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.
Building Livable Communities with Transit

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.
Building Livable Communities with Transit

Riverside, Newton, MA
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- 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.