

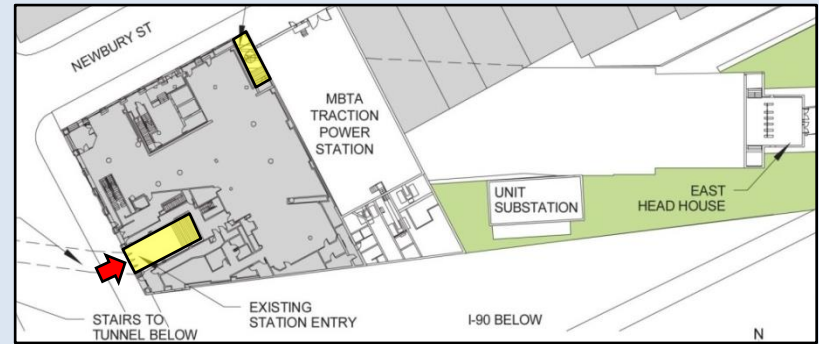
# Overview

- Hynes Station – Parcel 13 Project will deliver a rehabilitated, fully accessible Hynes Station, as well as increased Green Line resiliency from electrical upgrades.
- Project will transform key location at corner of Boylston Street and Mass Ave – critical transit node in burgeoning growth area.
- Design and construction of Station project to be integrated with private air rights development, providing for more cost effective Station.
- Project will leverage more than \$30.5 M in Turnpike air-rights lease revenue value from a private developer to be applied to estimated Station improvements of \$45.7 M.
- Developer to provide CM/PM services and space within building for MBTA facilities – at no cost to MassDOT-MBTA.
- MassDOT Board and FMCB will have opportunities to approve funding for project or to withdraw at 100% design and after bids are received.
- Developer to have right to proceed with development should either Board elect not to proceed with Station improvements.

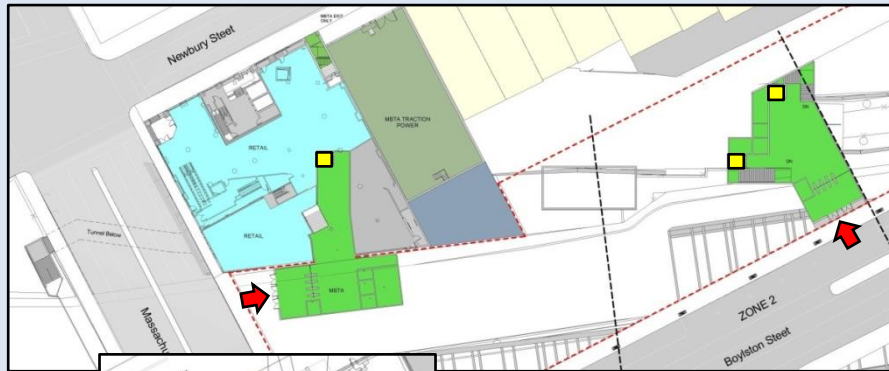


# Station Accessibility and Design

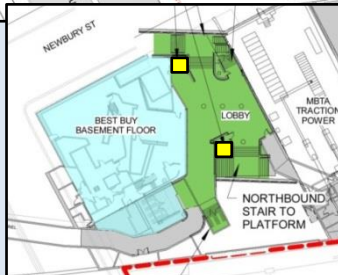
Existing: Station totally inaccessible; no elevators; entrance through front of 360 Newbury St.



Street Level

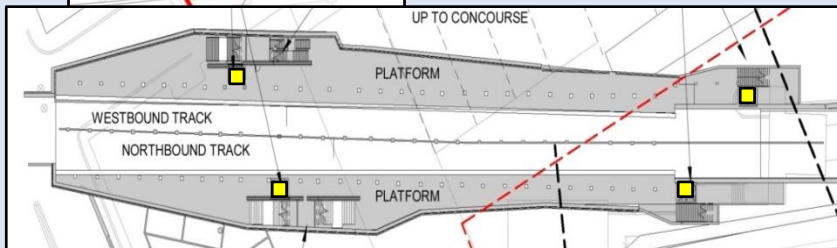


Street level



Mezzanine

Platform level



## Proposed:

- Relocate station entrances over highway; integrate with new air rights building.
- Relocate bus stations; covered waiting areas.
- Reopen Boylston entrance; possibly reopen pedestrian tunnel under Mass Ave.
- Replace and relocate Green Line electrical equipment.
- Improve 360 Newbury retail space, reducing takings costs.
- Full, redundant accessibility to inbound and outbound platforms.
- Construct fully accessible station while reducing required elevators and associated costs.

# Developer

## The Pebbles Corporation:

- Successful developer in Washington, New York, and Miami. First entry into Boston market.
- Specialize in complex public-private projects.
- Significant financial capacity.
- Minority owned firm.

## HDR:

- Highest rated station designer among proposals.
- Experience designing MBTA stations, including current Government Center project.

## Proposal:

- Peebles proposed mixed-use project, with a preliminary program comprising:
  - 390,000 total gross s.f.
  - 173 residential units: 88 condo; 85 rental
  - 156-key hotel
  - 26,000 s.f. of retail space
  - 138 accessory parking spaces.
- 11-story building, within 120-foot height limit and allowable 8.0 FAR.
- Subject to full state and municipal regulation.



# Developer Rent

Developer Rent Value: Total rent and in-kind value to MassDOT—MBTA of more than \$35 M:

- Pre-Construction Rent -- \$200,000 annually, starting six months after major permitting, , escalating to \$300,000 annually after 18 months, through construction start. First \$500,000 not applicable to rent at closing.
- \$10.0 M to be paid at closing.
- \$20.5 M to be paid at Station construction start, soon after closing.
- Up to \$2.0 M additional rent for developer right to create project-wide condominium structure, after completion of station.
- Developer providing station CM/PM services – *no cost to MBTA*, estimated value \$1.4 M.
- Developer providing shell space within air rights building to house station entrances and new electrical equipment – *no cost to MBTA*, estimated value \$2.8 M.
- Already accounts for developer’s added air rights construction and operations risk.

Appraisal:

- Proposed rent is \$30.5 M in cash, present value of cash offer is \$29.25 M.
- Appraised value is \$14.25 M for proposed build-out, \$25.25 for maximum FAR.
- When adjusted to account for ground lease and premium costs, represents *unprecedented* value for development rights in Boston of \$175 per building SF.
- Appraisal does not include added value of CM/PM services, Station shell space, Pre-Construction Rent, and condominium rent.

# Station Costs and Funding Sources

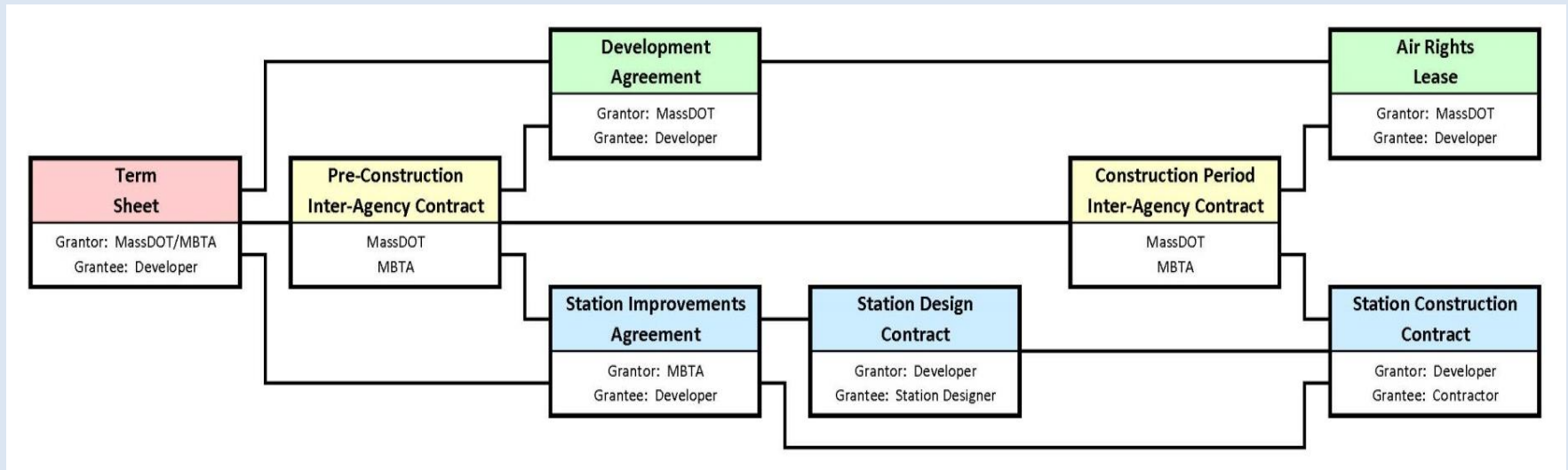
## Station costs:

- Total estimate of MBTA costs = \$45.7 M:
  - \$5.0 M design and soft costs;
  - \$37.7 M hard costs;
  - \$3.0 M allowance for takings;
  - Total estimate of MBTA costs = \$45.7 M:
- Includes total contingencies of \$9 M.
- Estimate prepared by consultants and MBTA, based on Feasibility Study design.

## Funding sources:

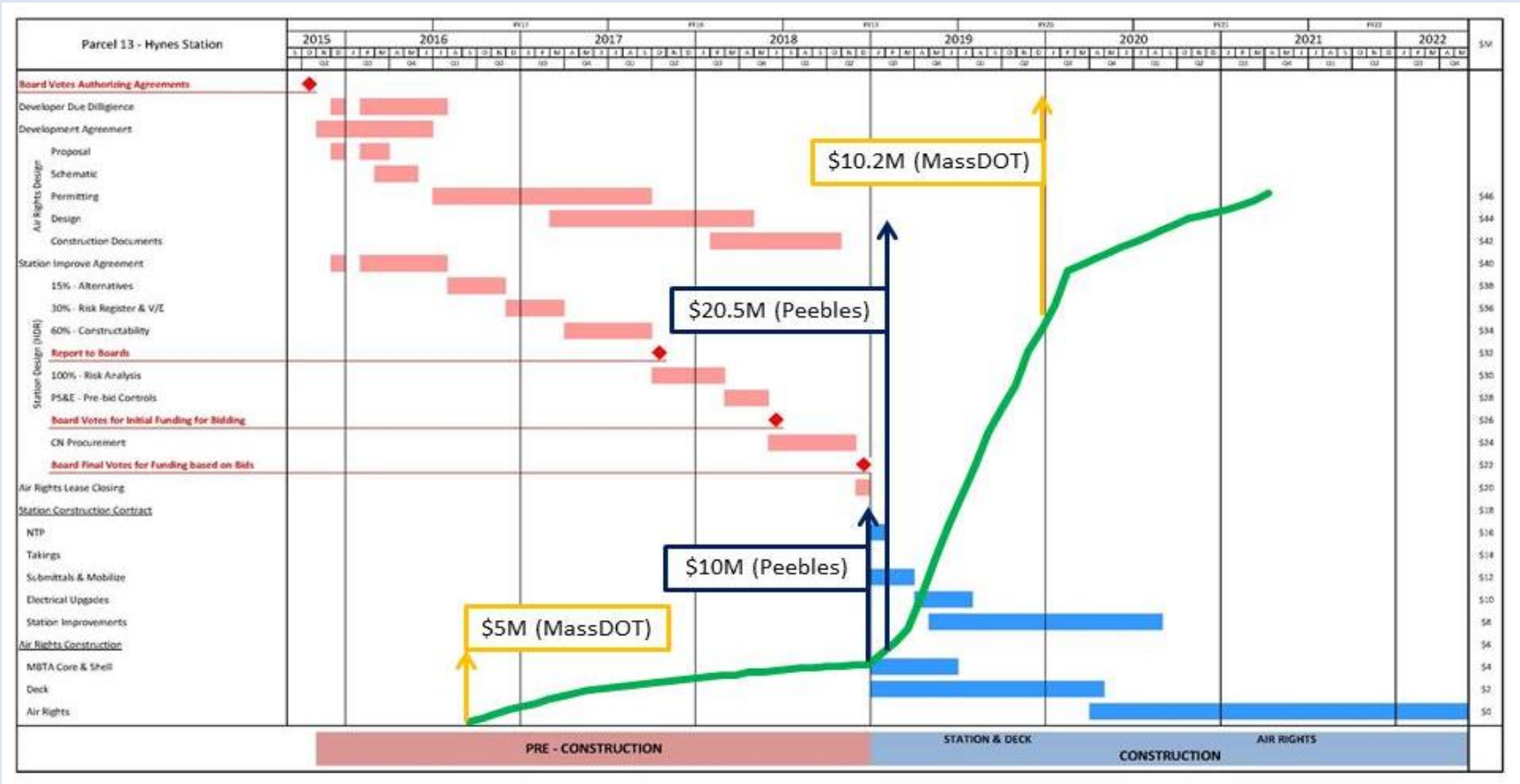
- MBTA requires MassDOT commitment to fund all costs due to lack of available MBTA funds.
- MassDOT funding consistent with overall transportation mission and “Action Plan to Transform the MBTA,” which called for use of MassDOT and MBTA real estate assets to support MBTA.
- MassDOT also required under existing easement to provide MBTA with development proceeds attributable to MBTA easement area – *or to fund station improvements*.
- Up to \$5 M for Station design proposed to be funded by otherwise unencumbered and unbudgeted MassDOT real estate revenues.
- \$30.5 M of Station construction costs to be funded by developer rent paid to MassDOT, including portion of rent already owed to MBTA under existing easement.
- Funding source for remainder to be identified at time of final funding commitment by Boards before construction start.
- Funding of any cost overruns to be subject to approval by Boards.

# Contract Structure



- MassDOT and MBTA enter into Pre-Construction inter-agency contract.
- Development Agreement and Lease from MassDOT to Developer – *requires MassDOT Board authorization based on Term Sheet.*
- Station Improvements Agreement between MBTA and Developer – *requires MBTA FMCB authorization based on Term Sheet.*
- MassDOT and MBTA enter into Construction period inter-agency contract – *requires MassDOT Board and FMCB approval based on final design cost estimates and actual bids.*
- Station designer already procured through developer designation process, under contract to developer and integrated with developer team.
- Developer to procure Station construction contractor through MBTA public bidding process, with MBTA oversight. Developer will act as CM/PM at no charge to MBTA.

# Time Line



- *FY 2016* – Board authorization for agreements, negotiate and execute Development Agreement and Station Improvements Agreement.
- *FY 2016-2019* – Permitting, design, design review, developer financing.
- *FY 2019* – Board approvals for funding, execute Air Rights Lease, begin Station construction.
- *FY 2019-2022* – Construction of MBTA Station Improvements and air rights development.

# Board Approvals

## Current Board actions needed:

- MassDOT: Vote authorizing negotiation and execution of real estate agreements for air rights development, including Development Agreement and Lease, in accordance with Term Sheet.

**Agreements will authorize Developer to proceed with air rights development even if MassDOT-MBTA choose not to proceed with Station.** Required to ensure commercial feasibility of project and maintain integrated design process. Developer must still provide shell space for MBTA entrances and electrical equipment to allow for future Station construction.

- MBTA: Fiscal and Management Control Board vote authorizing negotiation and execution of Station Improvements Agreement to govern MBTA supervision and funding of Station Improvements.

## Future Board approvals needed:

- Approval by both Boards of inter-agency contract for initial funding commitment based on cost estimates and risk analysis after 100% design. Funding commitment required in order to advertise for Station construction bids.
- Approval of both Boards for expenditure of funds based on inter-agency contract and actual bids received.
- Funding of any cost overruns must be approved by Boards.



# Risk

Pre-Construction: *Developer is unable to start air rights project due to permitting or financing failure.*

- MassDOT exposure limited to \$5 M of design costs; major construction spending will not start until lease execution and initial Developer rent payments.
- MBTA still gets station design for future use by future developer or by MBTA.
- Possible \$1 M deposit by developer forfeit.

Takings: *Takings costs unknown until design is advanced, may exceed \$3 M allowance.*

- Takings costs will be known before Boards vote to approve funds for takings and construction.
- All takings to be contingent on lease execution and Developer rent payments.
- Permanent takings costs expected to be moderate, given improvements to 360 Newbury.

Developer Construction: *Developer unable to complete air rights building.*

- Developer must demonstrate full permitting and financing in order to execute lease and start construction.
- \$30.5 M in rent to be paid up-front and non-refundable.
- Completion guarantees by Developer, with liquid security for emergency repairs.

Station cost overruns: *Station costs rise and exceed initial MassDOT—MBTA funding commitment.*

- More detailed design and budget development prior to construction start.
- Boards must approve funding prior to bidding and construction start.
- Station construction contract to be lump sum; cost overruns will be limited to change orders, which MBTA must agree to.