

November 18, 2010

To: Citizens Advisory Committee (CAC)
Christian Science Plaza Revitalization Project

cc: Ines S. Palmarin, Senior Planner II/Project Manager
Lauren N. Shurtleff, Planner II
Boston Redevelopment Authority (BRA)

Re: Letters from CAC to BRA regarding
Christian Science Plaza Revitalization Project

We appreciate your support of the Plaza Revitalization Project as expressed in your November 1 letter to the BRA.

Thank you also for identifying issues for further future consideration about the streetscape planning, as well as other important items such as the impact of proposed Reflecting Pool changes, a development of the Midtown, mitigating wind issues, and steps to guard against damage to foundations of nearby structures.

We also acknowledge the October 28 "minority" letter, which identifies concerns by three of the eighteen CAC members. Some or all of these issues should be allayed or resolved during the next phases of review, including the Article 80 review process.

Your input has been beneficial. For example with the proposed Belvidere/Dalton development, we originally thought one building over both sites made sense. But that was contingent on being able to relocate the major six-foot diameter sewer line under Dalton Street. When that proved to be problematic, the idea of two separate buildings emerged. Feedback from earlier CAC meetings helped us realize that two buildings would actually be a better scheme, not only for market reasons, but also in providing an improved ground-level pedestrian experience. Later in the process, your comments led us to further revise the ground space in that area, which resulted in a better plan for pedestrians and traffic overall and the near-by St. Germain neighborhood.

Your November 1 letter comments on how the Church determined its proposal for 950,000 Square Feet (SF) of development -- in three locations -- on the 14.5-acre Plaza. As we shared during several of our meetings, both *economic* factors (the need for the Church's real estate to be self-supporting) and *non-economic* factors (retaining the approximate 10 acres of open space, respecting the historic design of Plaza, and fitting harmoniously with surroundings) were balanced in arriving at 950,000 SF. From an economic and density perspective, one could justify much more than 1 million SF, but the Church limited the proposal to 950,000 SF out of respect for the non-economic factors.

In response to your four financial questions, we offer the following:

1. The projected annual revenue generated by the 950,000 SF of development.

Our projections of revenues are “works in progress.” There are many market assumptions involved. They have been reduced several times since our planning began, as real estate values have declined dramatically and as new information became available.

Also, please note that the new buildings will be developed by third parties (within guidelines established by the Church). As such the Church’s economic interest derives from the land value. Currently the value of land is depressed. According to our real estate advisor, LMP, no major comparable land transactions, except foreclosures, have occurred since 2008, making it difficult to identify today’s values and thus project annual revenues.

The BRA has said that planning proponents aren’t expected to provide pro formas or revenue projections. Further, we are concerned about harming our financial negotiating position with third-party developers by publicly stating such assumptions before competitive bidding begins. Therefore for many reasons, we don’t feel it is necessary or appropriate to share revenue assumptions.

For those who might be wondering if the Church is asking for more than it really needs, we would like to reassure you that our financial goal (which we think most people will agree is reasonable) has been, and continues to be, to have the Church’s real estate revenues *meet* its capital and operating real estate expenses. The goal isn’t for real estate revenues to *exceed* real estate expenses. With today’s flattened real estate values and uncertainties about the timing and extent of recovery, it is not yet assured that this goal will be reached. Further, in most large projects, there is a tendency for revenue to be lower than expected and expenses to be higher. All the moving parts need to be managed with great care and market wisdom to arrive at the desired outcome.

2. The projected capital costs for the renovation of the reflecting pool, underground garage, and underground structural piles.

Cost projections for capital improvements to the open space, including the Reflecting Pool, are probably in excess of \$30 to \$40 million in today’s dollars. A renovation of the garage itself is not planned, except as the renovation of the Reflecting Pool above it requires. Tens of millions of dollars are likely to be involved for the capital work regarding the underground structural piles. Over time, there will be other capital improvements needed to keep the Plaza in good condition.

3. The annual maintenance costs for the Plaza, garage, and reflecting pool.

The Church's annual stewardship costs to operate and maintain the Plaza including the Reflecting Pool and the Children's Fountain are approximately \$2 million per year – covering items such as maintenance and repairs, cleaning, landscaping, security, utilities, and insurance. These costs will increase over time because of inflation and additional demands related to landmarking administration. Note: the garage is handled separately and covers its operating cost with onsite parking revenue.

4. The projected annual revenue from the development of the Midtown to the limit of the current 115' zoning on Huntington Avenue. (It is our understanding the current zoning allows for 115', rather than 110' mentioned in your November 1 letter.)

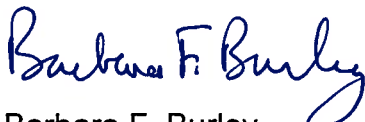
At the request of the owner of the Midtown Hotel, we recently agreed to extend the Midtown lease beyond its current 2016 expiration date. Details, including the length of the extension, are being finalized. This will allow the owners to make capital investments to keep the property in good working condition. It also means that the possible timeframe for a development of the Midtown will be extended. We will continue to hold a place (without specific annual revenue projections) in our long-term financial plans for a future development of the Midtown under current zoning.

We would like to take this opportunity to thank you for your dedicated participation on the CAC. Twenty CAC meetings spanning a period of 21 months, preparation and follow-up, email communications in between, and for many of you reporting back to the organizations you represent – all of this has taken significant personal time and thought on your part.

Your participation has contributed to make this a better plan, one which will result not only in improved open space for all to enjoy and a more sustainable site but also in pedestrian streetscape and urban design enhancements, traffic improvements, new jobs – both construction and permanent, additional affordable housing, and increased property taxes for the City.

Further, your comments helped sensitize us to important issues. This contribution will continue to be of value as we proceed with the Plaza Revitalization Project.

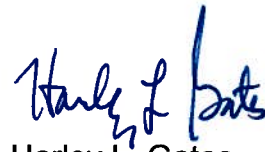
With appreciation,



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