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# Financial Analysis of the Alewife Quadrangle Northwest Overlay District (AOD-1) Zoning Petition

Presentation for the City of Cambridge

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SERVICES

In partnership with



**KARP STRATEGIES**

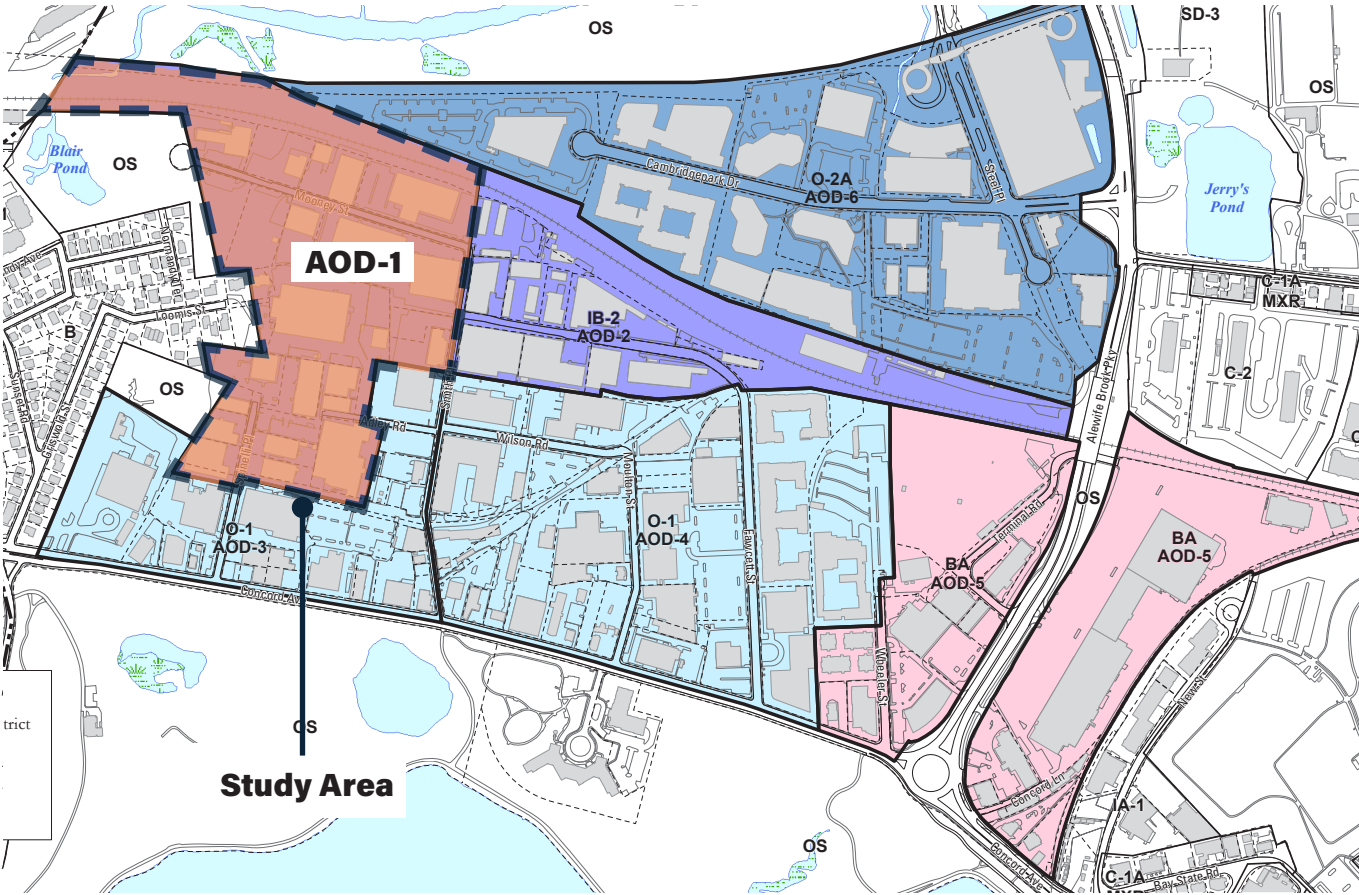
URBAN PLANNING ADVISORS

# Overview of AOD-1 Site + Zoning Petition

## Zoning Petition:

- On February 28, 2020, a zoning petition was submitted by over 10 registered Cambridge voters to amend zoning provisions in the Alewife Quadrangle Northwest Overlay District (AOD-1).
  
- The petition is supported by Cabot, Cabot & Forbes Development Co., Inc. (CC&F), a major owner of approximately 16.3 acres of property in the district affected by the zoning change.
  
- Among other changes, the petition would:
  - increase the maximum allowable height of any non-residential building from the existing fifty-five (55) feet to eighty-five (85) feet by special permit from the Planning Board;
  - allow an incremental increase in FAR of 0.25 for any lot in exchange for construction of a pedestrian/bicycle bridge crossing of the railroad tracks to the Alewife Triangle Overlay District (AOD-6), which is allowable in current zoning if the bridge connects from AOD-2 or AOD-4 but not from AOD-1;
  - authorize the above FAR increase for “contribution of funding towards the construction, operation, maintenance, or repair of this bridge connection” in addition to construction and conveyance of property interests for the bridge construction; and
  - exclude light industrial use(s) and/or consumer-facing business(es) on the ground floor of a non-residential building from the Gross Floor Area (GFA) calculations.

# Map of Alewife Quadrangle Northwest District (AOD-1)



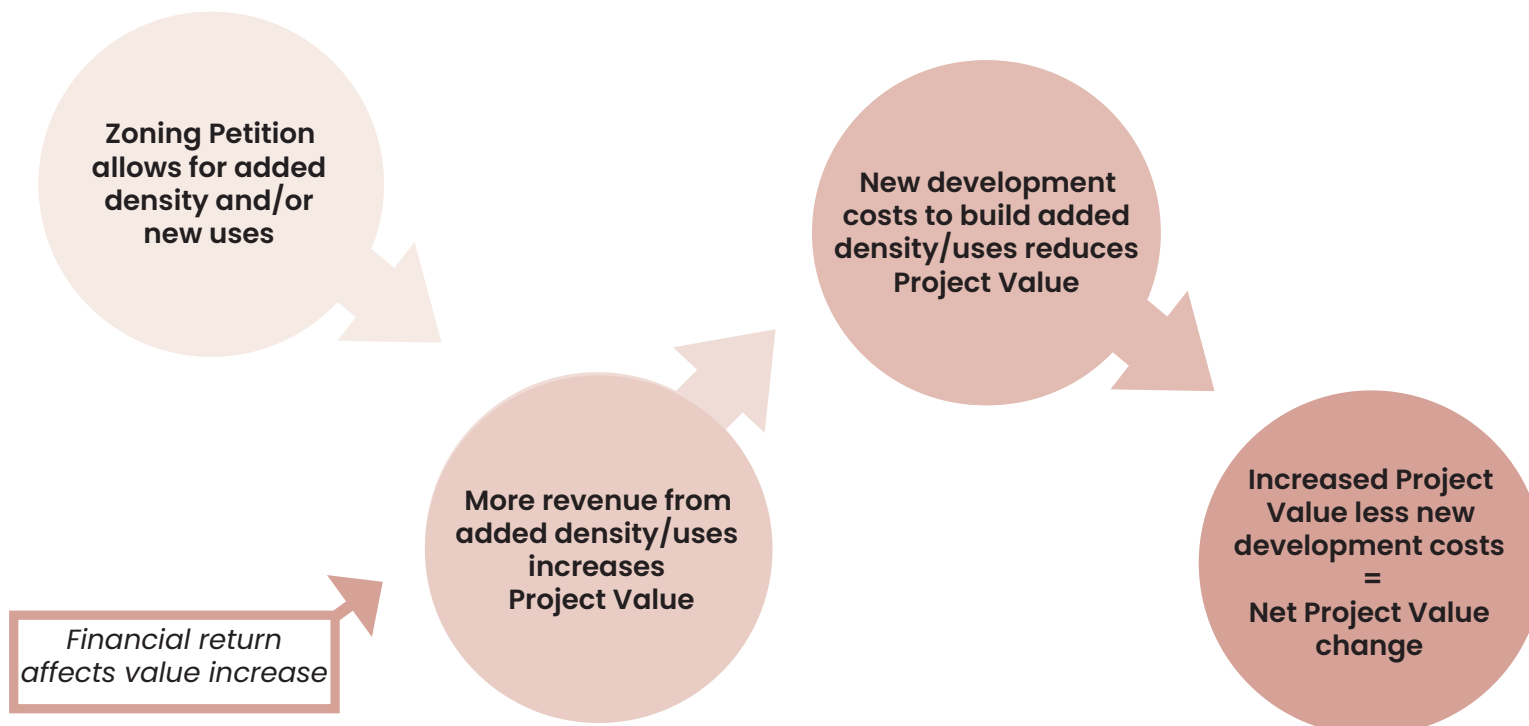
# Purpose + Nature + Analysis

## Purpose + Goal:

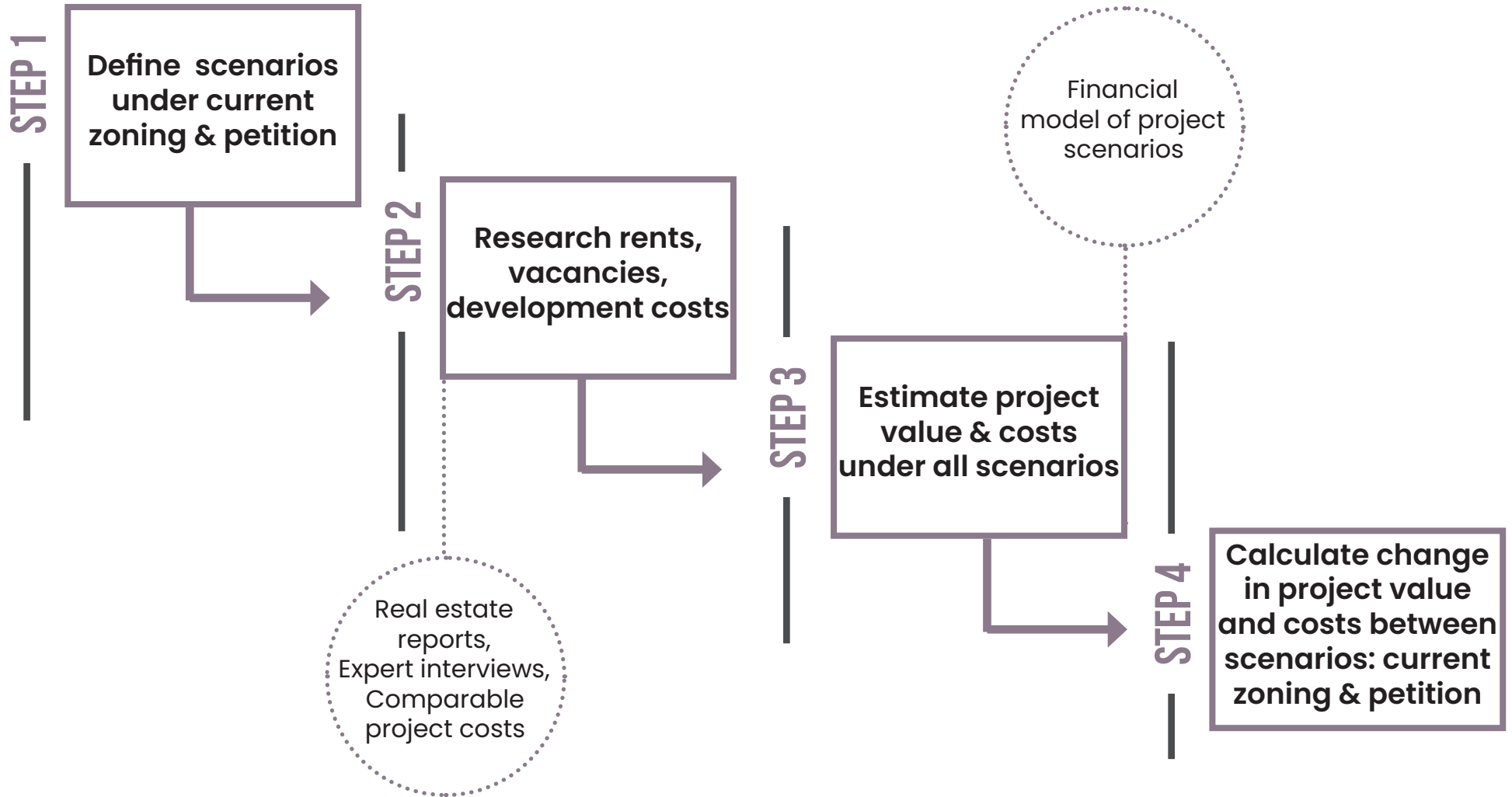
- The economic analysis was conducted with the goal of assessing the potential change in property value from this rezoning petition and to estimate the value of public benefits to be delivered in tandem with the new development allowed by the petition.
- The analysis presents the results of a financial model used to estimate the project value to a developer under the development scenarios that could occur under current zoning and the scenarios that could occur with the zoning petition.
- Costs for public benefit commitments was estimated from information provided by the City of Cambridge, CC&F, and transportation consultants.

## Zoning Impact on Project Economics

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# Methodology: Estimating Project Value Impact



## Development Scenario for Analysis

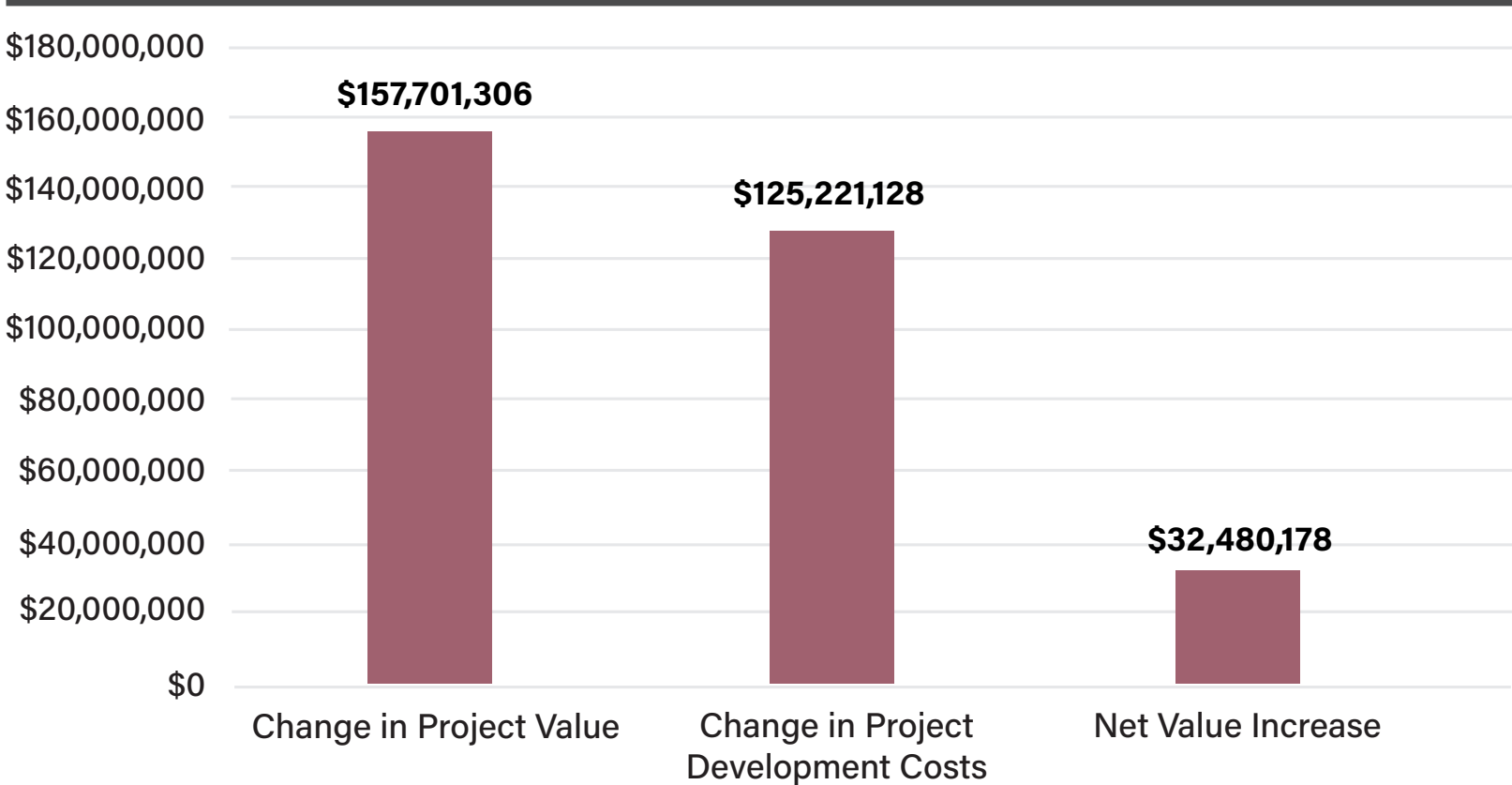
- The Consultant Team and City staff concluded that the extra 0.25 FAR bonus square footage accompanying the construction or funding of a pedestrian/bicycle bridge is the zoning petition change that has the most direct and measurable effect on the quantity and value of new development.
- The increase in allowed height for commercial buildings will help to physically enable that additional FAR to be utilized for commercially marketable office/lab development, in addition to supporting development goals of the City's Alewife District Plan. If the allowable height is increased, then the amount of additional square footage will still be constrained by the FAR limitations.
- Since rents and property values in the Alewife district are highest for office/lab developments, a single scenario in which the 0.25 FAR bonus is devoted to office/lab space was analyzed. This represents the maximum economic value that CC&F can generate from the zoning petition density bonus.

### Development Scenario Used for Analysis

Developer-Controlled Land in AOD-1 District	707,466 SF
Allowable Density Bonus with Zoning Petition	0.25 FAR
Additional Office/Lab Development Potential with Zoning Petition	176,866 SF

# Estimated Impact on Project Value

Impact on Zoning Petition, in \$ Millions Developer Returns



# Estimates of Potential Developer Benefit Commitments

## Developer Commitment + Costs:

- Note that this is only an analysis of potential benefits; a detailed public benefit commitment had not been filed at the time of this analysis.
- Potential Benefits have been assessed in the following ways:
  1. Funds required to construct a pedestrian and bicycle bridge across the railroad tracks connecting the Alewife Triangle and Quadrangle areas;
  2. Funds required for ongoing maintenance of the pedestrian and bicycle bridge; or
  3. A \$5 PSF payment into a Transportation Infrastructure Fund for the total GFA of commercial space built, which is the contribution rate recommended by the City's 2019 Alewife District Plan for all new commercial development in the area.

## Estimated Value of Potential Public Benefits Related to AOD-1 Zoning Petition

Public Benefit	Cost Estimate
Pedestrian/Bicycle Bridge-Construction	\$32,300,000
Pedestrian/Bicycle Bridge-Maintenance, 15 years	\$543,000
Transportation Infrastructure Fund	\$2,600,000



# Petition Impact on Net Project Value and Developer Benefit Commitments

- The additional 176,866 SF of commercial development allowed under the zoning petition would generate an estimated net value of \$32 million, based on typical developer investment return requirements in East Cambridge.
- The estimated value of the public benefits is estimated to range from \$543,000 to maintain the pedestrian/bicycle bridge for 15 years to \$2,600,000 towards a transportation infrastructure fund, to \$32,300,000 for construction of the pedestrian/bicycle bridge.

**Comparison of Net Value Change and Benefit Costs, in \$ Millions**

