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\$67M Construction Loan Buys Channel Center Plan

By Joe Clements

BOSTON-Hoping to capture a rising tide of demand for office space, the developers of Channel Center in the city's Seaport District are moving ahead on renovations to the mixed-use complex after receiving a \$67-million construction loan from Apollo Real Estate Finance Corp. The client, Commonwealth Center Holdings VAF, is taking on the second phase of a 1.6-million-sf project conceived by Beacon Capital Partners to rehab a strip of gritty industrial buildings and supplement those structures with new housing, office and retail.

"From Day One, we have been excited about the location of Channel Center, as well as the explosion of interest in the Seaport area," developer Richard Galvin says in a release announcing the financing, which was arranged through the Boston office of Holliday Fenoglio Fowler. Work will "commence immediately" on renovating three brick buildings lining A Street known as 10, 20 and 30 Channel Center, says Galvin, whose Commonwealth Ventures LLC is teaming with an arm of GE Asset Management to undertake the project.

There are five existing buildings at Channel Center totaling 290,000 sf of space, while there are rights to construct another 800,000 sf of office and residential product. There are also plans for a garage accommodating more than 900 vehicles, a valued element in a property bordering space-starved South Boston's residential area. While the split between office and residential space was not provided, Galvin indicates that the firm is intent on chasing office deals at a time when downtown rents are rebounding to record levels. "This is a unique opportunity for us to...take advantage of strong market dynamics," says Galvin, who pledges to have space available by next spring.

Besides an anticipated discount to the Financial District, Galvin says Channel Center tenants will also benefit from the rapid maturation of the Seaport District and the smaller Fort Point Channel area where Channel Center is situated. Not only is the first entrance to the Third Harbor Tunnel connecting to Logan International Airport located in the Seaport District, the gleaming new Boston Convention Center was erected just steps behind Channel Center, while city and state transit officials have sunk billions of dollars into new buildings, transit ways and public parks. According to HFF director Anthony Cutone, the investments "are reshaping the face of the Fort Point Channel neighborhood," and Channel Center "will further enhance the vibrant atmosphere" emerging in the district. HFF was also involved in financing the initial phase of Channel Center in 2003.

In the loan arrangement, Apollo provided an acquisition/predevelopment loan that will be replaced with \$67 million of first mortgage and mezzanine financing to pay for renovation and leasing of the buildings. Arefin is the lending and debt investment vehicle for Apollo Real Estate Advisors. HFF's Boston operation is one of 18 national offices providing capital markets services

to the US CRE industry, including debt placement, investment sales, structured finance and loan servicing.

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