

An original copy of the attached letter was sent to each of the following:

Thomas W. Danehy-Mayor
Lawrence W. Frisoli
Vice Mayor

Councilors:

Kevin P. Crane
Francis H. Dubay
Saundra Graham
Mary Ellen Preusser
Walter J. Sullivan
Alfred E. Vellucci
David A. Wylie



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MINOT, DE BLOIS & MADDISON, INC.

REAL ESTATE
INVESTMENT AND FIDUCIARY MANAGEMENT
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BOSTON, MASSACHUSETTS 02108
(617) 542-5910

PLEASE REPLY TO
P. O. BOX 1135
BOSTON, MASS. 02103

EDWARD L. BIGELOW, JR.
PRESIDENT
PAUL T. NORTON
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VICE PRESIDENT
C. JERRY RAGOSA
VICE PRESIDENT

November 21, 1978

Councilor David A. Wylie
Council Office
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Councilor Wylie:

I would like to thank the members of the City Council for their courtesy at the East Cambridge Zoning Hearing, and to assure them of Real Estate Investment Trust of America's (REITA) support for the renaissance of East Cambridge. REITA fully supports the City's encouragement of private development in East Cambridge, the preservation of residential areas, and the creation of attractive commercial and industrial areas.

Most of all, REITA supports the City's desire for additional jobs in East Cambridge and its desire to stimulate private development. It is for those reasons that REITA requests that the zoning of Area 1 be amended to O-3A/PUD-2 rather than the proposed C-3A/PUD-2.

This zoning change does not result in more profits to REITA, for the property value will remain the same with or without the zoning change. That value is currently in excess of \$30 a square foot of land value which is thoroughly consistent with the City's tax assessment. In fact, several years ago, the assessors valued the property in excess of \$25 per square foot and it is on that basis that REITA has been paying nearly one third of a million dollars a year to Cambridge each year in taxes.

Fortunately, or unfortunately, in its present use, the property commands that value. Zoning will not change this value nor will it reduce the price to a level which will enable residential development--even the most luxurious condominiums.

I fully realize that the City's Department of Community Development believes that the property can be redeveloped for residential purposes even at this value. The attached analyses show conclusively

Councilor David A. Wylie

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that luxury condominiums cannot be developed on land as valuable as the Cambridge Parkway properties. The land value is 2-3 times higher than the most expensive land ever purchased for luxury high-rise housing in Boston or Cambridge. A discussion with experienced developers of luxury condominiums would confirm this and the fact that condominium development would not be feasible on property of this value.

Clearly, if luxury housing were feasible, there would be no need to request a change in the proposed zoning. But the only type of development which is feasible, given the value of the land, is as headquarters office for major R&D firms. This type of development necessitates O-3A zoning.

Without O-3A zoning, the property will remain developed much as it is presently because nothing else would be economically feasible. That means a low utilization of the property, significantly fewer jobs for Cambridge residents than would be available if headquarters office buildings were permitted, and significantly less taxes than would be generated by the development of headquartered office buildings.

I should stress that the types of office buildings being considered are not skyscrapers, but are consistent with the proposed height and density requirements of the waterfront plan, particularly Area 1. The proposal is totally consistent with the Design Guidelines set forth by the Department of Community Development.

I sincerely urge the City Council to consider REITA's request to amend the proposed rezoning of Area 1 to O-3A/PUD-2. Without such an amendment, redevelopment will be impossible and the City will be the loser in terms of jobs, investment, and tax revenue.

Very truly,



Richard E. Bonz
Vice President

REB:mm

MINOT, DE BLOIS & MADDISON, INC.

**FINANCIAL ANALYSIS OF
CONDOMINIUM DEVELOPMENT
ON ONE-ACRE PARCEL
85 UNITS PER ACRE - FAR 3.0**

REVENUE FROM DEVELOPMENT

<u>Estimated Gross Sales Revenue</u>		
85 Units @ \$100,000		
(Average size 1,200 S.F. @ \$82.50/S.F. + 10%)	\$8,500,000	
85 Parking Spaces @ \$5,000	\$ 425,000	
First Floor Commercial (5,000 S.F. @ \$50)	\$ 250,000	
Subtotal		\$9,175,000
<u>Less Cost of Sales</u>		
Advertising, Marketing, Brochures, Models, and Sales Staff		(\$575,000)
<u>Net Development Revenues</u>		\$8,600,000

COST OF DEVELOPMENT

<u>Construction Costs</u>		
Sitework - Landscape	\$ 175,000	
Building Construction (121,590 S.F. @ \$40.00)	\$4,863,600	
Garage Construction (31,875 S.F. @ \$15)	\$ 480,000	
Amenities & Finishes	\$ 125,000	
General Requirements (3.0%)	\$ 175,000	
Builder Overhead (1.5%)	\$ 90,000	
Subtotal		\$5,908,600
<u>Fees and Related</u>		
Bond	\$ 45,000	
Architectural - Engineering	\$ 365,000	
Other Fees	\$ 25,000	
Subtotal		\$ 435,000
<u>Financing</u>		
Construction Loan ((\$7,000,000, 24 months, 10%)	\$ 700,000	
Construction Loan Fee	\$ 70,000	
End Loan Commitments	\$ 35,000	
Inspections, Appraisals and Related	\$ 25,000	
Subtotal		\$ 830,000
<u>Other</u>		
Insurance	\$ 75,000	
Taxes During Construction	\$ 150,000	
Legal-Title-Condo Documents	\$ 50,000	
Subtotal		\$ 275,000
<u>Developer Overhead - Return on Capital</u>		\$ 900,000

Total Development Cost \$8,348,600

NET AVAILABLE FOR LAND ACQUISITION \$ 251,400

Per Square Foot	\$5.77
Per Dwelling Unit	\$2,957.60
Per FAR	\$1.92



MINOT, DE BLOIS & MADDISON, INC.

**FINANCIAL ANALYSIS OF
CONDOMINIUM DEVELOPMENT
ON ONE-ACRE PARCEL
108 UNITS PER ACRE - FAR 4.0**

REVENUE FROM DEVELOPMENT

<u>Estimated Gross Sales Revenue</u>		
108 Units @ \$100,000		
(Average size 1,200 S.F. @ \$82.50/S.F. + 10%)	\$10,800,000	
108 Parking Spaces @ \$5,000	\$ 540,000	
First Floor Commercial (5,000 S.F. @ \$50)	\$ 250,000	
Subtotal		\$11,590,000
<u>Less Cost of Sales</u>		
Advertising, Marketing, Brochures, Models, and Sales Staff		(\$ 725,000)
<u>Net Development Revenues</u>		\$10,865,000

COST OF DEVELOPMENT

<u>Construction Costs</u>		
Sitework - Landscape	\$ 195,000	
Building Construction (152,960 S.F. @ \$40.00)	\$6,118,400	
Garage Construction (40,500 S.F. @ \$15)	\$ 607,500	
Amenities & Finishes	\$ 150,000	
General Requirements (3.0%)	\$ 210,000	
Builder Overhead (1.5%)	\$ 110,000	
Subtotal		\$ 7,390,900
<u>Fees and Related</u>		
Bond	\$ 50,000	
Architectural - Engineering	\$ 450,000	
Other Fees	\$ 25,000	
Subtotal		\$ 525,000
<u>Financing</u>		
Construction Loan (\$8,500,000 24 months, 10%)	\$ 850,000	
Construction Loan Fee	\$ 85,000	
End Loan Commitments	\$ 45,000	
Inspections, Appraisals and Related	\$ 25,000	
Subtotal		\$ 1,005,000
<u>Other</u>		
Insurance	\$ 75,000	
Taxes During Construction	\$ 150,000	
Legal-Title-Condo Documents	\$ 50,000	
Subtotal		\$ 275,000
<u>Developer Overhead - Return on Capital</u>		\$ 1,150,000
<u>Total Development Cost</u>		\$ 10,345,900
<u>NET AVAILABLE FOR LAND ACQUISITION</u>		\$ 519,000
Per Square Foot		\$11.92
Per Dwelling Unit	\$	4,800
Per FAR		\$ 2.98

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Comm. from Richard E. Bonz, Vice President,
Minot, De Blois & Maddison, Inc., requesting
that the zoning of Area 1 be amended to
O-3A/PUD-2 rather than the proposed C-3A/
PUD-2.

In City Council,

December 4, 1978

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12/4/78
Report to the
Council.

Placed on File
with the East
Cambridge Rezoning
Petition