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Convention center board picks hotel developer

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DTI

Convention center officials have selected a developer for a hotel project next to the Southie exhibit hall: Commonwealth Ventures.

The Connecticut-based firm — teaming with real estate investor Area Property Partners of New York, Starwood Hotels, and Hub-based builder Suffolk Construction — was picked over Cambridge's Carpenter & Co. for the nearly \$140 million project that will bring a pair of mid-priced hotels with a total of 510 rooms to D Street.

The Massachusetts Convention Center Authority's board made the decision at its meeting this morning, following a public bidding process.

"We were fortunate to have two strong proposals submitted, demonstrating the strength of our hotel market and the appeal of the opportunity presented," said Jim Rooney, the quasi-public agency's executive director.

The development team, known as CV Properties LLC, will now enter into talks to finalize a lease and a room-block agreement — unprecedented for mid-priced hotel brands — so that a percentage of rooms are always available for conventioners.

The goal is a ground breaking by the end of the year and a ribbon cutting in April 2015.

"We're thrilled and grateful for the board's vote, and anxious to get onto the next step," Richard Galvin, president of Commonwealth Ventures, told the Herald. "We've got a lot of work to do quickly."

The project will bring a 330-room Aloft hotel and 180-room Element extended-stay hotel to South Boston, helping satisfy a need for more nearby lodging to serve conventioners. The convention center authority continues planning a massive \$2 billion expansion of the exhibit hall that needs approval from the Legislature.

Although the room prices were not available, they are expected to be far lower than the Starwood-operated Westin Waterfront Hotel, a full-service "headquarters" hotel across the street.

The convention center authority bought the vacant D Street parcel last year for \$33 million for the privately financed hotels and a parking garage that the agency will develop on its own later.

The \$18 million investment in the hotel portion of the site is expected to be offset by an estimated \$5 million to \$6 million in annual taxes to the city and state, plus rent paid to the convention center under a 99-year lease.

The hotels' base rent is expected to total \$1.2 million over the first 10 years. The convention center would also receive revenue from a percentage of sales and a transaction fee if and when the hotel is sold.

The hotels are expected to get about 40 percent of their bookings from convention-related customers, according to Howard Davis, the convention center authority's director of capital projects.

Commonwealth Ventures enlisted the same team of Area Property Partners and Suffolk that's building the State Street office building at One Channel Center, on the opposite side of the convention center.

It also brought in real estate firm Jones Lang LaSalle as a hotel adviser and tapped Elkus Manfredi Architects to design the hotels, which will be separated into seven- and 13-story buildings.

The Hub architectural firm handled the design work for Commonwealth Ventures' renovation of the old Verizon building at 50 Post Office Square in the Financial District, and it designed an apartment complex that's already construction next to the hotel site, at 411 D St., for Cresset Development.

"That's part of what will help speed this thing along," said Galvin, referring to the project's aggressive time table. "The MCCA has already laid a bunch of the groundwork, in terms of community meetings and (filing with) the BRA, and now we get to pick up the ball."

The project will create an estimated 370 construction jobs and 175 hotel operation jobs.

Carpenter & Co. lost points during the evaluation of the two proposals because it "took exception" to many of the requirements in the bidding documents, including a hefty room block agreement, Davis said. The developer's rent pitch had "a lot more upside" over the long term but carried more risk, he added.

The developer, known for transforming the Charles Street Jail into the Liberty Hotel, had proposed Hyatt-brand hotels operated by Highgate Hotels, a New York company that replaced original partner White Lodging of Indiana late in the process, Davis said.

"We are disappointed but this was a very tight project economically," Carpenter & Co. president Richard Friedman said in a statement. "We just didn't want to promise more than we could deliver."

Meanwhile, Rooney said he expects to ramp up talks in March with Massport for a ground lease deal to support a headquarters hotel development on a Summer Street site near the convention center.



DOUBLE OCCUPANCY:
Rendering of two mid-priced hotels on D Street, across from the convention center.

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