

APPENDIX E

Estimate of Potential Revenues from Metropolitan Highway System Real Estate

Completion of the Project will result in the creation of thirteen significant development parcels in Boston, to be transferred by the Commonwealth to the Turnpike Authority pursuant to the Metropolitan Highway System legislation. We estimate that the potential value of these thirteen parcels is \$185.5 million. The estimated value of the two Kneeland Street parcels (parcels 26b and 27a) is based on a final draft independent market appraisal. We have estimated the potential value of the remaining eleven parcels using existing Boston zoning and conservative estimates of current market sales values but have not confirmed these values for individual parcels through appraisals. Ten of the parcels will not be created until late 2004 or 2005, after the elevated highway structure is removed and the project is completed. Three of the parcels (Kneeland Street parcels 26b and 27a and Parcel 7) could be made available to developers prior to completion of the project.

The Turnpike Authority plans to market parcels 26b and 27a later this fall. The Turnpike Authority will structure its request for proposals to maximize the amount of the sale or lease price that can be realized in 2002, but does not represent that it will receive in 2002 the \$100 million value of the two parcels determined by appraisal. The appraised value for parcels south of Kneeland Street is based on current Boston zoning and the assumption of the appraiser that the City of Boston would grant a Special Permit for development on one of the parcels. The full \$100 million value of the parcels determined by appraisal may not, therefore, be realized until a developer completes the permitting of proposed development on the parcels and can close on project financing (the "Outside Closing Date"). The request for proposals will be structured to realize the full sale or lease value of the parcels as soon as possible following selection of a developer, and commit the developer to an Outside Closing Date no later than 2004. The sale or lease of parcels 26b and 27a will be subject to prior commitments relating to parcel development, including the joint development process commitment pursuant to the Project's MEPA filings, as applicable. The City of Boston has indicated that it will undertake a comprehensive planning process for the area south of Kneeland Street, including parcels 26b and 27a, which could result in changes in existing zoning. The progress and outcome of this City planning effort could affect the sale or lease of these properties, as values could be discounted to the extent that zoning is not perceived as final or is in fact changed. Other factors affecting the timing and value of the Kneeland Street parcels include the occupancy of the building located on parcel 26b by Project staff. A leaseback arrangement will be considered, but could reduce the net revenues realized from the sale or lease of the property. Remaining Project construction activities on or near the two parcels could also affect schedule for development and schedule of proposed payments. The Turnpike Authority will work to minimize these impacts.

These estimated sales values of all thirteen Project real estate parcels are based on current Boston zoning and current Project calculations of parcel areas to be created. Actual sales prices or long-term lease payments for any of the thirteen parcels could be higher or lower than these estimates, and could be substantially lower (including, in worst case scenarios, zero value), depending upon a variety of factors, including but not limited to, real estate, lending, and investment market conditions at the time of marketing, sale, or lease of individual parcels. Other factors that could affect schedule and values include, but are not limited to, changes in Boston zoning, and development and permitting requirements imposed by the City of Boston, the Commonwealth of Massachusetts, the federal government, and other governmental agencies; Project requirements or changes that affect the size, availability, or utility of the parcels; and individual site conditions, including environmental conditions, that affect or limit development potential. Comprehensive and time consuming public participation processes will be required for the selection of developers and approval of projects and may affect both values and anticipated schedules of payments.

Development of existing Turnpike Boston extension air rights parcels is being actively pursued, but potential revenues are too speculative to be projected. Air rights parcels in Boston are subject to lengthy public approval processes and have no potential development potential “as of right”. Even if a project is approved, premium costs (primarily ventilation and structural related costs) to build over the turnpike may significantly diminish Turnpike Authority returns.