estimated budget to build for these 18,596 rental square feet was included in the FY 2025 Budget as amended on December 13, 2024. The MSBA moved into the new space on 6/16/25 with the majority of work and billings included as part of the FY 25 budget and the budget for the remaining work to be done included as part of the FY 26 budget. The table below reflects the estimated budget in December 2024, updates on the amount spent through January 2026, and the estimate for the remaining amount to be paid.

Item	Estimated Budget December 2024	Spent thru January 2026	Remaining to be paid
Legal	$25,605	$25,605	$0
Design	$179,200	$154,032	$0
Construction	$952,000	$1,007,361	$76,902
Move	$80,000	$0	$0
Add/Alts	$25,000	$0	$0
Miscellaneous	$170,000	$73,439	$0
FF&E	$900,000	$516,186	$0
SUBTOTAL	$2,331,805	$1,776,623	$76,902
Contingency (15%)*	$349,770	$0	
Total Project Cost	$2,681,575	$1,776,623	$76,902

*$132,263 of the contingency of $349,770 was transferred to the construction line to offset the bid overrun and the cost of project management services.

As shown in the table above, the total amount paid and remaining to be paid is anticipated to be $1,853,525. As part of the lease terms, the Landlord has provided a Tenant Allowance toward the above costs totaling $348,008.

Budget for costs associated with the office expansion space

The amendment to the lease at 10 Post Office Square was approved by the Board of Directors on December 12, 2025. Since approval, staff have finalized the amendment to the lease and commenced working closely with the Landlord to lay out the scope and the schedule for the build. In addition, staff have expedited the procurement for the engineering consultant needed to design security, audiovisual, telephone and data requirements.

With a move-in date of 9/1/26, staff are operating under an accelerated schedule anticipating the development of bid documents in early spring to support bidding in April. Based on this schedule, the MSBA will start incurring costs as early as the beginning of March. Staff have developed a preliminary, estimated budget based on the costs of the previous build and other available information and are requesting Board approval of this estimated budget to support the schedule. Over the next several months, with an engineering consultant onboard, staff will evaluate this budget and provide any updates that may be needed.

The FY 26 Budget inadvertently included a full year of rental cost and did not take into account the free rent in year one per the terms of the lease. Staff are recommending that the FY 2026 budget be amended to include a transfer from the existing budget line item for annual lease payments of $920,502 to a new line item to build the expansion space in the amount of $675,000.

The estimated budget for costs related to the office expansion space is $675,000, as shown in the Table below. The budget includes contingency as representative of a pre-design level.

Item	Estimated Budget February 2026
Legal	$0
Design	$50,000
Construction	$350,000
Move	$0
Add/Alts	$0
Miscellaneous/Signage	$25,000
FF&E	$150,000
SUBTOTAL	$575,000
Contingency (17%)	$100,000
Total Project Cost	$675,0000

Recommendation

Staff recommend that the FY 2026 budget be amended to include a transfer from the existing budget line item for annual lease payments of $920,502 to a new line item to build the expansion space in the amount of $675,000. With this recommendation, there would be no change to the MSBA's FY 2026 operating expense budget. Given the estimated schedule for the build with a move-in date of September 1, 2026, costs for this build will cross over from FY 2026 to the FY 2027 budget. The estimated carryover will be included as part of the FY 2027 budget.