

BANKER & TRADESMAN

THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

A Publication of The Warren Group



The Other Seaport District

How Much Will Eastie Rentals Fetch?

BY STEVE ADAMS
BANKER & TRADESMAN STAFF

Officially it's known as Portside At East Pier, but a better name might be The Litmus Test.

Residents will begin moving into the 175-unit apartment complex on the East Boston waterfront next month, the first in an active pipeline of harborside developments. Roseland Property Co. hopes to find tenants willing to pay \$2,400 for one-bedroom units in the 800-square-foot range, part of a phased project that could include up to 576 condos and rentals along with 70,000 square feet of commercial space.

The \$65 million project will be a closely-watched barometer of the East Boston waterfront's potential to attract higher-end rents and purchase prices, as developers fine-tune plans for hundreds more condos and luxury rentals on former industrial and wharf parcels.

"We're the first out of the ground and I think it's inspired people to move the projects forward," said Joseph Shea, a senior vice president at Roseland.

Over the next few years, Roseland plans seven buildings containing up to 576 apartments, condos and commercial space on a 26-acre site leased from Massport. The project was originally approved in 2003 but stalled during the housing downturn.

Compared with new luxury rental towers in downtown Boston, which rent in the \$3,000 and up range, the new East Boston properties will offer discounts of approximately 20 percent.

"The Seaport is somewhere around \$4.50 a foot and we're a dollar a foot less," Shea said. "As an alternative, you have a pretty cool place to live in an established neighborhood with an established subway stop, as opposed to the Silver Line."

Public Investment Primes Pump

East Boston is the latest neighborhood where public investments have enhanced real estate values and made long-neglected parcels more attractive to developers. Two city parks were modernized, the Maverick MBTA station was renovated and expanded to accommodate longer trains and a new public library branch opened.

A planned ferry service from the East Boston Marine Terminal to the Charlestown Navy Yard and South Boston's Fan Pier could get under way by late 2015 after the initial round of bids for two 40-passenger vessels came in over budget last year.

The Boston Redevelopment Authority will readvertise the service this fall with the goal of offering rides every 15 to 30 minutes during rush hour, said Rich McGuinness, the BRA's deputy director of waterfront planning.

Developers have focused on the Jeffries Point neighborhood because of its panoramic skyline views, the proximity of mass transit and availability of vacant waterfront parcels, including those formerly owned by the city and Massport. Commercial properties are being acquired, and commercial and residential properties are changing hands more frequently as long-

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The East Boston Pipeline

Portside at East Pier

29 Marginal St.

Developer: Roseland Property
400 condos, 65,000 square feet of commercial space

Status: 175-unit apartment building opens in October

Clippership Wharf

Lewis Street at Marginal Street

Developer: Winn Cos. of Boston
Up to 400 condos and apartments

Status: Recapitalization and revised development plan

Boston East

122-148 Border St.

Developer: Trinity Financial of Boston Inc.
200 residential units

Status: In permitting

Coppersmith Village

75-109 Border St.

Developer: Neighborhood of Affordable Housing
56 apartments (34 affordable), 15 condos (3 affordable)
3,000 square feet of retail

Status: In permitting

New Street

6-26 New St.

Developer: Gerding Edlen
258 rental units

Status: In permitting

COMMERCIAL INTERESTS

Finally A Winner

Boston-Area Casino License Decision Expected

BY SCOTT VAN VOORHIS
BANKER & TRADESMAN COLUMNIST

A landmark decision looms this week on who will get to develop and operate the cash cow of all cash cows, a \$1 billion-plus Boston-area gambling and entertainment palace. And right now, it's Mohegan Sun's game to lose.



SCOTT VAN VOORHIS

By the end of the week, the Massachusetts Gaming Commission expects to announce the winner of the Boston-area casino license, nearly three years after Beacon Hill passed a grand gambling bill.

Mohegan enters this week's final set of public hearings with a pretty clear advantage over Las Vegas titan and rival Steven Wynn, whose efforts have been undercut by everything from controversial land deals to a generic casino design ridiculed by a panel of Bay State architects.

The biggest threat right now to Mohegan may not be Wynn; a statewide casino repeal question is on the ballot this No-

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A TALE OF TWO MARKETS

Regulators Step Up AML Scrutiny

Report Highlights Unique Troubles For Small Banks

BY LAURA ALIX
BANKER & TRADESMAN STAFF

Anti-money laundering (AML) violations may not garner the same headlines as toxic mortgage securities multi-million dollar executive bonuses, but terrorist activities abroad in the 21st century have meant increased regulatory scrutiny of banks' daily operations at home.

Standard Chartered, for instance, recently got slapped with a \$300 million fine for its AML compliance problems when it failed to detect potentially suspicious activity at its New York location.

"You see at some of the very largest institutions some of those very big settlements and enforcement actions. I don't think [regulators] want to be caught asleep at the wheel, so that means they ratchet up the pressure on everyone across the board," said Jon Skarin, senior vice president, federal regulatory and legislative policy, at the Massachusetts Bankers Association.

On a smaller scale, AML compliance be-

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THE WEEK | ON THE WEB

A ROUNDUP OF OUR MOST POPULAR WEB-ONLY STORIES FROM THE PAST WEEK

If you weren’t reading BankerandTradesman.com last week, here’s a sampling of what you missed:

HARVARD CLUB ANNEX BUILDING SELLS FOR \$8.8M ▼

- The Harvard Club annex building in Boston’s Back Bay neighborhood has sold for \$8.8 million to a pair of local developers.
- Sea Dar Real Estate Inc. and CNW Capital Partners LLC purchased the building at 380 Commonwealth Ave. from the Harvard Club of Boston.



- Sea Dar Real Estate and CNW Capital Partners plan to convert the building into five luxury condominiums, each with two parking spaces in the Harvard Club’s adjacent Newbury Street parking lot. The Harvard Club retains use of a portion of the building.
- Boston Realty Advisors sold the property on behalf of the Harvard Club of Boston.

MARLBOROUGH HOTEL PROJECT MOVES FORWARD

- A Minneapolis company has acquired a parcel in Forest Park in Marlborough for the site of a 160-room hotel.
- CSM Lodging, a division of CSM Corp., paid \$1.95 million for the 3.7-acre property on Aug. 14. The hotel will open in early 2016 and contain a restaurant and bar, patio, business center, fitness center and pool, CSM Lodging announced this week.
- Framingham-based Atlantic Management is redeveloping the former Hewlett-Packard campus near Route 495 as a mixed-use development, which will also include a 350-unit AvalonBay apartment complex and 30,000 square feet of retail space.
- GE Healthcare Life Sciences announced earlier this month that it has leased 160,000 square feet of office and lab space at 200 Forest St., a 750,000-square-foot complex built in the 1980s and Quest Diagnostics moved into 204,000 square feet of space in early June.
- “As major corporations continue to move into Marlborough, we recognized a need for a new, updated hotel to accommodate the area’s growing community. We are excited by the activity within the immediately adjacent office park and could not be more pleased to make this venture a reality,” said Bob Micklash, president of CSM Lodging, in a statement.

MASSDEVELOPMENT, DEVENS VILLAGE GREEN TO CREATE 124 HOUSING UNITS AT DEVENS DEVELOPMENT ►

- MassDevelopment and Lexington-based Devens Village Green LLC have signed a land disposition agreement for up to 124 units of housing in Devens’s Grant Road neighborhood.
- The Grant Road neighborhood is a roughly 35-acre portion of the 4,400-acre community. Devens Village Green has proposed a variety of unit types arranged in a walkable neighborhood style, with the first phase of the multi-phase project including about 15 units. The group plans to begin the permitting process this fall with construction starting in spring 2015.
- “Devens Village Green will help meet the increasing demand for local housing given the more than 800 people who have started working in Devens in the last two years,” MassDevelopment President and CEO Marty Jones said in a statement. “We look forward to seeing shovels in the ground next year and people in homes as soon as possible.”
- Evergreen Village Collaborative plans to build about 40 large and small single-family homes, 40 duplex and townhome units and 40 rental apartments. Twenty-seven units will be affordable to moderate-income households, defined as 80 to 100 percent of area median income.



NORTH SHORE, SAUGUSBANK FINALIZE MERGER ►

- North Shore Bank and Saugusbank officially completed their merger, finalizing the deal on Sept. 1.
- The combined entity, North Shore Bank and its parent company North Shore Bancorp, will have \$680 million in assets and 20,000 customers across 11 full-service branches in Eastern Massachusetts.
- North Shore President and CEO David J. LaFlamme will become CEO of the new bank, and Saugusbank President and CEO Kevin M. Tierney Sr. will become president and chief operating officer.
- “We’re obviously quite thrilled about our partnership – bringing together the staffs of Saugusbank and North Shore Bank,” LaFlamme said in a statement. “Our organizations are extremely similar culturally and we anticipate that the two banks will integrate seamlessly.”



HERE’S WHAT YOUR PEERS WERE INTERESTED IN LAST WEEK:

MOST VIEWED:

- Out Of Office Message
- Bose Office Building In Westborough Sold For \$47M
- Bay State Foreclosure Petitions Continue to Rise In July
- CoreLogic: U.S. Foreclosures Down 21 Percent In July
- Hingham Company Buys Quincy Office Building For \$18.2M
- Boston's Housing Disconnect
- Marlborough Hotel Project Moves Forward
- Community Good Works
- Cape Cod Five To Open New Loan Production Office In Plymouth
- Bay State Single-Family Home And Condo Sales Decrease In July

STORY IDEAS? Email your submissions to our Web team at editorial@thewarrengroup.com

Gaming Commission Expected To Announce Winner Of Boston License

Continued from Page 1

venember, though the poll numbers aren't in favor of the antis, at least for the moment.

Who wins is anything but academic – it could determine the future of billions in future development in and around Boston.

Mohegan's Crucial Advantages

Even amid an historic building boom in Boston and its suburbs, these are huge projects. Wynn wants to build a \$1.6 billion hotel and casino tower along the Mystic River in Everett, while Mohegan has proposed its own \$1.3 billion behemoth on the Revere side of the Suffolk Downs racetrack.

However, their massive scope aside, there is nothing comparable in the way the projects are being received by some of the Bay State's top planners and architects. Wynn's proposal has triggered a withering stream of harsh critiques in a pair of recently released reports by the Metropolitan Area Planning Council and the Massachusetts chapter of the American Institute of Architects. Both reports have been submitted to the gaming commission, which is surely looking at them closely as it prepares for its final deliberations.

The Metropolitan Area Planning Council's assessment of Wynn's proposal didn't generate big headlines. Things like traffic mitigation are decidedly unsexy. But the group didn't pull any punches in concluding that Wynn's proposed casino could cause traffic gridlock along roadways heating into Boston from the north.

It is "unlikely that any reasonable mitigation package could provide an adequate solution to this problem," according to the report.

That increased traffic congestion, in turn, could stymie development plans in and around Charlestown's Sullivan Square and in neighboring Somerville, MAPC contended.

"Boston's vision for nearby Sullivan Square as a more walkable, bicycle-friendly, better connected area with increased residential and commercial densities would likely be compromised ... thus diminishing the economic potential of the area," the group's report found.

While Mohegan's plans would certainly generate lots of traffic as well along the already congested 1A corridor, the casino giant has been working closely with state officials on roadway improvements to ease the crunch, MAPC noted.

Mohegan's proposed casino also has greater potential to generate spinoff development, both in Revere and Boston. That includes both the sprawling acreage

of Suffolk Downs, most of which is currently untouched by Mohegan's plan, as well as sites along Revere Beach, according to the MAPC.

A big plus in spurring addition development is the proximity of Mohegan's new casino to public transportation – the Blue Line, to be exact. By contrast, Wynn's proposal lacks any nearby connection to public transportation, the report found.

The Massachusetts chapter of the American Institute of Architects delivered some of the harshest blows to Wynn's proposal.

The panel of prominent local architects has blasted the design of Wynn's proposed Everett casino, deriding it as "woefully inadequate" and even "atrocious." By contrast, the AIA panel found Mohegan's proposed Revere casino to be "fun" and "playful."

Wynn's Stumbles

Too bad there isn't a panel of local political experts to weigh in on the casino competition, for it surely would hand the Wynn team some pretty dismal grades for effectively flailing in the Boston area's treacherous political currents.

Wynn's Everett plans have been beset by a seemingly unending series of controversies related to the casino titan's deal for the proposed development site. A felon tried to worm his way into the land deal, triggering months of negative headlines and requiring Wynn's team to rework the deal and pledge there are no hidden partners. The chairman of the Massachusetts Gaming Commission was even forced to recuse himself from the Boston-area license decision after he revealed that a business partner from long ago was the main owner of the Everett land Wynn plans to buy. If that weren't enough, Wynn's team managed to only cut half as many mitigation deals with local communities as Mohegan has, the MAPC contended.

But the biggest blunder came in Wynn's handling of Marty Walsh, Boston's stubbornly independent-minded mayor. Mohegan successfully inked an \$18 million a year mitigation deal with Walsh, placating a potentially powerful opponent. By contract, Walsh pulled out of talks with Wynn, putting at risk millions in potential mitigation dollars should the Las Vegas mogul win. Clearly Walsh has made his own calculations here.

It would be true shocker if Mohegan doesn't walk away with the coveted Boston-area casino license. But as they say, it's not over until it's over. ■

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Mohegan Sun's proposed casino in Revere.

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POINTS

EDITORIAL

What Say You?

What one might call a critical mass of depositor-voters at Beverly Bank delivered what resulted in a “no” verdict last month to a plan by its executives to convert the mutually-owned, four-branch, \$332-million bank public. A two-thirds majority was needed to approve the plan; the final tally was 238 yes and 205 no.

According to filings dated July 25, 2014, the bank had hoped to raise \$47 million selling up to nearly 4.9 million shares, including over-allotments, at \$10 per share. It offered depositors a chance to buy stock in advance of a public offering, but cautioned them that they couldn’t put the purchase on their home equity line of credit or borrow against any bank-based IRA to do so. Wise move.

Future rewards for depositors who surrendered their mutual ownership were far less promising than the potential of the departure packages that bank upper management usually receives in the next step on the bank chessboard, when a newly-public bank is acquired by a bigger, publicly-owned entity.

The depositors’ vote was taken last month, during the same period that the executive power struggle at the Tewksbury-based Market Basket supermarket chain was at its height. No direct cause and effect there, but the supermarket fight might have had some impact on public opinion.

Beverly Bank CEO Michael Wheeler told The Boston Globe that he understood the possibility of anti-conversion sentiment. Beverly has lost several smaller free-standing banks in recent years.

The difference between the actual vote and the two-thirds majority needed to relinquish depositor ownership may be a measure of how many depositors wanted to retain their stake in a community bank. Or, it may be a reflection of their unwillingness to take the risk of owning stock in an entity as yet untried in the universe of publicly-owned banks.

Since the turn of the century, never mind since the 2008 financial crisis and the advent of basement-level interest rates and more stringent regulations, the number of Massachusetts-based banks has declined by 25 percent, with most of the casualties being mutually-owned community banks.

Thirty years ago, many mutual banks in New England converted to shareholder-owned institutions. They quickly found that shareholders wanted them to put their new capital to work right away, so many of them invested in new real estate developments, either multi-unit condo complexes or big homes. The New England landscape is replete with developments from that era, in which the telltale peaky faux roofs and fanlight windows might as well be an historic plaque reading “Constructed in the 1980s.” It took many years to recover from a sudden influx of property in a market that hadn’t recovered quickly enough from the devastating inflation of the late 1970s. Not unsurprisingly, the stock of many mutually-converted banks at that time also took a hit.

Maybe the decisive voters at Beverly Bank had memories long enough to remember that time. Or maybe they just wanted to say that they value their community bank a lot more than the possible non-FDIC-insured returns that they might realize from holding stock. ■



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THE NATION'S HOUSING

A Policy Switch At FHA

Lenders To Stop Charging Interest On Mortgages After Principal Debts Paid Off

BY KENNETH R. HARNEY
WASHINGTON POST COLUMNIST



KENNETH HARNEY

Realtors association president Steve Brown said he applauded the move, which was “long overdue” and should “result in cost savings for millions of Americans who rely on FHA-insured loans to purchase their homes.”

Hundreds of thousands of home sellers have had their pockets picked at closings during the last decade – they’ve been charged interest on their mortgages after their principal debts had been fully paid off.

This practice, endorsed by a federal agency, cost consumers staggering amounts, with estimates ranging into the hundreds of millions of dollars a year during periods when mortgage rates were high.

But thanks to a policy switch made final last week, charging extra interest payments on loans insured by the Federal Housing Administration (FHA) will soon be banned. The FHA, which traditionally has served as a major source of financing for moderate income first-time buyers, many of them African-American and Latino, for years has allowed lenders to charge borrowers a full month of interest when they sell or refinance a home. This has been the case even when borrowers pay off the mortgage weeks in advance of the end of the month.

Picture this. Say you went to closing on an FHA loan Sept. 3. Under standard industry rules followed by Fannie Mae, Freddie Mac and the Dept. of Veterans Affairs, your interest charges cannot extend beyond that date. But under FHA’s long-standing policy, lenders have been allowed to hit you with interest charges through Sept. 30.

Why? Good question. The Consumer Financial Protection Bureau essentially posed it to FHA last year: Aren’t you allowing lenders to soak hapless consumers with post-payment penalties at closings when they have no alternative but to pay up? And, more to the point, didn’t the Dodd-Frank financial reform legislation of 2010 prohibit penalties of this sort? How is your policy, which sometimes results in unexpected extra charges of hundreds of dollars, legal?

Fighting For Change

The FHA argued that the bond investors who buy packages of insured mortgages expect full-month payments of interest plus principal, and that in any event, FHA lenders charge borrowers slightly below market rates to help compensate for the post-closing payments. But critics said there was no way this alleged bargain favored borrowers, who inevitably paid far more in extended interest than they ever received in hair-splitting “reduced”

interest rates.

The National Association of Realtors, which had rallied against FHA’s policy for more than a decade, estimated that during 2003 alone, sellers and refinancers were forced to pay nearly \$690 million in extra interest charges. Realtors in Maryland even persuaded Sen. Ben Cardin, a Democrat and ally of the Obama administration, to introduce legislation that would have prohibited the extra interest fees. But the FHA didn’t like the bill and it died without getting even a hearing in the Senate.

Asked for comment on the FHA’s policy change, Realtors association president Steve Brown said he applauded the move, which was “long overdue” and should “result in cost savings for millions of Americans who rely on FHA-insured loans to purchase their homes.”

Here are the details of the policy reform: Starting Jan. 21, new FHA mortgages will require lenders to collect interest only on the balance remaining on the date of closing for a home sale or refinancing. Under the revised policy, if you’re selling your home and you have a \$150,000 balance left on your FHA loan, the lender will have to stop charging you interest on the date of the closing, not compute the interest charges that would be due through the end of the month and roll them into your bottom line.

In guidance published in the Federal Register, the FHA urged lenders not to find new ways to penalize borrowers. The agency said they should “look elsewhere” to recoup whatever revenues they expect to lose by virtue of the policy change, and continue “to offer [consumers] the same interest rates that they offer now,” rather than finding some way to tack on a premium.

So could these changes make the FHA more attractive to borrowers compared with the alternatives? Yes, but there are two caveats: Sellers and refinancers who currently have FHA loans and expect to close before Jan. 21 won’t likely see much benefit. Plus the FHA’s other current negatives – super-high mortgage insurance premiums that are non-cancellable for extended periods – won’t be disappearing.

Nonetheless, the FHA remains the go-to choice if you have minimal cash down payment (3.5 percent), issues in your credit files and you are not eligible for a VA loan, which is the best deal around with zero down and generous underwriting. ■

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OPINION

CHANGING TIDES

The Future Of Resilient Design

Report A Call To Action For More Adaptable Boston

BY SHAWN SMITH
SPECIAL TO BANKER & TRADESMAN

Resiliency. Adaptability. The “New Normal.” The modern real estate community is alive with buzzwords. As more extreme weather and rising tides begin to impact our daily lives and built environments, it has come time to ask: What does a more resilient Boston actually look like?



SHAWN SMITH

In August 2013, the World Bank commissioned a report, “Future Flood Losses in Major Coastal Cities,” to evaluate 136 of the largest coastal cities in the world. This study predicted that global flood losses could exceed more than \$1 trillion per year by 2050 if these cities did not move towards adaptation and flood protection. Of the 136 cities studied, Boston was ranked as the eighth most vulnerable in terms of overall cost of damage, a list which included in the top 10 Miami, New York City, New Orleans and Tampa-St. Petersburg.

Over the past decade, we have witnessed firsthand the results of such vulnerabilities in the aftermaths of Hurricanes Sandy and Katrina. Here in Boston, Sandy was a near miss. Widespread flooding and property damage was avoided by a mere five hours – the

An integrated plan is needed to reduce our future exposure, even as the risk profile for the city continues to change.

time between high tide and the most powerful portions of the storm. As global tides continue to rise, such windows will become smaller, and as the climate continues to warm, such storms will be become more powerful. Clearly, an integrated plan is needed to reduce our future exposure, even as the risk profile for the city continues to change.

Recognizing this need, the city of Boston, Mayor Martin Walsh and Gov. Deval Patrick have taken leadership roles to drive responsible development along our threatened areas and waterfronts. Brian Swett and the Office of Environment, Energy and Open Space – in concert with other city departments – are pursuing ways to increase resilient development, including modifications to the BRA’s Article 80 process, and the pursuit of a local ordinance for vulnerable property. Though certain portions of Boston’s development and property management sectors have begun to follow suit, it is difficult to envision such a complex issue achieving full resolution without full participation of all sectors.

Adapting Traditional Design

This past May, with funding from The

Kresge Foundation, the Boston District Council of the Urban Land Institute held a day-long charrette, “Living with Water: The Urban Implications,” in an effort to drive the conversation towards new, adaptable and resilient design strategies and methods of thinking about our built environment.

The charrette convened more than 70 professionals from the local real estate community, including developers, financiers, engineers, architects, public policy drivers, property insurance specialists and sea level rise experts. Together, they immersed themselves in the challenges of four Boston-area locations: the Innovation District of South Boston; Back Bay; Cambridge’s Alewife neighborhood; and Revere Beach. The challenge was to create new paradigms for responsible development that consider the bigger questions surrounding sea level rise.

The focus was not necessarily on emergency preparedness, but rather how designers and developers should adapt to sea level projections. What happens to Boston and its neighbors when high tides reach 2.5 feet, 4 feet, or even 7.5 feet higher than they are

today? How does our infrastructure change? Can buildings continue to exist as they currently are? Though these higher-end projections are not expected for some time, it is important to understand today’s implications, especially since rising seas may occur within the lifecycles of new and existing buildings.

In October, ULI Boston’s Sustainability Council and Sea-Level Rise Committee will host an event following the release of the final “Urban Implications” report in September. There, participants will have a chance to present their resiliency strategies and answer questions from the development community.

This report should be a call to action. It will show the importance of development and infrastructure planning across each of the studied locations and the reality that the built environment and its financing vehicles are undivorceable. Resiliency planning must consider the linkages between the past, present and future of these concepts. If one thing is certain, it is that the sooner we begin the process of integrating resiliency into financial models, development planning, and infrastructure policy, the more effective it will be.

Shawn P. Smith, PE, LEED AP BD+C, is a senior engineer specializing in sustainable urban development at Nitsch Engineering in Boston. He is a founding member of ULI Boston’s Sustainability Council and Sea Level Rise committees.

LIKE-KIND AND LOVING IT

Tax-Free Exchanges Of Art, Airplanes, Alcohol Flourish

Like-Kind Exchanges Applied Beyond Real Estate

BY JOSEPH B. DARBY III
SPECIAL TO BANKER & TRADESMAN

There are certain words and phrases that naturally grab your attention: **Naked. 80 percent off. Cold beer. Patriots’ tickets.**

For the readers of *Banker & Tradesman*, however, there is one phrase above all else that immediately catches everyone’s interest: **Tax-free.**



JOSEPH DARBY

For many years, the real estate industry has understood, benefited and indeed prospered thanks to the good offices of Internal Revenue Code section 1031, a tax-law provision that permits nonrecognition of gain when real property is exchanged for other real property of like kind.

The rules governing like-kind real-estate exchanges are well developed, although surprisingly complex and nuanced at the margins and at the cutting edge. What is less well-known is that like-kind exchanges (LKEs) can also be arranged for many types of property besides real estate. Common LKE transactions include exchanges of airplanes, automobiles and other vehicles, and an increasingly exotic list of other properties, ranging from intellectual property (patents for patents, copyrights for copyrights) to exchanges of fine art and even wines.

The purpose of this article is to review briefly the basic rules, and then to talk

The rules governing like-kind real-estate exchanges are well developed, although surprisingly complex and nuanced at the margins and at the cutting edge.

about how creative thinking and economic necessity have led to the use of LKEs in new and interesting ways.

The 1031 Basics

The basic rules for a 1031 exchange are well known, but it is always good to remind ourselves about what we already know.

An LKE must involve an exchange of “like kind” property. In addition, the property exchanged in both directions must be held for productive use in a trade or business or for investment. In the real estate industry, the “like kind” requirement is easy: All fee simple real estate is like-kind with all other fee simple real estate. However, this is complicated by the fact that “real estate” has been interpreted in interesting and inventive ways. Real estate that is like-kind to fee simple real estate includes not only land and the improvements thereon, but leaseholds with 30 years or more remaining, including options, and also in certain instances includes air rights, certain kinds of building rights and permits, perpetual riparian (water) rights, and even operating leases in oil and gas drilling.

In addition, the real property must be used in a trade business or held for investment. This is not always straightforward:

For example, can a home be used as a personal residence, then rented out to tenants, and then exchanged for other rental or business property? Yes with proper planning.

Starker Regulations

An important (and necessary) element of flexibility is provided by regulations that permit both “deferred” and “reverse” exchanges. In fact, LKEs are rarely a pure “exchange” transaction between two taxpayers. Instead, exchanges are implemented using the so-called “Starker” regulations, which allow a taxpayer, through a paid qualified intermediary (QI), to sell property, have the QI hold the proceeds, and then spend the proceeds on replacement property designated by the taxpayer.

In a simple transaction (these are never really simple), the taxpayer sells the “relinquished” property, and the proceeds are delivered to the QI to be held in a qualified escrow or trust account. The taxpayer then designates up to three replacement properties (or an unlimited number of properties representing up to 200 percent of the value of the relinquished property) within 45 days of the sale transaction. After that, the taxpayer has up to 180 days (measured from the sale of the relinquished property)

to close on the acquisition of one or more of the identified properties. If the taxpayer does not identify any properties within 45 days, or if the taxpayer identifies timely but does not close within 180 days, the exchange is “blown” and the original sale transaction becomes fully taxable.

Art, Airplanes, Automobiles And Wine Collections

And then there is everything else. The author this year has been involved in exchanges of:

1. A world-famous work of art, in exchange for several Picassos and Warhols (Picassos and Warhols are the most liquid of all art works).
2. Several large, private aircraft for several even larger private aircraft – aircraft depreciate rapidly, and if you don’t do an LKE, you pay a staggering tax bill.
3. Approximately \$5 billion to \$10 billion of automobiles and trucks, under “fleet” LKE programs structured to comply with Rev. Proc. 2003-39.
4. The exchange, with friends, of several expensive bottles of champagne – which would have qualified as an LKE, except that all the wine was immediately thereafter consumed.

The point is, if you use LKEs to defer gain in the other areas first, you will want to pop the cork and enjoy your wine.

Joseph B. Darby III is a partner at Sullivan & Worcester LLP in Boston, focused on business and transactional tax law.

SPOTLIGHT:

Belmont

YEAR SETTLED:

1636

YEAR INCORPORATED AS A TOWN:

1859

TOTAL AREA:

4.7 square miles

POPULATION:

24,729

DENSITY:

5,300 per square mile

TAX RATES:

Residential: \$13.50
Commercial: \$13.50

TOTAL NUMBER OF HOUSING UNITS:

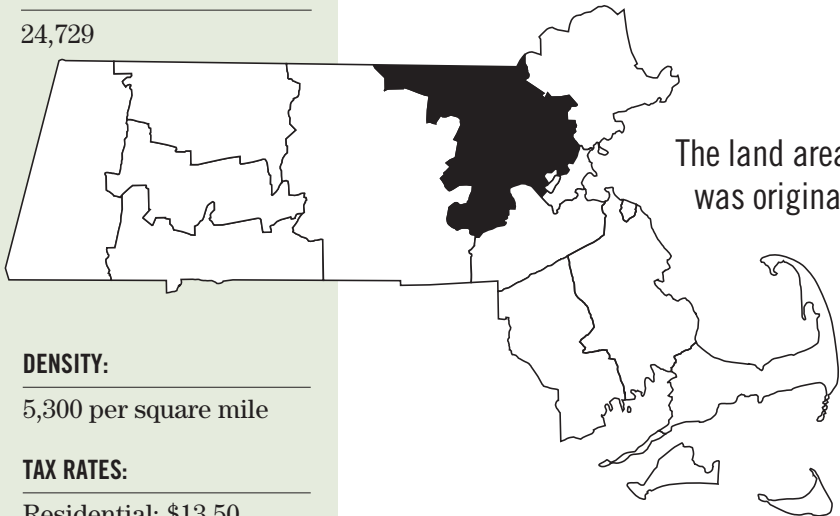
10,184

“In coming to America from Armenia, my parents opened the door of Freedom to me. America’s public schools and libraries opened my eyes to the unlimited opportunity in this great land, as well as the privileges and obligations of citizenship. May this library serve over the years as a similar inspiration to all who use it. In memory of my father and mother Sarkis and Vosgitel Mugar. By their grateful son.”

— Dedication of Boston University's Mugar Memorial Library, donated by Belmont resident Stephen P. Mugar (1901–1982)

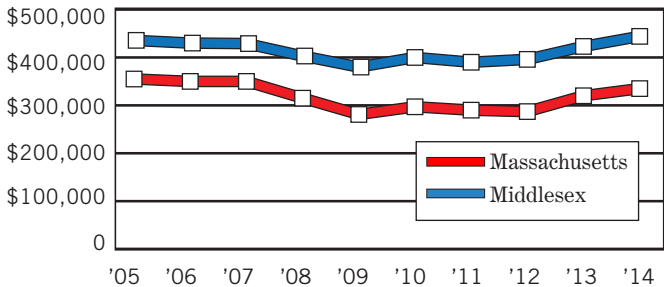
By The Numbers
A WEEKLY COMPENDIUM OF DATA AND ARCANA

COUNTY CLOSE-UP
MIDDLESEX



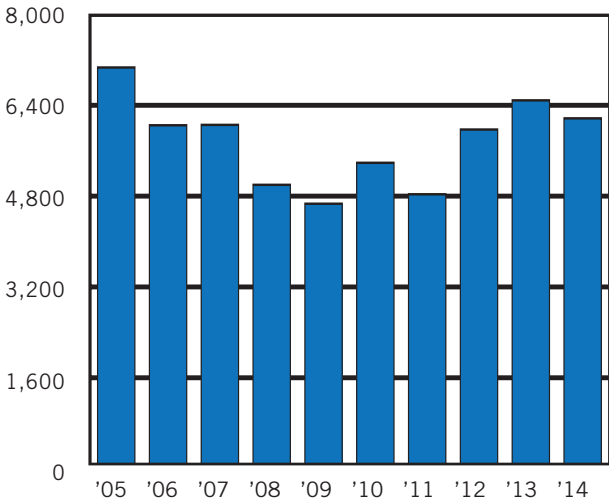
The land area that includes Belmont was originally called “Pequosette,” after the local Native American tribe.

MEDIAN SALES PRICES



- ☐ All sales thru July YTD
- ☐ Graph based on single-family home sales of \$1,000 and above, excluding condominiums and foreclosure deeds
- ☐ Source: The Warren Group

SALES VOLUME



- ☐ All sales thru July YTD
- ☐ Graph based on single-family home sales of \$1,000 and above, excluding condominiums and foreclosure deeds
- ☐ Source: The Warren Group

STATISTICAL SNAPSHOT

Community	MEDIAN SALES PRICE		SALES VOLUME	
	Jan.-July 2014	Change from 2013	Jan.-July 2014	Change from 2013
Acton	\$529,950	-1.21%	32	0.00%
Arlington	\$612,000	2.00%	41	51.85%
Ashby	\$270,000	n/a	3	200.00%
Ashland	\$465,000	32.95%	25	127.27%
Ayer	\$297,500	4.39%	5	0.00%
Bedford	\$547,500	-15.83%	16	-46.67%
Belmont	\$875,000	8.43%	25	47.06%
Billerica	\$361,375	6.29%	48	17.07%
Boxboro	\$641,333	8.70%	6	20.00%
Burlington	\$407,500	4.96%	22	0.00%
Cambridge	\$1,415,000	65.50%	19	5.56%
Carlisle	\$869,173	33.31%	14	0.00%
Chelmsford	\$376,500	8.50%	37	-13.95%
Concord	\$899,500	6.39%	34	30.77%
Dracut	\$254,700	-2.41%	30	-9.09%
Dunstable	\$482,000	6.41%	3	-25.00%
Everett	\$309,000	16.60%	11	-15.38%
Framingham	\$365,000	5.81%	81	6.58%
Groton	\$432,500	11.47%	17	6.25%
Holliston	\$544,900	35.04%	13	-50.00%
Hopkinton	\$650,000	16.19%	29	20.83%
Hudson	\$331,000	4.09%	18	-30.77%
Lexington	\$877,500	5.79%	66	-21.43%
Lincoln	\$940,000	-12.56%	9	28.57%
Littleton	\$450,000	6.57%	15	50.00%
Lowell	\$225,500	0.22%	46	2.22%
Malden	\$335,000	3.08%	35	52.17%
Marlborough	\$311,000	-2.05%	34	-10.53%
Maynard	\$270,000	-23.94%	13	-35.00%
Medford	\$443,000	12.28%	40	-4.76%
Melrose	\$534,000	20.00%	40	-23.08%
Natick	\$519,000	13.07%	50	11.11%
Newton	\$970,000	5.41%	68	-43.80%
North Reading	\$472,500	1.09%	22	0.00%
Pepperell	\$320,000	4.92%	11	-15.38%
Reading	\$460,000	-3.97%	38	-9.52%
Sherborn	\$985,000	43.27%	9	12.50%
Shirley	\$380,000	41.53%	3	-75.00%
Somerville	\$529,500	9.63%	18	38.46%
Stoneham	\$415,000	-1.19%	19	-45.71%
Stow	\$430,000	0.00%	17	54.55%
Sudbury	\$775,000	9.62%	53	47.22%
Tewksbury	\$369,000	15.31%	35	6.06%
Townsend	\$246,763	7.99%	14	27.27%
Tyngsboro	\$422,849	47.33%	12	-29.41%
Wakefield	\$431,000	0.70%	31	-16.22%
Waltham	\$445,000	3.86%	53	15.22%
Watertown	\$501,000	-0.40%	17	-15.00%
Wayland	\$750,000	25.63%	15	-40.00%
Westford	\$472,800	-9.73%	30	-11.76%
Weston	\$1,347,938	-0.70%	32	33.33%
Wilmington	\$397,500	9.28%	33	17.86%
Winchester	\$1,000,000	14.29%	33	-13.16%
Woburn	\$375,000	1.35%	35	16.67%
Middlesex County	\$478,000	5.05%	1,475	-3.72%

- ☐ Statistics based on single-family home sales of \$1,000 and above, excluding condominiums and foreclosure deeds
- ☐ Source: The Warren Group

TOP 3 MORTGAGE LENDERS

2014* Rank	2013* Rank	Lender	Percent of Market Share
1	2	RBS Citizens Bank	7.01%
2	3	Bank of America FSB	4.94%
3	6	Leader Bank	3.19%

- *2014 & 2013 Rank / Market share stats include loans filed through July
- ☐ Market share percentage based on number of mortgages
- ☐ Source: The Warren Group

TOP 10 EXISTING HOME SALES

Rank	Street Address Community	Buyer Seller	Date Price
1	63 Winsor Way Weston	UMW LLC James M Benson	07/18/2014 \$12,500,000
2	32 Suffolk Rd Newton	Thomas F Gilbane 3rd Joseph B Fuller	05/30/2014 \$9,500,000
3	43 Eliot Hill Rd Natick	Sandra O Campanella Peter C Dunlap	06/20/2014 \$9,444,000
4	11 Dellbrook Rd Weston	Jamie Monovoukas Kuldip K Vaid	06/13/2014 \$8,100,000
5	52 Chestnut St Weston	Yi Zhang Carolyn D Dagres RET	06/03/2014 \$5,075,000

Rank	Street Address Community	Buyer Seller	Date Price
6	85 Chestnut St Weston	85 Chestnut NT Kimberly S Moss	05/07/2014 \$4,600,000
7	23 Cart Path Rd Weston	23 CPRD NT Douglas B Macrae	07/21/2014 \$4,275,000
8	23 Walnut Rd Weston	Brett F Sumsion 23 Walnut Rd NT	07/22/2014 \$4,150,000
9	20 Claremont St Newton	20 Claremont RT James Vanbergh	06/20/2014 \$3,925,000
10	75 Buttricks Hill Dr Concord	Belinda H Gower 75 Buttricks Hill RT	06/17/2014 \$3,635,000

- ☐ Statistics from April-June 2014
- ☐ New Construction Excluded
- ☐ Source: The Warren Group

RESIDENTIAL REAL ESTATE BRIEFS

MassHousing Provides \$16.6M To Preserve Affordability At Beacon House

MassHousing has closed on \$16.6 million in loans to preserve the affordability of 135 housing units for senior citizens on Beacon Hill. MassHousing provided a \$14 million permanent loan and a \$2.6 million subordinate loan to the 135-unit Beacon House on Beacon Hill. The property at 19 Myrtle St. consists of 126 studio apartments and nine one-bedroom apartments in two semi-attached, eight-story brick and stone buildings. An affiliate of Rogerson Communities used the MassHousing loans to acquire Beacon House and has entered into an agreement with the city of Boston to extend the affordability for the residents there for the life of the property. The property was originally financed

by MassHousing in 1983, and the loan matured in October 2013. The owner has also renewed the 20-year Section 8 Housing Assistance Payment (HAP) contract for 85 apartments occupied by low-income seniors, and 32 apartments are regulated by the Boston Redevelopment Authority and rented to individuals with low and moderate incomes. The remaining 18 apartments are subject to a long-term lease with Massachusetts General Hospital (MGH) for use by out-of-town patients and visitors. The property has five ground-floor commercial spaces and common facilities include an atrium, roof deck, community room, library and computer lab with professional classes for residents.

MGH operates a community-based health promotion program and Kit Clark Senior Services runs a meals program out of the property for the Beacon Hill Community. “Beacon House is an important source of affordable housing for senior citizens living on Beacon Hill and now that affordability will be extended in perpetuity,” MassHousing Executive Director Thomas R. Gleason said in a statement. “The property is in very good condition, and Rogerson Communities has made a major commitment to providing quality affordable housing to the elderly residents who live there by working with the city of Boston to ensure the affordability there for the life of the property.”



MassDevelopment, Devens Village Green To Create 124 Housing Units At Devens Development

MassDevelopment and Lexington-based Devens Village Green LLC have signed a land disposition agreement for up to 124 units of housing in Devens’s Grant Road neighborhood. The Grant Road neighborhood is a roughly 35-acre portion of the 4,400-acre community. Devens Village Green has proposed a variety of unit types arranged in a walkable neighborhood style, with the first phase of the multi-phase project including about 15 units. The group plans to begin the permitting process this fall with construction starting in spring 2015. “Devens Village Green will help meet the increasing demand for local housing given the more than 800 people who have started working in Devens in the last two years,” MassDevelopment President and CEO Marty Jones said in a statement. “We look forward

to seeing shovels in the ground next year and people in homes as soon as possible.” Evergreen Village Collaborative plans to build about 40 large and small single-family homes, 40 duplex and townhome units and 40 rental apartments. Twenty-seven units will be affordable to moderate-income households, defined as 80 to 100 percent of area median income. “We are eager to get started on this exciting new community and look forward to collaborating with MassDevelopment and the Devens Enterprise Commission to complete the permitting as expeditiously as possible,” Dan Gainsboro, co-developer at Devens Village Green, said in a statement. “The master plan and architecture of this community will encourage social connection and foster a sense of place and neighborhood.”

GILMORE REES & CARLSON PC

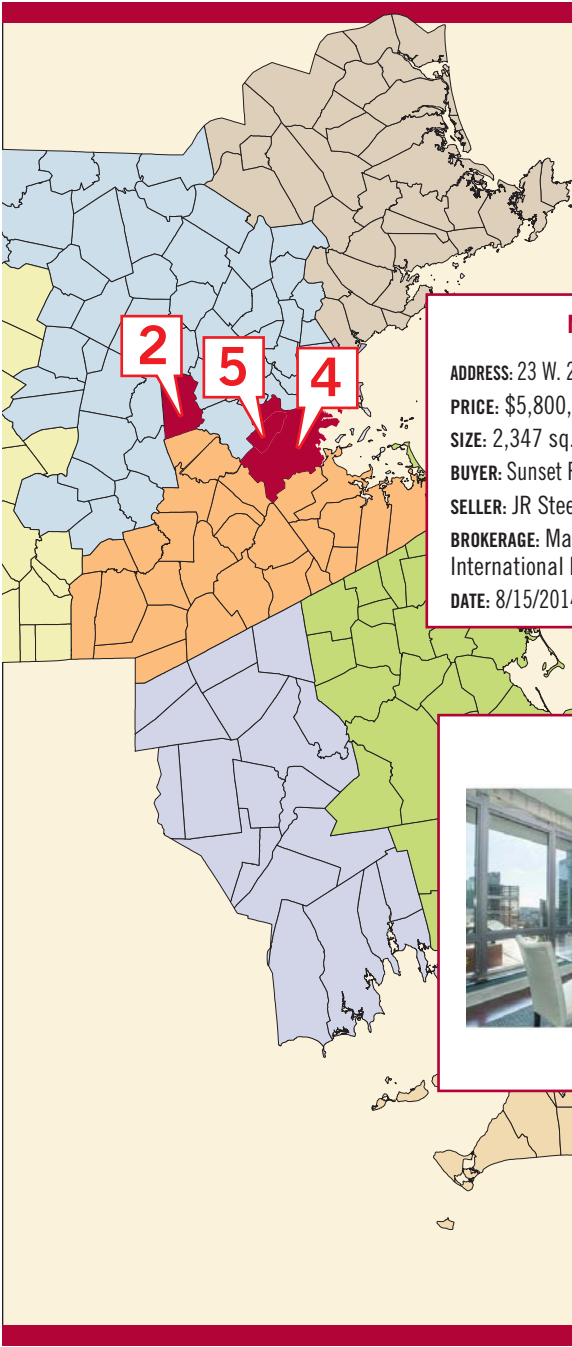
ATTORNEYS AT LAW

WISHES TO EXTEND ITS CONGRATULATIONS TO OUR PARTNER



GARY M. HOGAN

as being appointed a Designated Closing Attorney for The U.S. Small Business Administration’s 504 loan closings



Gossip

REPORT

A strong week for team Coldwell, with the boys and girls in blue bagging all the mainland listings.

NANTUCKET1

ADDRESS: 23 W. 201 Eel Point Rd., Nantucket
PRICE: \$5,800,000
SIZE: 2,347 sq. ft. on 1.4 acres
BUYER: Sunset RT and Steven L. Cohen
SELLER: JR Steele LLCDate: 08/08/2014
BROKERAGE: Maury People Sotheby’s International Realty
DATE: 8/15/2014

WESTON2



ADDRESS: 370 Concord Rd., Weston
PRICE: \$5,425,000
SIZE: 12,000 sq. ft. on 6.02 acres
BUYER: Anne Mitchell and Jeffrey Mitchell
SELLER: Seth W. Lawry and Cynthia C. Lawry
AGENT: Richlen and Yates Team, Coldwell Banker Residential Brokerage
DATE: 8/12/2014

NANTUCKET3

ADDRESS: 7 Hinckley Ln., Nantucket
PRICE: \$3,950,000
SIZE: 2,087 sq. ft.
BUYER: Langdale Holdings 2 LLC
SELLER: Sand & Weed LLC
BROKERAGE: Great Point Properties
DATE: 8/15/2014

BOSTON4



ADDRESS: 1 Charles St., Boston
PRICE: \$3,300,000
SIZE: 2,296 sq. ft.
BUYER: Carl Simons RET
SELLER: Bosque Properties LLC
AGENT: Lili Banani, Coldwell Banker Residential Brokerage
DATE: 08/06/2014

BROOKLINE5



ADDRESS: 102 Fernwood Rd., Brookline
PRICE: \$3,277,500
SIZE: 5,022 sq. ft. on 1.05 acres
BUYER: Milagros Gonzalez
SELLER: 102 Fernwood T. and Samuel M. Starr
AGENT: Deborah Gordon, Coldwell Banker Residential Brokerage
DATE: 8/12/2014

1

3

Compiled by Colleen M. Sullivan, residential real estate reporter.

IN PERSON

Investing In
A Good Story

BY LAURA ALIX | BANKER & TRADESMAN STAFF

David Smith admits that he didn't know Rockland Trust was in the money management business when he was job-hunting in 2003. He landed at the commercial bank "somewhat serendipitously" after being laid off from a startup group within Mellon and immediately settled into his role growing the bank's wealth management business. This summer, Bright Rock Capital Management, a subsidiary of Rockland Trust, surpassed \$200 million in assets under management. Smith recently sat down with Banker & Tradesman to talk about Bright Rock's story.



David B. Smith

Title: Senior Vice President & Chief Investment Officer, Investment Management Group, Rockland Trust

Age: 46

Experience: 24 years

Q: Can you tell me about the inception of Bright Rock?

A: We are very good at managing large cap money. It's the core of our client portfolios and we do that for our larger clients on an individual security basis. The challenge that we faced was, if a client came to us with a large account and then they wanted their children to be clients of ours, and maybe the children's account wasn't very large yet.

We decided to build a large cap strategy so that we could provide that to all of the accounts we manage, essentially with the same strategy as a mutual fund format. Once we'd built the fund out, we decided we would allow others who might want to use our large cap capability for their clients, so the fund was made available on a variety of different platforms, including Fidelity, LPL, T Ameritrade, SEI and Merrill Lynch.

The bulk of the money comes from our own clientele. It's been a very steady up, and to the right kind of growth, as we continue going forward, and it's coming from a variety of different places, which is what we like to see. There are advisors on all those platforms and our own business, and it's growing.

Q: You've mentioned that advisors "like the story" – so what is that story?

A: There are two components. One of them is quality, that's in the name of the fund. It's called the Bright Rock Quality Large Cap Fund. We have our own proprietary methodology for screening companies for quality, but we believe very strongly that investing in great companies is the way that you outperform over a market cycle, not trading stocks, so that's a little different.

The other thing we do that's very different is we equal weight all 10 economic sectors of the S&P 500, so every sector is very close to 10 percent. There will be 10 percent in health care companies, 10 percent in tech companies and so on, and that skews us from the S&P 500, which is capitalization weighted.

We've done an awful lot of work to understand how we could add value, and one of the things we discovered after 2008 is that if you equal weight all 10 economic sectors over a cycle, you outperform the S&P 500 with lower volatility. In a period like the late '90s, when technology was going crazy, if we were stuck at 10 percent, we're leaving money on the table, but when it blows up, we're significantly outperforming, so over that period of boom and bust, we do a little better.

We may celebrate \$300 million, but in my mind, the next milestone is \$500 million.

Q: What's the next milestone? \$300 million? And what are you doing to reach that point?

A: We'll continue to do what we're doing. The numbers have to be good. The good news is we've been at this now for a few years and we've got very high ratings on Morningstar. We actually had a five-star rating for a period of time; it's now back to four stars, but that's still very good. Our numbers recently have been good, too. As long as the performance stays up, opportunities will present themselves, and we also are looking at working with an outside sales force to help us raise assets.

So if the numbers stay good, we still get positive reviews from Morningstar and others, and we have a dedicated team out there selling this, we think our growth will accelerate. We may celebrate \$300 million, but in my mind, the next milestone is \$500 million.



DAVID SMITH'S TOP FIVE THINGS TO DO IN THE SUMMER:

- 1 Spending time with friends and family at our Cape house.
- 2 Fishing.
- 3 Destination boating, including Martha's Vineyard, Nantucket and the Elizabeth Islands.
- 4 Enjoying frequent and varied views while walking the peninsula.
- 5 Watching the sun rise and set.

COMMERCIAL & INDUSTRIAL

Development Surges Ahead In Eastie

Continued from Page 1

time owners look to cash out, said Philip Giffie, executive director of East Boston-based Neighborhood of Affordable Housing Inc. (NOAH).

“The neighborhood is affected by what’s happening on the waterfront,” said Giffie, whose group is planning a 56-unit residential project on Border Street. “You’re seeing properties scooped up, sometimes by people who want to live here and sometimes by people who want to flip it.”

Giffie’s organization is attempting to line up \$32 million in financing from city and state sources for Coppersmith Village, a mixed-income housing complex. NOAH acquired the parcel, currently occupied by vacant warehouses, in May for \$1.6 million. Projected rents would range from \$375,000 for market-rate condos to \$222,000 for affordable units, while market-rate apartments are expected to rent for \$2,100, compared with \$1,100 for affordable units.

Shaving Development Costs

Three other developers are moving forward with major projects after revising plans to reduce costs.

Portland, Ore.-based developer Gerding Edlen is updating plans for 26 New St. Gerding Edlen acquired the property in January – now occupied by a vacant warehouse – after a previous developer failed to move forward with a 258-unit apart-

ment complex.

The new plans, submitted to the Boston Redevelopment Authority in June, eliminate underground parking garage in favor of a three-level garage. They replace a previously-approved new six-story building with a three-story addition to the renovated main building.

Kelly Saito, president of Gerding Edlen, said the complex will attract tenants who can’t afford to live downtown but are attracted by the option of getting there in a two-minute ride on the MBTA’s Blue Line.

Boston-based developer Trinity Financial hopes to complete all state and local permitting by November or its 200-unit Boston East development on Border Street. Trinity recently eliminated 30 parking spaces and switched from steel to wood-framed construction. The company hopes to achieve rents of approximately \$3.19 per square foot, vice president Abby Goldenfarb said, with amenities such as a community art gallery on the ground floor, roof deck and kayak launch.

Boston-based WinnCompanies is in the process of recapitalizing the \$190-million Clippership Wharf residential project at 65 Lewis St. which originally would have included 400 condos and 670 parking spaces.

WinnCompanies is scaling back the overall number of units and adding rentals to the mix, Vice President Chris Fleming said. It’s also reducing the approved 670 parking spaces, as the city has relaxed parking requirements at sites near mass

transit. The reduction in underground parking spaces near the waterfront will reduce development costs, Fleming said, and average apartments will be reduced to approximately 850 square feet.

WinnCompanies is in talks to bring on an equity partner and expects to submit

the updated proposal to the Boston Redevelopment Authority this fall.

“East Boston was a little behind, but finally the market feels right,” Fleming said. “There’s a lot of energy down there.” ■

Email: sadams@thewarrengroup.com



Photo: Steve Adams / Banker & Tradesman Staff

The first phase of Roseland Property Co.’s Portside At East Pier apartment complex will open in October on the East Boston waterfront, in what could be the first in a series of major harborside developments in the Jeffries Point neighborhood.

GENTRIFICATION BET

Investors Bullish On Eastie Income Properties

Prices ‘Seemed Too Good To Be True’

BY STEVE ADAMS
BANKER & TRADESMAN STAFF

While national developers draw up plans for hundreds of residential units on the East Boston waterfront, local investors see the chance to profit by sprucing up the neighborhood’s aging housing stock.

A partnership of Quincy-based Grossman Cos. and Alex Hodara, a Boston real estate investor, has acquired seven multi-family buildings in Jeffries Point during the last year and renovated 18 units at a total cost of \$4 million. The result: they’re now fetching average rents of \$2,300 for three-bedroom apartments in what has historically been one of the city’s least expensive neighborhoods.

Hodara became a rental agent as a college freshman before starting his own brokerage and development company, Hodara Real Estate Group. Two years ago, he identified East Boston as a neighborhood on the cusp of gentrification, with the promise of significant rent growth.

The partnership spent an average of \$200 per square foot on acquisition and renovation of the properties. The price “seemed too good to be true,” said David Grossman, director of acquisitions and finance for the Grossman Cos. But many of them were in extremely poor shape, Hodara said. One property in Maverick Square had major fire damage.

Following a year-long renovation program ranging from \$20,000 to \$150,000 per property, adding stainless steel ap-

pliances, marble bathrooms and granite countertops, the portfolio is 100 percent leased.

Originally, Hodara hoped to rent the completed apartments for \$650 per bedroom.

“We were able to attain \$775 a bed, so there was a huge demand for people who wanted to be close to downtown and also have less expensive rent,” he said.

The venture is a new niche for Grossman Cos., which owns 2.5 million square feet of commercial and industrial real estate, but sought a partner with expertise in the East Boston rental market.

“Nobody was interested until we met Alex, who had done exactly what we were planning to do,” Grossman said.

The strategy is to hold the properties for the long term as income-producing investments and an inflation hedge, Grossman said. Backed by Cambridge Savings Bank and Blue Hills Bank, the partnership is acquiring 20 additional properties totaling more than 60 units in the second phase of investment, closing in mid-October.

In the short run, Hodara said, a market correction is likely in Jeffries Point, where one property recently sold for \$290 a square foot. In the long run, however, gentrification is likely to lift rents in Orient Heights and Eagle Hill, two other East Boston neighborhoods where the partnership is acquiring properties, Hodara said. ■

Email: sadams@thewarrengroup.com

HOT PROPERTY

Each week, Banker & Tradesman commercial real estate reporter Steve Adams will spotlight a commercial real estate property in Massachusetts notable for its high deal activity, unique design or one-of-a-kind special features.

WHERE:
Worcester

WHAT:
Webster Square shopping center

OWNER:
Related Beal

BUILT:
1958 (expanded 2004)

WHY IT’S HOT:

- Related Beal has finalized five lease renewals totaling nearly 50,000 square feet of retail space at the Webster Square Shopping Center in Worcester. The renewals maintain the property’s 93-percent leased occupancy rate.
- Existing tenant Marshalls has renewed its 25,708-square-foot lease for a five-year term. Dollar Tree renewed its 7,500-square-foot lease for a five-year term. Gibbons Liquors, a local liquor store, and Kai Sushi Bar and Grill, a local restaurant specializing in Asian cuisine, have also renewed their respective 2,000-square-foot leases for five years. Rainbow Apparel / Fashion Gallery, a national women’s apparel store, renewed its 11,336-square-foot lease for another five-year term.
- Michael Tammara, vice president with Related Beal, represented the owner in the lease transactions.
- Webster Square Shopping Center is a 202,000-square-foot neighborhood shopping center, anchored by Shaw’s Supermarket located along Route 9.



THEY SAID IT:

“We are thrilled that five of our existing tenants at Webster Square Shopping Center have elected to renew their leases, which confirms the property’s superior position in the Worcester marketplace. Webster Square’s central location, ease of accessibility and complementary tenant roster continue to make it a strong, well-performing asset in our portfolio.”
– Stephen N. Faber, executive vice president, Related Beal

THINK YOUR PROPERTY IS HOT?
Drop Steve a line at sadams@thewarrengroup.com

BANKING & LENDING

Regulators Step Up AML Oversight

Continued from Page 1

comes challenging when banks do business with money service businesses that may be commercial customers of theirs. A local convenience store that offers check-cashing services or has a non-bank ATM installed in the corner might be one example, he said.

Pain Points

In a recent report, “AML: Smaller Financial Institutions in Search of Solutions,” the research firm Aite Group explored the day-to-day realities of anti-money laundering compliance at smaller to mid-sized financial institutions, compared with that of the megabanks that generate headlines whenever they’re slapped with a fine.

In the banking world, it’s practically a given that while regulators will say they’re tempering their expectations of smaller community banks with simpler business models, the reality demonstrates that best practices at the very largest financial institutions do eventually trickle down to smaller banks in the form of regulatory expectations.

Julie Conroy, research director for Aite Group’s retail banking practice, specializes in anti-money laundering, among other subjects, and said she studied the problem of AML at smaller financial institutions because she felt she wanted to broaden her coverage of AML beyond the very largest banks.

“I was expecting to hear some points of divergence between big financial institutions and small financial institutions, but I think the extent of that divergence



surprised me,” Conroy said. “Some of the things I hear from big financial institutions, for instance the documentation that regulators are asking them to do or the challenges associated with beneficial ownership, none of those really even registered with the smaller guys.”

“I think right now, it really is a tale of two markets. That said, we do typically see that the pain of the big guys does eventually become the pain of the small guys,” she said.

One particular pain point that emerged in Conroy’s report was that of false positives, with a majority of the executives surveyed responding that false positives from

either transaction monitoring or watch-list filtering was either a moderate or significant issue.

But Conroy says false positives are a rather universal pain point in anti-money laundering compliance. Executives surveyed in the Aite study also said they would like to see enhancements to currency transaction report (CTR) automation in order to help weed out false positives, and some voiced frustration at the current CTR limit of \$10,000 and suggested it should be changed to reflect the present-day value of the dollar.

Smaller institutions also rely more heavily on their core providers, which can make

technological choices a bit more challenging, and Conroy said she was also surprised at the number of smaller financial institutions looking to change vendors, with one-third of her respondents saying they were “very likely” or “somewhat likely” to change at least one AML provider within the next few years.

Seeking Solutions

In her report for Aite, Conroy encourages smaller financial institutions to shop around for AML solutions. She also encouraged collaboration and communication between peers and advises smaller banks and credit unions to watch what happens at larger financial institutions for clues as to regulators’ next points of emphasis.

One trend to keep an eye on, for instance, is predictive or behavioral analytics, which will likely emerge as a standard in anti-money laundering compliance in the next few years, Conroy said.

The challenge, especially for smaller financial institutions, is that BSA and AML compliance touch nearly every aspect of banking right on down to the teller line, Skarin said.

And while regulators may step up consent orders and fines for AML violations, Conroy said that unless there’s been willful negligence at play, bankers who’ve been playing by the rules all along ought to be fine.

“As long as they deal with it, they’re not going to get these death penalty types of fines, but if it’s disclosed that there are folks complicit in closing their eyes, then you will see some very significant actions taken,” she said. ■

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BANKING & LENDING

SUCCESSION VERSUS SALE

CEO Age A Marker For Bank Sale

65 A 'Sell-By' Date For Smaller Banks

BY CHRISTINA P. O'NEILL
BANKER & TRADESMAN STAFF

Keefe Bruyette & Woods Analyst Nishil Patel minced no words last month when he told global financial and business news provider SNL Financial that the potential selling bank list compiled by KBW is marked by institutions whose CEOs “tend to be pretty old.” Specifically, that’s an average CEO age of 65 as an indicator of a likely selling bank, and every CEO age year above that increasing the likelihood of a sale.

Getting away from the SNL report for a moment, life expectancies measured at birth have increased since the current generation of bank CEOs was born, and for our purposes we’re using the statistics for white males, who are the ones predominantly in the corner offices. According to census figures, a white male born in 1950 had a life expectancy of 72.2 years; by 1970, that age had inched up to 75.6 years.

But then there are the profound medical advances that have been made since 1970, which are more likely to be accessed by white males. These advances will likely result in extended lives for the people who can access them, though that does not necessarily imply the ability to remain in the workforce, and of course, there’s the rub.

In the face of all this, a traditional retirement age of 65 is still fairly entrenched in bank management plans. The retirement

KBW’s Patel said that a lack of succession plans are more common among smaller banks of less than \$2 billion or \$3 billion in assets, particularly those which are family-run with no succeeding generation in place.

plans for today’s generation of bank CEOs were inked decades ago, in line with life expectancies of the time. To the advantage of current management, they were very likely able to build and/or reconstruct portfolio assets during a time which had at least as many boom years (the early 1980s and mid- to late 1990s) as down years (late 1980s and the early part of the 21st century).

The three Massachusetts-based banks cited in the SNL report are: Quaint Oak Bancorp, of Southampton; Hingham Institution for Savings, Hingham; and Peoples Federal Bancshares Inc. of Brighton, which is being acquired by Rockland, Mass.-based Independent Bank Corp, parent of Rockland Bank. The SNL list limited itself to public banks and thrifts with CEOs at least 65 years of age and with 30 percent or more insider ownership – it does not include banks on which SNL has no data on CEO age.

The average age of a selling CEO in the nine largest national deals from early 2012

to early 2013 was 64 – compared to 58 for the average small and mid-cap CEO, according to a 2013 KBW analysis as reported by SNL. Patel said the analysis has not been updated recently, but he believes 2014 deals would support the findings.

A Walk Through History

A critical decision marker is whether a merger will result in an acquisition price of five times book value – a key ratio identified by many banks KBW surveyed – coupled with increased regulatory costs and possible instances of “board fatigue,” are contributing to pressure on some smaller banks to sell, according to SNL Financial.

The causes of the pressure to sell go back at least 20 years, about the amount of time it takes to cultivate a next generation of leadership. During the banking crisis of the late 1980s and early 1990s, training programs were curtailed as banks struggled to put out fires on the lending front. Then, after flush times in the mid- to late 1990s, difficult times after the turn of

the 21st century stifled many long-term programs to cultivate the next generation.

In speaking to SNL, Larry Mazza, president and CEO of Fairmont, W.Va.-based MVB Financial Corp. cited a recent study suggesting that CEOs in their 50s merge to join the larger bank’s leadership team, 60-year-olds sell to retire, while those in their 70s and older are inclined to stay put.

KBW’s Patel said that a lack of succession plans are more common among smaller banks of less than \$2 billion or \$3 billion in assets, particularly those which are family-run with no succeeding generation in place.

Additionally, the increased focus on risk management as a priority over community- and business-building is a deterrent to would-be entrants. The biggest barriers include the increased capital requirements of Basel III, and the extensive administrative burden of the Dodd-Frank law.

Terry Stroud, a former OCC and OTS regulator and now CEO of Dallas-based consulting firm Opportunity Group, told SNL that bankers entering the field tend to focus on risk minimization rather than community-building. “My generation thought about making or creating something,” he said. “That is not the mentality of today’s younger banker.” ■

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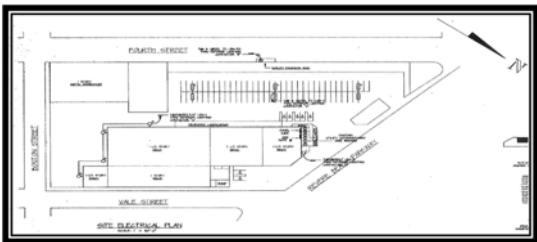
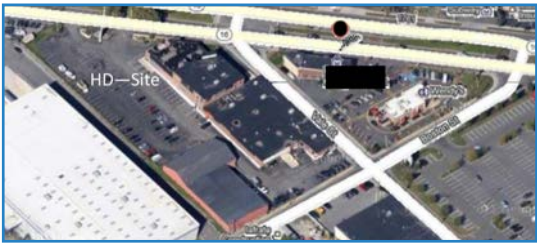


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Provide oversight of pre- and post-closing quality control audit functions to ensure MassHousing's underwriting, closing, and compliance processes are followed. Represent MassHousing during investor, regulator, and auditor examinations to ensure appropriate responses/actions are provided during and following examination.

This position also has supervisory responsibilities.

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- Assist MassHousing employees with day-to-day compliance issues/questions and develop and provide training, as necessary.
- Issue compliance bulletins to MassHousing lenders to ensure understanding and adherence to compliance changes on a timely basis.
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- Oversee the vendor relationship with third-party quality control service provider to ensure timely and quality work is being performed by the vendor.
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- Oversee the approval and annual recertification process of lenders selling loans to MassHousing.
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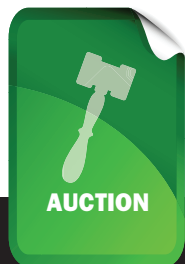
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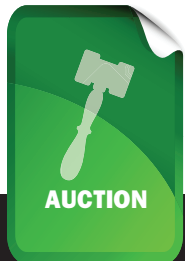
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378 RIVERWAY U:3

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78 MOZART ST U:2.....	\$362,000
B: Rosalie Cirio S: Falcucci Properties LLC Book/Page: 53389/64, Date: 08/22/14 Mtg: Guaranteed Rate Inc \$339,660 Type: Adj Use: Condo	
78 MOZART ST U:3.....	\$365,000
B: Bradley R Schlagheck S: Falcucci Properties LLC Book/Page: 53381/61, Date: 08/21	

3 SEAL HARBOR RD U:347 \$375,000
B

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BRISTOL REGISTRY

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continued			
309 FARRWOOD DR U:309.....	\$259,000		
B: Charles G Lietz S: Donna M Angell Book/Page: 33481/344, Date: 08/18/14 Mtg: Santander Bank NA \$194,250 Use: 3 Bdrm Condo Prior Sale: \$289,900 (12/05)			
49 GREENVILLE ST.....	\$69,300		
B: John W Davidowicz Tr, Davland RT S: MHI LLC Book/Page: 33488/582, Date: 08/20/14 Use: Accessory Land Improved, Lot: 8288sf Prior Sale: \$90,000 (08/11)			
61 L ST	\$100,000		
B: 61 L Street Property LLC S: Michael Deluca Book/Page: 33489/9, Date: 08/20/14 Mtg: Pamela Franciosa \$250,000 Use: Residential Developable Land, Lot: 7500sf			
99 MERCURY TER U:99.....	\$145,000		
B: Robin Desmet S: Stuart R Macdonald Book/Page: 33482/387, Date: 08/18/14 Use: 2 Bdrm Condo Prior Sale: \$195,000 (09/03)			
14 PARSONAGE HILL RD.....	\$225,000		
B: Diesel Realty LLC S: Stephen Suech Book/Page: 33493/523, Date: 08/22/14 Mtg: Brich Hollow LLC \$305,000 Use: 3 Bdrm Colonial, Lot: 52272sf Prior Sale: \$417,500 (09/06)			

90 MAIN ST	<
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8 STRAWBERRY HILL RD.....	\$450,000
B: Chad F Griller & Kelly J Griller S: Janice M Macdonald Tr, Ryan RT Book/Page: 64118/431, Date: 08/22/14 Mtg: Freedom Mortgage Corp \$405,000 Use: 4 Bdrn Colonial, Lot: 10106sf	
26 WALDEN DR U:2.....	\$157,000
B: David A Holmes Tr, 26 WD 2 RT	

MIDDLESEX REGISTRY continued

81 WILKINS RD ..

NORFOLK REGISTRY

continued

Norfolk

MARKET STATISTICS THROUGH JULY

	YTD 2013	YTD 2014
Number of 1-Fam Sales	76	74
Median Price	\$439,200	\$452,500

► REAL ESTATE SALES

259 MAIN ST..... \$455,000
B: Victor Iarrobino & Leanne Iarrobino
S: Donald J Sabourin & Dorothy L Sabourin
Book/Page: 32485/292, Date: 08/19/14
Use: 4 Bdrm Colonial, Lot: 45302sf

20 OLD MILL RD..... \$649,000
B: William Armstrong & Liliana Armstrong
S: Maple Sands Corp
Book/Page: 32488/423, Date: 08/20/14
Mtg: Bank Of California NA \$454,300
Use: Residential Developable Land, Lot: 62841sf
Prior Sale: \$170,000 (11/13)

5 PHEASANTHILL RD..... \$530,000
B: Christopher J Coderre & Jennifer L Coderre
S: Brian J Kelleher & Karen F Kelleher
Doc#: 000001312951, Date: 08/20/14
Mtg: Berkshire Bank \$417,000
Use: 4 Bdrm Colonial, Lot: 36000sf

67 WILDWOOD RD U:6

13 WITUWAMAT RD.....	\$108,000
B: 13 Wituwamat Road RT S: Catherine P Fitzsimmons Book/Page: 32492/285, Date: 08/21/14 Use: 2 Bdrm Colonial, Lot: 2483sf	
12 WOLCOTT ST.....	\$421,000
B: Matthew Pickering & Kristy A Albano S: Robert L Imbriaci & Mary-Ellen Mcneal Doc#: 000001313037, Date: 08/21/14	

Berlin

MARKET STATISTICS THROUGH JULY

	YTD 2013	YTD 2014
Number of 1-Fam Sales	16	16
Median Price	\$360,000	\$345,000

► REAL ESTATE SALES

5 ALDEN DR U:5..... \$250,000

Credit Records

Voluntary Bankruptcies

Filed: Office of the Clerk, US Bankruptcy Court, O'Neill Federal Office Building, Boston.

These are Chapter 7 Liquidations in which a debtor turns over all property owned to be converted into money which is used to pay administration costs and creditors to the extent possible. Honest debtors receive a discharge relieving them from legal liability for the payment of provable debts listed in the petition with some specific exemptions, most notably taxes and support payments.

The name and mailing address of the person or entity filing the petition is followed by the filing date (D) and the case number (Case#).

Roslindale
BURNS, Christopher G & Christine Bonardi, 11 Metropolitan Ave, Roslindale, 02131-3412 D:07/29/14 Tax:INCO Amt:\$5,935
ESCOBAR, Wilfredo J, 2 Hazelmere Rd, Roslindale, 02131-1424 D:07/29/14 Tax:INCO Amt:\$12,226
JOSAS AUTO REPAIR INC, 610 Hyde Park Ave, Roslindale, 02131-4307 D:07/29/14 Tax:USE, WITH Amt:\$3,251

Roxbury
LEWIS, Tonia L, 255 Walnut Ave U:1, Roxbury, 02119

4 Woodside Ave
Owner:Anthony D Susi L:Nationstar Mortgage

BUILDING PERMIT DATABASE

GAIN A CLEAR PICTURE OF THE HOUSING AND CONSTRUCTION MARKET

Be the first to know where construction is beginning and expanding, which contractors are closing the deals, and who is making property improvements – all with The Warren Group's Building Permit Data.

Our building permit database covers all of Massachusetts, Connecticut and Rhode Island, with data from Southern New Hampshire and Southern Maine expected to be released later this year.

BENEFITS:

- Gain valuable insight with details including contractor information, estimated value of construction work and the type of work being performed.
- Make informed decisions based on recent building activity.
- Receive data conveniently: via a weekly email with the latest building permits in Excel format.
- Use this vital data to conduct research and augment data files.