

**Massachusetts Bay
Transportation Authority**

Strategic Plan for Real Estate and Real Estate Revenue

Fiscal and Management Control Board

September 23, 2019

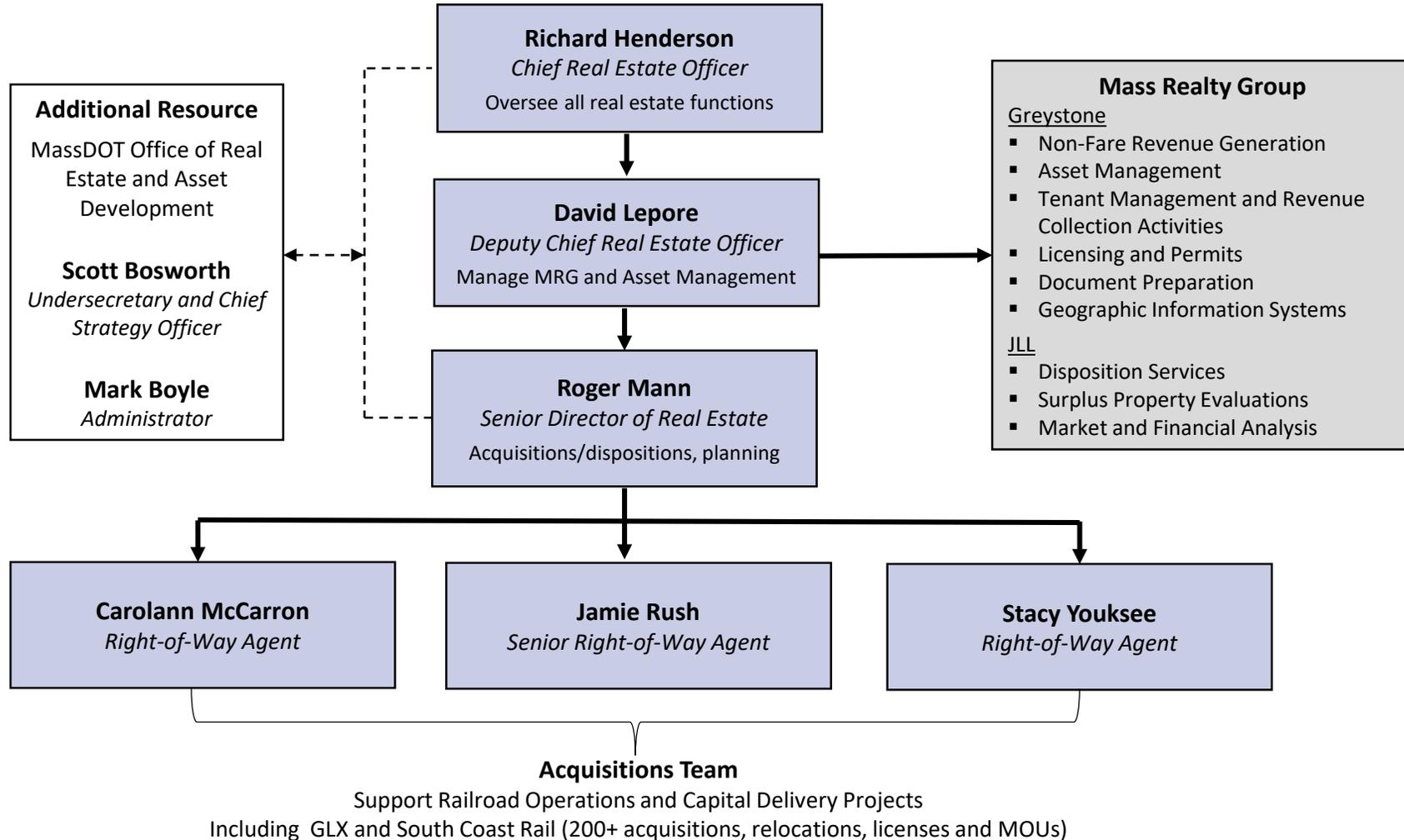
Richard Henderson

Real Estate Department Mission

- The MBTA Real Estate Department seeks to support the MBTA's long term operational needs, generate financial returns from our real estate assets, and contribute to the region's economic growth by:
 - **Partnering** with MBTA operational and Capital Delivery departments to improve customer experience and procure real estate for operational needs, capital projects, and expansion.
 - **Maximizing** the MBTA's recurring and total revenue consistent with operational needs, by effectively managing the MBTA's revenue-generating assets and monetizing underutilized assets.
 - **Delivering** strategic real estate decisions that support operational improvements and transit-oriented development on and adjacent to MBTA property.



MBTA Real Estate Department

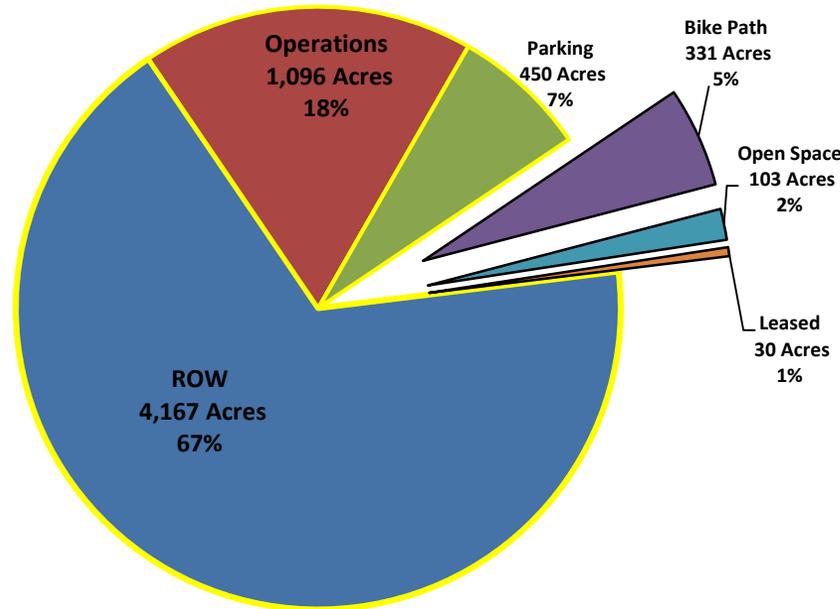


MBTA Property Portfolio

Overview:

- **6,177 total acres** owned (270 Million S.F.)
- **92%** utilized daily by MBTA departments or its commuters (ROW, Operations, Parking)
- **9%** of the property merits further analysis for revenue potential

MBTA Total Property Breakdown



Largest Operations Facilities	
Facility	Acres
Bus Garages	
Charlestown Bus Garage	32
Arborway Yard Bus Garage	17
Everett Shops Bus Garage	9
Albany Street Bus Garage	7
Fellsway Garage	5
Quincy Bus Garage	4
Watertown Car Barn	3
Subway and Commuter Rail Facilities	
Iron Horse Park	82
Boston Engine Terminal	51
Wellington Yard	35
Cabot Yard/Maint. Fac.	30
Orient Heights	27
Riverside Yard (includes surface parking)	23
TOTAL	325



Real Estate Constraints

- **Virtually all properties** are actively used by MBTA functions. Past dispositions sold 266 acres.
- **Market** is strong for many sites, but **cash value** is reduced by operational requirements to maintain parking, address code upgrades, and/or span active facilities; by environmental conditions; and by other considerations.
- **Intense interest** to redevelop our operating properties means we are often reacting rather than planning ahead.
- **Post-ITB process** is iterative and therefore extensive as operating departments determine impacts through review of designs.
- **Legislative** language for disposition and leasing is suited to unused surplus property, requiring highest bids rather than proposals that best meet strategic goals or customer needs.

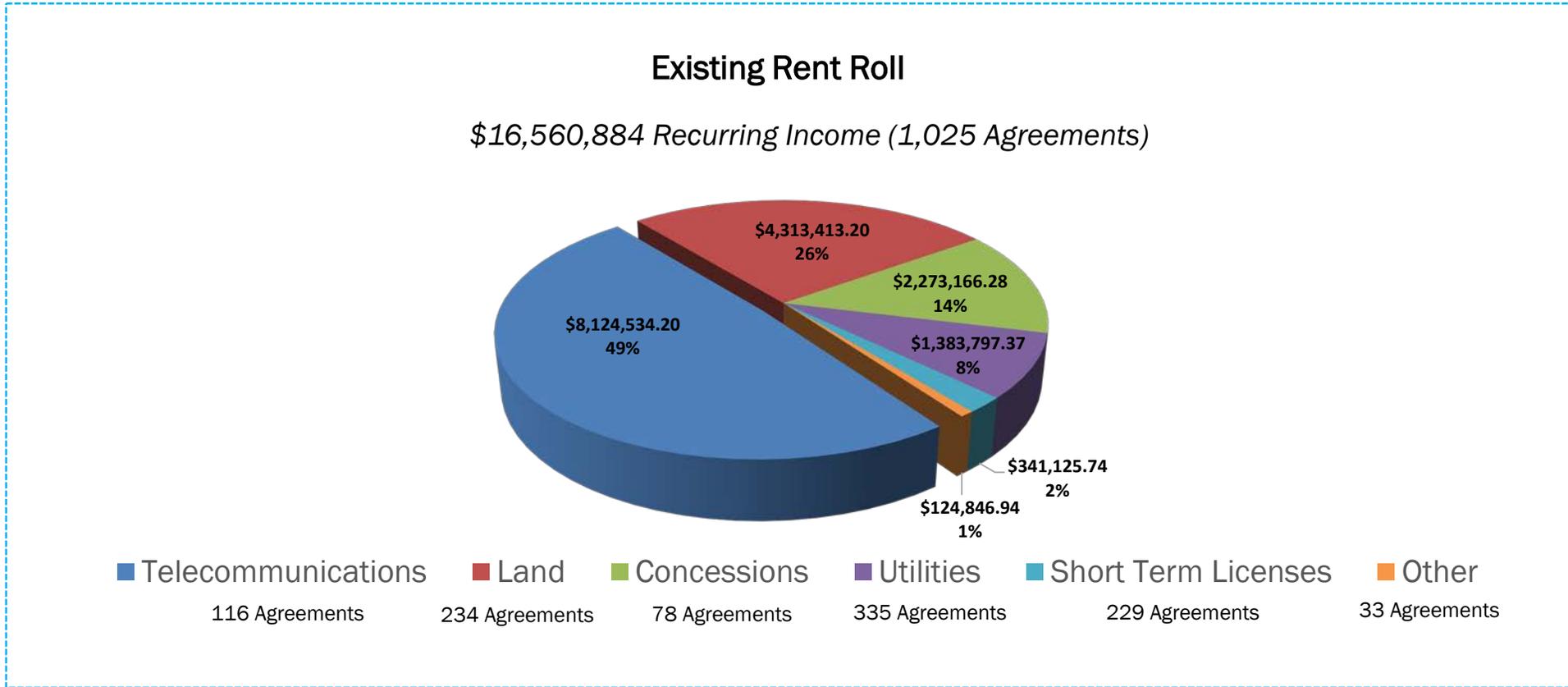


Real Estate Department Approach

- **Assess our properties** in a proactive manner, working with operations and capital departments to determine opportunities to:
 - Improve operations and customer experience, and
 - Leverage value of property most suited to development.
- **Explore** potential new recurring revenue opportunities.
- **Engage** with other departments to help plan for future operational needs and acquire real estate for operational initiatives (South Coast Rail, Bus and Rail Maintenance, etc.)
- **Advocate** alternative methods for PPPs, property sales and leasing modeled on best practices at other agencies.
- **Leverage** adjacent development to benefit MBTA operations.



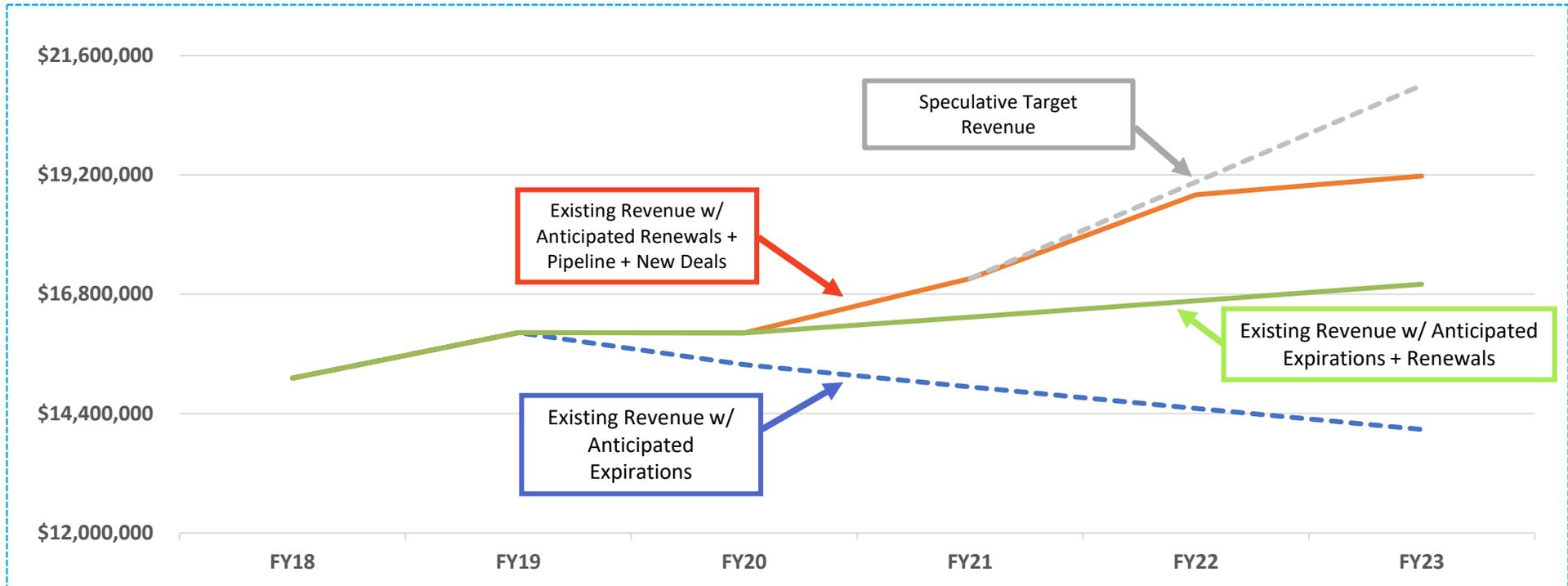
In-Place Recurring Annualized Revenue



Note: above represents in place occupancy agreements, not inclusive of admin and other processing income, plus the net operating income at the South Station Bus Terminal.



Recurring Revenue Trend



Speculative Target Revenue

- This line represents the trend of where MBTA Real Estate is targeting to grow its recurring revenue to by FY23.

Existing Revenue w/ Anticipated Renewals + Pipeline + New Deals

- This line represents the trend of where MBTA Real Estate is expecting its recurring revenue to be by FY23 considering renewals, existing pipeline projects and new projects.

Existing Revenue w/ Anticipated Expirations

- This line represents the trend of where MBTA Real Estate would expect its recurring revenue to be by FY23 based on historical run rate from the last 5 years*.

Existing Revenue w/ Anticipated Expirations + Renewals

- This line represents the trend of where MBTA Real Estate would expect its recurring revenue to be by FY23 based on historical run rate from the last 5 years + renewals.

*FY20 includes reduction of \$640,056 for the Everett Warehouse lease. MBTA has opted to terminate the lease to utilize the space for operations.



Operational Strategy

Goals: *Help Operations plan and execute facilities plans; increase procurement flexibility; better leverage development near transit to meet operational needs.*

Facilities Planning/Acquisitions: Work with operations to understand strategic operational objectives and real estate needs; analyze the optimal real estate deal/property for the MBTA

- Public/private development
- Eminent domain vs. RFP to purchase or lease
- Consolidate, redevelop, redeploy existing portfolio

Procurement Flexibility: Explore and advocate for alternative procurement approaches based on best practices from other agencies.

- Governor proposed more flexible procurement in recent Bond Bill; additional legislative changes would be helpful
- Other agencies have more flexibility, such as marketing of space through brokers rather than bid solicitations, and RFP processes based on overall quality including price

Leveraging Nearby Development Projects: Play a more active role in assessing MBTA impacts and advocating mitigation from nearby real estate development projects.

- Extend efforts beyond projects that touch or abut T property
- Monitor and advocate in local as well as State permitting processes



Revenue Strategy

Goals: *Increase recurring revenues to over \$17M annually by FY21 and over \$20M by FY23; close existing deals and initiate others to realize substantial development revenue*

Recurring revenues

- **Solar:** Implement existing solar canopy project; identify additional locations
- **Concessions:** Optimize retail opportunities for commuter-based consumers (e.g. ATMs), and increase speed of implementation while limiting distraction of MBTA operating departments
- **Utilities/Telecom:** explore potential for utility and telecom use of MBTA infrastructure (e.g. 5G, dark fiber utilization)

Development revenues

- **Leased TOD Opportunities:** Bring currently-active deals to agreement and lease execution; Conduct highest and best use analysis for TOD sites (e.g. market analysis, zoning study, valuation)
- **Operational Facilities:** Work with operational departments to ensure optimized property utilization and explore development potential that could support facility improvements
- **Surplus parcels:** Identify and pursue surplus opportunities that have no MBTA operational risk (e.g. small parcels with 'local' development opportunities; converting some existing utility, telecom and land leases/licenses to permanent easements)

