

# BANKER & TRADESMAN

THE REAL ESTATE, BANKING AND COMMERCIAL WEEKLY FOR MASSACHUSETTS

A PUBLICATION OF THE WARREN GROUP



The 50-acre redevelopment of Downtown Quincy is being financed by a partnership between the city and New York-based Street-Works Development.

CREATIVE VENTURE

## Innovative Financing Fuels Quincy Center Development

Private/Public Partnership A Model For Strapped Municipalities

BY ROBERT A. FISHMAN  
SPECIAL TO BANKER & TRADESMAN

The ambitious, large-scale redevelopment of Quincy Center provides developers with an example of using an innovative approach to working with a municipality.

For years, city leaders had been grappling

with how to redevelop Quincy Center, until Street-Works Development, a New York-based developer, approached Quincy with a novel way to finance a massive, \$1.3 billion project, one that had never been tried in Massachusetts.

As revenue and state aid decrease, mu-

nicipalities have stalled projects which could revitalize public spaces, while producing successful private developments. To keep these projects moving forward, developers must think creatively about how to work with municipalities in public/

*continued on page 2*

private partnerships to develop projects that will generate revenue, create jobs and breathe new life into cities and towns across the state.

In a nutshell, Street-Works, as the redeveloper, will purchase two city properties and combine them with other privately acquired land. Street-Works will then acquire the necessary permits and use private financing to make significant infrastructure improvements, such as new roads and sidewalks, needed for the overall project.

After the infrastructure improvements and the private development components are constructed, and important negotiated preconditions are met, Quincy will issue municipal bonds to reimburse Street-Works for its costs in constructing the infrastructure improvements. The debt service on these bonds will be paid principally from Chapter 121A payments made to the city by Street-Works after the project has started to generate revenue from sales and rent, plus revenues from the new city-owned parking garages.

### 'Leveraging Its Power'

What makes this approach unique is that, instead of a city first taking land, building the necessary infrastructure and then trying to find interested developers, Quincy is leveraging its power to issue bonds in order to assure the developer that, as long as it meets certain requirements, its investment in initially privately constructing the future public infrastructure will be covered.

The use of the Chapter 121A payments is another unique feature in this project. Chapter 121A was adopted by the Legislature in the 1960s to encourage development in urban areas. If a proposed redevelopment project satisfied certain urban renewal criteria, the owners would not have to pay standard real estate taxes based on the city's assessment of the building.

What's different about the Quincy Center project is that Street-Works has agreed to make Chapter 121A payments to Quincy that will be more, rather than less, than the amount of assessed real estate taxes when its project is completed. This approach may sound counter-intuitive, but this higher pay-

### NEW LOOK FOR AN OLD CITY

The \$1.3 billion New Quincy Center will include retail and office buildings, a health club, cinema and more than 700 residential units. The graphic on the right shows the proposed uses for buildings.



Source: Street-Works Development



B&T Infographic by Nate Silva

ment ensures that Quincy will have a robust source of revenue to finance the debt service on its bonds. In return, Street-Works (and its construction lender) will have the security of knowing that Quincy will use its bonding power to reimburse them for the infrastructure improvements they made to facilitate the private project.

To make this kind of partnership successful for both the developer and the municipality, developers may wish to consider the following points when entering into a land disposition agreement or similar public-private partnership arrangement:

- Establish a secure mechanism to ensure later reimbursement by the municipality for private up-front infrastructure costs after the project is completed;
- Secure enough time to achieve permitting and marketing, plus the flexibility to alter the project to meet changing market demands;
- Provide for the flexibility to bring in partners and lenders, especially partners who specialize in certain product types, such as rental housing;

- Achieve as much "by right" zoning as possible at an early stage in order to eliminate the risk that discretionary approvals will be denied or appealed at a later date; and
- Establish objective criteria for the municipality to determine whether or not the developer has met its obligations to the municipality.

The land disposition agreement signed between the city of Quincy and Street-Works is among the most complicated documents I have been involved with during more than 30 years of real estate practice. Challenging economic times require creative solutions. The key to success for municipalities and developers that see Quincy as a possible model is to be willing to work creatively together to explore new approaches to redevelopment. ■

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