

CAN THE MARKET CREATE WHAT THE CITY WANTS ?  
BOSTON'S MIDTOWN CULTURAL DISTRICT

by

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# **CAN THE MARKET CREATE WHAT THE CITY WANTS ? BOSTON'S MIDTOWN CULTURAL DISTRICT**

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Submitted to the Department of Urban Studies and Planning  
on September, 1988 in partial fulfillment of the requirements for the  
degrees of Master of City Planning and  
Master of Science in Real Estate Development

## **ABSTRACT**

Culturally related economic development offers the potential for achieving politically acceptable redevelopment objectives. A variety of public intervention forms are available to subsidize the development of these cultural facilities. This thesis critically examines the potential for incentive zoning as one form of intervention to encourage the development of cultural facilities in Boston's Midtown Cultural District.

A cost-benefit analysis evaluates the financial, fiscal and social consequences of incentive zoning for the major groups impacted by the Midtown Cultural District Plan. The analysis seeks to determine the feasibility for constructing cultural facilities based on the guidelines proposed by the recently released draft zoning for the Midtown Cultural District. By assuming different market conditions the model simulates varying development climates and determines the benefits and costs to the private developer, the city and the community at corresponding levels of development.

This thesis concludes that the prospect for zoning to provide incentive for cultural development is limited consistent with urban design objectives in the District. With the exception of strong market conditions and relatively low cultural costs for small development parcels, the incentive zoning as currently proposed is ineffective. While these benefits are likely to expand over time, initial stimulation of cultural development is contingent on the public sector assuming an increased level of risk in development of the area.

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## INTRODUCTION

Boston's proposal for a Midtown Cultural District in the twenty-five blocks south of Downtown Crossing is unparalleled in its redevelopment vision. It is occurring in the context of a nationwide trend of downtown cultural development, and it has wider support from the public and private sector than two decades of plans for this area ever had. The scheme has been in the works since 1986, but the Boston Redevelopment Authority (BRA) only recently released preliminary zoning regulations and a draft plan. Yet, before cultural development objectives can ever successfully occur, many components to the development strategy must be further refined. The most critical of these is how zoning will be used to encourage new development in keeping with the broader objectives of the Cultural District.

The objective of this thesis is to explore the issues that make development of cultural districts unique, focusing on Boston's proposed Midtown Cultural District, and to evaluate incentive zoning as one form of public sector intervention to encourage cultural development. The objective is not to comment on the economic benefits of an arts-related revitalization strategy, but rather to provide a quantified analysis of tradeoffs between the provision of cultural facilities and the costs of obtaining them through incentive zoning.

Part I of this thesis is a description of cultural districts and issues related to their development.

Chapter 1 provides background on the changing role of the arts and a framework for conceptualizing the recent manifestation of culturally-related economic development. Five forms of cultural development are identified as a result of reviewing the approach of twenty-two representative cities to the development of cultural facilities. In some of these cases, an explanation of ownership, financing, and management issues is offered to illustrate the different ways cities have approached the arts-related development. Although

these examples illustrate vast differences in the range of cultural development, there are also many similarities. Understanding of these comparisons provides a significant base for cities that, like Boston, are still in the planning stages for cultural development.

Chapter 2 is an in-depth description of Boston's proposed Midtown Cultural District. This chapter traces the twenty years of planning for the area, planning that has occurred without the realization of one new cultural facility. Although the current Plan for the District appears to have far more unified support than previous planning efforts, it still faces legal and public review before becoming implementable.

Chapter 3 is an analysis of the issues pertaining to realization of Boston's Midtown Cultural District from the perspective of major interest groups. Because the District is in the process of development, it is an appropriate moment to attempt to understand the many issues associated with cultural district development.

Chapter 4 discusses forms of public sector intervention that may facilitate development of the Cultural District. Assuming that the arts community is now becoming an active participant in the development process, public support for the arts must adapt to adequately provide resources for this new role. This chapter highlights the different land use and financial tools that might be used for development of the Midtown Cultural District.

Of the forms of land use and financial public intervention identified in Chapter 4, incentive zoning is the primary form of intervention proposed for development of cultural facilities in Boston's Midtown Cultural District. It is potentially the most controversial of these techniques since its application is dependent on the discretionary power of the BRA. Furthermore, incentive zoning may have the greatest physical ramifications on the built environment. Because of the importance of these issues, Part II of this thesis is an evaluation of the application of incentive zoning to the Midtown Cultural District.

Chapter 5 describes the analytical model that is used to evaluate the impacts of incentive zoning for the Midtown Cultural District. This model draws heavily from Jerold Kayden's research on incentive zoning in New York City.<sup>1</sup>

Chapters 6, 7 and 8 evaluate the consequences of incentive zoning for the three major groups impacted by the Midtown Cultural District Plan. These chapters are not intended to be an exhaustive list of the impacts of incentive zoning. Rather, they illustrate the range of potential implications and the importance of differentiating impacts by interest group.

Chapter 6 is an analysis of the private developer's perspective. This chapter questions the ability of the currently conceived incentive zoning proposal to provide sufficient incentive to developers so that they will willingly meet development objectives of the Midtown Cultural District.

Chapter 7 analyzes the consequences of incentive zoning from the city's perspective. This chapter evaluates the increased revenues associated with the public sector benefit of incentive zoning and also seeks to identify other, more qualitative impacts which are equally significant and frequently overlooked.

Chapter 8 is a qualitative analysis of the impacts of incentive zoning from the perspective of other interest groups of the District. Because incentive zoning has different impacts on different community groups, their interests may be in competition with one another. These tradeoffs are particularly important to identify separately in order to understand the range of potential perspectives.

Chapter 9 concludes the analysis by discussing particular policy issues raised by the research findings. It offers recommendations and specific concerns that must be addressed for successful cultural development in the District.

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<sup>1</sup> Jerold S. Kayden, Incentive Zoning in New York City: A Cost-Benefit Analysis, Policy Analysis Series, Number 201, Lincoln Institute of Land Policy, (1978).

**PART I**  
**CHAPTER 1**  
**CULTURAL DEVELOPMENT**

**BACKGROUND**

The emergence of the arts as a dominant component of growth strategies for the revival of central cities is a relatively recent phenomenon. The arts have historically played a significant role as the focus of learning and leisure for the social elite and affluent urban classes. Virtually all art forms were originally dependent on wealthy patronage or public commissions. The arts were seen as complementary to daily life, enhancing its quality and the well-being of urban centers, but not as having any active involvement in economic revitalization or development.

Today the role of the arts is changing, as Edelman states:

*The arts should not be conceived as a merely symbolic aspect of urban culture, but as material shapers of cities, as an emerging arena of instrumental politics.*<sup>2</sup>

The circumstances responsible for this changing role are many and there is little consensus among those active in the field of the arts and economic development as to what the key factors are.

As background, it is worthwhile to explain some of the more commonly cited reasons responsible for this emerging role. Federal policy since the 1960's has increasingly emphasized the importance of corporate, foundation and government support for the arts. And to a greater extent, this support has been directed to the use of the arts to stimulate downtown development rather than simply to the arts for arts sake since the late 1970's.<sup>3</sup> Although the public sector has largely been motivated by factors as civic pride, other

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<sup>2</sup> J. Allen Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," in *Urban Affairs Quarterly*, Volume 23, Number 1, (September 1987), p. 17.

<sup>3</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," p. 19.

conditions such as spurring new development, attracting new businesses, and competing with other cities are frequently cited as motivating criteria for the primarily local focus of public investment.<sup>4</sup> Galaskiewicz states that for the private sector, considerations regarding civic and social responsibility and public relations became increasingly important and were significant forces in motivating commitment from the business sector.<sup>5</sup>

Growing corporate contributions indicated both a new level of commitment based on business strategy and a new joint venture approach to supporting cultural organization with the public sector. As a result of this increased level of public and private support, the arts, underwent what has been referred to by many as an "explosion of growth in the arts". Michael Pittas, director of the Design Arts Program of the National Endowment of the Arts, stated in 1983:

*Over the past two decades, the United States has experienced a cultural growth unequaled in its history, and possibly beyond any in the history of western civilization. In the short span of just over twenty years, we have seen the number of American dance companies multiply ten times, the number of small professional theater companies multiply twenty times, and the creation of countless new museums, galleries, studios and other spaces in which our artists can produce and exhibit work.<sup>6</sup>*

The demand for new facilities eventually led to the provision of physical structures for the arts as a critical issue in development. In older urban areas where vacant land was more scarce, the issue of providing artist space often provided the focal point for redevelopment.

The increased realization of the potential for economic benefits reinforced the role of the arts in downtown redevelopment strategies. Not only were there social benefits to

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<sup>4</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," p. 16.

<sup>5</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," p. 18.

<sup>6</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," pp. 22-23.

including cultural facilities, but, it was argued, other related urban development objectives could be met as well including increased employment, tax revenues, retail sales, and tourism. Critic, Harold Schonberg, reinforces this concept:

*Cultural centers have been responsible for the growth of previously underdeveloped areas in the vicinity of the center. They have attracted developers, small businesses, and allied artistic enterprises, such as galleries and art movie houses. They have meant a tremendous upgrading of property values, more people downtown, more tax revenue for the city. The arts in America are big business.*<sup>7</sup>

In Boston, for example, it has been estimated that non-profit cultural organizations had an overall impact of 500 million dollars on the economy in 1986.<sup>8</sup> Furthermore, the arts represent a politically acceptable form of urban development capable of creating a common ground around which the traditionally diverse interests involved in the development process might be able to coalesce.<sup>9</sup>

Out of this new demand for cultural facilities and the recognition of the role arts can play as a politically acceptable strategy for urban growth has emerged the concept of cultural districts. In general, cultural districts are a combined public and private sector attempt to collectively bring about the development of cultural facilities that are instrumental to economic development. In some cases, these developments provide an array of cultural experiences--from street performers and informal experimental theaters to facilities for more established veteran performing arts groups in conjunction with a multitude of commercial uses. In others, they consist of the renovation of a single historic

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<sup>7</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, (Washington, D.C., 1984), p. 11.

<sup>8</sup> Ellen L. Holbrook, *The Economic Impact of the Arts on the City of Boston*, (ARTS/BOSTON and the City of Boston Office of Arts & Humanities, 1988), p. 1.

<sup>9</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," p. 16.

theater or the development of a new cultural center. Regardless of scale, these cultural developments represent a move away from the monolithic isolated symbolic art centers of the past to the development of a synergy with commercial activities.

The existence of these diverse cultural districts is a direct result of a broader perspective on the arts. Had it not been for a climate that sought to provide a more accessible cultural experience the cultural district notion probably would never have emerged. Harry S. Parker, III, director of the Dallas Museum of Art, comments on the role of art institutions in cultural districts:

*What the arts have to take into account is the new middle class base of arts in America. The arts have become much more egalitarian than before, not only by opening up to the minorities. The big revolution has been opening the arts to the middle class. Art is as middle class as hell, and the arts district is about the middle class: getting middle class families to come down here. The best way to get them here is with the arts equivalent of an Epcot Center.<sup>10</sup>*

Despite the increased level of public and private commitment to arts, the traditional forms of financial support subsidizing operating expenses are inadequate to meet the more demanding costs of physical development or renovation of arts facilities. As a result, the increasing complexity of arts-related mixed-use projects has called for extensive involvement by the public sector. A recent Urban Land Institute publication stated:

*These ambitious developments pose too great a financial burden for the private sector to bear alone, and because the scope of public benefits desired has grown so large, many steps are required beyond the traditional public sector techniques. Zoning incentives, infrastructure improvements, tax abatements, and write-downs thus have played key roles in most mixed use developments.<sup>11</sup>*

Estimates state that arts-related development projects command a rent of fifteen to twenty

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<sup>10</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, (Washington, D.C., 1986), p. II-A-8.

<sup>11</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 13.

percent higher than a single use commercial development, but initiating such development entails much higher exposure to risk than single use projects.<sup>12</sup> Without the mutual cooperation and support of the public and private sectors, mixed-use cultural projects would probably never have emerged.<sup>13</sup>

## **FORMS OF CULTURAL DEVELOPMENT**

There are five forms of cultural development: Cultural Facility, Mixed-Use Building, Mixed-Use Development, Cultural Center, and Cultural District.<sup>14</sup> In Appendix Exhibit 1-1 eleven cities are classified according to the form of cultural development they have used. The cases are differentiated both by the scale of cultural development and by the degree of public sector control in facilitating the ultimate project. The complexity of issues pertaining to design, financing, management and operations typically increases as the project becomes larger. The column headed "Public Sector Tools" illustrates the range of public sector intervention beyond the traditional forms of support that encourage cultural development (Appendix Exhibit 1-1). Three cities representative of cultural district development are discussed in greater detail to further define the form of development most relevant to the Boston context.

The first form for cultural development, the Cultural Facility, is a single arts-related use in a single building or several arts-related structures at a single site. This type of development includes both the renovation of existing facilities--the Shubert Theater in New

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<sup>12</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-35.

<sup>13</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 14

<sup>14</sup> These forms were based on a survey of the available literature on culturally based economic development. Although in the literature many of these examples were referenced according to a broad definition of cultural district development, for the purpose of this analysis to differentiate types of cultural development, they were classified as separate forms.

Haven, Connecticut--or the construction of new facilities for cultural use--the addition to the Portland Museum of Art, in Portland, Maine. This form of cultural development is the least complex of the all the illustrations presented because it has simpler financing, operation and management arrangements than do other types that integrate several uses. Typically the finance, management, and operation of such developments are handled by the arts groups themselves in conjunction with foundation or philanthropic supporters.

A Mixed-Use Building is the second form of cultural development. These projects consist of a single building or site which combines a cultural with a commercial use. Perhaps the best known example is New York City's Museum of Modern Art where a residential tower and the Museum are now part of a single mixed-use building. The financial relationship between the two uses may be limited to development above as of right conditions for the provision of art-related uses. Or, the relationship may consist of an operational association, in which the income-generating use cross-subsidizes the annual expenses of the cultural use. Depending on how the financial and operational issues are handled, an ongoing management relationship may or may not be necessary.<sup>15</sup>

Mixed-Use Developments, the third form of cultural development, consist of a carefully programmed mix of commercial and cultural uses unified in a multi-building complex. Frequently this development form includes several different types of income-producing uses and a wider range of cultural uses than the two previously identified types. Because these developments are often intended to provide viability and strength to an underutilized or blighted downtown area, the local redevelopment authority (or comparable city agency) is often significantly involved. In some cases, such as the proposed Yerba Buena project in San Francisco, the cultural facility was included as part of the development project from conception. In others, such as the Horton Plaza project in San

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<sup>15</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 23.

Diego, the arts-related space was only added after the commercial component was defined to respond to additional city objectives. The cultural facility was not always central to the original development scheme, but long-term success of the project depends on a coordinated operation and management structure which carefully integrates the interests of arts and income-producing uses as well as city redevelopment objectives.

As the fourth form of cultural development, the Cultural Center is characterized by a concentration of diverse cultural facilities in a tightly defined newly developing area. The Winston Square Arts Complex in Winston-Salem, North Carolina contains theaters, galleries, an art school, and a performing arts center as well as commercial development such as restaurants, an office building, hotels, and a retail mall. Cultural centers lack formal boundaries, but appear to have evolved clearly defined edges and are frequently associated with transitional renovation areas.<sup>16</sup> Winston-Salem, for example,

*[after] numerous unsuccessful attempts to save a declining central business district, decided in the late 1970's to use the arts as a focus for redevelopment. The city has since created a multimillion-dollar downtown 'cultural district.'*<sup>17</sup>

Because the public and private sector have a mutual interest in the success of downtown redevelopment projects, operation and management responsibilities are typically shared. This form pertains to a relatively large number of different development projects, however, the complexities of finance, operation and management issues are not as complicated as the Cultural District form because the development and design objectives are less carefully defined.

The fifth form of cultural development is the Cultural District, a formally defined area with public policies specifically established to encourage the preservation or further

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<sup>16</sup> Although this example is similar to what is called the Cultural District form in this categorization, it is differentiated because it does not have legal boundaries.

<sup>17</sup> Whitt, "Mozart in the Metropolis, The Arts Coalition and the Urban Growth Machine," p. 25.

development of “a special and desirable cultural character.”<sup>18</sup> Arts-related uses attracting visitors to the area and income-producing commercial uses providing economic vitality are encouraged to create a cohesive image for the district as a whole. Opportunities for display and presentation by local artists are more common with this form of cultural development than with others because it includes both formal and informal cultural facilities. Since individual projects within the district’s boundaries are developed, operated and managed separately, the number of participants in the development of the district is apt to be high. Coordination of interests and objectives, while assuring success of cultural district objectives, is extremely time consuming and is more demanding than in any of the other forms described.

There are three different Cultural District models: the Historic Renovation Cultural District, the Incentive Zoning Cultural District and the Comprehensive Planning Cultural District. Although each of these districts shares common features, the public sector objectives differ.

Historic Renovation Cultural Districts are motivated by historic renovation rather than new development. The strategy is based on restoring a deteriorated downtown by making historically significant cultural buildings the focal points of the district. This model has its origins in the historic district concept, but it has far broader implications as it is intended to meet both economic and artistic objectives.<sup>19</sup>

Playhouse Square in Cleveland, Ohio is an example of a renovation-based cultural district. Its master plan for over 60 acres of land proposes a hotel, office, specialty retail, restaurant, condominiums, and apartments, but its cornerstone is the historic renovation of a group of three historically significant 1920’s theaters. The Ohio, State and Palace theaters form Playhouse Square and together comprise the “largest theater restoration

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<sup>18</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 23.

<sup>19</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 24.

project in the world” offering over 7,000 seats, compared to the 6,900 in Washington’s Kennedy Center.<sup>20</sup>

The capital financing for the renovation of Playhouse Square came largely from a two-phase 27-million dollar fundraising campaign. Additional monies came from such sources as the National Endowment for the Arts, Urban Development Action Grants, the Ohio Arts Council, the Economic Development Administration, state sources, area foundations, and major corporations.<sup>21</sup>

The Ohio and State Theaters are owned by Cuyahoga County, and the Palace Theater is privately owned, but all three theaters are managed and operated by the non-profit Playhouse Square Foundation. The Foundation is also responsible for district management and operation, ensuring developments are compatible with the objectives of the district, as well as for obtaining necessary funding. The Foundation receives part of its revenue as returns from the commercial projects it owns in the Square, and thereby it also benefits from arts-related property appreciation.<sup>22</sup>

The Playhouse Square project is regarded as a major economic force for the redevelopment of Cleveland’s downtown. After fifteen years, the objectives for the project have broadened from the original preservationist stance to the role of the project as a substantial contributor to the city’s economic future. However, had it not been for substantial public investment, private corporations, a community foundation, and the local government, its success probably would never have been possible.<sup>23</sup>

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<sup>20</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-F-5.

<sup>21</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-F-5.

<sup>22</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-F-12.

<sup>23</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-F-19.

Incentive Zoning Cultural Districts leverage the development of cultural facilities through trading off increased height development of more profitable commercial uses. Because this type of district is based on a technique for encouraging cultural development, it is not mutually exclusive of the other forms described.

The New York Special Theater District was established in 1969 to encourage the inclusion of legitimate theaters in new office development and is the best existing example of an Incentive Zoning Cultural District. Located from Sixth to Eighth Avenues and from 57th to 40th Streets, the District seeks to preserve, protect and promote the existing quality of the area by trading reasonable zoning bonuses for otherwise unobtainable public amenity i.e., new legitimate theaters.<sup>24</sup> The District is based on the premise that Broadway theater is an essential part of the New York City experience, contributing both leisure and economic benefits.<sup>25</sup> By 1975, three developments had taken advantage of the bonus system resulting in the Minskoff with 1,650 seats, the Uris Theater with 1,800 seats, the Circle in the Square with 636 seats, the American Place Theater with 350 seats, and a 120 seat cabaret theater.<sup>26</sup>

In 1982, the Special Theater District was reinforced by a provision of the Special Midtown Zoning District which required a special permit for the demolition of an historically designated theater and granted a bonus for the renovation of an existing theater, similar to the incentive system of the 1969 plan. Since the implementation of the Midtown District, no demolition permits have been filed and one theater rehabilitation

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<sup>24</sup> Beverly Moss Spatt, Zoning: the Political Milieu Case Studies in New York City, 1966-1973, (New York University, School of Urban and Regional Planning, PHD Dissertation, 1976), p. 231.

<sup>25</sup> Robert E. Davis and Jon Weston, The Special District Zoning Concept in New York City, (Department of Urban Affairs & Policy Analysis, Center for New York City Affairs, New School For Social Research, 1975), pp. 4-5.

<sup>26</sup> Robert E. Davis and Jon Weston, The Special District Zoning Concept in New York City, p. 11.

bonus has been approved.<sup>27</sup>

The Special Zoning District provision entitles a developer to apply for an additional twenty percent in floor area ratio in return for the inclusion of a legitimate theater or other form of public amenity contributing to the District's objectives. It also allows a bonus in exchange for the rehabilitation of an existing historically designated theater. The specific amount is determined by negotiation with the City Planning Commission based on a cost estimate of the particular amenity. Although the maximum bonus the developer is eligible for is twenty percent, there is no pre-specified bonus scale related to the cost of the corresponding public amenity.<sup>28</sup>

The success of the New York Special Theater District in accomplishing its stated goals has been mixed. The District has been responsible for the development of the above theaters, but the impact of deserted nighttime office buildings, poses a threat to the vitality the District seeks to promote. The impact of additional height and bulk on environmental conditions increasing shadow and wind also creates negative daytime and nighttime consequences. Additionally, a successful cultural district is dependent not only on the existence of physical structures, but also on a range of services and activities contributing to the cultural experience. The New York Special District concept does little to address these underlying concerns, but rather focuses on development of physical resources. Beverly Moss Spatt, a member of the New York City Planning Commission, has stated her disgust with the Special District regulations:

*This [the offering of increased density as a bonus] turns the clock back with a vengeance...The reliance on incentive zoning without any overall basic objectives*

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<sup>27</sup> Department of City Planning, *City of New York, Midtown Development Review*, July, 1987, p. 15.

<sup>28</sup> Robert E. Davis and Jon Weston, The Special District Zoning Concept in New York City, p. 6.

*and strategy reflects a callous misuse of the zoning power.*<sup>29</sup>

A Comprehensive Planning Cultural District is the most sophisticated of models described because it combines a carefully integrated mixed-use proposal with a relatively large legally defined area. Not only does this model include developments that combine large scale commercial and formal cultural facilities, it also includes informal experimental theaters and may also include programmed street performers (musicians, jugglers, mimes, artists, etc).

The Dallas Arts District is the most representative example of the Comprehensive Planning model. This District included over sixty acres of vacant land targeted for expanding the commercial real estate market. Its original market literature proposed it as a:

*people-oriented area, ..[featuring] a varied atmosphere, reflected in numerous festivals and special events; aesthetically pleasing building design and construction; office buildings, some residential structures and facilities devoted to the arts, and numerous landscaped outdoor spaces, with Flora Street serving as the area's interconnecting link.*<sup>30</sup>

The District is envisioned to ultimately accommodate most of the city's cultural institutions.<sup>31</sup> To date, the area includes the Dallas Museum of Art, the Morton H. Meyerson Symphony Center, the Arts Magnet at Booker T. Washington High School, the Dallas Theater Center, and the LTV Pavilion part of a Trammel Crow office tower.

The District was established in 1983 by a City ordinance specifying permissible uses, height limits, setbacks, ground floor uses, facade treatment, and construction requirements,

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<sup>29</sup> Robert E. Davis and Jon Weston, The Special District Zoning Concept in New York City, p. 13.

<sup>30</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-42.

<sup>31</sup> Urban Land Institute, Cultural Facilities in Mixed-Use Developments, p. 21.

"all designed to give the district a pedestrian orientation."<sup>32</sup> Although the ordinance encourages eighteen-hour activity by establishing a required threshold ratio for retail to office development and encouraging arts-related retail, it does not mandate the inclusion of cultural facilities within new commercial development.

The financing for both capital costs and operating expenses for the cultural facilities of the District are largely borne by the City. In 1979, the City decided to finance 75 percent of the cost of acquiring land from the proceeds of bond issues for "major" new arts facilities and 60 percent of the construction cost.<sup>33</sup> The City also provides three forms of aid to support the operation of the District. First, direct support for programming and operation costs is available in the form of service contracts. All institutions with the exception of the Magnet School in the District, receive this aid. Second is indirect aid in the form of payment of an institution's utility bills. Only those institutions that own their buildings are eligible for this form of support. As an exception, the Theater Center owns its building, but it is now obligated to pay its own utilities, as an initial attempt to move away from institutional reliance on City funds. Lastly, money for the maintenance of institutions' buildings and grounds from the City's Department of Building Services is a source of assistance for owners of cultural facilities. The Museum

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<sup>32</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-3.

<sup>33</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-24.

"Major is defined as being any cultural agency that meets eight criteria: full time, professional management and cultural or artistic personnel; in operation at least five years; an annual operating budget of more than \$350,000; programs that are consistent with the medium and mission of the organization and that increasingly reflect the pluralism of the city; a diversely representative board of directors; demonstrated community outreach programs; a primary focus on providing services to citizens of Dallas; and non-profit 501(c)(3) status with the Internal Revenue Service."

and the Theater Center are the only eligible recipients for this form of aid.<sup>34</sup>

The District is managed by District property owners, arts professionals that operate and program district institutions and area arts supporters.

The Arts District Management Association, a 501(c)(6) trade association of district property owners, promotes cooperation among land holders (or those with leasehold interests) and is responsible for management service contracts to assure competent management and operation of the District. Property owners vote by the block and their vote is weighted according to the value of their property in relation to the value of the total block. The Association consists of elected directors, two directors appointed by the mayor, and one appointment by each of the eight non-profit organizations in the district. According to its incorporation agreement, the Management Association is empowered to assess property owners a fee to accomplish its stated purposes.

The Dallas Arts District Foundation, a 501(c)(3) non-profit organization is responsible for programming the District, marketing and sponsoring district activities, administering financial support for the District, and coordinating District arts activities with those elsewhere in the city. The Foundation's Board of Directors consists primarily of arts professionals from the major institutions in the District and those that may potentially locate in the District.

Friends of the Dallas Arts District, also a 501(c)(3) non-profit, is intended to provide both individual and corporate support for the foundation and volunteer assistance for district activities. Two classes of corporate and individual membership exist ranging from 100 dollars to 5,000 dollars for a corporation and 25 dollars to 1,000 dollars for an individual.<sup>35</sup>

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<sup>34</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-27.

<sup>35</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-23.

The most important component to this management structure is one individual who serves as a coordinator between the three organizations. Philip O'Brien Montgomery, Jr., M.D. has no legal authority, but he is regarded as the brainchild of the Arts District. As chairperson of the District committee that preceded the present management organization, along with the staff of the Central Dallas Association, he has been critical to establishing the District and assuring that its development remains on the forefront of the political agenda.<sup>36</sup>

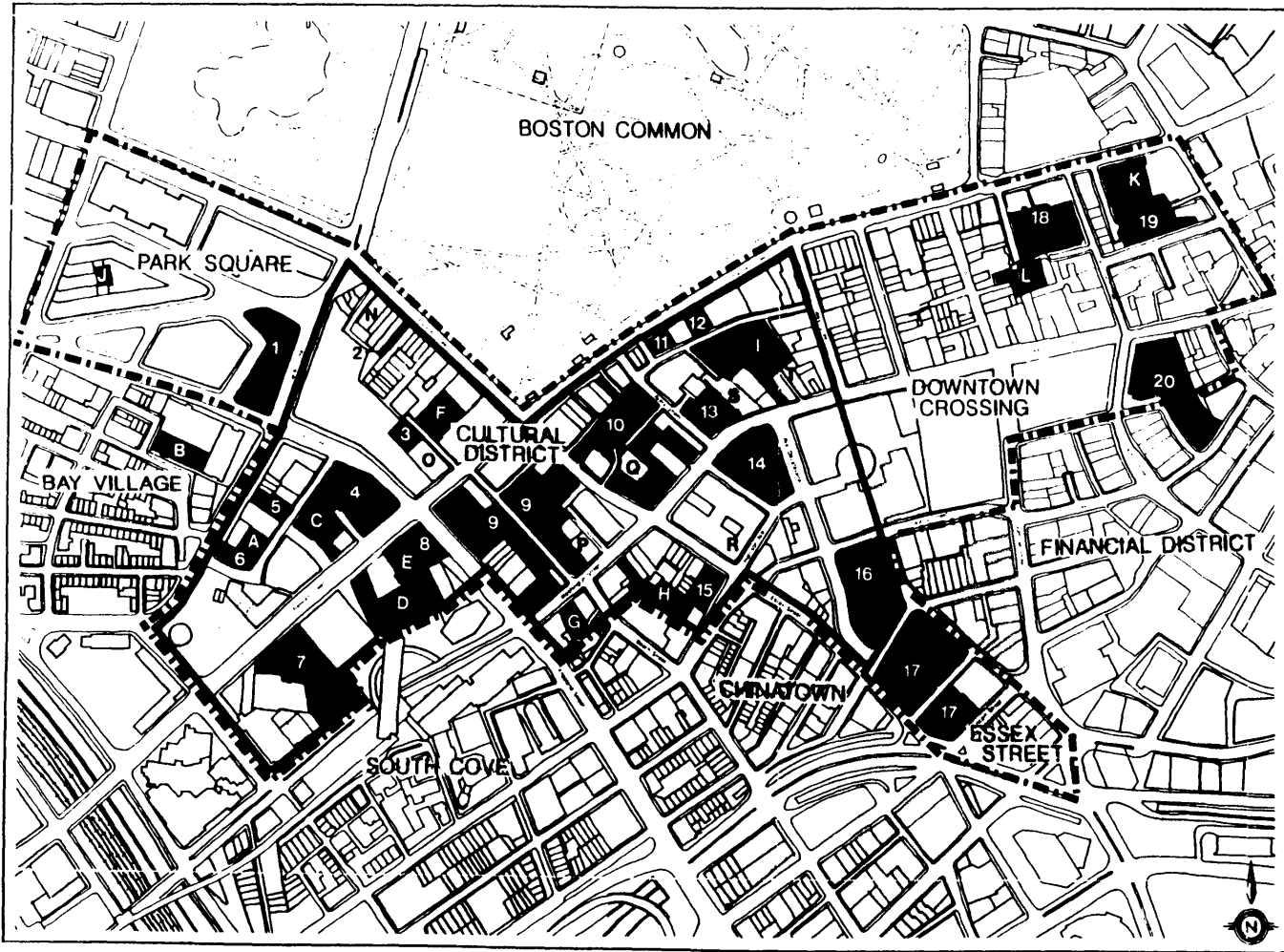
Today, the Dallas Arts District is regarded with great optimism, but because it remains largely undeveloped it lacks a strong identity. Although some developers indicate they believe incentives are necessary to encourage development, others state the address of the Arts District alone is enough to convey the additional value necessary to encourage future development. Others criticize the voluntary nature of the Planned Development District ordinance. Because the ordinance does not require developers to include arts or cultural space, they question the likelihood of developers providing them voluntarily. The District clearly has a long way to go before it meets its stated objectives, but City support for the District is unprecedented and truly represents a long term commitment toward achieving civic prominence.

Boston's Midtown Cultural District Plan is a hybrid of the three cultural district models discussed above. Like Dallas, it is comprehensive in its development and zoning strategy. Like New York, it looks to incentive zoning to encourage the development of cultural facilities. And, like Cleveland, preservation of historic cultural resources is important to give the Plan meaning and a tie to the area's rich historical past. Like all the others, Boston's Plan is based on the dynamics of the relationship between cultural activity and the urban processes of economic growth.

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<sup>36</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. II-A-24.

# MIDTOWN IMPROVEMENT AREA



## MIDTOWN/CULTURAL DISTRICT

### Active Theaters

- A Charles Playhouse
- B Cinema 57
- C Shubert Theater
- D Wang Center
- E Wilbur Theater
- F Colonial Theater
- G Cinema (Chinese movies)
- H Pilgrim Theater (adult movies)
- I Opera House
- J Park Plaza Hotel Court
- K Tremont Temple
- L Opheum Theater

### Vacant Theaters

- N Street Hall
- O Simon (Magical) Theater
- P Public Theater
- Q State Theater
- R Essex Theater
- S Paramount Theater
- T Modern Theater

### Development Sites

- 1 Park Square
- 2 146 Boylston Street
- 3 Gary Theater Lot
- 4 South Cove Parcel C-4
- 5 Edison Parking Lot
- 6 South Cove Parcel C-2
- 7 South Cove Parcel P-12
- 8 South Cove Parcel P-7
- 9 Hinge Block (multiple parcels)
- 10 Commonwealth Center (4 parcels)
- 11 Parkside West
- 12 Parkside East
- 13 Keith Block (4 parcels)
- 14 Hayward Place
- 15 35-45 Essex Street
- 16 67 Kingston Street
- 17 Kingston-Beclford Garage/Lincoln Essex Lot
- 18 110 Tremont Street
- 19 Tremont Temple
- 20 Woolworth's Redevelopment Proposal

### 1-20 Development Sites

### A-L Active Theatres

### N-T Inactive Theatres

### Midtown

### Cultural District

20

Boston Redevelopment Authority 10/87

Exhibit 2-1

## SUMMARY

Each of the forms represents a different approach toward cultural development. None were motivated by abstract notions; rather, they were based on achieving concrete objectives--preserving historic structures, providing needed cultural facilities, or encouraging business development. Even though each promoted the development of a concentration of arts facilities and activities for different local reasons and in different ways, they all share the belief "that there is a reciprocal relationship between cultural investments and investment in downtown retail and office development."<sup>37</sup>

Boston's Plan for the Midtown Cultural District is based on the strength of a cultural vision to provide viability and coherency to the redevelopment of a historically blighted area. Harold R. Snedcof, an eminent cultural and development planner, comments:

*What Boston is doing fits into a national context. It is not a test case. There are lessons to be learned from experiences in San Francisco, Los Angeles, and Pittsburgh. Now is the time for Boston to do something truly important in its downtown area.*<sup>38</sup>

The next chapter is a description of Boston's Plan and the circumstances which led to its existence.

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<sup>37</sup> Partners for Livable Places, Art Spaces and Economic Development, Experience in Six Cities, p. I-6.

<sup>38</sup> *The Boston Globe*, 4/88.

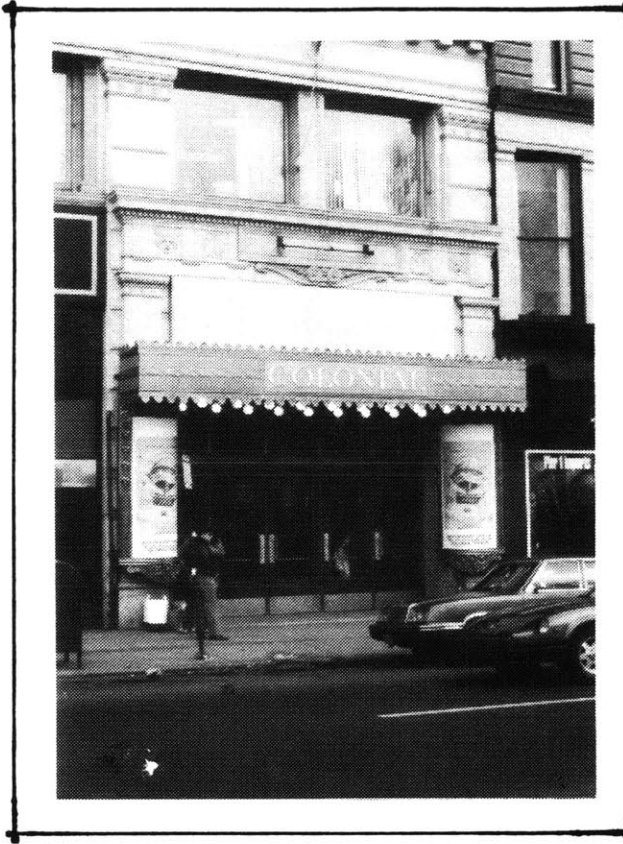
## **CHAPTER 2 BOSTON'S MIDTOWN CULTURAL DISTRICT**

Boston's Midtown Cultural District Plan and the proposed zoning regulations that will make it possible have just been made public and they are about to undergo community review prior to formal adoption. Therefore, the focus of this discussion is on the historical evolution of this form of cultural development and the extent to which cultural activity can be a catalyst for urban revitalization in Boston.

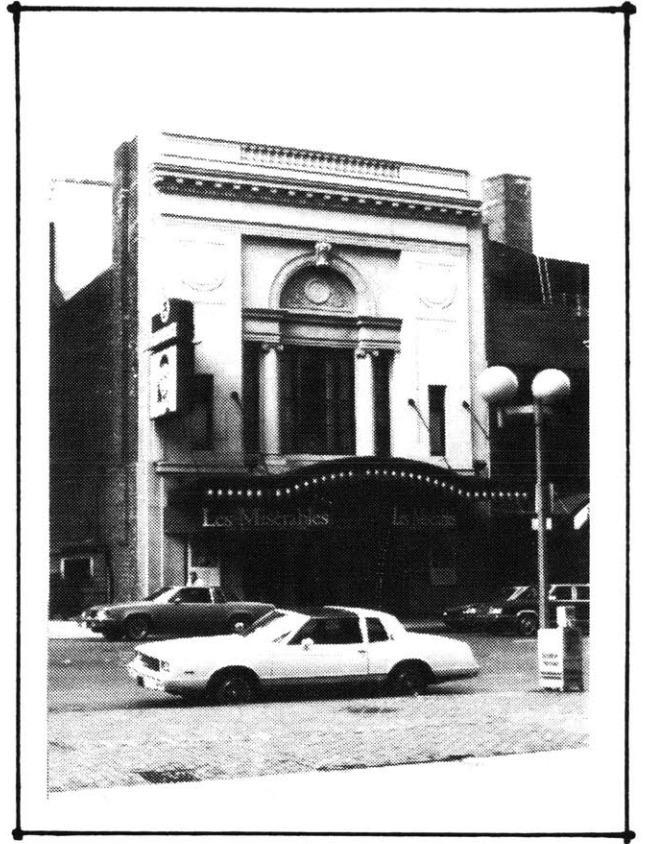
### **PLANNING CONTEXT**

The Midtown Cultural District, as it is currently envisioned, encompasses approximately 25 acres in the heart of downtown Boston (Exhibit 2-1). The District stretches from the edges of the Boston Common to Downtown Crossing (Boston's retail core) in the east, to Park Square in the west. It shares boundaries with Tufts University, the New England Medical Center and the city's Chinatown, in the south. Within its boundaries lie the "theater district," (a concentration of theaters some of which date back to the nineteenth century), a number of other significant historic buildings, and the Combat Zone (restyled the 'adult entertainment' district in a 1970's attempt to control its growth). At the center of the District is the "hinge block," so-called because it is a physical hinge between the residential Back Bay to the west and the commercial downtown to the north. This block is bounded by Washington, Tremont, Stuart and Boylston Streets. Major portions of the District are currently occupied by underutilized or vacant lots and have been so for many years.

Like many defunct theater districts throughout the country, this District is in proximity to the financial and business core of the city as well as to a number of residential communities, including those in Bay Village, South Cove and Chinatown. The area is well served by three of Boston's four subway lines, as well as by arterial highways



Colonial Theater



Shubert Theater



Wilbur Theater

and it is within walking distance of the South Station rail terminus.

Because the existing land uses are diverse and the area is sited near various city resources, it seems that the area is ideally situated to become a thriving mixed-use district. Yet, currently the physical and social fabric of the area is blighted. Once a center of commerce and culture, decades of neglect have left many lots vacant or underutilized casting doubt on its potential economic vitality. While pornographic activities in the Combat Zone have contributed to this decline, making a relatively small part of the area dangerous at night and empty during the day, it also lacks basic residential services and currently houses only about 2,500 people.<sup>39</sup> The District's historic street patterns remain, but the physical surroundings have deteriorated; in numerous places buildings stand abandoned and boarded up.

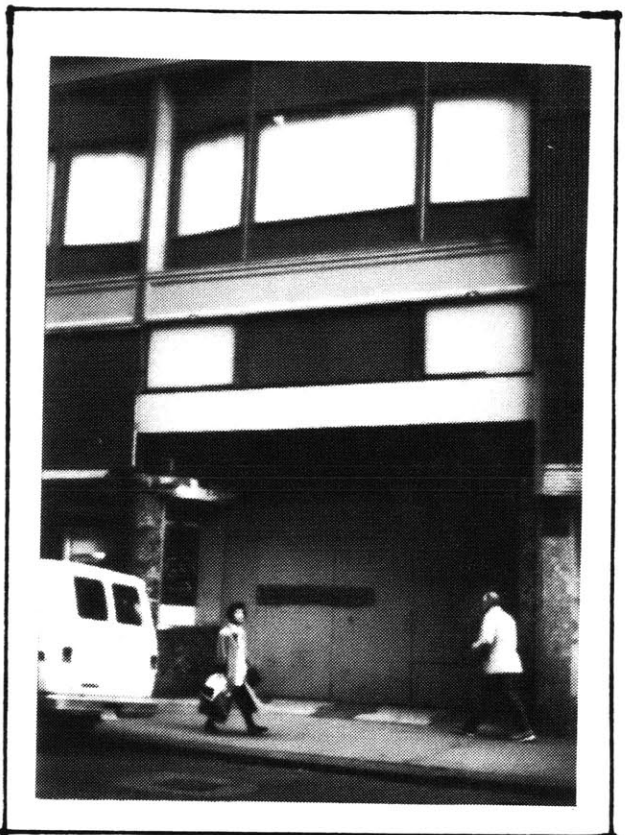
The area's most significant asset remains the numerous theaters scattered throughout the District. Boston is one of few American cities that has a large concentration of theaters within walking distance of one another. The appearance of play-houses along lower Washington Street in the late nineteenth century allowed the area south of the Boston Common to consolidate as a theater district.<sup>40</sup> With the construction of the Tremont, Colonial, Majestic, Shubert and Wilbur theater within a span of just over two decades at the turn of the century, the area was firmly established as the entertainment center of the city. Through the early part of the 1900's there were as many as fifty theaters in this area or nearby serving the demand of Boston's population for vaudeville and drama.<sup>41</sup>

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<sup>39</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan*, April 1988.

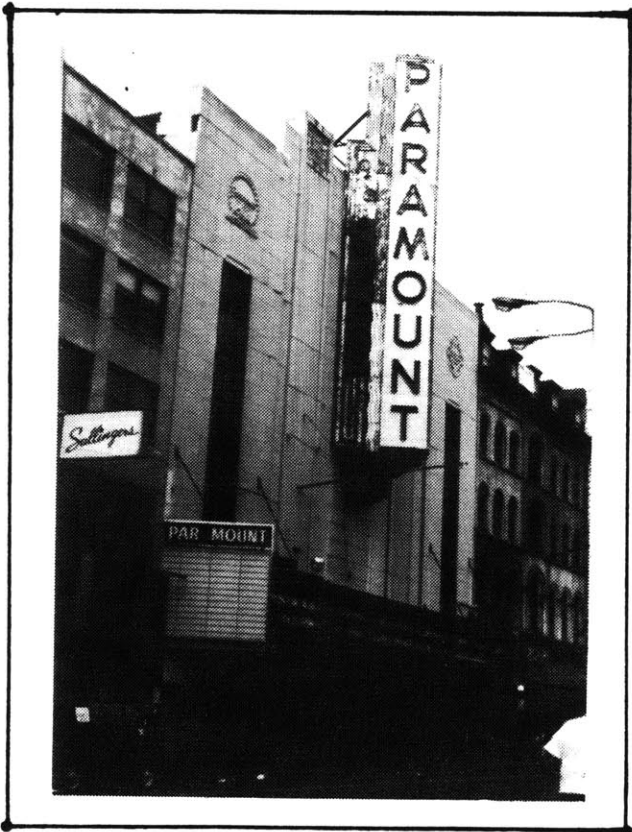
<sup>40</sup> Boston Redevelopment Authority, *A Preliminary Report--Boston's Theater District: A Program for Revitalization*, May, 1979.

<sup>41</sup> Vaudeville refers to stage entertainment offering a variety of short acts originating in Boston in the 1880's.



State Theater

Essex Theater



Paramount Theater

Many of the area's difficulties began in the Great Depression and continued after World War II with the growth of Boston's suburbs and the slow decline of the state's economy. In the post-war years only three legitimate theaters continued to operate. Since that time there has been considerable rejuvenation of the theater in Boston. The gradual resurgence of theater activity is a sign of changing times for the local economy as well as for the arts in Boston. Today as many as eleven theaters may be active in the District at any one time with an additional seven lying vacant, but a substantial portion of the rejuvenation of the theater has taken place in other parts of Boston or across the river in Cambridge with theater companies linking their futures more closely to the area's universities.

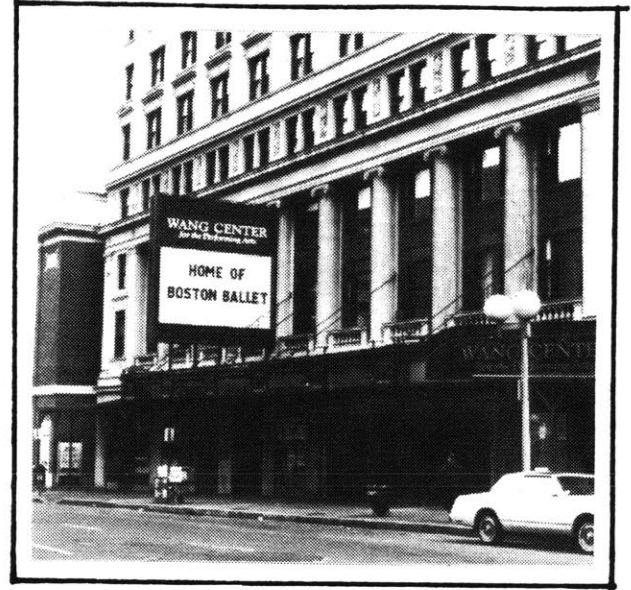
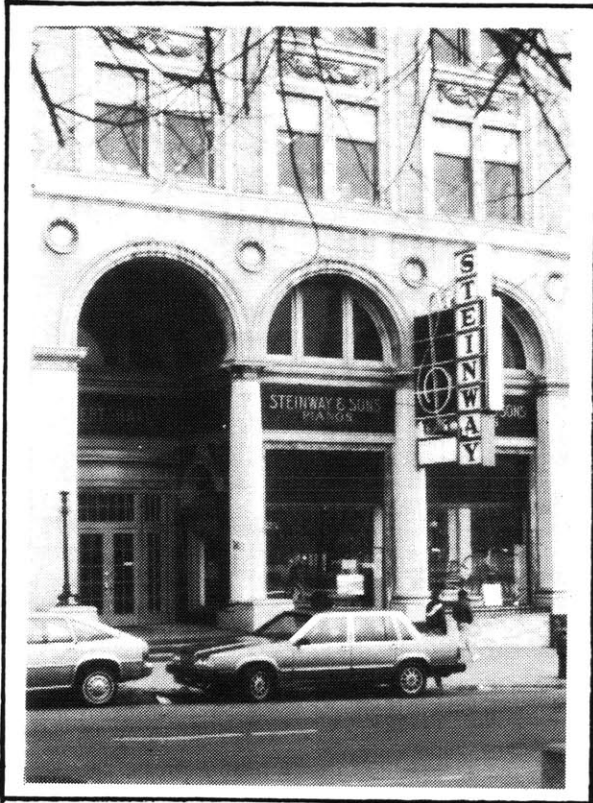
Nevertheless, the current strong economy has the potential to carry reinvestment to the Midtown area. According to figures released by the Boston Redevelopment Authority (BRA), new development in the four year period 1984-1987 totalled five billion dollars in Boston. But thus far only six percent of that investment has been directed to the Midtown Cultural District.<sup>42</sup> On the other hand, the nearby Financial District and the Back Bay, the city's two traditional office centers have become saturated with development and vacancy rates as low as three percent. The Midtown District, strategically located between the two, has, as a result, become the location with the most potential for office space expansion. A BRA office survey stated that 81 percent of the Back Bay firms considering expansion would relocate in the Midtown area and eventually, office space rents in the area are expected to rise to a level between those in the Financial District and those in the Back Bay.<sup>43</sup>

Along with these development pressures has come a new recognition of the increasing contribution of arts-related activities to the local economy. According to one study, non-

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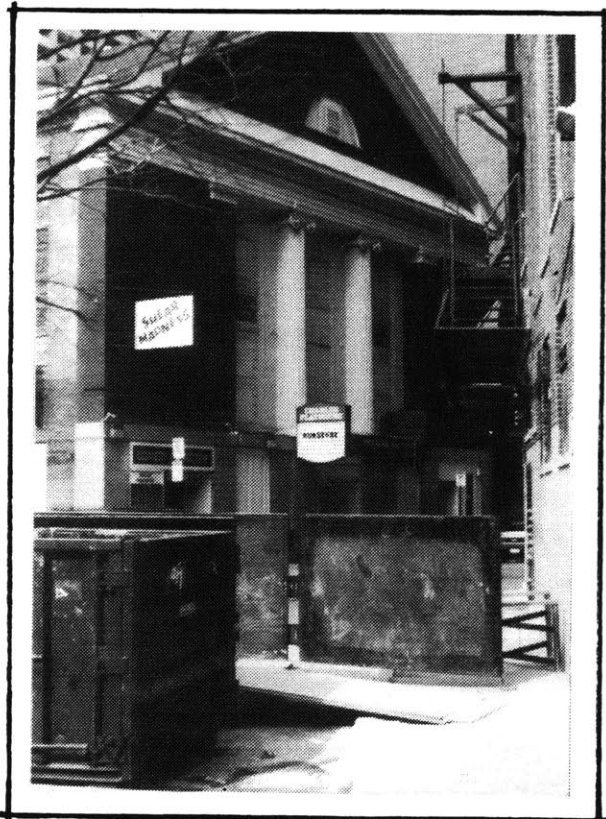
<sup>42</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan*, July 1988.

<sup>43</sup> Boston Redevelopment Authority, *Boston Industry Office Study*, 1987.



Wang Center

Steinert Hall



Charles Playhouse

profit cultural organizations were the city's largest employers with 4,100 full and part time personnel in 1986.<sup>44</sup> During that year over 7.6 million people attended non-profit cultural events, more than double the number of people who attended professional sports without even including commercial cultural events.

Paradoxically, more than fifty of the city's high quality performing and visual artists groups are currently without regular access to performance, rehearsal, studio and gallery space. They are forced to use cramped urban quarters or travel to adjacent neighborhoods, but inevitably they are limited by the constraints of sharing facilities with other groups.

Thus, the proposed Midtown Cultural District must be seen in the context of the larger economic and social forces in the city. The combined impact of these factors has begun a transformation of the area. As Bruce Rossley, Commissioner of the City Office Arts and Humanities, states

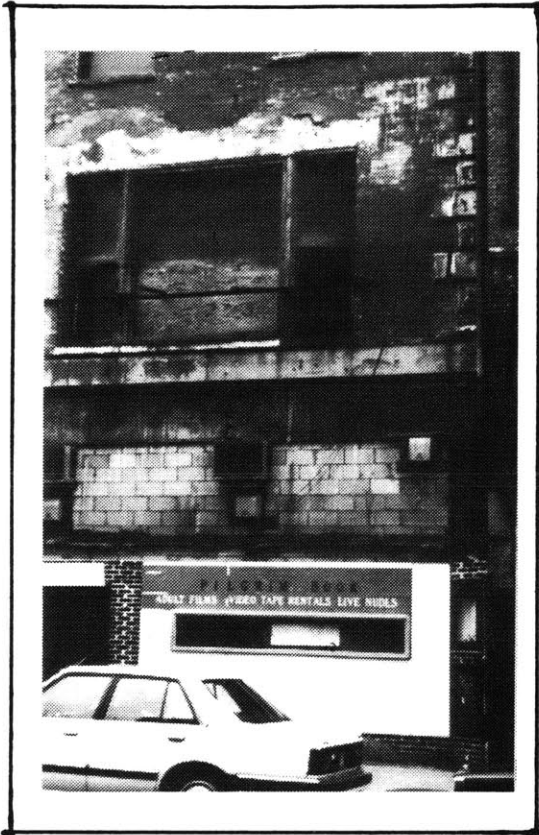
*A few years ago, that was an area of the city most people wouldn't think of going. For now at least 9,500 people a night beg to differ.*<sup>45</sup>

With five hotels in or near the District, the area is also becoming a destination for tourists and business travelers. Lafayette Place, completed in the mid 1980's, has provided the necessary first step of private investment in the District. Meanwhile, the completion of the State Transportation Building has provided an important initiative for public investment in the southwest side of the District, and a performance space and a gallery have opened on the first floor of this building. Competing for space in this changing area, Chinatown businesses are expanding and looking to the Midtown District to provide affordable retail opportunities. At the same time, activities in the Combat Zone have shown a steady decline. During 1986 alone, 7 of 21 "adult-oriented establishments" were

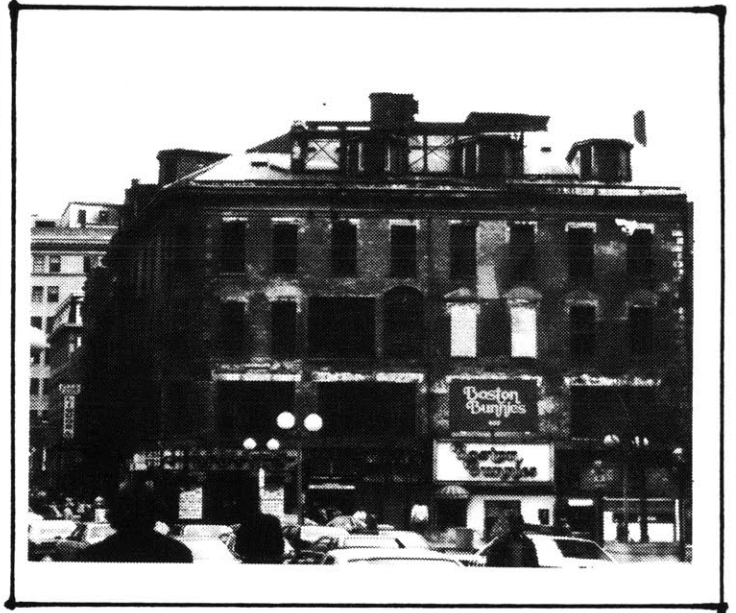
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<sup>44</sup> Jeff McLaughlin, "Study Finds Arts Contribute \$500M to Hub's Economy," *The Boston Globe*, January 6, 1988.

<sup>45</sup> Patti Hartigan, "Theater District: Ghost Town to Boom Town," *The Boston Globe*, April 1, 1988, p. 42.



Pilgrim Book



Liberty Tree Building



Pilgrim Theater

driven out of business by more competitive uses, the home video market and stricter license reinforcement.<sup>46</sup> Many of these have been replaced by Asian-owned businesses serving neighboring Chinatown. The BRA is the semiautonomous public agency primarily responsible for the planning and implementation of physical growth in Boston and the central actor in defining the Midtown Cultural District. The BRA along with the Mayor's Office of the Arts and Humanities (OAH) and various arts-based community groups, neighborhood groups, downtown business groups and development groups is currently working together to give form and character to the Midtown Cultural District initiative.

The breadth of involvement has given a strength to the currently emerging plans that would have been impossible without that emerging consensus. Nevertheless, it is useful to look at previous plans to revitalize the area, to learn from events since the 1960's, and to examine how those efforts have affected the current Plan.

#### **Previous Plans for the Area**

The area proposed for Boston's Midtown Cultural District has had a long history of attention from both the BRA and from others engaged in the process of planning and development of Boston's center city. The current initiative differs from these earlier plans and studies, both in terms of its physical boundaries and its broad objectives for cultural development. Yet, according to Alex Twining, Senior Vice President for F.D. Rich, the first development company to step forward in the Midtown Cultural District, these plans "have consistently conveyed a message about the importance of this area to the future growth of the city."<sup>47</sup> They have often taken the arts into account without necessarily bringing them into the forefront. Although these plans had little, if any, measurable political or physical impact and little bearing on the impetus for today's initiative,

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<sup>46</sup> John King, "City Puts Culture at Center," *The Boston Globe*, 3/27/88.

<sup>47</sup> Interview with Alex Twining, Senior Vice President, F.D. Rich Company, 4/6/88.



Southwest corner of "hinge block"

the current vision does, in many ways, resemble those of the past. But never before had the economics been so powerful nor was the arts community as unified in its support for these efforts as they are today.

### **1960's and Urban Renewal**

The 1960's was an unprecedented decade in the development of Boston; for the first time vast sums of federal funds became available for center city and neighborhood redevelopment. Never before had such massive projects been undertaken, nor had federal and local resources been so plentiful. The first planning efforts for the area now called the Midtown Cultural District began during this stage in Boston's history.

While all areas of the city were discussed in the *1965/1975 General Plan for the City of Boston*, in 1967 the BRA established the Urban Renewal Plan for the Central Business District (CBD) including provisions for Washington Street and the hinge block area. The basic objective of the Plan was to eliminate blighted conditions in order to facilitate sound development and orderly growth.<sup>48</sup> It sought to stimulate rehabilitation and renewal of the CBD, promote public and private development and investment in the area through new commercial facilities and capital improvements, and to strengthen the tax base. The area identified by the CBD Plan included within its boundaries the area currently defined as the Midtown Cultural District, and the Urban Renewal Plan report referred for the first time to the hinge block as a "potential focal point of the theater and entertainment district and an excellent location for activities connected with the visual and performing arts."<sup>49</sup> The hinge block area was seen as the focus for "new investment opportunities for commercial facilities, transient and residential housing, and theater or related cultural uses" in order to strengthen "the relationship between Downtown and the Back Bay business area through

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<sup>48</sup> Boston Redevelopment Authority, *Central Business District Urban Renewal Plan*, 1967.

<sup>49</sup> Boston Redevelopment Authority, *Central Business District Urban Renewal Plan*, p. 14.

appropriate new development.”

Over the next decade many components of the CBD Plan were implemented, but little ever came of the proposal for the portion of lower Washington Street which is located in the Cultural District. The gradual phasing out of the CBD Plan and the failure to implement the hinge block concept were due in part to the declining availability of federal urban renewal funds and in part to a City policy that gave priority to development in other parts of the city. Moreover, it is not clear what type of support the proposal for the block had from the arts community itself. (Today, through efforts of the Chamber of Commerce and other private groups, the hinge block remains as an important central concept in the Midtown Cultural District Plan.

In 1968 a group of Boston businessmen and professionals including trustees from theatre, opera, and visual arts organizations formed the Boston Study Group Foundation to examine the perilous financial situation of several major Boston arts organizations. The group concluded that the financial difficulty of many of the existing organizations was largely due to inadequate facilities. These facilities were either too small, outdated, too poorly located, or too expensive to operate profitably for individual arts organizations.

Although new facilities were the Study Group’s preferred alternative, expensive construction costs made such a solution unattainable. As a result, the Group proposed the construction of an arts complex, heavily dependent on government assistance with the close integration of large scale real estate development, enabling cross-subsidization between development revenues and the operating costs of constituent arts institutions. The concept of an arts center, an example of the Cultural Facilities form referred to in the last chapter, was particularly popular at this time as prominent arts centers such as Lincoln Center in New York were being built throughout the country. But the Boston proposal represented a somewhat different approach to cooperative ventures between local and



Lower Washington Street

federal government, private enterprise and the arts.<sup>50</sup>

In January 1969 four thousand dollars was granted to the Boston Study Group Foundation for further refinement of the arts complex idea in relation to the hinge block. Cambridge Seven Associates, Inc., a Cambridge-based architectural firm, developed a preliminary design for a single complex of substantial magnitude and density, with a far greater proportion of highly profitable land uses than less profitable cultural-related uses. The proposal recommended the integration of cultural components into a much larger, financially vibrant real estate development. But the proposal was a design proposal and as a result was silent on implementation. In this sense it played a role in beginning to shape a kind of vision for the area that included the arts.

### **The 1970's**

Throughout the 1970's the City of Boston continued to plan various public investment strategies for the lower Washington Street area, emphasizing the importance of this area to future downtown development.<sup>51</sup> During this time numerous plans emerged for the redevelopment of this blighted area, including the Park Plaza Urban Renewal Plan and a proposal in the late 1970's targeting the hinge block for a new telecommunications center.<sup>52</sup> However none of these plans ever got off the ground.<sup>53</sup>

But other things were beginning to happen. Several reports that emphasized the importance of the arts to the Boston economy were published, a significant change in the zoning code occurred, and a massive public improvements program which sought to clean up

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<sup>50</sup> Boston Study Group Foundation, *Hinge Block, A Proposed Cultural Complex For Boston*, 1969.

<sup>51</sup> The Greater Boston Chamber of Commerce & City of Boston, *Center City: Goals and Guidelines for Revitalization*, 1982.

<sup>52</sup> David Luberoff, *A History of Hinge Block Planning*, Boston Redevelopment Authority, June 1988.

<sup>53</sup> Marie Gendron, "Midtown: New Plan for an Old Problem," *The Boston Business Journal*, February 23, 1987, p. S1.

the adjacent downtown retail core was implemented.

The *Park Plaza Urban Renewal Plan* of 1970 was the City's major initiative to continue rehabilitation plans for the central business district after urban renewal funds for that area diminished. The hinge block along with another parcel on lower Washington Street were part of phase II of the first development plan for Park Square. Under the conditions specified by the development agreement, the BRA had three years to select a developer for phase II after construction had begun on the phase I parcels. However, because a development team has been selected only recently for phase I of the project, phase II never has been initiated. Larry Dicara, President, Boston Theatre District Association, notes the significance of this plan:

*Because the Urban Renewal Plan remains in place, the Boston Redevelopment Authority retains certain powers, such as those of eminent domain, which they might not have in areas which were never made part of an urban renewal plan.<sup>54</sup>*

In 1973 the Boston Redevelopment Authority published the report, *Cultural and Performing Arts Facility Development Program: Policy Guidelines and Recommendations*. The publication was important because it was the first time that a coherent argument had been made concerning the public benefits associated with cultural facilities, and the lack of city support for these organizations had been documented. The report contained a series of recommendations that urged a city commitment to the protection, enhancement, and development of cultural facilities throughout the Boston metropolitan area.<sup>55</sup>

In 1974 an amendment to the Boston Zoning Code established the Adult Entertainment District, in effect restricting the Combat Zone to a legal zone along Washington Street in downtown Boston. This amendment was significant because at the same time as it allowed adult entertainment uses in this small zone, it prevented their spread to residential

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<sup>54</sup> Letter from Larry Dicara, President of the Theatre District Association, June 1988.

<sup>55</sup> Boston Redevelopment Authority, *Cultural and Performing Arts Facility Guidelines and Recommendations*, 1973.

neighborhoods. Today the existence of this legal zone is problematic because these uses are legally protected. But, because increased development pressure has made them uneconomic, they are gradually closing down.

In 1978 the City of Boston, in cooperation with area merchants, implemented a massive public improvements program including a pedestrian mall known as Downtown Crossing, to create a special ambience and image for the central retail area of downtown. This program was responsible for upgrading the area as well as leveraging new investment including the development of Lafayette Place, a mixed use commercial/hotel and parking facility adjacent to the lower Washington Street area. (Unfortunately, the complex that was eventually built turns inward with its back against the street, and it accomplished little in terms of restoring streetlife to lower Washington Street.)

In 1979 the Boston Redevelopment Authority formalized a plan for the Boston Theater District and also released *The Impact of Theatre and Performing Arts on Boston's Economy*. The *Theater District Plan* culminated a decade of proposals for the lower Washington Street Area, and a decade in which the Theatre District Association, an organization that began to serve as a meeting place for those interested in the future of the arts in the area, emerged.

The Plan defined a Theater District slightly smaller than the current Midtown Cultural District which would encompass existing and proposed legitimate theaters and other movie theaters.<sup>56</sup> The Impact Report sought to substantiate the importance of revitalization of the Theater District by emphasizing the contribution of theater to the city's economy. Although the research document stated that it would "enable the City to begin to form guidelines to maximize the market potential generated by a reinvigorated theatre district,"

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<sup>56</sup> Boston Redevelopment Authority, *The Theater District Plan*, 1979.

the specific means for achieving this were never discussed.<sup>57</sup> Again, the emphasis was more on vision and wishful thinking than on implementation.

In retrospect, it is clear that the proposals of the 1960's and 1970's never came to fruition for several reasons. Many of the plans remained at the level of broad policy objectives, without paying attention to a strategy for implementation. Although these proposals were plans for cultural development, it appears that the arts community itself was not sufficiently organized nor involved politically. These plans were rarely targeted towards a specific audience whose behavior they hoped to affect. In the view of some, City policy continued to direct development to elsewhere in the city, treating Midtown as the stepchild of the city. But, most importantly, the overall economy for the city was simply not strong enough during these decades to provide momentum to realize cultural development that was perceived, at best as marginally profitable.

#### **Into the 1980's**

The 1980's marked a transformation in the revitalization potential for the lower Washington Street area. All of a sudden the high risks associated with development in the 1960's and 1970's were no longer an issue. Ralph Memelo, BRA spokesperson, summarizes these changes:

*In the 60's, the city was seen as the initiator, the provider, the fixer-upper...this simply has changed, and you now have a city where real estate developers have indicated they are looking to the area.*<sup>58</sup>

A booming Boston real estate market, in conjunction with an intensified level of commitment by various arts groups, changed the perceptions of both the public sector and the private sector regarding the potential for cultural development in the area. The

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<sup>57</sup> Boston Redevelopment Authority, *The Impact of Theatre and Performing Arts on Boston's Economy*, 1979.

<sup>58</sup> Gendron, "Midtown: New Plan for an Old Problem," *The Boston Business Journal*, p. S2.

emphasis began to change, ever so slightly, away from arts-led development to the arts attaching themselves to the coattails of development, realizing that this was the means to accomplish arts objectives.

It was the Greater Boston Chamber of Commerce that in 1980 convened a series of meetings with representatives of business, government, and community groups to address concerns associated with the economic and physical revitalization of the lower Washington Street area. These discussions led to the formation of the Center City Task Force to bring together diverse interests in the lower Washington Street area to identify common concerns and objectives for future land use and development. In 1982 the Center City Task Force and the City of Boston jointly published *Center City: Goals & Guidelines for Revitalization*. The publication became a key step in the rejuvenated effort to revitalize the area into a vibrant mixed-use community because of the partnership that it represented.<sup>59</sup>

In 1983 the BRA with the assistance of Skidmore, Owings and Merrill, (SOM) Boston, prepared *Downtown Crossing: An Economic Strategy Plan*. The Plan emphasizes the importance of the hinge block as a site that "provides a prime opportunity for the design of a landmark building that will visually connect the high-rises of the Back Bay with those of the Financial District."<sup>60</sup> It encourages the extension of the pedestrian orientation of Downtown Crossing to the lower Washington Street area.<sup>61</sup> The Plan also presented a far more detailed development and implementation strategy than any of the previous BRA planning documents.

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<sup>59</sup> Interview with Simone Auster, Vice President of Community Development, Greater Boston Chamber of Commerce, 2/16/88.

<sup>60</sup> David Luberoff, A History of Hinge Block Planning.

<sup>61</sup> Interview with Simone Auster, 7/88.

## **The Turning Point**

The turning point for the Cultural District initiative was in 1984. In that year the Performing Arts Development Task Force, a collaborative effort among the Mayor's Office of Business and Cultural Development, ARTS/Boston (a non-profit organization providing services to Boston's performing arts organizations, including the sale of reduced price tickets), the Massachusetts Cultural Alliance, and some 70 performing arts groups was established. This Task Force conducted a survey of artist's space needs in the Boston metropolitan area that illustrated a clear cut need for performance, rehearsal and office space for the arts. The survey estimated a need for nine new performance spaces, all but one to be less than 500 seats, and called for a comprehensive plan to enhance and support the city's existing facilities.<sup>62</sup>

Shortly after this survey came out, Mayor Raymond Flynn established the City of Boston's Office of Arts and Humanities to fill the need for an independent agency within the City to do long range planning and advocacy for the arts. Bruce Rossley, the Arts Administrator for Flynn's Office of Business and Cultural Development at the time of the 1984 Needs Assessment Survey was named commissioner of this new office.

In the fall of 1986, the OAH along with Larry Murray, Executive Director of ARTS/Boston, and the cultural community began the process of identifying Boston's potential for addressing the needs identified in the space survey. According to Catherine Royce, Director of Cultural Industries and Facilities, City of Boston's Office of Arts and Humanities, "at this point, the needs assessment survey went from a study to a vision." With key support from the business community, particularly the Greater Boston Chamber of Commerce at this early stage, and after meeting with local performing arts groups including primarily dance, theatre and music companies, the Performing Arts Development Task Force

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<sup>62</sup> Interview with Catherine Royce, Director of Cultural Industries and Facilities, City of Boston Office of Arts and Humanities, 2/24/88.

presented a set of recommendations to the BRA. This proactive stance by the arts community represented a drastic change from any previous level of involvement.

Shortly thereafter, the BRA, along with Bruce Rossley and Larry Murray helped form a new organization, the Midtown Cultural District Task Force, to provide an organized voice for the arts to advocate on behalf of the District and to coordinate efforts between all interested parties. Unlike earlier coalitions, the Midtown Cultural District Task Force has wide representation from the arts community, as well as developers, retail groups, financial institutions, and downtown residents. It has come to be important politically, applying pressure on the City at critical points in the continuing development of the District. However, it is not incorporated and functions largely on an informal basis with open committee membership.

With the establishment of the Midtown Cultural District Task Force the momentum to establish the Cultural District was then transferred to the BRA and OAH who would jointly exert the authority to formalize and begin to implement the effort by developing specific proposals for the District. The involvement of the OAH assures that the arts community can remain proactive in promoting its agenda for the area. The Midtown Cultural District Task Force continues to be extremely important, however, providing constant feedback on the BRA's proposals for the District, participating in the design of specific guidelines for implementation of the District, and keeping external pressure on the City. *The Boston Globe*, the major local daily newspaper, has also played an important role by running key editorials for the establishment of the Midtown Cultural District as a municipal priority.

More recently, the *1987 Space Chase Survey* was conducted to assess and update the 1984 analysis of the needs of Boston's performing arts community. This update was valuable in maintaining the momentum of the entire initiative and refining the results

initiated by the previous space assessment study.<sup>63</sup>

While most of the recent activity has been in close collaboration with the City, during the Summer of 1987 a group from the Greater Boston Chamber of Commerce's Center City Task Force independently reconvened to consider the future of this downtown area. The Chamber's Task Force has been looking at the lower Washington Street area since the early 1980's before the economics turned favorable, but because the area is ripe for significant new development activity and has the renewed interest of policy makers, their current efforts are particularly valuable. The Task Force is currently engaged in an analysis to determine its growth objectives for the area plus the 5 Center City neighborhoods including: Chinatown, Park Plaza, the Theater District, the Medical/Educational area, and Downtown Crossing.<sup>64</sup> The Task Force recently released a report indicating the hinge block should be developed as a high-rise complex of offices, housing and cultural space with up to one million square feet of new development in a 26 to 28 story complex. Such a proposal differs considerably from the smaller scale development recommended by the BRA.<sup>65</sup>

Since 1987, the BRA has hired several well-respected consultants to assist them in the planning for the development of the Midtown Cultural District. Enid Reisser, a Chicago consultant responsible for that city's 1986 needs assessment study, was brought in to review and comment on the data provided by the Boston needs assessment surveys for cultural organizations. Robert Brannigan, a New York theater consultant, was hired to provide recommendations about the cost of building theaters, and to develop baseline costs to work from. According to Catherine Royce "his work provides a reality check for the

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<sup>63</sup> ARTS/Boston, Office of Arts and Humanities, City of Boston and the Boston Redevelopment Authority, *1987 Boston Space Case Survey*, 1988.

<sup>64</sup> Interview with Simone Auster, 2/16/88.

<sup>65</sup> John King, "Task Force Suggests Uses For Intown Hinge Block," *The Boston Globe*, June, 1988.

City.” He has also serves as a consultant to developers on what works in various spaces for cultural facilities. This is particularly important in that many developers have had little experience in developing cultural facilities. Benjamin Thompson Associates, a Cambridge architectural firm, was hired to develop two phases of streetscape guidelines. This firm was also hired to provide similar urban design and streetscape studies during earlier planning for this District in the late 1970’s.<sup>66</sup> The Chicago office of Skidmore, Owings and Merrill was hired by the BRA to formulate varying development scenarios to determine whether the BRA’s height and massing recommendations for the Midtown Cultural District Plan seemed appropriate from an urban design perspective.<sup>67</sup> And finally, the Institute of Contemporary Art was hired to provide visual arts consultant services to assist in developing guidelines for art in public spaces and performance art, as well as to coordinate visual art events in the District.<sup>68</sup>

Although the BRA has urban design and development analysts on its staff, these outside consultants were used to provide objective feedback on BRA proposals and specific expertise in areas where the BRA staff capacity is limited. These consultants report directly to the BRA and they have not had any contact with one another, so they are unable to take direct advantage of one another’s work. This situation is further complicated by the lack of a central person within the BRA who is coordinating na and overseeing all planning efforts for the Cultural District project.

## **IMPLEMENTATION CONTEXT**

At long last the Midtown Cultural District Plan is moving toward implementation. In large part this is due to the fact that the planning for implementation of this District

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<sup>66</sup> Interview with Catherine Royce, 2/24/88.

<sup>67</sup> Interview with Rita Caviglia, Senior Planner, Boston Redevelopment Authority, 5/88.

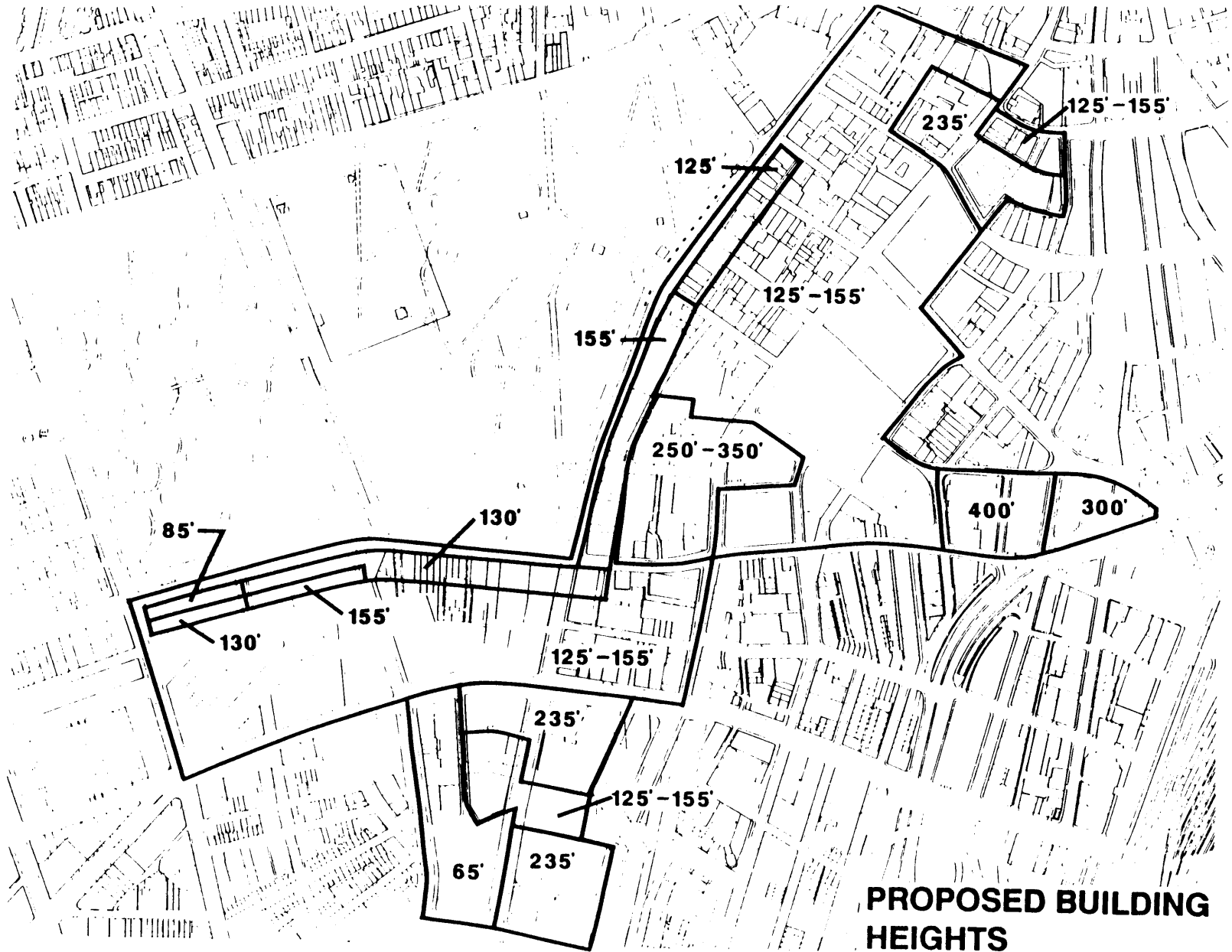
<sup>68</sup> Interview with David Ross, Director, Institute of Contemporary Art, 3/88.

differed from previous efforts by the BRA in significant ways. Most important is the active involvement of the arts community and resident interest groups concerned about the future of the area. Never before have these groups played such a participatory role in developing the plans for the area and supporting its realization. Moreover, the current schemes' boundaries encompass a much larger area than those of previous efforts, enlarging the constituency that can potentially support the plan (though this enlargement could also mean more complicated politics between interest groups). And finally, it is happening in the context of a broader planning process directed at the rezoning the entire city, rather than limited to planning of individual cultural facilities. This comprehensive plan will enable the BRA to gradually gain control of development in the area and institutionalize a framework for growth. With the exception of Dallas Arts District described in Chapter 1, this comprehensiveness has been noticeably lacking in the approaches of other cities developing cultural facilities.

### **Zoning for Culture**

The BRA is currently engaged in rezoning significant portions of Boston to replace the existing regulations of the 1964 Boston Zoning Code that are largely inappropriate for the current planning context because land uses have changed. To initiate the rezoning process the BRA identified eleven Special Study Areas in the larger downtown as requiring new zoning rules. Zoning for one of these areas, the Midtown Cultural District, was recently released as the primary implementation tool for the Cultural District Plan.

The preliminary zoning proposed for the area focusing on controlling new growth for Midtown while encouraging cultural facilities, housing and consumer-related facilities. As currently conceived, most blocks in the District would have a 125 foot height limit with an FAR of eight. Upon successful compliance with design review the as of right development level could be increased to 155 feet and a FAR of ten. Developers are eligible for an increase in FAR by one if they add day care facilities or other public uses to their



**PROPOSED BUILDING HEIGHTS**

Exhibit 2-2

projects.

Three zones of the District, called Planned Development Areas (PDAs), allow development up to 400 feet: the Essex Street Corridor, running from Summer Street to the Commonwealth Center project; Tremont Street south of Stuart Street; and three blocks on upper Washington Street near Woolworth's.<sup>69</sup> Specific height limits within the PDAs vary from block to block ranging from 235 feet along Stuart Street to 375 feet along Washington Street for the Commonwealth Center project (Exhibit 2-2). To qualify for additional height and bulk beyond the base level in PDAs, developers must provide public amenity in the form of cultural facilities or affordable housing on a four to one formula related to value.<sup>70</sup> Any major development within the Cultural District is required to include a theater. Design standards in the proposed zoning encourage glass facades and wedding cake style setbacks after 90 foot heights. Specifics of the new zoning are expected to be worked out through a citizen participation process between the BRA & OAH staff and concerned community and business groups.

The steps leading up to the proposed zoning were prolonged because of the mandate for a community-based rezoning process outlined in the downtown IPOD. The BRA and the OAH have met and continue to meet with concerned interest groups in the area to resolve block by block differences. (When the BRA prepares a draft plan it sets up a series of public meetings to brief interest groups about its major components. A public comment period follows and suggestion can be made for possible inclusion in the Plan. This process is repeated several times until adequate detailing and refinement is achieved. The BRA has

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<sup>69</sup> John King, "Washington Street Puzzle Still in Pieces," *The Boston Globe*, June 27, 1988.

<sup>70</sup> According to Section 38-7(6) of the Draft Midtown Cultural District Plan Zoning Code, the value of the amount [of bonus commercial] floor area ... for construction or rehabilitation of an on-site theater or other Cultural Facility is equal to four (4) times the average cost per square foot of providing new or rehabilitated theater or other Cultural Facility space."

to balance the priorities of different parties in proposed new zoning as well as resolve any conflicts satisfactorily.)

While details of the new zoning are being worked out, a set of interim or transitional zoning regulations have been imposed to protect Boston's downtown from inconsistent development. These regulations, formally referred to as the Downtown Interim Planning Overlay District or Downtown IPOD, establish a 155 foot height limit for new development effective two years beginning in September 1987. By the end of the period, new permanent zoning for the city is expected to be in place. Alex Twining expresses concern with these temporary standards because:

*The establishment of this interim zoning policy has served to confuse matters entirely. The general public thinks this temporary zoning is permanent...so, as development beyond the IPOD's height limit is proposed they will oppose it, incorrectly thinking it violates the zoning code.<sup>71</sup>*

Yet, the rewriting of the overall Zoning Code has opened a window of opportunity for regulatory mechanisms to be specifically tailored to encourage Cultural District objectives that has not been available before nor will it be available again for some time.

The Midtown Cultural District has been selected by the BRA as the first of the eleven Special Study Areas to be rezoned for two reasons. First, the area is the last remaining portion of central Boston that still has a substantial capacity to accommodate new growth and as a result is the focal point for a diversity of development interests. The BRA is therefore under pressure to gain control over envisaged new growth, rather than letting speculative activity take the reins from its hands, perhaps displacing some of the remaining cultural uses in the process. Second, the area is potentially the most complex of the Special Study Areas to organize through new zoning due to the presence of a wide range of intermixed land uses and great variation in the physical fabric. Given the limited two year time period of the protective umbrella of the Downtown IPOD, it was imperative for

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<sup>71</sup> Interview with Alex Twining, 7/22/88.

the BRA to activate the rezoning process immediately.

### **The Current Plan**

Simultaneous with the release of preliminary zoning regulations for the District, in July of 1988 the BRA and the OAH released a proposed Midtown Cultural District Plan. The draft Plan establishes planning objectives for the future of the area and presents a conceptual urban design vision. This document along with the proposed zoning code is intended to initiate and focus the public debate to gradually work out the specifics of public intervention to guide growth to establish the District.

The main components of the Plan show how cultural priorities for the area have been intertwined with physical and economic growth objectives. In defining the boundaries of the Midtown Cultural District the BRA has established two sets of edges. The first outlines the Midtown area. The second, included within the larger Midtown area, outlines the Cultural District itself. While the latter includes the theatres, the boundaries of the former stretch out on either side of the Cultural District to include the retail activity of Downtown Crossing, the Park Plaza area including a hotel and a proposed mixed-use development project, and the Bedford-Essex Streets corridor. The latter is the site for a proposed office tower and overlaps with a portion of the South Station designated by the City for future economic development. The simultaneous use of these boundaries recognizes cultural development as being dependent on economic revitalization objectives of the District.

The stated planning objectives of the Plan take into consideration cultural as well as commercial and residential land uses. Apart from the renovation and creation of cultural facilities for the performing and visual arts, the Plan also mandates the preservation of historic buildings, the creation and maintenance of public open space, the building of mixed-income housing, the establishment of neighborhood business opportunities, the inclusion of on-site day care facilities, the improvement of transportation access, the siting

of mixed-use and office buildings on environmentally sound sites, and the funding of affordable housing in neighboring Chinatown. While the Plan does not directly refer to the Combat Zone, it is apparent that underlying this Plan is the assumption that market forces will gradually make these adult entertainment uses uneconomical.<sup>72</sup>

In terms of cultural facilities, the Plan calls for the creation of an additional ten small and medium sized performance spaces as well as eight art galleries and several museums.<sup>73</sup> Like the existing exhibition and performance spaces in the State Transportation Building, most of the new facilities are expected to be integrated into mixed-use buildings proposed for the area, rather than being separate entities. Bruce Rossley comments:

*The idea of arts being a part of mixed-use areas isn't new. Developers may grumble, but they know this isn't philanthropy--it is enlightened self-interest that makes their projects more attractive.*<sup>74</sup>

Nevertheless both developers and the downtown business sector question whether the demand for this number of cultural facilities will actually materialize and whether the proposed locations are the most appropriate for cultural activities.

The hinge block, located at the center of the District, is now proposed as a residential complex and the venue for a cluster of visual-arts facilities with a public open space core, quite different from the mega-structure plans of the 1960's and the more recent recommendation by the Center City Task Force. The BRA urban design vision also includes a network of pedestrian oriented streets and public spaces lined with restaurants, nightclubs and shops to provide the support critical to create a lively 18-hour environment for the area. These theatre boulevards and alleys, located strategically to

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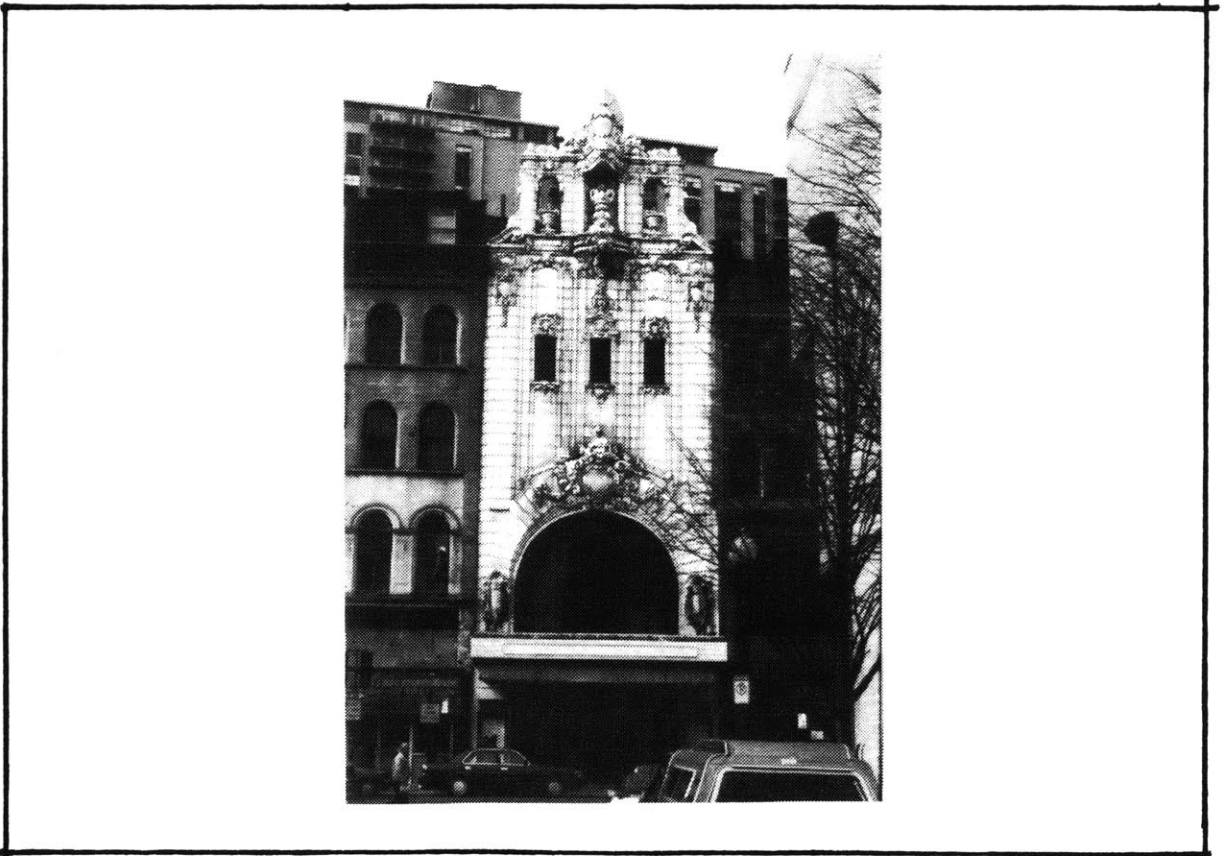
<sup>72</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan*, July 1988.

<sup>73</sup> Original nine theatres called for in the 1984 survey has been increased to ten in the Plan.

<sup>74</sup> John King, "City Puts Culture At Center," *The Boston Globe*, 1988.



Hotel Avery



Opera House

build on existing relationships between theatres and street patterns.<sup>75</sup> Additionally, there are seven National Register District within the Midtown Cultural District that include a number of significant historic buildings, many of them theaters (Appendix Exhibit 2-1).<sup>76</sup>

As of this writing, the BRA and the OAH are converting this vision into a final set of specific zoning regulations to coincide with the release of the final Plan.

Progress in the implementation process has been unexpectedly complicated. The BRA staff has been finding it increasingly difficult to transform planning objectives and conceptual urban design schemes into definite zoning rules. Prior to the July 14th release of draft zoning regulations and the District Plan, Bethany Kendall, Executive Vice President of Downtown Crossing Association, commented:

*To date, project managers at the BRA have had limited in-depth involvement, they paint pretty pictures with a general sweep, however, they have not gotten nitty gritty enough.*<sup>77</sup>

The release of these preliminary steps is a positive step toward achieving the District objectives, but final documents are still not expected for months. The impact of the continuing delay is that the economic climate may become less vibrant, and as a result, developers may be less able to support the BRA's requirements of contribution toward cultural facilities.

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<sup>75</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan*, 1988.

<sup>76</sup> The listing of qualified districts on the National Register of Historic Places, compiled by the U.S. Department of the Interior, identifies these properties and makes it possible for the owners to take advantage of certain tax incentives, but it does not place any constraint on future alteration or renovation of the structures. The Boston Landmarks Commission, however, has identified specific properties within the District that are historically significant and City policy encourages their protection from demolition or adverse demolition. Depending on their level of historic significance, specific buildings may be fully protected from demolition and must have systematic design review before being altered.

<sup>77</sup> Interview with Bethany Kendall, Executive Vice President Downtown Crossing Association, 3/18/88.

## **The District Trust**

A key component toward achieving the Midtown Cultural District Plan is the proposed Cultural District Trust, a non-profit institution that would be responsible for managing, programming, promoting, and maintaining new cultural facilities and public spaces in the District. This organization would be given the critical role of coordinating fundraising efforts for non-profit cultural facilities and activities in the District. Eventually it may get involved in leasing, developing and possibly acquiring cultural facilities.

While details about the membership and form of the Trust are still being worked out, the BRA, the OAH, and the Midtown Cultural District Task Force are convinced that the successful implementation of the District depends on the Trust. Catherine Royce expects the Board of the Trust will consist of an ex-officio representation from both the City and the State, "but it would not be controlled by either."<sup>78</sup> In addition it would have a strong advisory committee composed of professional artists and staff.

The Trust would have access to several sources of funds from both the public and private sectors. These include funds from the sale of public lands; funds from special assessments on new development; contributions made by developers for maintenance and facility renovation; federal, state or local grants; private individual, corporate or foundation support; fundraising events; and earned income. (As a non-profit organization the Trust would qualify for grants that otherwise would be unavailable to developers.) The Plan calls for developers who take advantage of the zoning incentive and provide a cultural facility within their development to lease the facility to the Trust for a nominal sum of 1 dollar per year for 99 years. The Trust, in turn, would collect revenues from arts groups who use these facilities.

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<sup>78</sup> Interview with Catherine Royce, 2/24/88.

## DEVELOPMENT CONTEXT

The Boston real estate market has undergone a tremendous boom during the 1980's and is largely responsible for the renewed optimism for redevelopment of the Midtown Cultural District area. As Libbie Shufro states:

*We could have presented these ideas a decade ago and no doors would have opened. Its an idea whose time has come because Boston is on a growth cycle.*<sup>79</sup>

During the last several years, rising property values and changing attitudes have forced many of the adult entertainment businesses in the Combat Zone to close up or move to less central locations. Buildings in the Midtown area are beginning to be restored and the number of vacant structures has declined. Yet, despite the availability of inexpensive office space in the Midtown area and the tremendous crunch for space in the Financial District and the Back Bay, the pace of change and development in the area has been relatively slow.

Those familiar with the Midtown development context cite several reasons for the slow pace of development in the area. Even though the Combat Zone is noticeably shrinking, development suffers from the negative image of this area. Bethany Kendall states:

*We can't ignore the fact that the Combat Zone is in close proximity. I think that certainly has a negative effect on growth.*<sup>80</sup>

The large commercial projects that may be necessary to change public perception are particularly difficult to put together because of the pattern of land ownership in the area makes land assemblage for development particularly difficult. Some of the blocks in the District are populated by up to a dozen tenants in two to seven story buildings which are

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<sup>79</sup> Marie Gendron, "Midtown: New Plan for an Old Problem," *The Boston Business Journal*, February 23, 1987, p. S3.

<sup>80</sup> Marie Gendron, "Midtown: New Plan for an Old Problem," *The Boston Business Journal*, p. S3.

generally individually owned. Therefore, for a developer to gain control of the entire block, s/he must buy out long term leases and pay to relocate tenants. Moreover, land is very expensive, costing from 200 to 400 dollars per square foot.

In the view of some, the designation of numerous structures as architecturally significant hinders development potential in the area because such designation prevents demolition of certain of these properties and influences how construction on surrounding structures can be conducted. But to other, this protection is appropriate, forcing new development to respect the value of these structures.

The neighboring Chinatown community comprises a politically powerful interest group that has significant influence in delaying development of the Midtown Cultural District. The Chinese community supports the elimination of the Combat Zone, but it opposes future large scale development that is inconsistent with their own neighborhood objectives. Additionally, neighborhood residents are interested in establishing a district-to-district benefit program to aid the Chinatown community, including the creation of low-income housing, small scale business opportunities and job training. The current Cultural District Plan proposes developers contribute to the existing linkage fund for low income housing, job training for Chinatown residents and the promotion of cultural facilities.

Developers are concerned that although they view this area as an underutilized resource, and therefore ultimately anticipate great returns, it still has a long way to go before becoming a Cultural District reality. Therefore, the combination of these up front costs may turn out to be too exorbitant an exaction given the short-term potential for economic return.

Despite these barriers to the District's development, Bruce Rossley, the arts commissioner for the City of Boston Office of Arts and Humanities summarizes the Midtown Cultural District Plan as follows:

*What we're talking about is one of the largest projects of its kind in the nation, and very likely a model for cultural development projects in the 80's and 90's in*

*the way Faneuil Hall Market place was for urban retail-center development in the 70's.*<sup>81</sup>

Specific issues regarding financing, organization, operation, and management of the District that have not been worked out will be highlighted in the next chapter.

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<sup>81</sup> Jeff McLaughlin, "BRA Plans Development of Downtown Cultural District," *The Boston Globe*, October 31, 1986, pp. 1 & 17.

## **CHAPTER 3 ASSESSMENT OF THE CULTURAL DISTRICT INITIATIVE**

As of this writing, all interested parties are carefully studying the proposed Plan and proposed zoning regulations. Because formal efforts of establishing the Midtown Cultural District are in midstream it is not possible to evaluate the result. However, it is instructive to highlight the issues that have been raised in the process thus far. These issues are discussed from the perspective of the major interests groups involved with the initiative.

### **CITY ISSUES**

For the most part, issues which are of concern to the City revolve around the role of the public sector in determining trade-offs among the combined objectives of economic growth, cultural activity and other social purposes.

#### **Economic Growth:**

How does the City strike a balance between maintaining enough regulatory control on new development to satisfy important public purposes and allowing developers enough latitude to ensure the commercial success of proposed projects? In this case, the tradeoff has been manifested in allowing enhanced heights in exchange for contributions for cultural facilities and other social purposes.

To what extent is the City willing to invest public monies to promote the physical construction of cultural facilities? Depending on how well incentive zoning works, the City may need to make capital investments of its own to make investment by the private sector more attractive.

Urban design objectives like the creation of public space and the protection of historic buildings provide constraints on the efficient use of land from the point of view of the private sector and the loss of potential property taxes from the point of view of the

public sector. On what criteria does the City decide the appropriate mix of land uses that would ensure good urban design as well as provide adequate economic returns for the City? This becomes increasingly complicated in the case of Boston where guidelines would need to be strictly enforced on private property as very little of the land in the District is owned by the City.

How long can the City wait for market forces to push out adult entertainment uses without using legal action? This is a complicated situation because the City would undoubtedly be sued for the restriction of First Amendment rights to free expression.

**Cultural Activity:**

How will the City provide subsidies for smaller and upcoming arts groups who may be priced out of the proposed cultural facilities? While the City maintains that the current proposals do not amount to cultural welfare, if struggling arts groups are excluded, the purpose of establishing the District will not be served. To what extent should public control be exercised to ensure an equitable distribution in the use of the cultural facilities? What will the long run costs be in required subsidy, and what portion will the City find itself picking up?

**Social Objectives:**

How will the City handle the trade-off between incentives for affordable housing, neighborhood business uses and cultural facilities? The first two are necessary because of the lack of affordable housing and business expansion opportunities in Chinatown, yet the latter is an explicit priority of the District Plan.

Finally, at what point will the City be ready to move beyond planning and proposals to implementation? While the City is committed to involving the public, such consensus building becomes complicated and drawn out causing delays in implementation that may prove costly for the development of the District.

## **DOWNTOWN BUSINESS ISSUES**

Bethany Kendall, representing downtown business interests, states any development in the district would increase competition and therefore be a positive step in making it economically more viable. But, she raises several issues pertaining to timing, development certainty and public safety:

### **Timing:**

Should development be ensured for the immediate future even at the cost of fewer cultural facilities now rather than more later? Delays through restrictions on development would hurt developers and cut short the momentum required to establish the District.

### **Development Certainty:**

How will the BRA ensure fair warning to eliminate surprises that might produce conflicts as the Plan moves to implementation?

Will the BRA avoid a project-by-project negotiation based process? This must be avoided if the City wishes to facilitate the relocation of business into the area. It is critical that the City propose a clear cut vision for the future of the District at the very onset.

How will the Downtown Crossing area be physically linked to the Midtown Cultural District?

### **Public Safety:**

How will the public sector address the issues of filth and safety in the area? In the view of the business community, these factors have been the major cause of the decline of business and affect the ability of the area to develop.

## **ARTS ISSUES**

The critical issues for the arts community are establishing that the demand for new facilities exists and that they will actually be used and resolving the future administration and management of facilities.

### **Physical Facilities:**

How realistic is the proposed need for ten new cultural facilities and how are they matched to the performance needs of each performing arts group? What would the implications be if the facilities are underutilized?

How great a priority is space in the Midtown Cultural District to artists, or would their needs be more appropriately satisfied by a greater number of facilities spread around the city, perhaps in less competitive and less expensive areas?

Ultimately, how important is name recognition of a permanent home for individual performers for the success of these cultural groups (current plan proposes shared facilities by different groups)?

### **Organization/Management:**

Who will actually be responsible for the development of the cultural facilities and how will issues of quality and compatibility with artists needs be addressed?

How will programming of the cultural facilities be administered? What control will the artists be able to maintain in this process?

How will the competition for space between smaller, emerging performing arts groups and more established companies be addressed?

Who will be responsible for the management of the Cultural District Trust?

## **DEVELOPMENT ISSUES**

In Boston's Midtown where blight characterizes select portions of the District, the feasibility of cultural development projects is a major issue. Developer concerns are divided into issues of economics, management and process.

### **Economics:**

Are developers being asked to bear an unfair proportion of the burden for public benefit? Or, worded another way, will there be adequate public incentive to attract them to participate in the upgrading of this blighted area? Only with the recently proposed zoning incentives, can developers begin to estimate the expected economic return under different economic scenarios.

Is it possible for the negative public perception associated with the Combat Zone to be changed without the approval of large scale development projects to establish a critical mass of revitalization?

### **Management:**

How will management of the cultural facilities be administered? As developers, they are not interested in getting involved in the business of arts management; yet, given that these facilities are located within their buildings, they must be sensitive to how such activities could influence their business reputation; therefore, they feel they must exert some management control.

### **Process:**

What is the time frame for reaching consensus between the interests groups associated with development of the District; the City, the arts groups, the business community, historic preservationists and environmentalists? Delay is costly.

These points illustrate the complexity of issues for development of the Cultural District. Although they are based on the Midtown Cultural District example, they are not limited to the Boston context. Many of the cultural development examples reviewed in Chapter 1 illustrated similar experiences. The next chapter addresses potential forms of public intervention encouraging redevelopment of the Cultural District.

## CHAPTER 4 PUBLIC SECTOR FORMS OF INTERVENTION

Once the broad outline for the Plan of the District becomes acceptable, implementation will take the form of a series of choices among potential tools available to the City. Although preliminary regulations for the District illustrate primarily a zoning intervention, it is important to understand the entire range of tools from which the public sector might choose. For purposes of discussion these alternatives are divided according to land use or financial techniques.

### LAND-USE TECHNIQUES

The land use techniques which are financially based, but location specific, for public sector intervention include: establishment of a Special Development District, Incentive Zoning, Air Rights, Transfer of Development Rights, Eminent Domain, and Public Land.

#### **Special Development District**

A Special Development District or Planned Zoning District contains predetermined design and amenity requirements, and sometimes architectural requirements that are identified in the zoning ordinance. The ordinance may also specify a specific mix of uses, mandatory and elective bonus and non-bonus features, off-site improvements, or contributions to public improvements. These districts may be established to provide for procedural mechanisms to assure development is consistent with the character of district objectives and to minimize the potential for administrative delay. Special Districts may or may not have taxing power, but they do have the power to levy charges for services provided by the District.<sup>82</sup> A detailed comprehensive plan for development is necessary to

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<sup>82</sup> Arthur Gitajn, Creating and Financing Public Enterprise, (Government Finance Research Center of the Government Finance officers Association, Washington, D.C., 1984), p. 102.



Potential Site for the ICA

define the District. The Special Development District concept underlies the new zoning for the Boston Midtown Cultural District Special Study Area.

### **Incentive Zoning**

Incentive Zoning allows more height and density than is otherwise accepted under the zoning code in exchange for the provision of certain public benefits. As described in Chapter 2, the current Midtown zoning proposal is based on a 4 to 1 formula pertaining to cost of bonus commercial square feet to cultural facility. In large part this technique is the essential element in creating the Midtown District.

### **Air Rights**

The purchase or lease of air rights over buildings, that are below the limit allowed by the zoning code could be used to increase the development potential of new projects in the District. Under this scenario a developer of an adjacent parcel could purchase and use the excess air rights over an underutilized adjacent historic building. This technique is currently being considered for a empty lot next to the 2-story Wilbur Theater which has tentatively been discussed as the new home for the Institute of Contemporary Art. Such a proposal would involve the utilization of air rights over the Theater currently owned by the New England Medical Center. Rents from the commercial space of this development could possibly be diverted to provide financial aid to the financially troubled theater. Unless parcels are owned by the same landholder, it is unlikely that similar development partnerships such as this one would be initiated elsewhere in the District.

### **Transfer of Development Rights**

These rights differ from the concept of the purchase or lease of air rights, in that the authorized but unbuilt development rights are allowed to be severed from the existing land use and therefore are transferable to another nearby, but not necessarily adjacent, location for development. Such a scheme could induce further flexibility in mixing cultural

with economic priorities and prevent the tearing down of historic buildings. Although originally considered a possible strategy for the Cultural District, transfer development rights are not being considered because of the frequency of successful legal challenge in other cities.

### **Eminent Domain**

It is possible eminent domain, whereby the government can force the purchase of private property for public goals, would be used to enable the City to purchase facade easements of significant historic buildings. This mechanism in essence separates the facade from the rest of the building, for preservation and maintenance by the public sector. In order to pay for the purchase of the facade easements and for their renovation, the City could generate revenues by zoning the area as a Betterment or Special Assessment District and levy district-wide assessments for public expenditures. In this case it is expected that the wider boundaries of the Midtown District would comprise the assessment area, with the monies raised channeled into the Cultural District. Such a scheme could be particularly important for the Liberty Tree Building which dates back to 1777 and the Hayden Building, a significant H.H. Richardson building; both of which are in extreme disrepair.

### **Public Land**

The contribution or sale at a reduced price of public land is another potential technique for the BRA to assist in lowering the private sector cost for development of the Midtown Cultural District. Although the BRA does not own any of the larger development sites, the agency could play a role with the smaller parcels. The City does own strategic land parcels located in the interior of the hinge block, which could be critical to land assemblage and successful development of the block.

## **FINANCIAL TECHNIQUES**

The public sector financial techniques to assist in the District's development include: a betterment/special assessment district, linkage payments, grants, loans, operating subsidies, or other special property incentives.

### **Betterment/Special Assessment District**

A Betterment District is a combined financial and design tool that permits a city within a certain designated area to assess properties for improvements in the district. Additional tax revenues as a result of the assessment are focused into specific improvements that directly benefit the assessed properties. Such a technique allows complete control by the public agency in the execution of the public improvements.<sup>83</sup> Originally these districts were used to finance sidewalks, and later water and sewer projects. In the case of Boston, district wide assessments would be levied to finance the cost of facade improvements of the historic structures as mentioned in the Eminent Domain section.

### **Linkage**

Linkage requires developers of large scale projects to make financial contributions to the City to provide funds for mitigation of the impacts of large-scale commercial development. Boston requires all developers of buildings over 100,000 square feet to pay 5 dollars per square foot for housing and 1 dollar per square foot for job training linkage. In the case of the Cultural District, these fees would be exacted in addition to the required cultural facilities for development above as of right conditions. Relief from such financial obligations in terms of timing or amount could significantly lower development costs freeing up capital to subsidize other public amenities which might not otherwise

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<sup>83</sup> Robert S. Cook, Jr., Zoning for Downtown Design, (Lexington Books, Lexington, MA, 1980), p. 27.

occur.

### **Urban Development Action Grant**

The Urban Development Action Grant (UDAG) is a federally funded program based on leveraging private sector investment through the provision of public funds for development in economically distressed areas. Funding is available from the Department of Housing and Urban Development (HUD) as an outright grant or as a long-term, low-interest loan depending on each city's decision. Unlike other potential public funding programs, UDAG funds are available on a competitive basis from the federal government to improve the feasibility of otherwise marginal private sector projects. Because UDAG funding is aimed at stimulating investment that would not otherwise occur, it is not likely that the Midtown Cultural District would be eligible for this form of assistance.

### **Community Development Action Grant**

The Community Development Action Grant (CDAG) program is a State program designed to stimulate economic development activities that will attract private investment. Funding is available from the Commonwealth of Massachusetts Executive Office of Communities and Development (EOCD). Like the UDAG program, CDAG is specifically for the revitalization of distressed areas and is only available in support of those private investments that would not occur without the State funding. Therefore as with UDAG funding, it is unlikely the Cultural District would benefit from CDAG funding.

### **Revenue Bond Financing**

Both the Massachusetts Industrial Finance Association (MIFA) and the Health Educational Facilities Association (HEFA) are sources of tax-exempt bond financing for non-profit institutions in the Midtown District. Under these programs loans are available for financing the acquisition of land, construction, or renovation of buildings, land or equipment purchases or refinancing. Since the 1986 Tax Act, however, major restrictions

have been imposed on private purpose bond funding and funding through bond issues is more likely to be taxable.

### **Tax-Increment Financing**

Under this technique, the incremental increase of property tax revenues from new development is used to help finance the public investment required to create development. A special tax-increment district is established by the acceptance of a plan for development or redevelopment of the area. Prior to passage of a redevelopment plan, an assessment base is determined for properties within the designated district based on the most recent assessment valuation. During normal city-wide assessments, the district is reassessed and capital projects are financed by the revenues generated from the incremental increase between the original base assessment and the new value.<sup>84</sup> The municipality sells bonds to pay for public investments, based on the estimated amount of the potential tax-increment.

Originally, tax-increment financing was used to provide matching funds for federally funded urban renewal and redevelopment projects. However, in recent years with the elimination of categorical federal programs, it has become an increasingly common means for financing redevelopment. In 1984, 38 states not including Massachusetts, had enacted legislation enabling them to issue bonds for tax-increment financing districts.<sup>85</sup> Although tax-increment financing is a popular technique for funding redevelopment of deteriorated urban centers, in Boston it would require enabling legislation by the Massachusetts legislature and this appears unlikely.

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<sup>84</sup> Gitajn, Creating and Financing Public Enterprise, p. 108.

<sup>85</sup> Gitajn, Creating and Financing Public Enterprise, p. 112.

## **Property Tax Abatements**

Property tax abatements to reduce or waive property tax payments can substantially assist the operating situation of a financially strained project. Because such a provision means an increase in the net operating income, it also increases the loan amount for which the project is eligible. However, this form of public sector assistance is unlikely in Boston, which is 80 percent dependent on its tax revenues from property taxes (and 55 percent of its property is tax-exempt).<sup>86</sup> Additionally, the need for State authorization due to the lack of home rule makes this technique less of a possibility.

## **Federal Income Tax Credits**

Federal Income Tax Credits for historic rehabilitation expenses are available to a limited extent for historic structures in the District. The 1986 tax law modified the tax credit percentage, the depreciable life, and the kinds and amounts of income against which the credit, depreciation and other real-estate-related losses can be used, significantly reducing the previous incentives stimulating historic rehabilitation investment.<sup>87</sup>

Although each of these mechanisms was originally looked favorably upon to assist in the development of the District, with closer scrutiny few of them will have any measurable affect. Either eligibility requirements for funding programs have changed or the specific circumstances of the Midtown area make the potential for application of these tools limited. Simone Auster, Vice President of Community Development, Greater Boston Chamber of Commerce, comments on the importance of City intervention for the development of the District:

*Developers simply can't afford to bear the cost of social, economic, and political objectives and the city must recognize this before anything positive will occur in*

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<sup>86</sup> Interview with Catherine Royce, 7/22/88.

<sup>87</sup> William J. Higgins and Anne B. Covell, "Historic Rehabilitation and The Tax Reform Act of 1986," in *The Real Estate Finance Journal*, (Summer 1987), p. 46.

*the District.*<sup>88</sup>

Of equal significance is the issue of timing. As mentioned earlier, Boston is currently enjoying a booming economy with significant private sector investment in the physical development of the city. To a large extent, the creation of cultural facilities through new development is dependent on the continuation of this economic trend. If the final rezoning process is delayed or if project approval is made complicated, new construction could be extended to a time period where a arts/business symbiosis would no longer be viable. Alex Twining, comments:

*The City of Boston has a unique opportunity in that the City owns a relatively limited amount of land and therefore, they can have the private sector take the lead to provide a catalyst for development of the District.*<sup>89</sup>

If the BRA does not act quickly to establish the means for public sector involvement and anchor projects in the area, however, the District's future may be jeopardized.

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<sup>88</sup> *The Boston Globe*, 1988.

<sup>89</sup> Interview with Alex Twining, 4/6/88.

## PART II

### CHAPTER 5 THE MODEL FOR ANALYSIS OF INCENTIVE ZONING

#### INTRODUCTION

Incentive zoning allows additional development beyond the limit otherwise stipulated by the zoning code in exchange for other concessions from the developer. David Barrett, consultant to the BRA in the 1970's, states:

*[incentive zoning] functions in relation to the central fact of urban real estate development: that property values are directly related to the intensity of use permitted. In general, the higher the intensity allowed, the higher the value of the land itself, and assuming development to the maximum, the greater the value of any building developed on it.<sup>90</sup>*

In taking advantage of the bonus, the developer must provide certain public improvements or amenities or agree to develop in designated locations, providing public benefits in return for additional building density. The decision to grant additional height and density has traditionally been justified on the basis of obtaining public amenities or development in marginally profitable areas that would not otherwise occur.

Incentive zoning is not a new topic for the City of Boston. It is only recently with the proposal for the Midtown Cultural District that this technique has been debated formally, but there are many precedents for providing increased development above the outdated 1964 Zoning Code. Nonetheless, the effects of incentive zoning have never been evaluated from both the perspective of the city and the private developer in Boston. Because of the difficulty of comparing quantitative benefits with qualitative impacts, the marginal benefits of incentive zoning are typically assumed to outweigh the marginal costs.

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<sup>90</sup> David R. Barrett, Incentive Zoning for Boston, A Report to the Boston Redevelopment Authority, July, 1973.

For example, the benefits of increased tax and linkage revenues for the City and higher returns for developers cannot be objectively compared with the qualitative impacts of additional public amenity, increased congestion and deteriorating air quality. Similarly, the BRA has assumed formalized incentive zoning will produce net benefit and has chosen it as the primary tool to facilitate development of cultural facilities in the Midtown Cultural District.

### **SCOPE OF ANALYSIS**

When beginning this analysis, I sought to evaluate the impacts of incentive zoning for development of the Midtown Cultural District in Boston. Many individuals argued that formalized incentive zoning above the IPOD's as of right FAR of 10 and the height limit of 155 feet was necessary to accomplish development of the District. However, there had been no financial analysis to substantiate if enhanced height at designated locations could leverage the development or renovation of cultural facilities. As my analysis progressed, I questioned the ability of incentive zoning as an independent policy tool.

The following discussion presents an analytical framework for evaluating the capacity of incentive zoning to finance the development of cultural facilities consistent with Midtown urban design objectives. The model is based on the approach illustrated by Jerold Kayden in Incentive Zoning in New York City: A Cost-Benefit Analysis. Similar to Kayden's research, a cost-benefit framework is used, but it is structured to include elements of financial, fiscal and social analysis. Also consistent to Kayden's analysis, the discussion disaggregates the impacts of incentive zoning by interest group--the private developer, the city, and the community.

The identification of impacts for each group is in conflict with the traditional notion of a cost-benefit framework, which seeks to maximize the net benefit for society as a whole. However, in the case of an evaluation of incentive zoning, where financial and

political implications vary, it is particularly important to identify them. Kayden states:

*Since incentive zoning has different impacts and meanings for each of these individual groups, however, it is critical for the analyst and policy-maker to understand exactly which costs and which benefits are borne by each segment.<sup>91</sup>*

## **MODEL FOR FINANCIAL COST-BENEFIT ANALYSIS**

A static financial model is used to measure the returns for different incentive zoning development scenarios. Although most cost-benefit analyses span over a project's duration, in this case it is only for one year--between construction completion and stabilized project operation. With the exception of the developer analysis, long term consequences of incentive zoning are not evaluated because the impacts for an individual project would be identical to those in the stabilized year. For the developer, however, operating assumptions over a 10-year period are modeled to obtain a long term financial rate of return.

### **Measures of Return**

Return estimates for development feasibility exclusive of financing considerations and land costs are calculated for each incentive zoning scenario. Annual returns are estimated according to the Return on Total Assets (ROTA) at the stabilized year of operation, before linkage payments are made. Long-term project returns, measured by the Internal Rate of Return (IRR), are also calculated before linkage. Because linkage is a short-term exaction and this analysis assumes it may only be applied on a discretionary basis in the Midtown Cultural District, calculation of returns before linkage is more representative of project viability. Land costs, linkage payments or operating subsidy for non-profit cultural facilities, may offset the estimated return.

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<sup>91</sup> Jerold S. Kayden, Incentive Zoning in New York City: A Cost-Benefit Analysis, p. 17.

## Development Assumptions

Instead of constructing a cost-benefit analysis for the entire Midtown Cultural District, two representative land parcels are separately analyzed for development. The first, a 40,000-square-foot site, is a relatively large parcel in relation to those located within the Midtown Cultural District boundaries.<sup>92</sup> The second, a 10,000-square-foot site, is comparable in size to smaller parcels in the District.<sup>93</sup> For each site, a hypothetical mixed-use project with ground floor retail and office and an enhanced FAR for any cultural facilities is assumed. Four specific development scenarios evaluate the consequences of additional FAR within the urban design objectives identified by BRA planning documents.

The proposed zoning for Planned Development Areas (PDAs) in the District is the basis for different development scenarios. There are four different scenarios assumed: As of Right at a FAR of 8, FAR 10, FAR 12, and FAR of 14. The As of Right level of development is limited to 125 feet, does not include any cultural facility and forms the base of comparison for my evaluation. Beyond the As of Right height and density, the proposed zoning states projects must mitigate the impacts of "increased land values" by constructing an on-site cultural facility, rehabilitating historic buildings, or constructing on-site housing in a ratio of four to one in relation to value.<sup>94</sup> Scenario 1 with an FAR of 10, Scenario 2 with an FAR of 12 and Scenario 3 with an FAR of 14 each include cultural facilities at a cost equal to 25 percent of the value of the additional square feet

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<sup>92</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan--Zoning Regulation*, July 1988, Appendix A.

<sup>93</sup> Singularly owned land parcels in the Midtown Cultural District range from 1,000 square feet to 3.3 acres (143,748 square feet).

<sup>94</sup> Boston Redevelopment Authority, *Draft Midtown Cultural District Plan--Zoning Regulation*, 1988, pp. 4-5.

EXHIBIT 5-1

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, HYPOTHETICAL DEVELOPMENT OF 40,000 SF PARCEL, EXISTING MARKET CONDITIONS

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As of Right Scenario\*:

Scenario 1:

FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	300,000	Office gsf	380,000
Net Office nsf	285,000	Net Office nsf	361,000
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	16,121
Cultural Facilities nsf	0	Cultural Facilities nsf	12,897
TOTAL GROSS BUILDING AREA gsf	320,000	TOTAL GROSS BUILDING AREA gsf	416,121
TOTAL NET BUILDING AREA nsf	302,800	TOTAL NET BUILDING AREA nsf	391,697

Scenario 2:

Scenario 3:

FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	460,000	Office gsf	540,000
Net Office nsf	437,000	Net Office nsf	513,000
CULTURAL		CULTURAL	
Gross Cultural gsf	32,243	Gross Cultural gsf	48,634
Cultural Facilities nsf	25,794	Cultural Facilities nsf	38,907
TOTAL GROSS BUILDING AREA gsf	512,243	TOTAL GROSS BUILDING AREA gsf	608,634
TOTAL NET BUILDING AREA nsf	480,594	TOTAL NET BUILDING AREA nsf	569,707

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\* As of Right Scenario does not include cultural facilities

of development built above as of right levels.<sup>95</sup> None of these scenarios would exceed the absolute 400 foot height limit proposed by the new zoning for the District. Base programming assumptions for current market conditions are illustrated in Exhibits 5-1 and 5-2.<sup>96</sup>

The development costs assumptions, illustrated in Exhibit 5-3, are current costs for mixed-use development projects. Although size and character of actual developments might influence development costs, this analysis keeps these variables constant between different development scenarios. Parking costs are not included in the analysis because the zoning plan does not require off street parking for any commercial project in the District. Assuming that the City owns both parcels of land and the purchase price would be negotiated, land was treated as a residual in this analysis.<sup>97</sup>

Given that a cultural district includes different types of cultural facilities such as dance theaters, jazz clubs, rehearsal spaces, experimental theaters, office space, and outdoor performance space, it is important to evaluate the ability of incentive zoning to subsidize various types of cultural facilities. Furthermore, because the value of incentive zoning is based on land area, different parcels are able to provide varying sizes of cultural facilities. Therefore, the 40,000-square-foot parcel is used to analyze the feasibility of providing a major cultural facility such as a dance theater, concert hall or art gallery,

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<sup>95</sup> This analysis assumes "value" referred to in the Zoning Code is defined as total development costs, however, other interpretations may include hard costs of construction or the capitalized value of the rental income of bonus square feet of office space development. Based on this definition, the square feet of required cultural facility is calculated as follows:  $((\text{Gross Building Area of Commercial Area of Bonus Scenario} - \text{Gross Building Area of As of Right Scenario}) \times \text{Average Development Cost of As of Right Scenario}) \div 4 \div \text{Average Development Cost of Cultural Facility}$ .

<sup>96</sup> For programming assumptions for Weak Local Market conditions and Strong Local Market conditions due to the formula to calculate cultural square feet see Appendix Exhibits 5-1, 5-2, 5-3, and 5-4.

<sup>97</sup> Land costs in the Midtown area range from 200 to 400 dollars per square foot.

EXHIBIT 5-2  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, HYPOTHETICAL DEVELOPMENT OF 10,000 SF PARCEL, EXISTING MARKET CONDITIONS

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As of Right Scenario*:		Scenario 1:	
FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	75,000	Office gsf	95,000
Net Office nsf	71,250	Net Office nsf	90,250
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	8,061
Cultural Facilities nsf	0	Cultural Facilities nsf	6,449
TOTAL GROSS BUILDING AREA gsf	80,000	TOTAL GROSS BUILDING AREA gsf	108,061
TOTAL NET BUILDING AREA nsf	75,700	TOTAL NET BUILDING AREA nsf	101,149
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Scenario 2:		Scenario 3:	
FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	115,000	Office gsf	135,000
Net Office nsf	109,250	Net Office nsf	128,250
CULTURAL		CULTURAL	
Gross Cultural gsf	16,121	Gross Cultural gsf	24,182
Cultural Facilities nsf	12,897	Cultural Facilities nsf	19,346
TOTAL GROSS BUILDING AREA gsf	136,121	TOTAL GROSS BUILDING AREA gsf	164,182
TOTAL NET BUILDING AREA nsf	126,597	TOTAL NET BUILDING AREA nsf	152,046

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\* As of Right Scenario does not include cultural facilities



EXHIBIT 5-4  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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PROFILE OF CULTURAL FACILITIES

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Type of Facility	Approximate Net SF Required	Development Cost/SF
Dance Theater (499 Seat)	20,000	\$200
Performing Arts Theater (499 Seat)	20,000	\$200
Flexible Theater (499 Seat)	20,000	\$150
Black Box/Experimental Theater (199 Seat)	13,035	\$100
Recital/Concert Hall (200 Seat)	10,250	\$200
Jazz Club	7,000	\$150
Studios (3 @ 40' x 40' x 18')	4,800	\$60
Commercial Art Galleries	2,000	\$200

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Source: Boston Redevelopment Authority  
 Barry Abramson & Associates, "Development Potential of  
 Office and Retail/Commercial Development of Parcel 31  
 Center City Area of Boston, Mass.," 1988.  
 Robert Brannigan, Boston Redevelopment Authority Consult

estimated at a development cost of 200 dollars per square. For the 10,000-square-foot parcel, smaller-supporting cultural facilities such as experimental theaters or studio space are evaluated at a development cost of 100 dollars per square. Any required cultural square feet in excess of the space needs of a particular facility are treated as a contribution to the Cultural District Trust Fund at an equivalent amount to the estimated development cost. (Exhibit 5-4 illustrates square feet and development cost information for representative cultural facilities).

### **Market Assumptions**

Both the blight and deterioration in select portions of the District and the potential for centrally located downtown office space, make it difficult to assume precise market figures regarding new development. Therefore, the hypothetical development is analyzed through sensitivity analysis. The analysis is divided into three distinct conditions of market strength which might characterize the area during its development lifetime: Existing Market conditions, Weak Local Market conditions and Strong Local Market conditions. Actual Cultural District development will fall in-between these market extremes.

The analysis of Existing Market conditions is based on current measurable parameters. New first class office rents are estimated at 27 dollars per square foot.<sup>98</sup> The values of the individual operating income and expense variables in Exhibit 5-5 are based on information from potential Cultural District developers, BRA staff, and a recent market analysis report on the hinge block commissioned by the Center City Task Force in

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<sup>98</sup> According to the Market Analysis Department of Cushman and Wakefield, average first class rates in Boston are 35 dollars per square foot and average second class rates are 23 dollars per square foot. Multiplying the existing Midtown second class rate of 18 dollars per square foot by this ratio results in a first class rental rate for Midtown of 27 dollars per square foot. Currently there are no first class office building in the District for comparison. Cushman and Wakefield defines "Boston" as the traditional downtown office market as well as Charlestown, Fort Point Channel, North Station, and South Station.

EXHIBIT 5-5

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF OPERATING ASSUMPTIONS

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Market Conditions:	Existing Market	Weak Local Market	Strong Local Market
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Commercial Variables:			
Revenues:			
Retail Rents (per nsf)	\$35.00	\$31.50	\$42.00
Office Rents (per nsf)	\$27.00	\$24.30	\$32.40
Growth Rental Income (per yr.)	5%	3%	7%
Operating Expenses:			
Retail Operating Expenses* (per nsf)	\$0	\$0	\$0
Office Operating Expenses (per nsf)	\$5	\$5	\$5
Growth Operating Expenses (per yr.)	4%	4%	4%
Replacement Reserves (% rent roll)	1%	1%	1%
RE Taxes (per \$1000 com. value)	\$21.65	\$21.65	\$21.65
Vacancy (per yr.)	5%	7%	3%
Capitalization Rate	10%	11.50%	8.50%

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\* Retail operating expenses assume triple net leasing of retail space.

conjunction with the Greater Boston Chamber of Commerce.<sup>99</sup>

The analysis of Weak Local Market conditions is based on values that might prevail if development occurred when local economic conditions are less favorable to development of the District. Specifically, it simulates the impact of office rents at 24 dollars per square foot (ten percent lower than in Existing Market conditions), increased office vacancy rates, a slower rate of income growth than is currently projected, and a higher capitalization rate (reflecting the increased risk of development in the area).

Strong Local Market conditions are based on a more rapid transformation of this blighted area to a competitive first-class office location. It assumes that first class office rents are 32 dollars per square foot (twenty percent higher than currently projected), higher growth rates for rental income, lower vacancy rates, and a lower capitalization rate (reflecting the lower level of uncertainty and risk associated with development).

### **Operation Assumptions**

Consistent with the Midtown Cultural District premise, this analysis assumes developers are only responsible for the development of cultural facilities, not their long term management and operation. However, because operating expenses are a significant annual cost, if developers become responsible for subsidizing cultural facilities in the future, their magnitude should be clear. The likelihood of this is uncertain since the specifics of the Cultural Trust Fund have not been fully detailed. However, in the event of insufficient operating revenues, it is conceivable developers would need to assist cultural facilities to keep them in operation so they would not dampen a commercial projects' attractiveness.

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<sup>99</sup> Barry M. Abramson & Associates, *Development Potential of Office, Residential and Retail/Commercial Entertainment Development of Parcel 31 in the Center City Area of Boston, Massachusetts*, Prepared for the Center City Task Force, 1988.

## EXHIBIT 5-6

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

## SURVEY OF THEATER OPERATING EXPENSES

NAME OF THEATER	LOCATION OF THEATER	NUMBER OF PRODUCTIONS (1986-1987)	OPERATING EXPENSES (1986-1987)	OPERATING EXPENSES PER PRODUCTION	NUMBER OF SEATS	OPERATING EXPENSES PER SEAT
Guthrie Theater	Minneapolis, MN	9	\$8,284,935	\$920,548	1441	\$5,749
Arena Stage	Washington, DC	8	\$7,086,500	\$885,813	1521	\$4,659
Circle Repertory	New York, NY	6	\$4,500,000	\$750,000	682	\$6,598
Goodman Theater	Chicago, IL	6	\$4,457,000	\$742,833	820	\$5,435
Mark Taper Forum	Los Angeles, CA	11	\$8,059,000	\$732,636	965	\$8,351
Circle in the Square	New York, NY	3	\$1,864,469	\$621,490	160	\$11,653
Shakespeare Theater at Folger	Washington, DC	4	\$2,395,910	\$598,978	253	\$9,470
Old Globe Theater*	San Diego, CA	12	\$6,700,000	\$558,333	1418	\$4,725
American Repertory Theater	Cambridge, MA	8	\$4,459,100	\$557,388	556	\$8,020
McCarter Theater	Princeton, NJ	7	\$3,781,000	\$540,143	2160	\$1,750
Long Wharf	New Haven, CT	7	\$3,600,000	\$514,286	683	\$5,271
Coconut Grove	Coconut Grove, FL	7	\$3,200,000	\$457,143	913	\$3,505
Center Stage	Chicago, IL	6	\$2,697,500	\$449,583	541	\$4,986
Seattle Repertory Theater	Seattle, WA	9	\$3,966,400	\$440,711	998	\$3,974
Huntington Theater	Boston, MA	5	\$2,200,000	\$440,000	954	\$2,306
Hartford Stage Company	Hartford, CT	6	\$2,500,000	\$416,667	489	\$5,112
Arizona Theater	Tucson, AZ	6	\$2,489,758	\$414,960	1616	\$1,541
Children's Theater Company	Minneapolis, MN	8	\$3,304,436	\$413,055	1211	\$2,729
Alliance Theater	Atlanta, GA	12	\$4,793,000	\$399,417	1026	\$4,672
Alley Theater	Houston, TX	14	\$5,100,000	\$364,286	1124	\$4,537
South Coast Repertory	Costa Mesa, CA	12	\$4,257,000	\$354,750	868	\$4,904
Alaska Repertory	Anchorage, AK	5	\$1,742,589	\$348,518	604	\$2,885
Studio Arena Theater	Buffalo, NY	7	\$2,379,500	\$339,929	637	\$3,735
Philadelphia Drama Guild	Philadelphia, PA	6	\$2,025,000	\$337,500	1230	\$1,646
Cleveland Playhouse	Cleveland, OH	11	\$3,700,000	\$336,364	1271	\$2,911
Berkeley Theater	Berkeley, CA	8	\$2,618,200	\$327,275	551	\$4,752
Missouri Repertory Theater	Kansas City	7	\$2,204,215	\$314,888	829	\$2,659
Manhattan Theater Club	New York, NY	7	\$2,159,161	\$308,452	449	\$4,809
Actors Theater of Louisville*	Louisville, KY	12	\$3,692,000	\$307,667	896	\$4,121
Great Lakes Theater	Cleveland, OH	4	\$1,212,000	\$303,000	943	\$1,285
Trinity Repertory Company	Providence, RI	11	\$3,300,000	\$300,000	857	\$3,851
Stage West	Springfield, MA	6	\$1,700,000	\$283,333	546	\$3,114
Syracuse Stage	Syracuse, NY	6	\$1,684,374	\$280,729	812	\$2,074
George St. Playhouse	New Brunswick, NJ	5	\$1,359,060	\$271,812	532	\$2,555
Milwaukee Repertory Theater	Milwaukee, WI	9	\$2,400,000	\$266,667	1020	\$2,353
Cincinnati Playhouse in the Park	Cincinnati, OH	11	\$2,730,000	\$248,182	849	\$3,216
Repertory Theater of St. Louis	St. Louis, MO	12	\$2,748,000	\$229,000	858	\$3,203
Yale Repertory Company	New Haven, CT	10	\$2,225,000	\$222,500	1171	\$1,900
People's Light & Theater Co.	Malvern, PA	6	\$1,301,573	\$216,929	580	\$2,244
Northlight Theater	Evanston, IL	5	\$1,040,000	\$208,000	298	\$3,490
A Contemporary Theater	Seattle, WA	10	\$2,000,900	\$200,090	449	\$4,456
TheaterVirginia	Richmond, VA	8	\$1,339,500	\$167,438	500	\$2,679
Pennsylvania Stage Company	Allentown, PA	7	\$1,170,756	\$167,251	274	\$4,273
Empty Space Theater	Seattle, WA	5	\$824,500	\$164,900	275	\$2,998
Intiman Theater Company	Seattle, WA	5	\$700,241	\$140,048	424	\$1,652
Tacoma Actors Guild	Tacoma, WA	6	\$681,799	\$113,633	299	\$2,280
Barter Theater*	Abingdon, VA	11	\$687,650	\$62,514	529	\$1,300
Average:		8	\$2,964,298	\$383,822	810	\$3,966

\* Indicates Operating Expenses &amp; Number of Productions based on 1985 Information.

Source: Theater Profiles-1988, Theater Communications Group, New York, New York, 1988.

Exhibit 5-6 is an overview of the range of operating expenses for a sample of forty-seven active performing arts facilities. The number of performances is the most influential factor determining the cultural operating expenses and the number of seats is of secondary importance.<sup>100</sup> This list states operating expenses per production on average are about 383,822 dollars for a 810 seat theater, but range from a high of 920,548 dollars for a 1441 seat facility to a low of 62,514 dollars for 529 seats. Current estimates indicate that theaters are typically able to cover about sixty percent of their annual expenses through earned income, the other forty percent comes from contributions and foundation grants.<sup>101</sup> Because management and operation responsibilities have not been completely determined for the Midtown Cultural District, how these costs will be covered remains a critical issue for the life of the District. Further research is needed to evaluate the ability of incentive zoning to subsidize these expenses if developers are assumed to incur these costs.

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<sup>100</sup> Interview with Robert Brannigan, BRA Theater Consultant, 7/88.

<sup>101</sup> Lindy, Zesch, "Theatre Facts 87," in *American Theater*, (April 1988), p. 8.

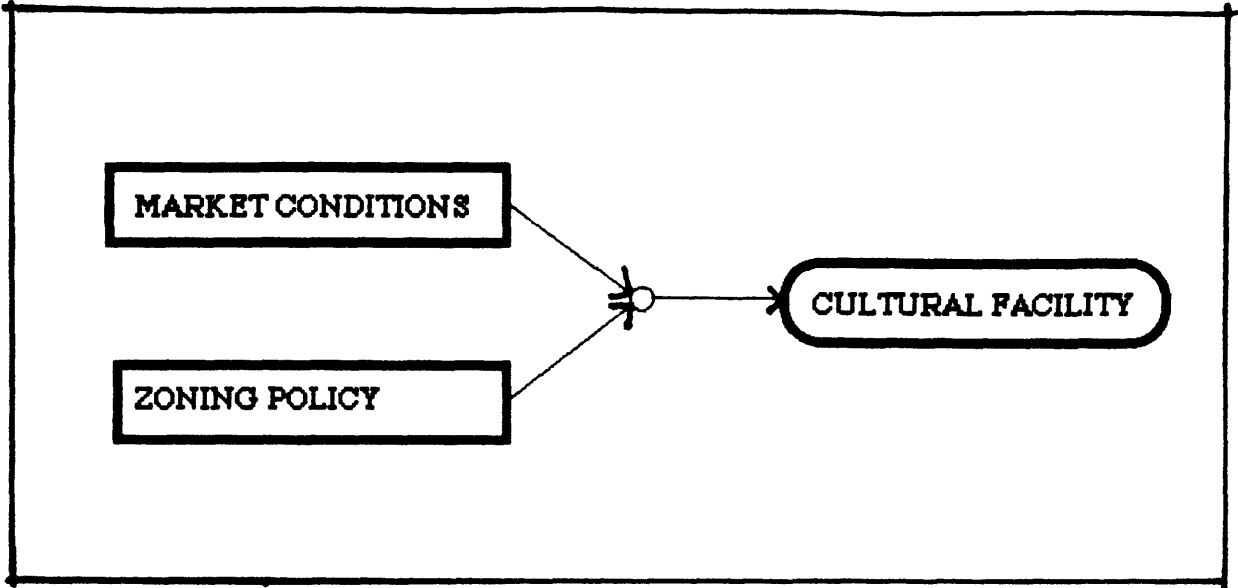


Exhibit 5-7

## **SUMMARY**

A financial model is used to determine the feasibility for constructing cultural facilities in different conditions of market strength under alternative levels of development beyond as of right (Exhibit 5-7). The assumptions discussed in this chapter underlie the calculations made in the remainder of Part II to evaluate the costs and benefits from the perspective of the developer, the city and the community, respectively.

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EXPLANATION OF VARIABLES FOR ESTIMATED FINANCIAL STATEMENTS

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Gross Building Area =	Total square feet of building area, including commercial and cultural facilities.
Net Building Area =	Total square feet of usable building area, including commercial and cultural facilities.
SF Bonus Office Space = for Scenarios Above As of Right	Additional commercial square feet above what is allowed under As of Right conditions permitted in exchange for providing cultural facilities.
SF Cultural Facility =	Required square feet of cultural facility in return for bonus commercial square feet.
Total Development Costs =	Commercial and cultural costs of development.
Average Development Costs =	Total Development Costs, divided by gross building area.
Effective Gross Income =	Difference between total revenues and vacancy.
Average Income/SF =	Effective gross income, divided by the gross commercial square feet.
Operating Expenses =	Operating expenses include utilities, maintenance, and real estate taxes.
Average Operating Expenses/SF =	Operating expenses, divided by the gross commercial square feet.
Net Operating Income =	Difference between the effective gross income and total operating expenses.
Capitalized Value in Yr. 3 =	Net operating income in the stabilized year of operation divided by a lending rate appropriate to market conditions to determine a total building value or "capitalized value."
Land Residual =	Difference between the total development cost and the capitalized building value.
Capitalized Value of Bonus Office Space for Scenarios Above = As of Right	Difference between the land residual for each Bonus Scenario and the land residual for As of Right.
Net Capitalized Value Bonus Office Space	For Scenarios 1-3, the difference between the capitalized value of bonus office space and the construction cost of cultural facilities.
Net Capitalized Value Bonus Office Space/SF	Net capitalized value, divided by the total bonus commercial square feet.

**CHAPTER 6**  
**INCENTIVE ZONING: THE DEVELOPER'S PERSPECTIVE**

The analysis of the costs and benefits of incentive zoning from the private developer's perspective reveals the feasibility of the proposed four-to-one incentive zoning ratio to stimulate the development of cultural facilities in Midtown Boston. (Chapter 2 describes the specifics of the proposed zoning regulation.) Development feasibility is analogous to developer benefits or alternatively, infeasibility is comparable to costs. In this analysis, rental incomes for the proposed mixed-use buildings are capitalized and short and long-term rates of return are determined in order to value the zoning incentive in relation to the cost of developing the required cultural facilities.

**40,000-SQUARE-FOOT PARCEL**

As of right, the 40,000-square-foot site has a potential for 320,000 gross square feet of development. However, by including cultural amenities, the maximum square feet can be increased to over 600,000 square feet by the proposed incentive zoning.<sup>102</sup> According to the proposed zoning, the required square feet of cultural amenity are calculated over and above the square footage allowed at a total cost in proportion to one fourth the value of the additional office square feet.<sup>103</sup>

The costs and benefits to the developer of the cultural facility can be analyzed through a hypothetical financial statement that takes into account the varying levels of incentive in each scenario (Exhibit 6-2, 6-3 and 6-4). (Exhibit 6-1 explains the variables

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<sup>102</sup> This amount is calculated as follows: FAR of 14 x 40,000 square feet + 48,000 square feet of required cultural amenity = 608,000.

<sup>103</sup> This calculation determines how much cultural square feet is required at different FARs of development based on a one-to-four zoning formula. By taking the inverse of the codes's four-to-one formula, it is equivalent to determining the amount of bonus office square feet granted as a result of providing a certain amount of cultural facilities.

EXHIBIT 6-2  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, EXISTING MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	40,000	40,000	40,000	40,000
Gross Building Area(1)	320,000	416,121	512,243	608,364
Net Building Area	302,800	391,697	480,594	569,492
SF Bonus Office Space for Scenarios Above As of Right		80,000	160,000	240,000
SF of Cultural Facility	0	16,121	32,243	48,364
Total Development Costs	\$51,588,785	\$67,608,296	\$83,561,212	\$99,547,426
Average Development Costs/SF(2)	\$161	\$162	\$163	\$164
Effective Gross Income	\$7,902,100	\$9,851,500	\$11,800,900	\$13,750,300
Average Income/SF	\$25	\$25	\$25	\$25
Operating Expenses(3)	(\$2,805,946)	(\$3,479,045)	(\$4,154,587)	(\$4,831,415)
Average Operating Expenses/SF	(\$9)	(\$9)	(\$9)	(\$9)
Net Operating Income(4)	\$5,096,154	\$6,372,455	\$7,646,313	\$8,918,885
Capitalized Value In Year 3(5)	\$50,961,540	\$63,724,554	\$76,463,128	\$89,188,848
(Less Total Development Costs)	(\$51,588,785)	(\$67,608,296)	(\$83,561,212)	(\$99,547,426)
Total Land Residual	(\$627,245)	(\$3,883,742)	(\$7,098,084)	(\$10,358,578)
Capitalized Value of Bonus Office Space for Scenarios Above As of Right (Total Land Residual for each Scenario - Total Land Residual for As of Right)		(\$3,256,497)	(\$6,470,840)	(\$9,731,334)
(Less Construction Cost of Cultural Facility @ \$200/SF)		(\$3,224,299)	(\$6,448,598)	(\$9,672,897)
Net Capitalized Value of Bonus Office Space to Developer		(\$6,480,796)	(\$12,919,438)	(\$19,404,231)
Net Capitalized Value of Bonus Office Space/SF		(\$81)	(\$81)	(\$81)

- \* As of Right Scenario does not include cultural facilities
- (1) Cultural Facility excluded from FAR calculation so GBA > FAR \* parcel area.
  - (2) Although based commercial building costs are constant, as increased cultural space is built the average construction costs changes.
  - (3) Operating Costs as listed include replacement reserve and RE taxes, but not linkage
  - (4) NOI before linkage, after RE taxes
  - (5) Based on NOI in yr. 3

EXHIBIT 6-3  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, WEAK LOCAL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	40,000	40,000	40,000	40,000
Gross Building Area(1)	320,000	416,105	512,210	608,315
Net Building Area	302,800	391,684	480,568	569,452
SF Bonus Office Space for Scenarios Above As of Right		80,000	160,000	240,000
SF of Cultural Facility		16,105	32,210	48,315
Total Development Costs	\$51,536,201	\$67,357,533	\$83,298,079	\$99,238,625
Average Development Costs/SF(2)	\$161	\$162	\$163	\$163
Effective Gross Income	\$6,962,166	\$8,679,690	\$10,397,214	\$12,114,738
Average Income/SF	\$22	\$22	\$22	\$22
Operating Expenses(3)	(\$2,463,929)	(\$3,064,220)	(\$3,666,345)	(\$4,269,436)
Average Operating Expenses/SF	(\$8)	(\$8)	(\$8)	(\$8)
Net Operating Income(4)	\$4,498,237	\$5,615,470	\$6,730,869	\$7,845,302
Capitalized Value In Year 3(5)	\$39,115,105	\$48,830,177	\$58,529,293	\$68,220,015
(Less Total Development Costs)	(\$51,536,201)	(\$67,357,533)	(\$83,298,079)	(\$99,238,625)
Total Land Residual	(\$12,421,096)	(\$18,527,357)	(\$24,768,787)	(\$31,018,610)
Capitalized Value of Bonus Office Space for Scenarios Above As of Right (Total Land Residual for Each Scenario - Total Land Residual for As of Right)		(\$6,106,261)	(\$12,347,691)	(\$18,597,514)
(Less Construction Cost of Cultural Facility @ \$200/SF)		(\$3,221,013)	(\$6,442,025)	(\$9,663,038)
Net Capitalized Value of Bonus Office Space to Developer		(\$9,327,273)	(\$18,789,716)	(\$28,260,552)
Net Capitalized Value of Bonus Office Space/SF		(\$117)	(\$117)	(\$118)

\* As of Right Scenario does not include cultural facilities

(1) Cultural facility excluded from FAR calculation so GBA > FAR \* parcel area.

(2) Although based commercial building costs are constant, as increased cultural space is built the average construction costs changes.

(3) Operating costs as listed include replacement reserve and RE taxes, but not linkage.

(4) NOI before linkage, after RE taxes

(5) Based on NOI in yr. 3

EXHIBIT 6-4

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, STRONG LOCAL MARKET, YEAR 3  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	40,000	40,000	40,000	40,000
Gross Building Area(1)	320,000	416,229	512,458	608,687
Net Building Area	302,800	391,783	480,766	569,749
SF Bonus Office Space for Scenarios Above As of Right		80,000	160,000	240,000
SF of Cultural Facility	0	16,229	32,458	48,687
Total Development Costs	\$51,932,380	\$68,024,831	\$84,117,282	\$100,209,733
Average Development Costs/SF(2)	\$162	\$163	\$164	\$165
Effective Gross Income	\$9,682,152	\$12,070,680	\$14,459,208	\$16,847,736
Average Income/SF	\$30	\$30	\$30	\$30
Operating Expenses(3)	(\$3,472,680)	(\$4,287,644)	(\$5,106,271)	(\$5,926,823)
Average Operating Expenses/SF	(\$11)	(\$11)	(\$11)	(\$11)
Net Operating Income(4)	\$6,209,472	\$7,783,036	\$9,352,937	\$10,920,913
Capitalized Value In Year 3(5)	\$73,052,613	\$91,565,125	\$110,034,553	\$128,481,330
(Less Total Development Costs)	(\$51,932,380)	(\$68,024,831)	(\$84,117,282)	(\$100,209,733)
Total Land Residual	\$21,120,233	\$23,540,295	\$25,917,271	\$28,271,597
Capitalized Value of Bonus Office Space for Scenarios Above As of Right (Total Land Residual for each Scenario - Total Land Residual for As of Right)		\$2,420,061	\$4,797,037	\$7,151,363
(Less Construction Cost of Cultural Facility @ \$200/SF)		(3,245,774)	(6,491,547)	(9,737,321)
Net Capitalized Value of Bonus Office Space to Developer		(\$825,713)	(\$1,694,510)	(\$2,585,958)
Net Capitalized Value of Bonus Office Space/SF		(\$10)	(\$11)	(\$11)

\* As of Right Scenario does not include cultural facilities

(1) Cultural facility excluded from FAR calculation so GBA > FAR \* parcel area.

(2) Although based commercial building costs are constant, as increased cultural space is built the average construction costs changes.

(3) Operating costs as listed include replacement reserve and RE taxes, but not linkage.

(4) NOI before Linkage, after RE taxes

(5) Based on NOI in yr. 3

of the financial statement.) The cost of dance or recital facilities required to build Scenario 1 is 3.2 million dollars and under Scenario 3 is 9.7 million dollars. The development benefit of the cultural amenity comes from the 80,000 to 240,000 square feet of increased floor area for income-producing uses.<sup>104</sup>

### **1. Costs of Incentive Zoning to the Developer**

Total development costs range from approximately 52 million dollars under As of Right development (without cultural facilities) to 100 million dollars under Scenario 3 in Strong Local Market conditions. Although per-unit construction costs are assumed to be constant throughout the analysis at 161 dollars per square foot, average development costs per square foot increase marginally as cultural space is added. (Unit costs might vary between buildings of different heights, but in order to keep the analysis straightforward, the costs figures were not adjusted.) Actual development costs may be higher depending on the deal struck with the City to acquire the land.

Operating expenses are also held constant across scenarios at 5 dollars per square foot, but annual increases are varied depending on market conditions of the analysis. (Fixed costs for elevator operation and building management might vary due to economies of scale, but because these variations would be slight the analysis assumes the same expenses between different development scenarios.)

The results of the analysis from the developer's point of view are summarized in Exhibits 6-2, 6-3 and 6-4. They indicate the project is not feasible as currently conceived under any market conditions. With the exception of Strong Local Market conditions (Exhibit 6-4), the land residual under As of Right development is negative. The negative land residual indicates the project does not generate enough revenues for land purchase or payment of linkage exactions. Only when rents reach 27.50 dollars per square feet or

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<sup>104</sup> The analysis assumed rents are constant regardless of building height.

EXHIBIT 6-5

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: MEASURES OF RETURN

COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
<b>Existing Market Conditions:</b>				
Return on Total Assets	9.88%	9.43%	9.15%	8.96%
Internal Rate of Return	13.55%	12.74%	12.24%	11.89%
<b>Weak Local Market Conditions:</b>				
Return on Total Assets	8.73%	8.34%	8.08%	7.91%
Internal Rate of Return	8.53%	7.78%	7.27%	6.92%
<b>Strong Local Market Conditions:</b>				
Return on Total Assets	11.96%	11.44%	11.12%	10.90%
Internal Rate of Return	20.05%	19.24%	18.72%	18.36%

\* As of Right Scenario does not include cultural facilities

capitalization rates decline to 9.75 percent in Existing Market conditions and 31.50 dollars per square foot or 7.75 percent in Weak Market conditions is the land residual positive (Appendix Exhibit 6-1 and 6-3). Even without the cost of providing cultural facilities or land, the development cost of the project is greater than its capitalized value in Existing and Weak Market conditions. Increased FAR only enlarges the negative land residual because currently prevailing office rents in the District are not high enough to offset the cost of constructing bonus space and required cultural facilities. The cost spread between 200 dollars per square foot for cultural facilities and 161 dollars per square foot for commercial space exaggerates the total development cost. The negative capitalized value in Strong Local Market conditions indicates even if the land residual were positive, the cost difference between anticipated rents and development costs is too great to create a net benefit. Decreasing cultural development costs to 180 dollars per square foot in Strong Market conditions for Scenario 1, does make the net value of additional office space positive. Perhaps surprisingly, the higher the level of development, the lower the cultural development costs must be to create a positive value (Appendix Exhibit 6-5).

Exhibit 6-5 shows how the estimated measures of return decline with increases in height and density, as the buildings provide greater cultural square feet. (These returns would decrease further if land costs were included in the model.) Even though the value of bonus office space as currently estimated is negative, the IRRs may be sufficient for a developer to initiate the project. After the District becomes less risky and rent levels reach 32.50 dollars per square feet or capitalization rates decline to 7.50 percent during otherwise characteristic Existing Market conditions for Scenario 3, the value of bonus space turns positive and returns are higher (Appendix Exhibit 6-2).

These seemingly discouraging results are created by the fact that the scenarios include up to 75 percent of additional first class office space beyond As of Right yet, only when the rents approach those for existing first class downtown office buildings or

SUMMARY EXHIBIT 6-6  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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DEVELOPER ANALYSIS: NET CAPITALIZED VALUE OF BONUS OFFICE SPACE  
 COMPARISON OF BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 10)	(FAR = 12)	(FAR = 14)
Existing Market Conditions	(\$6,480,796)	(\$12,919,438)	(\$19,404,231)
Weak Local Market Conditions	(\$9,327,273)	(\$18,789,716)	(\$28,260,552)
Strong Local Market Conditions	(\$825,713)	(\$1,694,510)	(\$2,585,958)

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\* As of Right Scenario does not include cultural facilities

capitalization rates substantially relax, is the value of additional space positive. In addition to the model's lower assumed office rents, developers are being asked to provide and carry as much as 48,000 square feet of non-income generating performing arts and dance theaters. Although these one-time fixed costs for cultural facilities can be amortized over time, their impact is significant in the short term if the developer's financial position is already strained.

## **2. Benefits of Incentive Zoning to the Developer**

The negative net benefit of additional office space after providing cultural amenity under all market conditions is summarized in Exhibit 6-6. The negative value of bonus office space under Scenario 3 in Existing Market conditions is nearly equal to the negative value of additional office space under Scenario 2 in Weak conditions. Strong Local Market conditions mitigate the negative outcomes in Weak and Existing Market conditions, but even under Scenario 3, the benefit is not large enough to provide a positive value stabilizing the pro-forma. Although the prestige of a Cultural District location suggests the potential for higher rents over time, even under the analysis of Strong Local Market conditions in the current context such benefits are financially insufficient.

EXHIBIT 6-7

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, EXISTING MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	10,000	10,000	10,000	10,000
Gross Building Area(1)	80,000	108,061	136,121	164,182
Net Building Area	75,700	101,149	126,597	152,046
SF Bonus Office Space for Scenarios Above As of Right		20,000	40,000	60,000
SF of Cultural Facility		8,061	16,121	24,182
Total Development Costs	\$12,897,196	\$16,893,750	\$20,890,303	\$24,886,857
Average Development Costs/SF(2)	\$161	\$156	\$153	\$152
Effective Gross Income	\$1,975,525	\$2,462,875	\$2,950,225	\$3,437,575
Average Income/SF	\$24.69	\$24.63	\$24.59	\$24.55
Operating Expenses(3)	(\$701,486)	(\$855,119)	(\$1,011,327)	(\$1,168,791)
Average Operating Expenses/SF	(\$8.77)	(\$8.55)	(\$8.43)	(\$8.35)
Net Operating Income(4)	\$1,274,039	\$1,607,756	\$1,938,898	\$2,268,784
Capitalized Value In Year 3(5)	\$12,740,385	\$16,077,562	\$19,388,976	\$22,687,836
(Less Total Development Costs)	(\$12,897,196)	(\$16,893,750)	(\$20,890,303)	(\$24,886,857)
Total Land Residual	(\$156,811)	(\$816,187)	(\$1,501,327)	(\$2,199,020)
Capitalized Value of Bonus Office Space for Scenarios Above As of Right		(\$659,376)	(\$1,344,516)	(\$2,042,209)
(Less Construction Cost of Cultural Facility @ \$100/SF)		(\$806,075)	(\$1,612,150)	(\$2,418,224)
Net Capitalized Value of Bonus Office Space to Developer		(\$1,465,451)	(\$2,956,665)	(\$4,460,433)
Net Capitalized Value of Bonus Office Space/SF		(\$73)	(\$74)	(\$74)

\* As of Right Scenario does not include cultural facilities

(1) Cultural facility excluded from FAR calculation so GBA > FAR \* parcel area.

(2) Although base commercial building costs are constant, as increased cultural space is built the average construction costs changes.

(3) Operating costs as listed include replacement reserve and RE taxes, but not linkage.

(4) NOI before linkage, after RE taxes

(5) Based on NOI in yr. 3

### **10,000-SQUARE-FOOT PARCEL**

The analysis of a 10,000-square-foot parcel is representative of the impact of incentive zoning on the smaller parcels in the Midtown Cultural District. The 10,000-square-foot parcel can accommodate one-quarter of the development of the larger parcel-- up to 150,000 square feet under Scenario 3 and 80,000 commercial square feet under As of Right. The maximum build would be possible with the provision of 24,000 additional square feet of cultural facilities in the form of an experimental theater or artist studios, the likely types of cultural facilities to be developed on parcels of this size.

Exhibits 6-7, 6-8 and 6-9 summarize the costs and benefits in a financial statement for this parcel under different development scenarios.

#### **1. Costs of Incentive Zoning to the Developer**

Total development costs to the developer range from approximately 13 million dollars to 25 million dollars under different development scenarios. Because the square foot development costs for an experimental theater or studio space are lower (approximately 100 dollars per square feet) than those for income-producing components of the project, average development costs decline as FAR and cultural space increase.

Average operating costs are identical to the larger development project. Actual unit costs may be higher because the proposed building is one-quarter the size of the former site and therefore does not benefit from economies of scale, but because these differences would not be great, adjustments were not made.

Estimated financial statements indicate the project is marginally feasible in Strong Local Market conditions (Exhibit 6-9). However, in both Existing and Weak Market conditions, development costs are higher than the capitalized building value (Exhibit 6-7 and 6-8). Under As of Right development in existing market conditions, the land residual is positive only when rents reach 27.50 dollars per square foot or capitalization rates fall

EXHIBIT 6-8

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, WEAK LOCAL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	10,000	10,000	10,000	10,000
Gross Building Area(1)	80,000	108,034	136,068	164,102
Net Building Area	75,700	101,127	126,554	151,981
SF Bonus Office Space for Scenarios Above As of Right		20,000	40,000	60,000
SF of Cultural Facility		8,034	16,068	24,102
Total Development Costs	\$12,854,247	\$16,837,521	\$20,820,794	\$24,855,992
Average Development Costs/SF(2)	\$161	\$156	\$153	\$151
Effective Gross Income	\$1,740,542	\$2,169,922	\$2,599,304	\$3,028,685
Average Income/SF	\$22	\$22	\$22	\$22
Operating Expenses(3)	(\$615,982)	(\$755,242)	(\$896,418)	(\$1,038,526)
Average Operating Expenses/SF	(\$8)	(\$8)	(\$8)	(\$7)
Net Operating Income(4)	\$1,124,559	\$1,414,680	\$1,702,886	\$1,990,158
Capitalized Value In Year 3(5)	\$9,778,776	\$12,301,566	\$14,807,704	\$17,305,725
(Less Total Development Costs)	(\$12,854,247)	(\$16,837,521)	(\$20,820,794)	(\$24,855,992)
Total Land Residual	(\$3,075,471)	(\$4,535,955)	(\$6,013,090)	(\$7,550,267)
Capitalized Value of Bonus Office Space for Scenarios Above As of Right		(\$1,460,484)	(\$2,937,620)	(\$4,474,796)
(Total Land Residual for Each Scenario - Total Land Residual for As of Right)				
(Less Construction Cost of Cultural Facility @ 100/SF		(\$803,390)	(\$1,606,781)	(\$2,410,171)
Net Capitalized Value of Bonus Office Space to Developer		(\$2,263,874)	(\$4,544,400)	(\$6,884,967)
Net Capitalized Value of Bonus Office Space/SF		(\$113)	(\$114)	(\$115)

\* As of Right Scenario does not include cultural facilities

(1) Cultural facility excluded from FAR calculation so GBA > FAR \* parcel area.

(2) Although base commercial building costs are constant, as increased cultural space is built the average construction costs changes.

(3) Operating costs as listed include replacement reserve and RE taxes, but not linkage.

(4) NOI before linkage, after RE taxes

(5) Based on NOI in yr. 3

EXHIBIT 6-9  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

DEVELOPER ANALYSIS: ESTIMATED FINANCIAL STATEMENTS, STRONG LOCAL MARKET CONDITIONS, YEAR 3  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Parcel Land Area	10,000	10,000	10,000	10,000
Gross Building Area(1)	80,000	108,114	136,229	164,343
Net Building Area	75,700	101,192	126,683	152,175
SF Bonus Office Space for Scenarios Above As of Right		20,000	40,000	60,000
SF of Cultural Facility		8,114	16,229	24,343
Total Development Costs	\$12,983,095	\$17,006,208	\$21,029,320	\$25,052,433
Average Development Costs/SF(2)	\$162	\$157	\$154	\$152
Effective Gross Income	\$2,420,538	\$3,017,670	\$3,614,802	\$4,211,934
Average Income/SF	\$30	\$30	\$30	\$30
Operating Expenses(3)	(\$868,170)	(\$1,049,787)	(\$1,235,286)	(\$1,422,676)
Average Operating Expenses/SF	(\$11)	(\$10)	(\$10)	(\$10)
Net Operating Income(4)	\$1,552,368	\$1,967,883	\$2,379,516	\$2,789,258
Capitalized Value In Year 3(5)	\$18,263,153	\$23,151,565	\$27,994,302	\$32,814,805
(Less Total Development Costs)	(\$12,983,095)	(\$17,006,208)	(\$21,029,320)	(\$25,052,433)
Total Land Residual	\$5,280,058	\$6,145,357	\$6,964,982	\$7,762,372
Capitalized Value of Bonus Office Space for Scenarios Above As of Right (Total Land Residual for Each Scenario - Total Land Residual for As of Right)		\$865,299	\$1,684,923	\$2,482,314
(Less Construction Cost of Cultural Facility @ \$100/SF)		(811,443)	(1,622,887)	(2,434,330)
Net Capitalized Value of Bonus Office Space to Developer		\$53,856	\$62,036	\$47,983
Net Capitalized Value of Bonus Office Space/SF		\$3	\$2	\$1

\* As of Right Scenario does not include cultural facilities

EXHIBIT 6-10  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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DEVELOPER ANALYSIS: MEASURES OF RETURN  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
-----				
Existing Market Conditions:				
Return on Total Assets	9.88%	9.52%	9.28%	9.12%
Internal Rate of Return	13.55%	12.91%	12.48%	12.81%
Weak Local Market Conditions:				
Return on Total Assets	8.75%	8.40%	8.18%	8.01%
Internal Rate of Return	8.57%	7.90%	7.46%	7.12%
Strong Local Market Conditions:				
Return on Total Assets	11.96%	11.57%	11.32%	11.13%
Internal Rate of Return	20.05%	19.45%	19.04%	18.75%

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\* As of Right Scenario does not include cultural facilities

EXHIBIT 6-11  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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DEVELOPER ANALYSIS: NET CAPITALIZED VALUE OF BONUS OFFICE SPACE  
COMPARISON OF BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 10)	(FAR = 12)	(FAR = 14)
-----			
Existing Market Conditions	(\$1,465,451)	(\$2,956,665)	(\$4,460,433)
Weak Local Market Conditions	(\$2,263,874)	(\$4,544,400)	(\$6,884,967)
Strong Local Market Conditions	\$53,856	\$62,036	\$47,983

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\* As of Right Scenario does not include cultural facilities

to 9.75 percent. Rents must rise to 31.50 dollars per square foot or cap rates fall to 7.75 percent for the value of As of Right development in Weak Market conditions to break even with development costs (Appendix Exhibit 6-6 and 6-8). The development cost spread between 161 dollars per square feet for commercial and 100 dollars per square feet for cultural facilities lowers the per unit total development costs, but when the land residual for increased office space is negative, the gap is too small. Even if the cultural development costs were as low as 60 dollars per square foot, the value of additional office space would remain negative (Appendix Exhibit 6-7 and 6-9).

Exhibit 6-10 indicates that the estimated rates of return for the smaller parcel are similar to those of the previous analysis. Once again, they decline with additional FAR and increased cultural facilities. Rents in Existing Market conditions under Scenario 3 must be close to 32.00 dollars per square foot in order for additional office space to create positive return. However, if the District does not development quickly and Weak Market conditions prevail with capitalization rates above 7.25 percent, the value of office space beyond the As of Right level will remain negative (Appendix Exhibit 6-7 and 6-9).

## **2. Benefits of Incentive Zoning to the Developer**

Benefits to the developer for bonus office space are summarized in Exhibit 6-11. With the exception development in Strong Market conditions, the net benefit is negative. The negative value of additional office space in Existing conditions is comparable to the value at the lower level of development in Weak market conditions, i.e., in Existing conditions under Scenario 3, the negative value is approximately the same as the negative value in Weak conditions under Scenario 2. In Strong Market conditions developers of the 10,000-square-foot parcel can anticipate the greatest total value from additional office space under Scenario 2 development. However, the value per square foot of additional space is marginally better for development under the Scenario 1 level. In comparison to the 40,000-square-foot parcel, the developer of the 10,000-square-foot parcel may marginally

benefit from lower land costs than a developer acquiring an already assembled larger parcel.

## **SUMMARY**

This analysis demonstrates that only when market conditions are strong, cultural development costs relatively low, and parcel sizes relatively small, does the prescribed zoning formula provide ample incentive to leverage the development of cultural facilities. Under all other market conditions and development scenarios the subsidy of incentive zoning is insufficient to encourage cultural development. Long-term potential for returns, may be greater, but in the short-term the development cost for constructing relatively large first-class office sites and cultural facilities is less than the value to the developer of increased office density in the deteriorated Cultural District market. Increasing the FAR does not have a positive impact because the prevailing rents in the District are not substantial enough to offset the additional development cost of office and cultural space. Despite these financial issues, the political benefit of including cultural facilities may provide an additional incentive to the developer if the public approval process is shorter.

EXHIBIT 7-1  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL  
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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Existing Market Conditions	\$1,384,284	\$1,719,616	\$2,054,949	\$2,390,281
Weak Local Market Conditions	\$1,028,338	\$1,276,665	\$1,524,991	\$1,773,318
Strong Local Market Conditions	\$2,077,721	\$2,583,033	\$3,088,346	\$3,593,658

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\* As of Right Scenario does not include cultural facilities

## CHAPTER 7 INCENTIVE ZONING: THE CITY'S POINT OF VIEW

From Boston's perspective the benefits from incentive zoning for incentive zoning are much easier to quantify than their associated costs. Not only does the city benefit from the redevelopment of a blighted downtown area with minimal investment of public funds, but it also has the potential to broaden its tax base and increase its employment pool. From the city's perspective, the costs of incentive zoning pertain to the additional drain on municipal services, and environmental and land-use qualitative considerations. This analysis focuses on an evaluation of the impact of incentive zoning on local real estate and personal income tax revenues in Massachusetts, and does not consider the qualitative impacts.

### 40,000-SQUARE-FOOT PARCEL

#### **A. Benefits of Incentive Zoning to the City**

##### **1. Real Estate Tax Benefit**

Real estate tax benefits vary considerably depending on development levels and different market conditions. (Exhibit 7-1 shows the potential Boston real estate tax revenues for a stabilized year of operation in different market conditions.)<sup>105</sup> Comparison of these revenues indicates that in Existing Market conditions under Scenario 2, the level of anticipated tax revenue is 2 million dollars and is comparable to the amount estimated in Strong Market conditions under As of Right development. Under Scenario 1 in Existing Market conditions, the tax level is 1.7 million dollars, close to what is expected under Weak Market conditions in Scenario 3. There is more than a 160 percent difference in City

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<sup>105</sup> These total real estate tax revenues do not net out the current real estate tax payment on vacant land.

EXHIBIT 7-2

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: EMPLOYMENT GENERATED, ALL MARKET CONDITIONS  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Construction Employment	297	371	445	518
Permanent Employment	1,414	1,793	2,173	2,553

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\* As of Right Scenario does not include cultural facilities

tax revenues between the lowest and the highest revenue producing scenario.<sup>106</sup>

## **2. Employment Generated**

The model accounts for construction and permanent jobs created by the development project. While the number of jobs created is not directly factored into the analysis as a benefit from the City's perspective, this estimate is necessary in order to calculate its increased share of state taxes. The number of new jobs created varies according to the scale of the proposed development. The number of construction jobs is three-quarters higher under the Scenario 3 development level than under As of Right. The number of permanent jobs is four-fifths higher under Scenario 3 than As of Right (Exhibit 7-2).

To calculate the potential number of construction jobs, 23 percent of the construction hard costs are assumed allocated to wages.<sup>107</sup> Dividing total wages in each scenario by the 1986 annual construction wage of 29,760 dollars, gives the estimate of the number of jobs created.<sup>108</sup> Estimated construction jobs range from 297 under As of Right development to 518 under Scenario 3.

The anticipated number of permanent jobs is based on the square footage requirements of different occupations varying from 220 square feet per office worker, 440 square feet per retail employee to 1000 square feet per cultural employee.<sup>109</sup> Permanent jobs are estimated at 1,414 under As of Right development and 2,553 under Scenario 3. This analysis assumes different market conditions have no impact on the number of jobs created.

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<sup>106</sup> The real estate tax payment is calculated by capitalizing the net income stream and multiplying by the current tax rate of \$21.65 per \$1000 of commercial value. This method of capitalizing a building's net income stream is referred to as the capitalization method for assessing value.

<sup>107</sup> Interview with John Avault, Boston Redevelopment Authority, Research Department, 7/88.

<sup>108</sup> 1986 Area Wage Survey of the Construction Industry.

<sup>109</sup> Interview with John Avault, 7/88.

EXHIBIT 7-3  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: PERSONAL TAX REVENUES, ALL MARKET CONDITIONS  
 COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Income Tax Revenues	\$221,093	\$280,487	\$339,881	\$399,275
Sales Tax Revenues	\$25,506	\$25,506	\$25,506	\$25,506
Total Personal Tax Revenues	\$246,599	\$305,993	\$365,387	\$424,781

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\* As of Right Scenario does not include cultural facilities

### **3. Personal Tax Benefit**

Increased employment benefits the City in a fiscal sense because it receives a proportion of both the State income tax and the State retail sales tax. Because the amount of retail space is constant for each FAR, City revenues from retail sales tax are assumed constant between scenarios. The difference between As of Right personal tax benefits and Scenario 3 is 180,00 dollars (Exhibit 7-3).

The total number of permanent employees times the average income (\$23,000) times 80 percent gives an estimate of the total taxable income. This income is taxed by the State at a rate of five percent and of these revenues approximately seventeen percent are allocated to the City of Boston. A similar system is used to distribute revenues from the State retail sales tax to the City. The number of retail employees times 60,015 dollars, (the 1986 ratio of retail sales/employee), approximates the total retail sales volume for the hypothetical development. Of the total sales, five percent is taxed by the State sales tax, and approximately seventeen percent of these taxes is returned to the City.<sup>110</sup>

### **4. Other Benefits**

Cities other than Boston also benefit from a designated hotel taxes and sales tax on entertainment ticket sales. In Boston the State levies approximately a six percent hotel tax and the City adds to this a four percent local tax. Although cities, like San Francisco designate a certain percentage of these tax revenues to the arts, in Boston all revenues are contributed to the General Fund for necessary city services including education, police and fire protection. It is unlikely a designated tax would ever be implemented in Boston because of the dependency of the City budget are existing tax generating sources.<sup>111</sup>

The City currently taxes five percent on all sales of goods over 100 dollars. In 1984

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<sup>110</sup> Interview with Gregory Perkins, Boston Redevelopment Authority, Research Department, 6/88.

<sup>111</sup> Interview with Catherine Royce, 7/22/88.

EXHIBIT 7-4  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: FISCAL IMPACTS-RE TAX REVENUES & PERSONAL TAX REVENUES, STABILIZED YEAR OF OPERATION  
 COMPARISON OF AS OR RIGHT WITH BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Existing Market Conditions	\$1,630,883	\$2,025,609	\$2,420,336	\$2,815,062
Weak Local Market Conditions	\$1,274,937	\$1,582,658	\$1,890,378	\$2,198,099
Strong Local Market Conditions	\$2,324,320	\$2,889,026	\$3,513,127	\$3,593,658

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\* As of Right Scenario does not include cultural facilities

there was limited interest in an entertainment tax to broaden the City tax base, but the arts community was adamantly opposed because of its impact on raising tickets. At that time the proposal was defeated and because of continued arts opposition it is not likely to be reconsidered.

Linkage payments for employment training and housing are not calculated as a benefit to the city because they are directly allocated to the impacted community. It is also unclear whether the City will be able to exact payments from developers based on the prescribed linkage formula in addition to requiring cultural facilities. Whether or not this assumption is accurate is a function of the ultimate political will of the City.

#### **5. Net Benefits**

Net fiscal benefits for the city are the combined estimated of revenues for real estate and personal taxes. The potential fiscal benefits for the City in Strong Market conditions under Scenario 3 are almost 3.6 million dollars. This level is over double what is estimated for City revenues in Existing Market conditions under As of Right development (Exhibit 7-4).

#### **B. Costs of Incentive Zoning to the City**

The costs of incentive zoning to the city are largely attributed to the expense of additional municipal services including utilities, transportation, fire and police protection due to increased office space and additional employees from office development beyond as of right. Additional costs relating to the environmental considerations of increasing congestion and deteriorating air and water quality are also significant, but not quantitatively evaluated. Additional strain on the public transportation is the most easily quantified and also the most directly impacted by office development beyond as of right.

As Kayden states:

*The marginal costs of providing municipal services such as water and sewer services, sanitation, police and fire protection are negligible...Provision of subway*

EXHIBIT 7-5

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: TRANSPORTATION DEMAND, ALL MARKET CONDITIONS  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL  
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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Employees Using Public Transit	424	538	652	766

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\* As of Right Scenario does not include cultural facilities

*public transportation is the cost potentially most affected by an incentive zoning policy.*<sup>112</sup>

### **1. Public Transportation Costs**

Thirty percent of downtown employees are estimated to be Massachusetts Bay Transportation Authority (MBTA) public transit commuters. Depending on the total project size, the employees likely to use public transit range from 479 under As of Right development to 766 under Scenario 3 (Exhibit 7-5).<sup>113</sup> The number of employees beyond As of Right conditions is relatively small in relation to the 1986 estimate of 600,000 total weekday riders on the MBTA system.<sup>114</sup> A larger portion of employees in the Midtown Cultural District could conceivably use public transportation in the future given the District's proximity to three different "T" lines. Additionally, the Central Artery/Third Harbor Tunnel and the South Station Project is expected to expand public transit ridership city-wide as more commuters look for alternatives to the private automobile.

Capital costs for MBTA vehicles are typically incurred by the State. However, the additional demand on the MBTA system is likely to impact the City through operating expenses for which the City pays in proportion to its use. However, the assertion that there would be additional costs is based on the premise that the MBTA is currently at its peak capacity and would be unable to accommodate additional riders without increasing its current number of staff and vehicles. All of these factors contribute to make it impossible to establish a cost to the city for increased transit usage.

### **2. Other Costs**

Other costs to the city include increased demand for water and sewage services, police protection and fire protection. The impact of the additional office space and the

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<sup>112</sup> Jerold S. Kayden, Incentive Zoning in New York City: A Cost-Benefit Analysis, p. 54.

<sup>113</sup> Total number of rides for the project would be twice this number.

<sup>114</sup> Massachusetts Bay Transportation Authority, 1985 Annual Report.

additional 1,100 permanent workers due to incentive zoning on these other city services is assumed negligible. The impact on these services for the District as a whole is much greater.

**C. Net Impact of Incentive Zoning to the City**

For the costs of incentive zoning to outweigh the fiscal benefits, these costs would have to exceed the 2 million dollars of revenue beyond As of Right development under Scenario 3. This outcome is unlikely because of the relatively small costs associated with the additional number of employees.

EXHIBIT 7-6  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

CITY ANALYSIS: REAL ESTATE TAX REVENUES, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Existing Market Conditions	\$346,071	\$429,904	\$513,737	\$597,570
Weak Local Market Conditions	\$257,085	\$319,166	\$381,248	\$443,329
Strong Local Market Conditions	\$519,430	\$645,758	\$772,086	\$898,414

\* As of Right Scenario does not include cultural facilities

EXHIBIT 7-7  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

CITY ANALYSIS: EMPLOYMENT GENERATED, ALL MARKET CONDITIONS  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Construction Employment	74	93	111	130
Permanent Employment	353	452	551	650

\* As of Right Scenario does not include cultural facilities

EXHIBIT 7-8  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

CITY ANALYSIS: PERSONAL TAX REVENUES, ALL MARKET CONDITIONS  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Income Tax Revenues	\$55,273	\$70,752	\$86,231	\$101,710
Sales Tax Revenues	\$6,377	\$6,377	\$6,377	\$6,377
Total Personal Tax Revenues	\$61,650	\$77,129	\$92,608	\$108,087

\* As of Right Scenario does not include cultural facilities

## 10,000-SQUARE-FOOT PARCEL

### **A. Benefit of Incentive Zoning to the City**

The benefits to the City for the 10,000-square-foot parcel, are one-quarter less for real estate tax revenue, construction employment and sales tax revenue than for the 40,000-square-foot larger parcel. For permanent employment and income tax revenues the benefit is slightly greater than one-quarter because of the different requirements for cultural facility space. (Exhibits 7-6, 7-7 and 7-8).

Total fiscal impacts including real estate tax and property tax revenue vary depending on market conditions and development levels. The City could potentially benefit from 1 million dollars in revenues in Strong Market conditions under Scenario 3. The estimated revenues in Existing Market conditions under Scenario 3 are nearly comparable to those calculated in Strong Market conditions under Scenario 1 (Exhibit 7-9).

### **B. Costs of Incentive Zoning to the City**

Accordingly to the calculation of costs in the previous analysis for the 40,000-square-foot parcel, the costs of incentive zoning are zero. (Exhibit 7-10).

### **C. Net Impact of Incentive Zoning to the City**

The anticipated fiscal benefits to the City due to incentive zoning are far greater than the associated cost of increased transit usage. Even though these revenues could decline by fifty percent depending on local market conditions, the anticipated benefits are still greater than the costs of increased transit usage and demand on city services.

EXHIBIT 7-9

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: FISCAL IMPACTS-RE TAX REVENUES & PERSONAL TAX REVENUES, STABILIZED YEAR OF OPERATION  
 COMPARISON OF AS OF RIGHT WITH BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Existing Market Conditions	\$407,721	\$507,033	\$606,345	\$705,656
Weak Local Market Conditions	\$318,735	\$396,295	\$473,856	\$551,415
Strong Local Market Conditions	\$581,080	\$722,887	\$864,694	\$1,006,500

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\* As of Right Scenario does not include cultural facilities

EXHIBIT 7-10

MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: TRANSPORTATION DEMAND, ALL MARKET CONDITIONS  
 COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

=====

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Employees Using Public Transit	106	136	165	195

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\* As of Right Scenario does not include cultural facilities

## **SUMMARY**

The analysis above is based on several key assumptions that significantly affect the calculation of net costs and benefits to the City. First, high office occupancy rates are assumed to characterize additional development of the District. If new development is leased slowly and fewer additional workers work downtown any corresponding drain on existing infrastructure and public transportation facilities will be reduced. Alternatively, if new development creates a transfer of employees from one part of Boston to another, rather than a net increase, service costs also will be lower. Second, depending on the method for assessing value of underutilized buildings, City real estate tax revenues may also be lower than estimated. Third, because the analysis focuses on the impact of one project rather than evaluating the aggregate of a number of projects, the benefits of incentive zoning will always outweigh their associated costs. Finally, because the model only considers the City's net revenues it does not consider the consequences of incentive zoning to the environmental objectives of the city as a whole. To capture the net benefit of the citizens of Boston, the boundary of the cost-benefit analysis has to be drawn more broadly to include much more than the City's tax revenue interests.

## **CHAPTER 8 INCENTIVE ZONING: THE OTHER PERSPECTIVES**

Of the three groups considered, an analysis of the incentive zoning from the community's perspective is the least easily quantified. Nevertheless, the City should also be concerned about the relative costs and benefits of the proposed zoning incentives on interest groups other than developers and itself. As opposed to the economic calculations of the previous two chapters, the analysis of the Chinatown, the arts community, and the business community is a political one. Undoubtedly, the City will have to make tradeoffs among the interests of these groups, but it should do so with as complete an understanding as possible of the likely costs and benefits to each. In this section, the interest groups most clearly affected by the proposed zoning policy and the costs and benefits for each are qualitatively assessed. The chapter discusses the positive impacts of incentive zoning with regard to cultural facilities, expanded business and employment opportunities, residential development, and historic preservation. Externalities including appreciating property values, increasing congestion, declining sunlight and diminishing public open space will also be considered with respect to the Midtown boundaries.

### **A. Chinatown Community**

The benefits of incentive zoning to the Chinatown community are expanded retail opportunities, job training, affordable housing, and, although not explicitly stated by the Midtown Cultural District Plan, eradication of the Combat Zone. Since Chinatown retail rents are 15 dollars per square foot, and retail rents for this analysis were estimated at 35 dollars per square foot, changes in FAR beyond as of right could create additional developer revenues, potentially providing subsidy to enable Chinatown retail to afford expansion into the adjacent Cultural District. Additionally, linkage funds in the form of job training and housing generated from supplemental commercial development of the

District could be specifically designated for Chinatown residents. Lastly, elimination of the Combat Zone as a result of more profitable uses, would improve the safety and physical quality of the Chinatown community.

The costs to the Chinatown community include appreciating property values, increased congestion, and deteriorating environmental conditions. The combination of rising land values, low vacancy rates and the large number of renters in the neighborhood could lead to gentrification and displacement of low income Chinatown tenants. Property owners in Chinatown, however, would regard appreciation of property values as a benefit. Development at any level in the area could further strain the already over-burdened Chinatown street system. As a result, environmental impacts related to air quality and access to sunlight and open space could be significant.

It is impossible to determine the precise magnitude of these issues without a specific quantification on a building by building basis for the entire District. However, if the impact of property appreciation, increased traffic, and environmental spillover is greater than the benefit of subsidy for retail establishments, net increase in linkage payments beyond As of Right development, property appreciation to owners, and capital investment for area-wide physical improvements, the negative consequences of incentive zoning outweigh their associated benefits. Because of the potential for cumulative impacts over-time, particularly pertaining to the impact of increased property values on renters, it would not be surprising if the associated costs of incentive zoning turn out to be greater than their benefits. Additionally, because this analysis only considers one parcel, many parcels together would affect these impacts more than the simple sum of effects from individual parcels.

## **B. Arts Community**

The primary benefit of incentive zoning to the arts community is the provision of cultural facilities. The proposed number and type of cultural facilities seeks to respond to the varying administrative, rehearsal and performance needs of the performing and visual arts groups of the city. Whether the cultural facilities as prescribed by the District Plan will have any measurable increase on attendance at cultural events, creating additional arts benefits rather than just transferring them from different locations remains to be seen, but the provision of physical facilities is universally regarded as a benefit by the arts community.<sup>115</sup>

The costs of incentive zoning for the artists are the potential loss of control as a result of facilities being part of privately developed mixed-use development projects. This is not a cost in comparison to no facility at all, but it is a cost compared to an unrestrained facility. Because developers have interest in the type and quality of groups performing in their spaces, arts groups might have to allow private developers to determine issues of programming and management of facilities.

On net, the impact to the arts community is positive. If the value of physical facilities is equated to development cost, then the nine million dollar cost for providing 48,000 square feet of cultural facilities in Existing Market conditions under Scenario 3, outweighs the loss of management and programming control. Alternatively the value of cultural facility could be determined by the number of ticket sales at each facility or the increased employment opportunities for visual and performing artists. Regardless of the calculation method, the arts community is likely to support additional height and density if the additional level of development encourages cultural objectives.

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<sup>115</sup> Additional benefits of increased audience attendance may include higher salaries as a result of greater demand for performing and visual artists.

### **C. Midtown Business Community**

The benefits of incentive zoning to the Midtown business community are the expanded business opportunities for new entrepreneurs not currently members part of the Midtown business community, physical upgrading, and cultural facilities. Additional business establishments located in the Midtown area, particularly to lower Washington Street area would potentially create a critical mass of retail activity drawing people to the District. Capital investment for streetscape improvements including public open space, outdoor furniture and lighting could potentially lessen the negative perception of the Combat Zone. And finally, cultural facilities will create a vibrant and appealing cultural and entertainment environment attracting city residents and visitors from throughout the region. All these benefits create value for the business community by contributing to a more desirable economic, physical and social Midtown District.

The costs to the business community are the increased congestion and environmental implications of development beyond as of right conditions. The impact of more crowded surface streets and public transit and deteriorating air quality may dissuade potential consumers from coming to the Cultural District.

### **D. Historic Preservationists**

Historic preservationists, although not as important as the other groups, regard incentive zoning as offering the potential for restoration of significant historic structures in the District. The goals of this group are being met by proposed zoning requiring rehabilitation of historic structures as one option in return for development beyond as of right.

The costs to the historic buildings are the environmental consequences of additional development. The impact of increased shadow and wind and deteriorated air quality would negatively impact the District's low-scale historic structures.

The incremental increase in negative impacts as a result of incentive zoning is minimal. Therefore, the potential for restoration of architecturally significant buildings which otherwise would not occur is greater than the increase in negative impacts.

## **SUMMARY**

In determining incentive zoning which is appropriate for the District as a whole, it is important to account for its impact on each group in order to accurately determine the policy's net impact. Three of the four groups analyzed illustrate the potential for incentive zoning benefits to be greater than their associated costs. The negative consequences to Chinatown may overwhelm the neighborhood benefit. Assuming maintaining the Chinatown neighborhood is an important public policy, the City must address the need to provide an appropriate incentive zoning tradeoff. Whether linkage contributions could be required instead of cultural facilities has not been determined, but future discussions should address this possible alternative.

## CONCLUSION

When the BRA released preliminary zoning and a draft plan for the Midtown area on July 14, 1988, neighborhood, business, arts, and development groups welcomed the long awaited arrival of these Midtown documents. At last, they would have the opportunity to critically review what the Boston Redevelopment Authority and the Office of Arts and Humanities have been planning for the last two years. Despite the optimism over these public documents, uncertainty remains pertaining to specific implementation of the Cultural District objectives.

The proposed incentive zoning formula is limited in its ability to stimulate cultural development. Only when market conditions are strong and cultural development costs relatively low does the zoning formula provide adequate subsidy to encourage the development of cultural facilities. In both weak and existing market conditions, the cost of building major cultural facilities far exceeds the benefit created by zoning. On the other hand, once the District matures and rents rise to comparable levels of downtown first-class office space, incentive zoning would be an effective policy alternative for cultural development.

Such outcomes might suggest increasing the allowable FAR as a viable policy alternative. However, in this context this change would be ineffective since, regardless of project height, anticipated near-term, rents would not be great enough to compensate for the development cost of additional office space.

As a result, the City must recognize the initial risk of development of the District and ought to reassess its plan for exclusive reliance on the private sector. After establishing realistic expectations of how much risk the private sector can assume, the City should then formulate an appropriate public-private strategy for interim development of the District.

Several financial tools are available whereby the City would share in the risks of the

District's development. First, the City could assist in financing development by establishing long-term lease agreements with Cultural District developers. If the City made financial assistance directly, developers could leverage City leases to benefit from lower front-end costs, reduced financing expenses and possibly higher equity returns. As a co-developer of the parcel, the City would benefit from maintaining closer control of the development, retaining a share in potential profits through rental income and appreciation of property value, and having the political benefit of being a long-term participant in the rebuilding of Midtown.<sup>116</sup>

Next, the City could make their tax-exempt borrowing status available to District developers. Tax-increment revenue bonds are not a likely financing option for reasons discussed previously. And the potential for access to other non-taxable bond funding such as lease revenue bonds has been restricted by the 1986 Tax Act. However, tax-exempt public financing sources that are available should be accessible to developers of the District.

Without assuming full or partial ownership responsibility, the City could act as an investor in the District's development. In return for assisting in financing of capital and operating costs, the City could participate in future gross revenues, net cash flows or retail rents. This technique could provide the opportunity for the City to share in District returns by participating in both income and property taxation benefits.

In addition to these financial strategies, the City should reassess to what extent it is reasonable to expect developers to assist in meeting the city's social objectives. The proposed incentive zoning policy requiring cultural development **in addition** to existing requirements for housing and job training linkage is financially excessive, given the estimated returns for development of the District. The multiple demands of community

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<sup>116</sup>. For an argument showing why this is desirable and how it is possible, see Bernie J. Frieden and Lynne B. Sagalyn, Downtown Shopping Malls and the New Public-Private Strategy, (MIT Department of Urban Studies and Planning--unpublished), p. 22.

groups need to be effectively managed to determine an appropriate public amenity contribution level for District developers.

Ultimately, the City may need to engage in deal-making with the private sector, combining the strategies discussed above. Such negotiating could potentially involve the establishment of a new independent public authority specifically responsible for overseeing the District's development. Regardless of the administrative development structure, for the City to obtain the larger, more costly cultural facilities, final agreements must focus on lessening the private sector share of the cost of public benefit. For the City to demonstrate its commitment to cultural objectives, it must be willing to invest its own funds in the development risks of the area.

The Cultural District project is an important opportunity to bring together community needs and private development objectives to attain a cultural vision. The multifaceted plan for residential, commercial and cultural development carefully articulates the objectives of each of these groups. Without an increased share of the development responsibility carried by the public sector, however, requiring cultural facilities in return for bonus space in a downzoned, depressed, development area is unreasonable and makes attainment of the Cultural District in the current market infeasible.

## INTERVIEWS

Simone Auster; Vice President Community Development, Greater Boston Chamber of Commerce

Barbara Barros; Boston Redevelopment Authority

Rita Caviglia; Boston Redevelopment Authority

Larry DiCara; Dicara, Selig, Sawyer and Holt

Antonio DiMambro; Comunitas

Tarry Hum; Executive Director, Chinatown Neighborhood Council

Bethany Kendall; Executive Vice President, Downtown Crossing Association

Rebecca Lee; Rebecca A. Lee & Associates

Ann Levine; Director of Planning, New England Medical Center

David Ross; Director, Institute of Contemporary Art

Catherine Royce; Director of Industries and Cultural Facilities, City Office of the Arts and Humanities

Jeane Muller Ryan; Treasurer, Boston Theatre District Association

Peter Schlesinger; Boston Redevelopment Authority

Eric Schmidt; Boston Redevelopment Authority

Donna Summer; Executive Director, Stage Source

Diana Tracey; Benjamin Thompson Associates

Alex Twining; Senior Vice President, F.D. Rich Company

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**APPENDIX EXHIBITS**

APPENDIX EXHIBIT 1-1  
FIVE FORMS OF CULTURAL DEVELOPMENT

FORM OF DEVELOPMENT	CITY	NAME OF DEVELOPMENT	NAME OF ARTS FACILITY	PUBLIC SECTOR TOOLS
CULTURAL FACILITY	New Haven, Connecticut		Shubert Theater	City Funding Economic Development Actions Grant Tax Shelter Syndication Non-Profit Corporation
MIXED-USE BUILDING	New York, New York	Museum of Modern Art/ Residential Tower	Museum of Modern Art	Sale of Air Rights Trust for Cultural Resources Payment in lieu of Taxes from Developed Property
MIXED-USE DEVELOPMENT	Costa Mesa, California (200 Acres)	South Coast Plaza	South Coast Repertory Theater Orange County Performing Arts Center California Scenario	Land & Financial Donors Tax Exempt Bonds Waived Building Fees FAR Exemptions for Cultural Components
MIXED-USE DEVELOPMENT	San Diego, California (11 Acres)	Horton Plaza	Lyceum Theater San Diego Art Center	Tax Allocation Bonds Urban Development Action Grant Tax Increment Financing Non-Profit Centre City Development Corporation Horton Plaza Theatres Foundation
MIXED-USE DEVELOPMENT (Proposed)	San Francisco, California (11 Acres)	Yerba Buena Gardens	Yerba Buena Gardens Cultural Center	Public Agency Assumed Operating Costs of Cultural Facilities
CULTURAL CENTER	New York, New York (4 Acres)	South Street Seaport	South Street Seaport Museum	Urban Development Action Grant State/City Assistance in Land Assembly Transfer Air Rights Federal Grants Special Zoning District Non-Profit Corporation
CULTURAL CENTER	Winston-Salem, North Carolina	Winston Square Arts Complex	Steven's Center for Performing Arts Sawtooth Center for Visual Design Winston Square Park	Investment Tax Credits General Revenue Sharing Funds Community Development Block Grant
CULTURAL DISTRICT	New York, New York	Special Theater District	Uris Theater Minskoff Theater American Place Theater	Special District Zoning with Height Bonuses for Preservation or Development of Theaters
CULTURAL DISTRICT	Cleveland, Ohio (60 Acres)	Playhouse Square	State Theater Palace Theater Ohio Theater	Local Foundation Grants Urban Development Action Grant County Economic Development Action Grant State Funding Non-Profit Corporation General Obligation Bonds Economic Development Assistance
CULTURAL DISTRICT	Dallas, Texas (61.7 Acres)	Dallas Arts District	Dallas Museum of Art Morton M. Myerson-- Symphony Center Dallas Theater Center LTV Pavilion	Bond Funding City Subsidizes Capital Costs & Operating Costs
CULTURAL DISTRICT	Pittsburgh, Pennsylvania	Downtown Cultural District	Heinz Hall Benedum Center (Stanley Theater) Fulton Theater	Endowment Investment Allocation of Real Estate Taxes to Cultural District Development City-County Bonds Urban Development Action Grant Transfer Air rights Trust for Cultural Resources

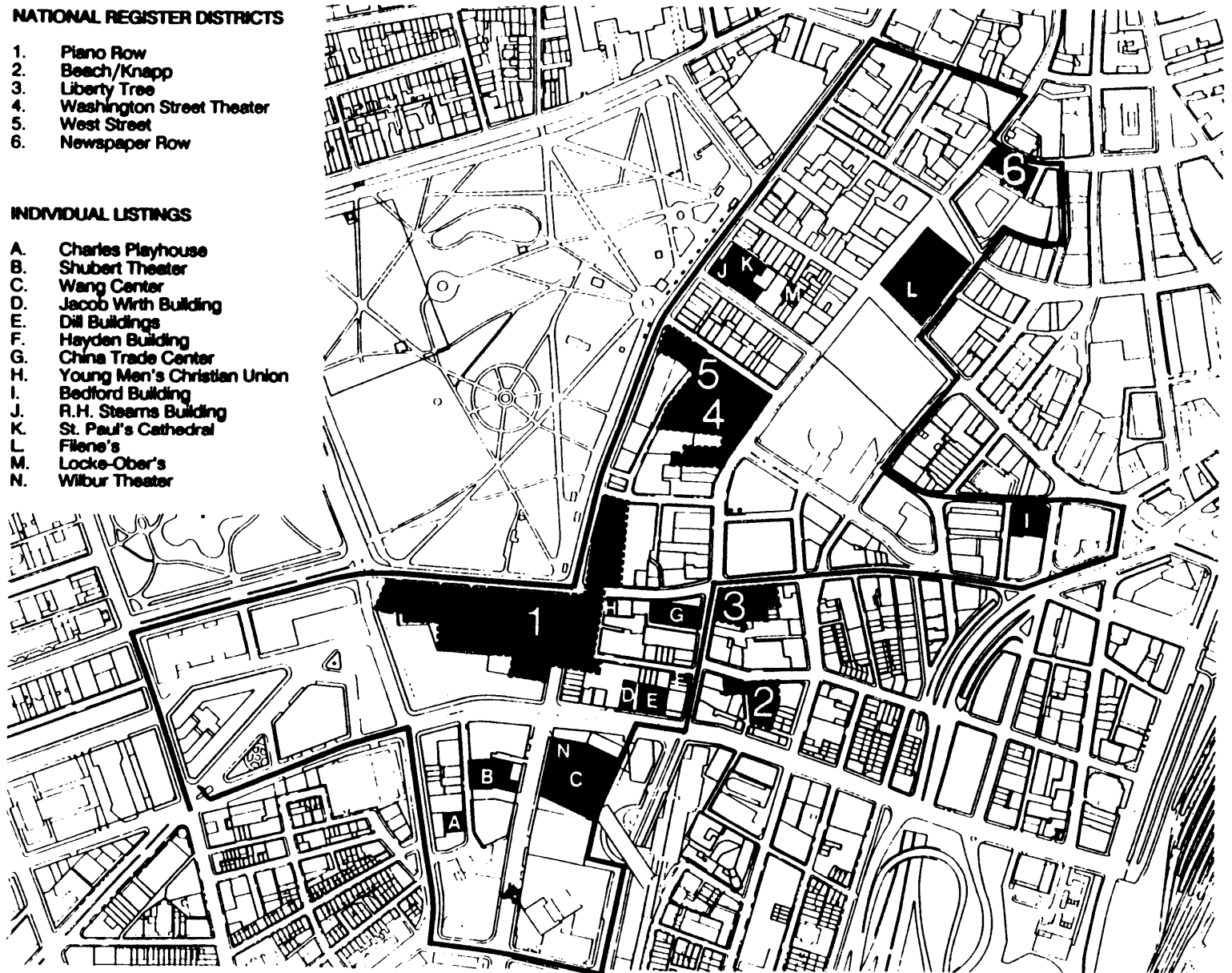
Source: The City as a Stage: Strategies for the Arts in Urban Economics,  
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**NATIONAL REGISTER DISTRICTS**

- 1. Piano Row
- 2. Beach/Knapp
- 3. Liberty Tree
- 4. Washington Street Theater
- 5. West Street
- 6. Newspaper Row

**INDIVIDUAL LISTINGS**

- A. Charles Playhouse
- B. Shubert Theater
- C. Wang Center
- D. Jacob Wirth Building
- E. Dill Buildings
- F. Hayden Building
- G. China Trade Center
- H. Young Men's Christian Union
- I. Bedford Building
- J. R.H. Stearns Building
- K. St. Paul's Cathedral
- L. Filene's
- M. Locke-Ober's
- N. Wilbur Theater



APPENDIX EXHIBIT 5-1  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, HYPOTHETICAL DEVELOPMENT OF 40,000 SF PARCEL, WEAK LOCAL MARKET CONDITIONS

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As of Right Scenario*:		Scenario 1:	
-----		-----	
FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	300,000	Office gsf	380,000
Net Office nsf	285,000	Net Office nsf	361,000
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	16,105
Cultural Facilities nsf	0	Cultural Facilities nsf	12,884
TOTAL GROSS BUILDING AREA gsf	320,000	TOTAL GROSS BUILDING AREA gsf	416,105
TOTAL NET BUILDING AREA nsf	302,800	TOTAL NET BUILDING AREA nsf	391,684
-----		-----	
Scenario 2:		Scenario 3:	
-----		-----	
FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	460,000	Office gsf	540,000
Net Office nsf	437,000	Net Office nsf	513,000
CULTURAL		CULTURAL	
Gross Cultural gsf	32,210	Gross Cultural gsf	48,315
Cultural Facilities nsf	25,768	Cultural Facilities nsf	38,652
TOTAL GROSS BUILDING AREA gsf	512,210	TOTAL GROSS BUILDING AREA gsf	608,315
TOTAL NET BUILDING AREA nsf	480,568	TOTAL NET BUILDING AREA nsf	569,452

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\* As of Right Scenario does not include cultural facilities

APPENDIX EXHIBIT 5-2  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, DEVELOPMENT OF 40,000 SF PARCEL, STRONG LOCAL MARKET CONDITIONS

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As of Right Scenario*:		Scenario 1:	
-----		-----	
FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	300,000	Office gsf	380,000
Net Office nsf	285,000	Net Office nsf	361,000
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	16,229
Cultural Facilities nsf	0	Cultural Facilities nsf	12,983
TOTAL GROSS BUILDING AREA gsf	320,000	TOTAL GROSS BUILDING AREA gsf	416,229
TOTAL NET BUILDING AREA nsf	302,800	TOTAL NET BUILDING AREA nsf	391,783
-----		-----	
Scenario 2:		Scenario 3:	
-----		-----	
FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	20,000	Gross Retail gsf	20,000
Net Retail 50% Gd nsf	17,800	Net Retail 50% Gd nsf	17,800
OFFICE		OFFICE	
Office gsf	460,000	Office gsf	540,000
Net Office nsf	437,000	Net Office nsf	513,000
CULTURAL		CULTURAL	
Gross Cultural gsf	32,458	Gross Cultural gsf	48,687
Cultural Facilities nsf	25,966	Cultural Facilities nsf	38,950
TOTAL GROSS BUILDING AREA gsf	512,458	TOTAL GROSS BUILDING AREA gsf	608,687
TOTAL NET BUILDING AREA nsf	480,766	TOTAL NET BUILDING AREA nsf	569,750

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\* As of Right Scenario does not include cultural facilities

APPENDIX EXHIBIT 5-3  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, DEVELOPMENT OF 10,000 SF PARCEL, WEAK LOCAL MARKET CONDITIONS

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As of Right Scenario*:		Scenario 1:	
FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	75,000	Office gsf	95,000
Net Office nsf	71,250	Net Office nsf	90,250
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	8,034
Cultural Facilities nsf	0	Cultural Facilities nsf	6,427
TOTAL GROSS BUILDING AREA gsf	80,000	TOTAL GROSS BUILDING AREA gsf	108,034
TOTAL NET BUILDING AREA nsf	75,700	TOTAL NET BUILDING AREA nsf	101,127
-----		-----	
Scenario 2:		Scenario 3:	
-----		-----	
FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	115,000	Office gsf	135,000
Net Office nsf	109,250	Net Office nsf	128,250
CULTURAL		CULTURAL	
Gross Cultural gsf	16,068	Gross Cultural gsf	24,102
Cultural Facilities nsf	12,854	Cultural Facilities nsf	19,282
TOTAL GROSS BUILDING AREA gsf	136,068	TOTAL GROSS BUILDING AREA gsf	164,102
TOTAL NET BUILDING AREA nsf	126,554	TOTAL NET BUILDING AREA nsf	151,982

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\* As of Right Scenario does not include cultural facilities

APPENDIX EXHIBIT 5-4  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SUMMARY OF PROGRAM ASSUMPTIONS, DEVELOPMENT OF 10,000 SF PARCEL, STRONG LOCAL MARKET CONDITIONS

=====

As of Right Scenario*:		Scenario 1:	
FAR	8	FAR	10
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	75,000	Office gsf	95,000
Net Office nsf	71,250	Net Office nsf	90,250
CULTURAL		CULTURAL	
Gross Cultural gsf	0	Gross Cultural gsf	8,114
Cultural Facilities nsf	0	Cultural Facilities nsf	6,491
TOTAL GROSS BUILDING AREA gsf	80,000	TOTAL GROSS BUILDING AREA gsf	108,114
TOTAL NET BUILDING AREA nsf	75,700	TOTAL NET BUILDING AREA nsf	101,191

Scenario 2:		Scenario 3:	
FAR	12	FAR	14
RETAIL		RETAIL	
Gross Retail gsf	5,000	Gross Retail gsf	5,000
Net Retail 50% Gd nsf	4,450	Net Retail 50% Gd nsf	4,450
OFFICE		OFFICE	
Office gsf	115,000	Office gsf	135,000
Net Office nsf	109,250	Net Office nsf	128,250
CULTURAL		CULTURAL	
Gross Cultural gsf	16,229	Gross Cultural gsf	24,343
Cultural Facilities nsf	12,983	Cultural Facilities nsf	19,474
TOTAL GROSS BUILDING AREA gsf	136,229	TOTAL GROSS BUILDING AREA gsf	164,343
TOTAL NET BUILDING AREA nsf	126,683	TOTAL NET BUILDING AREA nsf	152,174

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\* As of Right Scenario does not include cultural facilities

APPENDIX EXHIBIT 6-1  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, EXISTING MARKET CONDITIONS, 40,000 SF PARCEL

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As of Eight

Office Rent	Land Residual	Cap Rate	Land Residual
	(\$627,245)		(\$627,245)
\$27.00	(\$627,245)	8.00%	\$8,057,619
\$27.50	\$440,379	8.25%	\$6,846,007
\$28.00	\$1,479,502	8.50%	\$5,671,645
\$28.50	\$2,518,341	8.75%	\$4,534,174
\$29.00	\$3,556,559	9.00%	\$3,432,969
\$29.50	\$4,594,765	9.25%	\$2,367,213
\$30.00	\$5,632,958	9.50%	\$1,335,958
\$30.50	\$6,671,150	9.75%	\$338,169
\$31.00	\$7,709,342	10.00%	(\$627,245)
\$31.50	\$8,747,534	10.25%	(\$1,561,401)

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APPENDIX EXHIBIT 6-2  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

SENSITIVITY ANALYSIS, EXISTING MARKET CONDITIONS, 40,000 SF PARCEL

FAR = 10

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$81)		(\$81)		(\$81)
\$27.00	(\$81)	8.00%	\$57	\$60	(\$65)
\$27.50	(\$64)	8.25%	\$37	\$80	(\$70)
\$28.00	(\$48)	8.50%	\$19	\$100	(\$74)
\$28.50	(\$31)	8.75%	\$1	\$120	(\$76)
\$29.00	(\$15)	9.00%	(\$17)	\$140	(\$78)
\$29.50	\$2	9.25%	(\$34)	\$160	(\$79)
\$30.00	\$18	9.50%	(\$50)	\$180	(\$80)
\$30.50	\$35	9.75%	(\$66)	\$200	(\$81)
\$31.00	\$51	10.00%	(\$81)	\$220	(\$82)
\$31.50	\$68	10.25%	(\$96)	\$240	(\$82)

FAR = 12

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$81)		(\$81)		(\$81)
\$27.00	(\$81)	8.00%	\$3	\$60	(\$66)
\$27.50	(\$71)	8.25%	(\$9)	\$80	(\$71)
\$28.00	(\$61)	8.50%	(\$20)	\$100	(\$74)
\$28.50	(\$51)	8.75%	(\$31)	\$120	(\$76)
\$29.00	(\$41)	9.00%	(\$42)	\$140	(\$78)
\$29.50	(\$30)	9.25%	(\$52)	\$160	(\$79)
\$30.00	(\$20)	9.50%	(\$62)	\$180	(\$80)
\$30.50	(\$10)	9.75%	(\$72)	\$200	(\$81)
\$31.00	(\$0)	10.00%	(\$81)	\$220	(\$81)
\$31.50	\$10	10.25%	(\$90)	\$240	(\$82)

FAR = 14

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$81)		(\$81)		(\$81)
\$29.00	(\$49)	6.00%	\$69	\$60	(\$67)
\$29.50	(\$41)	6.25%	\$57	\$80	(\$71)
\$30.00	(\$33)	6.50%	\$46	\$100	(\$74)
\$30.50	(\$26)	6.75%	\$35	\$120	(\$76)
\$31.00	(\$18)	7.00%	\$24	\$140	(\$78)
\$31.50	(\$10)	7.25%	\$14	\$160	(\$79)
\$32.00	(\$2)	7.50%	\$4	\$180	(\$80)
\$32.50	\$6	7.75%	(\$6)	\$200	(\$81)
\$33.00	\$14	8.00%	(\$16)	\$220	(\$81)
\$33.50	\$22	8.25%	(\$25)	\$240	(\$82)

APPENDIX EXHIBIT 6-3  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, WEAK LOCAL MARKET CONDITIONS, 40,000 SF PARCEL

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As of Right

Office Rent	Land Residual	Cap Rate	Land Residual
	(\$12,421,096)		(\$12,421,096)
\$27.00	(\$7,351,597)	6.00%	\$8,705,615
\$27.50	(\$6,566,700)	6.25%	\$7,478,532
\$28.00	(\$5,657,943)	6.50%	\$6,258,369
\$28.50	(\$4,751,279)	6.75%	\$5,053,718
\$29.00	(\$3,841,955)	7.00%	\$3,870,652
\$29.50	(\$2,932,649)	7.25%	\$2,713,376
\$30.00	(\$2,023,286)	7.50%	\$1,584,706
\$30.50	(\$1,113,922)	7.75%	\$486,419
\$31.00	(\$204,558)	8.00%	(\$580,479)
\$31.50	\$704,807	8.25%	(\$1,615,557)

APPENDIX EXHIBIT 6-4  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

SENSITIVITY ANALYSIS, WEAK LOCAL MARKET CONDITIONS, 40,000 SF PARCEL

FAR = 10

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$117)		(\$117)		(\$117)
\$27.00	(\$38)	8.00%	\$71	\$60	(\$106)
\$27.50	(\$24)	8.25%	\$54	\$80	(\$110)
\$28.00	(\$9)	8.50%	\$38	\$100	(\$112)
\$28.50	\$5	8.75%	\$23	\$120	(\$113)
\$29.00	\$20	9.00%	\$8	\$140	(\$115)
\$29.50	\$34	9.25%	(\$6)	\$160	(\$115)
\$30.00	\$49	9.50%	(\$20)	\$180	(\$116)
\$30.50	\$63	9.75%	(\$34)	\$200	(\$117)
\$31.00	\$77	10.00%	(\$47)	\$220	(\$117)
\$31.50	\$92	10.25%	(\$59)	\$240	(\$117)

FAR = 12

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$117)		(\$117)		(\$117)
\$27.00	(\$70)	6.00%	\$87	\$60	(\$108)
\$27.50	(\$61)	6.25%	\$75	\$80	(\$111)
\$28.00	(\$52)	6.50%	\$63	\$100	(\$113)
\$28.50	(\$44)	6.75%	\$51	\$120	(\$114)
\$29.00	(\$35)	7.00%	\$39	\$140	(\$115)
\$29.50	(\$26)	7.25%	\$28	\$160	(\$116)
\$30.00	(\$17)	7.50%	\$17	\$180	(\$117)
\$30.50	(\$8)	7.75%	\$6	\$200	(\$117)
\$31.00	\$0	8.00%	(\$4)	\$220	(\$118)
\$31.50	\$9	8.25%	(\$14)	\$240	(\$118)

FAR = 14

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$118)		(\$118)		(\$118)
\$29.00	(\$53)	6.00%	\$43	\$60	(\$109)
\$29.50	(\$46)	6.25%	\$33	\$80	(\$112)
\$30.00	(\$39)	6.50%	\$23	\$100	(\$114)
\$30.50	(\$32)	6.75%	\$14	\$120	(\$115)
\$31.00	(\$25)	7.00%	\$5	\$140	(\$116)
\$31.50	(\$18)	7.25%	(\$4)	\$160	(\$117)
\$32.00	(\$11)	7.50%	(\$13)	\$180	(\$117)
\$32.50	(\$5)	7.75%	(\$21)	\$200	(\$118)
\$33.00	\$2	8.00%	(\$29)	\$220	(\$118)
\$33.50	\$9	8.25%	(\$37)	\$240	(\$119)

APPENDIX EXHIBIT 6-5  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, STRONG LOCAL MARKET CONDITIONS, 40,000 SF PARCEL

=====

FAR = 10

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$10)		(\$10)		(\$10)
\$32.00	(\$26)	7.00%	\$145	\$60	\$46
\$32.50	(\$6)	7.25%	\$117	\$80	\$38
\$33.00	\$13	7.50%	\$90	\$100	\$30
\$33.50	\$32	7.75%	\$64	\$120	\$22
\$34.00	\$51	8.00%	\$38	\$140	\$14
\$34.50	\$70	8.25%	\$14	\$160	\$6
\$35.00	\$89	8.50%	(\$10)	\$180	(\$2)
\$35.50	\$108	8.75%	(\$33)	\$200	(\$10)
\$36.00	\$127	9.00%	(\$56)	\$220	(\$18)
\$36.50	\$146	9.25%	(\$77)	\$240	(\$27)

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FAR = 12

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$11)		(\$11)		(\$11)
\$32.00	(\$20)	7.00%	\$84	\$60	\$16
\$32.50	(\$8)	7.25%	\$67	\$80	\$7
\$33.00	\$3	7.50%	\$50	\$100	\$2
\$33.50	\$15	7.75%	\$34	\$120	(\$2)
\$34.00	\$27	8.00%	\$19	\$140	(\$5)
\$34.50	\$38	8.25%	\$4	\$160	(\$7)
\$35.00	\$50	8.50%	(\$11)	\$180	(\$9)
\$35.50	\$61	8.75%	(\$25)	\$200	(\$11)
\$36.00	\$73	9.00%	(\$38)	\$220	(\$12)
\$36.50	\$85	9.25%	(\$51)	\$240	(\$13)

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FAR = 14

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$11)		(\$11)		(\$11)
\$32.00	(\$18)	7.00%	\$63	60	\$14
\$32.50	(\$9)	7.25%	\$50	80	\$6
\$33.00	\$0	7.50%	\$37	100	\$1
\$33.50	\$9	7.75%	\$24	120	(\$3)
\$34.00	\$18	8.00%	\$12	140	(\$6)
\$34.50	\$28	8.25%	\$1	160	(\$8)
\$35.00	\$37	8.50%	(\$11)	180	(\$9)
\$35.50	\$46	8.75%	(\$22)	200	(\$11)
\$36.00	\$55	9.00%	(\$32)	220	(\$12)
\$36.50	\$64	9.25%	(\$43)	240	(\$13)

APPENDIX EXHIBIT 6-6  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, EXISTING MARKET CONDITIONS, 10,000 SF PARCEL

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As of Right

Office Rent	Land Residual	Cap Rate	Land Residual
	(\$12,897,196)		(\$12,897,196)
\$27.00	(\$156,811)	8.00%	\$2,014,349
\$27.50	\$110,095	8.25%	\$1,711,470
\$28.00	\$369,876	8.50%	\$1,417,910
\$28.50	\$629,585	8.75%	\$1,133,543
\$29.00	\$889,140	9.00%	\$858,242
\$29.50	\$1,148,691	9.25%	\$591,803
\$30.00	\$1,408,239	9.50%	\$333,989
\$30.50	\$1,667,787	9.75%	\$84,542
\$31.00	\$1,927,335	10.00%	(\$156,811)
\$31.50	\$2,186,883	10.25%	(\$390,350)

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APPENDIX EXHIBIT 6-7  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, EXISTING MARKET CONDITIONS, 10,000 SF PARCEL

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FAR = 10

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$73)		(\$73)		(\$73)
\$27.00	(\$73)	8.00%	\$69	\$60	(\$64)
\$27.50	(\$57)	8.25%	\$49	\$80	(\$70)
\$28.00	(\$40)	8.50%	\$29	\$100	(\$73)
\$28.50	(\$23)	8.75%	\$11	\$120	(\$76)
\$29.00	(\$6)	9.00%	(\$7)	\$140	(\$77)
\$29.50	\$10	9.25%	(\$25)	\$160	(\$79)
\$30.00	\$27	9.50%	(\$41)	\$180	(\$80)
\$30.50	\$44	9.75%	(\$58)	\$200	(\$81)
\$31.00	\$60	10.00%	(\$73)	\$220	(\$81)
\$31.50	\$77	10.25%	(\$88)	\$240	(\$82)

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FAR = 12

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$74)		(\$74)		(\$74)
\$27.00	(\$74)	8.00%	\$13	\$60	(\$66)
\$27.50	(\$64)	8.25%	\$1	\$80	(\$71)
\$28.00	(\$53)	8.50%	(\$11)	\$100	(\$74)
\$28.50	(\$43)	8.75%	(\$22)	\$120	(\$76)
\$29.00	(\$33)	9.00%	(\$33)	\$140	(\$78)
\$29.50	(\$23)	9.25%	(\$44)	\$160	(\$79)
\$30.00	(\$13)	9.50%	(\$54)	\$180	(\$80)
\$30.50	(\$2)	9.75%	(\$64)	\$200	(\$81)
\$31.00	\$8	10.00%	(\$74)	\$220	(\$81)
\$31.50	\$18	10.25%	(\$83)	\$240	(\$82)

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FAR = 14

Office Rent	Net Cap. Value Bonus Space/SF	Cap Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$74)		(\$74)		(\$74)
\$29.00	(\$42)	6.00%	\$87	\$60	(\$67)
\$29.50	(\$34)	6.25%	\$74	\$80	(\$71)
\$30.00	(\$26)	6.50%	\$61	\$100	(\$74)
\$30.50	(\$18)	6.75%	\$49	\$120	(\$76)
\$31.00	(\$10)	7.00%	\$38	\$140	(\$78)
\$31.50	(\$2)	7.25%	\$26	\$160	(\$79)
\$32.00	\$6	7.50%	\$15	\$180	(\$80)
\$32.50	\$14	7.75%	\$5	\$200	(\$81)
\$33.00	\$22	8.00%	(\$5)	\$220	(\$81)
\$33.50	\$30	8.25%	(\$15)	\$240	(\$82)

APPENDIX EXHIBIT 6-8  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, WEAK LOCAL MARKET CONDITIONS, 10,000 SF PARCEL

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As of Right

Office Rent	Land Residual	Cap. Rate	Land Residual
	(\$3,075,471)		(\$3,075,471)
\$27.00	(\$1,808,096)	6.00%	\$2,206,207
\$27.50	(\$1,611,872)	6.25%	\$1,899,436
\$28.00	(\$1,384,683)	6.50%	\$1,594,396
\$28.50	(\$1,158,017)	6.75%	\$1,293,233
\$29.00	(\$930,685)	7.00%	\$997,466
\$29.50	(\$703,359)	7.25%	\$708,147
\$30.00	(\$476,018)	7.50%	\$425,980
\$30.50	(\$248,677)	7.75%	\$151,408
\$31.00	(\$21,336)	8.00%	(\$115,317)
\$31.50	\$206,005	8.25%	(\$374,086)

APPENDIX EXHIBIT 6-9  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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SENSITIVITY ANALYSIS, WEAK LOCAL MARKET CONDITIONS, 10,000 SF PARCEL

=====

FAR = 10

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$113)		(\$113)		(\$113)
\$27.00	(\$34)	8.00%	\$79	\$60	(\$107)
\$27.50	(\$20)	8.25%	\$62	\$80	(\$111)
\$28.00	(\$5)	8.50%	\$46	\$100	(\$113)
\$28.50	\$9	8.75%	\$30	\$120	(\$115)
\$29.00	\$24	9.00%	\$14	\$140	(\$116)
\$29.50	\$39	9.25%	(\$0)	\$160	(\$117)
\$30.00	\$53	9.50%	(\$15)	\$180	(\$117)
\$30.50	\$68	9.75%	(\$29)	\$200	(\$118)
\$31.00	\$82	10.00%	(\$42)	\$220	(\$118)
\$31.50	\$97	10.25%	(\$55)	\$240	(\$119)

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FAR = 12

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$114)		(\$114)		(\$114)
\$27.00	(\$65)	6.00%	\$103	\$60	(\$108)
\$27.50	(\$57)	6.25%	\$89	\$80	(\$112)
\$28.00	(\$48)	6.50%	\$76	\$100	(\$114)
\$28.50	(\$39)	6.75%	\$63	\$120	(\$115)
\$29.00	(\$30)	7.00%	\$50	\$140	(\$116)
\$29.50	(\$21)	7.25%	\$38	\$160	(\$117)
\$30.00	(\$12)	7.50%	\$27	\$180	(\$117)
\$30.50	(\$3)	7.75%	\$15	\$200	(\$118)
\$31.00	\$6	8.00%	\$4	\$220	(\$118)
\$31.50	\$15	8.25%	(\$6)	\$240	(\$119)

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FAR = 14

Office Rent	Net Cap. Value Bonus Space/SF	Cap. Rate	Net Cap. Value Bonus Space/SF	SF Cost Cultural Facility	Net Cap. Value Bonus Space/SF
	(\$115)		(\$115)		(\$115)
\$27.00	(\$77)	6.00%	\$57	\$60	(\$110)
\$27.50	(\$70)	6.25%	\$46	\$80	(\$113)
\$28.00	(\$63)	6.50%	\$35	\$100	(\$115)
\$28.50	(\$56)	6.75%	\$25	\$120	(\$116)
\$29.00	(\$49)	7.00%	\$15	\$140	(\$117)
\$29.50	(\$42)	7.25%	\$5	\$160	(\$118)
\$30.00	(\$35)	7.50%	(\$4)	\$180	(\$118)
\$30.50	(\$28)	7.75%	(\$13)	\$200	(\$119)
\$31.00	(\$21)	8.00%	(\$22)	\$220	(\$119)
\$31.50	(\$14)	8.25%	(\$30)	\$240	(\$120)

APPENDIX EXHIBIT 7-1  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, EXISTING MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Effective Gross Income	\$7,902,100	\$9,851,500	\$11,800,900	\$13,750,300
Net Operating Income(1)	\$6,393,920	\$7,942,800	\$9,491,680	\$11,040,560
Capitalized Value	\$63,939,200	\$79,428,000	\$94,916,800	\$110,405,600
Real Estate Tax Revenue	\$1,384,284	\$1,719,616	\$2,054,949	\$2,390,281
Net Increase in Revenue to City Above As of Right		\$335,333	\$670,665	\$1,005,998

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\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-2  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, WEAK LOCAL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Effective Gross Income	\$6,962,166	\$8,679,690	\$10,397,214	\$12,114,738
Net Operating Income(1)	\$5,462,304	\$6,781,360	\$8,100,416	\$9,419,472
Capitalized Value	\$47,498,296	\$58,968,348	\$70,438,400	\$81,908,452
Real Estate Tax Revenue	\$1,028,338	\$1,276,665	\$1,524,991	\$1,773,318
Net Increase in Revenue to City Above As of Right		\$248,327	\$496,653	\$744,980

=====

\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-3  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, STRONG LOCAL MARKET CONDITIONS, YEAR 3  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

=====

CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Effective Gross Income	\$9,682,152	\$12,070,680	\$14,459,208	\$16,847,736
Net Operating Income(1)	\$8,157,336	\$10,141,240	\$12,125,144	\$14,109,048
Capitalized Value	\$95,968,659	\$119,308,706	\$142,648,753	\$165,988,800
Real Estate Tax Revenue	\$2,077,721	\$2,583,033	\$3,088,346	\$3,593,658
Net Increase in Revenue to City Above As of Right		\$505,312	\$1,010,624	\$1,515,936

=====

\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-4  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: EMPLOYMENT GENERATED, ALL MARKET CONDITIONS  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Hard Costs	\$38,480,000	\$48,000,000	\$57,520,000	\$67,040,000
Percent of Hard Costs For Wage	\$8,850,400	\$11,040,000	\$13,229,600	\$15,419,200
Total Number of Construction Jobs	297	371	445	518
Net Increase in Construction Jobs Above As of Right		74	147	221
Total Number of Permanent Jobs	1,414	1,793	2,173	2,553
Net Increase in Permanent Jobs Above As of Right		380	760	1,139

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\* As of Right Scenario does not include cultural facilities  
(1) Based on \$29,760 average construction wage, 1986 Area Wage Survey of the Construction Industry  
(2) Based on 220 SF/office employee, 400 SF/retail employee, 1000 SF/cultural employee, BRA Research Department

APPENDIX EXHIBIT 7-5  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: PERSONAL TAX REVENUES, ALL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OR RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
-----				
I. Population Statistics				
Total Number of Permanent	1,414	1,793	2,173	2,553
II. Income Tax Revenues				
Average Taxable Income(1)	\$26,010,909	\$32,998,454	\$39,985,998	\$46,973,543
State Income Tax Revenues @ 5% Tax Rate	\$1,300,545	\$1,649,923	\$1,999,300	\$2,348,677
City Revenues--17% of State Income Tax Revenues Allocated to City	\$221,093	\$280,487	\$339,881	\$399,275
III. Sales Tax Revenues				
Retail Employees	50	50	50	50
Retail Sales Volume(3)	\$3,000,750	\$3,000,750	\$3,000,750	\$3,000,750
State Sales Tax Revenues @ 5% Tax Rate	\$150,038	\$150,038	\$150,038	\$150,038
City Revenues--17% of State Sales Tax Revenues Allocated to City	\$25,506	\$25,506	\$25,506	\$25,506
-----				
Total Boston Benefit	\$246,599	\$305,993	\$365,387	\$424,781
-----				
Increase in Personal Tax Revenues Above As of Right		\$59,394	\$118,788	\$178,182
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\* As of Right Scenario does not include cultural facilities

(1) Based on average annual income of \$23,000 & assumes 80% is taxable, BRA Research Department

(2) Based on discussion with Gregory Perkins, BRA Research Department

(3) Sales/employee equaled \$60,015 in 1986, BRA Research Department

APPENDIX EXHIBIT 7-6  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: PUBLIC TRANSPORTATION DEMAND, ALL MARKET CONDITIONS  
COMPARISON OF AS OR RIGHT AND BONUS DEVELOPMENT SCENARIOS, 40,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Net Building Area	302,800	391,697	480,594	569,492
Number of Permanent Employees	1,414	1,793	2,173	2,553
Employees Using Public Transit	424	538	652	766

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\* As of Right Scenario does not include cultural facilities  
(1) 30% of downtown employees use public transit, BRA Research Department

APPENDIX EXHIBIT 7-7  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, EXISTING MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Effective Gross Income	\$1,975,525	\$2,462,875	\$2,950,225	\$3,437,575
Net Operating Income(1)	\$1,598,480	\$1,985,700	\$2,372,920	\$2,760,140
Capitalized Value	\$15,984,800	\$19,857,000	\$23,729,200	\$27,601,400
Real Estate Tax Revenue	\$346,071	\$429,904	\$513,737	\$597,570
Net Increase in Revenue to City Above As of Right		\$83,833	\$167,666	\$251,499

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\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-8  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, WEAK LOCAL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Effective Gross Income	\$1,740,542	\$2,169,922	\$2,599,304	\$3,028,685
Net Operating Income(1)	\$1,365,576	\$1,695,340	\$2,025,104	\$2,354,868
Capitalized Value	\$11,874,574	\$14,742,087	\$17,609,600	\$20,477,113
Real Estate Tax Revenue	\$257,085	\$319,166	\$381,248	\$443,329
Net Increase in Revenue to City Above As of Right		\$62,082	\$124,163	\$186,245

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\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-9  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: REAL ESTATE TAX REVENUES, STRONG LOCAL MARKET CONDITIONS, STABILIZED YEAR OF OPERATION  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE: FAR:	As of Right* (FAR = 8)	Scenario 1 (FAR = 10)	Scenario 2 (FAR = 12)	Scenario 3 (FAR = 14)
Effective Gross Income	\$2,420,538	\$3,017,670	\$3,614,802	\$4,211,934
Net Operating Income(1)	\$2,039,334	\$2,535,310	\$3,031,286	\$3,527,262
Capitalized Value	\$23,992,165	\$29,827,176	\$35,662,188	\$41,497,200
Real Estate Tax Revenue	\$519,430	\$645,758	\$772,086	\$898,414
Net Increase in Revenue to City Above As of Right		\$126,328	\$252,656	\$378,984

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\* As of Right Scenario does not include cultural facilities  
(1) NOI before linkage, before taxes

APPENDIX EXHIBIT 7-10  
 MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: EMPLOYMENT GENERATED, ALL MARKET CONDITIONS  
 COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
Hard Costs	\$9,620,000	\$12,000,000	\$14,380,000	\$16,760,000
Percent of Hard Costs For Wages	\$2,212,600	\$2,760,000	\$3,307,400	\$3,854,800
Total Number of Construction Jobs(1)	74	93	111	130
Net Increase in Jobs Above As of Right		18	37	55
Total Number of Permanent Jobs(2)	353	452	551	650
Net Increase in Jobs Above As of Right		99	198	297

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\* As of Right Scenario does not include cultural facilities

(1) Based on \$29,760 average construction wage, 1986 Area Wage Survey of the Construction Industry

(2) Based on 220 SF/office employee, 400 SF/retail employee, 1000 SF/cultural employee, BRA Research Department

EXHIBIT 7-11  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: PERSONAL TAX REVENUES, ALL MARKET CONDITIONS, YEAR 3  
COMPARISON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 14)
<b>I. Population Statistics</b>				
Total Number of Permanent Employee	353	452	551	650
<b>II. Income Tax Revenues</b>				
Average Taxable Income(1)	\$6,502,727	\$8,323,772	\$10,144,817	\$11,965,862
State Income Tax Revenues @ 5% Tax Rate	\$325,136	\$416,189	\$507,241	\$598,293
City Revenues--17% of State Income Tax Revenues Allocated to Bosto	\$55,273	\$70,752	\$86,231	\$101,710
<b>III. Sales Tax Revenues</b>				
Retail Employees	13	13	13	13
Retail Sales Volume(3)	\$750,188	\$750,188	\$750,188	\$750,188
State Sales Tax Revenues @ 5% Tax Rate	\$37,509	\$37,509	\$37,509	\$37,509
City Revenues--17% of State Sales Tax Revenues Allocated to Bosto	\$6,377	\$6,377	\$6,377	\$6,377
<b>Total Boston Benefit</b>	<b>\$61,650</b>	<b>\$77,129</b>	<b>\$92,608</b>	<b>\$108,086</b>
<b>Increase in Personal Tax Revenues Above As of Right</b>		<b>\$15,479</b>	<b>\$30,958</b>	<b>\$46,437</b>

\* As of Right Scenario does not include cultural facilities

(1) Based on average annual income of \$23,000 & assumes 80% is taxable, BRA Research Department

(2) Based on discussion with Gregory Perkins, BRA Research Department

(3) Sales/employee equaled \$60,015 in 1986, BRA Research Department

APPENDIX EXHIBIT 7-12  
MIDTOWN/CULTURAL DISTRICT, BOSTON, MASS., 1988

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CITY ANALYSIS: PUBLIC TRANSPORTATION DEMAND, ALL MARKET CONDITIONS  
COMPARSON OF AS OF RIGHT AND BONUS DEVELOPMENT SCENARIOS, 10,000 SF PARCEL

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CASE:	As of Right*	Scenario 1	Scenario 2	Scenario 3
FAR:	(FAR = 8)	(FAR = 10)	(FAR = 12)	(FAR = 15)
Net Building Area	75,700	101,149	126,597	152,046
Number of Permanent Employees	353	452	551	650
Employees Using Public Transit(1)	106	136	165	195

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\* As of Right Scenario does not include cultural facilities

(1) 30% of downtown employees use public transit, BRA Research Department