



SOUTH STATION LEASE RESTRUCTURE PROPOSAL

**THE CONCOURSE, THE HINES AIR RIGHTS DEVELOPMENT, SOUTH STATION
EXPANSION – INCLUDING POTENTIAL AIR RIGHTS DEVELOPMENT**

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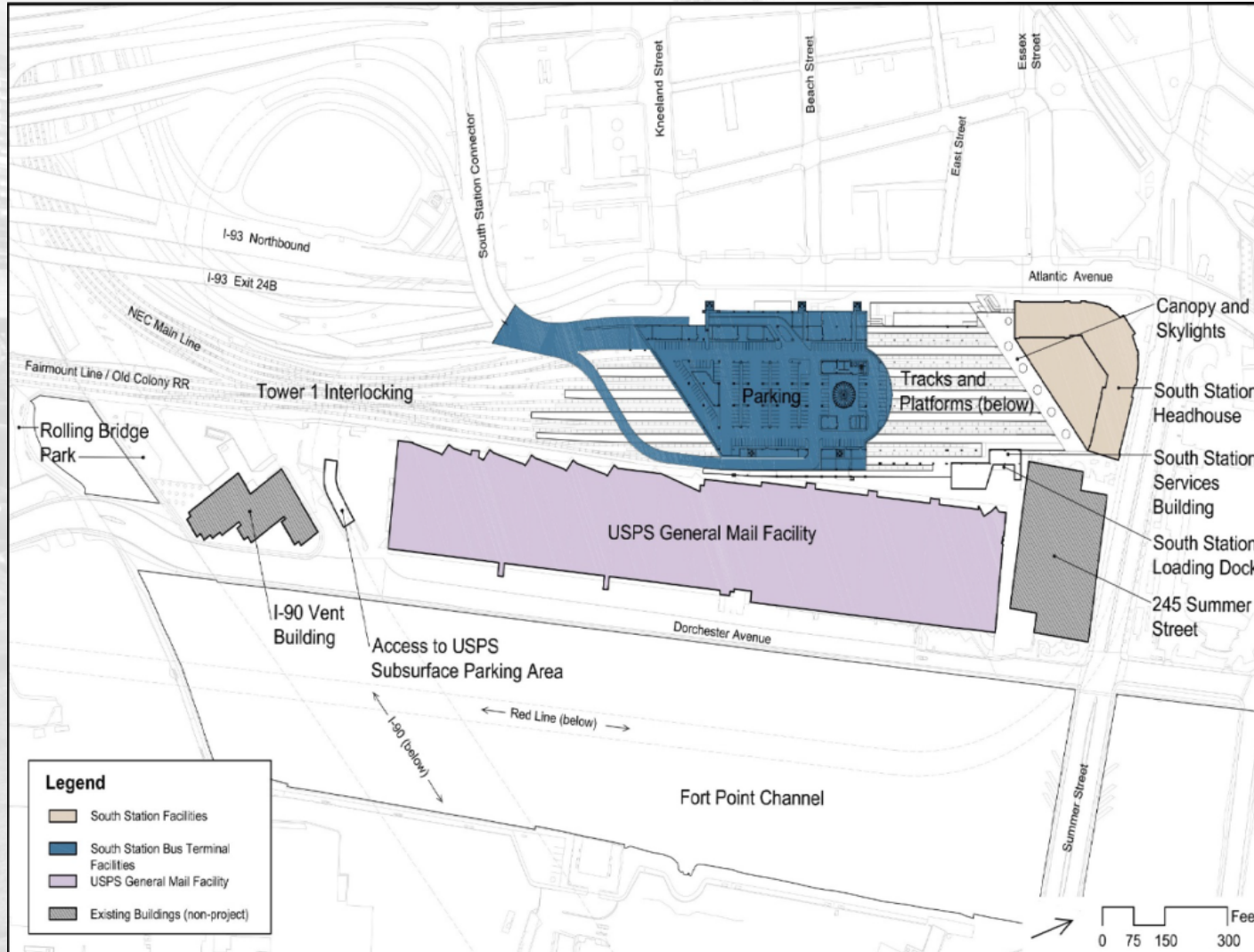
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 - A separation of each component won't prohibit success on any other part

South Station: the neighborhood



Intermodal Transit Facility

- Subway
 - Red and Silver Lines
- Commuter Rail + Amtrak
 - 13 existing tracks
 - 7 Commuter Rail Lines
 - Acela and Northeast Regional Amtrak Lines
- Bus
 - Commuter Bus (6 separate routes have stops)
 - Commercial Bus Lines – independent facility
- Highest concentration of commuter access in the MBTA system - 25,000 daily station entries
- Planned 7 commuter rail track expansion, for a total of 20
 - The Massachusetts Secretary of Energy and Environmental Affairs issued a MEPA Certificate 12/31/14.
 - Stalled negotiations with the USPS to acquire its property

History and Occupancy Overview



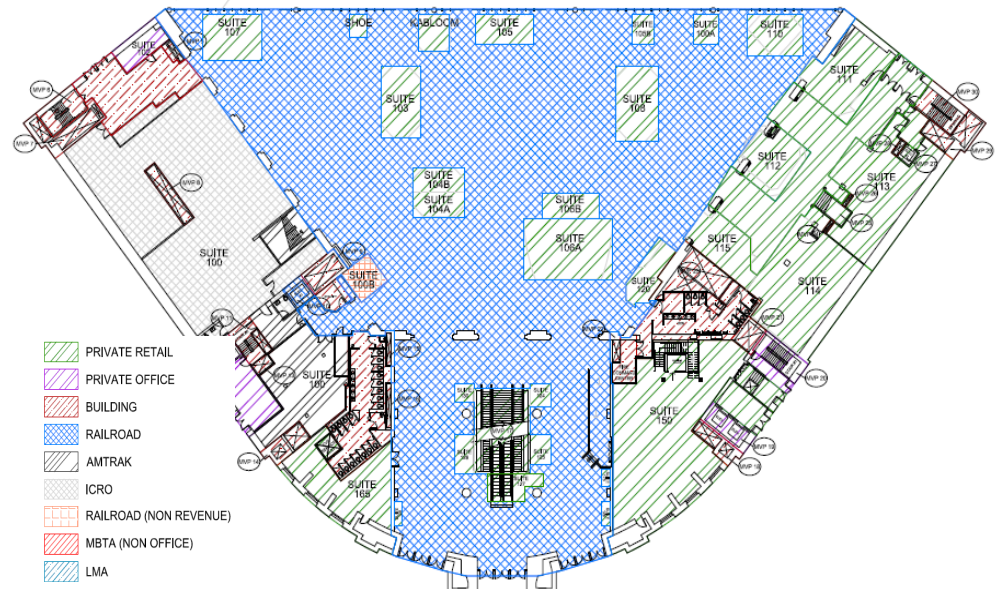
History

- 1899, New Years Day - South station opened
 - At the peak of rail travel in the 1930s, South Station had 28 tracks; 13 tracks presently exist.
- 1965 - South Station was sold to the Boston Redevelopment Authority (BRA). Portions of the station were demolished to build the Boston South Postal Annex and 245 Summer Street – the Stone and Webster building.
- 1975 - South Station was listed on The National Register for Historic Places saving it from demolition.
- 1979 - the BRA sold what was left of the station to the MBTA; the BRA retained air rights over a portion of the station.
- 1988 - the MBTA executed a lease with Beacon South Station Associates, L.P. to redevelop the South Station concourse.
 - Initial Term: August 8, 1988 to December 31, 2024
 - Option to Renew: Two 15-year options to extend the lease through December 31, 2054
 - Proposed amended and restated lease
- 2007, April - the MBTA entered into a Development Agreement with the BRA and South Union Station LLC (a Hines entity) to develop both the retained BRA air rights and MBTA air rights above and around the concourse
 - Development Agreement expires April 2017

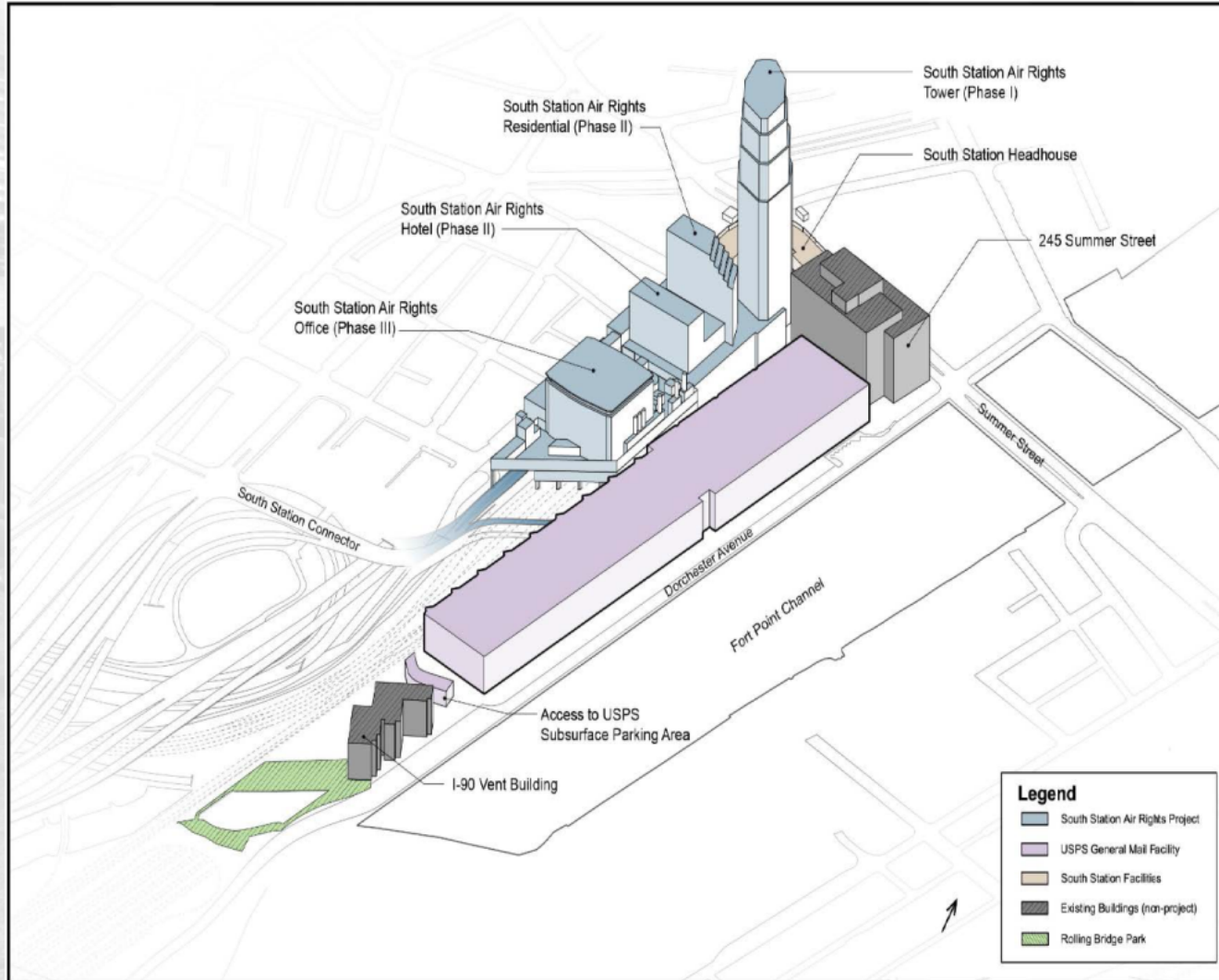
South Station Floor Stack

Floor	Sq. Ft.	Use	Occupancy		
	740		Amtrak		
5	34,300	Office	Amtrak	Amtrak	Comm of Mass
4	34,347	Office	Freecause, INC		Comm of Mass
3	34,424	Office	Aegis Media Americas, INC		
2	31,637	Office/Retail	Amtrak	CVS	Vacant
mez	9,754		Amtrak	Retail Mezanine Seating	
1	30,073		Amtrak	MBTA	Retail (CVS, Tavern in the Square, Starbucks, other)
	175,275				
bsm	34,953		Mechanical	MBTA (KEOLIS)	Retail (Storage)

South Station Concourse



Hines Air Rights Development



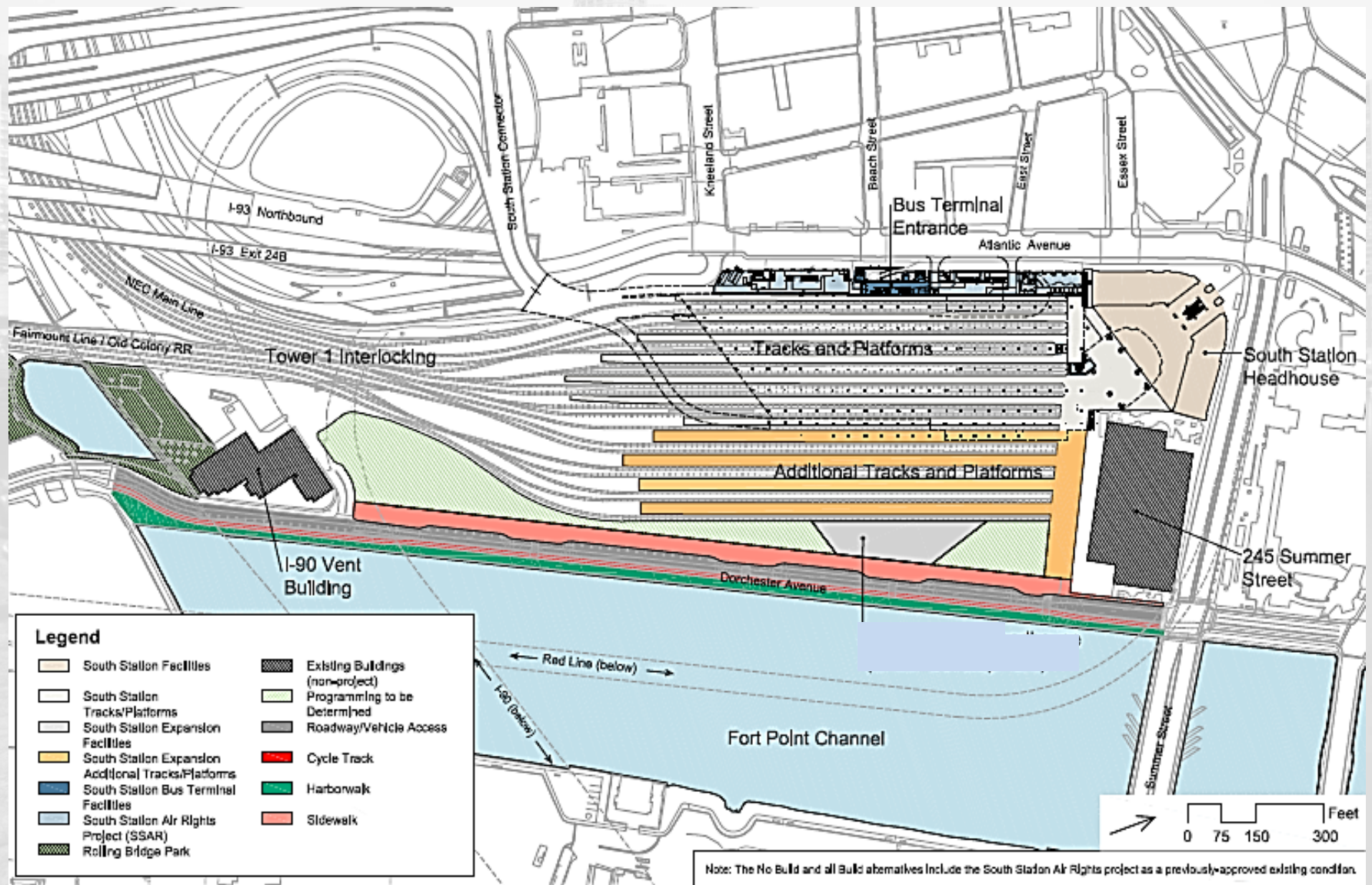
Development Highlights:

- 49-story, 980,000-sq. ft. office tower
- 19-story, 500,000-sq. ft. office tower
- 155-residential units and a 200 room hotel located in a 360,000 sq. ft. bldg.
- 27,000 sq. ft. of retail uses
- 713 additional parking spaces; a total of 943 spaces when complete.
- April 2017 Agreement expiration
- Air Rights above and around the concourse are included in the Hines Development Agreement.
- Through Legislation in 1991 and 1994 a \$10,000,000 loan was granted to the developer.
 - 2004 legislation allowed a restructure of the loan.
 - 4% simple interest rate.
 - Approx. \$23 Million is outstanding as of Aug 1, 2015.
 - April 2017 Maturity Date.

MBTA Benefits:

- As compensation for its Air Rights, the MBTA will receive the following:
 - 70,000 sq. ft. Bus Terminal expansion.
 - Internal pedestrian connection of the Concourse and Bus Terminal
 - Additional MBTA infrastructure including an electrical substation.
 - \$45 Million value (project in 2007)
- \$1 Million payment when 85% of Phase 1 office space is leased.

South Station Expansion - USPS Property



Conclusions

Question:

Could a renegotiation of the existing South Station concourse lease with Equity Office prohibit or interrupt proposed air rights development on the site controlled by Hines, or a future commuter rail track expansion project onto the USPS property?

Response:

A renegotiated South Station concourse lease with Equity Office will not prohibit or interrupt either the Hines air rights project or the commuter rail track expansion project on the USPS property for the following reasons:

- Air rights above the South Station concourse have already been included in the Hines development project.
- The existing lease with Equity allows connection/integration of the Hines development with the concourse, those rights will be preserved under any amended and restated lease
- An amended and restated lease will include appropriate MBTA rights to allow future connections to the concourse when a track expansion project occurs.