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Boston Landing - A public private partnership success- by Thomas Jensen

May 11, 2018 - Appraisal & Consulting

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The Massachusetts and Rhode Island Chapter of the Appraisal Institute will be holding a two-hour continuing education event at 2:30 PM on May 23rd within the Boston Bruins training facility at 80 Guest St. in Brighton. Panelist will include: Erin Harvey, senior leasing agent of NB Development; Keith Craig, project manager, New Balance Development; Ellen DeNooyer, senior project manager, MBTA; and James Parker, associate team counsel, Boston Celtics. Boston Landing is home of the Boston Bruins' and soon to be Boston Celtics' practice facilities. Following CE program, participants are invited for networking, cocktails and light refreshments, at Brighton Bowl, a new candlepin bowling alley, located in Flatbreads at 75 Guest St.

The program will feature an overview of NB Development's mixed-use Boston Landing complex with focus of the MBTA's Public Private Partnership (P3) in constructing the new commuter rail station. It will also focus on the station's impact on marketability and value as a transit-oriented development. Finally, the program will also discuss the new transit station as a catalyst for the overall neighborhood's redevelopment.

Public sector budgets are always under pressure and governmental agencies increasingly seek to fund development projects and infrastructure construction through public-private partnerships ("PPPs"). Public-private partnerships for infrastructure are more common in other regions of the world, but such partnerships are less common in the U.S. because there has often been public money set aside for these projects. In addition, there has been a strong tax-free municipal-bond market providing incentives for states and cities to borrow money and build on their own.

The concept of governments building transit has often been considered inconsistent with American traditions. Government uses taxpayer money to build a rail line or a highway, which then increases the property values of nearby private homes and businesses. Money is put into the pockets of landowners who didn't have to spend a dime making their real estate more valuable.

The private sector can afford to build transit and is now becoming a more attractive proposition as

Americans move back into urban cores and demand walkable, transit-oriented development. Improved access to public transit with new stations increases project marketability and drives up values. Therefore, it becomes financially beneficial for the private sector to make these investments.

In 2015, the Massachusetts Department of Transportation and New Balance entered into an agreement in which New Balance would pay for the permitting, design, and construction of the new commuter rail stop. The new $20 million Boston Landing Commuter Rail Station, privately financed by New Balance, resulted in restoring commuter rail service to the Allston-Brighton neighborhood. The opening of Boston Landing Station highlights a successful collaboration between the state, city, and New Balance to expand development and transit opportunities for the community. Projects such as this one spur local economic development and community growth. Strong public and private partnerships work together to improve reliability and transit options for the communities served by this line and the system as a whole.

Construction of the New Balance-financed station began in October 2015 with the company continuing to pay for all maintenance costs of the station for the first ten years of its service. A successful example of public-private partnerships and transit-oriented development, Boston Landing Station is part of the 15-acre Boston Landing development site, which will at full build-out include new office, lab, retail, restaurant and open space, a 295-unit apartment complex, and a 175-room hotel. Opened in May 2017, Boston Landing Station has resulted in job creation, encouraging mass transit use, and has served as a catalyst for increased economic activity in the neighborhood.

Leasing in projects abutting recently completed transit stations have demonstrated a 10% to 15% increase in effective rents for deals negotiated shortly before and after a station opened. Therefore, a hypothetically proposed one million s/f mixed-use complex with a roughly $600 per s/f stabilized value could have a $60 to $90 million value increase due to the presence of an abutting transit station. The 2.15 million s/f Boston Landing Station cost the NB Development $20 million making the investment financially feasible and creating a substantial return on their capital outlay. A proposed complex would likely have a higher tenant renewal probability and less downtime between eventual tenant turnovers. A transit-oriented building could obtain points toward LEED certification enabling the project to attract superior credit tenants lowering the capitalization rate paid by a prospective investor.

Governing agencies are also likely to approve higher development densities for transit-oriented developments and require lower parking ratios, therefore, reducing construction costs. A new transit station can be a catalyst for attracting jobs and improving the municipal tax base with new development helping to create badly needed housing.

Future MBTA PPPs could include sites along the Green Line Extension (“GLX”) through Somerville and the proposed West Station between Harvard and Boston University near the former Allston toll plaza. Harvard University recently increased its contribution to the potentially $100 million West Station commuter-rail stop over the Beacon Park rail yard in Allston to $58 million. Harvard’s increased contribution offer was made in response the Department of Transportation pushing the station’s opening to as late as 2040. Harvard wants to speed up the development timeline for the

130 acres around the future station. The proposed West Station will be more complex than the Boston Landing stop, which will include a bus terminal as well as rail links to North Station and Cambridge.

Millennium Partners and Cargo Ventures recently proposed constructing $100 million aerial gondola featuring trams over Summer St. between South Station and their 12-acre development site in the Raymond Flynn Marine Park. The system could carry up to 4,000 passengers per hour and would require 13 towers carrying passengers the entire route from South Station to Flynn Park in roughly seven minutes.

In conclusion, PPPs can be a cost-effective way for developers to obtain higher density entitlements, lower construction costs, and improve the marketability and value of their proposed projects. The Appraisal Institute's May 23rd program at Boston Landing will feature an overview of the new commuter rail station's impact on the marketability of the Boston Landing complex as well as on the neighborhood's revitalization.

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