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August 11, 2023

Ms. Mary T. Flynn, Chair
Cambridge Planning Board
344 Broadway
Cambridge MA 02139

Reference: Request for Minor Amendment Related to the Planned Unit Development Special Permit (PB#368, as amended to date, the “Special Permit”) for the MIT Volpe Exchange Parcel (the “Project”), Cambridge, MA

Dear Chair Flynn and Members of the Board:

On behalf of the Massachusetts Institute of Technology (“MIT” or the “Applicant”), I write to request changes to the criteria for Innovation Space for PUD-7 as described in Section 13.96.3 of the Cambridge Zoning Ordinance (the “Ordinance”). As provided in Section 13.96.3(c) of the Ordinance, the Planning Board may allow such changes, or “variations in the specific standards and characteristics” of Innovation Space, as a Minor Amendment to the approved Final Development Plan under Special Permit PB#368.



We seek this Minor Amendment to provide users of such Innovation Space with the options they need to grow within Kendall Square without leaving the neighborhood. To this end, we propose allowing for flexibility with respect to the size of their spaces, the length of their leases, and the characteristics of their shared amenities. We believe responding to market demand is critical to the stated purpose of the Innovation Space Requirements (defined below) set forth in Section 13.91 of the Ordinance, which is to promote “[t]he retention of...smaller innovation companies as a component of the commercial space that is created [at the Project].”

This request does not include any proposed changes to the amount of approved GFA or the GFA allocation between uses associated with the approved Special Permit.

Innovation Space – Current Requirement, Characteristics and Permitted Variations

Pursuant to Section 13.96.3(a) of the Ordinance, the Applicant is required to develop “Innovation Space that has a GFA equal to, or in excess of, five percent (5%) of the new GFA approved in the Final Development Plan for Office Uses” and to make such space conform to specific square footage thresholds. Additionally, the Innovation Space must meet certain characteristics that are specified in Section 13.96.3(b) of the Ordinance (collectively, the “Innovation Space Requirements”; provided, however, the Planning Board, in approving a Final Development Plan or a Minor Amendment to a Final Development Plan, may expressly allow variations from such Innovation Space Requirements if such variations “will be consistent with the purposes of” the Innovation Space Requirements.

The Market for Innovation Space Has Evolved

The original innovation space requirements from which the Innovation Space Requirements for the Project were derived were based on characteristics of innovation space from approximately 10-12 years ago, when innovation space was an emerging concept that consisted almost entirely of short-term leases or agreements for single workstations and small-footprint offices co-located within larger office premises.

MIT's strong commitment to and subsequent implementation of the innovation space requirements has catalyzed the co-working office and shared lab benches model in projects throughout Kendall Square. MIT alone has created approximately 600,000 square feet of what can be considered innovation space in Kendall Square that continues to play an important role in cultivating the innovation ecosystem. This space has served many seed-stage startups which typically have 1-5 people who share resources with other users and do not have the financial resources to commit to leases for longer durations or larger spaces. As seed-stage companies attract venture funding, move into an early-stage, and then graduate to the growth and expansion stages, they grow from approximately 5-25, then 25-50, then 50-75 employees, and so on. As they scale up, these ventures move out of a co-working model with shared resources into a more proprietary model with independent and private resources.

It is evident the Innovation Space Requirements did not contemplate the evolving space needs of developing innovation companies, which we will call "Growing Innovators," and the requirements will continue to inhibit the Growing Innovators' ability to establish Kendall Square as their home. Growing Innovators occupy a "middle-market" segment that has been underserved in Kendall Square due to low vacancies, and they compete for space with more established companies (with hundreds of employees) who can afford higher rents. Typical commercial landlords favor more established tenants with lower-risk profiles. These tenants also lock in longer lease durations for larger spaces, and those factors contribute to the dynamic where commercial landlords prefer them. As a result, many Growing Innovators have been leaving Kendall Square and finding new homes in secondary life/science clusters, like the Seaport, Watertown, Boston and beyond. The secondary clusters have more supply of space attained at a lower cost basis, have greater flexibility and willingness to lease small- to medium-sized spaces at lower rents and shorter lease durations and have fewer barriers to entry.

Data tracking from the brokerage community for the lab lease market in Cambridge shows that approximately 48 lab companies graduated from incubators in recent years. Of that total, only 12.5% remained in Kendall/East Cambridge. When filtered for the size of leased spaces, 75% of the graduating incubators moved into premises of 35,000 square feet or less. Based on our experience, similar dynamics exist in the office, high tech and tough tech market sectors.

In addition, one study from the brokerage community showed over 80% of small life/science tenants in the market in Q1 2023 were looking for 35,000 square feet or less, and another study showed 135 small life/science tenant suites leased between 2020 and Q1 2023 were for spaces of less than 30,000 square feet.

If Cambridge cannot provide the space that Growing Innovators need, they leave. Once Growing Innovators do depart, data shows that they are likely to stay in the location chosen during this expansion and growth phase, and they are unlikely to return to Kendall Square.

Minor Amendment Request

In order to respond to existing market needs, retain small innovative companies and cultivate a dynamic and vibrant innovation ecosystem in Kendall Square, we request certain variations from the requirements and characteristics of the Innovation Space Requirements in Sections 13.96.3 of the Ordinance to allow for flexibility in the distribution of spaces, leases of small- to medium-sized spaces and for longer durations than currently allowed, and flexibility in the provision of shared resources.

First, the Applicant requests the elimination of the requirement set forth in Section 13.96.3(a)(2) of the Ordinance, which, in the event Innovation Space is provided in more than one building, requires each “unit” of Innovation Space to include at least 20,000 square feet. The requested variation would allow flexibility for the Innovation Space to be distributed in one or more buildings and remove the minimum 20,000-square-foot requirement so the Applicant can better respond to market demand.

Second, in Section 13.96.3(b)(1) of the Ordinance the Applicant requests extending the permitted duration of lease agreements or similar occupancy agreements from periods of approximately one month to periods of up to five years. This change would accommodate the startups in their early to growth stages who have gained traction yet need varying degrees of flexibility and stability.

Third, in Section 13.96.3(b)(2) of the Ordinance, the Applicant requests a change allowing the maximum area that is occupiable by a single business entity to be up to 35,000 square feet. Currently, the maximum is set at 2,000 square feet or 10% of the entire Innovation Space in PUD-7, whichever is greater. This change is critical to be able to retain the Growing Innovators described above and to reflect the evolving needs of innovation space users as they graduate out of a co-working/shared lab structure to a more proprietary, independent, and secured platform.

Fourth, in Section 13.96.3(b)(3) of the Ordinance, the Applicant proposes a variation that would allow for flexibility in location and reduce the minimum area for shared resources to 10% of the required Innovation Space, which is scaled to better reflect the changing profile of innovation users who range from those who are heavy users of shared resources to those who have some of their own private resources. Practically speaking, this would also allow flexibility to situate shared resources where they would best meet user’s needs and where they would be physically feasible to comply with accessibility, life/safety, building and other code-related requirements.

The variations from the Innovation Space Requirements requested in this submission are set forth in the table below:

Proposed Variations from Innovation Space Requirements in Section 13.96.3			
Sec.	Current Language	Requested Variation	Proposed Language
(a)(2)	Where at least 40,000 square feet of Innovation Space is required, Innovation Space may be distributed in separate buildings, provided, however, that each separate "unit" of Innovation Space contains at least 20,000 square feet. If less than 40,000 square feet of Innovation Space is required, the Innovation Space must be contained in a single building.	Allow Innovation Space to be disbursed in any combination of one or more buildings without limits on unit size.	Innovation Space may be distributed in an individual building or in separate buildings provided that the Innovation Space meets the Innovation Space Requirements set forth in Section 13.96.3(b), as varied by this Minor Amendment.
(b)(1)	Durations of lease agreements (or other similar occupancy agreements) with individual business entities shall be for periods of approximately one (1) month.	Allow periods of approximately one (1) month to up to five (5) years.	Durations of lease agreements (or other similar occupancy agreements) with individual business entities shall be for periods of up to five (5) years.
(b)(2)	No single business entity may occupy more than 2,000 square feet or ten percent (10%) of the entire Innovation Space required to be provided in the PUD-7 District, whichever is greater. The average size of separately contracted private suites may not exceed 200 square feet of GFA.	Allow leases that range from 2000 SF to 35,000 SF, and eliminate the average size requirement.	No single business entity (excluding third-party and affiliate providers and managers) may occupy more than 35,000 square feet of the entire Innovation Space required to be provided in the PUD-7 District
(b)(3)	Innovation Space shall include shared resources (i.e., co-working areas, conference space, office equipment, supplies and kitchens) available to all tenants occupying at least fifty percent (50%) of the Innovation Space.	Clarify that all Innovation Space users will have access to shared resources that amount to at least ten percent (10%) of the total Innovation Space in each building.	Innovation Space users in each building shall have access to shared resources (i.e., co-working areas, conference space, office equipment, supplies and kitchens, and lab support areas) equal to at least ten percent (10%) of the Innovation Space in the relevant building, which space may or may not be located within the Innovation Space or the relevant building itself. Those shared resource areas will be counted as part of the Innovation Space for the building(s) in which they are located.

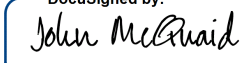
Conclusion

This Minor Amendment will vary the Innovation Space Requirements to allow the Applicant to provide commercial space that will attract Growing Innovators. These changes further the primary purpose of the Innovation Space Requirements, which is to attract and retain smaller innovation companies, fostering the continuing development of a vibrant, inclusive and innovative community in Kendall Square.

We are thankful for the time that Iram Farooq, Daniel Messplay and Pardis Saffari have spent meeting with us to discuss our proposed amendment. Their input was extremely helpful in the preparation of this filing.

We look forward to the opportunity to meet with the Board to discuss this request. Thank you for your consideration.

Very truly yours,

DocuSigned by:

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