

Cambridge Creative Development, LLC

# 468-480 Mass Ave Cambridge

## Towards the Creation of a New Cultural Center for Central Square



---

## Executive Summary

- Central Square has lost a painful number of cultural institutions - businesses and nonprofits - over the last 10 years.
- We have spent the last few months incubating a project that can help restore many of these lost entities - with opportunity for further renewal.
- We propose acquiring the Middle East music venue and restaurant parcel, retaining the music venues, and building several floors of cultural space on top of it, and housing.
- However, the project needs public support to proceed - we propose the Cambridge Redevelopment Authority develop or co-develop the project.

This proposal is based on a needs assessment from speaking to a range of culture and housing economy stakeholders



CAMBRIDGE | ARTS



CAMBRIDGE  
REDEVELOPMENT  
AUTHORITY

| THE DanceComplex |



CAMBRIDGE  
Community Foundation

REDGATE™  
The Right Return on Real Estate

Cambridge-Somerville  
Black Business Network

CAMBRIDGE



Boston



BLUEHUB  
CAPITAL

Improv'd Boston

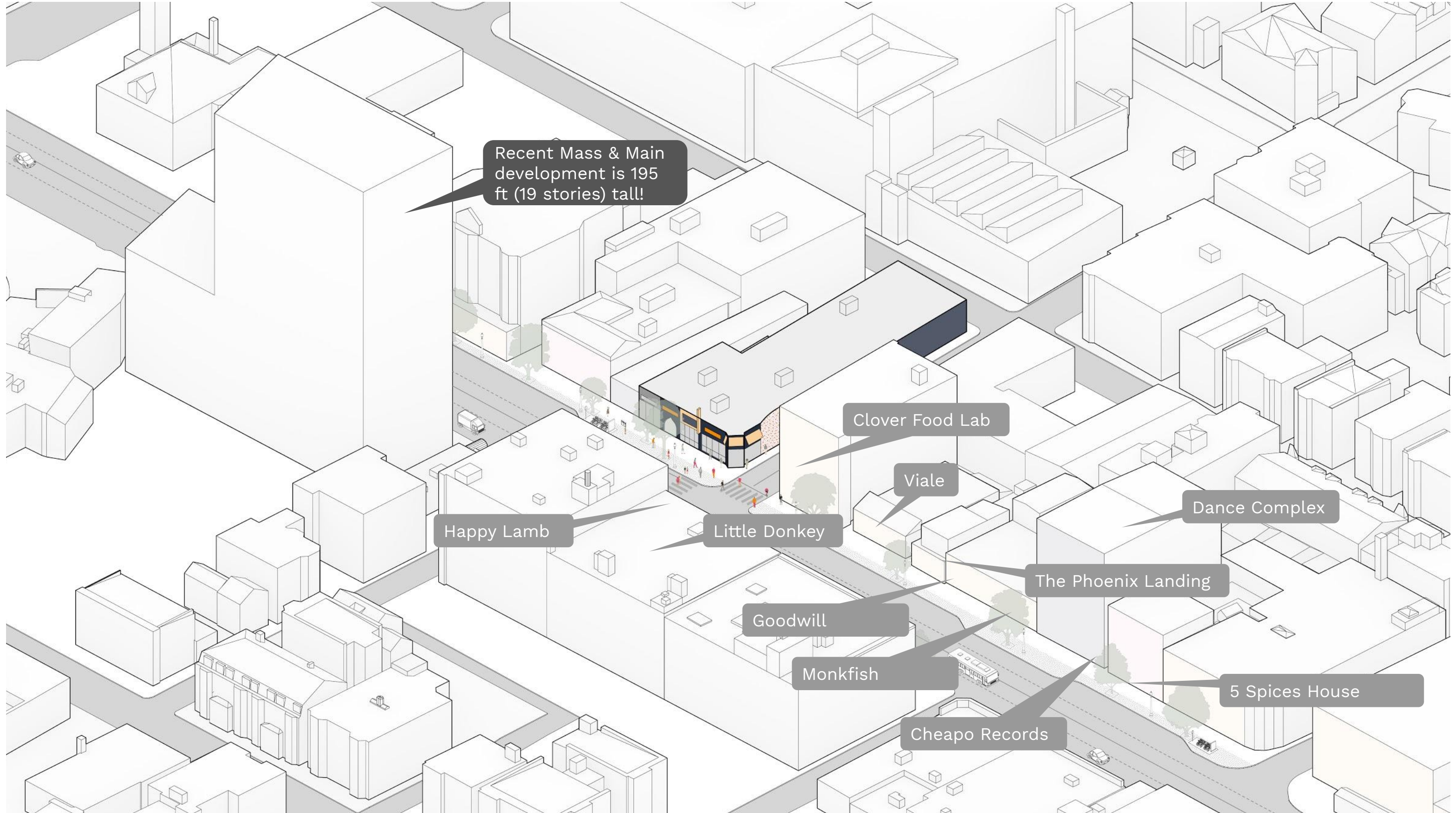


**The Call to Action**

“The Middle East was one of the first places I experienced culture in Boston, so I hold that building close to my heart,” Potrykus said. **“It’s painful to think that what it needs may not actually exist – someone of significant means that understands how essential the community is to the success and longevity of a business, especially a music club.”**

— Sam Potrykus, Director of the Brain Arts Organization (Cambridge Day)

## The Neighborhood



## Gentrification started a cultural and identity crisis...

Economic pressures from a booming economy driven by biotech and software tech, has raised both commercial and residential real estate prices many-fold — leading to unsustainable asks on rent for historical small businesses and performing arts spaces.

Losses in iconic businesses and cultural entities over the last 10 years have been crippling.

- 2011 All Asia
- 2013 Western Front Jazz Club
- 2016 River Gods
- 2018 Ryles Jazz Club  
EMF
- 2019 Green Street Studios
- 2020 Studio @ 550  
The Field  
Flat Top Johnny's  
ImprovBoston
- 2021 People's Republik  
Cantab (for Sale)  
*Middle East (for Sale)*

### All Asia Bar heads toward its Valhalla

By [Marc Levy](#)  
Saturday, August 13, 2011

**Signs on the side of 675 Massachusetts Ave. on Friday announce the coming of Valhalla, the next incarnation of the All Asia Bar. Its owners plan to use the larger space to lure national acts to play in addition to entry-level performers (Photo: Marc Levy).**

would be torn down and its space claimed for redevelopment by the Massachusetts Institute of Technology — **vowed** the All Asia Bar would be “moving down the street, keeping the same name and expanding our hours of operation.”

All Asia will soon be no Asia at all.

Last year manager Marc Shulman — facing the fact the 344 Massachusetts Ave. nightclub

### Cambridge Dance in ‘Crisis Mode’

TOPICS: [Boston Dance Alliance](#) [Dance Complex](#) [Green Street Studios](#)



Photo by Karen Orrego.

POSTED BY: [ELIE LEVINE](#) FEBRUARY 12, 2020

This fall, Green Street Studios—a flourishing dance space that served as a hub of creativity in Central Square—closed due to a change in building ownership that caused a massive spike in rent.

### In Cambridge’s Central Square, a potential artistic exodus

By [Danny McDonald](#) Globe Staff, April 6, 2018, 10:42 p.m.



Singer Ruby Rose Fox recently stood outside of the EMF building in Cambridge. KEITH BEDFORD/GLOBE STAFF

**Luxury housing, big tech, and banking institutions have been creeping in, slowly replacing the mom-and-pop establishments that had long given the Square its identity.**

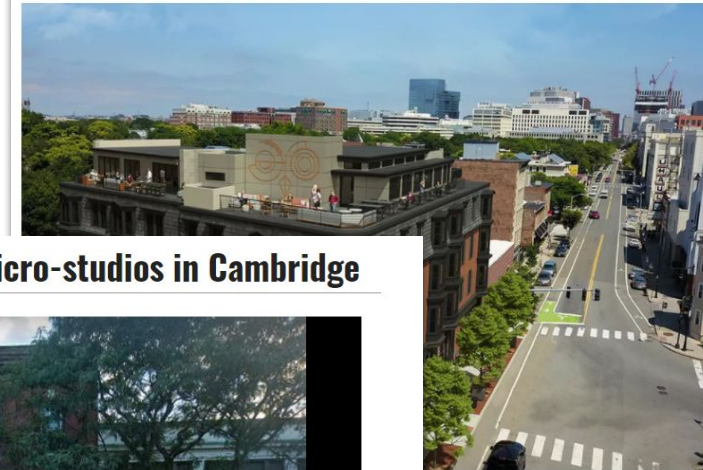
Real estate developers in the area have built only the projects that would maximize their profits, at the expense of creating a vibrant and diverse local identity.

Central Square is the “Cultural District” but we are at risk of that being in name only

### Central Square's first boutique hotel checks in amid other changes in the area

The 67-room hotel will bring at least one more trendy restaurant to a Cambridge enclave that has also seen pricey new apartments recently

By Tom Actelli | @tomactelli | Dec 19, 2019, 10:01am EST



Ad LIMITED TIME OFFER  
**Get the full business story**  
Just \$1.99/month  
Bloomberg.com

Get Bloomberg.com For \$2  
Get Bloomberg.com For Just \$2/mo. Limited Time Online Exclusive Offer Only.  
Bloomberg.com [Subscribe Now](#)

#### MOST READ



### Central Square developer looks to build 29 micro-studios in Cambridge



A mixed-use development topped by a boutique hotel is planned for Central Square, across the street from an 82-year-old nightclub rumored to also be facing redevelopment. (Image: Chevron Partners)



HIDE CAPTION

A developer hopes to add three stories above Teddy Shoes apartments. (Courtesy photo/Google Maps)



### Central Square's latest twist? Studios starting at \$2,485

Market Central is a new three-unit complex off the Red Line and teeming with lifestyle-specific amenities, including free Bluebikes memberships for tenants.

By Tom Actelli | March 2, 2020 | 2 comments

## COVID-19 has pushed the community closer to the brink...

COVID-19 has dealt the killing blow for many. Dozens of restaurants, shops, bars and cultural venues in Central Square are now on the precipice of closing, or have closed.

### Deal to save Green Street Studios collapsed despite community effort, \$350,000 offer

By Marc Levy  
Friday, January 17, 2020  
Last revised on: Wednesday, January 13, 2021



### 'Sadly, COVID-19 has impacted this industry': The Field Pub has closed after 25 years

"We will miss everyone in the community that visited for a day, a semester, or for years," the pub shared.



The Field Pub, an Irish pub in Cambridge, has closed. *Chris Patelli/Bloomberg*

### Cantabrigians are mourning a loss of identity, reporting shutdown of People's Republik bar

By Marc Levy  
Saturday, February 6, 2021



The People's Republik bar in

### COVID's suffocating grasp is choking businesses in Cambridge's Central Square

By Danny McDonald Globe Staff. Updated September 5, 2020, 2:22 p.m.



Teddy Shoes. Helping customer Peter Sanidopoulos with a fitting. Teddy Shoes, which has been in business for 62 years, may close if this month. *BARRY CHIN/GLOBE STAFF*

Home » Business + Money »

### Rodney's closes in Central Square and for winter before seeking new home; A bank may replace it

By Marc Levy  
Monday, November 2, 2020  
Last revised on: Wednesday, December 16, 2020



BOSTON RESTAURANT CLOSINGS

## Cambridge Mainstay Central Kitchen Is Closing, Making Way for a Dispensary

Upstairs cocktail gem and sibling Brick & Mortar will remain open

by Terrence Doyle | Jan 28, 2020, 1:38pm EST



# COVID-19 Impacted Businesses



An emerging body of economic and urban planning research is revealing the importance of investing in anchor cultural institutions that can support artists, performers, and proximate i

Insights

## Reflections on COVID-19 and the Future of Anchor Institutions

In this unprecedented time, anchor institutions—colleges and universities, medical centers, cultural hubs, and other large non-profits—are facing daunting tests of resiliency. Anchors serve their constituents and host communities

SHARE



COLLABORATORS

U3 Advisors



NEWS → LABOUR

## It is not just artists who are starving: how the US can rebuild its creative industry post-Covid

A proposal issued to both presidential campaigns by Americans for the Arts outlines a national strategy to put creative workers back to work

MARGARET CARRIGAN



Photography by Mark L Johnson

Why community gathering spaces anchored by purposeful public art are more important now than ever

ADVISORY BRIEF FOR LOCAL PUBLIC HEALTH AGENCIES & ORGANIZATIONS

## MOBILIZING LOCAL ARTS AND CULTURAL ASSETS IN RESPONSE TO COVID-19

**The Issue:** Immediate action is needed to stop the spread of COVID-19 and to address the pandemic's economic, health, and social impacts in communities. Solutions are needed for both the short and long term. Local arts and cultural resources, and artists themselves, are one of the most powerful and readily available resources to support community connection, wellbeing, and recovery.

**Mobilizing Existing Local Assets:** This unprecedented situation requires new and creative responses, and powerful responders exist in every community. Local artists and culture-bearers—including musicians, DJ's, dancers, designers, painters, sculptors, and poets—are critical assets for communication, connection, resilience, and recovery from this crisis.

## The Economic Challenge, and Envisioning a New Type of Real Estate Development

Development in Boston is expensive! Construction and land prices have risen significantly over the last 10 years given the biotech and tech boom.

It's hard to make the numbers work for anything except **Class A office** (e.g., Google, Facebook) or **biotech**, or **luxury housing** (for people who work in tech or biotech), or **hotels** (for people who travel for tech, biotech, or general tourism).

**These uses command rents between \$80 and \$110/ft<sup>2</sup>** (see table below). Investors require high returns for new developments, e.g., 2x return on equity, 15-20% annual return/IRR, which is **hard to hit with rent below \$70/ft<sup>2</sup>**, but **culture space typically can only pay \$15-50/ft<sup>2</sup>**.

### Newmark Q4 2020 Market Pulse Report - Cambridge

#### Office

##### Submarket Statistics

	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cambridge Total	\$82.34	\$72.90	\$78.28
East Cambridge	\$95.63	\$87.01	\$93.16
Mid Cambridge	\$78.57	\$71.88	\$71.97

#### Biotech Lab

Class A NNN Asking Rent (Price/SF)	Class B NNN Asking Rent (Price/SF)	Total NNN Asking Rent (Price/SF)
\$97.71	\$77.30	\$93.06
\$110.00	*\$98.00	\$110.00
\$95.00	\$91.00	\$91.94

## The Economic Challenge, and Envisioning a New Type of Real Estate Development

Development in Boston is expensive! Construction and land prices have risen significantly over the last 10 years given the biotech and tech boom.

It's hard to make the numbers work for anything except **Class A office** (e.g., Google, Facebook) or **biotech**, or **luxury housing** (for people who work in tech or biotech), or **hotels** (for people who travel for tech, biotech, or general tourism).

**These uses command rents between \$80 and \$110/ft<sup>2</sup>** (see table below). Investors require high returns for new developments, e.g., 2x return on equity, 15-20% annual return/IRR, which is **hard to hit with rent below \$70/ft<sup>2</sup>**, but **culture space typically can only pay \$15-50/ft<sup>2</sup>**.

### Newmark Q4 2020 Market Pulse Report - Cambridge

#### Office

##### Submarket Statistics

	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cambridge Total	\$82.34	\$72.90	\$78.28
East Cambridge	\$95.63	\$87.01	\$93.16
Mid Cambridge	\$78.57	\$71.88	\$71.97

#### Biotech Lab

Class A NNN Asking Rent (Price/SF)	Class B NNN Asking Rent (Price/SF)	Total NNN Asking Rent (Price/SF)
\$97.71	\$77.30	\$93.06
\$110.00	*\$98.00	\$110.00
\$95.00	\$91.00	\$91.94

**Therefore, developers with a pure profit maximizing orientation will always build those types of buildings.**

Or they will build affordable housing, where the government provides the capital, and they can take a simple fee for development.

## The Economic Challenge, and Envisioning a New Type of Real Estate Development

The result will be Cambridge being devoid of culture space if nothing changes. For this to change, we need:

### 1. Developers and Investors

who care, focused on making money, but not making \*the most\* amount of money possible;

+

2. Landowners who care, that are flexible with culture-oriented tenants (as the Sater family has been) and pass ownership of land to people who care;

+

3. Better Policy from government to incentivize culture so even fully profit oriented developers build for culture.

## The Economic Challenge, and Envisioning a New Type of Real Estate Development

The result will be Cambridge being devoid of culture space if nothing changes. For this to change, we need:



#1 is in our power.

So, given the lack of developers focused on anything except profit maximization, we have brought a new approach:

**a development model focused on balanced, culture-first development.**

**The Middle East parcel represents a number of concepts core to Cambridge's identity:**



The triumph, vitality, and importance of the local live music scene

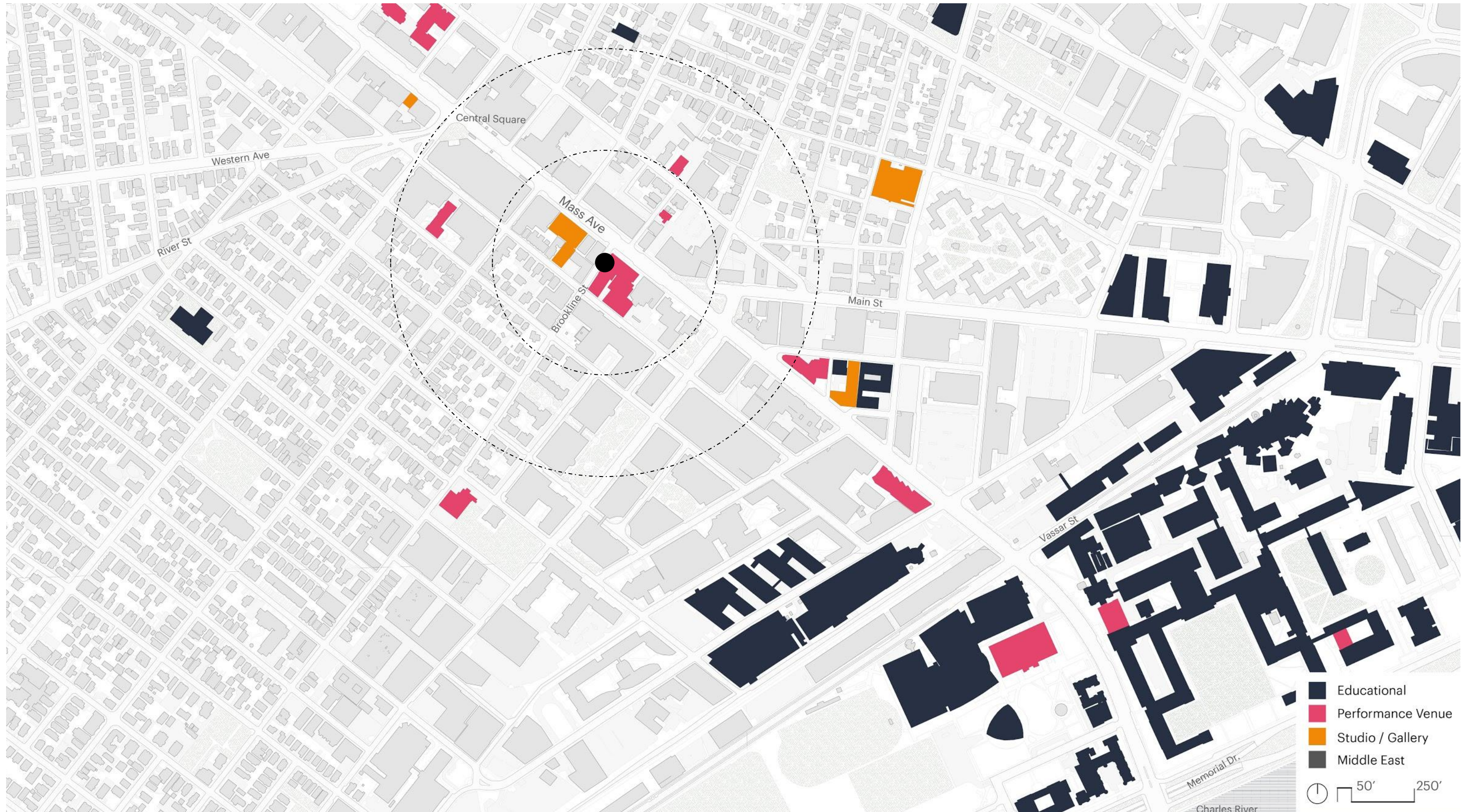


The local community's (in this case, the Sater family's) dedication to the arts and community



The integral, positive impact of immigrants on the cultural fabric of Cambridge

**The Middle East is well positioned to aid in buoying the existing creative and local economy of Central Square.**





**What If...**

We propose transforming the Middle East into a cultural center that is a **tribute to both the arts and the contributions of immigrants to Cambridge.**

What If...



Dance Studios



Outdoor event space, with an area honoring Cambridge immigrants

Affordable childcare for culture economy workers



Visual Arts community space - pottery, painting

Performing Arts theater #2 - dance, theatre



Artist studios and co-working space/ community



Recording Studios



Artist residences

The Middle East 2-3 Music venues, Lebanese Restaurant/ Nightclub



Roof deck bar and garden (Lebanese themed)



Residential on top to cross-subsidize the culture use.



Visitor Center for the Cultural District

**We did test fits of the space, and concluded 6 floors of culture space (basement + 5 above grade) are needed at a minimum**

## **Each of the pieces we are imagining are important to success at a system level for the building and broader community**

**The building would have a special focus on low income populations**

- **Music venues** will keep the Middle East's legacy going forward, and continue to bring countless visitors to Central Square, supporting the local ecosystem
- **The artists and culture workers we would be prioritizing are low-income.** We are not interested in focusing on wealthy individuals or hobbyists, as there is not a need there.
- The **affordable childcare** component would be offered only to low-income populations, first to culture workers but also more broadly to the community as capacity allows. What good is studio space if there is no one to look after their children? Childcare can cost \$3-4,000/mo in Cambridge...
- We intend to **partner with the Record Co on affordable recording studios** for low-income artists; they will interplay with the music venues, and help restore the loss of EMF for hundreds of local artists
- The project would dedicate an estimated **25% of the housing square footage to affordable housing**, partnered with an organization like Just A Start or HRI.
- The **performance arts theatres** would provide performance space and employment opportunities for performers that otherwise may be pushed out of Cambridge / Boston
- **A theater for ImprovBoston** will bring citizens and corporate customers to the cultural district and expose them to all the other businesses and cultural activities, and restore the loss of ImprovBoston's space
- **The dance studios** would give rehearsal, performance, and recording space for traditionally low-income artist populations; will interplay with all spaces and the local community, and help restore the loss of Green Street Studio, Studio at 550, and more.
- **Artist residencies** will create living space for artists and also allow for cultural exchange with other geographies
- **[Potential, being explored]:** Nonprofit coworking; local food business incubator/commissary for minority/low-income populations
  
- Additionally, the culture space would be owned and operated by a 501c3 nonprofit

**Test Fit**

**Level 6-19:**

Total footprint/level:	10,000 sf
Circulation & commons:	1,500 sf
Residential NSF:	8,500 sf
(85% eff.)	

**162 units**

**Level 5:**

Dance Studios:	1,500 sf
Art Studios & Coworking:	2,500 sf
Outdoor Events:	3,000 sf
Theater (open to below)	-

**Level 4:**

Theater:	5,000 sf
Art Studios & Coworking:	7,000 sf

**Level 3:**

Art Studios:	4,000 sf
Recording Studio:	4,000 sf
Child Care Center:	4,000 sf

**Level 2:**

Art Studios & Coworking:	3,000 sf
ImprovBoston:	9,000 sf

**Ground:**

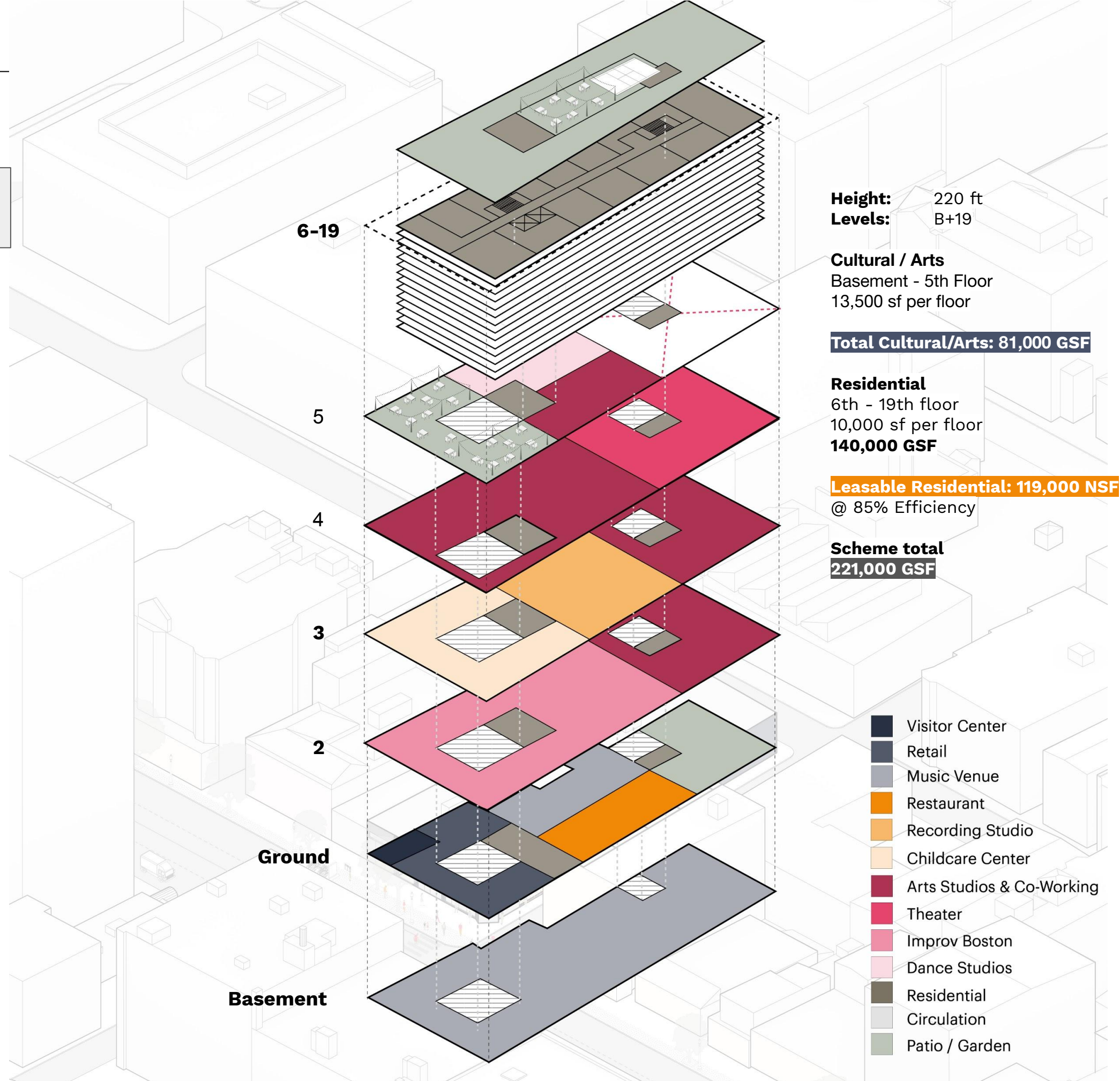
Visitor Center:	1,000 sf
Restaurant(s):	3,000 sf
Retail:	4,000 sf
Music Venue #2	4,000 sf

**Basement:**

Music Venue #1:	12,000 sf
-----------------	-----------

**Notes:**

Floors B-5 assume 1,500sf/floor for circ & service



**Height:** 220 ft  
**Levels:** B+19

**Cultural / Arts**  
Basement - 5th Floor  
13,500 sf per floor

**Total Cultural/Arts: 81,000 GSF**

**Residential**  
6th - 19th floor  
10,000 sf per floor  
**140,000 GSF**

**Leasable Residential: 119,000 NSF**  
@ 85% Efficiency

**Scheme total**  
**221,000 GSF**

- Visitor Center
- Retail
- Music Venue
- Restaurant
- Recording Studio
- Childcare Center
- Arts Studios & Co-Working
- Theater
- Improv Boston
- Dance Studios
- Residential
- Circulation
- Patio / Garden

## Opportunities

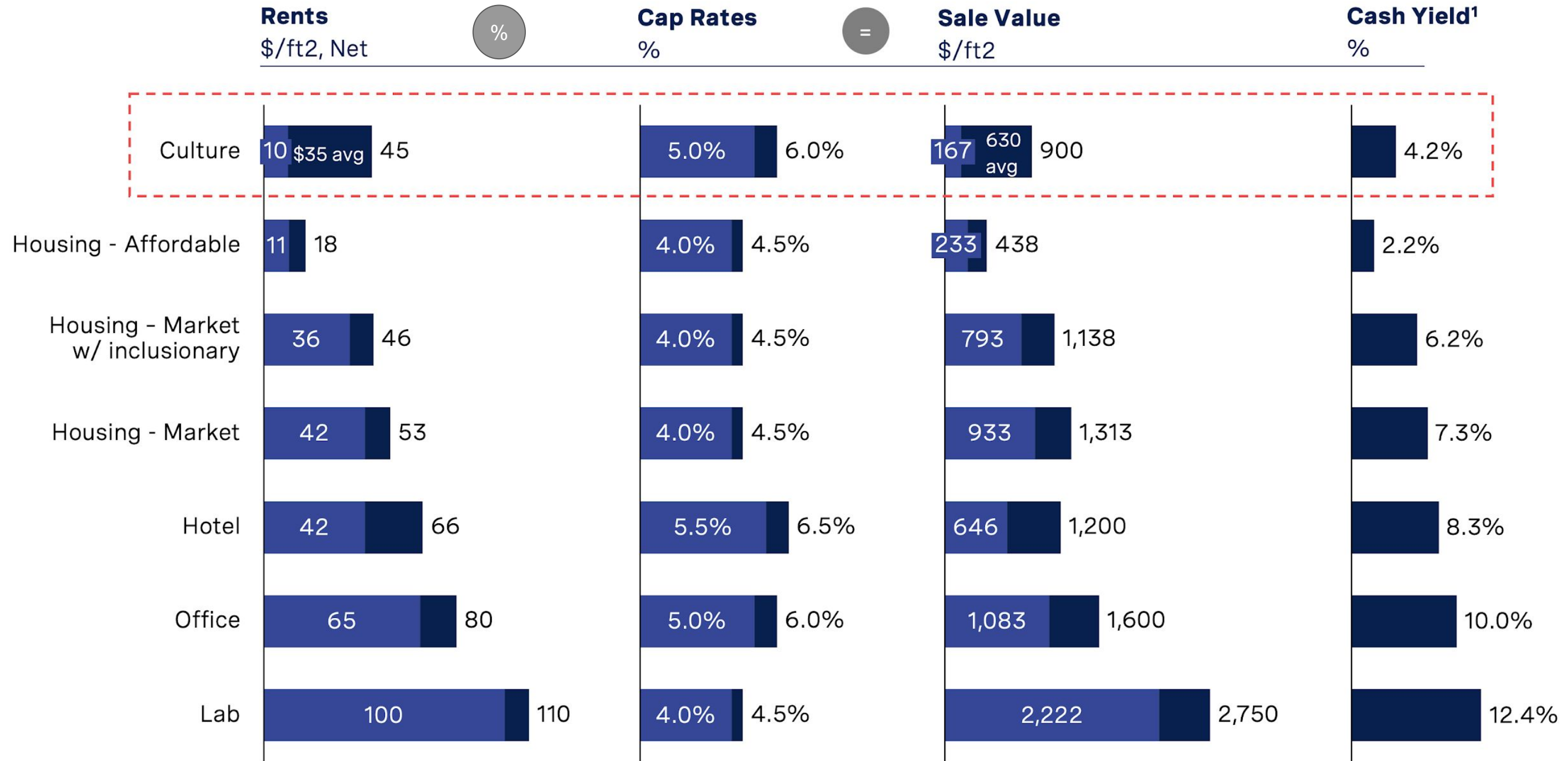
- The current returns for the project appear to be too low to be viable (e.g., 10-12% IRR, needs to be closer to 20%). We are exploring different options to improve this picture.
- If the Cambridge Redevelopment Authority gets involved, we'll be able to further boost culture space and affordable housing components - and help attract outside capital to make the project happen
- Time is of the essence - the Middle East parcel is on the market and other developers are exploring purchasing it imminently.
- We hope the CRA can conduct appropriate diligence and seize the opportunity to preserve and enhance Central Square



# Appendix

Value Creation in Real Estate

**Having a soul** has a financial cost in our economic system, unfortunately.



- Office and Lab generate 3-4x more sale value than culture space, and Housing generates ~2x more sale value
- Equity IRRs generally are too low if cash yields are <1% above cap rate. For culture, they are ~1-2% below the cap rate. A nonstarter.

1 Assumes \$650/ft2 project cost, +75 office TI and 200 Lab TI



## Residential housing economics - financial modeling, showing a residential-only project on the parcel, for discussion

Due to the increased costs of steel construction above 8 stories (high-rise), residential investment economics in Cambridge do not work between 9 and 15 stories. Even if zoning allows for up to than 140 feet, additional height is unlikely be used (except for lab floors or high end office, but that doesn't add housing)

### Assumptions:

- **Capex:** \$378/ft<sup>2</sup> (passive house) >8 floors (steel), 302/ft<sup>2</sup> ≤8 floors (wood/concrete), plus 10% contingency
- **Housing economics:** 20% affordable by ft<sup>2</sup>, 65% NOI margin: \$65/ft<sup>2</sup> gross --> \$42/ft<sup>2</sup> net.
- **Developer fee:** 4% fee, 20% promote post 1x payback,
- **Sale:** at 4.25% cap rate after lease up,
- **Timing:** 18 mo pre-dev, 24 mo const, 10 mo lease up,
- **Debt:** 60% leverage @ 4% interest rate,
- **Land cost:** \$1,100/ft<sup>2</sup> floorplate
- To improve economics, could (1) increase leverage to 65-70%, (2) not do passive house [8% lower capex] (3) separate affordable to other developer w/ access to low-cost gov financing

