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)

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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