Land Value Capture & Real Estate Portfolio Strategy

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

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

- 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
Yotel Hotel Development
Renovation of Back Bay Station
Back Bay Station

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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 rooftop solar arrays for production of green sustainable energy.
Albany Street Bus Maintenance Facility Redevelopment

Area for Lease 18,500 +/- SF
Hingham Ferry Station
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