



**Boston Landing Case
Value Capture Financing Guide**

TCRP Project J-11/Task 22, FY 2015

Station Development Peer Exchange

June 22, 2016

Overview

- Private Financing to Support Public Need
- Long Term Benefit and TOD Premium
- Public Infrastructure Procurement Challenges

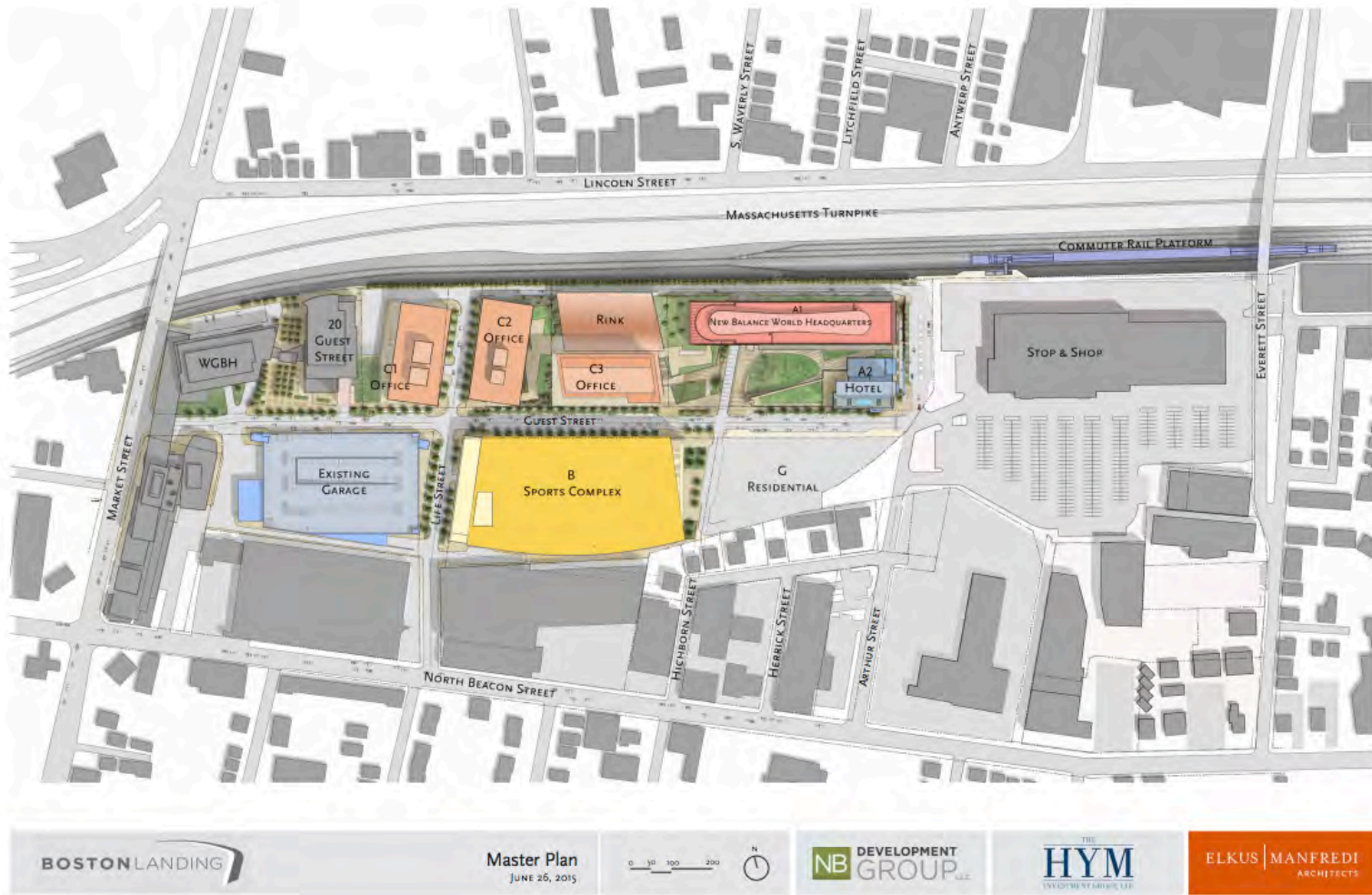


Private financing to support public need

- Building new commuter rail station in vicinity of Boston Landing (Allston-Brighton area of Boston) had been contemplated by planners, yet funding was not available given MBTA's state-of-good-repair needs
- NB Development Group, affiliated with New Balance, bought property for **new headquarters** and other developments in 2009-2010
 - Intention was to move employees from nearby older buildings, consolidate regional offices, and develop property for third parties
 - Additional objective was to create center of **sports entertainment and wellness** and Boston Bruins and Boston Celtics training facilities
- NB Development Group felt it could not obtain approvals for needed **parking**
 - Felt that it would be too expensive to build structured parking
 - Commuter rail station was an important element to realizing project, so that NB Development Group offered to fund vertical elements of project, comprising more than **70 percent of cost**

Private financing to support public need (cont'd)

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Source: BRA, 2015

Private financing to support public need (cont'd)

- After full build-out commercial elements of project will encompass:
 - 650,000 sq. ft. of build-to-suit, class A, LEED-certified office space
 - 140,000 sq. ft., 175-key boutique hotel
 - 65,000 sq. ft. of ground floor restaurant and retail space
 - 325,000 sq. ft. state-of-the-art sports complex and
 - 275 residential units
- Infrastructure elements of project will include:
 - Commuter rail train stop on Framingham/Worcester line that goes directly to Boston South Station and
 - Public amenity space, usable open space and pedestrian linkages

Long-term benefit and TOD premium

- Developer's investment in station will **yield benefits over time**, potentially many years, until project has been fully built out and it is well-established business, hospitality, retail, residential, and sports entertainment destination
- Harder-to-estimate "return" to real estate development could be characterized as **TOD premium**, discussed in "Value Capture Financing Guide"
- Value of transit component is complicated by fact that New Balance seeks to portray itself as leading edge, youthful firm associated with national sports teams and health and wellness
 - **Some of value of station accrues to New Balance brand and not necessarily to an easily calculated real estate "bottom line "**

Long-Term Benefit and TOD Premium (cont'd)



Source: Rocheleau, 2014

Public infrastructure delivery and procurement challenges

- Station has been designed according to all MassDOT and MBTA station requirements and constructed using management plan approved by MassDOT and all relevant federal, state, and local agencies
- Station construction presented challenges due to:
 - Physically **constrained site** and need to maintain commuter rail and freight operations
 - Required **coordination with multiple other projects** on Worcester line in order to minimize impact on rail service and
 - MassDOT Highway Division's work on Everett Street bridge and electronic tolling on Mass Pike

Public infrastructure delivery and procurement challenges (cont'd)

- Unlike most value capture projects in which developer contributes to transit agency's effort to build station or transit line, NB Development Group is responsible for **delivering most of transit infrastructure**
- While construction is not complete, NB Development Group has been subject to similar construction risks as public sponsors, including:
 - **delay risk**
 - complications related **to operating in highly-regulated areas subject** to high safety standards
 - and **cost risk**

Public infrastructure delivery and procurement challenges (cont'd)

- NB Development Group is **funding 97% of \$25.3M** “vertical” elements of Boston Landing Station:
 - MassDOT will contribute \$760K of this amount or 3%
 - MassDOT has further agreed to **perform \$8M “horizontal” signal work** for Worcester line
 - Including signal work, NB Development is funding 74% of total
- MassDOT involvement reflects, 1) vertical work cost was higher than expected, 2) some track improvements **are to entire line** and not just station, and 3) NB Development’s expertise is in managing structures not track work
- Since NB Development Group procured contracts, it **did not follow federal “Buy America” requirements** preventing it from receiving federal funding, were any to be available
- NB Development Group will also be providing \$470,000 for maintenance (\$47,000 per year for 10 years) after station completion

Final Thoughts

- Private Financing to Support Public Need: Mutual benefits
- Long Term Benefit and TOD Premium: Unique to New Balance? Measure this in many years?
- Public Infrastructure Procurement Challenges: No one is immune

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