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Front Page



Developer John Rosenthal hopes to start construction of the Fenway Center complex near Kenmore Square next year.

State may absorb \$30m on Pike air-rights project

By Casey Ross
GLOBE STAFF

Governor Deval Patrick's administration is offering to absorb up to \$30 million of a developer's cost to build a mammoth complex above the Massachusetts Turnpike, in hopes of jump-starting construction over the highway after the most recent effort, Columbus Center, stalled.

The financial support would help John Rosenthal begin construction

much earlier on the \$450 million Fenway Center complex, giving the state an opportunity to collect rental income over the life of a 99-year lease with him.

The state had hoped the nearby Columbus Center project would by now be generating revenue, and setting the pace for a larger building boom in the air rights over the highway. But that \$800 million condominium, hotel, and retail development stalled last year due

FENWAY CENTER, Page A8

State offers to help fund air-rights project

► **FENWAY CENTER**
Continued from Page A1

to a lack of funding.

"The turnpike needs a win," said Peter O'Connor, head of real estate for the state Executive Office of Transportation. "There has always been a feeling that these air-rights parcels had inherent value, but I don't think anyone has ever proven that point."

With aid from the state, O'Connor and Rosenthal said, they are optimistic that construction on Fenway Center can begin next summer. The developer had expected to begin work on only one small part of the project next summer, with the goal of tackling larger buildings in the coming years.

Fenway Center's four buildings would contain 800,000 square feet for apartments, stores, and offices, as well as a 1,300-space parking garage and retail building near the ballpark.

Rosenthal's Meredith Management Corp. submitted the only bid in 2006 to develop four air-rights parcels and land between Kenmore Square and Fenway Park.

The plan has some of the same complexities as Columbus Center, but Rosenthal's project is much easier to design and build, O'Connor said. For one thing, half of it is on land, reducing the size and cost of the deck that will be built over the highway. There are fewer rail lines to build around — two compared to seven for Columbus Center — and neither one is electrified, which simplifies construction.

Comparing the projects

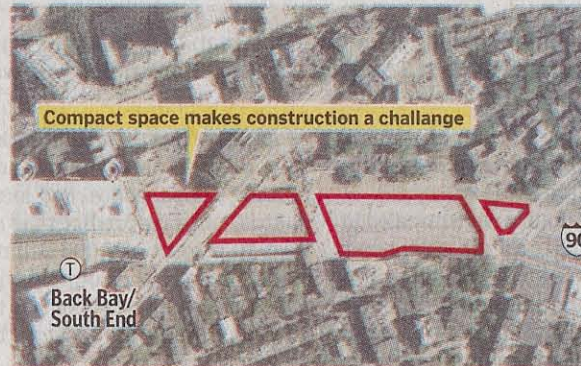
The Fenway project seems to have fewer construction challenges than the Columbus Center:

— Proposed development ✓ Pros ✗ Cons



Fenway

- ✓ 50 percent land, 50 percent over the turnpike
- ✓ Covers two rail lines
- ✓ No electrified rail lines to cover
- ✓ Wider highway, more construction space, and better traffic flow



Columbus Center

- ✗ 5 percent land, 95 percent over the turnpike
- ✗ Covers seven rail lines
- ✗ Electrified rail lines to cover
- ✗ Narrower highway, less construction space, and fewer lanes for traffic flow

SOURCE: Massachusetts Turnpike Authority

AARON ATENCIO/GLOBE STAFF

But perhaps most important to Fenway Center's odds of success is the Patrick administration's willingness to help pay for the higher costs associated with building over the turnpike, rather than on the ground. Instead of requiring Rosenthal to pay the full cost of the deck, the state would pay up to \$30 million toward that additional cost.

The financial arrangement would work like this: The state, instead of requiring a large upfront lease payment from Rosenthal, would get a percentage of the development's profits once it is completed. Then, the state

would deduct its share of the deck construction costs from those profits, in the form of a rent credit to Rosenthal. Once the extra cost of the deck is paid for, the state would be paid the full amount of the profits for the remainder of the 99-year lease.

O'Connor said the Turnpike Authority does not yet know how much it will earn in lease payments, nor does it have a cost estimate for the deck.

The deal is much different from the one reached for Columbus Center, whose developers

would have had to pay the full cost of a \$220 million deck, plus \$13 million in lease payments during construction. That project's proponents also received and then lost commitments for subsidies from the state.

Rosenthal's other funding source is the Boston Red Sox, which is a minority partner and has invested millions of dollars in the project. The garage over the turnpike would provide game-day parking. The Sox's involvement would also give it say over how the development would affect access to Fenway Park, as well as views from inside the ballpark. The New York Times Co., owner of the Globe, owns 17 percent of the company that owns the Red Sox.

The development also includes upgrades to the MBTA's Yawkey train station as well as a new access road. The road work and train station would be financed with \$24.5 million from an economic stimulus bill approved by the Legislature in 2006.

Rosenthal has also applied for \$52 million in tax-exempt federal bonds and asked the City of Boston for permission to defer property tax payments for several years.

"We would like to get a tax relief agreement to help us in the early years during construction and prior to full occupancy," Rosenthal said.

The director of the Boston Redevelopment Authority, John Palmieri, said the city is considering the Fenway Center help, but only if it is clear the development can move forward.

"We want to make sure that whatever assistance we make available, it results in a built project," he said. "It's important that we take a hard look at that before we commit to anything."

The city committed more than \$14 million to help Columbus Center get off the ground, only to watch it come to a halt after running into financial problems.

'It's important that we take a hard look at that before we commit to anything.'

JOHN PALMIERI, *director of the Boston Redevelopment Authority*

Rosenthal said he is trying to iron out the financial details to ensure the same fate won't befall Fenway Center. He said he has a preliminary financial commitment from the AFL-CIO's housing investment trust and has reached a deal to lease more than half of the space in the parking garage to the nonprofit group that handles operations for Longwood Medical Area.

"This is a makeable putt for us," Rosenthal said. "I feel very confident that we will begin building Yawkey Station next summer, and that we will immediately follow that with the first phase of our development, including the apartments, garage, and retail stores."

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