

Introduction to Financing Livable Communities

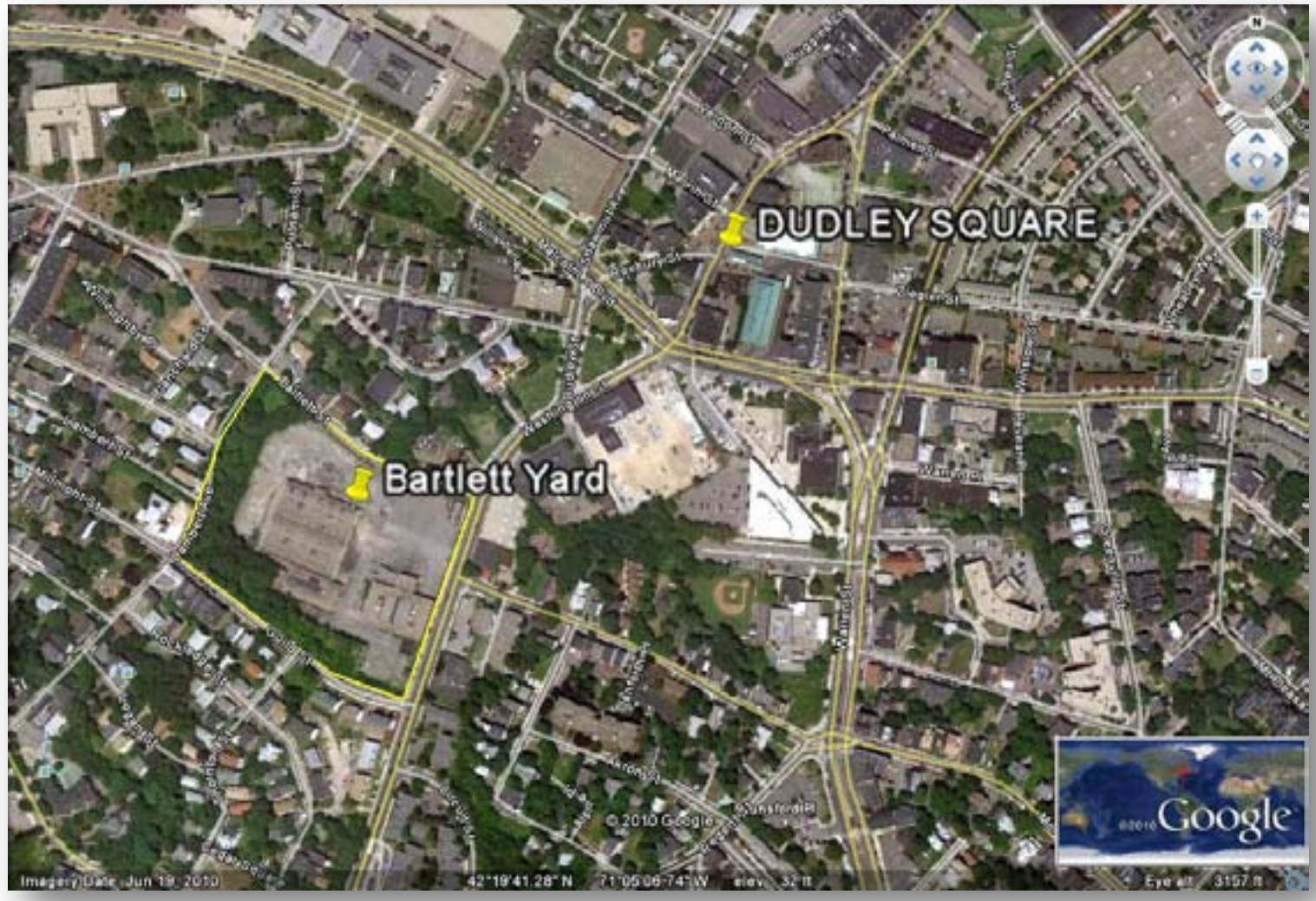
Challenges for today's developers

- Lack of capital (debt, equity)
- Entitlement risk
- Uncertainty of the market

Transportation agencies role in success

- Be a “patient” seller
- Identify the agencies abilities and limitations.
- Understand the developers aversion to risk.
- Structure transactions with realistic performance requirements for the developer.

Bartlett Yard, Boston, MA



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- 8.55 acre former MBTA Bus Garage located one block from the Dudley Square MBTA Bus and Silver Line station.
- A master plan was completed in cooperative effort between the Roxbury community and the Boston Redevelopment Authority which was completed in 2006.
- The property was offered and a developer was designated in 2007.



- The proposed Bartlett Yard project is for 312 affordable housing units and 60,000 square feet of commercial space.

The Challenges

- Due to the length of time required for the community planning process, the project missed the market.
- Anticipation of an 18 to 24 month entitlement process with the City of Boston.
- The project's equity partner backed away from the deal.
- The developer did not have the financial capability of taking down the entire site.

The Deal

- The MBTA agreed to provide a first mortgage on the entire site for 75% of the purchase price for a 7 year term.
- Secondary financing was allowed.
- The site was subdivided into 5 phases allowing the developer to take down phases with partial releases.

The Result

- The MBTA was able to complete the \$4,000,000 sale of the property, realizing a pre-recession value of its asset.



Riverside, Newton, MA

- Development rights over approximately 22 acres of land located at the MBTA Riverside Station (bus and light transit) in Newton.
- Offered in 2007.
- The offering planned for a minimum development to include no less than 600,000 square feet.

The Challenges

- The MBTA requires that there be no disturbance of transportation activities at the site.
- Developer is required to build a new 1000+ car parking garage to serve the MBTA customers, replacing spaces otherwise lost by the development.
- Entitlements for the project are estimated to take at least two years.
- Due to the long term nature of project, uncertainty of the financial and real estate markets.

The Deal

- The MBTA entered into a 85 year ground lease.
- The initial two years of the lease are at a reduced preconstruction rent.
- Developer has the option of partially deferring years 3 through 7 rent if construction has not commenced.
- Minimum guaranteed rent is based on 600,000 square foot. Additional rent will be paid on a pro-rata basis for any additional square footage.

The Result

- The MBTA entered into a long term ground lease which will provide a stream of guaranteed minimum payments of \$217,000,000 throughout the term of the lease (\$24,500,000 NPV).
- The proposed project currently plans for an 800,000 square foot development, which, if approved, will increase the rent payments by a third.