

Q&A: Kirk Sykes, President Urban Strategies Fund America

Written by Michael J. Chin

"Affordable housing, job creation, placemaking - it's really not sustainable unless it's economically grounded."



Urban Strategies America (USA) Fund is a Boston real-estate investment firm that emphasizes returns for the community as much as returns for investors. One of their most visible and influential projects is the Crosstown Center (at the intersection of Massachusetts Ave., Melnea Cass Blvd. and Southampton St.) - a \$150 million venture that took an urban renewal site and turned it into a successful hotel, office, retail and parking destination. Their next project is called Parcel 24, which will transform an underutilized

strip of land in Chinatown into an environmentally friendly residential high-rise, which will set the standard for affordable and market-rate housing integration.

Their triple-bottom line approach - or the three P's of profit, people, planet - is an excellent ideal, but is extremely difficult to put into practice. Enter Kirk Sykes, president of USA Fund, whose business savvy, community sensibility and pragmatic approach allow the Fund to deliver bona fide returns.

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Color Magazine: Can you discuss being a socially responsible business and a profitable business in today's world?

Kirk Sykes: In the post-recession environment, or the midst of the recession, it's probably driven by the profit P more than anything. There's been a de-risking of many investors and corporations where there is less of an appetite for a fund like this because there has been such a loss of value in the portfolios of investors. So, if anything, there has been a bit of a shift to the profit P. I think at the same time sustainability becomes an important buzz word. You see a lot of organizations hiring sustainability officers. There is a desire to have sustainable buildings because folks don't know what the impact on value will be in the future - you don't want to be the person who didn't do the sustainable office building when ten years from now everybody else is. I think the people component, the third P, is the tough one because in a 9.2 percent unemployment environment, that is the 800-pound gorilla. How do we get people back to work, how do we create jobs. And that's a really hard one because America has changed. We're a global economy. We're a net importer not a net exporter, and many places in the world are the exact opposite.

CM: The Crosstown Center is now seven years old. Has your vision been realized?

KS: That was a very exciting project that took a lot of effort by a lot of people. It was a true public-private partnership. It was done at a time when bond yields were very high, so ironically, while the hotel has done better year over year - and is really actually doing quite well - some of the promised returns were much higher than one might expect from a project right now. And so we continue to kind of chase value creation there. But what I would say is that from an economic development perspective, from a job creation perspective, it's done everything it intended to do as an empowerment zone project, which employed 98 percent people of color and about 60 percent people from the empowerment zone. The project has been a catalyst for change in the area. It's certainly carried development across Mass. Ave. It's proved you can do a \$150 million project in a community of color.

CM: What are the community factors you consider when doing a project?

KS: Boston is a high-barrier entry community, where it's impossible to get much done without community consensus. In that project there were really four different communities coming together. There was the yuppie South End community, the African American and Latino community of West Roxbury, the African American community of Roxbury and the meat-packaging district of New Market [Square]. There we had a very extensive community processes, and what we found was some middle ground around job creation, traffic and access to transit. I think if you can find that middle ground you can find success in a diverse series of community interests.



CM: Part of how you do that is by partnering with non-profits and other community organizations. What do you get out of these?

KS: Well the most exciting one we have right now is with Asian Community Development Corporation in Chinatown. The first thing is, usually if there is a CDC involved there has been quite a few years of leg work done. In the case of Parcel 24, it sort of started when the highway was built through Chinatown and destroyed a block of houses, displacing a lot of people. Then for 50 years people sort of stared at a highway ramp. When there was a chance to reclaim the land the community was very involved in the visioning of what

should go on the site. They were also critical in establishing the amount of commitment to affordable housing, both in home ownership and rental. The result is a project with some of the highest affordability in a mixed-income project - 42 percent affordable, which is way above almost anything else and it's onsite, rather than making it removed. So those values become part of the DNA of the project. They also help smooth the process. If you can have the community be your partner, that's a great way to get to a win-win as opposed to contention.

CM: What is the model that is going to make Parcel 24 viable once it's built?

KS: Part of it has to do with Boston. Prior to the recession, Boston was producing 5,000 units of multifamily rental housing a year. This year it will have produced 600 units. There is a pent up demand that has been created by a dearth of construction. At the same time, because Boston has the education and medical drivers, there is a fairly stable income base that can support the market rate component, and that drives rents up on the market rate aspect. What that has allowed us to do is create an internal subsidy between the market rate component and the affordable component. Affordable home ownership is subsidized by the 200 units of rental housing and also contributions from a partnership with the W Hotel. Then the affordable rentals are subsidized by tax credit equities from the state. And there's Mass. Highway land where we got a favorable ground lease because of the amount of affordable housing. And there's a park given back that helps mitigate the central artery wall. For me, it's kind of the win-win and the national model for mixed-income development.

CM: What do you see in locations, like the Crosstown Center and Parcel 24, that other real estate developers don't see?

KS: Sometimes people look for more conventional sites. When you look at Parcel 24, there's a highway ramp going up one side, it's an extremely narrow site, it's got I-90 on the other end. But what it has going for it, which I see, is that it's two blocks from south station. It's on the end of the Greenway, Boston now has a younger, hipper population that is looking for the diversity of people and activities that happen on that site. They are less challenged by a more conventional developers assessment of what might be a negative, that we see as a positive. Dim sum at 2:30 a.m. is going to be a really neat thing for somebody, but it probably takes a certain Gen-X, Gen-Y mentality.

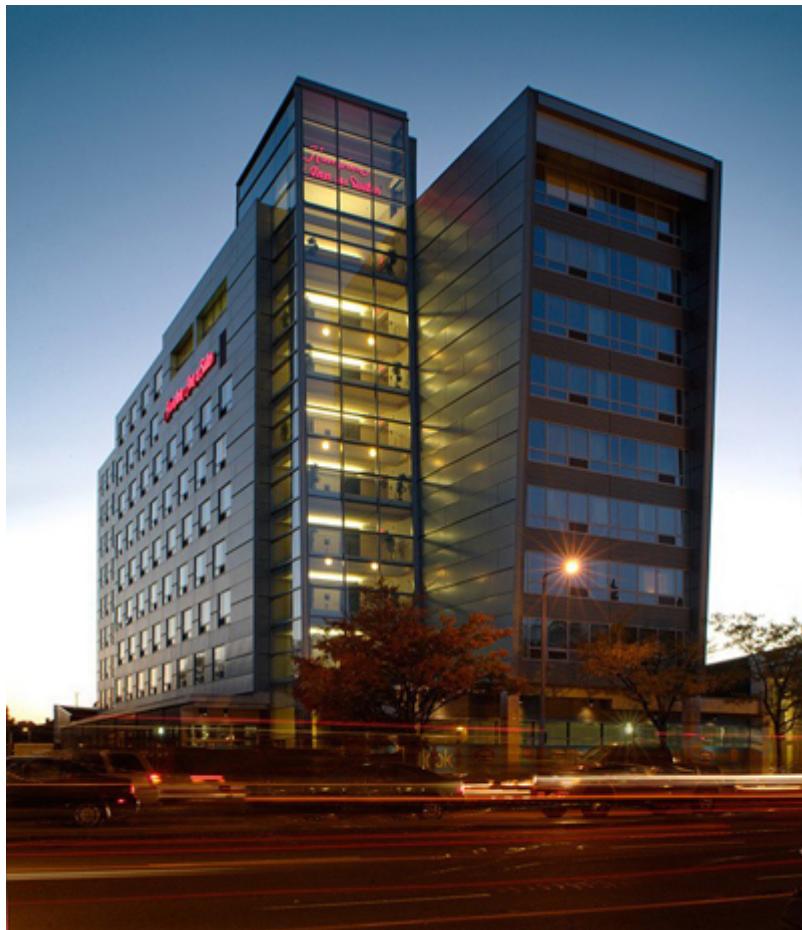
CM: What was it like to come from a family of entrepreneurs and pioneers?

KS: My great-grandfather owned the coal, ice and saloon businesses in Decatur, Alabama. When there was a desire to have a black mortician they gave that to the entrepreneurs, so my family ended up in the funeral business as well. My grandfather was a Pullman porter, he played in the Negro Leagues and pitched a no-hitter. He graduated from two universities, Moorehouse and Howard University, and ultimately became a dentist. My father's an artist and a professor. So I think there's a propensity in

my family to have a vision to think out of the box, to be committed to the community, to act rather than be complacent. Nobody ever preached that, but it was there as an example, and one that was hard to miss.

CM: What advice would you give to the entrepreneur who wants to make money and make a difference?

KS: I think it's easier to begin with a business background and then layer on some of the softer disciplines. Though that may be the thing that gives you the entrepreneurial spark, if you don't have the grounding to evaluate the sustainability from a financial perspective, it's hard. I'd say, get that strong background to be able to evaluate the economics and marketing potential of something, then apply that filter to whatever your unique vision is. There's a great saying in the world of entrepreneurship: Fail fast. People are afraid to stress test what it is they have, but stress test it, because the worst thing is to nurture something that has a fatal flaw you can't see.



CM: Isn't that the opposite of how you started? You were an architect first and then added on the business dimension.

KS: It is kind of the opposite, but I started with a bent that wasn't so far to the soft side that I didn't value the middle. I think I was always in architectural planning with a

perspective toward community building. The pragmatism was that building community came first, and pretty pictures and lofty ideals came second. I realized - especially when we were doing the sustainable master plan for Roxbury - there had to be an economic development grounding in what we proposed, otherwise it would be one of those things that maybe got to happen someday.

CM: What do you look back on that makes you feel like you made a tangible difference?

KS: I think Crosstown had to be that experience for me. Prior to what we did on that site, it was an urban renewal site and the perception was that it really couldn't be a destination, that it was a place for manufacturing or where you put boxes. We really set out to create a live-work environment which sort of said the lights are on in a community that people didn't value in the same way.

The scale was important but also engaging people in a way that even the smallest person got an opportunity that they might not have gotten otherwise. We were rabid about having the most people of color and local residents that we could work on that project. We had some great people who took that spirit and made it their own. For example, getting people licenses, and if they didn't have a license getting them to the DMV so they could drive the truck and get on the job. Many years later a guy came up to me on a different site - he was one of the guys who sells hot dogs and stuff out of the truck - and he said, 'Do you know who I am?' I didn't and he said, 'I wanted to thank you for getting me on that Crosstown project as the concession guy.' If you have that big vision to create the most opportunity for the most people and you set your sights high, it's amazing how it trickles down to affect even the smallest person. That was certainly the eureka project, not only the Boston Globe calling it a 'love fest' in terms of bringing people together, in terms of what were able to create - but it's the little things - the person that comes up to you and says, 'Thanks a lot,' and you didn't even know you had helped them.