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# Financial Analysis of the MXD Zoning Petition

Presentation for the City of Cambridge

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# Overview of MXD Site + Zoning Petition

## Zoning Petition:

- On September 17, 2020, the Cambridge Redevelopment Authority (CRA) in partnership with Boston Properties (BXP) and Eversource submitted a zoning petition to amend Article 14 of the City Zoning Ordinance, which regulates development within the Kendall Center Mixed Use Development (MXD) District.
- The petition would facilitate the relocation of a proposed Eversource electrical substation from 135 Fulkerson Street to the Blue Garage site within the MXD district and allow for an additional 800,000 square feet (SF) of commercial development at the site above what is currently permitted.

## Map of Blue Garage Site

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**North Parcel  
Blue Garage Site**

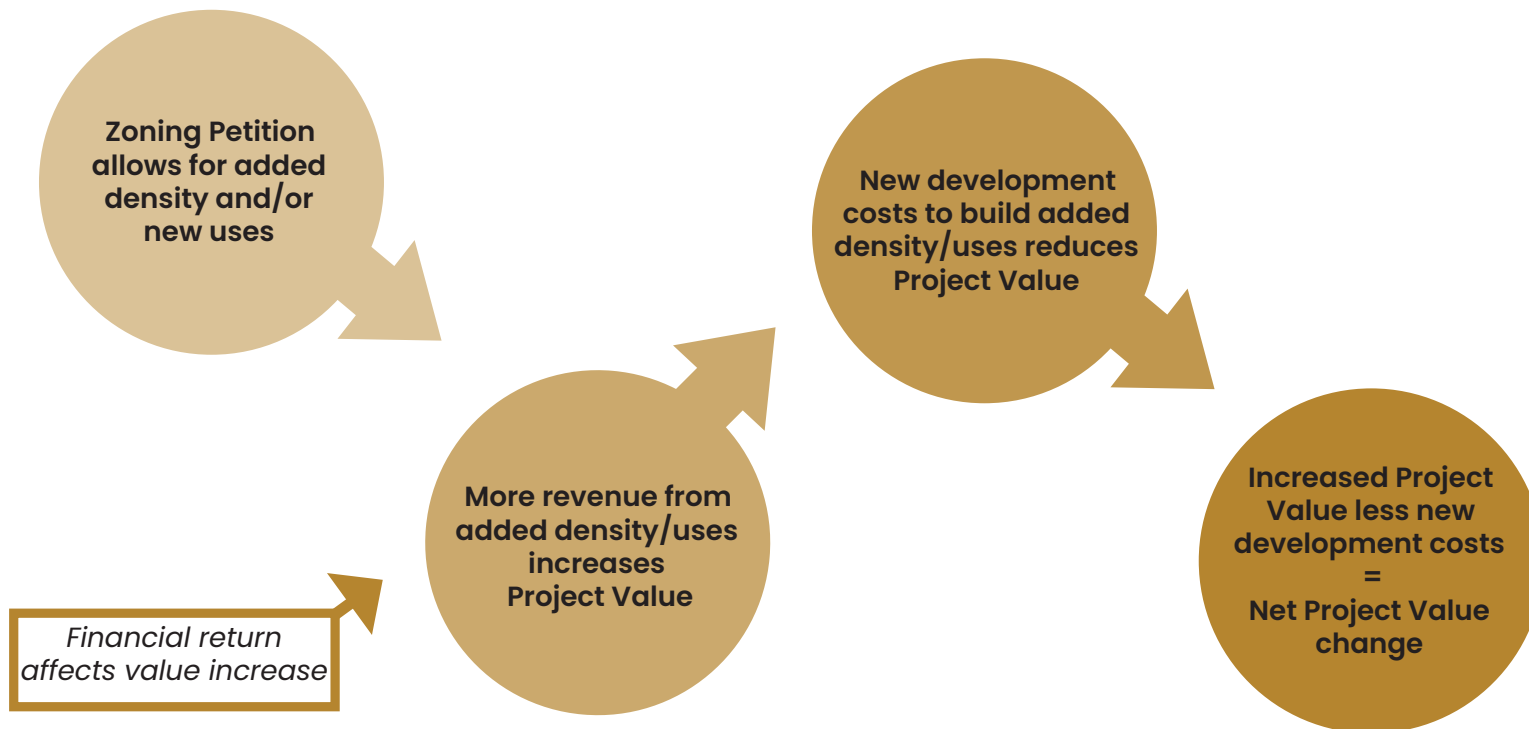
# Purpose + Nature + Analysis

## Purpose + Goal:

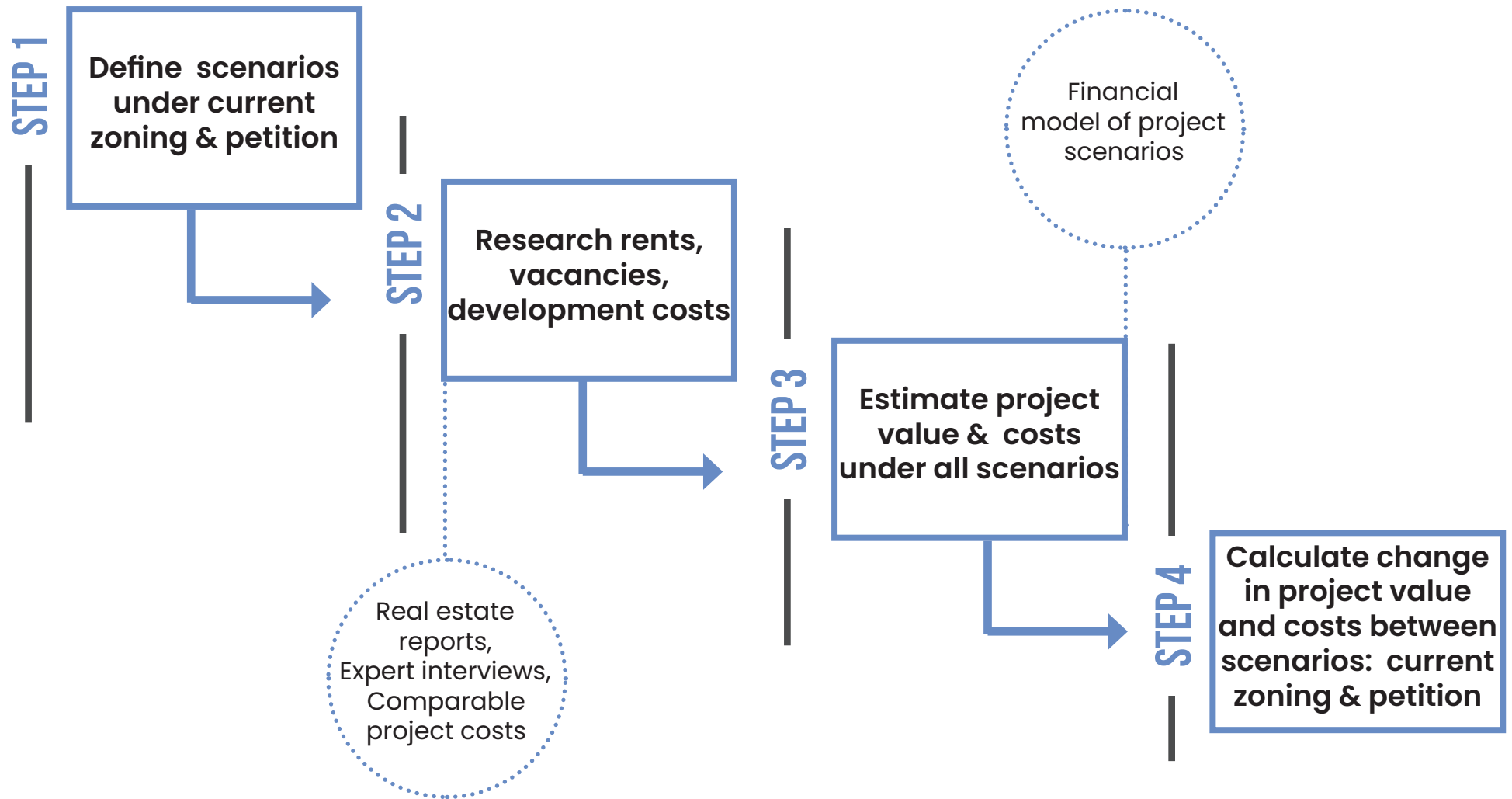
- The economic analysis was conducted with the goal of assessing the potential change in property value from this rezoning petition and to estimate the value of public benefits to be delivered in tandem with the new development allowed by the petition.
- The analysis presents the results of a financial 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 Boston Properties, the Cambridge Redevelopment Authority, real estate consultants and other sources.

## Zoning Impact on Project Economics

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# Methodology: Estimating Project Value Impact



# Development Scenario + Estimated Impact on Project Value

## Potential Development Scenario:

- The commercial portion of the existing MXD district is fully built-out so no new office and/or lab development can occur under existing zoning.
- Consequently, the single scenario analyzed herein was the development of a new 800,000 SF office/lab building, as allowed in the zoning petition.

## Zoning Petition Impact on New Project Value

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### Estimated Zoning Petition Impact on Project Value and Cost

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Project Value	Amount
Office/Lab Building GFA	800,000 SF
Office/Lab Building NOI	\$66,451,000
Project Value (developer return)	\$914,747,000
Building TDC	\$628,708,000
<b>Net Project Value</b>	<b>\$286,039,000</b>

# Detailed Estimates of Developer Benefit Commitments

## Developer Commitment + Costs:

- Boston Properties has committed to undertake multiple investments needed to prepare the Blue Garage site to accommodate the Eversource substation at this site. The estimated combined direct and indirect costs for these investments range from \$292 to \$374 million.

### Developer Assumed Costs Related to the Eversource Substation

#### Direct Costs

Direct Costs	Low Estimate	High Estimate
Site Prep/Demolition	\$19,809,000	\$32,750,000
Substation Vault	\$116,330,000	\$144,000,000
Replacement Parking	\$147,061,000	\$170,910,000
<i>Total Direct Costs</i>	<i>\$283,200,000</i>	<i>\$347,660,000</i>
Less Eversource Payment	-\$12,929,000	-\$12,929,000
<b>Total Net Direct Costs</b>	<b>\$270,271,000</b>	<b>\$334,731,000</b>

#### Indirect Costs

Indirect Costs	Low Estimate	High Estimate
Financial Carry for Substation Costs	\$12,852,000	\$29,755,000
Lost Value from 250 Binney Street	\$9,189,000	\$9,189,000
<b>Total Indirect Costs</b>	<b>\$22,041,000</b>	<b>\$38,944,000</b>

#### Total Costs

	Low Estimate	High Estimate
<b>Total Combined Direct and Indirect Costs</b>	<b>\$292,312,000</b>	<b>\$373,675,000</b>

# Petition Impact on Net Project Value and Developer Benefit Commitments

- The new 800,000 SF of commercial development allowed under the zoning petition would generate an estimated net value of \$286 million, based on typical developer investment return requirements in East Cambridge.
- The estimated value of the public benefits is estimated to range from \$292.3 to \$373.7 million.

## Comparison of Net Value Change and Developer Benefit Costs, in Millions

