



Land Value Capture & Real Estate Portfolio Strategy

City of Boston
& The Massachusetts Bay
Transportation Authority
(MBTA)

Discussion Topics

INGHAEBEL

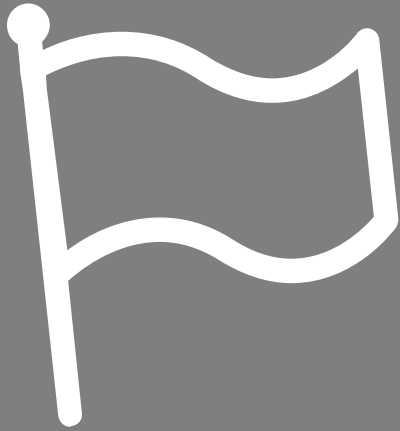
1 LVC & Portfolio Management - Concepts

2 Data-Driven Value Mining

3 Initial Strategies

4 Middle- and Long-term Strategies

5 Case Studies



1 LVC & Portfolio Management Concepts



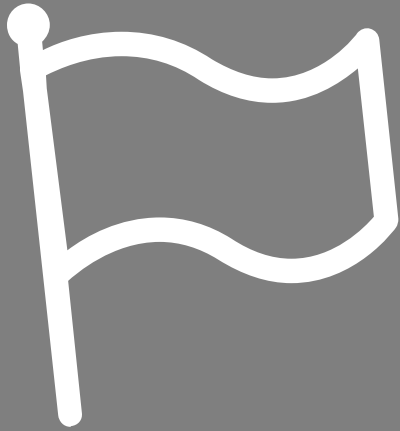
LVC – Portfolio Strategy

- **Data Collection & Characterization**

- Cadastral validation
- Land registry & Transaction tracking
- Tax Value – process for management

- **Strategic Portfolio Review**

- Understanding life cycle costs & values
 - Development Value
 - Operational Costs to the City
- Excess properties
- Underutilized properties
- Properties of special strategic value (easements, rights of way, air rights, etc.)



2 Data Driven Value Mining



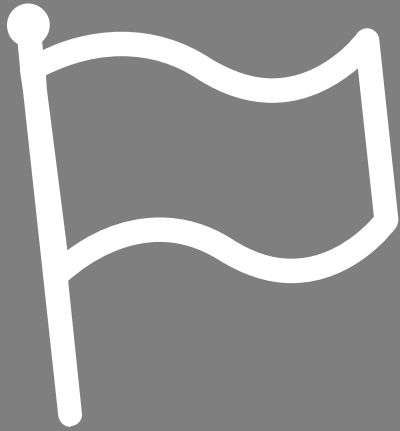
Data-Driven Value Creation

- **Understand your value**
 - Lease audits of existing facilities
 - Are leased facilities in line with market rates?
 - Have terms expired and can they be renegotiated?
 - Does the City conduct work “for free”? What are sister agencies willing to pay for, or should they pay for?
 - How are others extracting value from your portfolio?
 - Utilities
 - Telecommunications
 - Parking
 - Advertising
 - Ingress / egress
 - Traversing of Rights of Way



Data-Driven Value Creation

- **Look at your portfolio**
 - Which properties can be disposed of, increasing capital?
 - Which properties can be disposed of, avoiding future costs?
 - Which properties can be leased on a long-term basis, providing stable revenue streams?
 - Which properties are underutilized and provide redevelopment opportunities?
 - What revenue opportunities are being missed?
 - Advertisement
 - Short-term rentals for community events and market preparation
 - Easement fees



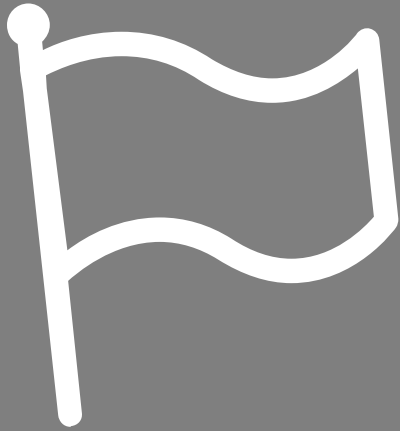
3 Initial Strategies



Initial Strategies

- Initial valuation and/or cost
- Prioritization of opportunities
 - Organizational capacity
 - Regulatory environment
 - Impact or Value
 - Ease of transaction preparation & execution
 - Market readiness
- Establish procurement & operational procedures for market engagement





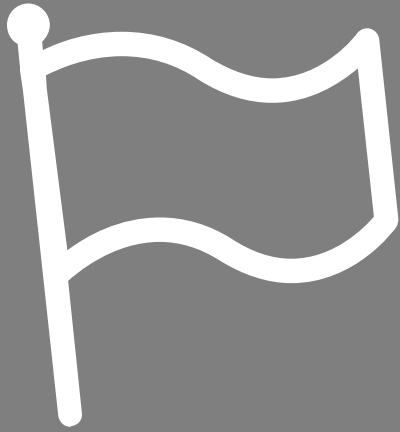
4 Medium- and Long-term strategies



Medium- & Long-Term

- Enhance marketing strategies
- Create operational procedures
- Execution!
 - Disposition
 - Leasing
 - Strategic Acquisitions
 - Enhanced fee opportunities





5 Case Studies



City of Boston
&The Massachusetts Bay
Transportation Authority
(MBTA)



Background

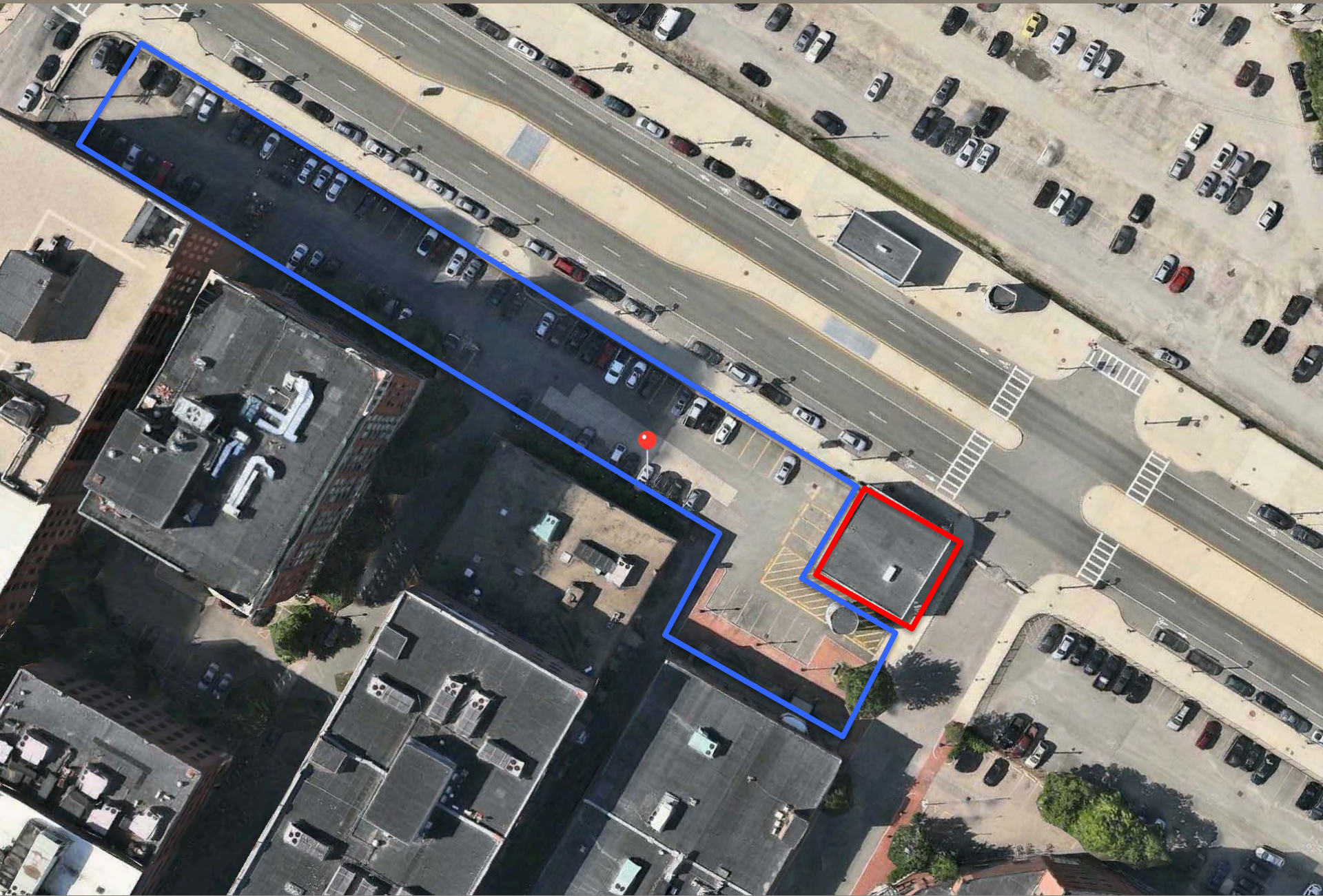
- Boston has the oldest metro system in the United States
 - Major backlog of capital needs
 - Operationally out-of-date
 - Consistently underfunded
- In 1996 the MBTA sought to understand their real estate portfolio and how they could increase non-fare revenue
- Implemented a GIS mapping project to catalog and clarify portfolio holdings
- Outsourced real estate management operations in order to bring market-based perspective to its assets



Background

- Many assets initially thought not useful
 - Transit related – not inherently commercial
 - Parking
 - Industrial facilities / Specialized facilities (bus / rail)
 - Minor parcels / Rights of Way
- However an active portfolio strategy and LVC allowed for identifying many strategic opportunities over a 20-year period.

Yotel Hotel Development



Yotel Hotel Development



Renovation of Back Bay Station



Back Bay Station

- Utilization of existing assets (transit station)
- Granting of air rights density
 - Creates development value
 - Increases ridership
 - Improves city walkability
- Complicated P3 structure
 - Accelerate lease payments
 - Renegotiate lease
 - Renovate Station
- Future Towers – air rights

Renovation of Back Bay Station

MBTA Receives:

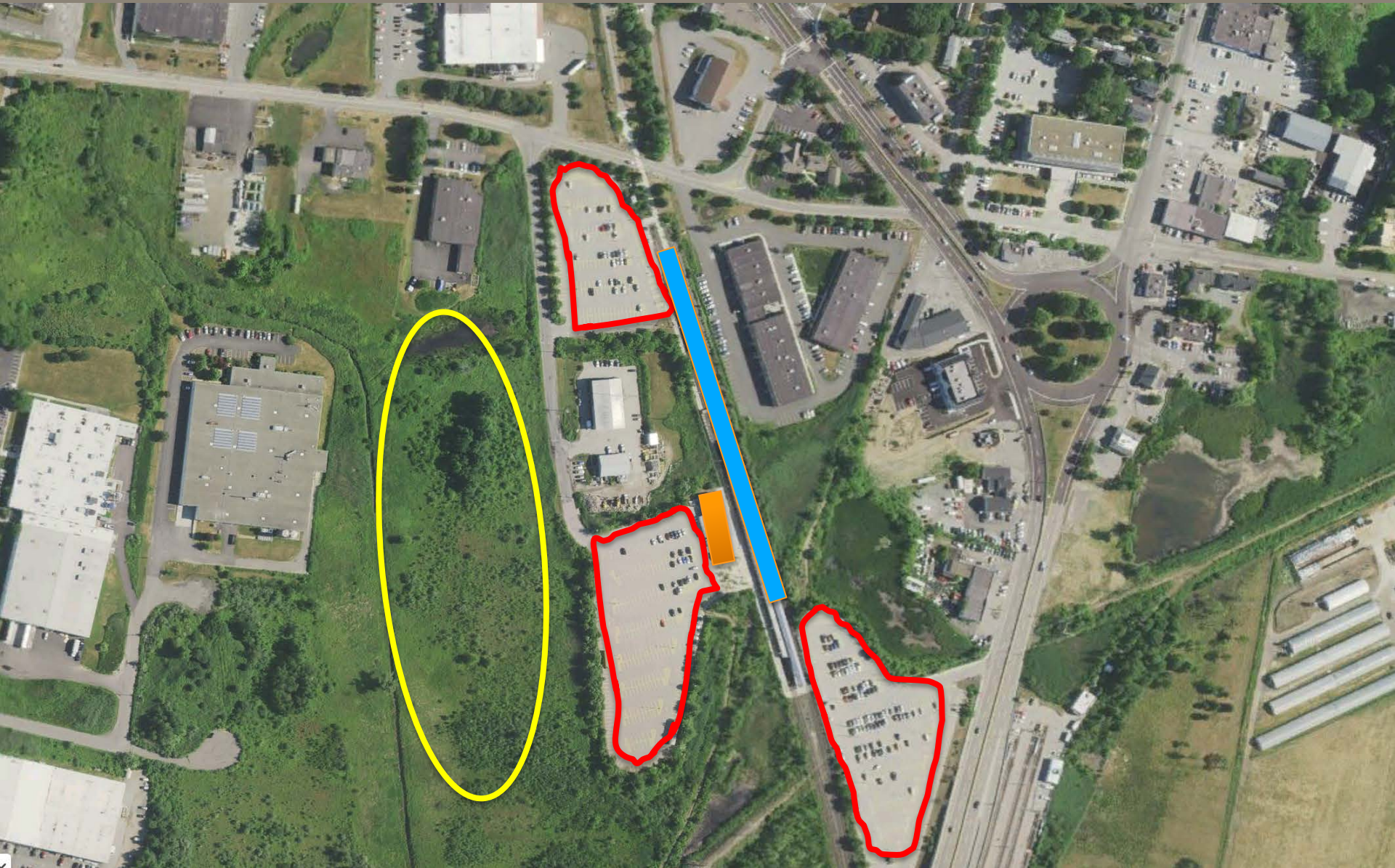
- \$32 million overhaul of Back Bay Station
- Private developer agrees to long-term maintenance of the Station

Developer Receives:

- 58,000 m² of office space with 3,000 m² of retail
- 22,000 m² residential tower with 240 units
- 38,000 m² residential tower with 360 units and 850 m² retail



Newburyport Surface Parking



Newburyport Surface Parking

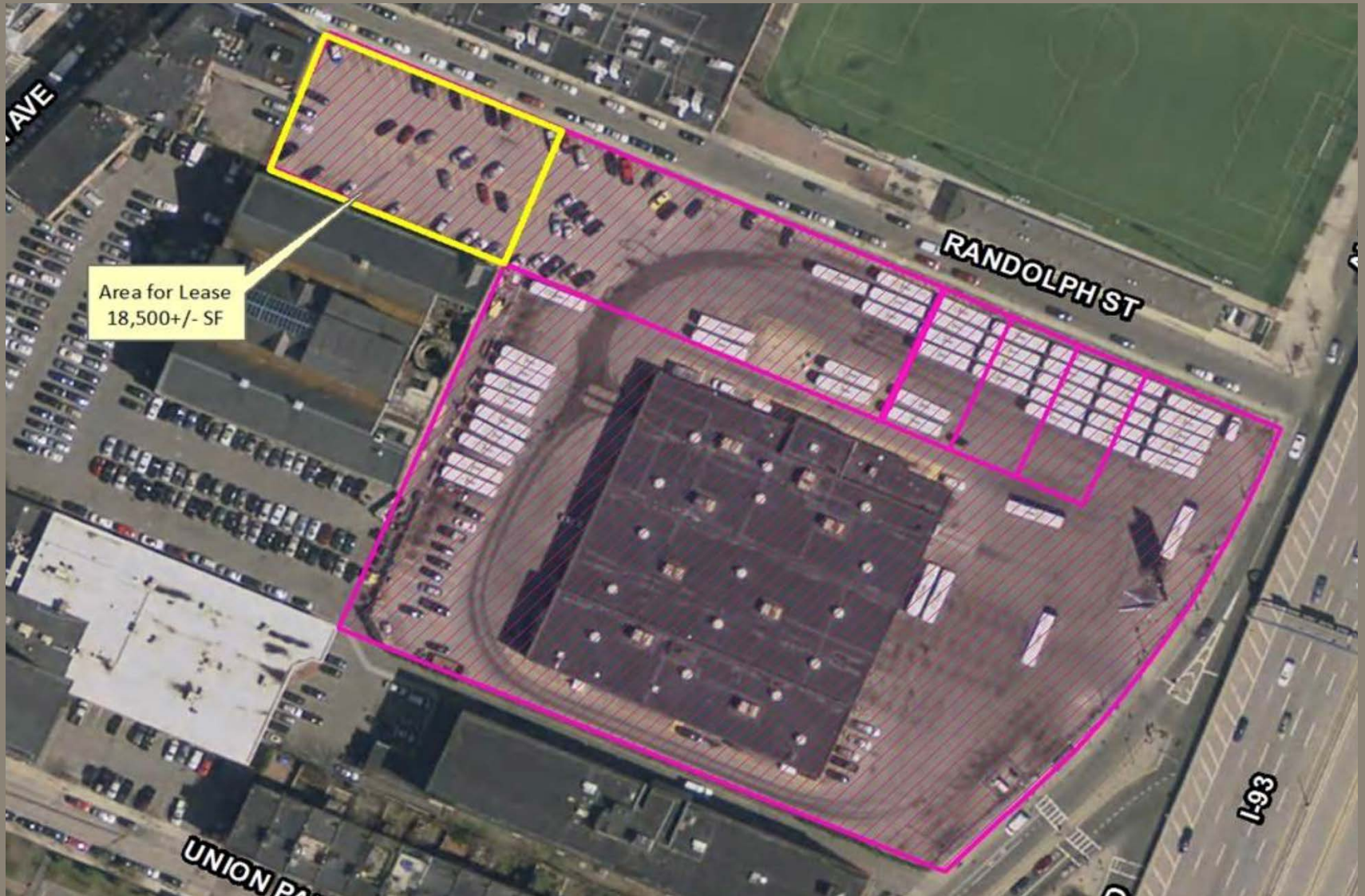


Readville Yards

- 10 hectare former rail yard located adjacent to the Readville commuter rail station.
- 25,000 m² of mixed development (industrial/commercial/office) in accordance with the recent City of Boston rezoning effort.
- Development includes plans for roof top solar arrays for production of green sustainable energy.



Albany Street Bus Maintenance Facility Redevelopment



Hingham Ferry Station



Rights of Way



MBTA Properties and Telecommunication Conduit Locations

Legend

Buried Duct Locations

Duct Full

Space Available

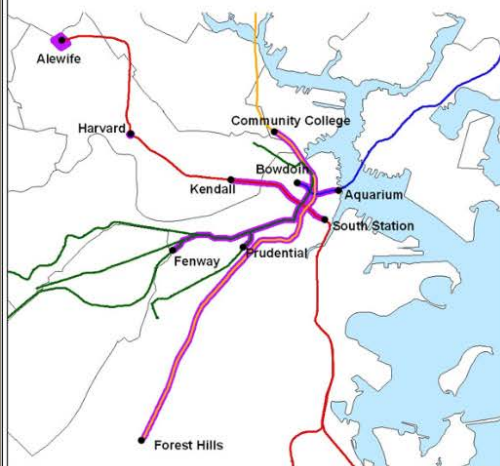
MBTA Rail Status

Active

Abandoned

Out of Service

MBTA Transit Existing Fiber (Fiber shown in Purple)



This map was created by Transit Realty Associates, LLC.
It is intended for reference purposes only and property locations should be considered approximate.
This map does not represent a complete inventory of MBTA-owned properties.
This map may not be reproduced in whole or in part without the written consent of Transit Realty Associates, LLC.

Base Map Features: Town Boundaries, Rail Stations and Major Roads obtained from MassGIS.
MBTA Property Ownership data and MBTA Transit Lines and Stations created by Transit Realty Associates.

7/21/2009/III





Conclusions

- Over US \$600 million has been generated for the MBTA over time
 - Disposition of excess property
 - Long-term leases for redevelopment
 - Easements
 - Billboards
 - Telecom
 - Solar
 - Concessions

Conclusions

1. Begin with mapping and inventory
 - *Understand what you own!*
2. Modernize procurement & real estate operations
 - Develop transparent and business-friendly practices that still protect the public interest
3. Understand underlying value of assets
4. Strategic planning
 - What is needed for operations and public mission, near and long term
5. Optimization of asset monetization